NATIONAL GOVERNORS ASSOCIATION

Winter Meeting

February 21, 2015

JW Marriott Hotel
Salons III and IV
1331 Pennsylvania Avenue NW
Washington, DC

Opening Session

Governor John Hickenlooper, Colorado, Chair
Governor Gary Herbert, Utah, Vice Chair
Guest: Danny Meyer, Chief Executive Officer,
Union Square Hospitality Group
GOVERNOR HICKENLOOPER: Please take your seats. The program will begin very shortly.

(Lause.)

Ladies and gentlemen, please take your seats. All right, ladies and gentlemen now we’re getting there. It’s actually pretty good for us on a Saturday morning.

Welcome. It’s great to see so many friends who I haven’t had a chance to see in the meeting so far. Certainly as NGA Chair I want to take this opportunity to welcome everyone to the 2015 NGA Winter Meeting. We have a very exciting weekend ahead of us. I’m very glad to see all of you here.

I appreciate the effort you have all made to get here.

Part of the rules require that any governor who wants to submit a new policy or resolution for adoption at this meeting is going to need a three-fourths vote to suspend the rules to do so. This is a long-standing rule. Please submit any
proposal in writing to David Quam of the NGA staff by five o’clock tonight.

I also want to take this opportunity to welcome the new governors who were able to make it here. And I think they are all here. Maybe one or two had earlier meetings, but you can just kindly stand up and wave as I read your name if you’re here.

Alaska Governor Bill Walker. Arizona Governor Doug Ducey.

(Applause.)

GOVERNOR HICKENLOOPER: Hello, governor.

There we go. Arizona Governor Doug Ducey. Arkansas Governor Asa Hutchinson.

(Applause.)

GOVERNOR Hickenlooper: Hawaii Governor David Ige.

(Applause.)

GOVERNOR HICKENLOOPER: Maryland Governor Larry Hogan. Is he here? I don’t see him.

Massachusetts Governor Charlie Baker. I know he was going to try and get here. Pennsylvania Governor Tom Wolf. Not here. Rhode Island Governor Gina
Raimondo. No, not yet. You can tell who had a really good evening last night.

(Laughter.)

GOVERNOR HICKENLOOPER: Virgin Islands Governor Kenneth Mapp.

(Applause.)

GOVERNOR HICKENLOOPER: So congratulations all new governors. We are delighted to have you here.

I also want to recognize our guests from the White House Office of Intergovernmental Affairs, Jerry Abramson and Adrian Saenz. Thank you both for being here. Where are you guys? They’re here somewhere. There they are, over there.

(Applause.)

GOVERNOR HICKENLOOPER: We also have a significant international presence at the Winter Meeting this year. I would like to take a moment to recognize our guests: Governor Jorge Herrera from Durango, Mexico. Eduardo Medina-Mora, the Ambassador of Mexico to the United States.

(Applause.)

GOVERNOR HICKENLOOPER: They led a sizeable
delegation from Mexico.

We also have Premiere Paul Davis from Newfoundland and Labrador here.

(Applause.)

GOVERNOR HICKENLOOPER: Ambassador Gary Doer of Canada to the United States.

(Applause.)

GOVERNOR HICKENLOOPER: I think they have a delegation from Canada, as well.

David O’Sullivan, Ambassador of the European Union to the United States, and a delegation from the European Union.

(Applause.)

GOVERNOR HICKENLOOPER: And then delegations and representatives from Chile, Japan, New Zealand, Peru, and Singapore. Thank you guys all for coming and all of you for making the effort.

At this time we want to recognize several companies, as we always do, that have maintained a sustained commitment to governors throughout their participation in the NGA Corporate Fellows Program.

The Corporate Fellows Program was
established in 1988. It facilitates the exchange of expertise and knowledge between governors and America’s leading companies. With their annual contributions more than 125 participating companies provide crucial financial support for the nonprofit NGA Center for Best Practices.

NGA’s relationships with private-sector leaders are invaluable in helping the Center achieve its mission of providing governors with evidence-based ideas that work.

Today we recognize several corporate fellows who have reached major milestones in their tenure as members. Please join me in thanking the following companies for their long-term membership in the Corporate Fellow Program. And if you could have a representative of your company come up and join me at the podium as I call your name:

Daniel Womack with the Dow Chemical Company, 25 years.

(Applause and presentation.)

GOVERNOR HICKENLOOPER: And just in case you doubted that there was a reason to remain in a
committed partnership, after 25 years you get these remarkable weights.

(Laughter.)

GOVERNOR HICKENLOOPER: Trey Paris with General Electric. General Electric has also been with us for 25 years

(Applause and presentation.)

GOVERNOR HICKENLOOPER: Little known fact that Trey Paris happens to be the best squash player in all of the world of government relations.

(Laughter.)

MR. PARIS: It’s a pretty narrow universe.

(Laughter.)

GOVERNOR HICKENLOOPER: Roman Gabriel with Prudential Financial. Again, Prudential Financial has been with us for 25 years.

(Applause and presentation.)

GOVERNOR HICKENLOOPER: And then last, Richard Buckley with AstraZeneca, and they’ve been with us for 20 years.

(Applause and presentation.)

GOVERNOR HICKENLOOPER: All right, so please
give one more hand to all of these companies for all
their outstanding support to the Center for Best
Practices.

(Applause.)

GOVERNOR HICKENLOOPER: Now I want to take
just a minute to talk a little bit about the Chair’s
Initiative. When I became Chair last July, we began
the year-long Initiative “Delivering Results”. And the
goal of this Initiative is really to make state
government work in the most effective, cost-efficient
ways possible.

State government touches lives, touches
people’s lives, in so many ways, and its scope and
scale today is wider and farther reaching than really
ever before. I think it is more important as well,
more important than ever, to ensure that state
governments are using tax dollars effectively to
deliver on their promises.

“Delivering Results” as an Initiative
continues to focus on improving the efficiency and
effectiveness of core state government functions.

That is, how the state can hire and develop talented
teams, and make sure we use state of the art systems for making sure that we not just hire talent but retain it.

Secondly, that we adopt innovative performance improvement and management practices that use data and evidence to improve processes and policies that we’re constantly trying to create systems of continuous improvement.

And then thirdly, engage stakeholders and constituents to improve regulations and requirements to protect the public good to make sure we have a level playing field but at the same time getting rid of onerous regulations and rules from state government.

Those are the core tenants of the “Delivering Results” Initiative. We’ve spent a lot of time in Colorado, and I know a lot of you have in other states as well, working on this effort.

Governors are the chief executives of their states, and we all have a unique ability but also a unique responsibility to improve the way government works. We often say that we can argue
about whether government should be larger or smaller, but I think we all believe the government’s got to work.

Many states are adopting innovative practices used by businesses or universities or others to address the fundamental issue of delivering better governmental results to people.

One example: in Michigan there is a new website that provides information to the public on performance in key areas such as economic growth, economic strength, health, education, public safety, things that people care about.

In Washington, Governor [Jay] Inslee has instituted Results Washington, a wide-reaching effort to ensure that all of state government is focused on achieving a set of high-priority goals, including world-class education, healthy and safe communities, and a prosperous economy.

In my own state of Colorado, one of the things we did immediately after taking office four years ago was travel around the state and engage communities and business leaders to see what they
thought the state should be doing and really creating an economic development plan for the state from the bottom up. Part of what we heard was, again and again in every part of the state, get rid of unnecessary rules and regulations.

In response, in Colorado we established what we called Pits and Peeves. To this day, I’m not quite sure where that name came from, but we have reviewed over 16,000 rules and regulations, and more than half of them were either eliminated or significantly modified and simplified.

We have also adopted lean process management systems in the state capital. We’ve gone over 120 lean processes now. It means that, you know, our government processes are constantly trying to be more efficient, faster, and less troublesome to the citizens we’re serving.

“Delivering Results” is an Initiative that seeks to shine a spotlight on the cutting-edge practices so that we can learn from each other’s work and really be able to implement more easily into our own states.
In the fall of 2014 we had a series of expert roundtables to learn about current research and practice in the areas of management and hiring practices, government process improvement, and appropriate regulation.

At each meeting we had thought leaders from around the nation and from different states sharing lessons learned and making suggestions for things that states should consider. The experts identified several key roles that governors play in “Delivering Results”, including:

First, setting clear goals and priorities for the states;

Second, helping to ensure state agencies stay focused on those goals in their everyday work, creating a real culture of excellence and I use the word culture intentionally, where problem-solving and continuous improvement are the norm.

And communicating priorities and successes with stakeholders, including legislators, agency staff, business groups, and really, most importantly, the public.
On April 23rd and 24th, I am going to host a summit on the Initiative, and I hope many of you will be able to get there. If your schedule doesn’t permit your attendance, hopefully you can send a representative or a team to attend. I think the summit is going to be able to spotlight the innovative processes that states already are using to deliver results, and continue to share more information with you, governors, and your teams about how we can put those ideas into practice.

Our priority for this Initiative is to provide all governors with examples of best practices and tangible resources to help save taxpayer money and to use resources in the best way possible.

I hope this Initiative will leave you with new ideas, tools, and information to help you achieve your goal.

Today, now I get to introduce our speaker. I kind of ran through that, but I wanted to make sure we had as much time as possible for our speaker because we don’t often have a chance, most of us, we governors don’t get a chance to hear people like
Danny Meyer.

Some of you are going to say, “Well, who is Danny Meyer?” I wouldn’t say that.

(Laughter.)

GOVERNOR HICKENLOOPER: But some of you might. Because if you’re not in New York, if you don’t get to New York on a regular basis, a lot of what he has achieved you might not be aware of.

He is the Chief Executive Officer of a company called Union Square Hospitality Group. He really is, I would argue, one of the greatest restauranteurs in America today, and really one of the great restauranteurs that we’ve ever had in this country.

At the tender age of 27, he launched his business with Union Square Café back when Union Square in New York was a pretty dangerous place. And he really viewed his effort as a colonization. He was going back and retaking part of the city and using hospitality to transform it.

He was pioneering a new breed of American eateries with imaginative food and wine, but
enveloped in real, caring hospitality and making sure that the surroundings were comfortable, and that they delivered real value.

He, unlike so many restaurants—or restaurateurs—he went a number of years before he opened a second restaurant and made sure that everything was right. He has always been a thoughtful, very, very intentional person about how he expanded his company.

In the summer of 2004, he launched Shake Shack.

(Applause.)

GOVERNOR HICKENLOOPER: Yes. There’s applause for Shake Shack. And since then, new Shake Shack locations have sprung up along the East Coast and internationally. And late last month, Shake Shack became a public company worth well north of a billion dollars. So, congratulations on that.

I wanted to point out that we invited him before the public offering, even before I knew that Shake Shack was even going public.
He is also an author. He wrote a book called *Setting the Table*, which was a *New York Times* bestseller and I think was one of the best works on hospitality that I have ever seen. He examines the power of hospitality not just in restaurants but in business and in life. And that customer service really is a key to success in life.

Many of you have heard of the James Beard Award. It is one of the most prestigious awards. It’s not quite like a Nobel Peace Prize, but it’s at that same level of difficulty. And Danny and his restaurants and his chefs have won 25 James Beard Awards, which dwarfs anyone else.

*(Applause.)*

GOVERNOR HICKENLOOPER: I am so grateful for him talking right after his company went public--and his wife Audrey is here. We had a wonderful dinner last night at a restaurant called Rose’s Luxury, and the meal was good enough for me to plug it right here. But I am grateful for him to take time out of his life to share his experiences and his perspective on the world with us today. I’ve asked him to talk
about his focus on innovation, on quality and
customer service, and how his work goes into his life
and into his businesses over these years.

Without further ado, let me introduce
Danny Meyer.

(Applause.)

MR. MEYER: Well, thank you, Governor
Hickenlooper and thank you to the National Governors
Association and all the governors who minded their
business last night so they could wake up this
morning and be here today.

I am very, very honored and grateful to be
here. And you must be kind of within your normal
means to say what the heck is a restaurant guy doing
up here speaking to all of us governors? And I do
want to tell you that I’m just about as fascinated by
what you do as I could possibly be.

And I want to say that as an American, I
am so grateful to this organization because of what
you’re doing to restore faith that government works.
It just feels great. I believe in government. I grew
up in the Midwest, in St. Louis, Missouri. I see the
great governor from Missouri over here. And I grew up in an interesting family, because my mother’s family were Democrats and my father’s family were all staunch Republicans, and I was the middle child of three. And, you know, my head was going left and right every night at the dinner table. We were having real debates. This was during some tumultuous times in the ’60s and ’70s. And I found myself so fascinated.

Last night we were driving by the Harrington Hotel, which doesn’t look any nicer today that it was when my 9th . . .

(Laughter.)

MR. MEYER: . . . my 9th-grade civics class took me to the Harrington Hotel, and I got to be in a film with Senator Tom Eagleton at the age of whatever I was, and then I got to work in the United States Capitol as an elevator boy when I was 18 years old. And when I went to Trinity College in the great state of Connecticut as a political science major, I got to work in the State Capitol for the speaker of the House at that point.
And then, because I really wanted to be you when I grew up and—I’m so glad I didn’t—

(Laughter.)

MR. MEYER: the very first job I had after college was, you know, with my centrist leanings working for a fantastic Presidential candidate in 1980 that most of you are too young to remember by the name of John Anderson. And this was in Chicago. So I got to be the Cook County field coordinator because the Democrats and Republicans got all the guys with experience. But I love what you do; I honor what you do. And I want to say thank you as an American for what you’re doing to restore faith that government can work.

(Applause.)

MR. MEYER: So one of the things that Governor Hickenlooper and I were speaking about last night is that, as another restaurant guy I think you know that about his past we are constantly running for office when we run restaurants. We are trying to get as many votes as we can possibly get.

A city like New York has 26,000
restaurants--fair enough--only 19,000 when you eliminate the pizza parlors, but it’s still a lot . . .

(Laughter.)

MR. MEYER: . . . it’s still a lot of competition. And so what that means is that it is not enough any longer to say that this is the best restaurant because they’ve got the best roast chicken, because there are 60 incredible chefs who could argue that they have the best roast chicken.

In the old days it was good enough to do that, but then we got the Internet. And what the Internet did essentially was to level the playing field in terms of being a leader based on being the best at what you did. You still have to be the best at what you do. But what the Internet did was, as soon as the word got out that this restaurant had the best roast chicken, and this restaurant has the most beautiful flowers, and that restaurant can actually seat you on time for your reservation, anyone who wanted to figure out the recipe for the roast chicken, or the design for the flowers, or getting open tables so that you can seat people on-time for
their reservation, they can just copy it. Everything is knowable, and everything is tellable, and everybody in the world is obviously walking around as a reporter with their camera plagiarizing every good idea on earth. And that’s good in a way, because it means that the level of quality goes up everywhere. But I think what we have learned, and I think that this is just about applicable to any organization—you all are CEOs, I’m a CEO, you’ve got an organization that relies upon great employees. You have to please your customers, just like I do. You are doing it for the benefit of a community, just like we are. You have all kinds of suppliers, the agencies that you work with are upon whose excellence you rely. And of course you have investors, the taxpayers, just like we have investors. So every organization on earth has the exact same five stakeholders. And what we’ve learned, I want to just give you one other thing, and this is not for any kind of a round of applause, it’s really just trying to make a point. If you were to open up the nineteen—excuse me, see how old I am—if
you were to open up a 2015 Zagat Survey, which is
really the, it’s the oldest survey in which at least
20, 30, 40,000 people vote each year, for New York
City, the 2015 Zagat Survey, you would notice that of
all the restaurants that they cover in New York City,
there’s a category called New York’s Favorite
Restaurants, which is separate from the list of who
has the best food, who has the best decor, and who
has the best service. Those are the three things
they ask people. What do you think of the food, décor,
and service? Which I would put under the category of
performance. Is the food any good? Is the service
any good? And does the place feel, you know, is it
nice to look at?
And if you looked at this year’s guide,
you would see that three of the top six of New York’s
favorite restaurants are our restaurants. Three of
the top six in a city of 26,000 restaurants,
including number one, which is our 20-year-old
restaurant, Gramercy Tavern, and including number six
which is our 30-year-old restaurant Union Square
Café. And what I love about that statistic is that
we do not have three of the top six food scores. We have really good food, but we didn’t make the top six for food. And we didn’t make three of the top six service scores. And we didn’t even make three of the top 100 decor scores. Our places were joints.

(Laughter.)

MR. MEYER: So what did we learn from that?

What we’ve learned is really the recipe that has worked time and time again, and it’s the reason that people come to our restaurants time and time again and love them. And this is what I meant when I said we’re in politics as well. Because at the end of the day, there’s no higher compliment that somebody could pay you, or that they could pay a restaurant, or they could pay your state, or they could pay a hotel, than to say that is my favorite on the blank.

If I were to say that was my favorite professor, or this is my favorite dry cleaner, I couldn’t pay it a higher compliment. Or this is my favorite governor that I’ve ever had. Why?

You cannot be somebody’s favorite without being really, really good at what you do. But you
also have to be really good at how you make people feel. Think about that for a minute.

Nobody can argue with me if I say this is my favorite watch. This is my $39 Timberland Watch, and it wouldn’t be my favorite watch if it didn’t keep good time. It’s got to work. If it doesn’t work, and if the little button doesn’t make the light go on, it’s out of the running altogether.

But it also wouldn’t be my favorite watch if, for whatever personal reasons I have, it didn’t make me feel good. And I think that because of the Internet, we are now at a time where the equation works for every organization on earth. And the equation is this:

You know, we’ve got all these recipes that are hard to cook in our restaurants. Here’s a real simple one. Two ingredients only. And it’s 49 parts performance, and it’s 51 parts hospitality.

Now you’re going to say to yourself, what the heck does hospitality have to do with government? Hospitality is a word that we all grew up hearing about. When we go home to our grandmother’s for
Thanksgiving, it’s a nice hug, and, you know, it’s one of those feel good kind of words, but it doesn’t really historically have an organizational application. And I want to argue quite the opposite. I want to argue that today being the best in the world at what you do, which is so critical, will only get you 49 out of the 100 points you need if you want to be somebody’s favorite anything. If you really, really want to be an essential part of people’s lives. And the reason it will only get you 49 percent of the way there is because the minute a great idea gets out, it gets shared.

And as I said, that’s a good thing. That’s what you’re doing this weekend. You’re not holding back on really good ideas in the hopes that other people in their states don’t embrace those ideas and don’t put them to work. You all stand for good government, which is what I started by saying I’m so grateful for. But I’m just saying that that’s not enough. That’s not enough to get re-elected, if you’re a restauranteur.

And so what we’ve learned is that 49 parts
performance, and within performance in my business it’s did we get the right food to the right person at the right table at the right temperature at the right time? Did we get your coat back to you as opposed to fumbling through everybody else’s coats before we got you somebody else’s coat? Did we actually have your table ready on time for your eight o’clock reservation or not?

You expect that. And by the way, service, which is the word I grew up hearing my whole life in St. Louis—it’s the one thing my family could agree on both sides, was you’ve got to have good service, these are the places they went back to. Service is often misused because service belongs in the 49 percent category.

Service is a way to describe the technical delivery of the product. Did the product, or organization, or restaurant, did it do what you expected it to do?

If I rent a car, when my family goes on a vacation or we want to have a minivan, did we get the minivan? That’s good service if we got the minivan.
Did it smell like smoke when we asked for a nonsmoking minivan? Did it come with a GPS? Those are all aspects of service. That’s what service means.

Service is a lot like air conditioning. Nobody raves about it when it works anymore. The only time you hear about service and performance is when it doesn’t work. And you all know that. You have constituents. You have a whole lot more constituents than I have.

Today we will probably serve in our restaurants 45,000 to 50,000 people, which is a lot. And that doesn’t include Shake Shack. If you throw in Shake Shack, we will serve close to 200,000 people today. And I promise you that we will be making mistakes left and right, and every time we make an honest, human mistake it’s going to diminish our 49 points. It’s okay. I’ve got about two 100s on tests in my life as a student. I would be really, really happy if we can get up into the 90s. But the most points we will get for performance is 49.

But let’s talk about the 51 real quickly
here, because the hospitality is the part that elevates any organization into best of breed. Hospitality.

Hospitality is something that exists when the person on the receiving end of your performance truly knows that you are on their side; that you are doing things for them. If I do get the right food to the right person, cooked the way the person asked for it, did I do something for them? No, I did what was expected.

If I remember that Governor Hickenlooper, last time he came into my restaurant, likes to have his salmon cooked medium rare, and I remember that now, and I actually acknowledge that when he comes in, or I acknowledge his favorite table, or I acknowledge that I remember you came in last time and it was your birthday, would you like to try something different this time? Now I’m getting into the realm of doing something thoughtful for somebody.

And the preposition “for” is always present when hospitality exists. The more and more high tech we get in life, the more and more people
need high touch in their lives. And the more and
more your constituents and my constituents need to
know that we are agents and not gatekeepers.

And I think, unfortunately, for too long
whether it’s city government that has regulations, you
know; I remember how hard it used to be to try to
open a restaurant in New York City. It was almost as
if they didn’t want us to be out there employing
hundreds and hundreds of people. And today 4,500
people throughout seven of your states, as well as
New York City.

Government was acting, to me, back in the
old days, as a gatekeeper and not an agent.
Gatekeepers have no place in the world of
government.

I told a story in my book Setting the Table
that Governor Hickenlooper referred to that
impressed me so much. When he was governor, Jeb Bush
in Florida, a good friend of mine had just set up a
brand new business in the state of Florida, and
didn’t make any fanfare about it whatsoever. Because
somebody was tracking every business that had been
incorporated, as well as how many employees that
business was going to have, my friend got a call from
Governor Bush whom he had never met in his life. My
friend was from Ohio, setting up shop in Florida.
And he said, I just want to make sure you know how
welcome you are in this state. And if ever you are
going to need to have an additional exit from the
highway to make it easier for your 6,000 employees, I
can’t promise we can do it, but I’m definitely going
to want to know about it.
That’s called being an agent. And that’s
called hospitality. That’s not service; that’s
hospitality.
I’m going to end my remarks very, very
shortly, because what I’m most excited about is to
welcome your questions so that we can kind of stir it
up just a little bit here. But what I do want to say
it this: We have named what we do enlightened
hospitality. And I don’t mean in the sense that
we’re a bunch of walking Mahatma Gandhi people, you
know, strolling through the avenues of New York City.
That’s not what I mean at all.
But what we have learned is that when you prioritize your stakeholders in any organization in the following order, you can create a virtuous cycle that is the most sustainable engine for both excellence and hospitality, and making an organization perform at its highest peak. And then, creating a situation where for every one of those stakeholders you become somebody that made their lives better which I know is all of your missions.

Everyone in this room would probably solve the problem differently if everyone were asked how can I make my constituents’ lives better? And I think there’s always wonderful room for debate. Believe me, that’s what I grew up with. But I don’t think anyone would disagree that if you had the opportunity that at the end of your term everyone who worked for you, every one of your constituents, every one of your communities, every one of your suppliers, and every one of your investors said: By virtue of that governor being my governor, my life got better. I think everyone would have to agree with that. And so what we’ve learned time and time again
is that to create this virtuous cycle of enlightened hospitality, we begin each and every time by saying something that I did not learn growing up in St. Louis. We put our customers second. We put our employees first, because whatever metric there is to suggest how much our customers love coming to any of our restaurants, that metric will never be any higher, it cannot be any higher than the degree to which our employees love coming to work. Because our employees can’t fake it.

And when you go to a governmental agency, or you go to a restaurant, or you go on an airplane trip, and it is very, very clear to you that the employees are either not well trained, not well hired, not enjoying their jobs, you can be pretty sure that you are consequently not going to have a great experience yourself.

Obviously, to the contrary, all I look for when I go to any of our restaurants right off the bat are two things:

Are people performing to peak performance?

Are they doing what they do as well as it can be
done?

And number two, are they having fun with each other while they’re doing it? Are they doing thoughtful things for each other?

And I know that if we hold our staff members accountable for the 49 percent, you have a job to do, we’re going to train you, it’s our job to train you to do that really, really well, hold you accountable. If you’re not doing it you do not get to be on this team. If you are doing it, you’re going to probably get promoted. But you’re only going to get promoted if in addition to doing what you do as well as it can be done, you’re doing it in a way that makes the rest of your team feel great.

And what’s awesome about setting that virtuous cycle in motion, is then our guests feel it. And they have a great time when they come in. And then by unleashing our staff members’ hearts and minds on their communities and to say your third stakeholder is to care for your community, whether it’s fighting hunger through Share our Strength and by the way, I want to thank the many of you who have
invested your time and resources and hearts into No
Kid Hungry, which is helping to end child hunger
right where poverty starts, but whether it’s
supporting or building a park, whether it’s working
for a hospice unit in our neighborhood, and
delivering meals to families who family members are
about to die, we believe that when you hire the right
people they not only want to use their heads they
want to use their hearts.

And then, finally, we take great care of
our suppliers. We don’t wield our incredible
financial muscle. I promise you we buy more pork,
between our barbeque restaurants and the other
restaurants of ours, than most other restaurants in
New York City, but we don’t say what you need to do
is to, you know, do everything we say. We offer that
same hospitality to those suppliers, because we need
them to be rooting for our success.

And what’s awesome about this virtuous
cycle is that at the end of the day our investors, by
virtue of putting them last, we did not put them last
because we wanted to make less money, we put them
last because in a virtuous cycle one good thing keeps leading to something even better.

When we have happy investors, which we do, guess what they do? They re-up. And when they re-up, we have wonderful opportunities to promote both financially and professionally the people on our team by virtue of opening new restaurants after that-- hopefully in your states.

So I want to say thank you, very, very much. It’s really a huge honor for me to get to be with you all today. Thank you.

(Applause.)

GOVERNOR HICKENLOOPER: So I’m expecting robust questions from this group, and we’ll start with Governor Walker.

GOVERNOR [SCOTT] WALKER: Well thanks. And thanks very much for your comments. I think we’re all very inspired by that. As a Shake Shack lover, I particularly thank you for having one right over here at the Spy Museum now. It’s kind of nice to pick that up. It makes me actually think of the Midwestern Custard Stands. That’s a warm spot for us
in Wisconsin.

MR. MEYER: Well, what if I were to tell you I spent seven summers of my life in your great state...

GOVERNOR WALKER: It makes a lot of sense because...

MR. MEYER: going to the Dairy Queen in Lake Nebagamon, Wisconsin.

GOVERNOR WALKER: That’s exactly what Shake Shacks are like. That’s why we love ’em. And actually you mentioned John D. Anderson. If you remember who was his running mate? Former Wisconsin Governor Patrick Lucey.

MR. MEYER: Oh, my gosh, that’s right.

GOVERNOR WALKER: Way back there. But just a question. You know, I think for all of us we’re kind of interested well, in all that you said, but when you talked about the 49 points versus the 51 points, and particularly at the end you talked about training, could you go a little bit deeper for us? Because I get the training. I think the analogy is perfect, because what you’re talking about is exactly what we talk about with all the services we provide.
You can have all the great people at the top, but if the front-line person delivering that service isn’t doing it, that’s where everything breaks down. So I get the training on the 49 points, but how do you take the people that are interacting directly with your customers and train that 51 points you need for hospitality?

MR. MEYER: Thanks for the question. I think it’s a great question. And I’ll start by saying the 49 percent performance is very trainable. You can come to work every day and probably incrementally get a little bit better.

Some people can’t get better, and it’s important to recognize that over a period of time. But on the 51 parts of hospitality, that’s a harder place to improve if you are not innately someone who has what I call a high HQ, a high hospitality quotient.

So in the same way as everyone in this
room has an IQ, I have no idea what mine is; but my
bet is it’s not going to change for the rest of my
life. I could read the encyclopedia tonight and my
ability to learn information, which is what an IQ
really represents, is not going to change.

Likewise, somebody’s HQ, and I define that
hospitality quotient as the degree to which anybody
actually feels better about themselves when they make
somebody else feel uplifted in life. And I think
that the key thing is this: it’s hard to go
retroactively in an organization that wasn’t thinking
about both sides of the recipe, and to say now we’re
going to start reviewing your 49 percent for your
technical skills, how well you did your job, and 51
percent on how well you made other people feel.

It’s hard to do that retroactively, but
you’ve got to start somewhere. And nobody can
convinced me that if you know this, if you know this
secret and this recipe, that you would just say
because it’s hard I won’t do it. And so what we
do; in fact, I was going through an afternoon of this
yesterday is in addition to having 360-degree
reviews, which I’m sure most of you do in your
organizations, those reviews are focused on exactly
what I said. You will get points for how many of the
49 percent technical skills you showed, and
points which leads to your bonus. Your bonus is 51
percent dependent on your emotional skills.

Here’s what you can do, however. Most
organizations in the world, and I’m not talking about
your states obviously, but most organizations are
basically highly transactional. Which is, if it was
a restaurant it would be you give me money, I give
you food. Next. You give me money, I give you food.
Next. That’s not what we’re interested in, and we
don’t think our employees are interested in a job
that’s “I do what I was told; you give me a
paycheck. I do what I was told.”

So what we’re trying to do is to say: We
want to be champions. It’s really, really fun to be
on a championship team. Picture your favorite
baseball team or football team. Look at the
championship dugout, and look at how good they are at
what they do, and how much fun they’re having with
each other.

Visualize that and say, why can’t we bet that? Why can’t we be that? And by naming it, what we’ve learned is, like almost anything else in life, among people with High IQs, it’s a bell curve, and there’s people that you could shine the sun on them forever and they’re just not going to have a high HQ.

There’s people you could keep in a closet forever, and you open the door, and after five years of being in the closet: How can I help you? What can I do for you?

But I would argue that most people lie somewhere in here. And so when you begin to prioritize in an organization, and even to reward behaviors--and we name what the behaviors are that promote hospitality--what you find is that most people actually already have this in their hearts. It just was never something that was properly embraced by anybody they worked for.

GOVERNOR [TERRY] BRANDSTAD: When you interview prospective employees, are there certain things you look for that are indications of where they would
have that high HQ?

MR. MEYER: Thank you, governor.

Absolutely. So the six emotional skills that we are
very, very intentional about looking for are the
following. And when you hear them, you’re going to
go that’s kind of second-grade stuff. But you’d be
surprised that if you make it intentional, your
batting average just goes way up.

So the first one is somebody who is both
kind and optimistic. It doesn’t really help an
organization if the guy you’re working next to and
relying on while everybody in an organization is relying upon
other human beings. We’re like bee hives, aren’t we?
Everybody’s got a job and a role. And if someone’s
not nice and you just don’t enjoy working with them,
that’s not a good thing. You can’t really teach
someone who is otherwise not nice to be nice.

And the optimistic part is also huge.

Somebody who sees the glass as being half full
believes that their actions can actually make an
impact on the world. You wouldn’t be governors if
you didn’t think that you could actually make things
better. People who are pessimists or skeptics don’t really help our organization too much because they just think it doesn’t really matter what we do, it’s still not going to work. What an awful thing that is.

The second emotional skill we look for is curious intelligence. We are looking for people who look at each day as an opportunity to learn something new. And they like to share what they learned with the rest of the team. And other members of the team love coming to work when the people they work with are nice, optimistic, and from whom they can learn new things.

The third emotional skill we look for is work ethic. Let’s face it. You can’t have any organization that’s awesome that’s also not great at blocking and tackling and doing things as well as they can be done.

You can have the world’s best training, but if the teammates don’t have the emotional skills that say not only do I know how to do it, but it’s important for me to do it as well as it can be done.
That’s an innate emotional skill.

And the fourth one is empathy. We want people on our team who when they go through life it matters to them how their behavior makes other people feel. It doesn’t mean, by the way, that you can’t be tough and draw lines; but you can draw lines in a way that does not diminish somebody’s self-esteem. You can draw lines in a way that’s actually quite uplifting for the right people who want to be champions. And so we call that the wake of the boat.

And it’s essentially saying that if you imagine that each one of us is a motorboat or a canoe going through life, we’re leaving a wake in our path. And we need to take responsibility for what that wake does to other people. If it’s doing something for other people, we’ve got hospitality. If we’re doing something to other people, it’s not.

And then the next emotional skill, which is quite obvious, is integrity, which is having the judgment to do the right thing even when nobody else is looking, and even when it’s not in your own self interest. And we hold people highly accountable to
that. People either have that, or they don’t.

And finally, self-awareness. People who know what makes them tick. People who know that:
every day I wake up, my job is not my job is not to feel chipper every day when I wake up; some mornings I wake up tired. Some mornings I wake up anxious.

It’s just like the weather outside. Some mornings it’s whatever it is out there right now; some mornings it’s hot and humid, some mornings it’s a beautiful 72 degrees sunny day with no humidity. But being aware of what your own personal weather report is, if you’re going to be on this team and this organization, hospitality is a team sport. And you need to be aware that you are having an impact on everybody else in the organization. And the last thing we want is to work with skunks on our team. You know, a skunk sprays you when it’s afraid or angry, and everyone within five miles gets to smell it. And that is not self-aware to do that.

So those are the six emotional skills we look for. We name them. We interview people. We don’t say: Do you have integrity?
MR. MEYER: Oh, yes, I do.

MR. MEYER: We do ask questions, though, that can help us understand it. Tell us about a time when you really had to use your integrity to make a really tough choice that you just couldn’t quite decide which way to go?

GOVERNOR BRANDSTAD: Thank you.

GOVERNOR HICKENLOOPER: Governor Herbert.

GOVERNOR HERBERT: Well, thank you. Welcome. We’re honored to have you here with us.

MR. MEYER: Thank you, governor.

GOVERNOR HERBERT: Congratulations on your great success, and helping us with our own HQ. My question really has to do with your journey. I don’t know all of your background, of your humble beginnings, but for most governors you know one of our number one issues is developing the economy in our states.

So tell us a little bit about your journey. Did you find opportunity? What were the
roadblocks you had to overcome as an entrepreneur, 

businessman, restauranteur. Do we still have upper 

mobility in this country?

We hear talk out there that the opportunities are gone; that we’ve got stagnation in particularly our middle class. So tell me about upward mobility in your progress and your success, and then tell us what should we be doing? What are we doing right? And what should we be doing better to foster opportunities for folks like yourself, the risk-takers?

MR. MEYER: Thank you. I think you just need to eat in more restaurants, and I think everything will be okay.

(Laughter.)

MR. MEYER: Another fantastic question. Governor Hickenlooper promised me I’d be getting a bunch of really good questions today, and you were absolutely right about that.

I will start with your question. My beginnings, just to be as candid as possible, were not that humble. My family instilled an amazing work
ethical, and we never had to wonder about when our next meal was going to be put on the table, as so many in this country do.

We never had to worry about would we be able to have a family vacation in the springtime, like other families have to worry about. So I just want to be as candid as I possibly can about that.

But, like other families who did not have to struggle, we were fortunately imbued with the kind of values that said your job is to . . . is to care for your community. And as I said, one grandfather ran for Republican alderman in St. Louis, and one grandfather supported Democratic candidates and never ran for anything himself.

So the goal was not this policy or that policy, but it was what can you do and give something to other people? And that’s why I think with our restaurants typically we try to go to neighborhoods and communities that are not developed yet. We try to go to places where we can use restaurants as a community maker.

And then furthermore what we try to do, and
I’ll use Shake Shack as an example, I would say that 80 percent of the hourly employees that we have at Shake Shack have never even had a job before. Nobody talks about that Shake Shack is almost a job training program, and we hold these people to high standards.

We pay above the minimum wage. We share, after you’ve been with us for six months, we share one percent of our sales with you as a bonus, which means that we’re letting our hourly workers know what our sales are at that particular restaurant.

And then furthermore, we create what we call a Stairway To Success because it’s not enough to say, whatever hourly rate you’re getting, isn’t that nice? Because over time that’s not the American Dream. Whatever you’re getting is not the American Dream. The American Dream is about climbing.

And so we create a stairway that makes it very, very clear what skills you need to get to the next rung on the ladder. And I am very, very proud to say that an enormous number of our managers, including general managers, started off as hourly workers.
And then furthermore, I’m enormously proud
to say that when we had our IP three short weeks ago,
we made it that not only 100 percent of our managers were
granted options in the company, which is kind of what
they’ve been doing in the tech world on the West
Coast for quite some time now, but furthermore that
every single employee, including hourly workers, was
given an opportunity to buy stock at the IPO price,
rather than using it for friends and as an opportunity
to reward friends and family.

So there are ways I think to almost look
at and by the way, now I’m going to back off Shake
Shack for a moment and remind you that the first
restaurant, Union Square Café, is now three years
older than I was when I opened it. So it will be 30
years old this year. But that doesn’t stop me from
asking two questions:

Whoever wrote the rule that you cannot be
a 30-year-old startup?

And the second question I would ask is:

What would it take for us to become the company that
if only it existed would actually put us out of
business?

And that’s what I mean when I say we’re running for office every day. We may be 20 points ahead in the polls or not I’m not sure but we’re running as if we’re 20 points behind, and we’re running as if every time we do something somebody is going to want to eat us for lunch.

And we know that there is nothing better that we could do than to provide jobs for the right people, the right kind of training, the right kind of culture and I think culture is everything. And then when that I’m going to make a quick metaphor and then I’ll be done with this question.

We sell a lot of wine in our restaurants. And wine is a fantastic metaphor for exactly what we’re trying to do in our organization. You will never have a bottle of wine, or a glass of wine that will ever taste any better than the worst rootstock of grapes. That’s where it starts, with the grapes themselves. Okay? And then you can get the best rootstock. You know, some guy from California can graft some pinot noir vines from Burgundy and plant
them in the Napa Valley, or Sonoma; that’s still not
enough. The next thing he’s got to do, now that he’s
got the best rootstock, and in our case that’s
employees, is to make sure that the soil, also known
as the culture, is as healthy as it can possibly be.
And our job is to constantly enrich our
culture. And culture is just another way of saying
how we do things around here. Because you can get
the best rootstock, and you put it in a toxic culture
or toxic soil, no good.
The third thing you need to do is train
the vines. Now you’ve got these great, amazing
rootstock grape culture, the vines grow all over the
place, the grapes are not going to taste good.
If you do those three things, it sets you
up to do even better than any other winemaker when
it’s a bad vintage, because the fourth thing that
impacts all of us are things that we actually cannot
control.
In your lives, I don’t know how you deal
with the kind of natural disasters, and man-made
disasters, macroeconomic forces that are going to
impact every single thing you do. But I will say this. What we know about great winemakers, because they have the best rootstock, the best terroir, also known as the soil, the culture, and they know how to train their vines the best, they may not make their best wine in a bad vintage, but they will always make the best wine even in a bad vintage.

And so that’s the kind of thing we are thinking about, and it is really about enriching human beings, and not doing it ever you’ve got to earn it. You don’t get to be on our team if you’re not accountable for what was expected of you.

Governor HICKENLOOPER: Governor [Peter] Shumlin was there somebody else? Oh, we’ll hear from Governor [Jack] Dalrymple and then Governor Shumlin who was there first.

GOVERNOR DALRYMPLE: Yeah. I just have to ask you about the concept of tipping, which I find to be a very confusing thing. I was always brought up that, you know, if the service is good you tip more; and if the service is bad, you tip less. But a friend of mine told me that in most restaurants all
the gratuities are thrown together and at the end of
the evening all the waiters and waitresses basically
just divide up the tips anyhow.

So, you know, does that even mean
anything? And there are some other confusing things.
Like in Europe 10 percent is considered a good tip.
In the United States, 15 percent is like a minimum
tip. And who decides these things, anyhow?

(Laughter.)

GOVERNOR DALRYMPLE: You know, that’s what
I want to know. And then you have these
controversies about, you know, some people don’t pay
minimum wage because they feel they can count the
tips as compensation. That’s like a big issue. And
then all the business about, you know, people don’t
pay taxes on the cash tips; so that’s the really good
part.

So enlighten us a little bit?

MR. MEYER: Yes. That was not a question I
was anticipating today, but

(Laughter.)

MR. MEYER: I’ll do the best I can as
briefly as I can. There is no governor of tipping
sitting at this table today. So I don’t know who
makes these rules up. But these are customs, and
they’re often customs country to country; there are
even customs state by state. And what’s really,
really frustrating is there are also very different
federal laws; excuse me, the federal law is often very
different than each and every state law.

And what that leads to is cultural
confusion, operational confusion, and I will tell you
that one category of people who win this confusion
are the kind of lawyers who love to make money by
finding the gap between federal law and state law.
In the confusion, even businesses that intend to do
the right thing are often in trouble because of that.

Now as a consumer, what I will tell you
is that it is reasonably clear to me, watching the
tea leaves, that this country at some point will be
giving up tipping. And I think that will be a good
thing when it happens, but it is going to be very
difficult to see that happen piece by piece.

Why? We have a huge disparity in income
between people who work in restaurant kitchens and people who work in restaurant dining rooms. If you go back the 30 years I’ve been in business, prices on menus, menu prices have gone up probably two-and-a-half times, just the check average alone, over the course of 30 years.

If you are a tipped employee, that means that your percentage and by the way, during that same time the standard U.S. tip has gone from 15 to 17 to 18 and then in fine dining restaurants 20 percent. So a higher percentage of a higher check average means that it’s a pretty good deal if you’re spending a few years being a waiter while you’re pursuing something else, or if it’s a profession that you want to continue for the rest of your life.

As a cook, however, the hourly rate over those 30 years has basically remained completely unchanged. And so the gap between what a cook can make, having spent all kinds of money to go to culinary school and not being able to pay that back, and what a waiter is making is great.

And restaurants are organizations. I
I think every business on earth would say that the sales team often makes more than manufacturers.
That’s kind of what waiters and cooks are. But that should not be growing, and growing, and growing. And so what you’re starting to see are restaurants that would like to say, in the same way that the $24 you’re paying for your entree relies upon me as an operator to determine how much of that should go to the florist, and how much should go to the grill cook, and the dishwasher, and the reservationist, and the **maître d'**, why did we single out this other category of people and say: But you, the consumer, know a whole lot more than I do about how much the waiter should make.

You don’t know, and you don’t know that the fact that your food was late had nothing to do with that waiter but had to do with all kinds of things out of control. And so what we would like to do is to find a way that there is just one price that covers everything, and everybody becomes a taxpayer.

I’m not saying that waiters don’t pay their taxes, because I would say the vast majority
do, but if you get everything right on the level,
it’s kind of the Uber syndrome, which is a good thing
from this perspective, is there’s no tipping with
Uber. You pay one price. And you also have an
opportunity for both the driver and the passenger to
rate each other.

Imagine what happens when there’s just one
price in a restaurant, and you can pay with your
phone because that’s one of the innovations that s
happening. Nobody likes to have that moment where
they really want to leave but they can’t find their
waiter to get their check. Or the waiter shows up
too soon with the check and the guest feels rushed.

So what you’re going to find, I’m going to
guess within the next five years, is a situation in
this country hopefully where federal and state laws
meet eye to eye so there’s no more confusion, and
when you go to a restaurant you push a button to pay
and you’re done. And you’re going to behave
yourself, and the waiter is going to behave him or
herself. And that’s good.

GOVERNOR HICKENLOOPER: Governor Shumlin.
GOVERNOR SHUMLIN: Hey, that was an excellent answer, and thanks for joining us. That’s always troubled me in my state. I know the folks who are doing the hard work, frankly, in pushing out the food are really working for tough wages, and often the folks who are serving, who are doing a good job but they’re making a lot more money. And let’s be honest about this, it’s not always sometimes it’s tax-free. So we all go through that.

Listen, I wanted to ask you another question. You mentioned that, you know, about Care for Community. We governors are governing at a time where Congress has never been, at least in my memory, less able to address real challenges. So we’re having to do the tough decision-making that sometimes Congress joined governors in making in the past.

One of the issues we’re struggling with in Vermont and I would love to have your view on this; the President raised it in his State of the State Address, I know Governor [Dan] Malloy has done good work on it in Connecticut, is the issue of compensated sick leave. And particularly in the
You know, as a governor when I think about the low-wage workers who if they are really sick and they don’t go to work, they can’t pay their rent, they can’t get the kids to school, all the issues, I would be curious how you feel about us legislating sick leave when folks really can’t be working, and frankly wouldn’t want them working because we’ve got to eat the food they make, and we’ve got to be at the other end, the receiving end of their illness.

So where are you on that? I am finding in Vermont it’s a robust debate. As a business person, you know, the business community often goes: No, no, no, don’t do that. Common sense says: Yes, yes, yes, do it. I’d be curious where you’re at.

Mr. Meyer: You know, I struggle sometimes to answer when something I believe in should become a law. And I’m not trying to duck the question. I’ll tell you exactly where I am. But I think it’s up to you to decide whether this rises to the level of being in the public good.

So, for example, in 1990, soon after my
own father died from lung cancer, I was so upset about that that we eliminated smoking at our restaurant Union Square Café because I was angry with smoke, and I was also angry about coming home every night smelling like an ashtray. And I was also angry about, remember the old days when there was smoking on airplanes, and there’s always that last row of nonsmoking and that first row of smoking, and neither one of those people is very happy. And we had that in our restaurants, as well.

In 2001, when Mayor [Michael] Bloomberg wanted to make that law in New York City, there was an enormous outcry from the whole industry saying if you eliminate smoking in restaurants we’re all going to go out of business. And if you thought you heard a lot from restaurants, wait until you hear from the bars.

And the mayor asked if I would testify that in fact our business as Union Square Café and Gramercy Tavern had only increased since we had eliminated smoking. And I said, I will testify to that because that’s true. As a matter of fact, in
that year the two top restaurants in terms of New
York’s favorites were those two restaurants.

What I won’t testify is that I think that
should become law. Because I’m not a politician.
I’m not a mayor. I’m not a governor. I also know
that there is a law eliminating trans fats. And I
understood why that became law, because you can’t see
a trans fat in your food so you’re not making a
choice; you could be doing something we know is not
good for you without knowing you’re doing it.

With respect to paid sick leave, we
absolutely do it in our company. And we do it
because there are so many I think we do it selfishly.
We use our template of enlightened hospitality and we
say: Is this doing something for our team, to say if
you feel sick but you still need to pay your rent,
you must come to work?

It’s not doing anything for that
individual, and it is not doing anything for the rest
of the team that now may get sick. And it is also
not doing anything for our guests. And ultimately
it’s possible that it might not even be doing
something for our community because the kinds of
strains of things that are out there these days can
be really, really difficult.

One quick story. So that’s what we do,
but I don’t know, honestly, all of the pluses and
minuses you’re up against in terms of making these
decisions for yourselves, but I will say that we get
better employees because of it. Because we’re not
just competing for customers with 26,000 restaurants.
We’re competing for the best employees. And they are
going to want to come to our organization over
somebody else’s.

I will say that and this is going to sound
absolutely crazy to you, but when I first learned
about Obamacare, I was upset but maybe for a
different reasons some other people in this room
might have been upset. I was upset because we were
already doing more than that for our employees, and I
was upset that this law was going to level the
playing field and we were going to lose the advantage
we had as recruiters.

So that’s where we are on that.
GOVERNOR HICKENLOOPER: We’ve got time for one more question. Yes, Governor [Jay] Nixon.

GOVERNOR NIXON: First of all, I’m a very proud son of the Show Me State. Congratulations on all of your success.

You started out very early in your presentation and said more high tech means need for more high touch. Give us a sense I mean, people don’t generally think of the business you’re in when you entered it 30 years ago as a technology business. A lot of what you’ve talked about today is how technology has affected your business model and the delivery of both the product and the style you do it.

What have you learned over these years, and look forward on trend lines as far as how technology is going to affect both our services and businesses as we look forward.

MR. MEYER: Thank you, governor. And thanks for taking good care of my mom in your state. She’s still in St. Louis and loves it.

Our industry has completely transformed itself tech-wise, and thankfully, to my knowledge,
even 3-D printers cannot make your cheeseburger for you yet.

(Laughter.)

MR. MEYER: We’ll see what happens. We’ll see what happens. So with respect to restaurants what technology has really done most for is everybody in this world wants, which is: I want what I want, and I want it now.

And everybody who’s walking around with their smart phone now looks at it as the remote control to their desires in life. That’s really what it is. It’s like anything I want, somebody made an app for it and I expect to be able to get it.

I had the great pleasure and privilege of going on the board of directors of a company called OpenTable, which is a private company based in San Francisco in 1999, a company that went public in 2008, that pretty much eliminated the hand-written reservation book, which there’s only one in every restaurant.

So the phone call would come in, and you didn’t know if the book was in the basement, or on
the balcony, or at the front desk. And you’re yelling throughout the whole restaurant trying to see if we have a table for six at 7:30 next Saturday night. And what OpenTable did for consumers was it gave them a chance, wherever they were, on their telephone, at a computer desk, in Paris, they didn’t have to wait for our business hours to find out not only was a table available at our restaurant, but where could they eat in the world, without making one phone call.

What it gave us was an opportunity to apply more hospitality because embedded in it is a record of every guest experience. So we know your favorite table, what your allergies are, et cetera. That was shot number one across the bow.

Today in our industry there are so many restaurants that people go to in what’s called the fast casual or the fine casual category, Chipotle is a great example of that. And rather than waiting until they get to that restaurant to place their order, there is now great technology where you can push a button and it will sense when you get to
the end and you’re paying for it and it will sense when
you get to the restaurant, and your order gets cooked
right there and then and you skip the line.

And, that restaurant never knew who you
were because it’s not a, you know, you don’t make a
reservation to go to Chipotle, or Shake Shack. And
now that restaurant actually knows something about
you, and they know what your preferences are, and
they can actually add more hospitality.

There’s all kinds of technology,
obviously, where the entire world right now is a
roving restaurant critic with a camera. And so the
amount of feedback that we have capacity to, the
whole world has always run by word-of-mouth probably
since, you know, you go to a piazza in Rome and I’m
sure they were talking about their favorite trattoria
2,000 years ago. But what smart phones have given
everybody in the world, and everybody wants to know
what everybody else is thinking, whether it’s social
media. It’s out there.

And what that does for all of us is to
give us an opportunity to listen to that word-of-
mouth, and to respond in real time, and to make
things better, to hear what people are thinking on
the spot.

We even have a technology where, you’ve
probably heard of a company called Foursquare, and
you could know who’s commenting in your restaurant at
that moment, and you can intervene. So I’ve gotten
messages that say, you know, can’t believe the
bartender is taking twenty minutes to make my drink. And
we can actually get right on that and fix the problem
and turn it into a rave right at that very moment.

So I don’t know if that answers your
question, but I do believe that technology is
absolutely here to stay. And what I meant by my
comment was that the more time we spend either behind
a computer, or using our thumbs, or whatever digit we
use on our smart phones, it doesn’t . . . it doesn’t
obviate the need for a hug.

And I think probably the last thing I want
to say about hospitality is that the metaphor for
hospitality is a hug. Because the only way to get
one is to give one. And the only way to give one is
to get one. And I think human beings, whatever
century we’re in, they want a hug. And I think
that is culture to culture. It may not be a literal
hug. There are people who don’t like being touched,
but people want to know. People want to know from
the organizations they do business with that the act
of providing the service or the product is as
pleasurable as the act of getting it.

Think about the last time you ordered a
pizza and the joy you get when the person brings that
pizza to your table, and you go— that’s gonna be
great. It will taste even greater if the person
delivering it is delivering that pizza with the same
kind of joy you’re receiving it.

Thank you so much for this great
opportunity.

(Appause.)

GOVERNOR HICKENLOOPER: I don’t think I over-
promised. And I will say that Danny’s book, Setting the Table,
when I read it, it’s kind of his story,
but he wrote my book before I got a chance to write
it. I mean, the philosophy of how service works and
how it does enrich both the giver and the receiver
and the six qualities he described are there, it’s
really useful. I would suggest to everyone, Setting the Table,
Danny Meyer, get it, read it, give it to
your chief of staff. Let it kind of whisper down the
wind. Just doing a little pitch there.

(Laughter.)

GOVERNOR HICKENLOOPER: Also the other thing
we always talk about is whether you’re running a
state or running a large restaurant, there are always
three things that are the same: You never have enough
cash, never enough capital; you’ve got a diverse
group of people you’ve got to make into a terrific
team; and the public is always angry about something.

(Laughter.)

GOVERNOR HICKENLOOPER: So now I want to
introduce, you all know we are going to West Virginia
this summer. I want to ask Governor Earl Ray Tomblin
to give a few words about the upcoming Summer Meeting
in White Sulfur Springs, West Virginia.

GOVERNOR TOMBLIN: Well, thank you very
much, Mr. Chairman, and I’m honored to be here today
and have the opportunity to talk about one of my favorite things, and that’s the state of West Virginia.

I was just sitting here thinking that, while most of us have been thinking about the snow and the below-zero temperatures we’ve been having, in only five months and two days it will be time for the 2015 NGA meeting at the Greenbrier in West Virginia.

So I just want everyone to get your thinking caps on. If you haven’t made your reservations, please start to get that done. The meeting this year will be from July 23rd through the 26th. We would encourage you to come a couple of days early and stay a couple of days late.

If you’ve not experienced the Greenbrier, it’s a true experience, sometimes known as America’s Resort. But we’ve got great programs lined up for this meeting at the Greenbrier. You will experience great food, Mr. Meyer, you may want to come to the Greenbrier with us. Several professional golf courses. World-class spa. Fly-fishing. Horseback riding. Off-road driving. Whitewater rafting. Zip-
lining. Just a few of the things we do in West Virginia.

So anyhow, we would just encourage you to think about it and we’d love to have you this summer. We have a booth set up outside our main door here, and I think we’re going to do our very best to outdo Governor Haslam in Nashville last year.

So anyhow, thanks for the opportunity, and please be in West Virginia in July. Thanks.

(Applause.)

GOVERNOR TOMBLIN: Just one more little thing. These little brown boxes with the gold and blue, there’s people saying what is that in that box? Well, anyhow, there’s a family in West Virginia that has made salt from their salt wells for over 100 years, the Dickinson family. It’s a gourmet salt that’s produced in West Virginia, and a little salt dish that goes with it. So just a little something to think of to remind you about West Virginia this coming July. Thanks.

GOVERNOR HICKENLOOPER: Thank you. And I’m sure we--I am personally looking very--I’m really
looking forward to getting to White Sulfur Springs.

I’ve heard nothing but great things, and I hope we can get a great turnout, as we have for this session.

I remember when Governor Fallin last year was the Chair and she finished up her session, and she had this look of radiance and gratitude that just sort of said, you know, thank you all for being a part of this. I feel that same sense of radiance and I can’t express radiance the way Governor Fallin can.

(Laughter.)

GOVERNOR HICKENLOOPER: . . . but I do feel the same pleasure and gratitude to you guys for coming to spend the time.

Again, to Danny Meyer and his wife Audrey for coming down and sharing their time with us. Our morning session is now finished, and we’ll head over to lunch. Thank you.

(Applause.)

(Whereupon, at 12:27 p.m., Saturday, February 21, 2015, the meeting was adjourned.)
NATIONAL GOVERNORS ASSOCIATION

Winter Meeting

February 21, 2015

J.W. Marriott Hotel

Salons III and IV

1331 Pennsylvania Avenue NW

Washington, DC

SPECIAL SESSION

Governor John Hickenlooper, Colorado, Chair

Governor Gary Herbert, Utah, Vice Chair

Guest: Maria Bartiromo, Anchor and

Global Markets Editor, Fox Business Network,

Fox News Channel
GOVERNOR HICKENLOOPER: Please, governors, if you would please take your seats.

(Pause.)

All right, folks, if I had a gavel I would gavel us to order. Governor [Haley] Barbour? All right. Governor Barbour, if you'd like to sit with the governors I am sure you would be welcome.

All right, let's get this session started. Again, thanks for all of you making the time to be here and joining us for this moderated discussion of "Where Is This Economy Headed?"

I think, obviously, I don't know a single governor who doesn't have jobs and the economy at the very top of their priority list. We discussed earlier today “Delivering Results” in the Chair's Initiative, and we talked about states operating more effectively and more efficiently but also looking at the culture of hospitality, as Danny Meyer talked about, and looking at how we make our states more successful. And I think part of that is being better
partners with business.

I think the Initiative, “Delivering Results”, is in large part about economic innovation and how we can effectively apply management tools from the private sector to state government and get dramatically improved benefits.

I think we are going to continue to speak about economic innovation throughout this session. I'm sure, one way or another, we will be coming back to it throughout the entire weekend.

So now it is my pleasure to introduce Maria Bartiromo. We are very grateful that you could create the time to come down here for the second annual economic roundtable.

Maria is an award-winning journalist. She is an author, a news anchor and certainly has been on a number of different networks and from a different perspective, but she is without question I think one of the leading journalists today in this country. So again, we are honored that you would take the time.

Those of you who weren't here last year,
Maria is going to work with us and create a lively discussion from all perspectives. And she has 25 years of experience, originally with CNBC. She was, for much of that time, the face of CNBC. It's fair to say she launched the network's morning program Squawk Box and she anchored The Closing Bell. Last year she joined Fox Business Network as the Global Markets Editor, she's the anchor of Opening Bell with Maria Bartiromo and hosts Sunday Morning Futures on Fox News Channel.

She has received many awards, two Emmys and a Gracie Award. She was the first female journalist inducted into the Cable Hall of Fame Class of 2011, and was the first journalist to report live daily from the floor of the New York Stock Exchange.

As if all that's not enough, she's also the author of several books, including The Weekend That Changed Wall Street, and The Ten Laws of Enduring Success.

So please help me in giving Maria a warm welcome.

(Applause.)
MS. BARTIROMO: Thank you so much, governor. It's wonderful to be with you and all of you today. Thank you for joining us all in the audience, as well.

I am thrilled to be here at this particular time for the economy and to get perspective from all of you about what you're seeing in terms of moving the needle on the economy. Because it feels like we have emerged from the Great Recession of 2007 very successfully; however, we now face a new set of challenges: Things like a 50 percent sell-off in the price of oil, which one would expect to be a positive; although, we've seen only negatives so far come out of this drop-off in oil, including cuts in jobs and spending, as well as the strong dollar, as well as a brush-stroke attitude when it comes to a number of initiatives all of you are working on when it comes from the federal government, as opposed to what you can do on a state level.

So let's get right into it and talk about where is the growth in the economy and what has
worked so far. I'm hoping that all of you will be interactive with your colleagues to get this conversation going.

Governor Herbert, I'd like to begin with you, given that you have seen a big drop-off in unemployment in your state. Can you give us a sense of what you've seen in terms of what has worked in that regard?

GOVERNOR HERBERT: Well, thank you, Maria. We are honored to have you here with us.

In my tenure as governor, like Governor Hickenlooper said, the primary focus really was to turn the economy around. My number one goal was to get a healthy economy and get out of the Great Recession.

When I came in, it was about 8.7 percent unemployment rate. Today it's 3.5 percent. So we've had a dramatic turnaround. We've done it just with good old common sense, I think, in trying to create an environment that's conducive to the entrepreneur, to the private sector and the risk-takers.

We have cut our taxes. We've had
regulation reform. We've got a great, educated labor
force. And we have efficiency in government that
doesn't get in the way of the entrepreneur.

We set a goal in trying to compete with my
colleagues here to be the best performing economy in
America. That's a high challenge and a high goal.

We also wanted to improve our
opportunities internationally and be a premiere
destination place for international trade and
commerce. And the results have been pretty
remarkable in my perspective, and as many
publications have named us one of the best places in
America to do business.

MS. BARTIROMO: So you said that you
lowered taxes. Were there other things that were
done in particular to get the business section hiring
and creating jobs? What are the specifics that you
can name?

GOVERNOR HERBERT: Well, the motivation for
most businesses is to make a profit, and create
market share. And so in creating an environment
with, you know, competitive tax rates was part of it.
But we also went and did a significant review of our regulations. As I get around--I don't know what it's like for the rest of the governors here--but as I get around my state and around the country, the most common complaint is the regulations that get in the way of their being able to be productive in their business efforts.

So we did a regulation reform where we actually counted our business regulations. We had about 2,000 that were impacting business. And getting input from the public and others out there, we found that 368 of those 2,000 had no public purpose, meaning they didn't level the playing field; they didn't protect the public; they were just simply a drag on the economy.

So we did what any sensible person would do, and that was to eliminate or modify those. And it sent a strong message to the private sector saying we really are open for business. We want you to be successful. And if there are things that are artificial that are getting in your way, we're going to eliminate those barriers.
And again, we're known as a very business-friendly state in large part because of that.

MS. BARTIROMO: And yet throughout the country the themes are real in terms of persistent unemployment elsewhere, and income disparity that we're seeing across the country.

Governor [Dan] Malloy, you have also been very focused on trying to move the needle on this. What challenges are getting in the way?

GOVERNOR MALLOY: I think there's a number of challenges, and many of them reside in Washington. The reality of the Great Recession--and you referred to it--was that it did a real, lasting, and systemic damage to our economy. And I think in some sense it has changed how we live. And the fact that it has been the most prolonged and slowest recovery of any post-World War II recession isn't lost on anyone--although clearly there are states that have benefitted mightily during that period of time in many cases because of the production of natural gas, or harvesting of natural gas or oil.
What we needed to do in Connecticut was to change how we did business, as well. We eliminated 1,000 pages of regulation, not simply as a sign to the business community that we meant business, but that we needed to change how we did business.

We also created a series of tools, not the least of which was the Small Business Express Program, the first time the state of Connecticut got in the business of supporting small businesses with grants—matching grants and loans and other devices specifically designed for small businesses.

In 2011 and '12, that was literally a lifeline to a lot of those small businesses to get through what was the remainder in our state of the Great Recession because it went on 16 months longer in Connecticut than it did on a national basis.

Those small firms that we saved and assisted in those days are now driving job creation in Connecticut. Or to put it another way, if we had failed to support them in their darkest moments, those jobs, the jobs that are being re-created or created in our state, wouldn't be there.
But we've also concentrated on things like trying to match our educational system, particularly higher education, to the needs of the state. We are very intense in precision manufacturing, particular aerospace, and yet we've been aging. We've been retiring engineers faster than our state and public universities have been graduating them.

We recently decided to increase the engineering school at the University of Connecticut by 70 percent. The first two classes towards that effort are more than 50 percent larger than the predecessor classes.

It's the sort of thing that you need to do in higher education. We're also using our community college, like I think a lot of the governors around the table, trying to match needs of the business community tighter to the courses and the certifications that are available in the community colleges, at the same time as we try to improve our pre-K through 12 educational system as well.

I think this is all-hands-on-deck and all things that need to be done, and I love spending time
with other governors and stealing their ideas and
going back to Connecticut and telling people they
were mine.

(Laughter.)

MS. BARTIROMO: Well, it's important to be
able to hear what colleagues are doing to try to
match the success there.
You mentioned at the start of your talk,
many of the challenges are because of Washington.
Does everybody on the panel agree with that? Who
agrees with that?

(A show of hands.)

MS. BARTIROMO: And is that the inability
to come together, when you say Washington?
GOVERNOR MALLOY: I think there are a
series of issues that Washington fails to make
substantial progress on. Actually, you know, I think
governors have been talking about our transportation
needs and how do we project transportation spending
when both our state transportation dollars and
federal dollars are closely tied to a tax that's
disappearing, which is the gas tax.
What are we going to do about that? And what's the clear course to take to replace a reliance? I mean, you know, Tesla is building the world's largest battery factory now in Nevada, and probably one of the number one brand names in the universe, Apple, is apparently toying with the idea of getting into the car business. I assume they're not going to be making cars that are run by gasoline. And yet, we're all overly dependent. Or immigration issues. Or educational issues. I mean, I think there's an inability to respond to our needs in Washington. And even the progress that they do, or sometimes are able to make, just takes too long to produce as a product.

MS. BARTIROMO: I think this is a really important point, and I want to stay on it for a moment or two. Because the truth is, you know, what happens for example on immigration may very well be seen differently in Arizona, as may be seen in Colorado.

So there really isn't a brush-stroke attitude or way to actually look at moving the needle
on some of these issues if in fact the mentality and
geographic--geographies of the state are so
different.

So let's talk a little more about that.

Who raised their hand when I said, you know, the
challenges in Washington? Who can add to that?

Governor [Terry] McAuliffe?

GOVERNOR McAULIFFE: Well, it's a challenge
and also an opportunity. In Virginia we are in a
unique circumstance. Virginia is the number one
recipient of Department of Defense dollars. All the
military assets. We have the largest naval base in
the world, the Pentagon, the CIA, Quantico. So when
you have government dysfunction around sequestration,
that really impacts a place like Virginia and the
whole sort of Washington area up here was really
dramatically impacted.

But we've got to become less reliant on
the federal government. We've got to bring in new
businesses from around the globe, which is what we
have really focused on.

So where that's presented a challenge,
it's given us the opportunity to build what we call
the new Virginia economy. I just announced, we've
had the lowest unemployment in seven years. We did
about $5.6 billion of direct investment last year.
But we traveled--I did it by traveling the globe,
bringing in international businesses to the
Commonwealth of Virginia.

We brought the largest Chinese company
ever to invest in America. We won that in Virginia.
So we're not going to other states, governors, we're
trying to do it on a global basis, bringing in
countries from Asia, and from the Middle East, and
from Europe. So it's presented us with an
opportunity.

Because we can't sit around. We've got to
become less reliant on the federal government. We're
bringing in new business: human genome sequencing,
and cybersecurity, and biotech. That's the future.

So where it's been a challenge, it's also
been a great opportunity. But we do all wish the
federal government would get its act together. The
issues of sequestration on October 1, if that
happens, if Congress doesn't vote for it, they now have to vote to stop it, will have a dramatic impact on many economies of states around the country. Primarily the biggest states will be Virginia and Maryland and others hit by it.

So I am just hoping that they can figure this out and we don't go into a sequestration mode and shut our government down again, because it's really devastating to a family to lose that family paycheck.

MS. BARTIROMO: You make a great point, particularly the point about attracting foreign capital. Because we all know that today the U.S. is the best game in town. I mean, you've got real struggles elsewhere: Europe deteriorating on an economic basis, the ECB trying to help. But it's much more than monetary policy.

Asia is much slower than just a few years ago, China having come down from the highs in terms of economic growth. So an enormous amount of money is coming to the U.S., which has created yet another issue for the strong dollar and our multi-nationals
in terms of manufacturing, because that really is one of the places for jobs.

So what else can be done in terms of communicating and moving the needle on the federal government's understanding to get Congress and the President to understand that these issues affect real people and the needle in terms of economic growth.

Thoughts?

GOVERNOR [MARK] DAYTON: You know, we're specialists at blaming Washington, and that obviously fills up a weekend and beyond, but, you know, I think the quagmire here is reflective of the economic quagmire we're still in in this country, and to talk about a recovery and slower than before, but are we back to sort of, you know, a situation as usual where the United States once again rules the world economically and we're not?

I'm from Minnesota. The Gallup Economic Confidence Index was published last week. Minnesota ranks the highest. Our citizens are the most confident of any state in the nation, and we're at zero. In other words, they think that, this year
the economy for the United States
will be no better than before.

And every other state is a minus. Every
other citizens are less confident about their
future and the future of this country economically
than they were a year ago. And yet, objective
conditions have improved.

So what do they know, and what are they
telling us that we're sort of, you know, yeah,
Washington doesn't know any answer, what is the
answer? Raise taxes? Cut spending? I mean now with
the economy growing the deficit is less than it used
to be, but we're not making the capital investment,
as the governors have just said. We're not investing
in transportation and infrastructure, the things that
we know need to be done. The resources aren't there.

And so we're caught in this, I think in
this trap where we can't say, okay, let's name this
quagmire that we're stuck in. Our people are telling
us: We don't have confidence in the future. And what
are we going to do about it?

MS. BARTIROMO: Do you feel you have the
space and sort of, you know, time to actually have
these conversations? I mean, do you think that you
can communicate this better to Congress and the
President? Are you not getting the availability? I
mean, this seems so obvious, that the states should
have more access, as well as ownership of their
economic policies.

GOVERNOR [BILL] WALKER: I can't not respond
to that. Absolutely we should. Alaska, 62 percent
of our land is controlled by the federal government.
We're not allowed to--for the timber. They're
restricting us on the mining, oil and gas
development. They've just taken another big chunk,
another 20 million acres, off. There's more park
land in Alaska than there is in the rest of the
United States combined. They're turning us into one
great big park, and we're having a very tough time
with an economy that we're not allowed to develop.

We have plenty of resources. Plenty of
people want to develop. But they are just making it
more and more difficult every single year. And that
which we can develop on offshore, our revenue-sharing
percentage is zero. We get zero. Other states get 37-1/2 percent. We get zero. So not a good time for me to be talking about the role of the federal government in our state, because that's one of the reasons I'm here, is to carry the message that they're literally putting us out of business.

MS. BARTIROMO: This is a regulation issue that we're going to be delving deeper into.

Governor [Jack] Markell?

GOVERNOR MARKELL: Well, I think it's easy for us to blame Washington, and there's plenty of frustration around the table. With that being said, on the one hand we live in a world where there are 3 billion people looking for jobs, and there are 1.2 billion jobs available.

And so I mean we clearly are in this unbelievable global war for jobs, which really means we're in a global war for talent because the jobs are going to go where the talent is.

At the same time, there are millions of jobs in this country that are open because employers
can't find people with the relevant skills. And to
me, I mean I like to focus on the things I can
actually control. It's that latter issue.

I mean, you know, we've got a couple of
financial service employers alone in Delaware--
Delaware is a small state--that between them have
about 1,000 vacancies, primarily in the technology
area. And so what we have been very much focused on-
and picking up on something Governor Malloy talked
about--is really making sure that our institutions of
higher education and our K-12 system are at the table
with our employers, understanding at a pretty
granular level the kinds of skills that folks are
looking for.

So whether it is the launching of this
Pathways To Prosperity Program where we're really
focused on making sure that kids in school are
developing the necessary skills, or listening to our
employers again in the IT industry who keep telling
us that their recruitment strategy very often is to
hire employees away from each other, which is a lousy
recruitment strategy.
So it's so much better for everybody, our employers and those who are looking for better employment, we're working with them to accelerate the pace at which we can train people in computer programming and other IT skills. Because it's not all about a four-year degree. It's not all about a two-year degree, as important and as valuable as those are, but there are plenty of people that we can train in intensive, shorter training programs who will develop the skills that they need to go and get a good job.

And when we think about the role we can play in addition to the regulatory reform efforts, making sure that we have an affordable cost of doing business, the quality of our schools, the quality of our infrastructure, the thing I keep hearing about from employers has to do with access to a skilled workforce and the role that they can do to facilitate that.

MS. BARTIROMO: I think it's a great point, and I want to talk about it a lot more. So we have hit on regulation a bit, which we're going to get
back to. Let's stay on the skills gap for a second
because when I speak with CEOs and managers of
business, I keep hearing about this revolution going
on right now in terms of the marriage of technology
and health care, and this revolution in life
sciences, and this need for engineering skills, and
this need for science know-how.

Governor Hickenlooper, you have seen this
in your state in terms of emerging entrepreneurs.
Are we keeping up from an education standpoint to
ensure that our children are actually armed with the
best resources they can have to get the jobs that are
available?

GOVERNOR HICKENLOOPER: Well, certainly
Colorado is fortunately an example of how it's
working, and I think the recruitment strategy that we
see all the time where, along with Washington, DC,
the number one destination for millennials in at least
the last six years, young people 18- to 34-year olds
have been flocking into Colorado to a rich, talented
environment. And yet, within our own education
system we are not keeping up and we're not delivering
the kids that are sufficiently educated and have the-
-it's not degrees, but the skills. It could be a
certificate. It doesn't even need to be a
certificate. But to fill the jobs.

We have, just as Governor Markell said,
any number of technology jobs. And especially these
life science jobs. The technology companies are
connected to health care. They are exploding. And
we are having to import a lot of the talent that's
going to these companies.

And if we don't figure out a way pretty
rapidly to transform how we're preparing kids to go
from--and it shouldn't just be from university--but
from high school. How do we get more apprenticeship
programs? How do we get our community colleges more
involved? How do we make sure the kids coming out of
college (a) don't have a bunch of debt, but (b) are
ready for the jobs? Again, our strategy will just be
stealing from each other instead of generating our
own.

MS. BARTIROMO: Is that a private-sector
job? Or is that a government job? The idea that we
need to train our children better

GOVERNOR HICKENLOOPER: I think when I talk to most of the CEOs of our larger employers, you know, Arrow Electronics, DaVita, we have a number of pretty large companies that have headquarters there. They look at it as a collaborative problem. And they don't buy into, well, we're just going to turn it over to government and let them do it. Most of them are funding scholarships, programs; some of them like Arrow have actually helped create community college programs that actually deliver specifically the types of skills and training whereby you can almost guarantee a kid, you finish this, six months, or nine months' worth of work, and you'll have a job. I mean, 98 percent.

But at the same time, they can't do it by themselves, and they need us to . . . we have the infrastructure and the process. The hard part is to make sure that we are connecting business and all of our different facilities of education in real-time and not . . . What happens too often is we plan out a curriculum, and by the time that curriculum gets
designed, and all the i's get dotted and the t's get
crossed, and all of a sudden it's in place and the
first group comes out 12 months later, the job has
already changed. Right? We've got to be much, much
faster.

MS. BARTIROMO: Governor [Asa] Hutchinson.
GOVERNOR HUTCHINSON: Well, I think the
effort is right on target. You look at nationally,
only one out of ten high schools in America offer
computer science. In the UK it is mandated. In
China it's mandated. It's technology education.
And we have a joint responsibility to
prepare the students for those kind of skills in the
workplace. Obviously the private sector comes in and
supplements that, but that's the opportunity to bring
technology and jobs to your state.
In Arkansas, we will be passing a law--
well, it's already passed; I'll sign it next week--
which requires computer science, or computer coding
to be taught in every high school in Arkansas. And
so that will start the next school year.
And that's the opportunity to change the
dynamics of the economy to provide technology education, job opportunities for the young people, and to bring those jobs back to America.

MS. BARTIROMO: By the way, across the universities, one of the hottest classes right now is coding, and learning coding and sort of skills around engineering.

Governor [Steve] Bullock?

GOVERNOR BULLOCK: It's good to say in Montana we're creating jobs among the fastest pace in our history; about 12,000 jobs created last year. The unemployment rate is 4.2 percent. Growth in every single sector. And at the same time, the highest graduation rates, high school graduation rates we've ever had. Double the number of students taking college classes in the high schools to kind of get that jump.

MS. BARTIROMO: Why do you think that is?

GOVERNOR BULLOCK: Why do I think all those pieces are?

MS. BARTIROMO: Why such vibrancy?

GOVERNOR BULLOCK: I mean I think in part
it's certainly post-recession. And a place like ours
wasn't hit as hard, but it's also just I think the
opportunity. We're creating the right climate, and
there's great opportunities in all kinds of different
sectors.

I had a chance, so I spoke to Elon Musk a
while ago and said: If you were governor, what would
you do as governor of Montana? And he said: Go out and
courage all your people to have more babies.

(Laughter.)

GOVERNOR BULLOCK: I'm like, "Huh?" His
point was, you have a million people over 147,000
square miles. You're going to have some challenges.
So how do we make up for that?

And I think it really is a collaborative
effort. You go to your private sector, other
companies coming in and saying I need to be able to
provide you a pipeline of trained and talented
workers. So then you work with both state government
and your two- and four-year colleges and
universities.

Sometimes it's not the degree; it's just
the stackable credential to actually sort of skill
guys up. But I think it has to be a deliberative
effort with the private sector, in combination with
the public sector and our educational system to
really make sure that we're meeting the workforce's
and the employers' needs in all of our states.

MS. BARTIROMO: Which underlines the idea
that this really needs to be collaborative. This
needs to be a partnership between business and
policymakers in terms of recognizing the issues, and
ensuring that we've got the training around that.

Governor [Mary] Fallin?

GOVERNOR FALLIN: Thank you for being here.
And it is about collaboration between the private
sector and certainly the public sector. The public
sector doesn't create jobs. The private sector
creates the jobs.

I think what most families don't want is to
feel like they have to work harder and harder every
day to be able to achieve financial independence.
We also have the situation where, in
states like Oklahoma, where we have a very low
unemployment rate, it's about 4.4 percent right now, and you have employers who can't find the workers that they need. And then we have a very low unemployment rate, but the real challenge is the skills gap, and making sure you have the right level of educational attainment in your individual states. And not just by the state itself, or by the nation, but even regional and localized within the local community, the local regions of your individual states. So we've formed a partnership with many different organizations, but one in particular has been realigning our K through 12 education with our career technology schools, with the types of courses that are being offered, and our higher education institutions for associate degrees, or bachelor's degrees. And then working with the private sector to say: What do you need for your skills? And so what I know in Oklahoma is that down in eastern Oklahoma, the skill sets that they need may be in forestry, may be in tourism and manufacturing. But if you go out to western Oklahoma, it's agriculture; it's oil and gas; it's
And so the skills sets are different. But if you go to Oklahoma City and Tulsa, our two major metropolitan areas, they have a lot of engineering. They have a lot of aerospace, a lot of financial services. So they have a similar skills gap.

So one of the things we talked about last year here at the National Governors Association meeting was how do you meet the skills gap, get the right type of educational attainment level to be able to take care of the jobs and help people not just have a job, but have a career path.

And we also know that two-thirds of the jobs between now and the year 2020 will require more than a high school degree. In other words, you're going to have to have a career certificate. You're going to have to have an associate degree, a college degree, to be successful and reach the middle class.

And so I think that's one of our biggest challenges in the nation, is how do we make sure we have the skilled, educated workforce that's relevant to today's ever-changing, innovative, modern economy?
MS. BARTIROMO: Yes. I mean, you know, the issue is so important and it almost seems like a luxury to be discussing it during a time that there's a whole portion of people in America right now who really have not seen the impact of the recovery.

I mean, you know, you heard what Vice President [Joe] Biden said the other day. You also, you know, see it in the polls. Even though we see all of the economic data that looks to be getting better every month, you have poll after poll where people say: I'm not feeling it. You know, I don't necessarily think that things are getting better. I think that we're still in a recession.

Why do you think that is, Governor [Tom] Wolf? Talk to us about Pennsylvania and the challenges that you've seen.

GOVERNOR WOLF: Well, I've been in this job for four weeks—

(Laughter.)

MS. BARTIROMO: That's okay.

GOVERNOR WOLF: --so I come out of the private sector, so I have all the answers, yeah,
that's right.

(Laughter.)

GOVERNOR WOLF: No, but I can tell you what I saw from the private sector. And the reason I'm a Democrat is because I recognize that we have to have the balance that you talked about.

First of all, state--four things. First of all, states are captive of the macroeconomic trends going on in the nation and the global economy. But beyond that, there are three things that I think the state needs to do. And I think Pennsylvania especially.

First, we need to set the table for economic growth. And it is the private sector that does that, but it takes a very robust public sector to make sure the private sector can function. The public sector, not the private sector, provides public goods. The private sector cannot address externalities. We need regulations. The private sector cannot set the rules, for the most part, of the game that makes it so that the market performs optimally. Government has to do those things.
And I think some of the things can be done in the private sector, but a lot of the things have to be done publicly.

In Pennsylvania, I think the second thing that we need to do is take advantage of the competitive advantages that we have. We're the Keystone State. We have a God-given location. We have two great cities. We have the greatest universities of higher education in the world--

(Mumblings.)

GOVERNOR WOLF: --Massachusetts. We have some of the greatest universities of high education in the world.

(Laughter.)

GOVERNOR WOLF: We have a great workforce. We have so many things--

GOVERNOR [Charlie] BAKER: Let's just say it again.

MS. BARTIROMO: Governor Baker, you can jump in.

GOVERNOR WOLF: I'm selling here. We have some great attributes. We need to take advantage of those things. I think government is uniquely
qualified to do that.

And finally, I think government works at the margins. And some of the things we can do to actually make sure that we are having an education system that has relevant skills. We have to have a robust, well-funded education system. But it has to be accountable, and it has to be providing the skills that the private sector and families actually need.

I think we do have a situation where families are looking somewhat pessimistically at the future, even though unemployment in Pennsylvania is down below 5 percent. The workforce--the percentage of the population engaged in the workforce is not that good. People are walking away from the workplace. Maybe it's because of a skills mismatch.

People aren't staying in Pennsylvania.

So we have our work cut out for us, and I think I can, as governor, try to address the specific issues to set the table for robust economic growth. But one of the things I've got to do is make people feel good about what the future is in Pennsylvania, what their future holds and what the opportunities
are. I think they need to be optimistic, and I think
government can actually maybe do a--play a big role
in unleashing those animal spirits.

MS. BARTIROMO: And in this session we
really want to talk about, you know, where are the
jobs? Where is the growth? What are the main issues
that are getting in the way of those two things?
I would like to get the insights of a few
more of you who are new to your roles because some of
you actually won the people's votes because you are a
business person, and because people believe that a
business person can try to apply business principles
to a policy framework.

Governor [Doug] Ducey, I would put you in that
category. Tell us what you've seen so far.

GOVERNOR DUCEY: Well, I did run as a
business person. I come from the private sector. My
company was Cold Stone Creamery, the ice cream
company. You get a lot of undeserved popularity
selling ice cream. So we translated that into a
campaign.

(Laughter.)
GOVERNOR DUCEY: But I think most people understand a small business, and I think when you talk about those principles of what makes a small business work are the same principles that you can apply to government: a budget that you're accountable to; a plan that you follow; good communication with your franchisees; the investment in people in terms of what happens inside the store and customer service.

So I never said that government is a business. I think that's a dangerous way to look at it. But I think business-like principles, leadership of setting out a vision, a mission of how you're going to accomplish it to demonstrate it through the people that you pick and your senior staff and agency heads. And then to put metrics out there that people can actually see, that if you're driving towards those numbers will affect their quality of life: expansion of the economy, a per-capita income, lower crime rates. Those types of things are the pragmatic way to give common sense numbers that I don't believe are partisan, just things that say this
community is going to be better tomorrow than it is
today because we're working on these issues.

MS. BARTIROMO: Well, what you're talking
about is accountability. And when the people know
there's accountability in place, oftentimes you do
see a different performance.

Governor [Terry] Branstad?

GOVERNOR BRANSTAD: Well, I think a lot of
the jobs of the future are in the STEM field,
science, technology, engineering and math, and
they're also better-paying jobs.

So we started--I signed an executive order
back in September of 2011 to really put together a
public/private partnership that involved business,
education at all levels, and government in STEM. And
the lieutenant governor co-chairs that along with
Mary Vermeer Andringa, who is the CEO of Vermeer
Manufacturing.

We've gone from 40,000 kids involved in
STEM to 80,000, to now 117,000. A lot of enthusiasm.
A lot of interest. And it is changing. There's just
kids that never thought they might have an aptitude
in math and science are now seeing a real opportunity there.

Another thing that we've done is, because of the skills shortage that we hear from businesses, we--and we know that there's a big reduction in the military, we started something called Home Base Iowa, and we're actively working to recruit people coming out of the military for the careers and jobs that we have available right now.

And in just seven months since that started, we've placed almost 1,000 people coming out of the military in good jobs in Iowa. So those are a couple of things that we're doing to try to prepare for the jobs of the future with the STEM program kind of long term, and the Home Base Iowa being direct in the short term.

MS. BARTIROMO: So you are walking a balance of trying to create jobs, trying to figure out where the growth will come from. Maybe it's the STEM area. Maybe it's manufacturing. At the same time, you're faced with issues around immigration, issues around cost of health care, and of course
So let's really dig deeper into some of these issues and what can be done. For example, in terms of immigration, in terms of the idea that the funding for Homeland Security may not come through, is there anything that can be done on your level that actually can move the needle to give business and economics some clarity in terms of where we're going?

(No response.)

MS. BARTIROMO: No comments? What's the biggest issue? I'd like to go around the room and see what is the biggest issue, economic issue that you face right now? Governor?

GOVERNOR [DAVID] IGE: Sure. I think in terms of the State of Hawaii it really is about connecting the dots between the job opportunities and the graduates graduating. I think like most other states we do have jobs that go unfilled because the students and the graduates don't really have the right job skills.

MS. BARTIROMO: So you're saying skill sets is your number one issue in Hawaii?

GOVERNOR IGE: Yes, in terms of getting to
the next level. There is a sense—you know, the economy of Hawaii is doing much, much better than it was four years ago. And I think the challenge is the confidence issue, that the general population doesn't feel very certain about what the future holds, and the concern really is about being able to get a good, middle class job that will allow them to be able to earn a living, create a career and, most importantly, be able to live and work in Hawaii with the cost of living.

MS. BARTIROMO: The biggest issue in Arizona?

GOVERNOR DUCEY: I would say the last year on the campaign trail I talked about jobs and the economy every day, that, in addition to K-12 education, are the biggest concerns and the biggest things I think a governor can affect from that office.

Arizona is a state that's been built on growth. It's a place where people have been moving from around the country. That's slowed dramatically. Our unemployment is about a point higher than the
national unemployment. So getting that economy turned around is what we're going to do in this administration.

MS. BARTIROMO: Oklahoma?

GOVERNOR FALLIN: It's jobs, economy and educational attainment. And my big goal this year is to work at structurally changing how we do our state budget in Oklahoma so that we can fund things that are a priority in Oklahoma and not just fund things we hope work, but funding programs that actually do work. So adding back effectiveness, efficiency and accountability.

So one of the things we've done totally different—I don't know of any other state that's doing this—is that we ask every state agency in the State of Oklahoma, 60 different departments, to set goals, measurable goals with specific percentages they hope to achieve, and the year they hope to achieve it.

For example, we want to reduce our smoking rates in Oklahoma. So we set a goal to reduce our smoking rates by the year 2025 by a certain
percentage. Or we wanted to reduce our need for remediation of high school seniors going on to get a college degree. Or maybe it's improving our recidivism rate for people coming out of prison and being able to help the successful ones that exit out of the correction facilities. And then tying our budget to those goals. And if we're not reaching the goals by the years that we set, then changing the programming of state government so that we can make government more accountable, more effective and more efficient in how we utilize your taxpayer dollars.

MS. BARTIROMO: Wyoming?

GOVERNOR [MATTHEW] MEAD: Well, I agree with the question of making sure we have the talent and the training. I would add to that, and one issue we haven't touched on, or touched on a little bit, is infrastructure and energy, and energy costs. Because energy is tied to the economy in a big way. It's tied to the cost of everything we do. We need to have a sound energy policy, energy strategy in the country that is long term,
that finds the appropriate balance between the environment and the development of energy. And we're the beneficiary. Wyoming exports more energy than any other state. You know, we've been a very wealthy state. We can do some remarkable things.

And one of the things we have tried to work on is infrastructure. But, you know, it's sort of the basic building block of economic development. If you don't have running water, sewer, roads, bridges, broadband, you're kidding yourself in terms of economic development. And I think that is not just an issue state by state, because we rely upon each other in the commerce that flows between the states; that nationally we've got to address infrastructure as a whole.

And I think that is a challenge, at least for Wyoming, and I think it is for a lot of states. How do we have great infrastructure? How do we have an energy strategy that provides affordable energy in the cleanest way possible to the country? And so those are two big issues from Wyoming's perspective.
MS. BARTIROMO: I want to get into energy a lot more later, because I think the question now is that people are going back and forth about is: Is the need for the energy policy that you're talking about as urgent as it was with a 50 percent decline in the price of oil?

GOVERNOR MEAD: I think this is the exact right time to be looking at it. Because if you wait until oil is up to $100 or $104, and you say, it's not a problem now at $50, I think you're completely misunderstanding the concept of affordable energy.

In other words, we can't just have it six months by six months. There needs to be a long-term strategy. This is the time to look at it. You know, what should the portfolio be? And not only including, you know, how we use energy in this country, but what energy we export. And then how do we make it the best possible?

Because we tend to be reactive as a country and as states. We sort of go disaster by the day, but some of these long-term strategies, not only for the states, but more importantly for the
predictability of industry, and the predictability of, you know, if you have a chemical company and you want to invest a billion dollars in a building, what are the energy costs going to be not next year or six months, but for 30 years.

And so I think to the extent we can provide that, it certainly helps the states. And I think it provides predictability for industry, which is critical for the investment.

MS. BARTIROMO: I think we have to point out that one of the reasons that oil prices have come down so much is because of all of the supply. And so that--

GOVERNOR MEAD: It's the supply and demand, but I think it's a little bit artificial because it's supply and demand partly by an angry OPEC. But I think it should be in part a good news story because it's by the innovation and technology of our companies that have been able to find resources that even 10 years ago we thought we could never attain/

MS. BARTIROMO: Biggest economic issue facing Nevada?
GOVERNOR [BRIAN] SANDOVAL: For me, it's investing in K-12 education and our universities, and improving the delivery of education in our state. Nevada is on the move. We have added 100,000 new jobs in the past four years. We have reduced the unemployment--I was listening to Gary [Herbert] when he said 8 percent. I would really like to have that, because we were at 14 percent 4 years ago. We've kicked it down to 6.8, but we still have a long way to go.

We have new companies, technology companies. Governor Malloy talked about the Tesla battery plant that's coming to our state. That is going to--we had, the state demographer had to change the predictions for population for our state because there will be close to 7,000 direct jobs, and over 20,000 other jobs that will be coming here.

You know, as Matt [Mead] said, I don't want to be reactive. I have to get in front of this. I have to make sure that we have this trained workforce that all of us have been talking about.

So one of the things we did was we have developed sector councils that brought together the
private sector, the university, the K-12, so we can
build those curriculums so that those students, that
workforce will be ready to go when these new
businesses open up.

So that is, for me, preparing for the
future, preparing for the new Nevada. I mean, Nevada
has always historically been based on gaming and
tourism and mining, but now we will have--we have the
largest data center on planet Earth in Nevada. We
will have the largest battery manufacturer. We are
one of only six states that have attracted--or were
designated as a testing area for drones. That's
another big emerging area in aviation that I have to
be ready for.

So that's what my priority is.

MS. BARTIROMO: And you also obviously are
dealing with foreign money coming in from places like
China.

GOVERNOR SANDOVAL: Yes and no. We're
seeing a lot of investment in that regard. And I've
learned from the other governors, you can't wait for
it. You have to go out and get it, and so we've--
I've been on trade missions to China, Korea, Israel, Canada, Mexico. We'll be going to Europe this fall; we'll be going to some other places as well, because there are companies, foreign companies, that are looking to expand their markets in the U.S.

When they come to the U.S., I want them to come to Nevada. And so we have to—I mean, this is a great competition amongst all of us to have the most business-friendly states that we can have.

We've done the same thing. We've cut the regulations and modified them. We want to have a stable tax structure, as well. The question I get asked now with these companies coming in is about education, and so that's why my focus is on that.

MS. BARTIROMO: And many of you have been very successful in terms of creating an environment for business, to headquarter there, or create jobs.

GOVERNOR NIXON: Well, just to follow up on Governor Sandoval, we're focused on making sure that we're transforming our economy for a world economy, and that means making sure that you're delivering
education and reforms that make a real
difference.

MS. BARTIROMO: So what is the biggest economic
issue that you face?

GOVERNOR NIXON: Making sure that we've got
the people who have got the skills for the jobs of
the future, and making sure that people are
competing--

MS. BARTIROMO: The skills gap.

GOVERNOR NIXON: I'm not saying "gap." I
mean, you can see these trends coming. This stuff
doesn't sneak up on you. And so as we look at our
strategic plan and where we're going, it's clear that
we need to match what those jobs of the future are
with an education system that delivers them,
especially with the high costs.

We've also kept the costs of education
down--the lowest tuition increase of anywhere in the
state--anywhere in the country; expand our
scholarship program for two years at all of our
community colleges.

So that workforce side, and improving the-
-on the education side, the gap as to the skills of
what you need for that. And then keep fiscal
discipline, which helps us tremendously to get
foreign investment.

MS. BARTIROMO: Governor?

GOVERNOR [BILL] HASLAM: Similar. The disconnect
between the skills needed and the skills available,
and the big effort we've made is to launch what we
call "The Tennessee Promise," two years free
community college or technical school to every high
school graduate. So far this year we've had 90
percent of our high school seniors apply for the
program. So that two years free has gotten
everybody's attention and will hopefully address the
gap.

MS. BARTIROMO: Governor McAuliffe.

GOVERNOR McAULIFFE: I wouldn't disagree
with anybody. Obviously when you say "workforce
development," all education. I mean, in Virginia in
the next 10 years a million Virginians will retire.
We will create about 500,000 new jobs. So we need a
million-and-a-half folks to fill those jobs, just
right there.

I have 30,000 jobs open right now in Northern Virginia in the tech space, cybersecurity. I'm trying to encourage our education systems to make sure when those kids come to kindergarten you give them a Crayola book that says "STEM" on the cover.

(Laughter.)

GOVERNOR McAULIFFE: And then maybe a little chapter on cybersecurity. But listen, it's a global economy. Preparing for that, I think what happened to the United States of America we are blessed with the natural gas. So for the first time now you're seeing 58 percent of CEOs in America saying they're now going to insource. Because of the natural gas costs, we can be competitive with anybody now for manufacturing. So bringing back advanced manufacturing to America I think is the greatest success.

We just announced one the other day. I brought a Chinese company back. Bought a shuttered plant in Appomattox, a highly distressed area in Virginia, biggest deal in 44 years. They invested
the money and reopened an old furniture plant. We are manufacturing pollution control devices, taking the manufactured product to our port and shipping a manufactured product back to China. It was cheaper to do it here. So we took their money, opened the plant and are now selling them back a manufactured product made in Virginia. That's what you have to do in what I call the new global economy.

MS. BARTIROMO: That's a great point. And what about the idea that so many companies have so much money overseas? I mean, wouldn't a change in tax policy open up that in terms of getting some of that money?

I was just talking to someone the other day, a Qualcomm CEO. They've got $31 billion in cash. Guess what? $28 billion of it is overseas.

GOVERNOR McAULIFFE: Talk to John Chambers at Cisco. He's got a lot of money overseas. He'd love to bring it back, but he has a fiduciary responsibility to his shareholders to maximize returns. We have got to make our tax policy so it incentivizes American business to bring that money
back here to America. They have a fiduciary duty. Make it so it makes it fiduciarily smart for their shareholders to bring that money back here and turbocharge our economy. I think all of us in this room would agree, we need to change the tax code. Let's bring that money back to America.

MS. BARTIROMO: And by the way, even though they've got all this money, and a lot of it is overseas, they would rather borrow more money, to actually use that money on infrastructure and, you know, R&D, because rates are so low, which makes perfect sense. Why would you bring the money back from Europe, or from wherever, if you're going to get double-taxed on it, as they say, rather than just borrowing at zero percent.

GOVERNOR McAULIFFE: That's right.

MR. BARTIROMO: Governor Baker, biggest issue facing Massachusetts?

GOVERNOR BAKER: Snow.

(Laughter.)

MS. BARTIROMO: Fair enough. And you're going to get more of it. Does that have an economic
GOVERNOR BAKER: Absolutely. The economic story has many parts, but the three big ones are for our retailers and hospitality businesses, main street businesses, restaurants. It's been a really grim month of February. And many of those businesses, they're not quite hand-to-mouth, but a lot of them are the kinds of places where if people don't come in and buy, nobody gets paid.

And I think the consequences of, you know, 8-1/2 feet of snow in 3 weeks, and the number of days lost for those kinds of operations have been profound.

I think the second big issue is it puts an enormous strain on public resources because nobody budgets for 9 feet of snow. So you have all kinds of local communities that we've been working real hard with to try and set up a mutual aid program to help them just deal with the plowing removal and disposal of this.

We stopped counting how much snow we were moving when we got above 100 times filling Gillette
Stadium where the Patriots play.

We've had folks like Governor Wolf who sent in the National Guard and equipment and manpower from states like Vermont and Maine. And the irony, by the way, of having Vermont and Maine send us National Guard people and heavy equipment to help remove snow is kind of ironic. New York, New Jersey, it's really—I mean, the public expense associated with that is pretty significant.

And the third big issue which we're going to start dealing with over the course of the next few days, and maybe the next few weeks, is going to be property damage as roofs start to collapse. Is this apocalyptic for all of you?

(Laughter.)

MS. BARTIROMO: And pipes burst. There's a lot of property damage.

GOVERNOR BAKER: It's been a pretty interesting 45 days. But I think that once we get past the snow, probably for us—and I would basically put it in a slightly different way—but we have one of the most successful and most vibrant and most
forward-looking knowledge-based economies probably anywhere in the world. And if you're in one of those spaces and you can play in it and play successfully, you know, the world's your oyster.

But if you're not, it's a pretty cold place in Massachusetts these days. And I think one of our great challenges, not just in Massachusetts but elsewhere, and it gets back to your question about why if the numbers look so good do so many people feel not so great? Because for a lot of people it's been a very anxious time for the better part of the past four or five years.

They're running real fast and they're working real hard, and they're having a hard time seeing where their progress is going to come from, primarily because the price of food, the price of housing, the price of energy, the price of health care--and that one I do believe is tied directly to education and skills. And we've got to figure out a way to do a better job on both.

MS. BARTIROMO: What are you going to do at the end of the school year with all of these days out
for kids? Are you going to have them make that up?
When you think about American kids versus Chinese
kids, you know, we're sending our kids to school at a
much lower sheer volume of days. They're
being educated more in China. So what are you going
to do about--I mean the snow is one portion of this
subject, but this is a real impact to you because the
schools have been closed for so long, right?

GOVERNOR BAKER: Yeah, although I can say
that, I mean, generally speaking the performance of
most kids in Massachusetts--and it is most, which
brings me to another subject--on most national and
international exams is actually quite good.

I mean, we can compete with pretty much
anybody at the sort of middle and upper end. Our big
problem--and it's a problem we'd better fix--is the
achievement gap, which I think is an opportunity gap,
between the school systems and the school districts
and the schools that are performing and those that
aren't is profound. And that's something I really
believe we had all better focus on. Because in the
long run, if you don't get a great high school--a
great education through high school, and probably
something beyond, your chances in this world and this
economy are going to be severely limited.

MS. BARTIROMO: Absolutely. It just builds
on each other as you get further into school: high
school, college, higher ed.

Governor Wolf, the biggest economic
challenge for Pennsylvania?

GOVERNOR WOLF: This is going to sound
strange. I mean, I agree with everybody. Education.
We've got to build out the infrastructure. We have
to make investments to make sure the economy can
function. But I think the biggest problem in
Pennsylvania is low self-esteem.

And I think one of the things a governor
can--it's not that--it wasn't a laugh line--
GOVERNOR BAKER: But you have the most
successful education institutions in the globe.

(Laughter.)

MS. BARTIROMO: You have to explain that,
low self-esteem as an economic problem. Why?
GOVERNOR WOLF: Well, here--And I'm not
saying this is a matter of just confidence and that kind of thing. But I think one of the things that a good leader does, and as governors we have this opportunity to do this, is to actually tout our own potential and make sure that we're not wasting away in part because we don't think we're as good as we really are.

I think Pennsylvania is one of those underachieving states that could do a lot better with the resources it has. And I think one of the responsibilities of leadership in Pennsylvania is to address head-on not only the structural issues—education, transportation, all those things—but also the psychological issues that keep us, and hold us back. And so low self-esteem actually is a big problem.

MS. BARTIROMO: And that requires leadership in terms of making sure people have optimism and hope that they in fact can get a better life.

GOVERNOR WOLF: Especially in Pennsylvania, yes.
The biggest challenge I see facing Utah really is the challenge we've had, and that's growing the economy. And how do we keep it growing in a very fast-growing state? We're one of the third- or fourth-fastest growing states in America.

So the need to have economic expansion continues. I take a page out of President Bill Clinton's book where he said, "It's the economy, stupid." And it really is I think the number one focus that all of us probably are looking at, certainly we're doing it in Utah. But we also know we cannot have long-term, sustained economic growth unless we have a skilled labor force.

So it goes back to education, and beyond high school diplomas and into post-high school needs, whether it needs to be better alignment with what the skills are we're teaching in school, or what the demands of the marketplace are which is global in nature.

You asked the question earlier about whose
responsibility is it to make sure that our young
people get a good education. Is it the public, or
the private?

Governor Hickenlooper talked about it's a
collaboration. Part of that equation, which we
sometimes tiptoe around is, it's the parents' and the
guardians' responsibility to make sure that their
children get a good education. And that's a
component part we sometimes overlook.

We have too many parents in Utah that drop
their children off at kindergarten and pick them up
at high school graduation and say, hey, how was it?

(Laughter.)

GOVERNOR HERBERT: They need to be more
involved.

MS. BARTIROMO: Right.

GOVERNOR HERBERT: To make sure they're
going their assignments done, that their kids are
learning in school. And so that's an aspect that we
need to talk about to make sure that parent-teacher
conferences are being held, with parents and teachers
working together on how little Johnny and little
Janie are going to excel in the classroom.

So the challenge for me is that we're having great success. Our unemployment rate is down to 3.4 percent, one of the lowest in the nation, but how can I continue to make sure that it happens? It's going to require a really skilled labor force going forward.

MS. BARTIROMO: What's an appropriate growth level?

GOVERNOR HERBERT: Excuse me?

MS. BARTIROMO: What is an appropriate growth level in Utah?

GOVERNOR HERBERT: Well, our GDP is growing about 4.1 percent right now, about twice the national average, and our population growth is about, just under 2 percent growth. We have a high birth rate. We're a young population. Our median age is 29.2 years of age, so I have a lot of kids in school and growing.

And, plus, people are now moving to Utah for a great quality of life and economic opportunity.

You know, it's kind of a conundrum as far as how do
you accommodate that and still grow the economic pie
and have it expand to accommodate the growth and
pressures we feel.

MS. BARTIROMO: Governor Hickenlooper?

GOVERNOR HICKENLOOPER: So in parts of
Colorado, and I think in parts of the country--and
I'll echo a little bit of what Governor Wolf said--
it's confidence, and people don't believe. It's not
just in their own self-esteem, but I think a big part
of job creation is entrepreneurship. And people
forget that oftentimes the entrepreneur generally--
and I'm not talking necessarily, let's put
technology, and health care technology aside--a lot
of times it's a guy who is working for some other
company. He's one of the better workers there. He's
a house painter. He's a sheet rocker. And he wants
to start his own business. And he's got the sense to
know how to do it, and he thinks he can do a--
negotiate a better contract, you know, manage his
workers, do a better job.

And if he doesn't feel that the community
supports him taking that risk, if he thinks there's
too much red tape or regulation, if she feels that there's, you know, not enough space for her entrepreneurial activities to succeed, then they won't do it.

And over the last several years we've seen that nationally. The number of start-ups have gone down significantly. You can tie it to a number of things--all of us working on reducing red tape and regulations haven't done as good a job of letting people know that, and how pro-business we are, and how supportive we are of entrepreneurs.

But also the media is constantly bombarding people with this kind of negative impression on how this is broken, or that's broken, or this person is, you know, a scoundrel. We go through these campaigns where the level of negative advertising is beyond what anyone could have imagined 20 years ago.

And I think that is--people don't believe anymore, and I think that is having a direct effect on our entrepreneurship. You know, Colorado is basically along the front range in our urban core.
We are growing. We have tons of startups, and I think generally so many young people are there who do believe. We have, in a funny way, a problem of infrastructure.

I mean, we're very rapidly going to--I mean, our roads are already congested. And the planning that is going on is not going to be sufficient. We don't have the funding right now, and even if we had it we're too far behind. It's a good problem to have, right? People complain to me every day, mayors, about traffic jams and congestion.

And I say, well, you know, we're going to work on this together, but it's better than having empty streets. But I think that sends a confidence; what I keep coming back to is that's going to be the key for the overall country.

People forget, you were mentioning Governor Clinton when he was President talking about "It's the economy, stupid." But when our recession started in '84-'85, my company got sold. I got laid off in '86. He was running for President in '92, right? And so that recovery had some dips. The
price of oil went up and down a couple of times in there.

These recoveries are difficult processes, but part of getting it accelerated is to have people believe, to get confidence.

MS. BARTIROMO: I totally agree, and I think the media plays an important part here in terms of ensuring people understand the facts and really what's going on.

One of the reasons, I guess, that people have not been feeling it is because their wages haven't moved. So you've got an environment where the unemployment numbers look like they're getting better, and yet the average guy or gal out there hasn't really seen a change in their salary in about six years.

GOVERNOR HICKENLOOPER: Right. Absolutely. And I think that's--we had Danny Meyer who just opened Shake Shack--went public with that.

MS. BARTIROMO: Hugely successful deal.

GOVERNOR HICKENLOOPER: Hugely successful.

When he was describing wages in his kitchens, right,
the wait staff, as the price on the menu goes up
people have--that's gone up 200, 250 percent in the
last 25 years, but wages in the kitchen have gone up
a fraction of that. And I think that pressure, you
see that in every industry.

MS. BARTIROMO: That's true.
Governor?
GOVERNOR MARKEL: Well, I think, you know,
the segue from that is: Why is that? And I think
there are two big reasons.

One, businesses have more choices than
they have ever had before about where to locate, and
where to expand, and where to hire.

MS. BARTIROMO: And who to hire.
GOVERNOR MARKEL: And who to hire. And I
think we have to really come to grips with the fact
that we are not entitled to a job tomorrow just
because the employer was in our state yesterday. And
this is not just a battle amongst us as governors. I
mean, the bigger battle is with employers all around
the globe. I mean, that's number one.

Number two, I mean there are profound
implications in the fact that we all carry these incredibly powerful computers in our pockets. Some really positive aspects of that, like it increases productivity, which historically means more wealth and more opportunity. At the same time, I'm sure we all have employers in our states who are producing twice as much as they produced 10 years ago employing half as many people.

So I mean this revolution has really big implications for the nature of the role of people in producing things. And so I think particularly given the fact that businesses have more choices than ever before, we need to understand at a very granular level what it is that they care most about when they're making that decision about where to invest and hire. And then we've got to act on it.

And so I mean--and to me, the biggest takeaway of all this is really what everybody else around the table has talked about, because--and it has to do with workforce. It has to do with skills. Because when you talk about--even when you talk about all that money sitting overseas, the $28 billion out
of the $31 billion for the one company, I think it's
not just about tax policy. Even if the tax policy
was equal, they're going to have lots of great
choices about where can they get a great workforce.

And so we need to make sure every single
day that we're getting better, because we know that
other countries around the globe are investing really
heavily in that.

MS. BARTIROMO: You make a great point,
particularly as it relates to robotics, because this
issue is only going to get worse. I mean, right now
as we sit here they're doing prostate cancer surgery
robotically. They're doing, you know, health care
checks of our bodies. You've got sensors all over
the place, machine talking to machine.

So that will mean fewer jobs. Is
everybody ready for that? Obviously not, because we
don't have the skill sets.

GOVERNOR MARKELL: But at the same time,
these technologies will create new jobs, the kinds of
jobs that we've never even thought about before, and
we just need to make sure that our folks are prepared
for that.

MS. BARTIROMO: Absolutely.

Governor Malloy, biggest economic challenge you face in Connecticut.

GOVERNOR MALLOY: I think the honest answer to that question is the one that we don't know. Who would have envisioned a downturn the likes of the Great Recession just a few years before it took place and it set us all back very substantially.

But I would say that there are challenges that we currently know that we're ignoring. Climate change, although we did talk about Massachusetts or Boston's issue with snow, climate change is a gigantic challenge. You know, my state is on the Eastern seaboard. Maybe not in my lifetime, but I hope in the lifetime of my children--I hope they get to the point where they're going to be as challenged by that, by seawater rising and the implications of greater disparity in weather, or changes in the weather. I think it's a gigantic problem.

I think transportation infrastructure, which has largely deteriorated in the United States,
presents a global disadvantage to the United States. I think we have to address that. And I again would go back to how we're going to fund how we address that.

I think income disparity and what we do or don't do about that. You know, the story about the chef not making as much as the wait staff did. But there's also a cultural, educational and racial disparity that's represented in who works what side of the house that we have to admit. And we've institutionalized to some extent those disparities, and we have to worry about it.

Demographics. We're getting older. I'm governor of the seventh fastest aging state in the nation. And there are--don't anybody feel great about it--with the exception of Utah, everybody's--well, Utah and Nevada--but basically everybody's getting older.

And it's not because you have a better skill set in Utah. It's just--on the demographic side.

(Laughter.)
GOVERNOR MALLOY: So I think these are serious issues.

And then, you know, political infrastructure. The person who used to win in political battles was the person who could unify. Now the person who wins in political battles, more often than not, or at least more often than ever before, is the person who can best divide. That's a problem.

MS. BARTIROMO: Governor?

GOVERNOR [STEVE] BESHEAR: Kentucky has been very fortunate in coming out of this recession in a fairly strong way fairly quickly. Our unemployment rate has gone from 10.7 to 5.7 in just a matter of two or three years, and it continues to fall.

Our economy is really picking up.

Obviously none of us are where we want to be yet--

MS. BARTIROMO: And to what do you attribute that?

GOVERNOR BESHEAR: --but it's all moving in the right direction.

MS. BARTIROMO: To what do you attribute
that success?

GOVERNOR BESHEAR: Every CEO I talk to, they love incentives. They love infrastructure. They love all of the things that, that we give them. But the thing that they want more than anything, their number one priority, is a productive workforce, just like everybody else said around here.

But I think we ought to spend a moment talking about what the definition of a "productive workforce" really is. Obviously it's a trained workforce. And we have the programs, like so many, where we're partnering with business to develop the skills needed for the jobs of the 21st Century. But a productive workforce, every smart CEO will tell you, is a healthy workforce.

If you don't have a healthy workforce, they're not on the job all the time, then they're not productive. And we've made great strides in Kentucky getting our workforce healthy.

It also has to be a drug-free workforce. And all of us have that issue in our state, and we have it. And we're having to attack that problem.
So all of these things that we do, in one way you don't see the relationship, but it all goes to developing that productive workforce that's going to give you the job attractiveness to bring those folks into your state, because you've got that workforce that will do the job they need.

MS. BARTIROMO: Governor?

GOVERNOR HUTCHINSON: You know, our challenges are related to the opportunities in Arkansas. We have great entrepreneurs. We are great producers. And you think about the global marketplace, I think that's our challenge, is making sure the global marketplace is open to our industries.

You look at Wal-Mart. They've expanded beyond the United States into the global marketplace, located in Wal-Mart. Tysons Food, in terms of beef, poultry production, exports all over the world. Rice production. So we're a small state of great entrepreneurs that has to have the global marketplace to make sure that we create the jobs.

I think that's the opportunity we face. I
listened to all the comments around the room, whether it's workforce education, job skills, whether it's infrastructure, and I think from a state perspective I would like to see the federal government give more flexibility to the states in order to address those problems.

I think that we can do a better job. I think that we can manage it. And I think it's been proven that, while the federal government's done a great job of collecting revenues, they have not been very good at providing the solutions for the states, and we've done better.

So I would like to see that flexibility to address all of the problems that have been raised in this room.

MS. BARTIROMO: Does everybody agree with that statement?

(A few hands.)

(Laughter.)

MS. BARTIROMO: So this is going to be a topic you'll discuss with the President tomorrow.

GOVERNOR HUTCHINSON: I hope to absolutely
do that. And I think there's a growing recognition
in Washington that--and there's a willingness to give
more flexibility. And I think--you know, and I don't
blame this just simply on the federal government, but
things have changed.

You know, we have been very dependent. We
have enjoyed having the federal largesse returned to
the states. And I think the times have changed with
the constrained federal budget, with the states being
greater innovators, with the mobile society that we
have, more competition.

I just think it's time to refigure that
balance in Federalism. And that debate goes on in
Washington, but we can certainly push it and grab
hold of those reins.

GOVERNOR WOLF: Let me just push back a
little bit on that, because what you said--the last
thing you said is actually a little bit at odds with
what you first said.

You want to strike the right balance, and
I can go along with the argument that maybe it's time
to re-set that balance, but let's not forget there is
a balance there. We have a national economy that
everybody takes advantage of, whether you're
Pennsylvania or Arkansas; that the manufacturers and
the distributors, the trucking companies in Arkansas
take advantage of not just a global economy but the
fact that we have one of the biggest and the richest
domestic market in the world. That takes federal
regulation. That takes some federal cooperation.

So we can't lose sight of the idea that
states can't do everything--

GOVERNOR HUTCHINSON: Sure we can.
GOVERNOR WOLF: --and I think that balance
is what we have to strike.

GOVERNOR HUTCHINSON: I agree totally. I
mean, immigration. We need to have the federal
government engaged in that. And trade policy, the
global marketplace. It's the federal government
needs to negotiate these trade rules. We don't do it
individually by the state.

But whenever it comes to education,
whenever it comes to, you know, our job creation,
whenever it comes to our infrastructure, we've been
dependent upon federal highway dollars. Well, let's refigure that. I think there's ways to do things differently.

And so I don't think it's an inconsistency. I think we're really in agreement on that on things the federal government does well. But we need to make sure there's clarity in the difference of responsibilities.

MS. BARTIROMO: Governor of North Dakota?

GOVERNOR [JACK] DALRYMPLE: North Dakota, our GDP growth over the last 10 years has been 10.4 percent, more than three times the national average annually.

MS. BARTIROMO: Is that because of energy?

GOVERNOR DALRYMPLE: What's that?

MS. BARTIROMO: Is that because of energy?

GOVERNOR DALRYMPLE: About three or four points of that 10 percent is probably attributable to the energy sector. The rest is other industries: agriculture, technology, heavy manufacturing.

And, you know, our greatest challenge is managing the rapid growth of our state, one of the fastest-growing economies in the world. If it were
not for North Dakota, Gary Herbert would achieve his personal goal of being the fastest growing economy in the country.

(Laughter.)

GOVERNOR DALRYMPLE: But, you know, we just keep chasing it and working hard to do the things that everybody has talked about. And the national media does call me, and they ask me, you know, why is North Dakota so different from the rest of the nation over the last 10 years?

And really, I think it's not that complicated. We have low taxes. We have a reasonable regulatory climate. We've got a terrific workforce. And we have a state government that we think is the most accessible government in the country. And companies come to our state for that reason.

And you see Deere and Caterpillar building factories in North Dakota. Microsoft is expanding their second-largest campus in Fargo, North Dakota. There's a lot of economic activity that is a long ways away from the oil fields.
So it's working well for us. But at that pace, 10.4 percent, as a state government we really have to go like heck, you know, to stay on top of it and keep everything, you know, going forward, the highways getting built, the buildings getting built, the law enforcement expanding, all the social services you have to bring to bear, all of that has to keep up. So that's without a doubt our biggest challenge.

MS. BARTIROMO: What has been the impact of the sell-off in the price of oil?

GOVERNOR DALRYMPLE: So far, we really are almost surprised at how little we're noticing it. The Bakken formation in northwestern North Dakota is one of the most productive in the world. We think our cost of producing a barrel of oil in some counties is as low as $30 a barrel. And the drilling pace has really not dropped off that much.

Plus the fact that, you know, we had really a shortage of workforce going in. So we're finding that, you know, if anybody has been laid off they've had no problem whatsoever finding another
job.

MS. BARTIROMO: Governor?

GOVERNOR BULLOCK: My biggest challenge is probably that Governor Dalyrmple won't agree to a border realignment.

(Laughter.)

GOVERNOR BULLOCK: Because we actually permit faster and lower taxes on our oil and gas, but most of it's in North Dakota.

In addition to that, I mean I'd like to--I look at it more as, as opposed to economic challenge, is real opportunities. For one, at the state government level I think the opportunity is I need to make sure to maintain fiscal discipline.

A report of J.P. Morgan said that we are the most fiscally prudent state in the country. That allows us to do things like, when we fixed our pension system, that gives folks looking forward that much more excitement. It allows us the ability to, this may not be sexy, but reduce interest rates that we provide local governments on wastewater and sewer water, saving $40 million for ratepayers across the
I think we need to continue to really build on a business-friendly environment. Like many others said, at the end of the day it's the private sector that does this. So we had the private sector help make a mainstream project and program. Let's identify the opportunities and obstacles for growth.

As a result, we've either repealed or streamlined 714 regulations that were either unnecessary, unwarranted, or stood in the way of further economic development. But we're also asking them to help build that business plan for the future.

And really, that's where we get into so many of these issues of, well, we do have a skills gap but we also have to do things like fund early childhood education because we know the difference that will make long term.

And, the investments all throughout. If business is also at the table saying where can we grow? And what are the opportunities to look long term? Because in government, unfortunately, with political cycles it doesn't always look long term,
but partnering with them in looking forward I think it's just going to create that many more economic opportunities for the state.

MS. BARTIROMO: Governor Walker?

GOVERNOR WALKER: On the good news side, in Alaska we're the closest to the market. I won't say we can see it from where we are, but we're close.

(Laughter.)

GOVERNOR WALKER: But the bad news is we can't get access to our resources. You know, the Permian Basin has 475 drill rigs. We'll drill 63 wells this year. We just can't get access to our resources.

We have plenty of resources. We have the highest-cost energy in the nation--

MS. BARTIROMO: Because it's federal land?

GOVERNOR WALKER: The federal land is limiting our ability to get there. In Wyoming they have drilled about 19,000 wells. We've drilled about 600 wells. About the same size on the north slope as to Wyoming. So we just can't get access to our
resource.

We have the highest-cost energy.

Electricity in some locations is over one dollar a kilowatt per hour. Diesel is the equivalent of about $30 per mcf, whereas we're paying two dollars down here. And we have the coldest temperature days. We don't have "cold snaps" we have "cold seasons."

So it's very frustrating that we have trillions of dollars of value in the ground, and when we became a state we were assured we would be able to develop the resources. That was a mandate. That was a direction in the Statehood Compact. We have held up our end of the deal, and the administration has not.

And so our biggest challenge is just getting access to our resources for our economy and for our own people. There's people that can afford to live in the villages and live the rural, subsistence lifestyle but can't afford to pay over $1,000 a month for heating fuel.

Some--the highest I've heard is 15 people living in one house in rural Alaska. That's
ridiculous based upon the amount for energy. We re-inject more energy into the ground than they consume, in the way of gas, than they consume in California, Oregon and Washington combined. So it's all about a distribution system. We have plenty of resources, plenty of opportunity, we just have to be able to get to our resources.

MS. Bartiromo: Governor?

GOVERNOR [LOLO] MOLIGA: Thank you, very much. Sitting here listening to the discussion, I feel lost. Because we're experiencing a very difficult time in our economy, not only that we have been associated with the United States for the last 120, 115 years, and we haven't really developed any economy that would coast into some direction.

Here you are discussing which way to go as far as direction of our economy, and here we are struggling to find if we do have an economy or not. We live under the mercy and survive under the mercy of the federal government. Every year we don't really have a strong economy, but we do have a couple of canneries which rely solely on the
availability of fish. And the fishing industry is getting very tight on its policy. It's getting to be a national issue which the Chinese and other foreign countries who are trying to take advantage of fishing industry. And we are the victim of such an impact on our economy.

So what we've been discussing this morning, as an insular territory and commonwealth, we need to come together to find some ground within the relationship between the federal government and the territories and commonwealth. We feel we have been left out, you know, many times, especially in our location where it's 17- 18,000 miles from Washington. You know, we are the furthest south of American soil, and we have been there since the beginning. And we feel like many times we have been left out. And the only time we can feel the impact of the American dollar is when there's a natural disaster, or something happens to our territory. Otherwise, we feel lonely down there.

So we have been discussing the prospect of, you know, as insular territories and
commonwealth, to come together and ask our
organization to find a place for the insular
territories and commonwealth in the International
Governors Association.

We also need to see that the federal
government pays a little more attention to us. You
know, it is--but, you know, I can say it without
reservation, you know, after 115 years associating
with the United States of America, we feel like we're
heading nowhere. The closest people to us are
Chinese who come around our shores with some change
in their pockets and trying to set up some business
with our local people.

They restricted us from fishing in our
waters. They restricted us from other areas. So we
are victims of all these federal mandates and
regulations. We cannot even build a rock wall to
protect our shoreline. You need to call the Army
Corps to . . . for a permit. We can't even build
something, you know, unless you--the federal
government knows that we do not have the resources to
accommodate the lifestyle of our people. We have
been Americanized by the Americans. McKinley and the Navy at the time convinced us that America is the best nation in the world, and we do agree.

MS. BARTIROMO: Very important.

GOVERNOR MOLIGA: And after so many years, we feel like we have been left out. But for the first time, the assistant secretary of the Interior visited our shore. And for the first time somebody had visited with the heart for the people. And I really take my hat off to the secretary, or the assistant secretary of Interior, for paying attention and coming down and witnessing first-hand how the American people down there live and survive in that part of the world.

MS. BARTIROMO: That's very important.

Thank you--

GOVERNOR MOLIGA: So I hate to take all the time to voice my purpose onto this.

MS. BARTIROMO: Thank you. Governor?

GOVERNOR [KENNETH] MAPP: Thank you, and good afternoon. First I guess the greatest challenge to the economy of the Virgin Islands is to convince all
my colleagues here in the National Governors
Association that the winter meetings of the
Association should take place in the U.S. Virgin
Islands.

(Laughter and applause.)

MS. BARTIROMO: I think this is a very good
point. A very good point.

(Applause.)

GOVERNOR MAPP: It's 78 degrees. So we are
hopeful that the next two winters I don't have to get
off of my sailboat to come to the snow.

MS. BARTIROMO: That's going to be an
obvious choice.

GOVERNOR MAPP: So you can join us in the
Virgin Islands.

Much of the conversation that I was privy
to today, we understand a lot of. In the Virgin
Islands we also have that challenge of aligning our
workforce development, our education, our university,
with the rapid changes in the economy and the need
for preparing our workforce for the new jobs.

I think we're still much on the same model
of going through school, graduating from high school, getting into the university, getting a degree and getting out in the world and sort of being competitive and productive. But the changes in the economy are happening so rapidly, and the infusion of technology in much of what we're doing in the economy and particularly in health care, that we have to shift that model to prepare our people to be able to take this on.

Most folks know that the main source of the economy in the U.S. Virgin Islands is tourism, but we have great opportunities in technology and we have to shift for that. And that's going to require a great deal of investment in the infrastructure, being able to be a competitive location for business globally, both U.S. and foreign, and be able to cycle back our workforce that leave and come to the U.S. mainland for education, to have the opportunity to come back into the Virgin Islands and work and raise their families and be productive.

So we find ourselves ready, we produce for many of your cities and states. Many of our
people go there and work. Like Governor Moliga said here, one of the biggest challenges to the territory though is federal bureaucracy. A lot of rules and regulations that are made here in Washington, and in some of the other states where federal offices are located, there's not a recognition and an understanding of how fragile the territorial economies are.

And so when they make these rules and regulations, they're just really destructive to our fragile economies, and we lose jobs by the hundreds or the thousands as a result of them. And then we don't have reasonable, rapid response on the federal government to deal with these issues.

We have to go through the Congress, and just through a whole lot of bureaucracy. And by the time you get to the end of it, that segment in the trade in the economy is really no longer relevant for us. So we are going to be looking to NGA and our colleagues to assist us in getting that point across.

We understand where we're at on the scale.

But in the 2017 Winter meeting in the U.S. Virgin
Islands, it's a lot warmer and a lot more fun. Thank you.

MS. BARTIROMO: You make great points.

Thank you for that. Because the brush-stroke attitude is obviously not the way to go when you all know your state best, and better than anyone in Washington, for sure.

Governor, a final word from you.

GOVERNOR [ALEJANDRO] GARCIA-PADILLO: Well, thank you.

This is a great chance, and I really appreciate it.

Puerto Rico has great challenges. We have been dealing with—I inherited a huge deficit of 24 percent. And in 18 months we reduced that to zero. It's now between zero and 2 percent.

Unemployment rate was 16.5 percent and is now 13.7. It's still too high, but it's on the way down. And a crime rate that was the highest in our history is now the lowest in the last 22 years.

So we're moving. The economy trend lines are now on the positive line. Tourism is booming, breaking records. But it's only 7 percent of our economy. Our main part of the economy is
manufacturing. We produce more pharma products, our medical devices, per square mile than any other place in the world. And manufacturing is growing for the first time since 2008.

For the first time since 2006, the U.S. Bureau of Labor Statistics states that our private sector is growing, and the public sector is shrinking, without firing people. I reduced 16,000 public employees only on attrition, without firing people. That's why we are able to balance the budget. That's in part how we balanced the budget.

But right now we are focused on a new infrastructure. We're moving Puerto Rico to a value-added tax. We will be able to take away 82 percent of the population’s income tax. So they will pay zero income tax. And that's how we've been able to work in improving the economy in 160 countries already in the world, so we're moving in that direction and we'll continue that part on.

MS. BARTIROMO: Thank you, very much. It's extraordinary to me that the skills gap has been really an across-the-board issue for all of you. And
Despite the fact that each state has its own mentality and its own strengths and opportunities in terms of resources, manufacturing, et cetera, all agree on so much. And clearly the issues are around the federal government and its impact in terms of broad brush stroke laws in the face of your own very different economies.

It feels like the opportunities certainly do surround manufacturing, as well as some of those science and health care jobs.

I want to thank Governor Hickenlooper and Governor Herbert, and all of you, for having me today and I wish you success with the rest of your meeting.

Thank you very much, ladies and gentlemen.

(Applause.)

GOVERNOR HICKENLOOPER: Thank you, Maria, for helping with this valuable discussion. I think we all learned a lot from everyone at the table.

Governors, this concludes our special session. Please join all of us at a reception with our adjutant general in Salons E and F. I believe it's underway.
(Whereupon, at 4:48 p.m., Saturday, February 21, 2015, the meeting was adjourned.)
NATIONAL GOVERNORS ASSOCIATION

Winter Meeting

February 23, 2015

J.W. Marriott Hotel
Salons III and IV
1331 Pennsylvania Avenue NW
Washington, DC

SESSION TO APPROVE NEW POLICIES

Governor John Hickenlooper, Colorado, Chair
Governor Gary Herbert, Utah, Vice Chair
GOVERNOR HICKENLOOPER: Please take your seats and we'll begin this session. I think it has been a very productive weekend. I thank you all again for being here.

This is certainly one of the greatest honors I've ever had, to get to lead and be part of you over this weekend and over these past six months.

We're pretty much almost done with this session, but we do have a couple of pieces of business here. Every two years the governors formally reexamine the policies that guide the actions and the advocacy of our association. We are always reexamining and looking at the policies, but this is when we take those evaluations and actually make changes where it's appropriate.

So what we're going to do is, I'm going to call on the leaders of our standing committees to report on their sessions, and then to move for consideration of our policies.
So we'll start with Economic Development and Commerce Committee, and West Virginia Governor Earl Ray Tomblin.

GOVERNOR TOMBLIN: Thank you, governor.

Yesterday the Economic Development and Commerce Committee had a great session discussing the importance of creating new opportunities to support advanced manufacturing in our states.

During the session, we heard from Mark Hatch, CEO of TechShop, and Millie Marshall, President of Toyota Motor Manufacturing of West Virginia, who provided valuable insight on ways to develop an economic strategy to foster growth in our states and at the regional level.

For those of you who have not heard of TechShop, it's one of those things you may want to get online and look at. It created a lot of questions and excitement yesterday, but basically it's a--has basically all the modern equipment that you could want. Anyone can walk in and basically within a few days get an idea of how to run that and create products. And it's a great thing for
entrepreneurs in our state, and at a very reasonable cost if they can get this.

Also, Millie Marshall from Toyota described how they partner with our community and technical colleges and do programs like Earn To Learn to help advance their employees, where they work three days a week and get paid for that; two weeks to go community or technical college to help them toward getting an associate degree.

So both of them were very good. We had a lot of great discussion on it yesterday. So, you know, it's something I would just encourage all of you to look at because I think advanced manufacturing is something where the real growth is going to be in our states.

During the business portion of our agenda, the committee considered three policies for renewal and recommends their reaffirmation for two years. These policies include EDC-01, which is commerce, and we recommend it, and its mate, to the commerce policy to reaffirm the role we as governors play to support our nation's economic growth and prosperity. EDC-02, the
transportation and infrastructure one, which we recommended edits to clarify that innovative financing options cannot replace dedicated federal funding for infrastructure.

The policy also urges the need for a federal freight strategy based on comments that Governor [Robert] Bentley and I submitted to the U.S. Department of Transportation last year.

The third one is the EDC-03, which is public finance. And the committee recommends reaffirmation of the policy on public finance.

So on behalf of the committee, I recommend the adoption of these policies en bloc.

I would also like to thank my EDC leadership partner, Governor Bentley, for his testimony last month before the Senate Environment and Public Works Committee. Governor Bentley spoke on behalf of the NGA as our committee vice chair to urge Congress to pass a long-term reauthorization for resurface transportation programs before they expire this May.

Both Governor Bentley and I look forward
to working with each of you as we continue this 

effort. Thank you, governor.

GOVERNOR HICKENLOOPER: Do we have a second?

(Motion duly seconded.)

GOVERNOR HICKENLOOPER: All in favor, say aye.

(A chorus of ayes.)

GOVERNOR HICKENLOOPER: It passes. Economic 

Development and Commerce is moved forward once again.

Thank you.

From the Education and Workforce 

Committee, Nevada Governor Brian Sandoval.

GOVERNOR SANDOVAL: Good morning, Mr. 

Chairman. Thank you for your leadership. It's a 

great day to be here.

At the Education and Workforce Committee 

we discussed how governors are sparking state 

education innovation, and how governors can scale 

these policies as part of the reauthorized Elementary 

and Secondary Education Act.

Earlier this month, NGA joined with the 

National Conference of State Legislatures to release 

a detailed plan to reauthorize the ESEA and provide a
clear, bipartisan path for a new law that works for states.

Both Houses of Congress are quickly moving legislation. This week the United States House of Representatives will be debating an ESEA bill on their floor. The coming days and weeks offer an opportunity for governors to work with state partners to ensure that a reauthorized ESEA provides each governor with a central role in implementation and governance of the law and recognizes state authority to set their own accountability goals.

As you know, ESEA has the potential to be a critical tool for governors to ensure that every child receives a high-quality education. I would ask that each of you work with NGA staff and with our congressional delegations to ensure that the next ESEA works with states and, most importantly, for our students.

At this time, Mr. Chairman, I would move to readopt without changes the following three Education and Workforce Committee policies:

Number one, K-12 education reform;
Number two, child nutrition; and
Number three, building a world-class workforce.

And before we take a second, Mr. Chairman, I just want to thank all the governors who participated in the committee meeting yesterday. It was incredibly productive and thought-provoking.

So with that, I move for approval, Mr. Chairman.

GOVERNOR HICKENLOOPER: Thank you for your work and for the committee's work. Do we have a second?

(Motion duly seconded.)

GOVERNOR HICKENLOOPER: All in favor, say aye.

(A chorus of ayes.)

GOVERNOR HICKENLOOPER: So it passes. Now from Health and Human Services Committee, Kentucky Governor Steve Beshear.

GOVERNOR BESHEAR: Thank you, Mr. Chair. Yesterday the Health and Human Services Committee had a robust discussion about statewide health care transformation.
Charles Roades from the Advisory Board discussed how governors are uniquely positioned to drive change, and highlighted promising early results from Oregon's Coordinated Care Model.

We were also pleased to be joined by Governor Bentley of Alabama who shared his vision for health care transformation in his state.

During the business portion of our agenda, the HHS Committee considered two policies for renewal and recommends their reaffirmation.

First, temporary assistance for needy families. The committee recommends the reaffirmation of the TANF policy without any amendments.

Secondly, health. The committee recommends amendments to the health policy, including new language to address, one, the Children's Health Insurance Program;

Two, health care innovation;

Three, high-impact drugs;

Four, Medicaid extenders, and;

Five, prescription drug abuse.

So on behalf of the committee, I recommend
the adoption of these policies en bloc.

Finally, I would like to highlight the
Children's Health Insurance Program, the CHIP
Program, as one of the committee's most urgent
priorities. Last week, Governor [Bill] Haslam of Tennessee
and I sent a letter on behalf of all governors urging
Congress to move quickly to maintain this important
program. With federal support hanging in the
balance, millions of families are left with
uncertainty about the future of their children's
coverage, and states lack the certainty they need to
budget and plan for their upcoming fiscal years.

The future of CHIP is a critical issue
that must be addressed as soon as possible. We
simply cannot allow this one to come down to the
wire. Governor Haslam and I look forward to working
with you all on this issue in the coming weeks and
months.

Thank you, Mr. Chair.

GOVERNOR HICKENLOOPER: Thank you,
Governor Beshear.

Do we have a second?
(Motion duly seconded.)

GOVERNOR HICKENLOOPER: All in favor, say aye.

(A chorus of ayes.)

GOVERNOR HICKENLOOPER: And so it goes.

Another one down. Now for Homeland Security and Public Safety Committee, Virginia Governor Tim McAuliffe.

GOVERNOR McAULIFFE: Thank you, Mr. Chairman.

We had a good discussion yesterday. I thank the 15 governors who came by, we had a great discussion of the Homeland Security and Public Safety Committee.

We convened, obviously, to talk about what we need to do in our state-led strategy to secure our government networks and to protect our critical infrastructure from cyberattacks.

We were pleased to host a distinguished panel of speakers, including the Secretary of Homeland Security Jeh Johnson. The Commander of the U.S. Army Cyber, Command Lieutenant General Edward Cardon was with us, as well as a member of my Virginia Cyber
Our panel discussed a number of ongoing federal and state efforts to improve cybersecurity such as developing a skilled cyber workforce, leveraging resources such as the National Guard, and strengthening public/private partnerships.

During the session we had an informative discussion about best practices that are driving cybersecurity improvements at the state level, and we also had a discussion about, obviously, employment opportunities that exist around developing these new cyber strategies.

I appreciated the opportunity to share Virginia's cybersecurity strategy and learn more about other innovative solutions that my colleagues are implementing to address cybersecurity challenges at their own states.

It was a timely discussion that will inform the NGA's ongoing work on the issues of the Homeland Security Committee, the NGA Resource Center for State Cybersecurity, and the Council of Governors.
During our session, the committee approved amendments to three policies:

Homeland Security, public safety, and emergency management. Armed forces, veterans’ affairs, and one new policy on cybersecurity.

Following today's meeting, the Homeland Security Committee will continue its work with Congress and the administration to implement states' recommendations to improve federal support to states for cybersecurity. As you know, the federal government has many assets. The key issue for us is how do we access those federal assets so that we can use them at the state level?

We will also work with Congress and the National Commission on the Future of the Army to protect the Army National Guard from damaging cuts to personnel, equipment, and aircraft.

That concludes my report from the Homeland Security and Public Safety Committee, and I would ask for approval of what we have proposed in our new policies.

GOVERNOR HICKENLOOPER: Great. Do we have a
second?

(Motion duly seconded.)

GOVERNOR HICKENLOOPER: All in favor, say aye.

(A chorus of ayes.)

GOVERNOR HICKENLOOPER: All against, say nay.

(No response.)

GOVERNOR HICKENLOOPER: I didn't say it before, but just now--just kidding. Just checking on whether McAuliffe has done his homework.

(An off-microphone comment.)

(Laughter.)

GOVERNOR HICKENLOOPER: We've got to keep this meeting moving along, Governor Haslam. We can't be slack.

All right, now the Natural Resources Committee, Wyoming Governor Matt Mead.

GOVERNOR MEAD: Good morning, Mr. Chairman.

Thanks to you and the wonderful staff on another great NGA weekend.

I had a good discussion with the Natural Resources Committee. We had one witness, Gene McCarthy, the administrator, and much to my surprise-
-and it doesn't appear all the governors agreed with me on where we ought to go with coal--

(Laughter.)

GOVERNOR MEAD: But, anyway, we had a great discussion. And, well, we talked about the Clean Power Plan in waters of the United States, and I suspect seriously if you would have taken a vote we would have gotten many different opinions, but one thing we as governors did agree upon is the importance of consultation with the states before these rules and regulations go into place. And Administrator McCarthy recognized how important that was, as well.

At the conclusion of the meeting and the fine discussion that we had with the administrator, we looked at three different policies. Two are renewals, and number one is an environmental policy which reaffirms governors' commitment to safeguard federal programs that allow states to provide clean and safe drinking water.

The second was domestic energy, which notes America's position as a producer of energy and
highlights states successes in promoting federal policy that encourages environmentally responsible, secure, efficient, and affordable energy production and use.

The third was an amendment to what was existing. And the amendments urge Congress to reauthorize the Farm Bill on a predictable timetable.

Number two, protect the annual statewide appropriation for the Land and Water Conservation Fund. And number three, provide states with the necessary resources for environmental cleanup of federal facilities.

I appreciate the committee's work, and on behalf of the committee I recommend adoption of our policies en bloc.

GOVERNOR HICKENLOOPER: Thank you. Do we have a second?

(Motion duly seconded.)

GOVERNOR HICKENLOOPER: All in favor, say aye.

(A chorus of ayes.)

GOVERNOR HICKENLOOPER: All opposed, say nay.

(No response.)
GOVERNOR HICKENLOOPER: See?

(Laughter.)

(Off-microphone quips.)

(Laughter.)

GOVERNOR HICKENLOOPER: All right. Thank all of you, not just the chairs but all of you for your work on this. It's a prodigious amount of work that gets done in these things. We all get the chance to meet with each other, but there's an awful lot of hard work that goes into these committees that I think is really valuable.

I look forward to seeing you all, those of you who can come, in April to the Delivering Results, Chair's Initiative Summit in Denver.

Again, this summer we'll be meeting in West Virginia at White Sulfur Springs. We are very excited about that. What's the date of that again, Governor Tomblin?

GOVERNOR TOMBLIN: July 23rd through the 26th.

GOVERNOR HICKENLOOPER: July 23rd through the 26th. And then, if you want to put it on your
schedules, the North American Summit where we're inviting all the Canadian premiers, all the U.S. governors, and all the Mexican governors to be at the Broadmoor, which is--don't ever tell anyone from Colorado I said this--but it's the only four-star resort in Colorado at that level. And we got a very good deal on the room rates, just in case you're worried about the spending.

But that will be October 30th and 31st, for those of you who are interested in that.

I want to recognize and thank Dan Crippen and his team for doing such a great job of organizing this. I think we should give them a hand.

(Applause.)

GOVERNOR HICKENLOOPER: Down at the end. I look forward to working with all of you in the transition over the next 12 months.

I also want to thank Governor [Mary] Fallin and Governor [Jack] Markell, the previous chairs, for their guidance. What's the Isaac Newton line, “If you can see further than others it's because you stand on the shoulders of giants.” So we have gentle giants who
have gone before us.

I also want to recognize Governor Herbert.

I don't think any chair has ever had a more able or a more balanced vice chair to them, and his sense of humor and his openness to pretty much every discussion is to be treasured.

(Applause.)

GOVERNOR HERBERT: He's just excited about going home and telling them he's about to become Elder Hickenlooper.

(Laughter.)

GOVERNOR HICKENLOOPER: You know, I think like a lot of people when I first got elected governor, you know, I really believed—I believed in Colorado, right, and I think most of us when you got elected you believed in your states, but the longer I've been a governor, and the more time I've spent working with all of you, I really believe in the institution of governors. And I think that's something that, especially right now, we are in many circumstances the voice of reason. And in that closed meeting we had, just the way we as a group approach stuff is—
think remarkably valuable to our country at this moment, and I just wanted to thank each and every one of you for your efforts, and your work, and your contribution to the group. Because I think as a group we have far more power than sometimes we realize—well, far more influence.

So now we get to exercise that influence. We're going to head over to the White House. We'll hopefully gather between 10:00 and 10:15. We're going to leave at 10:15 sharp on the bus over to the White House.

This meeting is adjourned.

(Applause.)

(Whereupon, at 9:19 a.m., Monday, February 23, 2015, the meeting was adjourned.)