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NATIONAL GOVERNORS ASSOCIATION
2008 CENTENNIAL MEETING
PHILADELPHIA, PENNSYLVANIA

- - -

PLENARY SESSION
JULY 13, 2008
CREATING A DIVERSE ENERGY PORTFOLIO

- - -

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2 CHAIRMAN PAWLENTY: Good morning,
3 everybody; good morning, distinguished guests.

4

5 I now call to order the 100th
6 Annual Meeting of the National Governors
7 Association. I would like to begin by saying
8 what a privilege it has been to serve as the
9 National Governors Association Chair over these
10 past 12 months.

11

12 We also want to welcome all of
13 our governors here. We would like to have one
14 of our new governors here this morning as well,
15 Governor Paterson from New York, but I think he
16 was called back to New York on state business,
17 but we certainly welcome him and are excited to
18 get to know him better and work with him as one
19 of our colleagues.

20

21 At this session, along with
22 hearing from two notable speakers on creating a
23 diverse energy portfolio, we will recognize our
24 Distinguished Service Award winners and our 15-
25 and 20-year Corporate Fellows, but first we
26 need to do a little housekeeping and procedural
27 business, and I need to have a motion to adopt
28 the Rules of Procedure for the meeting, and I

1
2 understand Governor Rendell has been carefully
3 studying this motion and is prepared to make
4 a . . .

5 GOVERNOR RENDELL: So moved.

6 CHAIRMAN PAWLENTY: All right.

7 The motion has been made.

8 Just as a quick reminder, part of
9 the rules require that any governor who wants
10 to submit a new policy or resolution for
11 adoption at this meeting will need a
12 three-fourths vote to suspend the rules, and
13 please submit any proposal to that effect to
14 David Quam by 5:00 p.m. today.

15 Now we will vote on Governor
16 Rendell's inspiring motion. All those in favor
17 say aye.

18 GOVERNORS: Aye.

19 CHAIRMAN PAWLENTY: Opposed say
20 no.

21 **(No response.)**

22 CHAIRMAN PAWLENTY: The motion
23 prevails, and the rules are adopted.

24 Now I'll announce the appointment
25 of the following governors to the Nominating

1
2 Committee for the 2008-2009 NGA Executive
3 Committee. The Nominating Committee will
4 consist of Governor Rounds, Governor Henry,
5 Governor Rell, Governor Gregoire and Governor
6 Minner, who will serve as the Chair.

7 I also want to announce the
8 presence today of some distinguished guests we
9 have, from, first of all, the National
10 U.S.-Arab Chamber of Commerce, the Japan Global
11 Government Center, as well as Dean Del Mastro,
12 a member of the Canadian Parliament, Senator
13 Jeramiehl Grafstein, and the British Ambassador
14 to the U.S., Sir Nigel Sheinwald. We also have
15 with us Mr. Kuse, who is a former member of the
16 Japan House of Counsellors.

17 Please join me in welcoming all
18 of our special and distinguished foreign
19 guests.

20 I also think it's important that
21 we recognize and appreciate the incredible and
22 really spectacular hospitality of Governor
23 Rendell and the Honorable Judge Midge Rendell.
24 I think you have all enjoyed their hospitality,
25 and I know behind the scenes how hard Ed worked

1
2 to make this a reality, both in terms of the
3 planning and the fundraising and the like. An
4 event of this magnitude doesn't happen easily.
5 Let's once again thank Governor Rendell for his
6 tremendous hospitality.

7 We will hear from our speakers in
8 just a moment, but I want to just share a few
9 overview thoughts and reflections about the
10 initiative for this year, which is Securing a
11 Clean Energy Future. We kicked this off at
12 last year's summer meeting in Traverse City,
13 Michigan, which Governor Granholm graciously
14 hosted. It had four and continues to have four
15 areas of focus. The first is recognizing the
16 notion that the cheapest and cleanest energy we
17 have is the energy we don't use, and while we
18 are all anxious to move on to the important
19 topics of technology breakthroughs and
20 fundamental shifts in the current energy
21 platform, we shouldn't overlook the low-hanging
22 fruit and relatively easy-to-obtain success and
23 progress we can make in energy conservation and
24 efficiency. Second, we want to make sure the
25 initiative focused on promoting and encouraging

1
2 a movement towards alternative fuel and
3 alternative energy more broadly. The third area
4 was to try to clean up our emissions, and the
5 fourth was to try to encourage best practices
6 as it related to research and development.

7 The activities surrounding the
8 initiative included a series of summits across
9 the country. We had one in Florida hosted by
10 Governor Crist regarding alternative fuels and
11 next generation vehicles. Governor Gregoire
12 hosted a summit in the State of Washington
13 relating to research and development and
14 technological breakthroughs. Governor Sebelius
15 hosted a power generation summit in Kansas, and
16 we are grateful for that.

17 This initiative also focused on a
18 series of public-private partnerships,
19 including a partnership with Google and Intel
20 on climate savers, which related to energy
21 efficiency and conservation, particularly as it
22 related to technological appliances like
23 computers. We partnered with the Discovery
24 Channel and many of their sister outlets and
25 channels to promote these issues across their

1
2 airwaves, and they have been tremendous
3 partners with us. WalMart stepped up as part
4 of a public-private partnership to offer energy
5 audits for state capitals across the country,
6 and in just a moment we will be saying more
7 about a new partnership with General Motors as
8 it relates to their willingness to help us
9 promote alternative fuels and E-85 pumps.

10 I also want to remind you that
11 there are a series of publications that have
12 been finalized and now are available to you in
13 front of the governors, and to our guests and
14 members of the press here, these are available
15 to you as well. The initiative started out
16 last year with a call to action, which kind of
17 framed the initiative and the challenge and the
18 opportunity that we are facing. There was also
19 an earlier publication on biofuels and greener
20 fuels.

21 Today in front of you are four
22 more publications that I hope that you or your
23 staff will find to be of interest and
24 beneficial. One relates to research and
25 development best practices from around the

1
2 country, another relates to power generation, a
3 third relates to the best practices of the
4 states and activities of the states over the
5 last year--that's the thicker one, I think you
6 will find interesting materials in there--and
7 last is a conservation and efficiency
8 publication that we think will be of help to
9 you also.

10 I also want to thank the
11 Secretary of Energy, Secretary Bodman, and his
12 staff, Assistant Secretary Andrew Karsner, who
13 is with us here this morning. They have been
14 generous partners with us in the interest of a
15 federal-state partnership, providing an
16 \$850,000 grant over the past year to fund some
17 of these activities and the grants that will be
18 part of the follow-on activities of this
19 initiative.

20 Assistant Secretary Karsner
21 announced this morning that they are going to
22 double down that amount for the next year for
23 another \$850,000, and he also announced this
24 morning at an earlier press conference that the
25 department is going to sign up for an up to

1
2 \$5 million commitment to sustain these
3 activities through the NGA over the next five
4 years, and they view that as binding regardless
5 of who wins the office of presidency and which
6 administration will come forward. They feel
7 it's that important from a structural and
8 sustainability standpoint.

9 Then before we introduce our
10 speakers this morning, in terms of kind of the
11 tone and attitude of this nationally,
12 obviously, when this started a year ago in
13 Traverse City, Michigan, I think oil was about
14 \$80 a barrel, maybe a little less, and as we
15 gather here today just one year later oil has
16 increased to nearly . . . well, it bounces around a
17 little bit but say \$140 a barrel on average.

18 Our nation experienced a very
19 severe and acute energy crisis in the 1970s.
20 Many of these same concerns, many of these same
21 problems and pressures were experienced by our
22 citizens over 30 years ago. The prices
23 subsided after that, and I think it's fair to
24 say the country did not move as boldly and as
25 strategically forward as it relates to energy

1
2 policy, as it should have or could have, and we
3 do not want to make that same mistake again
4 now.

5 In part, we have a
6 supply-and-demand problem. We have a world
7 that is continuing to consume more and more
8 energy, and that's particularly pronounced as
9 we watch the rise of places like India and
10 China. Those forces and trends are unlikely to
11 subside any time soon and so we need to create
12 more supply as part of the solution. And what
13 that supply looks like and how affordable it is
14 becomes very, very important, but I think it's
15 in our best interests as states and as a nation
16 to Americanize and diversify our energy
17 portfolio and to make sure we increase the
18 supply as much as possible.

19 There are very exciting new
20 breakthroughs evolving and becoming more and
21 more available in the energy economy, both here
22 and abroad, but there are also some fundamental
23 realities that we have to face in the near
24 term. And in the near term, for example, if you
25 look at a pie chart of the base load energy of

1
2 our country, it's about 50 percent coal, it's about
3 20 percent nuclear, it's about 20 percent natural gas,
4 and the rest falls into what you would call other
5 categories, including alternative energy. We
6 want to grow the part of the pie chart that is
7 Americanized and diversified and clean as
8 rapidly as possible, but in the meantime we
9 still have the opportunity to transition and
10 use our traditional sources of energy.

11 For example, coal, we have got a
12 250-year supply or so of coal in the United
13 States of America. I think we all hope for a
14 day where that clean coal technology will be
15 able to be deployed in a way that's clean and
16 commercial and economical. But it still is going
17 to have to account for a significant part of
18 our energy future in this country, particularly
19 in the near term.

20 In my view, as we look at the
21 nuclear energy issue, it is clean from an
22 emissions standpoint, and I think we would be
23 well served as a country in my opinion to
24 advance and reopen the nuclear issue as well.
25 Natural gas continues to be part of that

1
2 portfolio, but we are already a net importer of
3 natural gas and, like oil, it's price volatile.
4 And then we need to grow the rest of that pie
5 chart as rapidly and as aggressively as
6 possible, but it also needs to be economically
7 feasible.

8 We have a lot of work to do and
9 in the area of biofuels and vehicles, which are
10 such a big part of this equation as well. We
11 started out with a biofuels initiative in
12 places like Minnesota that has served us well
13 in Phase One, but I think everybody now realizes
14 that needs to transition to Phase Two, that the
15 future sources of biofuels are going to have to
16 be more products that are waste products from
17 agricultural or marginal products, things like
18 switch grass, things like municipal waste,
19 things like other aspects of byproducts of
20 agriculture rather than food, cellulosic
21 ethanol, cellulosic biofuels, which are under
22 development and we are hopeful for
23 breakthroughs on that front to allow our
24 biofuels future to be based on a more efficient
25 process. And we are hopeful for those

1
2 breakthroughs, but all of this is in a period
3 of transition, and we have two speakers with us
4 today who are going to talk to us a little bit
5 about the current platform, about the
6 transition area period that I think we all
7 understand that we are in, and what the future
8 might look like in this energy future.

9 I want to though first just
10 announce and thank General Motors again for
11 this partnership on this E-85 State Pump
12 Partnership. They are going to be willing to
13 work on a very concentrated basis with states
14 who are interested in expanding, developing and
15 building out their E-85 infrastructure. They
16 view it as kind of a chicken-and-the-egg
17 problem, that more people won't use biofuels
18 like E-85 unless the infrastructure is in place,
19 and the infrastructure is not going to be in
20 place unless there are people who are demanding
21 that that be available for the types of cars
22 that they want to drive and purchase. And so we
23 have Ed Wallace here from General Motors who is
24 the Director of State Relations.

25 Where is Ed? Somewhere in the

1
2 room. Ed is over here.

3 Ed, thank you for this
4 partnership. And if you are interested as a
5 state in working on this initiative and with
6 GM's help in building out the E-85
7 infrastructure, they are going to be willing to
8 work up with 12 states on this topic, so see Ed
9 now or down the road and he will be happy to
10 work with you on it.

11 We also want to thank and
12 acknowledge the presence and support of a
13 number of others who have been so generous with
14 this initiative over the past year, they
15 include American Electric Power, Dominion
16 Resources, the Ford Motor Company, the
17 Rockefeller Brothers Foundation, and again the
18 U.S. Department of Energy. Would you join me
19 in thanking all of them as well for their
20 support.

21 Before we get to our speakers, I
22 am going to have a short video from the
23 Discovery Channel that I think captures some of
24 the work that's been done over the past year
25 and some of the opportunities and challenges

1
2 that lie ahead. So if we can go ahead and play
3 the video from the Discovery Channel.

4

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5 *(Whereupon, the video was*
6 *shown.)*

7

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8 CHAIRMAN PAWLENTY: Let's thank
9 Discovery and Jim Gordon, the Vice President of
10 Marketing, for their great partnership.

11 As we talk about the Securing A
12 Clean Energy Future, one of the considerations
13 of course is how much does all of this cost,
14 and with the energy price run-up that we have
15 seen in recent months and years, all of these
16 things have to be balanced about making sure
17 that they don't unfairly or unduly burden the
18 people who are struggling to pay grocery bills,
19 who are struggling to fill up their gas tanks,
20 and so cost balancing the improvements that we
21 all seek with making sure that they do not
22 burden our citizens with additional costs is an
23 important balance and consideration to bring
24 into the picture.

25 Our speakers today are going to

1
2 address that issue as well as other aspects of
3 the opportunity and challenge, and they are two
4 kind of leading writers and thinkers on these
5 issues. They are Robert Malone and Vijay
6 Vaitheeswaran. Following each of their remarks
7 there is going to be time for questions.

8 We are going to start with Robert
9 Malone. He is the Chair and President of BP
10 America, which is based in Houston, Texas. He
11 of course is involved with oil and gas
12 exploration issues at a very deep and
13 significant level, including production and
14 refining and supply and trading, alternative
15 energy development as well, but it's also
16 important to note that BP, while it's an oil
17 company, has also embraced a full universe or
18 continuum of alternative energy opportunities
19 in order to pursue a more balanced, more
20 diverse, more Americanized energy portfolio.

21 They are working on biofuels;
22 they are working on solar and hydrogen and wind
23 energy resources that will help meet future
24 demand. He also, I think, has agree to answer
25 the question, how come oil went up so fast over

1
2 the last 12 months, right, Bob; is that right?
3 What happened in the last 12 months that would
4 take it to go that far that fast?

5 But please join me in welcoming
6 somebody who has been very gracious in coming
7 to spend some time with us on a Sunday, Robert
8 Malone. Thank you.

9 MR. MALONE: Well, good morning,
10 and thank you, Governor Pawlenty, for that kind
11 introduction.

12 What wasn't in the bio is that I
13 am actually the son of a ranger from Virginia,
14 Minnesota, and even though a lot of people
15 assume that I am a Texan, I was four years old
16 when I arrived there but at least I started out
17 in Virginia, Minnesota.

18 Let me also wish all of you a
19 very Happy Birthday, 100 years.
20 Congratulations, and also I want to thank you
21 for inviting me to join you here today to share
22 BP's views on what we think is required to
23 diversify U.S. energy supply and to meet this
24 nation's growing energy needs and demands.

25 The price of oil, the impact on

1
2 consumers at the pump and the ripple effect
3 that we are seeing across our economy has
4 everyone talking about energy. It's difficult
5 to turn on the television, to listen to the
6 radio or to pick up a newspaper without seeing
7 a story about the need for a coherent national
8 energy policy. At gatherings like this there
9 is always a lot of talk about reducing the
10 nation's dependence on foreign oil, through
11 conservation and the use of alternative forms
12 of energy, but, Ladies and Gentlemen, this
13 conversation is not new.

14 When the 1973 oil embargo caused
15 rationing and pushed the oil price from \$3 to
16 \$11 a barrel, President Richard Nixon launched
17 "Project Independence," and he had launched it
18 with these words: "Let this be our national
19 goal, at the end of this decade, in the Year
20 1980, the United States will not be dependent
21 on any other country for the energy we need to
22 provide our jobs, to heat our homes and to keep
23 our transportation moving."

24 Even before the embargo had been
25 announced, a program to produce an

1
2 un conventionally powered, virtually
3 pollution-free automobile, the goal was within
4 five years. After the Iranian Revolution and
5 the oil price spike that followed, Jimmy
6 Carter, then President, called on Americans to
7 turn down their thermostats. He put forward a
8 \$142 billion energy plan that was designed to
9 deliver energy independence by 1990. The plan
10 included steps to attain the crucial goal of
11 20 percent of our energy coming from solar power by
12 the Year 2000. President Carter assured the
13 nation that, "Beginning this moment, the nation
14 will never use more foreign oil than we did in
15 1977, ever."

16 President George Herbert Walker
17 Bush established a \$260 million effort to
18 develop lightweight battery systems for
19 electrical vehicles, and he put forth an energy
20 policy that, yes, designed to reduce U.S.
21 dependence on foreign oil.

22 President Clinton followed with a
23 \$1 billion effort to produce a super-efficient
24 80-mile-per-gallon prototype car by 2004. He
25 also proposed a tax on energy to drive

1
2 conservation and reduce the federal deficit and
3 he signed the Kyoto Protocol, only to see the
4 U.S. Senate vote 95 to 0 in favor of a
5 resolution opposing ratification.

6 Now shortly after taking office,
7 President George W. Bush said the nation was
8 running out of energy and needed to do a better
9 job at finding [a] new supply. He warned that we
10 couldn't conserve our way to energy
11 independence, and two years later he announced a
12 \$1.2 billion effort to develop a hydrogen
13 fueled vehicle.

14 So what do we have to show for
15 all these efforts? First, renewable forms of
16 energy have not displaced or materially reduced
17 the use of fossil fuels. Today solar power
18 accounts for less than one-tenth of one percent of the
19 nation's energy supply, not the 20 percent that
20 President Carter predicted, and while biofuels
21 hold great promise, even with the ethanol
22 mandates that have been enacted by Congress,
23 production of renewable energy in the U.S. has
24 increased just 10 percent in the last 20 years, and
25 this during the same time period our

1
2 consumption has increased by 30 percent. However, in
3 most areas of the economy we are using energy
4 more efficiently. Since 1970, the energy
5 required to produce a dollar of gross domestic
6 product has been cut almost in half, but even
7 so, total energy consumption has increased with
8 U.S. population growth and with the expansion
9 of the U.S. economy.

10 We might have done a better job
11 if high mileage, pollution-free vehicles . . . if we
12 had been working as hard to develop them.
13 Researchers are still working to perfect fuel
14 cells and light, high capacity batteries.
15 Other nations have made the most of existing
16 technology and achieved significant gains in
17 fuel economy. The average fuel efficiency for
18 light duty vehicles in Europe is 40 miles a
19 gallon, in Japan it's 45, and in this country
20 it's 22.4, down from 26 in the mid 1980s.

21 Despite all the talk about
22 reducing U.S. reliance on foreign oil, the most
23 promising oil and gas prospects in the United
24 States are closed to exploration and
25 production. As a result, U.S. oil production

1
2 has declined 40 percent since 1985. To satisfy a
3 30 percent increase in U.S. demand, imports have more
4 than tripled from 3 million barrels a day to
5 10 million barrels a day. We now rely on the
6 global oil market for 60 percent of the oil that we
7 need; its markets in which prices are at record
8 levels because the cushion now between supply
9 and demand has been squeezed very thin by the
10 growth of the world economy and the failure of
11 the world's biggest oil consumer to curb its
12 appetite or maximize production of its own
13 natural resources.

14 The U.S. accounts for just 5 percent of
15 world oil production, yet we consume 25 percent, and
16 rather than open up new areas to exploration
17 and production, U.S. Presidents periodically
18 swallow their pride and ask foreign oil
19 ministers to increase oil production on foreign
20 lands.

21 Make no mistake, the high price
22 that U.S. consumers are now paying for gasoline
23 and other forms of energy is the consequence of
24 decades long failure of U.S. energy policy.
25 The United States is the biggest debtor nation.

1
2 The trade deficit is now running more than
3 \$60 billion a month, with most of that,
4 \$35 billion, the price that we are paying for
5 foreign oil.

6 Whole industries are struggling.
7 The airlines, trucking and auto industries in
8 particular are facing severe financial
9 distress. As Governor Granholm knows, and many
10 of the others can attest, the U.S. auto
11 industry had its worst June in 17 years, [with]
12 significant impact on families and communities
13 in Michigan and in other manufacturing states.

14 General Motors is shutting down
15 four sites that manufacture trucks and SUVs in
16 response to plummeting sales. Compacts and
17 hybrids are flying off the lot but supply and
18 manufacturing capacity are limited and waiting
19 lists are common.

20 The public sector is straining as
21 well. School districts around the country are
22 shortening or eliminating bus routes. Houston
23 has reset thermostats in its city buildings,
24 increasing the summer setting from 72 to 78
25 degrees. State offices in Utah have gone to a

1
2 four-day work week, and one Georgia Police
3 Department is even adding a fuel surcharge to
4 the cost of every speeding ticket. Families
5 are paying almost twice as much to heat, to
6 cool--sorry; I thought it was pretty
7 innovative, Governor . . .

8 Families are paying almost twice
9 as much to heat, to cool and light their homes
10 than they were just eight years ago. The cost
11 of refueling the family minivan three times in
12 a month has increased from \$60 to \$200. Of
13 course, the impact of high energy prices is not
14 the same for everyone. Poor Americans, older
15 Americans, those on fixed incomes, those with
16 long daily commutes, and those living in remote
17 areas have been especially hard hit.

18 Almost no one, almost no one
19 expects this situation to get better in the
20 near term. Eighty-six percent of the respondents in a
21 recent CNN poll said gasoline is going to hit \$5 a
22 gallon by the end of the year, but polls are
23 also showing increasing support for energy
24 conservation and for energy development,
25 whether it's solar, wind, offshore drilling or

1
2 nuclear. People want a balanced, comprehensive
3 national energy policy, and as one of the
4 nation's biggest energy investors, so does BP.
5 As a nation we can't afford to get it wrong
6 again.

7 BP does not have all the answers.
8 By far we don't have all the answers. But we
9 do have some ideas about how we can create a
10 future in this country where energy supply
11 grows as it becomes cleaner, more diverse and
12 more secure.

13 First, we have to take energy
14 conservation as a national priority. There is
15 no question the price is huge. Some believe
16 greater use of mass transit, higher mileage
17 cars and green building standards could save
18 enough energy to offset growth in U.S. energy
19 demand for the next decade.

20 People will make the right
21 decision if they are provided the right
22 incentives. Consider how the price of gasoline
23 is changing consumer behavior right now.
24 Americans traveled 11 billion fewer miles in
25 March of 2008 than they did in March of 2007.

1
2 It's the biggest single monthly drop in more
3 than 70 years. Use of mass transit is at
4 record levels. People are changing jobs
5 because their commutes are no longer
6 affordable.

7 Secondly, we must ensure
8 continued supply of the energy we use today
9 while encouraging the responsible development
10 and wise use of this nation's incredible
11 resource endowment.

12 As the world's largest oil
13 consumer, our nation has a responsibility to
14 use the oil that it consumes wisely. We also
15 have a responsibility to produce a greater
16 share of the oil we consume. Political unrest
17 and production declines in Iraq, Nigeria and
18 Venezuela have tightened the global oil market
19 and pushed prices to record levels, but so--over
20 time--have rising U.S. consumption and declining
21 U.S. production.

22 Despite our growing reliance on
23 imported oil, the search for new sources of
24 domestic crude has been constrained by the lack
25 of access to promising areas. The resource

1
2 estimates for the places now off limits exceed
3 100 billion barrels of oil in place with
4 30 billion barrels believed to be recoverable.
5 There could be more and no doubt there could be
6 less, but we are not going to know until we have
7 the opportunity to explore.

8 Today, a fourth of all the U.S.
9 oil production comes from the 15 percent of the U.S.
10 outer continental shelf that is opened to
11 exploration and production. We believe it's
12 time to open the rest. Something good could
13 happen, as it has in the deep-water Gulf of
14 Mexico, where oil production has increased 15
15 fold in the two decades since government began
16 encouraging exploration there, 15 fold.

17 The deep water now accounts for
18 one of every six barrels produced in this
19 nation. Now, that deep water production is
20 having a beneficial impact on the global oil
21 market, and if you want proof, just think back
22 to what happened to the oil and gas price in
23 2005 when production from the Gulf of Mexico
24 was curtailed due to the hurricanes Dennis,
25 Katrina and Rita.

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Our coal resources are among the largest on earth. We have a 100-year supply and there is little doubt that 30 years from now we will be using clean coal technology to light our homes and hopefully to fuel our electric vehicle. That use will have less environmental impact if we can perfect carbon capture and storage.

Third, we must create the financial, regulatory and physical infrastructure needed to kick-start the growth of alternative energy. BP owns and operates the largest integrated solar panel manufacturing facility in the United States. We are doubling its capacity to meet worldwide demand, but if you can believe it, 75 percent of its production is for export. The only market really for us in this country is California, where state incentives have caused an increase in demand. I think that should tell all of us what we need to do around solar.

We are also moving into wind in a big way. We have projects progressing, some operating in California, Texas, Kansas,

1
2 Colorado and Indiana. Texas is now the
3 nation's biggest producer of wind power and
4 thanks to a can-do approach to the construction
5 of transmission lines needed to move the wind
6 power to market. Lack of transmission capacity
7 is the single biggest barrier that's slowing
8 wind development in this country, but it is
9 clearly a barrier that we can overcome.

10 U.S. ethanol production is
11 booming thanks to a federal mandate and a
12 subsidy of 51 cents a gallon. This year about
13 a third of the nation's corn crop is going to
14 be used to produce ethanol. Corn-based
15 ethanol, as we have all said, is a great start,
16 but for biofuels to be successful we must make
17 them from nonfood crops. BP is investing over
18 a half a billion dollars over the next 10 years
19 in developing a better plant, better biofuels
20 and better processes for producing them, but we
21 are going to have to be realistic about the
22 contribution alternatives can make towards our
23 energy needs. We can't oversell them again.

24 Although the latest Department of
25 Energy data shows a rapid growth of renewable

1
2 energy over the next 25 years, the contribution
3 they say to total U.S. energy supply is
4 expected to remain very small.

5 Fourth, we must expand the use of
6 nuclear power. It's one of the few options
7 that we have for generating power at scale
8 without emissions. We were once the world's
9 leader in this area but not anymore.

10 I was recently at a nuclear
11 conference and a gray-haired executive with a
12 nuclear plant in the design phase told me that
13 85 percent of the components used in his project would
14 come from overseas. Twenty years ago, he said,
15 they would all be made in America. More than
16 100 nuclear power plants have been operating
17 safely for decades in this country, and I
18 believe it's time to build more.

19 And, finally, we have to address
20 the challenge of climate change. Until energy
21 producers and consumers know the cost of
22 carbon, the uncertainty associated with
23 planning and investing in all kinds of energy
24 projects are going to remain high. Pricing
25 carbon will make energy conservation far more

1
2 attractive, and wind, nuclear and solar power
3 more cost competitive. It's going to also
4 allow informed investment in fossil fuels and
5 the technology that's going to be necessary to
6 reduce the carbon emissions that are associated
7 with its use.

8 Now, the cost of carbon is going
9 to find its way to the pump, to the monthly
10 utility bill and to the grocery store, but I
11 think the revenue that's produced by carbon
12 taxes or the sale of carbon credits in the
13 national cap-and-trade could be used to soften
14 the impact on those Americans less fortunate.
15 They could also be used to make investments in
16 energy conservation and alternative forms of
17 energy.

18 In closing, I want to say thanks
19 once again for allowing me to be here with you
20 today and sharing our views on issues that are
21 vitally important to BP--but I believe to all
22 Americans. Energy is a basic human need and is
23 fundamental to life, just as food or the water
24 we drink or the air that we breathe. For
25 decades energy in the United States has been

1
2 inexpensive and it's been abundant and most
3 Americans have taken it for granted; but, as we
4 all know, the world has changed around us.

5 Ladies and gentlemen, we need--we
6 have to have--a comprehensive national energy
7 policy that addresses the challenges of climate
8 change, mandates energy efficiency and
9 encourages increased domestic production of oil
10 and gas, solar and wind, biofuels, coal and
11 nuclear, and it's not going to be easy. The
12 issues are complex, the choices are difficult,
13 and the results are not going to be
14 instantaneous. It is going to require, as I
15 saw last night on C-Span from you governors . . .
16 it's going to take real leadership and it needs
17 to be bipartisan.

18 When I was 21, Richard Nixon
19 promised me a different energy future. When my
20 son was 21, President Clinton promised him a
21 different energy future. I have a 9-month-old
22 grandson, and I can only wonder now what our
23 energy future will be if we don't act now.

24 We have a responsibility to do a
25 better job than we have in the past because

1
2 history has shown us that the choices that we
3 are going to make today are going to have an
4 enormous impact on this nation and its people
5 tomorrow. Thank you.

6 CHAIRMAN PAWLENTY: We are going
7 to take a few questions, and we will get on to
8 our next speaker, but let me just start, Bob,
9 by thanking you on behalf of the NGA for taking
10 your time again to travel and to be here. We
11 appreciate it.

12 And I know a lot of people in the
13 room are curious about, again, the last 12
14 months. We know these forces have been in
15 place for many years and many decades, but what
16 is it that caused this kind of quantum leap
17 that we have seen over the last year, year and
18 a half, in energy prices?

19 MR. MALONE: Well, you know,
20 there is a couple of things that have been at
21 work, and I mentioned a few of them in my talk.
22 In the past we have had a cushion of three to
23 four million barrels between worldwide demand and
24 our production. In other words, there was
25 about four to five million barrels excess

1
2 production. And why the market was comfortable
3 with that is that that would then allow if you
4 had any disruption--a hurricane in the Gulf or
5 if you had an issue say in Nigeria with
6 production--there was enough slack in the
7 system to pick it up; but with the demand and
8 growing demand that we have seen now in China
9 in particular and in India, that cushion has
10 decreased. That's due partially to the oil is
11 getting harder and harder to get . . . and more
12 difficult and demand has increased that much,
13 and without that cushion now our gas prices
14 become extremely volatile, and it's been edging
15 up because Nigeria, Venezuela and areas like
16 that . . . and those uncertainties in the market is
17 driving it up.

18 CHAIRMAN PAWLENTY: Governor
19 Sanford.

20 GOVERNOR SANFORD: I mean this
21 with all due respect, but I think you described
22 the ethanol program, corn-based ethanol, as a
23 "Great Start." Why wouldn't you describe it as
24 just a totally bogus government mandate? I
25 mean, I just think that when you look at the

1
2 tariff system on, you know, Brazilian ethanol
3 where they can produce it cheaper without the
4 environmental degradation that you see in the
5 United States, you know, we won't let that
6 stuff come in. We have this monopoly set up
7 with corn based, I mean, I just think it's a
8 bogus system. Why wouldn't you see it as such?

9 CHAIRMAN PAWLENTY: Bob.

10 MR. MALONE: Governor, if you
11 want to answer--

12 CHAIRMAN PAWLENTY: I was just
13 going to say, we should also keep in mind that
14 Brazil nationalized a big part of their energy
15 infrastructure, so I don't think you would be
16 for that. But go ahead, Bob.

17 MR. MALONE: You know, Governor,
18 I understand your question behind that. You
19 know, the incentives that we put behind ethanol
20 actually grew in industry right now and it has
21 brought a supply that's actually needed in the
22 fuel supply in this nation right now. It's the
23 same as the wind incentives the government put
24 out. We wouldn't be developing these wind
25 farms now if it weren't for the subsidy. That

1
2 has caused this industry to take off.

3 GOVERNOR SANFORD: But,
4 respectfully, I mean, you know, if you have a
5 subsidy with wind, the byproduct of it is it
6 costs a little bit more to produce wind power.
7 The subsidy in this case though has substantial
8 environmental degradation, it has substantial
9 additional costs with regard to other consumer
10 products that I think are a problem and you
11 don't see that spill off with the other
12 subsidies that exist with other power forms.

13 MR. MALONE: Governor, I wouldn't
14 argue that point with you. I think, you know,
15 it's needed, it's helped, but it's also in our
16 mind--given the impetus now to begin to develop
17 that next generation, which is what everybody
18 is trying to do.

19 I won't argue the point about the
20 energy content, what it's done to the food
21 market and in the world actually, but it's
22 clearly had a role to play in helping balance
23 out the gasoline supply in this country.

24 CHAIRMAN PAWLENTY: Governor
25 Granholm.

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GOVERNOR GRANHOLM: So the oil companies now, as I am sure you experience on a regular basis, are sort of being viewed like the tobacco companies because the price of oil and gas being so much, and I think it is terrific that BP is investing in alternatives, and that's great leadership.

In the past, you know, under President Carter and under President Nixon, I don't think people were aware--I am sure they were not--of the effects of carbon dioxide emissions, and so there is a new reason to make a sustained effort on this. I think that because the oil companies are viewed as being so--and they are in fact so--profitable, that there is just such a moment here for you all to be taking the lead in this alternative energy space, and I think that next generation ethanol is really a huge moment.

One of your competitors helped to invest in a biofuel plant in Michigan, we announced last week, Mascoma, in partnership with General Motors, where we take wood waste and through a biologic process convert it into

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2 cellulose ethanol. To me, because of the vast
3 forest resources of this country and the desire
4 for sustainable and wise use of the forest
5 system, there can be a huge investment in this
6 country and lots of jobs created if the oil
7 companies were to take very seriously the use
8 of wood waste and convert that to ethanol.

9 So I only say this because
10 Michigan has the largest amount of
11 publicly-owned forest land of any state in the
12 country, that to the extent that BP or any of
13 the oil companies who may be watching are
14 listening and want to really take that charge . . .
15 to change the frame in which you are viewed, to
16 be able to produce fuel that does not cause
17 global warming, I think this is a moment, and I
18 know that all of the governors who have those
19 sources would love to invite that investment in
20 their states as well.

21 CHAIRMAN PAWLENTY: Bob, a
22 reaction?

23 MR. MALONE: Just a couple of
24 comments, governor, believe me, I am painfully
25 aware of the reputations of big oil and had the

1
2 pleasure of a number of congressional hearings,
3 which is partially why I like coming back home.
4 I have lived in a lot of these governors'
5 states for many years.

6 Just a couple of points I would
7 like to make that are very, very important--and
8 I can only speak today to my own company--but
9 in the last five years our net income in
10 America has been \$35.5 billion--net income--I
11 paid \$11 billion in taxes, and my net income
12 was \$35 billion and we invested \$35 billion in
13 American's energy supplies, and I think a lot
14 of companies will tell you that. The
15 difficulty is how expensive it is.

16 I mean, to develop an offshore
17 platform 150 miles off shore is billions of
18 dollars and investments in New Mexico and even
19 on-shore gas in New Mexico and Colorado is \$2
20 to \$3 billion; it's huge expenditures right
21 now, and we are investing in traditional.

22 My point would be on the
23 renewables; although, we are not into wood-based
24 renewables. We put ours into that next
25 generation. If it ends up coming out of the

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2 research we are doing to be the way we should
3 go, . . . but our hope is that we can develop a plant
4 that can be harvested multiple times a year.
5 As you well know, that still helps the farmer
6 and gets more energy out of that individual
7 harvesting and it's less impact on the
8 environment, and that's where we are putting
9 our bet right now . . . is to develop that next
10 generation. And so we are investing in that
11 solar and wind; but really on the biofuel side
12 that's where our focus is right now, the
13 bio-butanol that we are doing with other
14 companies.

15 CHAIRMAN PAWLENTY: We have just
16 a short amount of time left, but we do have
17 Governor Barbour, Governor Manchin, Governor
18 Palin--we will try to squeeze in Governor
19 Huntsman, but if we can ask and answer the
20 questions quickly, otherwise, we are going to
21 fall a little behind.

22 Governor Barbour.

23 GOVERNOR BARBOUR: Bob, thank you
24 for you candor about the need for more
25 exploration production, about the availability

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2 but lack of access.

3

4 I want to ask you a question
5 about price. President Clinton made a point
6 yesterday that when carbon is taxed, it will
7 make renewables and alternatives much more
8 affordable. Today with \$4 gasoline that my
9 people can't afford and 12-cents-a-kilowatt-
10 hour electricity because natural gas has
11 tripled in the last five years, how high does
12 the carbon tax have to be if \$4 gas and 12-cent
13 kilowatt hour electricity won't make these
14 economic?

14

CHAIRMAN PAWLENTY: Go ahead,

15

Bob.

16

17 MR. MALONE: The direct answer
18 is, I don't know. We are right at that point
19 right now, but I don't know the answer to that,
20 governor.

20

CHAIRMAN PAWLENTY: Governor

21

Manchin.

22

23 GOVERNOR MANCHIN: Just a
24 follow-up on that--but also the trading of
25 energy the way oil or coal or gas is traded on
the market--how much of an inflation does that

1
2 add to the price? We hear all different, it
3 could be \$30 a barrel, it could be \$40. And
4 then I wanted to follow-up also the credits--
5 we hear so much about the profits in the oil
6 companies and unheard-of profits at this point
7 in time, but yet credits are still flowing. I
8 think you explained a little bit about the cost
9 factor, and I wanted to follow-up on these, if
10 you will just take that.

11 MR. MALONE: Well, you know, the
12 issue of speculative trading has been all over
13 Congress and all in the media. I know for my
14 company, we have got some of the best
15 economists we are working with. We can't see
16 that big of a push in the oil price due to
17 speculative trading.

18 You know, all of us know how that
19 market works. We know that it's an enormous
20 market. Eighty-five million barrels a day are traded
21 around the world, 85 million barrels at least,
22 and so the speculation is there giving it the
23 liquidity that we need in the market.

24 The other day I was talking and
25 the example I use is, you know, the airlines

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2 are very concerned about it and I respect them
3 for that, but they are actually buying forward
4 in the market their fuel. And if you don't have
5 a speculator on the other side of that who
6 thinks that it's going to keep going up, or
7 they're betting that it's not going to go down,
8 and so you have that liquidity in that market
9 and I think it's a very dangerous place for us
10 to go if we begin thinking that speculative
11 trading . . . we need to curtail it, because I think
12 it will just move elsewhere. It will go
13 underground.

14 GOVERNOR MANCHIN: Just very
15 quickly, the cap-and-trade, to follow-up on
16 what Haley was asking. I know you said you did
17 not know as far as what the costs may be.

18 MR. MALONE: Yes.

19 GOVERNOR MANCHIN: Is it fair to
20 say that the initial will be an increase across
21 the nation and you are hopeful for a decrease
22 later but you acknowledge it will be an
23 increase?

24 MR. MALONE: Absolutely. And as
25 I mentioned in my comments, I think we will see

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2 it in the general public across America, a
3 number of our goods and services.

4 GOVERNOR MANCHIN: Thank you.

5 CHAIRMAN PAWLENTY: Governor
6 Palin.

7 GOVERNOR PALIN: I thank you, Mr.
8 Malone, for being here, and I look forward also
9 to hearing from our other speaker.

10 And I will call you, sir, when I
11 ask you a question. I won't even try your last
12 name there.

13 Mr. Malone, I implore you to
14 speak more about the access issue. When you
15 consider that in my state alone we have the
16 billions of barrels of oil, we have the
17 hundreds of trillions of cubic feet of clean,
18 safe natural gas up there, and for Congress to
19 have locked up those lands . . . and we asking
20 Congress to unlock those lands, allow that
21 domestic supply to be tapped. When I think
22 every governor here can recognize that direct
23 link between domestic energy and security,
24 domestic energy supplies and independence,
25 domestic energy and clean healthy communities,

1
2 what can this group do as governors to help
3 educate Congress, to help educate even our
4 presidential candidates to that need for more
5 access?

6 MR. MALONE: Thank you, Governor
7 Palin. The big reason that--well, I am
8 always happy to be here with the governors, but
9 part of the reason I am--I can't help myself
10 with the emotion that comes out on this one
11 because I often am asked . . . they say, "Yes, but
12 you are an oil executive." Well, I wasn't born
13 an oil executive but I was born an American and
14 I am very concerned with the lack of that
15 comprehensive energy policy. And, governor, we
16 need to get this message out.

17 The public is hearing it. The
18 polls are moving rapidly that they understand
19 that we need access because it's a supply and
20 demand and we have got to work on conservation,
21 as I have said, and we have got to increase--
22 so we work on the demand and work on the supply
23 side.

24 We believe that, as I mentioned,
25 hundreds of billions of barrels of oil are out

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2 there as an opportunity, and we believe we can
3 develop it safely, as we have in your state,
4 which is a huge, abundantly rich state. And,
5 you know, under your leadership, governor, you
6 have got the gas pipeline moving now and we are
7 finally seeing that for the first time in years
8 and years. So what I would ask of the
9 governors is if you could help us in your
10 states and with your delegations to continue to
11 push this message because your public is
12 getting it, but I just left Washington and they
13 are not getting it yet. They don't get it.
14 It's still politics as usual.

15 CHAIRMAN PAWLENTY: Well,
16 unfortunately, I have time for just two more
17 and then we are going to have to move on. But
18 Governor Huntsman and Governor Baldacci, and
19 I'll wrap up this session.

20 Governor Huntsman.

21 GOVERNOR HUNTSMAN: Thank you,
22 Bob, for being here. Enlightening
23 presentation.

24 BP is Beyond Petroleum, but for
25 many of us it's "Beyond Politics," which I

1
2 think our next move has to be, all of us,
3 beyond politics. And you say the change is in
4 the air; I totally agree and I think my
5 colleagues here feel that something will be
6 done, but we have talked about Nixon and Carter
7 and Bush and Clinton and Bush, I mean, the last
8 Bush . . . 1.2 billion bucks for hydrogen. Give me
9 a break--1.2 billion bucks. I mean, that's one
10 B-2 bomber. I mean, this is going to require a
11 moon shot of sorts.

12 So as we prepare policy
13 recommendations to the next president, whoever
14 that is, I just have to put you on the spot
15 here. What is the one thing that you would
16 recommend as we begin to draft these policy
17 papers that would allow us to avoid these
18 mistakes of history so we don't have to look
19 back in 20 years and add the next president to
20 this list of failed energy programs?

21 MR. MALONE: Governor, I will
22 tell you, as like some in this room, as a
23 product of the '60s and '70s, it's got to be
24 renewables. We need to conserve and we need
25 access to supply and the demand. Where we keep

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2 getting it wrong is we don't do anything in the
3 middle, so if prices do come down, there is no
4 incentive and we stop the Manhattan Project to
5 get the next fuels, the next wind and the next
6 solar. That is going to be critical for this
7 generation.

8 CHAIRMAN PAWLENTY: Our last
9 questioner, Governor Baldacci.

10 GOVERNOR BALDACCI: Thank you
11 very much, and thank you, Mr. Malone, for your
12 presentation.

13 Let me just a couple of points.
14 Have you seen T. Boone Pickens' plan?

15 MR. MALONE: I haven't seen the
16 plan. I have certainly heard about it, from
17 him and others.

18 GOVERNOR BALDACCI: Well, he
19 claims to be an oilman, and he claims that
20 drilling isn't the solution and comes forward
21 with a plan in regards to renewables and
22 natural gas and the effort. But one of the
23 things that I would like you to also expound
24 upon is, that I understand there is a lot of
25 capped wells in this country already that have

1
2 been drilled and capped and there is a lot of
3 leased land that the oil companies have in this
4 country, and I would like you to explain to us
5 the oil in Alaska and where that oil goes and
6 is it a direct beneficiary to this country or
7 does it go on the world oil markets and
8 developed the speculators and the commodities
9 traders to kind of handle that pricing
10 mechanism?

11 MR. MALONE: I can tell you that
12 Alaska oil, although the law still allows it to
13 be exported, there hasn't been any export of
14 Alaskan oil I believe since 2000. It all comes
15 to the West Coast and to the refinery system
16 there on the West Coast and, to the best of my
17 knowledge, no one is exporting it.

18 Well, let me be clear in there,
19 there was a comment about speculation, so if we
20 are holding at domestic I believe--

21 GOVERNOR BALDACCI: Right, if the
22 supply can stay domestically and it's not
23 subject to the traders and the speculators and
24 the world markets, are they able to do that or
25 does it have to be plugged to the world

1
2 markets?

3 MR. MALONE: Well, it's always
4 going to be priced at a world price. So when
5 Alaska crude leaves, it will be discounted for
6 the quality, but it will be based on a world
7 price, but it still comes into the U.S.

8 GOVERNOR BALDACCI: But if we
9 don't crack down on the commodity traders, then
10 it seems like we are going to be drilling and
11 it's going to be on the world speculators'
12 marketplace and it may not really alleviate the
13 price crisis that's out there in energy . . . but
14 for further discussion.

15 What about the capped wells and
16 the leased land in this country?

17 MR. MALONE: I can't . . . I can
18 speak for my own company and what knowledge I
19 have from what I have heard and read, and that
20 is, why would you ever hold a lease if you
21 thought you could sell it for \$145 a barrel
22 right now?

23 The issue that you have is just
24 because you have a lease, doesn't mean there is
25 anything there, and, secondly, it may not be

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2 across that whole lease. And the other thing
3 is . . . is the time, and if you could just use an
4 example, we were able to obtain a lease in the
5 deep water Gulf of Mexico. It sits in 7,000
6 feet of water and goes down four to five miles
7 to the wells. It took us 12 years from
8 acquiring the lease until the first production
9 came out. There is huge lead times and each
10 time they go through development . . . so you first
11 drill it to find out if anything is there, then
12 you prove it up, then you have to design the
13 system, then you have to put the infrastructure
14 in place, you have to get all your permitting
15 done, and finally it goes into production, and
16 it's not uncommon for a lot of these to take 10
17 to 12 years.

18 I can tell you, I am not aware of
19 any of our wells that are plugged, not at
20 today's prices. All our leases are active in
21 one form or another.

22 GOVERNOR BALDACCI: Well, I
23 appreciate that, and in closing, Mr. Chairman,
24 the opportunity to work together with the
25 national governors and develop a bipartisan

1
2 approach to this issue. It's in our county's
3 interest and I appreciate your concern.

4 MR. MALONE: Thank you.

5 CHAIRMAN PAWLENTY:

6 Unfortunately, we are going to have to wrap up
7 this session, but it was very informative--I
8 think enlightening--and thank you, again, Bob,
9 for sharing your time with us this morning.

10 Our next speaker is Vijay
11 Vaitheeswaran, who is a correspondent for The
12 Economist Magazine on the environment and
13 energy, as well as on global health and biotech
14 and innovation. He has been an advisor to the
15 Davos World Economic Forum on innovation, clean
16 energy; he teaches at NYU's Stern Business
17 School; his latest book, Zoom: The Global
18 Race to Fuel the Car of the Future, was named
19 the Book of the Year by the Financial Times,
20 and we want to thank him for joining us this
21 morning and we look forward to his remarks.

22 Vijay.

23 MR. VAITHEESWARAN: Good morning,
24 ladies and gentlemen. Thank you so much for
25 the kind introduction. It's a tremendous honor

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2 to be here, and I am grateful to you for the
3 opportunity.

4 I propose to talk about our
5 nation's energy future. Before I do, I thought
6 I would start actually by turning to the past.
7 More than half a century ago, Mahatma Gandhi
8 asked a question of relevance to our energy and
9 environment discussion today. Now, this was a
10 time when India was a newly independent
11 country, the great hope of Asia. Britain had
12 been the great colonial power of the previous
13 200 years.

14 As India contemplated its future,
15 he asked, "How many planets?"--"How many
16 planets will it take," he asked, "if India
17 follows the same path of industrialism that
18 Britain has taken that has already consumed
19 half the world's resources? How many planets?"

20 Now, if we were to recast that
21 question to capture some of today's concerns,
22 of course China being the rising Asian economy
23 today, the United States, the great economic
24 superpower, we might ask, "How many planets
25 will it take if China industrializes, urbanizes

1
2 and motorizes in the same path that the United
3 States has taken?" In other words, how many
4 planets if every Chinese jumps into an SUV, as
5 we have loved to do in America, and takes to
6 the open road.

7 This captures in some sense the
8 fears and anxieties about the energy and
9 environment system, because what I argue is
10 that the current energy system, which has
11 served us very well in the 20th Century, is not
12 going to serve us into the 21st Century. In
13 particular, there are three pillars of
14 instability that argue for change. Now these
15 pillars were already evident before the rise of
16 China and with it India, Brazil, South Africa,
17 the BRICS economies, the emerging giants.

18 We are living through an economic
19 phenomena after all of such significance, the
20 arrival of a billion people up from subsistence
21 poverty into the middle classes within one
22 generation. We haven't seen anything of this
23 magnitude since the discovery of the New World
24 and the implications, both positive, in terms
25 of trade and alleviation of human suffering,

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2 economic potential for the United States and
3 economic stability for the world must be
4 counterbalanced with the competition for
5 resources, the impact on global warming and the
6 issues we are grappling with in terms of energy
7 prices.

8 So this only puts into sharper
9 relief what I would consider the reasons why
10 the energy system was already beginning to look
11 unstable and just makes it much more urgent
12 that we address the problem.

13 These three pillars, in brief
14 order: The first, the link between energy and
15 poverty; second, the link between energy and
16 environment; and, third, the link between
17 energy and geopolitics.

18 I start with poverty because I
19 think that's the one that doesn't get enough
20 attention in the headlines. Now we know back
21 in our own states, at the \$4 gasoline and
22 higher, this is a tremendous issue, access to
23 energy, fuel poverty, what will happen in the
24 wintertime as heating bills rise, what is
25 already happening today as people are beginning

1
2 to make difficult economic choices because of
3 the cost of driving. This is something we feel
4 right here in the United States and around the
5 world. The energy system has even failed 2
6 billion people.

7 The modern energy system does not
8 even reach a third of humanity, where, mostly
9 in Africa, parts of Asia, and right close to
10 home in the Caribbean and Latin America; it's
11 mostly women and girls that have to walk miles
12 a day because they have no access to
13 electricity, no modern fuels of the kind that
14 we are used to. They walk to pick twigs,
15 agricultural residue, cow dung, I mean,
16 whatever they can get their hands on. They
17 come back to their huts and they burn it in
18 makeshift cook stoves with little children in
19 the huts usually.

20 This releases such dirty and
21 unhealthful indoor pollution that the World
22 Health Organization considers this one of the
23 leading preventable causes of death on earth,
24 on par with malnutrition, but when was the last
25 time you heard a Live Aid concert to stamp out

1
2 the cow dung fires in India? Even Angelina
3 Jolie doesn't care. It's not a sexy issue.

4 But if we think about the human
5 condition, we should care; and if we think about
6 pillars of instability going forward, this is
7 an energy system that is breeding instability
8 and discontent. It's not reaching a third of
9 humanity, and right here at home we are
10 beginning to feel the impact and the connection
11 between energy prices and poverty.

12 The second pillar of instability,
13 energy and environment . . . I won't belabor this
14 point because we are all very well aware of the
15 impact of burning fossil fuels on the local
16 environment. Indeed, many of you have taken
17 the lead in helping deal with issues of local
18 pollution, but of course the great challenge for
19 the 21st Century with energy is going to come
20 from climate change. This is a very difficult
21 problem to come to grips with, of course,
22 because we are often acting on behalf of voters
23 who haven't even been born yet, and the
24 greatest impacts might be displaced in time and
25 place. There may be other parts of the country

1
2 or other parts of the world that will be most
3 affected by our consumption here at home, but
4 this is one that calls for vision, courage and
5 leadership of the sort that I have seen
6 expressed of course by your leadership here,
7 but it's going to pose one of the great
8 challenges in how we transform to a low carbon
9 energy system, one that makes best use of the
10 available resources but with advanced
11 technologies, including sequestration, IGCC,
12 advanced renewables and a combination of these
13 portfolios leading towards advanced transport
14 fuels that can move us and give us the things
15 that we aspire to.

16 Nobody wakes up dreaming about
17 electrons or--I'm sorry to say, Bob--nobody
18 wakes up dreaming of gasoline, right? What
19 consumers want are a cold beer, hot showers;
20 they want personal mobility, right, the things
21 that energy makes possible, and it's the
22 conversion technologies that we are stuck with
23 that are rather outdated--in some cases
24 100-year-old technologies, as with gasoline and
25 the internal combustion engine--that we need a

1
2 burst of innovation to move us to the 21st
3 Century. So the second pillar, I argue, of
4 instability is the link between energy and
5 environment.

6 The third and increasingly
7 concerning one is the link between energy and
8 geopolitics. This is a particular problem for
9 oil. Why? For two reasons. One, because it
10 has a virtual monopoly grip on transportation.
11 We know this. Our cars and buses are
12 essentially powered by oil with only small
13 substitutes today at a commercial scale.
14 That's not true for electricity obviously,
15 where we have ready commercially-proven
16 substitutes. So that creates a vulnerability
17 problem of economic shock.

18 The second problem is the
19 concentration of the world's remaining oil.
20 The world isn't running out of oil, despite
21 suggestions of peak oil. The problem with oil
22 is concentration, and the concentration is in
23 the hands of five countries in the Persian
24 Gulf. Two-thirds of the world's remaining
25 reserves of conventional oil are in the hands

1
2 of Saudi Arabia, which has a quarter share, and
3 its four immediate neighbors, Kuwait, UAE,
4 Iran, Iraq. Each of them have about a tenth
5 share. Taken together, we have nearly
6 two-thirds of the world's proven reserves of
7 conventional oil and almost all the oil that's
8 cheap and easy to get at to, and that's the
9 essential point, in the hands of a problematic
10 part of the world. And this has tremendous
11 implications for our foreign policy, and you
12 don't have to be an environmentalist to see the
13 connections with our national security and the
14 implications for foreign policy, and in
15 particular the rise of China on the world
16 markets, and behind it again the other emerging
17 giants, has become a clear force. Why?
18 Because if you look ahead to the next 10 to 20
19 years, two things are clear--and these are not
20 controversial arguments--these economies are
21 going to demand more energy, particularly oil,
22 and that incremental barrel of oil is going to
23 come from the Persian Gulf. Why?

24 If you just look at a
25 business-as-usual scenario, without significant

1
2 change to public policies, according to the
3 Department of Energy, the Saudi Arabian share
4 of the world market is going to increase
5 dramatically over the next 10 to 20 years.

6 Now, if you think \$140 barrel is
7 a dangerous world to live in, you ain't seen
8 nothing yet. When we get to a world 10 to 20
9 years from now where on every official forecast
10 we are going to have a much greater market
11 power held by a few producers in the Middle
12 East, unless again we look towards enlightened
13 progressive policies to move our country in a
14 different direction and with it the global
15 energy economy, and the competition for
16 resources that may come from an emergent China
17 and an insecure India looking to secure their
18 own energy assets, this is something that,
19 again, I don't like to forecast gloom and doom,
20 but I think a realistic assessment of
21 geopolitics would say one of the great
22 flashpoints between China, the aspiring
23 superpower of the 21st Century, and of course
24 our country's own interest and ambitions, if
25 there were ever to be a conflict over Taiwan or

1
2 Korea or one of these other flashpoints, the
3 Chinese know that they don't have a blue water
4 Navy to defend their oil assets. That's in
5 fact what is driving a lot of their domestic
6 policy, pushing them towards energy efficiency
7 and alternatives.

8 Don't buy the hype you see in the
9 newspapers about them being so concerned about
10 climate change. In my opinion, they are not.
11 They are principally concerned about clean air,
12 that is, local environmental issues, and they
13 are principally concerned about reducing their
14 reliance on Middle East imports because the
15 hard men of their military see this as a
16 strategic vulnerability to the United States,
17 and so they see this as a potential
18 geopolitical flashpoint.

19 Why do I mention these three
20 pillars of instability? Because I think these
21 argue for change. I hope I have made the case
22 that we need to move to a different energy
23 paradigm.

24 Now, some of you might think
25 having stated these problems that I am a

1
2 pessimist. I assure you I am not. The New
3 Yorker reviewed my new book, Zoom--available at
4 good bookstores everywhere--and in going
5 through and seeing the vision of the future
6 that I put forward and the potential for
7 change, including a renaissance right here in
8 the heartland of America, creating clean new
9 technologies for the car of the future and
10 alternative fuels, it said through gritted
11 teeth, "He is an optimist."

12 Yes, I stand accused of being an
13 optimist, and I want to explain to you three
14 megatrends, very briefly, that give me hope
15 and, in fact, that I would argue make this in
16 the midst of crisis the moment of greatest
17 opportunity in energy in 100 years, and that's
18 a big statement, so let me back it up.

19 The three megatrends that I see
20 unfolding over the past few decades, when you
21 take a broader long-term systems view of
22 energy . . . what you see, first of all, you see the
23 liberalization of markets, and I will explain
24 why that matters in just a moment. The second,
25 we see a smarter, more pragmatic bottom-up kind

1
2 of environmentalism bubbling up from the
3 states, from provinces, and even from
4 environmental groups that differs from the wave
5 of environmentalism we saw back in the '70s.
6 And the final point is there is a wonderful
7 confluence of technologies leading to a very
8 golden moment, a golden age of innovation,
9 technology-led innovation in energy technology,
10 clean tech and related industries that are just
11 coming together.

12 First, why do I talk about market
13 liberalization? Well, you might say, "Well,
14 you are the guy from The Economist. Obviously
15 you are going to preach to us about free
16 markets," and you know what, I do think
17 competitive markets are better than the
18 alternative generally speaking. Over the
19 long-term they lead to more efficient outcomes,
20 but that's not why I am here to talk about the
21 move in fits and starts as to why competitive
22 markets have been better for energy.

23 This is an industry taken as a
24 whole that has had dinosaurs, old ways of doing
25 business, very high barriers to entry, a role

1
2 as strategic industries. That's often a
3 language that's used that deters newcomers and
4 innovators.

5 If you look at oil and the
6 internal combustion engine, although Bob's
7 company and his rivals have a great record of
8 coming up with new ways, smart ways of coming
9 up with oil and there is a lot of innovation at
10 that incremental level, the essential
11 combination that powers our transportation, the
12 internal combustion engine and gasoline, this
13 is 100-year-old combination, older than. . .

14 In fact, you know, I was a
15 mechanical engineer at M.I.T. and what I
16 studied about how the automobile works was not
17 very different from what my father, who also
18 studied mechanical engineering back in India 50
19 years ago, . . . he was looking through my texts and
20 saying, "This hasn't changed very much, has
21 it," just to give you an idea. And if you . . . look
22 at electricity, [which] is perhaps one of the least
23 innovative businesses on earth, and I will give
24 you a statistic to back that up. And I say
25 this because liberalization of markets is the

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2 essential enabler of innovation in this
3 industry that is in desperate need of
4 innovation.

5 Electricity, to give you a
6 statistic to back up my big claim about lack of
7 innovation, the U.S. electricity sector
8 reinvests less than one-half of one percent of its
9 turnover into research and development. You
10 might say, "What is that?" In the context of
11 other industries, a normal industry might
12 reinvest 3, 4, 5 percent, if it's a very highly
13 innovative industry, biotech, computer science,
14 some of the other fledgling industries, you
15 might see 15, 20 percent reinvestment rates,
16 but according to the industry's own research
17 body, EPRI, for the last 30 years the figure
18 has been less than one-half of one percent.

19 Now I am not picking on the
20 industry. This is how we chose to regulate it.
21 The industry was discouraged from innovation.
22 We used to reward utilities for just, you know,
23 keeping it keeping over, put some duct tape on
24 it, keep it going. In fact, given the
25 challenges that have emerged over time,

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2 especially environmental but also those of
3 national security related to energy, I think we
4 should reward the two guys in the garage who
5 came up with Hewlett Packard or Google. I want
6 those guys working in clean energy. They
7 should know they are going to get the rewards
8 in the American marketplace for that ingenuity
9 for coming to market with new technologies, new
10 innovative business models that will help
11 explain why the earlier attempts at renewables
12 failed and why today's attempts will succeed.

13 That's the role of liberalization
14 of markets and that, again, California got it
15 wrong with its power crisis but, you know what,
16 lots of other states got it right, including
17 Pennsylvania, that did much better right here
18 at home. If you look at Britain or Scandinavia
19 or other parts of the world, they got it right.
20 So let's learn from best practices.

21 The second point, the second
22 great megatrend that I talked about is a smart
23 pragmatic kind of environmentalism. Back in
24 the '70s we had of course the Clean Air Act,
25 the Clean Water Act, and a great legacy of

1
2 success. We did a lot to clean up since the
3 days when the Kleanhoga River spontaneously
4 burst into flames. We are not there anymore
5 and you all know, you have done great work in
6 the states cleaning up air, water, ensuring a
7 better future for our populations, but getting
8 out the last 5 percent of a pollutant can often be
9 much more expensive at the margin than getting
10 at the first 50 percent. It requires more nuance, it
11 requires smarter pragmatic tools like
12 cost-benefit analysis, like some of the trading
13 instruments that we used in SO₂, the acid rain
14 program that America pioneered, which is now
15 being used as a model around the world but at
16 the time was opposed by almost every single
17 environmental group save one.

18 So I say, you know, this is a
19 move--of course, to give credit--Europeans
20 have pioneered the use of things like
21 externalities taxation, dealing with smart
22 market friendly instruments that provide the
23 right incentives for changing behavior without
24 picking specific technologies, which has always
25 been the pitfalls of governments. So we are

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2 seeing a smarter, pragmatic kind of
3 market-based environmentalism, even from the
4 bottom up, even from environmental groups. And
5 I am seeing this as much in Beijing and
6 Bangalore as I see it in Boston, and I think this
7 really bodes well for a transformation of the
8 energy sector than the old approach, which was
9 mandate, regulate, litigate, right? Sue the
10 pants off them.

11 That's how it was described to me
12 by a founder of NRDC, who now says, you know
13 what, we have got to get prices right, and
14 that's actually a different way of thinking
15 about environmentalism that's more pragmatic,
16 and states have been the pioneers here.

17 The third point, which I have
18 hinted at already, and I won't belabor it, the
19 confluence of technologies like energy storage,
20 material science, command and control systems,
21 smart electronics, and, you know, what I talk a
22 lot about in my book, which is the
23 electrification of the car, not only focusing
24 on fuels, which is important, what I call the
25 juice, but the jalopy, the change of the

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2 fundamental infrastructure of the vehicle is
3 actually going to be a disruptive change, I
4 argue, like what we saw when the personal
5 computer challenged the main frame or when we
6 saw cellular telephony challenge main line
7 telephones, and assets that industries had
8 thought would be legacy assets could very
9 quickly become stranded assets, and we
10 discovered this in other industries as the
11 economic rules change and new technologies
12 disrupt these industries.

13 We are in that kind of an era, of
14 potential disruption and change, which has
15 historically come very slowly in energy. . . with
16 good reason, right, the petrochemical
17 refineries and coal plants the last 50, 60
18 years, right? Well, that's what people thought
19 also about the infrastructure for fixed line
20 telephones and you can suddenly see your main
21 frame computing, the model wouldn't change. We
22 are at a moment of such change, and it's the
23 confluence of forces that are coming together,
24 political, economic and cultural even that are
25 changing this.

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2 So that's why I argue, we are at
3 the verge of an energy revolution that can be
4 quite traumatic, but this won't happen
5 magically; although, the forces are unleashed.

6 What do we need to do? This is
7 the question that people ask and when people
8 who take the issue seriously come to me, and I
9 have already heard some hint of this so I am
10 certain to offend, for which I apologize in
11 advance, people say, "We need a moon shot, we
12 need a president who has vision and like we did
13 with, you know, John F. Kennedy saying we are
14 going to put a man on the moon, a blank check
15 for NASA, you know, enlightened, brilliant
16 government thinkers who can make it happen and
17 if we had a moon shot, we could solve the
18 climate crisis in a decade or--fill in the
19 blank--hydrogen fuel cell cars or cellulosic
20 ethanol, we could make it happen if only we had
21 that leadership, vision and the sort of focus
22 from the top down, a Manhattan Project."

23 I think that is fundamentally the
24 wrong way to think about this problem, and,
25 again, I may give offense and I anticipate your

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2 brick-bats and tomatoes, but here is why I
3 think this is the wrong way to think about the
4 problem. Vision is essential and I think both
5 potential presidential candidates, both
6 candidates, have shown important attention, paid
7 attention to climate, energy issues. Money
8 matters but the solutions will emerge from the
9 bottom up. They always have.

10 To see why, if you will indulge
11 me for just a moment, Mr. Chairman, let me give
12 you a small example also drawn from history,
13 Winston Churchill. A hundred years ago he took a
14 decision that appeared to be a moon shot that
15 changed not only the energy world but the
16 future of the 20th Century. Now, 100 years ago
17 a young Winston Churchill, long before he was
18 Prime Minister, was First Lord of the
19 Admiralty--what we would call Secretary of the
20 Navy--and he saw the looming German threat
21 coming before World War I. He decided to
22 transform the British Navy from burning coal to
23 burning oil.

24 Now, this was a huge risk because
25 Britain had lots of coal but they had no oil,

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2 they hadn't discovered the North Sea and they
3 wouldn't for another 50 years . . . the oil under
4 the North Sea. But he took the decision
5 because he knew that oil fired ships would have
6 a decisive advantage in terms of speed,
7 maneuverability and how quickly they could
8 reload fuel and so on. Military historians
9 credit that decision with being one of the key
10 turning points in World War I, but it also set
11 off a century of prosperity, the oil-fired
12 century in which we saw 20th Century economic
13 expansion as well as the foreign policy
14 adventures in the Middle East that came with it
15 of course, but undoubtedly set the course for
16 the age of oil.

17 Some might see this as a moon
18 shot. In fact, if we actually look at the
19 context in which it happened, you see that
20 Churchill was not a lone gunman. What you see
21 was, you know, oil had been discovered here in
22 Pennsylvania in fact back in the 1860s but it
23 wasn't used for transportation. Back then it
24 was used as a substitute for whale blubber in
25 lighting because that was the need of the day.

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2 The Germans had come up with the
3 diesel engine, and other Europeans had come up
4 with good gasoline engines but those didn't
5 take off. In 1900 there were five times as
6 many electric cars on the roads of New York as
7 there were gasoline cars.

8 So what happened? Well, what
9 happened: First, we saw Rockefeller, through
10 his Standard Oil empire, ensure there was
11 nationwide distribution of oil, so
12 infrastructure became ubiquitous. Henry Ford,
13 with the innovation of the assembly line,
14 created a new business model that made
15 affordable cars powered by gasoline available
16 to the whole population at a decent price. So
17 you saw a business model innovation.

18 In the great San Francisco fire
19 at the early part of the century, it was the
20 gasoline-fired engines that got there first and
21 got the popular acclaim as the reliable
22 engines. You saw Spindletop, the tremendous
23 Texas gusher that ushered in an age of the
24 Texas oil industry in the early part of the
25 1900s, and you even had cultural factors, great

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2 races held between the various steam, gasoline
3 and electric cars, and in a key race the
4 gasoline car won, the crowds were heard
5 shouting to the other competitors, "Get a
6 horse; get a horse."

7 You saw this swirl of forces, and
8 that explains why and how Churchill was able to
9 make that decision. It wasn't a moon shot;
10 there were forces in play already. And that's
11 what I would argue today when we look at
12 today's energy world. Rather than picking
13 specific technology winners, let's look at this
14 great awakening that's coming up from the
15 bottom up, from the states, municipal
16 utilities, from nongovernmental groups,
17 evangelical groups, coming together saying the
18 climate concerns, the national security
19 concerns demand clean energy, reliable energy,
20 low carbon energy.

21 While the next president, while
22 the next set of policies that we need to come
23 across will require vision, the role for
24 government is important, not only that vision,
25 but to level the playing field, remove the

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2 perverse and distorting subsidies, which are
3 tremendous--and make me very unpopular when I
4 say this in Washington--but a level playing
5 field would be the greatest advance that clean
6 energy innovation technologies could have
7 because they would ensure that the incumbents
8 don't have an unfair advantage. The newcomers,
9 like the two guys who created Google, coming in
10 to clean energy will have a chance to have a
11 succesful business model and to create the next
12 great empire.

13 What is the role for the bottom
14 up? State innovators like you folks,
15 entrepreneurs, the combination of those things
16 with the marketplace and consumer demands,
17 that's how you find business models that win.
18 That's the difference between how and why Nixon
19 and Carter and the earlier moon shots in energy
20 failed, because government bet big on synthetic
21 fuels or one particular kind of wind
22 technology, then the oil price collapsed in
23 '86, right? We can't afford that again.

24 We need a combination of smart
25 policies in Washington that level the playing

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2 field without picking winners, . . . but the bottom-
3 up, robust innovation that you folks have provided
4 at the state and local level and ultimately
5 from the marketplace of innovators. If we do
6 that, then we can give Gandhi an answer to his
7 great question, "How many planets?"

8 We have only one planet. We have
9 to find a way to reconcile the legitimate
10 concerns about jobs, economic growth and energy
11 prices and energy poverty on one hand with the
12 equally legitimate concerns about
13 sustainability, having an energy future that
14 leaves a planet worthy of our grandchildren.

15 The only way to reconcile these
16 two things is if we tap that one natural
17 resource that we have in endless capacity, and
18 that's human ingenuity. Thank you very much.

19 CHAIRMAN PAWLENTY: As I listen
20 to Vijay's comments, I am reminded of the
21 skeptic's view of emerging public policy which
22 has three phases to it as the story goes; the
23 first is, that will never work; the second is,
24 that's too expensive; and the third is, hey, I
25 was for that all along.

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2 So I think we are in this debate
3 somewhere between Phase Two and Phase Three as a
4 nation and hopefully moving down that
5 transition.

6 But we do have some time for
7 questions. Governor Manchin again wants to ask
8 some questions.

9 GOVERNOR MANCHIN: Just very
10 quickly, Vijay, I enjoyed your presentation
11 immensely. Economic trigger mechanisms to
12 protect the innovation that we need as you
13 talked about and with so few countries or
14 entities controlling the supply, what will make
15 sure that there is an economic mechanism, a
16 trigger, if you will, that allows us to
17 continue to make sure we make those innovative
18 changes that are needed for us to have energy
19 independence?

20 MR. VAITHEESWARAN: Our
21 innovative capacity is robust. We really are
22 the most innovative economy on earth, but there
23 are reasons how and why in energy that has not
24 been the case, and so I would focus, I mean,
25 broadly speaking, the challenges to our

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2 innovation capacities are investments in
3 education, our research funding of course,
4 which needs to be maintained. Energy R&D, if
5 you combine government spending, is at a
6 20-year low. So those are broad points about
7 how we need to reinvest in innovation.

8 GOVERNOR MANCHIN: But if the
9 price of oil drops off to \$25--

10 MR. VAITHEESWARAN: Exactly. But
11 the specifics of energy, there is one
12 significant factor above all others, and that's
13 the price of oil, and because as I argued and
14 perhaps we can talk about why, I don't believe
15 the scarcity thesis. There is plenty of not
16 only oil but things that can be made into
17 gasoline--tar sands in Canada, heavy oils in
18 Venezuela--and the oil industry is working very,
19 very hard and diligently to get those things to
20 become gasoline and blending.

21 So in my view that competitive
22 threat of the oil price dropping down to a
23 level that would wipe out a lot of energy
24 investments remains very real and in that kind
25 of environment I think only a public policy

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2 floor, and that can be done through . . . at somehow--
3 the carbon price.

4 Now, you know, every academic
5 economist would say a carbon tax is the right
6 way forward. You mention the word "tax" in
7 Washington, you are drummed out of town
8 obviously. We are probably going to embrace a
9 cap-and-trade system of some kind. Both
10 candidates have talked about that.

11 I think you can't let the ideal
12 be the enemy of the good. I think a
13 policy-driven carbon price would make sure that
14 whatever happens, even including an intentional
15 malicious engineering of low prices--which the
16 Saudis have played a roll, back in '86 and
17 again in '98, as the kingpins of oil with a
18 quarter of the world's remaining oil and the
19 cheapest oil, occasionally, and I have spent a
20 lot of time with the Saudis and their oil
21 minister talking about issues, including this
22 one, they have every potential over time to
23 pull the rug out from underneath alternative
24 energies.

25 I think, you know, the great

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2 anti-OPEC that we have right here at home is
3 our own public policies, our ability to
4 influence demand, efficiency, and the
5 alternatives, and we need to exercise the power
6 as a sleeping giant.

7 CHAIRMAN PAWLENTY: I should
8 mention also, at tomorrow morning's Plenary
9 Session, as a commercial for our speaker, Dr.
10 Richard Lester, who is Director of Engineering
11 at M.I.T., is going to come and provide his
12 overview of the current state of technology,
13 both emerging and available, so that may give
14 you some additional insights as to what there
15 most likely needs to be.

16 Governor Corzine.

17 GOVERNOR CORZINE: Thank you very
18 much, . . . exciting and I like your optimism.

19 Let me say, I was going to ask
20 this question of Bob and I want to try to merge
21 it a bit, it seems to me that if we are to
22 break the paradigm, for the life of me I don't
23 understand why we should take high risks on 10
24 to 12-year projects on additional drilling
25 where we don't have proven reserves when that

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2 same resource could be going to innovation, but
3 I will leave that for another discussion.
4 There are proven reserves in other places that
5 we could tap.

6 But why is it--do you analyze that?--
7 we have seen a market price go from--and I
8 know you are a free market man--go from \$65 a
9 barrel to \$140 and we are at risk, at least
10 markets tell us, of seeing an explosion beyond
11 where we are? That doesn't strike me as
12 consistent with free market activity. There is
13 no continuum. And when the kind of risk that
14 you talk about . . . it puts at ultimate risk our
15 ability to invest in these alternatives and
16 breakout situations. So what is the cause of
17 going from \$70 oil or \$65 oil to \$140 from your
18 perspective?

19 MR. VAITHEESWARAN: Sure,
20 governor, thank you for the question. While I
21 am a big believer in markets, I want to be very
22 clear, in oil there has never been a free
23 market. Even when America was the Saudi Arabia
24 of oil back in the early part of the last
25 century, the Texas Railway Commission did work

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2 to control prices, and we have the OPEC oil
3 cartel manipulating prices, and so, you know,
4 the market is one that's--

5 GOVERNOR CORZINE: OPEC could be
6 considered a speculator in and of themselves.

7 MR. VAITHEESWARAN: Oh,
8 absolutely, and the most powerful kind of
9 speculator, one that controls two-thirds of the
10 reserves or even greater percentage.

11 Yes, and Saddam Hussein
12 explicitly used to do this, use his turning on
13 and off of the pipeline to play games on the
14 market to enrich himself, and that's been
15 shown. So this is the kind of marketplace we
16 are dealing with.

17 My long-term answer to this is
18 the only way--because, let's remember, at the
19 end of the day, they got the oil, we are the
20 ones who are using it, they have the power--the
21 only real solution is to get off of oil all
22 together. That's the ultimate solution.

23 Now the real question is, what's
24 the path from here to there and along the way
25 how do we minimize the risk of oil price drops

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2 or occasional collapses that completely wipe
3 out the economics of all the alternatives? And
4 I think that's where, you know, even
5 inconsistent with my editor's free markets, I
6 have written editorial after editorial arguing
7 for government role in energy specifically.
8 Carbon pricing or externality pricing, there is
9 a significant role for government, in leveling
10 the playing field in an energy market where you
11 have a politicized actor disrupting prices. We
12 can't rely on the oil market price signal alone.
13 One-hundred-forty-dollar oil makes everything look
14 good; but do you know what, as Buffett has said
15 before, "When the tide goes back, you see who
16 has been swimming naked," we will quickly find
17 out when the price comes down which projects
18 don't make any sense.

19 CHAIRMAN PAWLENTY: I should
20 mention, we do have to, and we are looking
21 forward to, giving out some Distinguished
22 Service Awards to some of our best partners
23 with the NGA, so we are going to have to wrap
24 this up, but we can squeeze in two quick ones,
25 Governor Sebelius has been waiting patiently,

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2 Governor Granholm, I don't know if you would be
3 willing to defer to Governor Beebe, he has had
4 his hand up for quite some time, if that's all
5 right.

6 Governor Sebelius, you wanted to
7 ask a question?

8 GOVERNOR SEBELIUS: Thank you,
9 and thank you both for being here this morning.

10 Could you just talk a little bit,
11 particularly to us as governors, in the area of
12 the liberalization of markets, what do you see
13 us able to do at the state or do most of these
14 have to be driven at the federal level? That's
15 an intriguing idea, and I am just trying to
16 figure out what the state role is.

17 MR. VAITHEESWARAN: Sure, happy
18 to.

19 I think that when it comes to
20 power markets of course, you have much greater
21 leeway than with transportation, simply because
22 of the nature of regulation; although, you know,
23 given California's interesting moves of late,
24 perhaps the dynamic there is shifting too, with
25 CO₂ regulation out of tailpipes.

1
2 I think that the difference with
3 electricity, and here is where the coordination
4 will have to come with the federal government,
5 one of the great failings of the power crisis
6 in California was the neglect by the Federal
7 Energy Regulatory Commission. While I was
8 tough on the really badly designed rules in
9 California, that was not a proper
10 liberalization under any terms of reference.
11 It was a textbook case of what not to do.

12 The chapter in my book that deals
13 with that I call "Why California Went Bananas,"
14 build absolutely nothing anywhere near anybody,
15 right? In fact, equal blame lies with defer,
16 which under both President Clinton and
17 President Bush, the commissioners--and I spoke
18 with them very closely at the time--took a very
19 laissez-faire view, as though there is no role
20 for the federal regulator. On the contrary,
21 electrons don't stop at the border. No;
22 actually this is a different issue than school
23 boards or healthcare systems where you could
24 really have a state alone taking a very novel
25 approach, as you folks have.

1
2 Here you do need important and
3 willful participation between the federal
4 government and states on electricity
5 particularly and transport policies. So I
6 think here I would argue that we need a little
7 more hands-on from the two sides coming
8 together for pursuing the liberalization.

9 CHAIRMAN PAWLENTY: Governor
10 Beebe, if I could ask you to be brief and Vijay
11 to be brief in your response, we will squeeze
12 in one more.

13 Did you have a question, Governor
14 Beebe?

15 GOVERNOR BEEBE: No, I didn't
16 have a question.

17 CHAIRMAN PAWLENTY: Oh, maybe it
18 was Governor Beshear.

19 Oh, Governor Beshear.

20 GOVERNOR BESHEAR: I wanted to
21 bring the governors a question about the
22 marketplace a little bit closer to home and
23 give you an example of what we recently found
24 in Kentucky. We found that in Louisville,
25 Kentucky, our biggest urban area, people were

1
2 paying 30, 40 cents more per gallon of gasoline
3 than anywhere else in the state. You could
4 drive right over the county line and you could
5 buy your gasoline for 30 to 40 cents less.

6 The first response was that,
7 well, you are required to consume reformulated
8 gasoline and that accounts for the difference.
9 Obviously, that's 5 to 8 cents of the
10 difference. We went to Northern Kentucky,
11 where they are required to purchase
12 reformulated gas, and they were paying at least
13 20 cents less than the folks in Louisville for
14 the same gasoline, and so we are asking the
15 questions and trying to get to the bottom of
16 why this free marketplace is requiring our
17 folks in Louisville, Kentucky, to pay 30 to 40
18 cents more per a gallon of gas.

19 I have found that since we raised
20 the question publicly, that that gap seems to
21 be narrowing a little bit, and so I am wondering
22 if perhaps a governor's voice is part of the
23 free marketplace here.

24 CHAIRMAN PAWLENTY: Vijay.

25 MR. VAITHEESWARAN: In a sense

1
2 this is a question more directed at oil, since
3 I don't sell oil, but I will answer your
4 question in the following way: One of the
5 lessons I took away from the FERC fiasco
6 involving California was, competitive markets
7 do[es] not mean having no role for the government
8 or for the regulatory supervisor. On the
9 contrary, as Britain has shown with its very
10 successful electricity liberalization, as
11 Scandinavia, a number of other countries have
12 done, it actually requires a more vigilant but
13 more carefully circumscribed role for the
14 supervisor. That is, you can't have the
15 policeman asleep on the beat. You need a
16 vigilant policeman with competitive markets
17 because companies will tend towards collusion.

18 Adam Smith himself said so and
19 wrote about it and it's common sense, if you
20 don't have a cop on the beat, people are going
21 to try to get away with stuff, right? So I
22 think you are absolutely right in the idea of
23 transference and vigilance and proper
24 supervision is actually even more important as
25 you liberalize but the role needs to be

1
2 carefully circumscribed, looking at anti-trust
3 issues, not telling you what you should build,
4 when you should build, using what scrubber and
5 what technology.

6 If we move away from that very
7 command-and-control approach thinking about
8 markets to one that lets the innovative
9 capacity of companies and entrepreneurs come
10 together but keep the proper supervisory role
11 for government, then I think we really can
12 achieve the goals that you are hoping for, that
13 is, innovation at reasonable prices for your
14 consumers.

15 CHAIRMAN PAWLENTY: Let's once
16 again thank our speakers.

17 Our next order of business, and
18 we do look forward to this each year, is to
19 present the NGA awards for Distinguished
20 Service to State Government and the Arts. This
21 award offers governors the opportunity to
22 recognize their state's most valuable civil
23 servants and private citizens in these areas.
24 Each of the honorees has made invaluable
25 contributions to state government and public

1
2 service. On behalf of the National Governors
3 Association, we want to commend these
4 individuals for their work.

5 We also want to thank all the
6 governors who submitted the nominations and did
7 the screening, in particular we also want to
8 thank our private sector partners, Lee Anderson
9 of Minnesota, who chaired the selection
10 committee, the First Lady of Minnesota, who
11 chaired the Review Panel, and the many others
12 who helped go through the applications and
13 nominations for these awards.

14 They will be presented in three
15 categories, the first is state official, the
16 second is private citizen, the third is the
17 arts category. As I announce each winner, we
18 will ask that they come forward along with
19 their governor, if present, and I ask each of
20 the governors to step to the podium and make
21 brief remarks recognizing the recipient.

22 We will start first with the
23 state official category, the first is Chris
24 Cumiskey, Chief Information Officer for the
25 State of Arizona. We will ask Governor

1
2 Napolitano to come forward to make this
3 presentation.

4 GOVERNOR NAPOLITANO: Thank you,
5 Governor Pawlenty. I am pleased to introduce
6 Chris Cumiskey for this award, which is so
7 well deserved. He has been in public service
8 in Arizona for 17 years.

9 When I became governor, he became
10 the Chief Information Officer for Arizona, and
11 we consolidated all information technology into
12 one central office, the Arizona Government
13 Information Technology Agency, or GITA. During
14 his more than five years in that position he
15 has formed powerful coalitions with business,
16 education, nonprofit, government and community
17 stakeholders to really use GITA to transform
18 government service delivery and implement
19 innovative technology strategies.

20 We have under his leadership
21 created a statewide 211 system to offload from
22 911. I believe we are the first state to have
23 accomplished that statewide. We are moving to
24 total e-prescribing statewide through the
25 e-health connection with the stakeholders,

1
2 including the healthcare providers, hospitals
3 and others. He has managed the project
4 management certification program. He has
5 started a statewide information security and
6 privacy office as well.

7 Prior to his position as GITA
8 director, Chris served in the Arizona
9 Legislature from 1991 to 2003. He was the
10 Assistant Senate Floor Leader, Senate Assistant
11 Minority Leader, and Chair of the Senate
12 Democratic Caucus. Throughout his work in
13 public service he has been inspiring innovation
14 and creativity in the way we deliver services
15 and in so doing has also helped us reduce
16 costs.

17 So it's my pleasure to introduce
18 Chris Cumiskey.

19 CHAIRMAN PAWLENTY: Our next
20 award winner is Lisa Webb Sharpe, Director of
21 the Michigan Department of Management and
22 Budget, and we call upon Governor Granholm to
23 present this award.

24 GOVERNOR GRANHOLM: Thank you,
25 Governor Pawlenty. I nominate Lisa with a

1
2 little bit of trepidation because the last time
3 I nominated one of my state directors, Arnold
4 Schwarzenegger poached the head of our
5 Department of Informational Technology, so I am
6 going to tell you how fantastic she is, but
7 hands off, all right?

8 GOVERNOR GRANHOLM: So Lisa--
9 come stand next to me, Lisa--has been the
10 Director of Management and Budget and so as the
11 director she has been charged in this time of
12 great contraction of our economy with saving
13 money. So since Lisa has been director, 2005,
14 she has been director, she has saved \$1.6
15 billion for our state government based upon her
16 efforts on tightening up contracting policies,
17 selling off the state fleet, et cetera.

18 She has also implemented this Buy
19 Michigan First initiative where now 93 percent of our
20 state taxpayer spend is spent on Michigan
21 companies. We bid them all out but there is a
22 preference given for our Michigan companies,
23 and so she has saved all this money while still
24 allowing the taxpayer dollars to circulate in
25 Michigan. And, third, this is the last thing I

1
2 am going to say because she has got a whole
3 slew of things, but here is what we just
4 announced this past week, and this all is in
5 keeping with what we have been talking about,
6 in 2005 I issued two executive directives about
7 saving energy. Since 2005, Michigan buildings,
8 Michigan state government employees under
9 Lisa's direction, have saved 18 percent on our energy
10 costs. That means \$45 million saved by
11 powering down, replacing bulbs with, you know,
12 CFL or LED. We actually unscrew every third
13 bulb. I look up here and I think, "Oh, my
14 gosh, how much energy is being used on here?"
15 We are obsessed with it. We use vehicles that
16 are alternative fuel vehicles. You name it, we
17 are doing it and having saved the taxpayers the
18 money.

19 Our ability to have saved all
20 this amount of money would power 8,500 homes
21 for a year. It would take essentially 16,000
22 vehicles off the street. Not that we would
23 want to do that of course being the automotive
24 capital of the world, but we do want them to be
25 fuel efficient or electric, so we want to

1
2 continue that effort.

3 So I am so pleased to be able to
4 give Lisa this award in partnership or announce
5 in partnership with the NGA that Lisa Webb
6 Sharpe has been such a tremendous public
7 servant for the State of Michigan. Thanks.

8 CHAIRMAN PAWLENTY: Our next
9 winner is Dr. Veronica Garcia. She is the
10 Secretary of Education for New Mexico.
11 Unfortunately, Governor Bill Richardson is not
12 able to be with us today, so I have the honor
13 of presenting the award to Dr. Garcia.

14 She was appointed New Mexico's
15 first education secretary in November of 2003.
16 She has worked for 35 years to revolutionize
17 and improve education in New Mexico. Her
18 ability to build coalitions has resulted in the
19 development and implementation of an
20 accountability system and higher standards for
21 education from early childhood through college
22 and career readiness in New Mexico.

23 Under her leadership, New Mexico
24 has become nationally recognized for stronger
25 standards and assessments and accountability

1
2 systems. She has forged partnerships with
3 other state agencies, tribal nations, pueblos
4 and community representatives through advisory
5 councils and committees for Indian education.
6 These partnerships have led to a breakthrough
7 in standards and accountability for
8 revitalization and preservation of native
9 languages.

10 Governor Richardson says that:
11 "Secretary Garcia is a tireless and selfless
12 public servant. She has worked closely with me
13 as we invested classroom innovations, while
14 holding schools accountable for improving
15 student achievement."

16 Join me in welcoming Dr. Garcia.

17 Our next category is in the
18 private citizen category, and the first
19 recipient is from Colorado. The winner is Bill
20 Lindsay. Unfortunately, Governor Ritter is not
21 with us today, but I would like to call on Mrs.
22 Ritter to join me at the podium to make this
23 presentation.

24 MRS. RITTER: I am proud to be
25 here on behalf of our governor, Bill Ritter,

1
2 and I can boast 20 years that our recipient
3 here, Bill Lindsay, has been--really it's
4 been his heart to work on healthcare reform,
5 and I know Vijay stepped out but I wanted to
6 say, Vijay, if we were looking for innovative
7 thinking, for people with vision and for change
8 from the bottom up, Bill Lindsay is our man for
9 health care reform.

10 Bill back to the '80s was working
11 with the Robert Wood Johnson Foundation coming
12 up with innovative ways to provide coverage for
13 people. He was very instrumental in the '90s
14 with our S-CHIP program for children in
15 Colorado and, with all due respect to the
16 people in this room, I thought, who wants to
17 sit on a--I mean, let's imagine, sitting on a
18 commission, okay, sitting on a commission with
19 an incoming freshman governor and sitting on a
20 commission that deals with health care reform.

21 What a remarkable thing, Bill
22 Lindsay. I want to thank the National
23 Governors Association for giving us this
24 opportunity to acknowledge him, not just his
25 family here, I know Lana is very proud, our

1
2 community in the metro area, our state, but now
3 nationally we honor you, Bill Lindsay. So
4 thank you very much. Welcome.

5 CHAIRMAN PAWLENTY: The next
6 winner in the private citizen category is
7 Governor Bill Anoatubby of Oklahoma. I would
8 like to call on Governor Henry to make this
9 presentation.

10 GOVERNOR HENRY: Thank you very
11 much, Governor Pawlenty. It's an honor and a
12 privilege for me to be here to present this
13 Distinguished Service Award to a Great
14 American, but first just a tad bit of
15 background and history, as I think most of you
16 know, Oklahoma has a proud Native American
17 heritage and, in fact, Oklahoma is unique in
18 that we have more Native Americans per capita
19 living in our state than any other state in
20 this great nation. We, in fact, have 39
21 federally recognized Indian tribes within the
22 boundaries of the State of Oklahoma.

23 Now what you have to understand
24 is, that means we have 39 sovereign
25 governmental nations within the border of the

1
2 State of Oklahoma, and as you might imagine,
3 from time to time that presents some difficult
4 and dicey issues. Well, given the historical
5 treatment that the tribes received from the
6 federal government as well as our state
7 government over time many, many years ago, you
8 can understand that there is a natural tension
9 between our sovereign tribal nations and our
10 state government in Oklahoma, and that's where
11 Governor Bill Anoatubby comes in.

12 Among many, many other things, he
13 has been a champion for cooperative
14 partnerships between the Chickasaw Nation as
15 well as other tribal nations in the State of
16 Oklahoma. He has been a creative and
17 innovative leader.

18 Just a little bit of background
19 on Governor Anoatubby, he was elected Governor
20 of the Chickasaw Nation in 1987, so he served
21 as governor for over 20 years and they continue
22 to reelect him time and time again. When he
23 took office, the Chickasaw Nation was
24 essentially an \$11 million corporation. Today
25 it is nearly a \$400 million entity with more

1
2 than 10,000 employees in the State of Oklahoma.
3 So you can imagine the economic impact and
4 benefit that this tribe and other tribes have
5 in Oklahoma.

6 Governor Anoatubby though has
7 used his substantial influence throughout the
8 state, not just in tribal circles but in
9 business circles and public and in academia, to
10 really form partnerships to invest in
11 infrastructure throughout the state, healthcare
12 infrastructure, education infrastructure,
13 transportation infrastructure, economic
14 development infrastructure, housing
15 infrastructure, and his tribe became the first
16 tribe last year to enter into a
17 cross-deputization agreement with Oklahoma law
18 officials.

19 So suffice it to say that he has
20 been a great governor of the Chickasaw Nation
21 but even more important to me is he has been a
22 great citizen of the State of Oklahoma, who
23 every single time I have called him to serve,
24 whether it's on the Centennial Commission, as
25 we celebrated our Centennial last year, or the

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2 Oklahoma Healthcare Authority that administers
3 all the federal health programs, or a whole
4 host of other activities, he has single-handily
5 almost spearheaded the creation and
6 construction of the Native American Cultural
7 and Educational Center in the State of Oklahoma
8 that when finished, when completed, will be the
9 largest of its kind in the country and will
10 have a great economic benefit to the State of
11 Oklahoma.

12 So without further ado, let me
13 introduce to you my dear friend, Governor Bill
14 Anoatubby.

15 CHAIRMAN PAWLENTY: Governor
16 Huntsman is going to present the award to our
17 next recipient, Scott Anderson.

18 Governor Huntsman.

19 GOVERNOR HUNTSMAN: Because we
20 are an extra good state, we have two
21 recipients, and I am honored and delighted to
22 be here to roll them out for you. We have our
23 First Lady from Utah here and her daughter
24 Abbey, who just graduated from a great school
25 right down the street, University of

1
2 Pennsylvania, having passed Professor Rendell's
3 political science class; that was of course the
4 most important part of it.

5 GOVERNOR RENDELL: An important
6 pass.

7 GOVERNOR HUNTSMAN: I think she
8 did--an A student right there.

9 Scott Anderson is here. Now I
10 could go on and on and tell you all the great
11 things about Scott Anderson, you know, like the
12 fact that he runs one of the most important
13 financial institutions in the country, like he
14 is a graduate of Columbia and Johns Hopkins,
15 like, you know, he has lived in San Francisco
16 and Tokyo in financial services industry work
17 for 17 years, but the fact of the matter is, I
18 took such great pride in telling him he had won
19 this award because he always takes such great
20 pride in recognizing others and doesn't like to
21 be recognized himself. So putting him on stage
22 here just gives me great glee.

23 Now to summarize all of this, let
24 me just tell you that, you know, in our state
25 anyone can be governor, but there is only one

1
2 person who can be Scott Anderson, the kind of
3 person who is everywhere and their influence is
4 felt widely in all that we do. He impacts the
5 way we live, he impacts the way that we educate
6 our kids, he impacts the way we do business, he
7 helps us express ourselves through the arts and
8 sciences and of course helps us prepare for the
9 future based on our efforts in the area of
10 competitiveness.

11 So it is a great honor and
12 privilege in the all important area of
13 Distinguished Service Award in the private
14 citizen category to recognize someone who our
15 state could not do it without, Scott Anderson.

16 Scott, if you would come up here
17 please and be recognized.

18 We also have another great
19 citizen from our state here, Beverly Taylor
20 Sorenson, who is here with her daughter Carol,
21 granddaughter Liz, Liz' husband Mike Mauer and
22 perhaps others, but it is a great honor and
23 privilege to be able to hand over this
24 Distinguished Service Award in the Arts on
25 behalf of the National Governors Association to

1
2 Beverly Sorenson because she has done something
3 that so few people do, she believes that arts
4 really do have an important part in the way
5 that we educate our young people.

6 Now everybody talks about this
7 and everybody tries to find the results in the
8 way this impacts our overall test scores, the
9 way that our young kids learn, but Beverly has
10 been the most determined and effective advocate
11 for introducing the arts into elementary
12 education.

13 So after working for 13 years and
14 donating more than \$45 million of her family's
15 money, in 1995 Beverly created a very
16 innovative program called Art Works for Kids
17 that has impacted more than 80,000 of our young
18 kids in our state and has become a model for
19 elementary school education in the arts, and as
20 if nobody was paying attention, just last year--
21 in fact, earlier this year at our recent
22 legislative session, spring of this year--a
23 major milestone occurred, and that was the
24 achievement of the Utah legislature funding
25 Beverly Sorenson's arts learning program to the

1
2 tune of \$16 million to increase the outreach
3 and the overall quality of arts education that
4 exists in our schools for our schoolchildren.

5 So, Beverly Sorenson, we thank
6 you for being a pioneer in this very, very
7 important area. We thank you for the
8 investment that your great family has made,
9 perhaps the most generous family in our state,
10 but most importantly we greatly respect and
11 appreciate the way in which this is leaving a
12 lasting legacy for so many young people in our
13 state, and it's an honor and privilege to be
14 able to recognize you with this wonderful
15 award. Beverly, come on up.

16 CHAIRMAN PAWLENTY: We have one
17 more in the arts category, and that is the next
18 winner, who is Las Artes, who is the Arts and
19 Education Center leader in the State of
20 Arizona. Governor Napolitano will say more,
21 Governor Napolitano.

22 GOVERNOR NAPOLITANO: Well, like
23 Utah, Arizona was fortunate to have two winners
24 this year, and I couldn't be more delighted.
25 The other winner in the arts category is the

1
2 Las Artes Arts and Education Center. It's in
3 Tucson, Arizona. Alex Garza is here, he is the
4 lead artist for the project.

5 It has been a powerful catalyst
6 for individual and community self-improvement
7 through public art, making a highly visible
8 statement about culture and pride, particularly
9 in the South Tucson area. Las Artes creates
10 ceramic tile murals which beautify the inner
11 city and rural communities and at the same time
12 the creators of the murals are youth who have
13 dropped out of school. It gives them a second
14 chance to earn their GED and to participate in
15 arts education simultaneously.

16 Its intensive instruction with
17 support and artistic engagement of 428
18 out-of-school youth have benefited from Las
19 Artes. More than 70 large public works arts
20 projects throughout Pima County have been
21 produced by Las Artes students. So we are very
22 proud of Las Artes, the model it is and the
23 model it continues to be. So it's my pleasure
24 to have them recognized today.

25 CHAIRMAN PAWLENTY: We also have

1
2 the recognition of some Corporate Fellows. We
3 will have them come forward as a group. We
4 will recognize them as a group. We will
5 adjourn the meeting, we will take the pictures
6 with the individuals after the meeting is
7 adjourned, but if the Corporate Fellows will
8 come forward at this time, we want to recognize
9 you as a group.

10 We have awards for people in
11 entities who have been supportive of the NGA
12 for 15 and 20 years. Again, if they could just
13 come on forward at this time, that would be
14 helpful.

15 In addition to the Centennial, we
16 are marking the accomplishments and milestones
17 of another significant anniversary, and that is
18 the 20th anniversary of the Corporate Fellows
19 Program, which was founded in 1988. The NGA
20 Corporate Fellows promotes an exchange of
21 information between the private sector and
22 public sector, governors and their staffs on
23 emerging trends and factors and opportunities
24 challenging both business and state government.

25 Corporate Fellows share their

1
2 experiences and expertise and insight with
3 governors and their staffs, particularly
4 through the Center For Best Practices. That's
5 a way for state policymakers to have an
6 efficient kind of warehouse of information of
7 ideas and that exchange is very, very helpful.
8 Through their support, Corporate Fellows
9 demonstrate a commitment to improving
10 cooperation with the public sector and
11 government and industry, through developing
12 collective approaches and bipartisan
13 approaches, and we recognize today in
14 particular an inaugural member of this group.

15 AT&T has been a member and
16 supporter of the program for 20 consecutive
17 years to the Center of Best Practices.
18 Accepting and being recognized today on behalf
19 of AT&T is David Condit. David, where is
20 David?

21 Thank you so much, 20 years
22 inaugural member of the Corporate Fellows
23 Program.

24 I will briefly just list off the
25 15-year members. Then we will adjourn the

1
2 meeting, we will take the pictures with each of
3 the members and our remaining governors can be
4 on their way.

5 Accenture has been a 15-year
6 member, Rick Wood is here; American Electric
7 Power, Mr. Anthony Kavanaugh is here on behalf
8 of American Electric Power; Charlie Sorrells is
9 here on behalf of Eastman Chemical Company,
10 another 15-year Corporate Fellow; FMC is
11 represented by Judy Smeltzer; Ford Motor
12 Company by Curt Magleby; and Merck & Co. is
13 represented by Charles Grezlak; and also
14 Unisys, Camille Fleenor, who had been part of
15 this program for 15 years.

16 We are grateful to each and every
17 one of them. NGA relies substantially on them
18 to support the Center for Best Practices, and we
19 are grateful to them, and we will have a
20 picture with each of them, but let's join in a
21 round of applause for them as a group.

22 Okay. With that, we are going to
23 adjourn the meeting, encourage our remaining
24 governors to go to their committee meetings,
25 and we will see you all at the governors only

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this afternoon. Thank you very much for
coming.

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*(Whereupon, the hearing
adjourned at 11:40 a.m.)*

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*Reported by: Denise A. Ryan
Professional Shorthand Reporter*

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NATIONAL GOVERNORS ASSOCIATION
2008 CENTENNIAL MEETING
PHILADELPHIA, PENNSYLVANIA

- - -

PLENARY SESSION
JULY 14, 2008

CLEAN ENERGY TECHNOLOGY:
WHAT'S HERE AND WHAT'S COMING

- - -

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Governor Tim Pawlenty, Chair

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Dr. Richard Lester,
Director of Industrial Performance
Center and Professor of Nuclear Science
and Engineering, Massachusetts Institute
of Technology

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Recognition of Outgoing Governors

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Consideration of Proposed Policies

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2 CHAIRMAN PAWLENTY: Well, good
3 morning. Thank you for coming.

4 During this last year as part of
5 our discussion regarding Securing a Clean
6 Energy Future for America, we have had a chance
7 to discuss a number of topics that are very
8 timely, including energy conservation and
9 moving the country towards cleaner and
10 alternative energy sources, as well as reducing
11 emissions and the need to have additional
12 research that will lead to technological
13 breakthroughs that will help address this
14 issue. These are not just matters to be
15 debated by governors; this discussion is
16 unfolding over kitchen tables, across homes and
17 with families in America. It has impacts in
18 almost every aspect of society, including as
19 people are challenged to pay for their gas they
20 are putting into their cars or trucks and
21 certainly heat their homes or businesses; it's
22 impacting food and grocery bills and many, many
23 other aspects of our society.

24 We all recognize that one aspect
25 of moving forward is developing the new

1
2 technologies, the new applications and
3 commercializing them so that we can have a
4 better, cleaner energy future, and our guest
5 today is somebody who can give us a definitive
6 update about the state of some of these
7 technologies and some of these opportunities.

8 We all are fond of talking about
9 a particular company or project at our
10 university or in our state, and those are
11 always very interesting, but we want to move
12 beyond the anecdotal and actually hear from
13 somebody who has the science quite mastered, I
14 would say, and he is Dr. Richard Lester, and he
15 is somebody who has been gracious to come with
16 us and be with us this morning. He is the
17 Professor of Nuclear Science and Engineering at
18 the Massachusetts Institute of Technology. He
19 is the Founding Director of MIT's Industrial
20 Performance Center.

21 His research focuses on
22 industrial innovation and private and public
23 management of technology with an emphasis on
24 energy and the manufacturing sector. He has
25 led several major studies, on both the national

1
2 and regional competitiveness and innovation
3 performance that have been commissioned by
4 governments and industrial groups around the
5 world. He is viewed as a seminal expert and
6 author of a number of works, and I think you
7 will find his insights and his comments very
8 helpful on the technology that we hope will be
9 commercialized and available to our citizens in
10 the not too distant future.

11 Please welcome Dr. Richard
12 Lester.

13 DR. LESTER: Well, thank you,
14 governor, and thank you for the really great
15 privilege of speaking at this historic meeting.
16 It's truly an honor for me to join you here.

17 I would like to discuss the role
18 of technological innovation in solving our
19 energy problem and especially the important
20 role for policy at the state and federal level
21 in accelerating the innovation process, and I
22 want to begin with three simple messages,
23 progress in the clean technology field has been
24 substantial, new kinds of generating capacity
25 are being added, in some cases, notably wind,

1
2 at an impressive rate, costs are coming down,
3 albeit it sometimes more slowly than was
4 promised, investment in next generation
5 technologies is increasing, and the strong
6 interest of the venture capital community is
7 particularly welcome.

8 Ambitious targets are being set.
9 Some of the most effective policy interventions
10 are occurring at the state and local levels.
11 California has been a leader; in my own state
12 of Massachusetts important clean energy
13 legislation was enacted just this month, and
14 other states are on a similar path.

15 That said, and here is my first
16 message, these activities aren't remotely close
17 to the scale of the effort that will be
18 required to solve the problem.

19 My second message concerns the
20 future of nuclear power and of coal-fired
21 electricity with carbon capture and storage.
22 These two options won't win any popularity
23 contests, and some would fiercely dispute that
24 they belong in the clean technology category at
25 all, but without large scale deployment of

2 both, especially in the critical 2020 to 2050
3 period; it's unlikely, to the point of
4 implausibility, that the world will be able to
5 avoid serious and perhaps even disastrous
6 ecological and economic damage from climate
7 change.

8 Coal is an abundant, relatively
9 low-cost energy resource that's widely
10 distributed around the world, and in the U.S. we
11 depend on it for half of our electricity. We
12 cannot continue to burn it as we have but we
13 cannot afford to turn our back on it either.
14 We must therefore find ways to capture carbon
15 emissions from coal-fired power plants and to
16 store the carbon dioxide safely underground at
17 reasonable cost.

18 Nuclear power is the only
19 carbon-free energy source that's already
20 contributing on a large scale and that is also
21 expandable with few inherent limits. Public
22 opinion has been gradually shifting in its
23 favor, but the failure to demonstrate and
24 implement an effective final disposal strategy
25 for high level waste remains a tremendous

1
2 barrier to public acceptance, no matter how
3 many expert panels and commissions opine that
4 this is a technically feasible task.

5 The Yucca Mountain Project may or
6 may not meet the regulatory criteria that will
7 eventually be applied to it, but there is no
8 doubt that we can do better and doing better
9 should be a high priority. No serious person
10 would dispute the importance of these two
11 innovation goals, affordable carbon capture and
12 storage and safe implementable high level
13 nuclear waste disposal, but my basic message
14 here is that in both cases current U.S.
15 policies are putting our nation at least partly
16 on the wrong track and that this is almost
17 certain to cause further delays in the
18 availability of viable coal and nuclear power,
19 delays that we can ill afford.

20 My third message is best conveyed
21 by the poet Wallace Stevens, born not far from
22 here in Reading, Pennsylvania. Stevens wrote
23 of the "lunatics of one idea in a world of
24 ideas." He was referring to ideologues and
25 fanatics who, blinded by their single idea,

1
2 couldn't see the world around them, but he
3 might as well have been talking about the
4 energy debate, where such lunacy has
5 unfortunately been all too common.

6 The fact is that there is no
7 single idea, no silver bullet that will solve
8 the problem. First and foremost, we need new
9 ways to use energy more efficiently, but very
10 likely also much bigger contributions from
11 solar, wind, biomass, nuclear and also advanced
12 fossil fuel technologies.

13 In our current circumstances we
14 can ill afford the self-indulgence of those
15 who, however well intentioned, like to tell the
16 world that they are anti- this or anti- that.

17 So far I have been talking about
18 our energy problem, but this is incorrect,
19 because we really have three separate problems,
20 each on its own very difficult to solve, and
21 because the solutions to one will sometimes
22 make the others worse; the overall difficulty
23 is more than additive. The whole is greater
24 than the sum of the parts.

25 The first problem is the

1
2 projected increase in the use of energy.
3 Unless the world goes into a deep and prolonged
4 recession, by the middle of this century global
5 energy use will likely have doubled and
6 electricity use will have tripled, placing
7 great pressure on energy supplies and prices.
8 And in case there is any doubt, whatever role
9 speculators may be playing in the current oil
10 price spike, the underlying issue here is
11 growing demand.

12 This is an era in which hundreds
13 of millions of people, maybe even billions, are
14 lifting themselves out of poverty into what we
15 in this country might recognize as at least a
16 way station on the road to a middle class
17 standard of living, all within the span of a
18 few decades. This is an economic
19 accomplishment that has no precedent in all of
20 human history, and we should celebrate it.

21 One of the consequences is
22 sharply increased energy use, but in case
23 anyone thinks that a tripling of electricity
24 demand by mid-century implies irresponsible
25 profligate consumption, I point out that this

1
2 would mean, roughly speaking, that the richest
3 billion of the world's population at that time
4 would be using electricity at about the same
5 rate that the average American uses it today;
6 the middle 7 billion would be using it at a
7 rate that the average Chinese is likely to
8 reach in just a few years, or a bit more than a
9 third of the average American's usage today;
10 and the poorest billion would still have no
11 electricity at all. That's what a tripling of
12 electricity demand by mid-century will mean.

13 The second problem is that for at
14 least the next several decades, the world will
15 remain heavily dependent on the Persian Gulf
16 for its premium fuels. More oil and gas will
17 certainly be found and produced in other parts
18 of the world, though perhaps not at a rate
19 sufficient to offset the decline in existing
20 fields.

21 In any case, these new supplies
22 will generally be more costly and because of
23 the twist of geological fate, which led much of
24 the world's low-cost oil and gas resources to
25 be deposited in the Gulf region, that volatile

1
2 area will continue to dominate the global
3 supply picture for the foreseeable future.

4 The third problem is of course
5 that of climate change. This may or may not be
6 the most serious problem of all, but it is
7 certainly the most complex when we consider the
8 scientific, technological, economic and
9 political aspects together, as of course we
10 must.

11 Much is now being learned about
12 this problem, but many major uncertainties
13 remain, so when the question is asked, "How
14 fast should we move to slow climate change?"
15 the answer isn't obvious. Figuring it out will
16 mean finding a strategy that strikes a balance
17 between the increased economic cost of actions
18 to reduce emissions on the one hand and the
19 benefits of those actions in terms of
20 ecological and economic damage averted in the
21 future on the other.

22 Unfortunately, almost every
23 element in that equation is uncertain. What is
24 certain though is that the longer we wait to
25 take action, the more costly the consequences

1
2 will be. The clock is ticking and it won't
3 stop ticking simply because we can't or won't
4 decide what to do.

5 The best chance we have, perhaps
6 the only chance of solving these problems of
7 breaking out of this triple straightjacket of
8 price, climate and security pressures is to
9 accelerate the introduction of new technologies
10 for energy supply and use and deploy them on a
11 very large scale.

12 Accelerate relative to what?
13 Relative to what would happen if we left the
14 innovation process entirely to the forces of
15 the marketplace. This may be an obvious point,
16 but it is still worth emphasizing. Energy
17 innovation is different from other kinds of
18 innovation for a very important reason. The
19 major impetus for it comes from outside the
20 marketplace.

21 Two of our big three problems,
22 energy security and climate change, are not now
23 factored in to the great majority of the
24 millions of decisions made in the marketplace
25 every day by suppliers and consumers of energy.

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2 So even if innovation can help
3 solve these problems--and there is no doubt
4 that it can--the economic incentives created by
5 the play of market forces alone won't be enough
6 to bring it about. The question is not whether
7 to augment these forces, but how.

8 Some are calling for a crash
9 program by the federal government, a Manhattan
10 Project or an Apollo Project for energy
11 innovation. These calls helpfully communicate
12 the urgency and scale of the challenge, but in
13 another sense they are a distraction because if
14 we take them literally, we are going to end up
15 solving the wrong problem.

16 In both the Apollo and Manhattan
17 Projects there was a single, clearly defined,
18 although high-risk technical goal. There was
19 also just one customer, the federal government.
20 Success meant achieving a single implementation
21 of the new technology. In both cases, this
22 took just a few years to achieve and cost was
23 essentially no object.

24 Not one of these things applies
25 to the case of energy. Here we have multiple

1
2 and sometimes conflicting goals, lower prices,
3 reduced carbon emissions, increased security.
4 We have many different kinds of customers,
5 individual, tenants and homeowners, giant
6 industrial energy users. We have multiple time
7 scales, from a few years to several decades.
8 Success will come not from a single
9 implementation but only if the technology is
10 adopted by many firms or by many more
11 individuals.

12 And, finally, energy is a
13 commodity, so cost is crucial, and in this
14 sense the upcoming energy revolution is not
15 only not like the Manhattan Project, it isn't
16 even like the digital revolution, to which it's
17 sometimes also compared. It's actually much
18 harder, because energy innovations, unlike many
19 digital technologies, usually must compete
20 against an incumbent technology in an existing
21 market and this imposes tough, nonnegotiable
22 requirements on cost competitiveness, on
23 quality, and on reliability from the very
24 beginning.

25 So if we don't need a Manhattan

1
2 Project for energy innovation, what do we need?
3 One thing we surely need is a strategy for
4 energy prices. Many experts argue that the
5 greatest spur to innovation would be to make
6 sure that the full costs of energy provision
7 and use are incorporated in the market price
8 paid by consumers, including the cost of
9 mitigating greenhouse gas emissions or their
10 consequences and the full cost of ensuring
11 uninterrupted flows of oil from the Middle
12 East. Some argue, in fact, that if only we
13 could get the price right, the market will do
14 the rest, that a properly adjusted energy price
15 will call forth the necessary innovations by
16 making new technologies more attractive in the
17 marketplace.

18 Well, price is very important but
19 it won't be sufficient on its own. Partly,
20 this is because we are not likely to get the
21 price right in that sense. For example, while
22 the U.S. will probably get a carbon price at
23 some point, perhaps even quite soon, this is
24 sure to have escape ramps, exemptions for
25 critical sectors and other loopholes that will

1
2 make it fall well short of what the economic
3 models prescribe; that is, a uniform price
4 across the economy which ramps up at the
5 economically optimal rate. Even more elusive
6 of course will be the ideal of a carbon price
7 that is harmonized across the globe.

8 But equally important, a pricing
9 approach won't be sufficient because it won't
10 address the rest of the energy innovation
11 system, by which I mean the entire complex of
12 indirect incentives, direct support,
13 regulations, public and private research and
14 educational institutions, codes, standards and
15 markets, within which new technologies are
16 developed and taken up by energy suppliers and
17 users.

18 In the coming decades this system
19 will be called upon to deliver hundreds of
20 billions of dollars of mostly private
21 investment in innovative technologies, make
22 hundreds of sites available for the
23 construction of controversial new energy
24 facilities, and every year train tens of
25 thousands of young people with a strong

1
2 background in energy systems engineering.

3 The evidence of the last three
4 decades tells us that the current innovation
5 system has fallen short and yet the demands on
6 it going forward will be much greater than
7 anything we have seen. This system is in need
8 of a major overhaul.

9 This effort must address the
10 entire innovation process, including obstacles
11 to commercial demonstration, to early adoption,
12 and to large scale deployment. This is not
13 just about research and development. Of
14 course, funding on a much larger scale will be
15 needed for fundamental research and technology
16 development. Both government and private
17 investment in energy R&D are far below where
18 they should be. But the whole point is to
19 achieve scale in technology applications and
20 without attention to critical bottlenecks
21 downstream of the R&D stage, including
22 commercial technology demonstrations, which
23 have often been poorly handled by the federal
24 government, many of the potential benefits of
25 more R&D funding simply won't be realized.

1
2 In short, we must be as creative
3 and rigorous about how to redesign the
4 institutions for innovation as we will need to
5 be about the innovations themselves. For
6 example, we must find a way to overcome the
7 obstacles to sound innovation strategies
8 created by the annual government appropriations
9 process by federal procurement regulations and
10 by shifting political winds.

11 Here is one idea, suppose we
12 adopted the principle that the public good part
13 of the energy innovation system beyond basic
14 research--which is actually quite well managed
15 by DOE--should be directly funded by industrial
16 sales rather than by general tax revenues.
17 Suppose that these funds were collected in the
18 form of a small fee applied to all end-user
19 sales in a given industry segment, electricity
20 service, for example, or gas service. If the
21 majority of the firms in that segment voted to
22 do so, Congress probably would have to approve
23 this. A fee of less than three-tenths of a
24 cent per kilowatt hour or about 60 cents per
25 week for the average household would generate

1
2 an annual revenue stream five times larger than
3 the total annual DOE budget for applied
4 research, energy research, development and
5 demonstration.

6 Suppose then that the firms in
7 this industry organize themselves into interest
8 groups or innovation boards which would each be
9 responsible for a different technological
10 pathway, smart grid technologies, carbon
11 capture and storage, next generation
12 photovoltaics and so on. Each board would
13 request proposals to fund work in its domain
14 from businesses, public research laboratories,
15 universities and others. To qualify to receive
16 these funds, bidders would have to agree to put
17 the resulting intellectual property into the
18 public domain, available to everyone.

19 At the beginning of each cycle
20 every firm in the industry would distribute the
21 fees collected from its customers among these
22 boards based on their work programs and its own
23 priorities. If, say, a utility was particularly
24 eager to see progress in carbon capture, it
25 might allocate funds to the carbon capture

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2 board or if it was concerned about skilled
3 manpower shortages, it would allocate funds to
4 the energy, education and training board, which
5 might have an ongoing scholarship program for
6 power engineering students. If a utility was
7 unhappy with the progress being made by one
8 board, it could redirect its funding to another
9 or it could itself decide to form a board in a
10 new area and fund that, perhaps in conjunction
11 with other firms. It would in any case have to
12 commit all of its innovation fees to one board
13 or another.

14 Such a scheme would create a
15 guaranteed stream of revenues for energy
16 innovation while avoiding both the federal
17 appropriations process and the problem of
18 underinvestment by private free-riders. It
19 would ensure that the decisions on what to do
20 and who should be funded to do it would be made
21 by those closest to the energy marketplace, and
22 by requiring IP to be shared it would avoid
23 unfair competitive advantage.

24 Another idea, there is great
25 potential for small entrepreneurial firms to

1
2 contribute to innovation in the energy sector
3 as they do in other industries, but the energy
4 industries are dominated by large incumbent
5 providers who are often slow to embrace
6 transformative or disruptive innovations.
7 These firms typically have tightly integrated
8 supply chains and close ties to government
9 regulators, and they rely on highly regulated
10 pipelines or wires to deliver energy services
11 to end-users. This creates a formidable
12 barrier between entrepreneurial newcomers and
13 end-users and tends to force innovation towards
14 the upstream end of the value chain. But many
15 opportunities for innovation lie right at the
16 interface with the end-user.

17 Most consumers are indifferent to
18 energy itself; that is, to BTUs or kilowatt
19 hours. What they care about are the services
20 that energy enables, affordable comfort,
21 mobility, lighting and so on. The provision of
22 energy is almost always just one part of a
23 larger setup in which a value-added service is
24 delivered to the consumer.

25 Finding opportunities to combine

1
2 energy services in creative new ways with other
3 services and products is exactly where smaller
4 entrepreneurial firms can be expected to shine,
5 and we need to find ways to let these firms
6 compete and grow in this important innovation
7 space.

8 So what role for the states in
9 all of this? Decisive progress on the major
10 energy issues will require decisive action at
11 the federal level. It cannot be achieved by
12 the states alone, and the longer the delay in
13 serious leadership at the federal level, the
14 more difficult it will be to harmonize
15 conflicting policies. But many of the relevant
16 authorities, to regulate utilities, to make
17 land use decisions, to set building codes and
18 zoning requirements, to support public
19 education and so on, reside at the state and
20 local level; so the task will require a
21 partnership of federal, state and local
22 governments.

23 There is more than enough to do
24 here for everyone. Whole new industries are
25 likely to develop in support of the energy

1
2 transition and state level policies promoting
3 innovation takeup and the development of a
4 skilled work force will be crucial. Jobs will
5 be generated at every skill level, not just the
6 top end of the range, and because many of these
7 jobs must be located close to the point of
8 energy use, they are at less risk of
9 outsourcing to lower wage economies.

10 Just as one example, and it's a
11 small one, let's suppose that by the Year 2030
12 the U.S. was generating 5 percent of its electricity
13 from small scale photovoltaic installations,
14 which is an ambitious goal, although not as
15 ambitious as some recent targets. A rough
16 estimate is that this would create 20 years of
17 steady local work for 45,000 to 50,000
18 installers, mostly electricians and
19 construction workers, and perhaps double that
20 number if we include indirect labor. That
21 doesn't include the couple of hundred thousand
22 jobs that would be created upstream in the PV
23 value chain, some of which, although not all,
24 would be located here in the U.S., and of
25 course it doesn't include the other 95 percent of the

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2 power sector where large numbers of new jobs
3 are also likely to be created, not only in
4 connection with supply but of course also in
5 connection with more efficient use.

6 In conclusion, it's long past
7 time for serious federal leadership on energy
8 innovation, but it's also time to move beyond
9 the Manhattan Project metaphor. A better
10 metaphor might be a domestic Marshall Plan for
11 energy innovation.

12 The original Manhattan Project
13 involved a relatively small number of people
14 working in secret. The original Marshall Plan
15 took everyone working together to rebuild the
16 broken European economy. Let us recapture that
17 inspired exercise of American leadership at
18 home. As we did once before on foreign soil,
19 let's combine a vision of what can be with a
20 command of hard facts and data to build an
21 effective system for energy innovation in every
22 one of our United States.

23 Mr. Chairman, thank you again for
24 the honor of being with you this morning

25 CHAIRMAN PAWLENTY: Thank you,

1
2 sir.

3 Great, Dr. Lester is available to
4 take some questions. I think that was a very
5 piercing and clear-eyed view of a lot of the
6 challenges that we face, and we appreciate your
7 time, doctor, for being with us this morning.

8 Let's start with Governor
9 Rendell.

10 GOVERNOR RENDELL: Doctor, that
11 was a great presentation but let me ask you, to
12 put you on the spot a little bit, if you woke
13 up tomorrow morning and found yourself
14 president-elect, what is the first thing you
15 would get started on to build the type of
16 energy infrastructure the country needs?

17 DR. LESTER: Could I do two
18 things?

19 GOVERNOR RENDELL: Sure, two
20 things. You are the President, you can do
21 anything you want.

22 DR. LESTER: I think this may be
23 smaller than you would like, but I think I would
24 focus, first of all, on getting a program for
25 commercializing carbon capture and

1
2 sequestration that would be substantially
3 larger and, I would hope, more effective than
4 anything we currently have in place.

5 The second thing I would do is to
6 take a new look and a fundamental new look at
7 our program for high level waste, nuclear waste
8 disposal. I think I would do those two things
9 right away.

10 CHAIRMAN PAWLENTY: Governor
11 Granholm.

12 GOVERNOR GRANHOLM: In light of
13 your comments about trying to encourage
14 innovation and have energy production
15 potentially close to where the user is or at
16 least some of the solutions close, what is your
17 opinion of feed-in tariff as a method of
18 distributed generation like they are doing in
19 Germany?

20 DR. LESTER: I think clearly the
21 evidence from Germany is that if you make the
22 feed-in tariff large enough, you can get a lot
23 of distributed energy, particularly
24 photovoltaics. I think it's equally clear that
25 that's not, at least at those levels, a

1
2 sustainable strategy. It would simply cost too
3 much to continue to provide that kind of
4 subsidy once the penetration of the
5 technologies that it is supposed to help gets
6 above a certain level. So it would have to be--
7 and may in fact be being--dialed down when you
8 get above a certain level.

9 But I think this is certainly a
10 promising way of encouraging deployment at
11 scale, which is an important part of our
12 problem. It's certainly not the only way, but
13 it is demonstrably an effective way up to a
14 certain point based on the German experience.

15 CHAIRMAN PAWLENTY: Governor
16 Palin.

17 GOVERNOR PALIN: I thank you, Dr.
18 Lester, for being here. I appreciate this.
19 And I want to ratchet this down just a little
20 bit because you got me with your comments
21 suggesting continued reliance on foreign
22 sources of conventional energy, and as you are
23 recognizing a tripling of energy demands by mid-
24 century, why is it a supposed given that the
25 U.S. must and will depend on dangerous Persian

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2 Gulf petroleum sources with the known reserves
3 domestically, with explorers wanting to explore
4 for more and new technology--like the
5 far-reaching directional drilling and newer
6 injectables and more and more Americans
7 demanding energy security--why is it assumed
8 that we are going to have to keep, for
9 instance, sending our president over to the
10 Saudis asking him to ask them to ramp up
11 production for us?

12 My question is, is it political,
13 in your opinion, is it unfounded fears of too
14 large a footprint, for instance, is it
15 warehoused resources by maybe the
16 multinationals? Because we know that we need
17 the conventional sources in this transitional
18 period bridging the gap between where we are
19 today and where we are when this new innovation
20 and alternatives can come online.

21 CHAIRMAN PAWLENTY: Dr. Lester.

22 DR. LESTER: Let me first say
23 that my projection--it's not my projection,
24 it's others--is for a doubling of energy demand
25 by mid-century. The tripling applied more

1
2 specifically to electricity demand.

3 Also I should say that my comment
4 about the dominance of the Middle East or the
5 Persian Gulf region was really about its
6 dominance in the global supply picture, and I
7 think we have to think about energy security
8 and the supply of oil and gas in particular as
9 a global matter because the markets for these
10 commodities are obviously global.

11 What are the prospects you ask
12 for the United States to achieve independence
13 in our oil and gas use, and I would say two
14 things about that: First, even if we were able
15 to achieve full matching of domestic production
16 with domestic demand, it wouldn't address the
17 energy security issues because we are talking
18 about a global market for the supply of oil and
19 interruptions even in that situation would
20 certainly affect the American domestic fuel
21 market. But I think the bigger point I would
22 make is that I don't see any chance for us in
23 the long run, certainly not in the short run
24 but not even in the long run, to achieve a
25 balance of domestic consumption with domestic

1
2 production.

3 I do think that we can produce
4 more. We will produce more. Maybe we will
5 produce enough to offset the decline of our
6 existing fields. I don't know enough to be
7 able to predict that with confidence. But I
8 don't see any realistic prospect of filling the gap,
9 which now amounts to 70 percent—more or less 70
10 percent—of our consumption of oil coming from
11 overseas. I simply don't see any realistic prospect
12 of closing that gap with domestics supplies.

13 CHAIRMAN PAWLENTY: Governor
14 Corzine.

15 GOVERNOR CORZINE: Could you
16 inform a little bit more about the current
17 status of our ability to deal with nuclear
18 waste and try to take us down a path of what
19 are some of the alternatives?

20 You know, a number of us are
21 considering the development of additional
22 plants, and if we don't have both identification
23 of a path of change, of innovation of some
24 sort, some of that might just be identifying a
25 location, but we will continue to store on site

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2 and where is the status of that as a vehicle to
3 allow us to substantially expand and is it
4 viable?

5 DR. LESTER: I don't think there
6 is any way we can put a gloss on the
7 accomplishments of the federal government in
8 the area of nuclear waste management and
9 disposal. We are not in a comfortable
10 situation at the moment, looking ahead as you
11 point out to the prospect of new orders for
12 nuclear power plants and without yet at least a
13 demonstrated workable solution for disposal.

14 It's possible, and I don't think
15 that we should try to anticipate the outcome,
16 it is possible that now that the application
17 for a construction license has been submitted
18 to the Nuclear Regulatory Commission for Yucca
19 Mountain, it is possible that that site will in
20 due course meet the technical criteria that
21 still are being developed for its long-term
22 performance. But given the pressure to move
23 ahead on new nuclear power plant construction
24 and the possibility that the Yucca Mountain
25 site, whether for technical reasons or for

1
2 political reasons, will not go ahead, it is
3 time it seems to me for us to be thinking
4 seriously about alternatives. And I think that
5 when we look at the alternatives, we can think
6 about four categories of alternatives: one,
7 which you mentioned, is to think in a more
8 serious and integrated way about extended
9 storage of the spent fuel, probably at a few
10 central locations rather than leaving it at the
11 sites of the existing reactors for some period,
12 which on technical grounds could, without
13 unreasonably stretching the capabilities of the
14 technology, be several decades or more in dry
15 surface storage facilities.

16 A second possibility or a second
17 group, category of things to do would be to
18 begin--and this is not of course something
19 that would be welcomed by anyone with
20 responsibility for this, but we have to
21 recognize that a second possibility would be to
22 begin again the search for alternative disposal
23 sites.

24 A third possibility, which is
25 being pursued and has been pursued for the last

1
2 few years by the federal government, has been
3 to look at alternative technologies prior to
4 the disposal stage that are designed to ease
5 the disposal task, and these collectively, we
6 can talk about them as being reprocessing
7 based, and these approaches are claimed to have
8 a number of advantages with respect to reducing
9 the volume of nuclear waste, reducing its
10 lifetime, its toxic lifetime, and other
11 advantages.

12 Of course, on the negative side
13 of the ledger, these approaches have some
14 disadvantages too. They will increase the
15 costs of the nuclear fuel cycle significantly
16 and they will also create a need to site new
17 facilities, perhaps quite a lot of new fuel
18 cycle facilities that may be not much more
19 popular than spent fuel disposal facilities.

20 Then the final set of things that
21 we might include in our list would be to
22 explore alternative disposal strategies for
23 spent fuel. And here the unfortunate matter . . .
24 the unfortunate thing is that the United States
25 Congress, in its wisdom, decided about 20 years

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2 ago that there should be no significant
3 expenditure on anything other than the
4 characterization of the Yucca Mountain site, and
5 so for 20 years in the United States the
6 exploration of other options has basically been
7 frozen.

8 My own view is that there are
9 alternatives, and in fact for the last decade
10 at M.I.T. we have been exploring on our own
11 nickel alternatives to the current approach,
12 which is the building, as you know, of mined
13 geologic repositories a few hundred meters
14 underground. In fact, our own research has
15 focused on very deep disposal, several miles
16 below the earth's surface, at which level you
17 actually avoid some of the near surface
18 problems we have encountered at Yucca Mountain.

19 And I am afraid I took too long
20 to answer your question, I apologize, but
21 that's the range at least of possibilities that
22 we have in front of us.

23 CHAIRMAN PAWLENTY: We have just
24 a couple minutes left, so we will try to
25 squeeze in two more quick questions and quick

1
2 answers, then we will wrap up. We do want to
3 say farewell to a couple of departing governors
4 who we won't see at least in this context yet
5 again this year, and we also have some policies
6 to adopt, so we want to finish up our agenda
7 with some dispatch here.

8 Governor Huntsman.

9 GOVERNOR HUNTSMAN: Thank you,
10 Dr. Lester, just very quickly, any sense of
11 emerging technologies that might make tar sands
12 or shale viable over the short-term; and,
13 second, how might one go about putting a value
14 on carbon, not only domestically but, because
15 it's a global problem, internationally?

16 DR. LESTER: Briefly, yes, I
17 think there are interesting new developments
18 with respect to oil sands, shales. Those
19 developments generally will entail greater or
20 could entail greater production of carbon
21 dioxide per unit of energy consumed, and so
22 that's a real concern. I think the real Holy
23 Grail, if you like, there is to figure out how
24 to do this without generating more carbon
25 dioxide, and there are some interesting ideas

1
2 that have been proposed actually involving
3 nuclear power as a heat source for the recovery
4 of those systems.

5 Pricing carbon, clearly--or at
6 least I think it's clear that we have to do it.
7 We have two alternatives that are on the table,
8 one is a cap-and-trade system, which is
9 probably the direction that we are going to
10 move in this country, the other is to apply
11 a tax directly. Each has its advocates. Each
12 has its pros and cons.

13 I think probably if you were to
14 back me against a wall, I would probably
15 advocate the tax approach for a number of
16 reasons, mainly that I think it is a more
17 transparent approach and probably easier to
18 administer.

19 CHAIRMAN PAWLENTY: Governor
20 Freudenthal.

21 GOVERNOR FREUDENTHAL: You
22 mentioned the kilowatt tax as a fund, but the
23 numbers I have seen on that don't generate an
24 immense amount of money, depending on what
25 level you set it at, but acceptable levels seem

1
2 to keep it relatively small.

3 Have you given thought to what
4 would be the mechanism for deployment at scale
5 to these technologies until you get to the
6 tenth or eleventh plant, whether it's clean
7 coal or any of the rest of them, what is the
8 right mechanism to get us to the point at which
9 we are essentially technology neutral in some
10 form of program to allow for deployment at
11 scale until they reach efficiencies where the
12 market will support them?

13 CHAIRMAN PAWLENTY: Dr. Lester.

14 DR. LESTER: I think you are
15 absolutely right, the kilowatt hour tax is not
16 going to generate a revenue stream that matches
17 the scale that you are talking about or that we
18 are talking about when we are talking about
19 deployment of commercial scale facilities. I
20 think there . . . look, the key issue for many, if
21 not the majority, of these big facilities is
22 financial risk and so we have to think in terms
23 of not direct subsidies necessarily but
24 structures that allow that risk to the extent
25 that it is appropriate to do this, to be

1
2 distributed between the private owner of the
3 facility and the public, to the degree that
4 some of the contributors to the risk come from
5 aspects of the public policy environment, and I
6 think we have in place or almost in place a
7 loan guarantee program that is targeted to
8 certain kinds of technologies and systems. But
9 I think that's the kind of scale of policy
10 approach that we will need to address what I
11 agree is the absolutely fundamental problem of
12 getting initial deployment of new technologies.
13 We are not going to be able to rely on a
14 kilowatt hour tax to do that.

15 CHAIRMAN PAWLENTY: Let's again
16 thank Dr. Lester for sharing his insight and
17 perspective with us. Thank you, doctor.

18 We now want to take a few moments
19 to acknowledge and express appreciation for the
20 service of a departing colleague who won't be
21 back at our winter NGA meeting by her own
22 choosing, and of course we are speaking about
23 Governor Ruth Ann Minner, the 72nd governor of
24 Delaware.

25 Governor Minner is completing her

1
2 second term, having begun with the Class of
3 2000. She has served on NGA's Executive
4 Committee, as Vice Chair of the Natural
5 Resources Committee, Chair of the Public Safety
6 Task Force, she performed duties and services
7 as the lead governor on homeland security task
8 forces and committees, served on the Economic
9 Development and Commerce Committee.

10 Her involvement in the NGA really
11 mirrors her priorities and her successes as
12 governor in many ways. During her first term,
13 Governor Minner steered the state through what
14 experts called the worst fiscal crisis for
15 states since World War II. She has retained
16 the state's AAA bond rating. She has also
17 added 69,000 jobs since she took office. She
18 has expanded opportunities for small
19 businesses, especially for women and
20 minority-owned businesses.

21 She has championed a
22 comprehensive fight against cancers, devoting
23 millions and millions of dollars from tobacco
24 settlement funds for increased education,
25 screening and treatment of cancer, as well as

1
2 the creation of a registry for cancer cases or
3 hot spots related to environmental causes
4 around her state. Delaware remains the only
5 state in the nation to offer free cancer
6 treatment for the uninsured, and its cancer
7 mortality rate is decreasing at twice the
8 national average.

9 Governor Minner, along with a
10 number of her fellow governors, also signed the
11 Regional Greenhouse Gas Emissions Agreement,
12 which is the first regional cap-and-trade
13 program in the country, to help control carbon
14 dioxide emissions in the nation. She is an
15 example of perseverance, hard work and her
16 family and all of us express our appreciation
17 to her.

18 Her life story--her personal
19 story--is very compelling as well. She left
20 school at the age of 16 to help work on the
21 family farm. At 32 she was left alone to raise
22 her three sons after the sudden death and
23 passing of her husband. She returned to school
24 to earn her GED while working two jobs to
25 provide for her family. She began her

1
2 political career in 1974, serving four terms in
3 the House of Representatives, three terms in
4 the State Senate, and two terms as Lieutenant
5 Governor before becoming Governor.

6 As you can see, she has devoted
7 almost her entire life to service to family and
8 to community and to her state and to our
9 nation. We are going to miss her and her
10 strong participation in NGA, and I think it's
11 fair to say your state and all of us are going
12 to miss your friendship and your vision and
13 your passion for service and we hope that you
14 won't be a stranger to us in the future. I am
15 sure you are going to treasure the extra time
16 with your children and grandchildren.

17 Governor Minner, we would like
18 for you to come forward and share a few
19 thoughts.

20 GOVERNOR MINNER: Thank you very
21 much. It is with a bit of concern that I am
22 leaving the state at a time when we are not
23 doing as well as perhaps we could. However, I
24 am leaving my state in good hands, having
25 accomplished a lot in education by way of

1
2 things from early childhood, kindergarten
3 through the elementary, middle and high
4 schools, to free scholarships for all students
5 graduating from a Delaware high school, and so
6 I feel like the future of the State of Delaware
7 will be in good hands because we will have
8 better educated employers and employees in the
9 future.

10 I will treasure the memories and
11 friendships that I have made with this group.
12 Thank you all very much for allowing me to
13 steal some of your ideas to make Delaware a
14 better place for the future and for all of our
15 citizens. Thank you.

16 CHAIRMAN PAWLENTY: Also not
17 rejoining us after the summer meeting and after
18 the end of this calendar year will be of course
19 Governor Easley and Governor Blunt from
20 Missouri. They are not able to be with us this
21 morning but we also want to acknowledge their
22 great service to their respective states and
23 the NGA, and at least in absentia let's join in
24 a round of applause as well.

25 We will make sure they get their

1
2 plaques by Fed Ex or UPS or some such service.

3 I will now begin the adoption of
4 the proposed policy positions, alphabetically
5 by committee. The policies were sent out to
6 all governors on June 27th. The packet that is
7 in front of you bound by a rubber band reflects
8 those policies as adopted by the standing
9 committees at yesterday's committee meetings.
10 These of course require a two-thirds vote for
11 adoption.

12 To expedite each matter, I will
13 ask each committee chair to move the adoption
14 of their committee policies en bloc. We will
15 start with Governor Granholm, who is the Chair
16 of the Economic Development and Commerce
17 Committee.

18 Governor Granholm.

19 GOVERNOR GRANHOLM: Thank you,
20 Governor Pawlenty.

21 I am the Chair of the Economic
22 Development and Commerce Committee. Along with
23 Mike Rounds, we considered a number of items
24 yesterday, great speakers regarding the current
25 conditions of the United States economy and the

1
2 state responses to market disorder.

3 We recommended adoption by the
4 NGA membership of five policies, four are
5 amendments, one new policy, EDC-1, 3, 7, 8 and
6 14. On behalf of the committee, I move
7 adoption of these recommendations.

8 CHAIRMAN PAWLENTY: Is there a
9 second?

10 GOVERNOR MANCHIN: Second.

11 CHAIRMAN PAWLENTY: Governor
12 Manchin seconds the motion. Any discussion?

13 *(No response.)*

14 CHAIRMAN PAWLENTY: Seeing none,
15 all those in favor of the motion say aye.

16 GOVERNORS: Aye

17 CHAIRMAN PAWLENTY: Opposed say
18 no.

19 *(No response.)*

20 CHAIRMAN PAWLENTY: The motion
21 prevails, and the motion is adopted. Thank you,
22 Governor Granholm.

23 For the Committee on Education,
24 Early Childhood, and Workforce, Governor
25 Baldacci.

1

2 GOVERNOR BALDACCI: Thank you
3 very much. Chairman Carcieri had to leave and
4 discharged the responsibilities to myself, but
5 these are his words and my words together, and
6 I want to thank you, governor.

7 The Education, Early Childhood
8 and Workforce Committee discussed human
9 capital, the innovative business and state
10 strategies for K-12 educators. The governors
11 heard from Ted Hoff, vice president of IBM,
12 Andrew Rotherham, co-founder and co-director,
13 Education Sector, and Timothy Daly, president
14 of the New Teacher Project.

15 The committee adopted two
16 policies, all without changes. We recommend to
17 the NGA membership the reaffirmation of ECW-14,
18 Public Charter Schools, and an amendment in the
19 nature of a substitute for ECW-11, Employment
20 Security System Policy, and on behalf of the
21 committee I move the adoption of our policy
22 recommendations en bloc.

23 Thank you.

24 CHAIRMAN PAWLENTY: Governor
25 Baldacci moves adoption. Is there a second?

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2

GOVERNOR MANCHIN: Second.

3

CHAIRMAN PAWLENTY: Governor

4

Manchin seconds the motion. Any discussion?

5

(No response.)

6

CHAIRMAN PAWLENTY: Seeing none,

7

all those in favor say aye.

8

GOVERNORS: Aye.

9

CHAIRMAN PAWLENTY: Opposed say

10

no.

11

(No response.)

12

CHAIRMAN PAWLENTY: The motion

13

prevails, and the motion is adopted.

14

Next we have Governor Douglas

15

from the Chair of the Health and Human Services

16

Committee.

17

Governor Douglas.

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GOVERNOR DOUGLAS: Mr. Chairman,

19

thank you. We had a very provocative and

20

informative discussion yesterday about

21

reintegration of our troops from deployment

22

overseas into our communities. We heard from

23

Secretary Peake of the Department of Veterans

24

Affairs, Deputy Assistant Secretary Lynda Davis

25

from the Defense Department, and Paul

1
2 Rieckhoff, who is the founder and executive
3 director of a new organization called Iraq and
4 Afghanistan Veterans of America.

5 I don't think there is a more
6 important topic on the minds of all of our
7 colleagues at this point than to be sure that
8 those who have worn the uniform of our country
9 have a chance of success as they come back to
10 our communities, and we will certainly be
11 following the progress of the Defense
12 Department and the private organizations in
13 offering suggestions to the governors on how we
14 can maximize those opportunities.

15 We proposed amendments to five
16 existing policies, reaffirmation of one dealing
17 with maximum flexibility in the Deficit
18 Reduction Act as it deals with Medicaid and
19 TANF reforms, and on behalf of Vice-Chairman
20 Governor Corzine and my colleagues, I move
21 their adoption.

22 CHAIRMAN PAWLENTY: Governor
23 Douglas moves adoption.

24 GOVERNOR GRANHOLM: Second.

25 CHAIRMAN PAWLENTY: Governor

1
2 Granholm seconds. Any discussion?

3 *(No response.)*

4 CHAIRMAN PAWLENTY: Seeing none,
5 all those in favor say aye.

6 GOVERNORS: Aye.

7 CHAIRMAN PAWLENTY: Opposed say
8 no.

9 *(No response.)*

10 CHAIRMAN PAWLENTY: The motion
11 prevails. Thank you, Governor Douglas, we
12 appreciate that.

13 We also want to take a moment to
14 once again thank our tremendous hosts, Judge
15 Midge Rendell and Governor Ed Rendell. I think
16 again all of you know the amount of work both
17 in terms of logistics and security and finance
18 and just plain old hard work, and I know from
19 firsthand accounts to get this meeting ready in
20 all of those areas, Governor Rendell personally
21 was involved at a fever-pitched pace and really
22 extended himself, and I know Midge did as well,
23 so let's thank the Rendells again for their
24 tremendous hospitality.

25 And we will get to hear from him

1
2 momentarily as he takes over the chair of this
3 organization and as we pass the gavel.

4 Governor Manchin, we do need to
5 hear the report from National Resources. I
6 know you have been working on a few
7 last-minutes things. I presume you are ready,
8 and if you are, go ahead.

9 GOVERNOR MANCHIN: First of all,
10 let me congratulate and thank both you and
11 Governor Rendell for a tremendous job and
12 leadership. I think Securing a Clean Energy
13 Future was right on and we can see how
14 difficult it is and how cumbersome it can be
15 but we all are depending on finding solutions.
16 The real leadership is in this room, and it's in
17 the state houses around this great country and
18 I think that leadership shows forth.

19 With that, Governor Palin and I
20 were happy to work through some of these
21 problems and concerns that we had and
22 challenges, but let me say that, first of all,
23 we had six policies before us, five policies
24 that we have that were as recommended without
25 change, we had one that we had a minor change

1
2 to; it was our climate, global climate, and the
3 only change in the amendment was basically that
4 the cost must be made public of any changes in
5 any direction in policy. We adopted that, so I
6 would move that all six be adopted with the one
7 as amended.

8 CHAIRMAN PAWLENTY: Thank you,
9 Governor Manchin. Is there a second?

10 GOVERNOR PALIN: Second.

11 CHAIRMAN PAWLENTY: Governor
12 Palin seconds.

13 Any discussion?

14 **(No response.)**

15 CHAIRMAN PAWLENTY: Seeing none,
16 all those in favor say aye.

17 GOVERNORS: Aye.

18 CHAIRMAN PAWLENTY: Opposed say
19 no.

20 **(No response.)**

21 CHAIRMAN PAWLENTY: The motion
22 prevails. Thank you, Governor Manchin.

23 GOVERNOR MANCHIN: Also,
24 governor, as you know, we had discussions on
25 where and the direction we should be going

1
2 individually and as a collective body. We are
3 totally in agreement to send a letter . . . and
4 hopefully that all 50 governors will sign on a
5 letter extending immediately the tax credits
6 for renewables of wind and solar for a minimum
7 of five years. That will be separate and I
8 want to see if that would be accepted by the
9 body.

10 GOVERNOR BALDACCI: So moved.

11 GOVERNOR GRANHOLM: Second.

12 CHAIRMAN PAWLENTY: Governor

13 Baldacci so moves, Governor Granholm seconds.

14 This again is the tax credit
15 issue we discussed and the governors only
16 extended for five years--

17 GOVERNOR MANCHIN: A minimum of
18 five years.

19 CHAIRMAN PAWLENTY: A minimum of
20 five years.

21 Any discussion of that motion?

22 **(No response.)**

23 CHAIRMAN PAWLENTY: If not, all
24 those in favor say aye.

25 GOVERNORS: Aye.

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2

CHAIRMAN PAWLENTY: Opposed say

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no.

4

(No response.)

5

CHAIRMAN PAWLENTY: The motion

6

prevails. And that will be circulated as a

7

hopefully 50-governors-sign-on letter or very

8

close to that as possible.

9

GOVERNOR MANCHIN: The second

10

letter that we would recommend from our

11

committee and . . . requests respectfully our

12

consideration that all 50 governors, knowing

13

the challenges that we have in energy and

14

knowing also the realistic approach that we

15

must take to use what we have, knowing that

16

coal is 49 percent of the energy and it's going to be

17

used for some time, that it must be used in a

18

cleaner manner with the research and technology

19

that is needed, also noting for the base load

20

that's going to be nuclear and the new nuclears

21

that are going to be needed to be developed,

22

that we as governors from our committee

23

recommended an approach that the federal

24

government should be looking very strongly at

25

securing these two avenues.

1

2

Thank you.

3

4

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CHAIRMAN PAWLENTY: Is that something you want feedback on, Governor Manchin, or is that just an announcement?

6

7

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9

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11

12

GOVERNOR MANCHIN: Feedback or a recommendation, we move forth with a separate letter on that because we also recognize that the credits are coming due and that's why we wanted to keep that one separately. This letter here is a movement of a direction we should be going.

13

14

CHAIRMAN PAWLENTY: Governor Baldacci.

15

16

17

18

GOVERNOR BALDACCI: I was going to second that as an amendment for us to be able to do collectively or individually, whichever--

19

20

21

CHAIRMAN PAWLENTY: Governor Manchin has made a motion as stated. Governor Baldacci has seconded it. Any discussion?

22

Governor Rendell.

23

24

25

GOVERNOR RENDELL: The only thing I would say, Joe, is that--and I am in favor of that, particularly with the addition on

1
2 nuclear--the addition of we have to find a way
3 to solve the waste problem, but I think that
4 letter should go maybe a month later or after
5 the summer recess. We ought to make the letter
6 on extending the renewable tax credit--

7 GOVERNOR MANCHIN: No problem.

8 GOVERNOR RENDELL: Because that
9 may be voted on . . . hopefully will be voted on
10 before the recess.

11 GOVERNOR MANCHIN: The suggestion
12 by Governor Rendell would be accepted as far as
13 part of the motion.

14 CHAIRMAN PAWLENTY: Great, thank
15 you. Incorporates Governor Rendell's suggestion
16 to the motion.

17 Any further discussion?

18 **(No response.)**

19 CHAIRMAN PAWLENTY: Seeing none,
20 all those in favor say aye.

21 GOVERNORS: Aye.

22 CHAIRMAN PAWLENTY: Opposed say
23 no.

24 **(No response.)**

25 CHAIRMAN PAWLENTY: The motion

1
2 prevails. Thank you.

3 Before we wrap up our meeting, we
4 want to recognize again the great service of
5 somebody who has been with NGA and has
6 dedicated a great deal of his life to our
7 organization and the issues that we care about,
8 and that is the resignation and the retirement
9 of Dr. Nolan Jones, who has been NGA's Deputy
10 Director of Federal Relations. After 30 years
11 of service, three decades, he has announced he
12 is retiring.

13 He is viewed as a leading
14 authority nationally on criminal justice and
15 emergency management issues, a long-time
16 champion and advocate for the National Guard,
17 which is so important to our states. He has
18 testified before Congress on many, many
19 occasions. He has written dozens of books and
20 articles and other matters on behalf of the
21 NGA. He is viewed as an expert on a variety of
22 topics, including executive clemency, defender
23 reentry, helping children with respect to
24 reintegration issues when their mom or dad is
25 in the military.

1
2 For this work he has been honored
3 with a Walter Beech Pi Sigma Alpha Award for
4 public service as a political scientist, he has
5 received the Distinguished Service Award from
6 the National Center of State Courts, and the
7 Federal Emergency Management Agency Award for
8 Excellence in Emergency Management. He has
9 also been the recipient of the Patrick Henry
10 Award from the National Guard Association. He
11 also was singled out by the National Guard
12 Bureau for his support of the National Guard
13 throughout his career.

14 His expertise is matched by his
15 commitment to help and serve others. He
16 teaches political science at Howard University.
17 He chairs the Center for Child Protection and
18 Family Support at that institution. He has
19 served on the National Center for State Courts
20 Research Advisory Council and the National
21 Crime Prevention Counsel.

22 More importantly, those of us who
23 have had the privilege of working with him over
24 the years know that he is somebody who is going
25 to be very difficult to replace. He has a

1
2 skill set and experience and perspective, a
3 collaborative nature that, like I said, is
4 going to be very, very difficult to replace.

5 We have only words and a plaque
6 to give to him, but we also want to express our
7 appreciation by inviting him forward and giving
8 him a round of applause.

9 Nolan, thank you so much for your
10 years of service to the NGA.

11 DR. JONES: Wow, I didn't expect
12 this, and thanks, governor. I started in July
13 1, 1978, as the director in doing some
14 research. I had been a teacher at the
15 University of Michigan in Ann Arbor and a dear
16 friend of mine had come to Washington to work
17 with NGA and he called me and said, "Why don't
18 you take a leave of absence, come and help us
19 on some issues at the Governors Association,"
20 and those issues were helping governors develop
21 a cadre of staff on public safety and other
22 kinds of issues, and needless to say 30 years
23 later I am still trying to get it right,
24 working with states and things.

25 I really appreciate this. I look

1
2 forward to retiring, to the process of going
3 back to teaching, and continuing my commitment
4 to working with communities around Washington,
5 D.C. Thanks again.

6 CHAIRMAN PAWLENTY: I just want
7 to conclude by saying I certainly have enjoyed
8 chairing this organization over the last year.
9 I think the topic that we have discussed has
10 been timely and hopefully impactful in terms of
11 your thinking and attitude and approaches
12 towards public policy. I hope the speakers and
13 the information that we have had has informed
14 your process or your thinking about how you
15 might contribute or advance or lead these
16 efforts in your respective states.

17 I do think the issue of energy is
18 going to be with us for the foreseeable future
19 and almost a crisis level. I think as a nation
20 our ability to successfully address this issue
21 is going to be a big part of whether we succeed
22 strategically and economically and otherwise.
23 I continue to believe governors can play a huge
24 role in this issue, both in terms of advocating
25 before Congress and what we can do regionally

1
2 and locally as well.

3 I think next year is going to be
4 a very busy year for NGA as you think of all
5 the opportunities that are going to come with a
6 new president and that agenda that will unfold
7 in a robust way in the first 100 days of the
8 next administration, as well as reauthorization
9 of things like No Child Left Behind and the
10 transportation bill and real ID and on down the
11 list. We are going to have a very, very busy
12 next year for all of those reasons and more,
13 and I think we are going to be well served by
14 the leadership slate that is coming into NGA
15 and that will lead and guide this organization
16 in the coming 12 months.

17 It has been an honor to work with
18 my friend Ed Rendell. He has been really
19 supportive and helpful on a collaborative basis
20 on so many things. I think he is going to be a
21 great chair for this organization.

22 With that I would like to call on
23 Governor Minner to report the results of the
24 nominating committee for the 2008-2009
25 Executive Committee work.

1

2

Governor Minner.

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GOVERNOR MINNER: Thank you, Mr.

4

Chairman.

5

On behalf of the Nominations

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Committee, it is my privilege to nominate the

7

following governors to serve on the 2008-2009

8

Executive Committee and move for their

9

acceptance: Governor Tim Pawlenty, Governor

10

Janet Napolitano, Governor Sonny Purdue,

11

Governor Kathleen Sebelius, Governor John

12

Hoeven, Governor Mike Easley, Governor Jon

13

Huntsman, and as our Vice-Chair, Governor Jim

14

Douglas, and of course Chair, the great leader

15

and good friend, Governor Ed Rendell.

16

CHAIRMAN PAWLENTY: Thank you.

17

Is there a second?

18

GOVERNOR RELL: Second.

19

CHAIRMAN PAWLENTY: Governor Rell

20

seconds. Any discussion?

21

(No response.)

22

CHAIRMAN PAWLENTY: All those in

23

favor say aye.

24

GOVERNORS: Aye.

25

CHAIRMAN PAWLENTY: Opposed say

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2 no.

3 **(No response.)**

4 CHAIRMAN PAWLENTY: The motion
5 prevails, and, Governor Rendell, I want to
6 invite you forward to accept the gavel and take
7 over the leadership of the National Governors
8 Association.

9 Thank you, everyone.

10 GOVERNOR RENDELL: Thank you all.
11 Thank you all very, very much.

12 Our first order of business is to
13 present a gift of appreciation to Governor
14 Pawlenty for his great service, and I think Tim
15 has been a great leader for us not only because
16 of his foresight in choosing Securing a Clean
17 Energy Future as his initiative. Let me remind
18 you when Tim made that choice, oil was less
19 than \$75 a barrel. I think he showed great
20 predictive abilities of the crisis to come and
21 he has laid the groundwork for us to examine
22 this issue, and my guess is that a decade from
23 now that will be an issue that still resonates
24 and is still of great importance to the NGA.

25 So, Tim, we appreciate your

1
2 foresight there.

3 Secondly, I think Tim has been a
4 great leader because he has been able to bring
5 us together. He is extraordinarily reasonable
6 and a great builder of coalitions. We have had
7 some great success, as we did recently on the
8 health care cost bills, and we have had some
9 things where we just missed the mark, like on
10 S-CHIP, but he has had an extraordinarily
11 successful term. We have been very impactful
12 down in Washington, and he has advanced the
13 cause of this organization in so many different
14 ways.

15 So, Tim, we thank you for your
16 successes and your leadership. This is a gavel
17 that you can keep, unlike this gavel.

18 Tim and I both share a number of
19 things in common, including wives who have been
20 or are currently judges, and I have always
21 wanted to have a gavel to match my wife's, and
22 now, Tim, this is for you.

23 CHAIRMAN PAWLENTY: Thank you.

24 GOVERNOR RENDELL: And I also
25 want to thank Tim for those kind words about

1
2 the work that Midge and I did on this
3 conference. Let me say that it was a labor of
4 love and it was a lot of fun for us. Midge and
5 the spouses are out viewing the Barnes
6 Collection right now, which is not tough duty
7 for Midge. So we had a great time in doing
8 this. And I can report to those of you who
9 couldn't join us last night, that Governor
10 Palin was the first governor to dance, the only
11 governor to do the electric slide, thereby
12 scratching her from the McCain vice
13 presidential list. But she did a great
14 electric slide.

15 Tim is exactly right when he
16 talks about the challenges that will face the
17 country and us in the next year, not only
18 because a new administration and a new Congress
19 will be taking office but because of the
20 timing, the reauthorization of so many things
21 that are important.

22 First, the debate about energy,
23 which will be a dominant factor in this
24 presidential election, will carry over to the
25 new administration and certainly we must and

1
2 should and must have impact on that debate and
3 hopefully the letter that all 50 of us will
4 sign on extending the renewable energy tax
5 credit will be just the first of many different
6 issues in the overall energy spectrum that
7 we'll be weighing in on.

8 Second, the reauthorization of No
9 Child Left Behind. Who else but governors and
10 state education leaders should weigh in and
11 tell the Congress what went right about No
12 Child Left Behind and what went wrong, how it
13 should be amended, how it should be changed,
14 and how its status as the greatest unfunded
15 mandate in the history of the United States
16 should be once and for all ended.

17 Next, healthcare, healthcare is
18 obviously again a huge issue in this
19 presidential campaign and the federal
20 government should and must act on healthcare.
21 The experiences that the 50 of us, including
22 the territories, the 55 of us, have had in
23 dealing with cost containment issues, in
24 dealing with extending access, the challenges,
25 the successes, the failures that we have had,

1
2 serve as a terrific model for any federal
3 experience and federal answer to this solution.
4 And interestingly, if you looked at the three
5 major candidates' proposals, Senator McCain,
6 Senator Obama, Senator Clinton, all of them
7 involved setting up a national healthcare
8 system that relied on a strong partnership with
9 the states. So I think it's incumbent upon us
10 to play a strong role in that area as well.

11 And, lastly, the subject that I
12 have chosen to be my initiative for the next
13 coming year, which probably will be the first
14 of the major challenges to be discussed because
15 of the timetable involving the reauthorization
16 of SAFETEA-LU, is how are we going to rebuild,
17 repair and extend our nation's infrastructure.
18 It is not the sexiest of issues, it certainly
19 doesn't compete with healthcare and energy on
20 the radar screen and in the public's
21 importance, but in many ways it's as important
22 as any single thing we can do.

23 Many people have said, and I was
24 just handed an article by Donna Cooper, my
25 policy director, where the writer said that

1
2 unless we rebuild our infrastructure and do it
3 now and do it quickly and do it
4 comprehensively, the United States is in danger
5 of becoming a third-rate economic power 50
6 years from now, and I don't think that is much
7 of an exaggeration. We need to use our
8 collective voice and, again, we are part and
9 parcel of the infrastructure solution. In
10 fact, in many ways we are the main part right
11 now.

12 We need to use our collective
13 voice to establish a number of principles: One,
14 that infrastructure revitalization, reform and
15 buildout has to be paid for somehow and we have
16 to bite the bullet and find a viable and usable
17 and workable way to pay for what we need to do
18 to rebuild our infrastructure; two, that we
19 must make sure that this subject, rebuilding
20 our infrastructure and revitalizing our nation
21 is taken out of the political process to the
22 extent that that process has provoked
23 incredible public skepticism and cynicism about
24 the whole subject of infrastructure.

25 When I was chair of Rebuild

1
2 America in the 1990s, we took a poll, a poll
3 done by Frank Luntz, and the poll established
4 that overwhelming numbers of Americans, 65 to
5 75 percent, would pay 1 percent more on their federal
6 income tax for better infrastructure in seven
7 major areas, road building, railroads, water,
8 wastewater, et cetera--willingly pay 1 percent more
9 taxes. I would hazard a guess that if you took
10 that poll today, about 10 or 11 years later,
11 the numbers would be far less supportive. The
12 reason, the bridges to nowhere. The reason,
13 the view of the public that infrastructure has
14 become just a pork barrel process where it's
15 who you know and who are the most powerful
16 congressman or senators that matter more than
17 the cost-benefit analysis of individual
18 projects.

19 We have got to find a way to
20 structure our infrastructure revitalization
21 program in a way that eliminates that and
22 builds back public confidence that
23 infrastructure spending is something that can
24 and will provide a tangible benefit for
25 themselves.

1
2 Secondly, we have got to look to
3 the private sector. We have had good
4 experience in our states in partnering with the
5 private sector in many different areas. I
6 think infrastructure, almost more than
7 anything, lends itself to a working partnership
8 with the private sector to come up with some of
9 those solutions we need, whether it be
10 financing or how we build out our
11 infrastructure. Whatever the issue, we should
12 align and partner with the private sector.

13 Lastly, we have to deal with the
14 problem of building out our infrastructure,
15 doing the repairs necessary, consistent with
16 building sustainable communities and of course
17 reducing greenhouse gas emissions.

18 These are subjects that are
19 almost inexorably entwined together. We have
20 to find a way, for example, to increase the
21 rail freight in this country. There is no
22 question that the shipping of freight by rail
23 is so much more environmentally sound than by
24 highway and over bridges and we have to find a
25 way to do that. We have to cease the

1
2 circumstance that this country is the only
3 developed country in the nation that doesn't
4 have real passenger rail transportation, high
5 speed passenger rail.

6 Mayor Bloomberg, who was one of
7 the triad chairs of the organization Building
8 America's Future, along with Governor
9 Schwarzenegger and myself, told us about flying
10 into Shanghai's airport and the airport in
11 Shanghai is about 28, 29 miles outside of the
12 city, and hopping on a high speed bullet train
13 and from the time he got on the train until he
14 was in downtown Shanghai was about 19 minutes.
15 That train goes over 200 miles an hour. We
16 have got to find a way to do that for our
17 country and we have got to find a way to do it
18 soon and quickly. It is a daunting challenge.

19 The American Society of Civil
20 Engineers says that the infrastructure deficit
21 in this country is \$1.6 trillion, and I want
22 you to understand, that's a deficit that if we
23 spent \$1.6 trillion, according to them, it
24 would only rebuild what we have and put it in
25 top flight condition; it wouldn't extend

1
2 anything. That wouldn't account for building a
3 passenger rail system, for example.

4 I asked my cabinet secretaries
5 and department heads to give me an idea of what
6 they thought it would take to rebuild
7 Pennsylvania's infrastructure, whether it would
8 be water and sewer, wastewater, transportation
9 or the like. They gave me a figure of \$80
10 billion. And I'd ask each and every one of you
11 to ask your crew the same question, what would
12 it take to make Kentucky's infrastructure A
13 condition? What about Connecticut? What about
14 Mississippi? What are the cost factors? And you
15 will see the daunting challenge that lies ahead
16 of us. It is enormously significant.

17 Costs are going up dramatically.
18 In Pennsylvania the cost of road building
19 because of the increase in steel and concrete
20 has gone up 34 percent in the last three years. For X
21 miles of roads, to rebuild those roads right
22 now costs 34 percent more than it did three years ago.
23 Is that going to stop? No. It's going to
24 increase. And I think infrastructure is very
25 much like the old Fram Oil Filter commercial

1
2 where the mechanic points to the Fram Oil
3 Filter and says, "You can pay me now" and the
4 screen flashes \$7.98, "or you can pay me
5 later," and he points to the dilapidated car,
6 \$4,721.

7 It's the truth; if we start now,
8 now is the time, especially with interest rates
9 being low, now is the time when we can repair
10 this nation's infrastructure for significantly
11 less than it's going to cost us five or ten
12 years down the road.

13 Now, I believe, and I think all
14 of us share that belief, that the federal
15 government has to do more. States and local
16 governments right now pay for 75 percent of the costs
17 of maintaining this nation's infrastructure.
18 When Dwight David Eisenhower left office as
19 President in 1961, the federal government was
20 spending 11.5 percent of its domestic, nonmilitary
21 spending on infrastructure. Today we spend 2.5
22 percent. Just 10 years ago we were paying 1.17 percent
23 of our GDP on infrastructure. Ten years later,
24 we are paying half that amount, less than
25 six-tenths of a single percent on

1
2 infrastructure.

3 To give you a frame of reference,
4 we are paying less than six-tenths of a
5 percent, China is paying 9 percent of its GDP on
6 infrastructure, India 8 percent. And you can say,
7 "Well, that's not a very fair comparison,
8 governor, they are new nations, developing
9 nations, they are building out their
10 infrastructure." Well, fine. The EU averages
11 3.5 percent, seven times greater percentage of their
12 GDP spent on infrastructure than we do. These
13 things have to change.

14 Congress commissioned the
15 National Surface Transportation Reform
16 Commission, and they came up with a report that
17 says the \$81 billion we spend today--the
18 federal government spends today on
19 infrastructure--has to be almost tripled to
20 \$225 billion.

21 So the big question here is, how
22 are we going to do this? How are we going to
23 radically increase spending? One of the things
24 I hope we look at over the next 12 months is
25 funding alternatives, and there are many,

1
2 public-private partnerships, tolling existing
3 roads that aren't tolled to develop
4 transportation as a sort of user fee type
5 arrangement and the one that I favor most
6 strongly, but we are going to have to explore
7 this is for the federal government to have a
8 capital budget.

9 Each and every one of the 55 of
10 us have a capital budget. Every borough, every
11 municipality, every county has a capital
12 budget. The only political subdivision in this
13 country that doesn't is the federal government.
14 The federal government buys paper clips, which
15 have a 30 or a 60-day half life, the same way
16 they finance road building and bridge building
17 that exists for 50 or 60 years. It makes no
18 sense, no business would do it, and neither
19 should we.

20 Governor Corzine, when he was the
21 managing partner of Goldman Sachs, chaired a
22 commission established by President Clinton to
23 examine whether a federal capital budget made
24 sense and just recently Speaker Pelosi
25 indicated her approval for the concept of a

1
2 federal capital budget. I think it's something
3 that we need to explore because to me it is an
4 extraordinarily realistic avenue for trying to
5 accomplish what we need to accomplish and what
6 we need to accomplish right now.

7 You know, infrastructure is
8 viewed as a public safety issue, it's viewed as
9 a quality of life issue, but, my fellow
10 governors, it is also an economic
11 competitiveness issue. When Governor
12 Schwarzenegger, Mayor Bloomberg and I announced
13 at a press conference announcing the formation
14 of Building America's Future, we did it in an
15 island right in the middle of one of
16 California's freeways, a truly frightening
17 experience, and each of us had a little bit of
18 a visual aid, and I chose for my visual aid a
19 map of China and a map of the United States,
20 and on those maps I put dots where the ten
21 largest ports in each country were located.

22 The 10 largest Chinese ports
23 handle a throughput of three times as much
24 freight as the 10 largest U.S. ports. Only
25 two U.S. ports, LA Long Beach and New York,

1
2 New Jersey would even break the top 10 in
3 terms of the Chinese ports. The ability to
4 handle freight and to move it quickly and
5 efficiently into our country and out of our
6 country is a key economic development issue.

7 We have to begin addressing this
8 problem. In the long run it will do so many
9 substantive things, so many good things for our
10 state's infrastructure, but what will it do in
11 the short run? I think we know the answer to
12 this because when the Congress and President
13 Bush were talking about an infrastructure
14 repair program, I remember when we were down in
15 Washington, we almost spoke with one voice and
16 said, "The best type of economic stimulus is
17 infrastructure repair." Why? Because it
18 creates tens of thousands of jobs that can't be
19 outsourced, that have to be done on location,
20 it creates orders for steel and concrete and
21 timber and electrical supplies that will be
22 serviced by Pennsylvania companies or
23 Mississippi companies or Connecticut companies
24 or Iowa companies. It's the best way to get
25 our economy juiced. In my judgment far better

1
2 than just giving people a \$600 or \$700 rebate
3 check.

4 But a long-term infrastructure
5 revitalization program--and every one of the
6 other G-7 nations have had it in the last 20
7 years--Japan and Germany, countries a fraction
8 of ours in size, have spent over a trillion
9 dollars repairing their infrastructure. A
10 long-term infrastructure repair program like
11 that would be the best answer to revising and
12 rejuvenating the American economy, in the short
13 run and in the long run.

14 So I am looking forward to making
15 that initiative part of our work. I am hoping
16 that you will all be of enormous help in
17 getting that done with your ideas and with your
18 energy and with the impact we can have in
19 Washington. My belief is that SAFETEA-LU will
20 be decided about this time next year, so we
21 don't have a long time to go. We have to make
22 sure that SAFETEA-LU is a true long-term
23 infrastructure plan for America, not just a
24 patchwork on what is going on currently.

25 So I thank you in advance for the

1
2 cooperation that I know we are going to
3 receive. I am looking forward to being Chair
4 for this year on all of these different issues.
5 I know Governor Douglas will be a great partner
6 and he has always had the capacity to work
7 together in a bipartisan way. I think we will
8 speak with a strong voice in Washington, but as
9 always we will need your help; as always, each
10 and every member of this organization when we
11 all help, we are that much the stronger, when
12 we all sign, the impact is absolutely dramatic
13 down in Washington.

14 So, Tim, again, thanks to you for
15 all of your great work and this has been a
16 great conference. I am proud of what we did
17 here for our 100th Anniversary, and thanks
18 everyone.

19 CHAIRMAN PAWLENTY: The meeting
20 is adjourned. Travel safe.

21

- - -

22

(Whereupon, the hearing

23

adjourned at 11:10 a.m.)

24

- - -

25

Reported by: Denise A. Ryan, Court Reporter

1 NATIONAL GOVERNERS ASSOCIATION

2

3 CENTENNIAL CELEBRATION

4

5 "LEGACY OF LEADERSHIP"

6

7

8

9

10 *(Transcribed from provided CD)*

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22

1 PROCEEDINGS

2

3 *(Music playing.)*

4 ANNOUNCER: Live from Philadelphia's
5 Kimmel Center for the Performing Arts, Minnesota
6 Governor Tim Pawlenty and Pennsylvania Governor Ed
7 Rendell welcome you to the Centennial Meeting of the
8 National Governors Association.

9 NGA, celebrating 100 years of leadership.
10 Ladies and gentlemen, in order of their state's
11 admission into the Union, please welcome our nation's
12 current and former governors.

13 *(Introduction of Governors and former Governors)*

14 ANNOUNCER: From Delaware, Governor Ruth
15 Ann Minner.

16 *(Applause.)*

17 ANNOUNCER: Former Governor, Congressman
18 Mike Castle.

19 *(Applause.)*

20 ANNOUNCER: From Pennsylvania, NGA Vice
21 Chair and Centennial Meeting Host Governor Ed
22 Rendell.

1 *(Applause.)*

2 ANNOUNCER: Former Governor Mark

3 Schweiker.

4 ANNOUNCER: From New Jersey, former

5 Governor Brendan Byrne.

6 *(Applause.)*

7 ANNOUNCER: From Connecticut, Governor M.

8 Jodi Rell.

9 *(Applause.)*

10 ANNOUNCER: Former Governor John Roland.

11 *(Applause.)*

12 ANNOUNCER: From Massachusetts, Governor

13 Deval Patrick.

14 *(Applause.)*

15 ANNOUNCER: Former Governor Michael

16 Dukakis.

17 *(Applause.)*

18 ANNOUNCER: Former Governor Jane Swift.

19 *(Applause.)*

20 ANNOUNCER: Former Governor William Wells.

21 *(Applause.)*

22 ANNOUNCER: From Maryland, former Governor

1 Parris Glendening.

2 ANNOUNCER: Former Governor Marvin Mandel.

3 *(Applause.)*

4 ANNOUNCER: From South Carolina, Governor

5 Mark Sanford.

6 *(Applause.)*

7 ANNOUNCER: Former Governor James Hodges.

8 *(Applause.)*

9 ANNOUNCER: From New Hampshire, former

10 Governor John Sununu.

11 *(Applause.)*

12 ANNOUNCER: From Virginia, Governor

13 Timothy N. Kaine.

14 *(Applause.)*

15 ANNOUNCER: Former Governor Gerald

16 Baliles.

17 *(Applause.)*

18 ANNOUNCER: Former Governor Linwood

19 Holton.

20 *(Applause.)*

21 ANNOUNCER: Former Governor Mark Warner.

22 *(Applause.)*

1 ANNOUNCER: From North Carolina, Governor

2 Michael Easley.

3 *(Applause.)*

4 ANNOUNCER: Former Governor James Hunt.

5 *(Applause.)*

6 ANNOUNCER: Former [Rhode Island] Governor Lincoln Almond.

7

8 ANNOUNCER: From Vermont, Governor Jim

9 Douglas.

10 *(Applause.)*

11 ANNOUNCER: From Tennessee, former

12 Governor Winfield Dunn.

13 *(Applause.)*

14 ANNOUNCER: Former Governor Don Sundquist.

15 *(Applause.)*

16 ANNOUNCER: From Ohio, former Governor Bob

17 Taft.

18 *(Applause.)*

19 ANNOUNCER: Former Governor Senator John

20 Voinovich.

21 *(Applause.)*

22 ANNOUNCER: From Mississippi, former

1 Governor Ray Mabus.

2 *(Applause.)*

3 ANNOUNCER: From Illinois, former Governor

4 Jim Edgar.

5 *(Applause.)*

6 ANNOUNCER: From Maine, Governor John E.

7 Baldacci.

8 *(Applause.)*

9 ANNOUNCER: Former Governor John McKernan.

10 *(Applause.)*

11 ANNOUNCER: From Missouri, former Governor

12 Bob Holden.

13 *(Applause.)*

14 ANNOUNCER: From Arkansas, Governor Mike

15 Beebe.

16 *(Applause.)*

17 ANNOUNCER: From Michigan, Governor

18 Jennifer M. Granholm.

19 *(Applause.)*

20 ANNOUNCER: Former Governor James

21 Blanchard.

22 *(Applause.)*

1 ANNOUNCER: Former Governor John Engler.

2 *(Applause.)*

3 ANNOUNCER: From Iowa, Governor Chet

4 Culver.

5 *(Applause.)*

6 ANNOUNCER: Former Governor Tom Vilsack.

7 *(Applause.)*

8 ANNOUNCER: From Minnesota, NGA Chair

9 Governor Tim Pawlenty.

10 *(Applause.)*

11 ANNOUNCER: From Kansas, Governor Kathleen

12 Sebelius.

13 *(Applause.)*

14 ANNOUNCER: From West Virginia, Governor

15 Joe Manchin.

16 *(Applause.)*

17 ANNOUNCER: Former Governor Gaston

18 Caperton.

19 *(Applause.)*

20 ANNOUNCER: Former Governor Bob Wise.

21 *(Applause.)*

22 ANNOUNCER: From Nevada, former Governor

1 Bob Newman.

2 *(Applause.)*

3 ANNOUNCER: From Colorado, former Governor

4 Roy Romer.

5 *(Applause.)*

6 ANNOUNCER: From South Dakota, Governor

7 Mike Rounds.

8 *(Applause.)*

9 ANNOUNCER: From Montana, Governor Brian

10 Schweitzer.

11 *(Applause.)*

12 ANNOUNCER: From Washington, former

13 Governor Daniel Evans.

14 *(Applause.)*

15 ANNOUNCER: From Idaho, Former Governor

16 Secretary Dirk Kempthorne.

17 *(Applause.)*

18 ANNOUNCER: From Wyoming, former Governor

19 Jim Geringer.

20 *(Applause.)*

21 ANNOUNCER: From Utah, Governor John

22 Huntsman, Jr.

1 *(Applause.)*

2 ANNOUNCER: Former Governor Secretary

3 Michael Leavitt.

4 *(Applause.)*

5 ANNOUNCER: From New Mexico, former

6 Governor Bruce King.

7 *(Applause.)*

8 ANNOUNCER: From Arizona, Governor Janet

9 Napolitano.

10 *(Applause.)*

11 ANNOUNCER: From Alaska, Governor Sarah

12 Palin.

13 *(Applause.)*

14 ANNOUNCER: From Guam, Governor Felix

15 Camacho.

16 *(Applause.)*

17 ANNOUNCER: Will governors and former

18 governors please stand for an official photograph

19 commemorating the NGA Centennial.

20 *(Pause.)*

21 ANNOUNCER: Please rise for the

22 presentation of colors by the Philadelphia Police

1 Color Guard, and remain standing for the National
2 Anthem.

3 ***(PRESENTATION OF COLORS.)***

4 ***(NATIONAL ANTHEM PLAYED.)***

5 ***(Applause.)***

6 ***(Opening Remarks)***

7 ANNOUNCER: Please welcome the 2007-2008
8 National Governors Association Chair, Minnesota
9 Governor Tim Pawlenty.

10 ***(Applause.)***

11 GOVERNOR PAWLENTY: Thank you. Welcome to
12 the Centennial meeting of the National Governors
13 Association. It's been an honor to chair this
14 Association over the past year.

15 Let me take this moment to thank our
16 generous hosts and NGA's Vice Chair, Ed Rendell and
17 his spouse, Judge Marjorie Rendell, for working
18 tirelessly to make this meeting a tremendous success.
19 Thank you.

20 ***(Applause.)***

21 GOVERNOR PAWLENTY: We have a lot of
22 important issues to discuss this weekend, but if last

1 night's Taste of Philadelphia Welcome was any
2 indication of the Commonwealth's hospitality, we know
3 we're in for a great weekend.

4 Today's event is especially unique
5 because current governors are joined by nearly 40 of
6 the nation's former governors. Together, we span
7 more than 40 years of state leadership.

8 We're joined by former NGA chairs, current
9 and former members of Congress, and Cabinet
10 secretaries. The gathering includes doctors,
11 teachers, lawyers, business people, and people from
12 every walk of life.

13 We are Democrats, we're Republicans and
14 independents; yet, we share a common bond that
15 transcends our differences. We are governors. I
16 also want to take this moment to recognize the
17 current spouses and spouses of current and former
18 governors who are with us today. They've been part
19 of this journey with us, and for that we are truly
20 grateful. To the spouses, thank you very much.

21 *(Applause.)*

22 GOVERNOR PAWLENTY: We also want to pay a

1 special tribute to former Governor Dan Evans of
2 Washington state, who was first elected in 1965, the
3 earliest serving former governor with us today. He
4 was also the chairman of the Association and founded
5 the Hall of States that brought together NGA and
6 Governors' Washington, D.C. offices. Let's thank
7 Governor Evans for his vision and his leadership.

8 *(Applause.)*

9 GOVERNOR PAWLENTY: A century ago,
10 President Theodore Roosevelt hosted the first meeting
11 of the nation's governors at the White House to
12 discuss conserving America's natural resources. He
13 opened the meeting with these words:

14 "So vital is the question, that for the
15 first time in our history, the chief executive
16 officers of the states separately and the states
17 together forming the nation, have met to consider
18 it."

19 After meeting with President Theodore
20 Roosevelt, our nation's governors decided that
21 America would benefit from their collective thoughts
22 and ideas. Thus, the National Governors Association

1 was born. For 100 years now, NGA has served as the
2 collective voice of governors on issues that affect
3 all Americans.

4 We've demonstrated the commitment and
5 fortitude to tackle the nation's most pressing public
6 policy issues. The initiatives and policy
7 recommendations that have come from NGA have served
8 as a catalyst for change.

9 Whether focusing on education, welfare
10 reform, health care, fiscal relief or issues like
11 energy, governors have worked together across
12 partisan lines to affect positive changes.

13 As we began looking through the
14 Association's history--both at the accomplishments of
15 individual governors, as well as the collective body--
16 we realized that ours was a story largely left
17 untold.

18 We're excited to announce that the
19 National Governors Association has partnered with the
20 Woodrow Wilson Presidential Library and the
21 University of Pennsylvania Press to publish two
22 books. They're entitled A Legacy of Leadership:

1 Governors and American History, and the second book
2 is entitled, A Legacy of Innovation: Governors and
3 Public Policy.

4 These two books, edited by Clayton Brooks
5 and Ethan Sribnick, with essays by journalists,
6 academics and historians, highlight the century of
7 gubernatorial achievements through the decades and
8 through specific policy initiatives.

9 We also partnered with the Pearson
10 Foundation to create companion study guides for these
11 books that will help students study gubernatorial
12 history. Today, we release these books as part of
13 this historic celebration.

14 This weekend is an opportunity to look
15 across the decades, reflect on 100 years of successes
16 and challenges, and create a vision for the next 100
17 years that continues to build on state and federal
18 partnerships.

19 When I hear the word "vision," I'm
20 reminded of a story I heard about John F. Kennedy.
21 We all remember, of course, President Kennedy's 1961
22 declaration that this nation should commit itself to

1 achieving the goal before this decade is out of
2 landing a man on the moon and returning him safely to
3 the earth.

4 It's also been said that he toured the
5 Space Center in Florida a short time later. At one
6 point during the tour, the President visited with a
7 janitor. The young President said to the man "Well
8 sir, what do you do here at the Space Center?"
9 Without hesitating, the man answered "I'm putting a
10 man on the moon by the end of the decade, Mr.
11 President."

12 Vision is a powerful thing. It motivates
13 people because it connects their individual
14 contributions to a great and noble purpose. Thank you
15 all for being visionaries in your respective states,
16 and thank you for helping create the vision for NGA's
17 next 100 years. Thank you very much.

18 *(Applause.)*

19 ANNOUNCER: Please welcome NGA Vice Chair
20 and our host for this Centennial celebration,
21 Pennsylvania Governor Ed Rendell.

22 *(Applause.)*

1 GOVERNOR RENDELL: Two-hundred thirty-two years ago,
2 delegates from the 13 colonies met in Philadelphia to
3 decide what would become of those colonies, and they
4 formed a new nation. That new nation faced
5 extraordinary challenges, a tremendous burden, going
6 up against the strongest army in the history of the
7 world.

8 No one believed they could be free. No
9 one believed they could earn something that no free
10 people had ever earned before, but they did. Eleven
11 years later, delegates from those 13 colonies met
12 here again to decide what type of country we would
13 have.

14 Clearly, the young fledgling experience
15 and democracy hadn't worked. The Articles of
16 Confederation were nearly collapsing; eight of the 13
17 colonies had their own navies, each one of them
18 printed their own currency.

19 Our country was at a seminal point in its
20 history. What were we going to become? Did we have
21 the courage to form one nation, strong and
22 independent, that could make this wonderful

1 experiment in democracy succeed?

2 Well, the answer is those delegates met
3 that challenge, came together, formed a republic and
4 went on to keep it and see it grow and thrive into
5 the greatest nation in the history of this planet.

6 But our nation today, as we all meet in
7 Philadelphia, faces enormous challenges, challenges
8 that we share with every country and every people in
9 this world, and those challenges are going to need
10 creativity and innovation. They're going to need
11 courage and leadership.

12 Over the course of the last 100 years, the
13 men and women who make up the National Governors
14 Association have demonstrated that courage, that
15 vision, that leadership, that willingness to roll up
16 their sleeves and tackle serious and challenging
17 problems.

18 As we meet here today, we're going to do
19 it again. We're going to examine the development of
20 the relationship between states and the federal
21 government, how we got here. It is that relationship
22 that the framers developed in 1787. Is that

1 relationship still sound? Is federalism still real?

2 Is there a proper separation between states' rights

3 and federal power?

4 But we're also going to look at how

5 governors (the states often known as the laboratories

6 for invention) . . . at how they can be the forerunners in

7 charting the path for America that will give us

8 energy independence, that will allow us to maintain

9 our status as the number one leading economic power

10 in the world, that will re-establish so many things

11 that are the key in the heart of the American

12 democracy and this wonderful American experiment.

13 We want to thank each and every one of you

14 for joining us here in Philadelphia, and although

15 this meeting will probably not have the same profound

16 results as 1787 and 1776, we hope that some real far-

17 reaching policies and vision will come from this

18 meeting, and [that] examination of the roles of states and

19 the federal government together will produce tangible

20 results and benefits.

21 So we hope everyone has a great time. The

22 First Lady and her staff and my staff have worked

1 hard to put together a wonderful social program, and
2 that's important. We want everyone to have a great
3 time here.

4 But we want everyone to focus on what's
5 happening in our states today, on lessons we can learn
6 from that as we begin a new federal government next
7 year and try to tackle those challenges. Thank you.

8 *(Applause.)*

9 *(Music playing.)*

10 ANNOUNCER: In May 1908, President
11 Theodore Roosevelt convened the nation's governors at
12 the White House to discuss conserving America's
13 natural resources.

14 His invitation stated, "The gravity of the
15 situation must appeal with special force to the
16 governors of the state, because of their close
17 relations to the people, and the responsibility for
18 the welfare of their communities."

19 The President, Vice President, Cabinet
20 members, Supreme Court Justices and 39 state and
21 territorial governors attended. The conference, a
22 milestone in the American conservation movement, was

1 also the springboard for an organization of
2 governors.

3 Two years later, New Jersey Governor-elect
4 Woodrow Wilson would lay out his vision for a
5 governors association: "If these conferences become
6 fixed annual events as a habitual means of working
7 towards common ends, this council will at least
8 become an institution.

9 "If it grows into a dignified and
10 permanent institution, it will be because we have
11 found it necessary to supply some vital means of
12 cooperation in matters which lay outside the sphere
13 of the federal government."

14 In pursuit of Wilson's vision, governors
15 began to hold annual meetings, gave presentations and
16 shared best practices. In 1912, the Governors
17 Conference was formally organized.

18 *(Applause.)*

19 ANNOUNCER: Today, the National Governors
20 Association represents 55 governors of states,
21 territories and commonwealths. The bipartisan
22 association assists governors on domestic policy and

1 state management issues, and provides a forum for
2 governors to speak with a unified voice to the
3 President and Congress.

4 MALE PARTICIPANT: "Well NGA, of course,
5 when it speaks with a unified voice--and we almost
6 always do--is a powerful, powerful voice,
7 particularly on Capitol Hill with our federal
8 partners."

9 MALE PARTICIPANT: "There are always the
10 issues of, you know, the federal-state issues, who
11 pays for what? But I think that we've been
12 remarkably fortunate that the states have functioned
13 over 200 years as laboratories of democracy."

14 MALE PARTICIPANT: "We take off our hats
15 of partisanship when we gather, and we really put on
16 our hats of practical problem-solving, and share
17 ideas of good policy that can help all of our states,
18 not only as safe taxpayer dollars that serve citizens
19 far more effectively."

20 ANNOUNCER: So effectively that the
21 federal government has often modeled its programs
22 after the states. In contrast to 1908, when

1 governors came to the federal table, now federal
2 officials began to appear at governors' conferences.

3 President Eisenhower sent Vice President
4 Nixon to the 1954 Governors Conference, to argue his
5 case for an interstate highway system, and
6 acknowledged it could not be achieved without the
7 support of governors.

8 Cooperation between states and the federal
9 government proved necessary and vital over the years.
10 The tumultuous '60s were no exception, bringing major
11 changes to the nation and to the Governors
12 Conference.

13 President Johnson's Great Society programs
14 provided massive federal funding, while imposing a
15 maze of regulations on its distribution and uses.
16 Realizing the high stakes involved, governors
17 established a permanent office in Washington, D.C. in
18 1966.

19 The Association rapidly grew into an
20 influential advocacy organization known as the
21 National Governors Conference, and later the National
22 Governors Association or NGA.

1 FEMALE PARTICIPANT: "I think what the NGA
2 does is it brings the voices of governors from all
3 over the country of different parties together, and
4 because we are the executives in our states, we can't
5 just rely on platitudes.

6 "We've got to get something done on the
7 ground, and that forces us to find our ways through
8 difficult areas, to see where a consensus is, to
9 build on that consensus and then to advocate for that
10 consensus. That's the process that we use the NGA
11 for."

12 ANNOUNCER: A process proven successful,
13 and the world began to take notice. Through the
14 association and governors' initiatives, their policy
15 recommendations have served as catalysts for change.
16 NGA's Report, "Time for Results," led to the first
17 education summit in 1989 between governors and
18 President George H.W. Bush.

19 MALE PARTICIPANT: "We did what governors
20 are. We didn't try to solve every problem. We tried
21 to set an agenda. I think the value of the NGA is
22 first working together, knowing one another, and

1 second, the collective voice can make a difference."

2 ANNOUNCER: And two decades of persistent
3 effort by governors and NGA bore fruit in 1996, when
4 the largest overhaul of the nation's welfare system
5 passed Congress, and was signed into law by President
6 Bill Clinton.

7 FEMALE PARTICIPANT: "When I was first
8 governor, that's when we were doing welfare reform,
9 and it was the governors that really got welfare
10 reform done.

11 We came down here on at least three
12 different occasions and met together up on the Hill,
13 as governors and with legislative leadership from the
14 Senate and the House, to craft those bills.

15 "While President Clinton vetoed the first
16 two, he finally signed the third. A lot of that was
17 push from the governors. We were the ones who got
18 the flexibility language in. We're the ones who
19 really made it happen."

20 ANNOUNCER: The impact governors have on
21 Capitol Hill stems from the successful changes they
22 are making in their states, changes that make an

1 impact beyond state borders.

2 *(Music playing.)*

3 ANNOUNCER: One could say the role of the
4 21st-century governor has gone global.

5 MALE PARTICIPANT: "It used to be that we
6 competed against . . . in Pennsylvania we competed
7 against New York, New Jersey, Delaware, West
8 Virginia, Ohio and Maryland. Now we compete against
9 Singapore and China and Japan and India and Germany
10 and France and Italy.

11 "That forces us to be innovators, and I
12 think you'll see most of the innovation on things
13 like energy or health care or education, are
14 happening in state capitols, not in Washington, D.C."

15 ANNOUNCER: Whether Democrat, Republican
16 or independent, governors share a critical bond as
17 chief executives of states that overrides partisan
18 differences. For the last 100 years, governors have
19 guided NGA's mission to collectively take action and
20 create change, truly fulfilling Woodrow Wilson's
21 vision of a dignified and permanent institution, an
22 association of governors."

1 *(Applause.)*

2 ANNOUNCER: Please welcome to the stage
3 our moderator for this morning, Presidential
4 historian Richard Norton Smith.

5 *(Applause.)*

6 ***Panel Discussion with Richard Norton Smith***

7 DR. SMITH: Good morning and welcome to
8 this unprecedented conversation about the state of
9 the states and the federal idea incubated in the city
10 in the summer of 1787 in the red brick statehouse
11 loaned for the occasion by the Commonwealth of
12 Pennsylvania to a nation that wasn't quite yet a
13 nation.

14 Now if Alexander Hamilton had had his way,
15 none of us would be here this morning, because it was
16 Hamilton, that great nationalizer, who proposed to do
17 away with the states altogether. He said there was
18 no justification for states--military, commercial or
19 agricultural. Needless to say, his view did not
20 prevail.

21 In the end there was a compromise between
22 the large states and the small states, and a federal

1 republic was created. Sovereignty would be shared
2 between those states and the government that they
3 summoned into being.

4 We're going to talk about leadership
5 exercised by the states within that federal system
6 and by individual governors within their states this
7 morning. So let me begin with a question that
8 probably no historian should ever ask. It's a what-
9 if--and it's a very large what-if--and let me direct
10 it first to our chair, Governor Pawlenty.

11 What if Hamilton had had his way? What if
12 the United States wasn't the *united* states? How
13 would our history have been different? How would our
14 democracy be different?

15 GOVERNOR PAWLENTY: Well, first of all,
16 thank you for being our moderator this morning and
17 taking the time to come and be part of this historic
18 gathering.

19 I think rather than being negative about
20 the characteristics of a completely federalist
21 system, I'll highlight some of the positive
22 attributes of a state-based system or the important

1 role that the states have played in our history.

2 The video touched on a quote from Theodore
3 Roosevelt that said one of the attributes that is
4 important for states is their closeness to people,
5 and [of] governors in their closeness to people.

6 I think if we had an entirely federalist
7 system or an Alexander Hamilton approach, you would
8 have lost a significant connection of people's
9 ability to access their public officials and
10 influence public policy, and democracy would have
11 been lessened as a result.

12 I used to be on a city council in a
13 relatively modest sized or mid-size suburb. If there
14 was an issue in a particular neighborhood, people
15 very easily and quickly understood how they could
16 access their city council member. If they had an
17 issue in their neighborhood, they showed up.

18 That's somewhat less easy to do at a state
19 capitol, but you can still do it. It's very
20 difficult to do for most citizens in Washington, D.C.,
21 in a federal system. So I think that would have been
22 lost or diminished.

1 Number two, states have played, of course,
2 the role of laboratories of democracy.
3 Characteristics that come with that is that states
4 tend to be quicker, more nimble, more innovative, and
5 we are the ones who tend to bring the ideas forward
6 and try them out first and road test them, so to
7 speak.

8 I think a lot of that would have been lost,
9 and the nation would have been less better off for
10 it.

11 A third one, and this isn't exhaustive,
12 but three that came to mind is the ability to scale
13 things in an effective and efficient way. Public
14 policy sometimes is challenged by our ability to
15 scale reform and scale change. You see it in
16 education a lot.

17 It's much easier to obtain scale as it
18 relates to driving quality and driving reform at a
19 local or state level than it is on a national level
20 in many of these categories. I had a chance briefly
21 and finally to visit with former Governor Sununu
22 about his role as the chair of the NGA some years

1 ago, and his topic was federalism.

2 He was talking about the idea, his idea of
3 amending the U.S. Constitution, as it relates to
4 states rights, and his proposal was to add a few
5 words. The words were "this time we mean it."

6 *(Laughter.)*

7 GOVERNOR PAWLENTY: I thought that was
8 appropriate. Those are a few thoughts to get things
9 started.

10 DR. SMITH: Governor Dukakis, do you want
11 to add anything to that.

12 GOVERNOR DUKAKIS: Just reflecting. Look,
13 we all know that there are great advantages to the
14 federal system. On the other hand, the issue of race
15 is an issue that we've had to confront for a long
16 time. I'm not sure if we had a single unitary
17 government that we would resolve that issue more
18 reasonably.

19 But I do have a sense that in that case,
20 the federal system didn't help, and pushed against
21 opening up this country to real equality for the
22 masses.

1 DR. SMITH: That raises a fascinating
2 question that I want to maybe direct to Governor
3 Holton, because we've all heard the term "states
4 rights." We don't hear it very much today.

5 Perhaps it's become a pejorative as a
6 result of exactly what Governor Dukakis was talking
7 about, the fact that for a very long time it was
8 synonymous with resistance to racial integration.

9 You in many ways were a trailblazer in
10 Virginia. You broke with your fellow southern
11 governor and your predecessors, in not counseling
12 that resistance, and indeed you went considerably
13 further than that, in appointing African-Americans to
14 state positions.

15 I'm interested to know one, you were term-
16 limited then. A governor of Virginia is term-limited
17 today. Do you think you could have been re-elected
18 at the end of those four years? And two, what does
19 states rights mean in the 21st century? Is the term
20 simply to be laid to rest?

21 GOVERNOR HOLTON: I think the answer to
22 your first question, could I be re-elected after what

1 I did with respect to race and integration? The
2 answer is yes, of course.

3 *(Laughter; applause.)*

4 GOVERNOR HOLTON: I quote one of my former
5 partners and political colleagues: "You don't get in
6 this business based on your modesty."

7 *(Laughter.)*

8 GOVERNOR HOLTON: The answer to your
9 question about states rights is a little more
10 complicated. States rights, of course, in the period
11 particularly between 1865 and 1965, was used in the
12 South as a shield against the Constitution of the
13 United States.

14 We used states rights to say we are not
15 going to recognize the rights of a certain group of
16 individuals, who by the Constitution and its
17 amendments were entitled to the same privileges as
18 other people.

19 States rights came to be a code word for
20 white supremacy, to put it in the bluntest terms. I
21 resented it terribly for it being used that way.
22 Against the background of other Southern governors,

1 with support of Southern voters using it that way, I
2 had the greatest opportunity that any politician
3 could ask for, when in 1970, in August, eight months
4 after I took office, we had the opportunity to either
5 join other Southern governors who had established a
6 very plain precedent, [and] shake our fist at the Supreme
7 Court of the United States.

8 I could have done that. Or I could have
9 said, and this was the opportunity, I had an
10 opportunity to reverse the position that Virginia
11 took when it seceded from the Union. It took action
12 then that sought to destroy the United States.

13 I could have taken action similar to what
14 we did when we wrote the Constitution of 1902, when
15 we repealed the 15th amendment for its application in
16 Virginia. That was the amendment that guaranteed the
17 right of persons who had previously been in
18 conditions of servitude to vote. We repealed that
19 amendment in our constitution of 1902.

20 In 1954 and subsequent years, after the
21 Supreme Court had decided that separate-but-equal was
22 an unconstitutional concept, we under our then-

1 political leadership, which was predominant--strongly
2 predominant--adopted something called "massive
3 resistance."

4 We Virginians would not stoop to violence,
5 of course, but we would use everything short of
6 violence to defy the decrees of the Supreme Court of
7 the United States.

8 I had the great opportunity to say, after
9 all these years, Virginia is again part of this
10 republic, and we will comply with its laws.

11 *(Applause.)*

12 GOVERNOR HOLTON: You couldn't ask for a
13 better opportunity and to me, that was a tangible
14 implementation of the way states rights ought to work.

15 DR. SMITH: Governor Warner, how is
16 Virginia today different because of your predecessor?
17 Governor Warner? I'm sorry, yes.

18 GOVERNOR HOLTON: Wake him up.

19 GOVERNOR WARNER: Virginia is different
20 today for a variety of reasons. One, because of
21 actions that Governor Holton and others took, I know
22 Virginia was the first state in our country that

1 elected an African-American as governor, in Doug
2 Wilder's historic election in 1989.

3 I just think that Virginia was one of the
4 holdouts with massive resistance, and then 30 years
5 later, with the election of Doug Wilder, shows we've
6 come a long way.

7 We still have challenges, but the actions
8 that were taken by Governor Holton and others at that
9 point took Virginia forward. We are a more diverse,
10 more vibrant state now under Governor Kaine's
11 leadership, and an awful lot of us owe a great debt
12 to Governor Holton for those very, very courageous
13 actions back in the '60s and early '70s.

14 DR. SMITH: You know, clearly one of the
15 things that sets all of you folks apart--perhaps say
16 from legislators--is that you constantly are making
17 decisions. Some of them really involve matters of
18 life and death. Some of them simply involve matters
19 of political life and death.

20 Often leadership in the statehouse is
21 defined by saying "no," no to something that may be
22 attractive in the short term, and certainly

1 politically advantageous, but which you decide, for
2 whatever reasons, is not in the long-term interest of
3 the state.

4 I see Jim Edgar back there, and I'd like
5 to ask Governor Edgar of Illinois, someone who said
6 "no" a great deal during your eight years in
7 Springfield, and yet you managed to be handily
8 reelected, and when you left office and to this day
9 [you] are regarded as perhaps the most respected political
10 figure in the state.

11 How can that be, and why is it relatively
12 easier to say "no" at the state level than it seems to
13 be in Washington?

14 GOVERNOR EDGAR: Well first of all, "no" is
15 the most difficult word for an elected official to
16 say, because we want to make people happy. You're
17 afraid if you say "no," you're going to make them
18 unhappy.

19 Now when I became governor in 1991, we had
20 an over billion dollar deficit. Then we got hit by a
21 recession. I had no alternative but to cut hundreds
22 of millions of dollars, which had never happened

1 before in Illinois. Everybody that came to see me, I
2 just said “no.” Mayor Daley of Chicago referred to me
3 as "Governor No." I took that as a compliment.

4 I had every group in the state probably
5 protest outside my office the first two years. But
6 we didn't have an alternative. Now the person on the
7 street understood that. Sometimes we forget, our
8 constituents are pretty smart. Not only did they
9 elect us, they actually understand what's going on.

10 They knew you can't spend money you don't
11 have. Now what they don't want to hear from
12 politicians is “yes,” and then you don't do it. Now
13 the first time I ran for office in 1990, I barely got
14 elected. After my four years of being Governor No, I
15 got elected by the largest margin in the history of
16 the state.

17 I think that's because people felt that I
18 was leveling with them, and they understood you have
19 to use the word “no.” Again, I think at the state
20 level, part of the reason why you might see more
21 people willing to say “no” is [that] governor is where the
22 buck stops, as Harry Truman used to say about the

1 presidency.

2 It's very true about the governors, and if
3 we don't say "no," nobody else is going to. People
4 understand that, and if you are honest with them, you
5 can be re-elected.

6 DR. SMITH: Well now that's interesting.
7 Governor Pawlenty talked about the advantage of
8 federalism, because it keeps governors close to the
9 people. Are there ever days when you feel you're too
10 close?

11 I mean people coming to you. Was anyone
12 ever abusive, Governor Edgar, in terms of taking
13 issue with your . . . ?

14 GOVERNOR EDGAR: When you're out on the
15 town, people grab you and tell you what they think.
16 Now I have to say most people who came to see me
17 always told me what a wonderful job I was doing,
18 because they wanted something. I loved those
19 meetings before I told them "no."

20 *(Laughter.)*

21 GOVERNOR EDGAR: But I think, you know,
22 you as governor, much more than I think you'd have

1 the opportunity as president to know what people
2 think--and people tell you what they think. I love
3 parades, because parades, people would yell out at
4 you.

5 It's a good way, particularly in a
6 suburban area (which was kind of a hard area to get
7 to sometimes); . . . it was to sample what people thought.
8 Now hopefully at a parade they were in a pretty good
9 mood, so they didn't yell too many negative things.

10 But no. I think as governors, we have the
11 opportunity to hear from people on a pretty regular
12 basis, and people are usually pretty candid.

13 DR. SMITH: How about anyone else? You
14 make tough decisions. Think of the toughest decision
15 you had to make as governor. Governor Sununu?

16 GOVERNOR SUNUNU: Well, I had a lot of
17 interesting decisions, but I had one major issue that
18 was the hottest political issue for my three terms as
19 governor, and that was Seabrook Power Plant.

20 I had my good friend, Michael Dukakis in
21 Massachusetts opposing it. But it was important for
22 New Hampshire, it was important for New England. In

1 a way it parallels the situation today. People were
2 waiting, I think, for the tooth fairy to solve the
3 energy problem.

4 We had the magic solution of hydropower
5 going to come from Quebec. Quebec can't even get
6 hydropower today. The fact is that Seabrook was a
7 hot political issue. I had people doing candlelight
8 vigils around my home where we were living.

9 When I ran in 1986, the opposition party
10 in every office, from governor, to state legislators
11 to state senators, to the selectmen in every town, to
12 the school boards in every town that we were running
13 in that same year, the opposition party had virtually
14 no candidate that was supporting Seabrook, and
15 Seabrook was becoming an issue even in school board
16 elections.

17 So it was a really hot political issue.
18 But you know, with hindsight, it's easy to see that
19 it was the right decision. It was important for New
20 Hampshire, it was important for New England, and
21 frankly, in an odd way, because it was so clearly a
22 right decision in my view, it was really an issue

1 decision to make. But it was rather emotional
2 politically.

3 I had opposition running independent TV
4 ads with concerned mothers holding dead chickens in
5 front of the camera, and saying that Governor Sununu
6 is going to do this to your children, and it was
7 emotional. But --

8 DR. SMITH: Were the chickens plucked?

9 GOVERNOR SUNUNU: They were.

10 *(Laughter.)*

11 GOVERNOR SUNUNU: But you have -- you
12 know, you decide what the right thing is, and you do
13 it. The surprising thing is, as Governor Edgar said,
14 the people are smarter than you give them credit for.
15 They understand; I think most people do not
16 understand how receptive the public is to an official
17 that is making a decision that is controversial but
18 important, explaining why they're doing it.

19 I think one of the roles of leadership is
20 informing, and we worked very hard to inform what the
21 benefits were, and in the long run, I think, as I
22 wander through airports around the country, people

1 quite often come up and tell me they opposed what I
2 was doing at the time, but thank you for having done
3 it.

4 DR. SMITH: Governor Culver, you're from a
5 political family. Is there any way to be adequately
6 prepared for this sort of thing, and what kind of
7 -- in your first time in office -- what kind of tough
8 decisions are you grappling with?

9 GOVERNOR CULVER: Well, I don't think you
10 can ever be too in touch with the people. I think
11 it's the only way to do the job, to get out there.
12 It actually, as a result, makes the decision process
13 a lot easier.

14 As Governor Edgar said, his focus was on
15 what are the people saying, not the special
16 interests, not the editorial boards. What do the
17 people feel or what do they think about a particular
18 issue?

19 Gas tax in my case. I have said
20 absolutely no increase in the gas tax right now.
21 It's just not even an option, given the record prices
22 that we're paying right now at the pump. However,

1 there are some that believe, I feel fairly, for
2 whatever reason, that we should do it.

3 I've talked to the people about that
4 repeatedly, and that was a decision that I made,
5 based on what I was hearing directly from my
6 constituents. I think governors or elected officials
7 generally get into a lot of trouble when they lose
8 touch with their constituents.

9 That's one of the aspects of the job that
10 I enjoy the most, . . . is getting outside of the golden
11 dome and getting out there with the people. It makes
12 our decisions easier, and it makes our response much
13 more effective.

14 In my case recently with the flood
15 challenge in Iowa, I've spent a lot of time out there
16 assessing the damage, talking to local leaders,
17 hearing directly from the people in terms of what
18 their challenges are specifically. We need a road,
19 we need a temporary levee fixed, and then it allows
20 me to quickly respond with our state resources by
21 staying in touch and engaged with the challenge.

22 DR. SMITH: Well that also brings up the

1 fact that all of you also, at one time or another, at
2 least run the risk of being crisis managers. I see
3 Governor Sebelius back there. I mean we think of a
4 Hurricane Katrina or an outbreak of Midwest tornadoes
5 or a West Virginia mine collapse.

6 That creates a kind of artificial
7 environment, doesn't it, that for a short period of
8 time, maybe you know, politics as usual as a gerund--
9 people come together. Are there any lessons from
10 that experience that can be applied to the day to day
11 process of persuading the electorate that something
12 that you regard as critical, but that the public and
13 the media don't see as a crisis with pictures? Do
14 you want to speak to that?

15 GOVERNOR SEBELIUS: Well, there's no
16 question that unfortunately a disaster does compel a
17 response, an immediate response. We've watched
18 Governor Culver deal with unimaginable statewide
19 disasters. We've had our challenges in Kansas, and
20 every governor here deals with that.

21 But it strikes me that those same
22 opportunities to bring communities together, to bring

1 people together around sort of a common mission, are
2 really how we get things done day to day.

3 So the challenge is how do you make it
4 compelling? How do we remind folks that they really
5 do have more in common than is different? How do we
6 put that urgency on the table? I think governors
7 have an easier job of that than Congress. Moving the
8 ball forward is something people expect. I mean they
9 expect you to pass a budget and deal with school
10 issues and tackle health care issues.

11 We don't get to put things off budget. I
12 don't even know quite what that means, but I keep one
13 set of books, not two sets of books. So there is a
14 sense of that. But you know, we had a challenge,
15 which, as you might remember because I think it was
16 when you were in Kansas.

17 We were trying to bring people together
18 around resolving school finance issues, and it had
19 been pending for years. Part of the challenge was a
20 sense of urgency and a sense of how you bring people
21 together.

22 A disaster creates the urgency, and I

1 think it's an effort of leadership to remind folks
2 visiting constituents across the state, compelling
3 citizens to then put that message to their
4 legislators, that there's an expectation that they
5 come to work and get the job done. That really
6 creates the kind of momentum that a disaster brings
7 with it.

8 But I am always overwhelmed by the
9 generosity of spirit--folks who show up from across
10 the state to open their hearts and pocketbooks and
11 work efforts to really help people they've never seen
12 before, and continue to do it.

13 I mean we're rebuilding this little town
14 in the middle of Kansas, and actually it's been a
15 remarkable experience because the townspeople--1,400
16 of them--chose to make themselves the greenest rural
17 community in America.

18 Every public building will be built to
19 platinum standards. It will be the only city in
20 America that can say that at the end of the day.
21 They are intending to . . . you know, they're taking a
22 little more time, spending a little more money for

1 something that they think is a great legacy for the
2 future.

3 It's been a remarkable way to engage an
4 energy policy discussion for the rest of the state.
5 The kind of reverberations of that experience have
6 been very powerful across Kansas.

7 DR. SMITH: Governor Kaine, you had to
8 deal with a man-made disaster, probably unimaginable
9 to you on the day that you took the oath of office.
10 What was that like? How has it affected your
11 governorship? How has it affected you?

12 GOVERNOR KAINE: Well, the shooting at
13 Virginia Tech in April of 2007 is going to be thing
14 50 years from now, when I think about being governor,
15 that will be the most vivid memory of my time.

16 My wife Anne and I had left to go on a
17 two-week trade mission in Asia and had just landed in
18 Japan, had dinner and gone to bed, and we were woken
19 up an hour later and told that there had been this
20 horrible shooting.

21 Our first thought was we needed to be home
22 immediately, but the next flight wasn't for another

1 10 hours. So we sat in the hotel room and the
2 coffee shop in the airport watching the news back
3 from home, just wanting to be back with folks.

4 I've been a mayor in a tough environment
5 in Richmond, where we were the second highest
6 homicide rate in the United States during the time
7 I've been in local government.

8 I learned there that while there's a
9 natural human reaction to shrink back from painful
10 situations, it is a humbling honor to be with people
11 in really tough times, and be an official
12 representative of government, showing that there is
13 some, not just chaos or randomness to the situation,
14 but that the official government cares about you.

15 I learned as mayor, and I know Ed dealt
16 with this when he was mayor of Philadelphia, the same
17 thing, there's nothing magic you can say or do, and
18 yet being there with people, and particularly people
19 that are going through these tough times, helps get
20 them out of the situation of just confusion and
21 chaos.

22 So we came back and we were at campus

1 immediately and spoke to the students and families.
2 I've had now, you know, nearly a year and a half of
3 interaction with these families. It's made me think
4 a little bit about leadership.

5 In the aftermath of the crisis, I pledged
6 to these families we're going to learn everything we
7 can about what went right, but also what went wrong,
8 and then we're going to fix everything we can.

9 Many of the family members wanted to join
10 together in an effort to change the state's mental
11 health system. We did. We made changes to privacy
12 laws. We made changes to campus security protocols.

13 But I worry sometimes that in government
14 we are great reactors. You know, if something
15 happens that's a crisis, boy, we come together in such
16 a wonderful way, and we fix what needs to be fixed.

17 But I'm dealing with another challenge in
18 my state that I've been dealing with for two and a
19 half years, a transportation challenge. I've got the
20 most vulnerable coastal population in the United
21 States--next to New Orleans--in Hampton Roads for
22 hurricane evacuation, and I don't have enough

1 hurricane evacuation routes.

2 I've been working with my legislature to
3 try to find the will to do something, and I'm just a
4 little bit nervous that they will act, but they'll
5 only act after . . . after a significant catastrophe or
6 the collapse of some critical infrastructure.

7 So when you're in these times of crisis,
8 you need to first be with people, and then you need
9 to move quickly to fix what you can fix because
10 people get behind you to do it. I wish we were
11 better at pro-acting before a crisis occurred, and
12 that's something that I--and I suspect everybody up
13 here . . . we continue to wrestle with.

14 DR. SMITH: Governor.

15 GOVERNOR MANCHIN: During the Sago mine
16 disaster. And speaking of the different challenges
17 that we've all had as governors, . . . but my challenge, we
18 were at the Sugar Bowl at the time, and I heard that
19 there was a problem, and we heard the seriousness of
20 the problem and came back home.

21 I lived through that, being born and
22 raised in a coal town, Farmington, in the 1968 mine

1 explosion. Literally nothing had been done as far as
2 mine safety since the '70s, when major reform was in
3 mining.

4 You can sit as governor or any other
5 person and say why hadn't something been done, as Tim
6 just said? Why aren't we more pro-active? Human nature
7 is basically change-is-not-needed-until-there's-a-
8 crisis, and that seems to be the human nature.

9 So rather than dwell on that, I said we
10 had to change. We had the Sago mine disaster. We
11 lost 12 miners, and we were with them 45 hours--their
12 families--so I knew the pain and suffering. But we
13 made a commitment to them that they would not have
14 died in vain. We're going to make changes, to make
15 mining safer for the energy this nation needs.

16 Three weeks later, we had the Alma mine.
17 Same absolute conditions, and I arrived at that mine
18 and I told my staff to start drafting legislation. I
19 said we only need three parts. I don't need a blue
20 ribbon committee.

21 We have to have rapid response to get the
22 proper people moving; we have to have tracking, so

1 we know where we're going to go find our miners; and
2 we have to have life-saving oxygen.

3 Now that didn't take any type of committee
4 to tell me that. They started drafting legislation
5 over the weekend while we were trying to rescue the
6 other two miners that we lost. Monday . . . when I came
7 to the legislature that Monday morning, we were in
8 session, I was going to introduce legislation that
9 day, and I was asking both sides to suspend the rules.
10 It takes four-fifths of the votes.

11 It's never been done in a major piece of
12 legislation. So I attended both caucuses. I asked
13 both the House and the Senate and Democrats and
14 Republicans to caucus. I went into both caucuses and
15 explained to them the conditions we were . . . it wasn't
16 there was more that needed to be done, but we
17 needed to start now.

18 Then I called a moratorium and stopped all
19 mining in the state of West Virginia to make sure
20 that everyone knew that basically the emphasis on
21 safety, the human factor, the value of the human
22 being, and [that] you couldn't put a price on that.

1 So everything we must do would be towards
2 keeping them safe. We came back, and we had everyone
3 to a T vote unanimously, House and Senate, Republican
4 and Democrats, to vote to suspend the rules, pass
5 legislation, which we took to Washington Tuesday.

6 Now in the same year, we have major reform
7 in mine safety around the country. I'm so proud of
8 that, and with the tragedies that came out of
9 something, we as governors have a chance to really do
10 something. I think the satisfaction is that you can
11 make something happen, and you can bring people
12 together.

13 It's just a shame it takes a crisis, and
14 we should be more pro-active, and as we're dealing
15 with the energy, and we'll be dealing with energy
16 tomorrow, and we know that that's something that this
17 nation, [that] my little state's not geared for five-dollar,
18 four- or five-dollar-a-gallon fuel.

19 We say in West Virginia you have to drive
20 to survive, and it's making it very, very, very
21 difficult. We've got to find answers. I believe in
22 this room is where the answers will be found.

1 DR. SMITH: It's interesting. We've heard
2 from Governor Kaine about government's tendency to
3 react. Governor Weld, you talked a lot and you
4 didn't just talk, but you practiced in Massachusetts
5 what you call preventive government.

6 I know, because I remember working on a
7 speech or two about the subject with you. What was
8 that? What do you mean by that term, and how
9 applicable is that?

10 GOVERNOR WELD: To me, the most
11 fascinating issues were the ones with relatively high
12 intellectual content, an analysis and reorganization
13 of how the government interacts with the welfare
14 issue, health care, education, even transportation.

15 Those are not zero sum games at all. If
16 you change the way things are done, you can save a
17 lot of money and deliver more results. The famous
18 book here was David Osborne, Laboratories of
19 Democracy, which I kind of took as a bible when I
20 came in.

21 You talk about prevention. Obviously, in
22 the health care area, to the extent you have more

1 prevention, you're saving money that can be dedicated
2 to other uses.

3 So going back to your first question,
4 Rick, at the beginning, about what do we gain with a
5 system with states, instead of having Hamilton
6 abolish them all, I think one of the answers is
7 intellectual.

8 You know, the reason we have 12 people
9 on a jury instead of one is 12 heads are better than
10 one. Fifty centers of decision-making are vastly more
11 enriching than a single head, particularly if that
12 head is in Washington.

13 We're no dumber than those guys in
14 Washington. In fact, sometimes I think we're even
15 smarter because of being closer to the hustings.
16 It's like our legal system. You have all these cases
17 from all over the country being decided, and then
18 coming up the flagpole to the Supreme Court, and
19 that's the system of the common law.

20 I consider that much more enriching than
21 the continental civil system, which is more
22 dirigiste, if you will, and relies less on ideas from

1 all over.

2 DR. SMITH: Well, here's an idea that the
3 classic notion as the states as laboratories of
4 change, something tested at the state level before
5 being applied to Washington, and that is term limits.

6 How have term limits affected your job as
7 governor? Will you repeal them if you could? Would
8 you apply them nationally if you could? Governor
9 Rounds?

10 GOVERNOR ROUNDS: Well, in South Dakota,
11 we have term limits for legislators. We don't have . . .
12 and then we also have term limits for the governor.
13 I have no problem with term limits at the
14 gubernatorial level, but I would highly recommend
15 eliminating term limits for the legislature, where
16 literally once you get leaders trained and once they
17 get experience, they're gone.

18 It's not just the leaders themselves but
19 they're chairs in different committees. So suddenly
20 where you may have the people who have taken the time
21 to gather the expertise, they've been the individuals
22 that their folks have elected back home, to come into

1 our capital city of Pierre to represent them, and
2 they do it in 40 days, in a long session and 35 days
3 in a short session, thank goodness. . . . I know that I'm
4 now being . . . folks are saying, "I wish that was in my
5 state as well."

6 *(Laughter.)*

7 GOVERNOR ROUNDS: But the bottom line is
8 that they're very, very good people. They come in
9 and they get the job done and they go home again. But
10 if I could, I'd love to have them stay for more than
11 the term-limit amount of four two-year terms, because
12 at that stage, they are mature, they are experienced,
13 and they could pass that on.

14 We tried, we've looked at it in the past,
15 in terms of making other changes. It's going to be
16 on the ballot again this year for us.

17 DR. SMITH: Governor Sanford.

18 GOVERNOR SANFORD: Let me respectfully
19 take the other opinion. I think that term limits are
20 of tremendous value. For the most part, they're
21 imposed on the governorships, and I think that part
22 of the value is that which is short is that much more

1 precious.

2 If we all lived forever, I suspect we'd
3 get less out of each day than we do, based on the
4 fact that we don't have forever. This notion of a
5 limited tenure forces prioritization that wouldn't
6 exist if it was unlimited tenure.

7 I would also say that part of the human
8 spirit seems to be adaption, and I remember as a
9 freshman back in Congress they had what are called
10 suspension votes on Monday, and they are non-
11 controversial votes. I was going to vote no on one
12 of them.

13 Whoever it was that was sitting beside me
14 said "You know, you don't look like a wacko. You're
15 going to look like a nut if you vote that way, you
16 know. You can't do that." I said no, it costs a
17 bunch of money. He said "No, it doesn't cost
18 anything." No, it costs a bunch of money. No, it
19 doesn't cost anything.

20 We went back and forth, and finally we
21 went down to the well of the House and we pulled the
22 open ledger and the thing cost about \$30 million. I

1 said "See, it costs a bunch of money." He said "See,
2 it costs nothing."

3 *(Laughter.)*

4 GOVERNOR SANFORD: It's all a matter of
5 perspective. In a way, he was absolutely right,
6 because in light of the size of the federal budget,
7 30 million bucks is truly a rounding error and
8 nothing. But in light of the perspective of a
9 neighbor or a neighborhood paying taxes for a year,
10 30 million bucks is a whole lot of money.

11 So that same human spirit that would
12 allow, let's say, John McCain to survive or other
13 POWs to survive in an unimaginable situation for six
14 years, and yet they adopt, becomes very corrosive in
15 the political system, in that people ultimately get
16 used to lots and lots of zeroes behind numbers, begin
17 to think of them as rounding errors, and over time I
18 think that's tremendously disruptive in terms of debt
19 and deficit and things like that.

20 DR. SMITH: Anyone else? Yes.

21 MALE PARTICIPANT: I'd take just the
22 opposite position. We all have term limits. They're

1 called elections, and we ought to pay more attention
2 to elections, and that's how you get rid of the bad
3 and endorse the good.

4 It just seems to me that we're . . . by
5 putting limits on, we're not giving the electorate
6 the word that their vote is important, and it's
7 important at every election and they ought to pay
8 attention. It seems to me that that's what we ought
9 to be doing. We all do have term limits, and that's
10 what they ought to be, is elections, which occur
11 every two to four years.

12 GOVERNOR BLANCHARD: Yes, I would agree
13 with you. In Michigan, term limits were adopted
14 after my time, and Governor Grandholm has had to live
15 with it.

16 But in the legislature, people arrive.
17 They have six years. They can have three two-year
18 terms. They are immediately worrying about what
19 other offices they're going to run for.

20 They're running back home for county
21 commissioner. They view each colleague as a
22 potential opponent for the state senate. They are

1 -- and yet it's a talented group of people. '

2 But no one is there long enough to have a
3 sense of history or continuity, and I fear they're
4 more invested in finding another political job than
5 they are invested in the future of the state. It is
6 a disaster in Michigan, and everyone in Lansing knows
7 it.

8 DR. SMITH: (*Gestures.*)

9 GOVERNOR VOINOVICH: I was one of the big
10 supporters of term limits for the legislature. It
11 was one of the biggest mistakes I made as governor of
12 Ohio in supporting that.

13 From a public policy point of view, it
14 might be interesting for the National Governors
15 Association to work with the National Conference of
16 State Legislators to just see how these term limits
17 of the legislative body have impacted on the ability
18 of states to do the job that they're supposed to do.

19 It seems to me that things are becoming a
20 lot more complicated than they were before. We need
21 people that really know what they're talking about in
22 the legislature, and from my observation, it has not

1 helped in terms of governors in the states in solving
2 some of those problems.

3 So I think--I've volunteered on several
4 occasions--that I would work with a group of people
5 to change the constitution back to . . . to get rid of
6 them, and nobody seems to want to take it on.

7 But perhaps if National Governors [Association] and
8 others would look at this, they might be able to come
9 back and do some research work and say, you know,
10 we've observed what's happened since this has gone
11 into effect in many states, and from our perspective,
12 things were better under the old system.

13 MALE PARTICIPANT: Yes. I believe that
14 every election, of course, is a term limit. If
15 you've done a good enough job, you will succeed in
16 getting re-elected. If not, the people will replace
17 you.

18 It does take time to accomplish the
19 initiatives of your agenda, and in one or two terms
20 it's quite difficult to see it through to succession.
21 Whoever succeeds you, it's a question of whether or
22 not they will continue your initiatives, and more

1 than likely they will not.

2 But I say this all with the understanding
3 that the responsibility and the legacy of leadership
4 is to develop new leaders and those that would
5 follow and succeed you. Thank you.

6 MALE PARTICIPANT: Could I respectfully
7 fill in one more counterpart though here?

8 DR. SMITH: Sure.

9 MALE PARTICIPANT: Which is if you look at
10 the obvious advantages that go with incumbency,
11 there's in essence less turnover in the United States
12 Congress than there is in the Soviet Duma. So this
13 whole notion of everybody getting an open shot. . . .

14 Yes, everybody could run, but there are a
15 lot of advantages that go with incumbency. It's
16 tough to beat an incumbent. This country -- I mean
17 this city that we're in, Philadelphia -- was made great
18 by a series of different citizen legislators who
19 pledged their lives, their fortunes and their sacred
20 honor, to making a difference in the forming of this
21 republic.

22 It wasn't necessarily a career track that

1 they were on. So I would like to make this final
2 point. What you trade off with term limits is in
3 some cases legitimately some level of expertise for
4 a different perspective and, I think, the larger
5 notion of will.

6 In the stock world, there's a thing called
7 Beta, and it correlates the risk of an individual
8 stock to the rest of the market. So what I think
9 term limits do is they change the Beta of an
10 individual political decision.

11 If you think that this decision's going to
12 impact the totality or entirety of your career, it's
13 a very heavy decision. If you think it might impact
14 the next four, six or eight years of your life, it's
15 not quite the same decision.

16 DR. SMITH: Now it's interesting.
17 Governor Voinovich did something a few minutes ago
18 that's rare for a politician. He admitted a mistake.
19 I wonder if I could put that question to all of you.
20 Maybe it's easier for the formers than it is for the
21 currents.

22 *(Laughter.)*

1 DR. SMITH: Anyone want to--you know,
2 the water's fine--anyone want to follow Governor
3 Voinovich into the water, and maybe we could put it in
4 the context of you learning something as a result of
5 your vast experience in the state house. Anyone make
6 a mistake?

7 MALE PARTICIPANT: Let me just say I would
8 associate myself with his remarks. But I think as
9 somebody who is obviously--I know well my colleague
10 in South Carolina and served with him and roomed with
11 him, and had also supported--I volunteered term limits on myself. I
13 served four terms in Congress, and I have no problem
14 moving up or out or whatever. But I think what's
15 happened is that you end up losing the opportunity to
16 make relationships.

17 I mean when somebody's limited to four
18 two-year terms, they're not around long enough to
19 build relationships. I think one of the problems
20 that we have today is where Democrats and Republicans
21 don't work together; one the ingredients, and there
22 are pluses and minuses with term limits or no term

1 limits.

2 But one of the ingredients that you lose
3 is the ability to build relationships. I think when
4 you're trying to make tough decisions in fragile,
5 difficult, controversial times, those relationships
6 matter. I just think that one of the things you do
7 is when they turnover all the time they're never
8 around long enough, and they've got to make a mark,
9 and they end up getting, you know, in a situation
10 where it ends up being more ideologically driven than
11 being of a more consensus development. It's
12 difficult.

13 So I would just say that I think the
14 problem has been is that one of the downfalls to term
15 limits is this cleaning out the old and bringing in
16 the new is a good thing. But at the same time, you
17 lose the opportunity to develop that relationship. I
18 think that's been one of the downsides, and I think
19 it should be re-evaluated.

20 DR. SMITH: Governor Engler.

21 GOVERNOR ENGLER: Well, I would certainly
22 echo what Governor Blanchard said about Michigan. To

1 make this very bipartisan, I think it's been a
2 complete disaster there. Mark, I appreciate some of
3 the points you're making, but I think Michigan has
4 six years in the House of Representative, three
5 terms, and I'm offended by people running for the
6 legislature for the first time and also running for
7 their first leadership post.

8 I mean we're getting speakers of the House
9 that have got two years in the legislature. They
10 don't even have a clue what a Medicaid formula is.
11 They don't understand school finance. They couldn't
12 tell you what a SIP program is or transportation
13 funding and these complexities.

14 You know, and they work at this all the
15 time. I just think it's too quick, and I think that
16 we've seen legislatures around the country that have
17 become less courageous, less competent because of
18 term limits, and they simply can't come in and they
19 come in --

20 Also, I think too often today, is they're
21 supposed to be state legislators or state senators,
22 and they come in as local delegates to maybe try to

1 do something for the community they're going to go
2 right back to. A whole bunch of them kind of get a
3 taste for what they think is the good life or the
4 better life, being hard to believe. But I mean they
5 come from the local community, kind of like the
6 capitol life.

7 So then they try to figure out "how can I
8 hang on here." They're much less independent than I
9 think they used to be. They're less able to say "no,"
10 and two, I think susceptible to the inducements of
11 the lobbying corps.

12 For the most part, I would also say that
13 they've failed, George, with the . . . they haven't
14 professionalized the staff. At least the Congress
15 has still got a . . . I think, a residual corps of staff
16 that's kind of there regardless of who's there and
17 helps run the place.

18 Legislatures now, instead of--at least
19 the Michigan experience I'll say, because I won't be
20 generalizing--what they've done is they've said, "Well,
21 these are spots for my friends for two, four or six
22 years," so you're getting, you know, a staff weakness

1 and that's very vulnerable, and that often is the
2 launching point for the next candidacy for somebody.

3 It is getting a lot more legislative
4 spouses elected, I will say that, because they often
5 run for the term. But I think the legislative
6 experience with term limits has been largely a
7 disaster, and so I'm ready to sign up with Governor
8 Blanchard of Michigan and Governor Voinovich just
9 generally on the whole topic.

10 DR. SMITH: Well, okay. I guess on the
11 subject of term limits, we'll put you down as
12 undecided.

13 *(Laughter.)*

14 DR. SMITH: Now we'd like to broaden the
15 conversation a little bit. Earlier, you heard from
16 Governor Edgar that a great way to find out what's on
17 people's minds is to go out to a parade somewhere,
18 and talk to them. That's exactly what we did. Took
19 some cameras to Washington, out on the mall on the
20 4th of July and asked them for their opinions about
21 state governors.

22 *(Video playing.)*

1 FEMALE PARTICIPANT: I'm from Kentucky.

2 MALE PARTICIPANT: We're from California.

3 MALE PARTICIPANT: Greenville, Wisconsin.

4 FEMALE PARTICIPANT: I'm from Florida.

5 MALE PARTICIPANT: Michigan.

6 MALE PARTICIPANT: York, Pennsylvania.

7 FEMALE PARTICIPANT: We're from Cleveland.

8 FEMALE PARTICIPANT: New Orleans

9 originally.

10 MALE PARTICIPANT: It has to do with the

11 souring of the national mood, and the fact that

12 people are just overwhelmingly dissatisfied with the

13 way things are going in the country.

14 MALE PARTICIPANT: Our biggest concern

15 right now is the economy.

16 MALE PARTICIPANT: The war is my top

17 issues.

18 MALE PARTICIPANT: Probably the economy.

19 FEMALE PARTICIPANT: The economy.

20 MALE PARTICIPANT: I think it's education.

21 MALE PARTICIPANT: Immigration is one of

22 the bigger issues.

1 MALE PARTICIPANT: Education, health care.

2 MALE PARTICIPANT: Jobs in the country.

3 MALE PARTICIPANT: The gasoline. Four

4 dollars a gallon is kind of

5 MALE PARTICIPANT: We haven't seen

6 negative views like this in nearly 20 years. Thirty-

7 seven percent have a favorable view of the federal

8 government.

9 MALE PARTICIPANT: How are they doing?

10 Well, kind of unfavorable. I don't think they're

11 doing a good job right now.

12 MALE PARTICIPANT: Even as the favorable

13 views of the federal government plummeted, state

14 government by contrast, local government, still very

15 well thought of.

16 MALE PARTICIPANT: I think my state

17 government is in line with what I believe.

18 FEMALE PARTICIPANT: I think the state

19 best represents my interests.

20 MALE PARTICIPANT: You find a lot of

21 places where there's much more hope and much more

22 confidence in what's going on in the state capitol

1 than in what people see happening here in Washington.

2 FEMALE PARTICIPANT: I absolutely think

3 that there is much more partisanship in the federal

4 government and the state governments.

5 MALE PARTICIPANT: It's kind of a "gotcha"

6 politics going on all the time, and they're not

7 really working "well, let's get the job done." They

8 could solve a lot of issues. They just don't do it

9 because it will benefit the Democrats or it will

10 benefit the Republicans.

11 MALE PARTICIPANT: People really do

12 perceive that this city has become, in a way,

13 sickened and poisoned by partisanship.

14 MALE PARTICIPANT: I think that partisan

15 politics in the federal government are absurd right

16 now, and it might be more polarized than it's been in

17 the history of the United States. I don't know. I

18 feel like there's more room for compromise on the

19 state level.

20 MALE PARTICIPANT: I think the governors

21 tend to live in the real world. They're more

22 realistic about what's going on in the country, more

1 pragmatic. I like them in contrast to the Washington
2 politicians.

3 MALE PARTICIPANT: I think the federal
4 government's controlling too many things.

5 MALE PARTICIPANT: That's a big deal for
6 me, that more control goes back in the hands of the
7 states, and that they get to make more decisions, and
8 not have to really bend to the requests of the
9 federal government.

10 MALE PARTICIPANT: Particularly as long as
11 Washington seems gridlocked, there's no question that
12 there are going to be opportunities and challenges
13 for states and for governors.

14 DR. SMITH: Interesting. Thirty-seven
15 percent of the people we polled apparently are
16 satisfied with what's going on in Washington. That's
17 news. Fifty-nine percent said they were more
18 satisfied with what's going on at the state level.

19 Now the fact is, disagree if you will, the
20 media pays much less attention to state government
21 than they did 20 years ago, 30 years ago. Is it
22 possible that those 59 percent are saying they're

1 happy with what's going on because they're not paying
2 much attention to what's going on? Governor

3 FEMALE PARTICIPANT: No, I don't think
4 it's because they don't pay attention. I think the
5 public is better informed today about what's
6 happening in state government than ever in our
7 lifetime.

8 But I think they're willing to voice their
9 opinion, and we as governors know that, and we know
10 that they're going to read the paper. They're going
11 to see that TV ad or whatever's going on. So it
12 makes us more responsive, and I think basically it
13 isn't just governors; it's members of the General
14 Assembly as well. Yes.

15 GOVERNOR KING: Well, being in New Mexico,
16 and having become the Speaker of the House, sometimes
17 I jokingly say I think I left a better job than I
18 went to. But at least, as governor, if you've been
19 in the legislature and worked with the legislature on
20 a non-partisan basis, you can always accomplish a
21 great deal more.

22 So I enjoyed both places, but I do think

1 state government is much more efficient than federal
2 government, but I've never been to the federal side.

3 DR. SMITH: Someone who has is Secretary
4 Kempthorne. I don't know whether to call you
5 governor or senator or secretary. But in any event,
6 you've seen it all, you've done it all. What are the
7 differences?

8 GOVERNOR KEMPTHORNE: The differences are . . .
9 having been one that voluntarily left the United
10 States Senate, I left a very prestigious board of
11 directors, to become the CEO of the sovereign state,
12 where each and every year, when I would deliver a
13 state of the state, I had to have a game plan. I had
14 to play out what those proposals were and what the
15 results would be.

16 At the state level, we didn't have the
17 concept called continuing resolutions, where you
18 could simply put off for an indefinite amount of
19 time. We do not have printing presses at the state
20 level.

21 So the idea that you must have solutions,
22 and I think that's why you see a response from the

1 public that is favorable towards state governments,
2 because governors are practitioners. They're
3 pragmatists. When I came into this position as
4 Secretary of Interior, I sat down after hearing that
5 there were a number of issues that the states were
6 having with the federal government, and I was briefed
7 by some of the staff at Interior.

8 They began the briefing by saying "Well,
9 we've been dealing with this issue for 15 years." I
10 stopped and I said "I don't mean to stop you, but I'm
11 going to tell you something. I don't have 15 years.
12 We may not reach perfection, but we're going to reach
13 a decision, and we did, and we continued to do that."

14 I think that's part of the training you
15 get as having been a CEO of a state. It's very
16 beneficial.

17 DR. SMITH: Yes, Governor Hunt.

18 GOVERNOR HUNT: I think one of the reasons
19 maybe state governments and governors have a better
20 approval rating is because they are seen as builders,
21 leaders who are building their states. It seems to
22 me that, you know, we've talked here about what you

1 do in times of a crisis, term limits, a lot of things
2 that are important, and they are all important.

3 It seems to me that the building of our
4 states, the building of our country, the becoming
5 more globally competitive, and by the way, getting
6 ourselves in a situation where we can compete with a
7 world that's increasingly getting ahead of us.

8 Governors are the main ones, I think, who
9 do these things. I'm looking at governors around
10 this room who are constantly out there recruiting
11 industry. I sometimes say that the U.S. Department
12 of Commerce are the 50 governors of America. They're
13 the ones who go out there and do it. They create the
14 preconditions for it.

15 Governors are the ones who understand it's
16 about education that we have to have that
17 infrastructure. So you've got to get the money for
18 the roads and you know, the ports and all the rest of
19 it, what Tim Kaine's working on for Northern Virginia
20 and the rest of the state.

21 But I think we're headed toward a time
22 now, and I haven't heard much about this this

1 morning, when we're going to have to have more
2 cooperation between the states and our national
3 government. It's easy for us to cuss Washington, and
4 they deserve it often.

5 But folks, I want to tell you, I don't
6 think we can do this job just as states, as we go
7 forward. If we're going to have a truly outstanding
8 education system, and we don't have one today, you
9 know; we're 16th in the country, I mean among the
10 world's nation, the OECD nations, in terms of high
11 school graduation. We're 16th.

12 By the way . . . no, we're 19th, I'm sorry,
13 high school graduation. We're 16th on college today.
14 We thought we had the best higher education system in
15 the world. We're only 16th in graduating our kids
16 from college.

17 If we're going to do this job of
18 education, I think we have to work with our national
19 government. We've got some governors who are
20 senators in this room today, and I think we're going
21 to have to work together. I think we're going to
22 have to say this has to got to be a big national

1 priority.

2 We had the national summit in
3 Charlottesville, Virginia, one time. Some of the
4 governors here were there. Set goals. We've got to
5 keep having goals for the American people, I think.
6 I think we ought to share standards. I think we
7 ought to work together, to have a good set of strong,
8 global, education standards.

9 Governors can make that happen, and states
10 ought to do it--set it--but have common ones.
11 Frankly, I think we're going to have to work with our
12 national government to have the resources to have a
13 great school system in America.

14 The National--you know what you have to
15 do in your states. We will always run the schools
16 and must. But the federal government only gives us
17 about seven or eight percent of our school budgets.
18 Why don't we double that in the near future?

19 You know how much money you're putting
20 into economic incentives to try to recruit industry
21 and to keep it there. Governor Easley's doing that
22 every day in North Carolina. But I think as we go

1 into the future, Richard, we're going to have to have
2 more cooperation between the states and the
3 governors working together with our national
4 government.

5 Washington needs to listen more to the
6 governors. When you're talking about economic
7 development, governors work at it. Too often we just
8 see Washington regulating, taxing, doing the things
9 that really make it hard for us to grow economically
10 and not, by the way, being economically responsible,
11 not balancing budgets as governors have to do.

12 But I think as we go forward we're going
13 to have to have a lot more cooperation between the
14 states and our national governors.

15 DR. SMITH: Governor Romer.

16 GOVERNOR ROMER: I want to pick that up.
17 We're 16th and 19th in graduation; we're 25th in
18 math; we're 21st in science. Let me tell you. This
19 has been our responsibility. I'm a part of this
20 problem. We have failed in the last 20 years to keep
21 pace with the world.

22 Now let's pick up Jim Hunt's point.

1 There's 30 industrial nations. Every one of them has
2 a more centralized policy and uniform program on
3 expectations in education than we. That has to
4 happen in this world.

5 Now in this country, either the federal
6 government's going to provide that or the 50 states
7 are going to provide it collectively. I think Jim is
8 on the right track. We need in the next few years to
9 have the governors voluntarily arrive at a mechanism
10 in which they hold themselves accountable to the ten
11 best nations in the world on educational performance
12 through benchmarking.

13 If the states can do that, then the
14 federal government can be a useful, helping ally.
15 But that really goes to some of the basic states
16 rights issues, and I just want to say, this nation is
17 dropping very far behind very fast.

18 You just list the nations that are better
19 than we in education. Poland, Canada. I mean you
20 just go on and on. This has got to be solved with
21 some collective action by governors working in a new
22 form of partnership with the next president.

1 DR. SMITH: Governor.

2 MALE PARTICIPANT: You know, this
3 association is a good example of why there will be a
4 differentiation in public opinion, because this
5 association historically has always worked on a
6 consensus basis and been able to, in a bipartisan
7 manner, reach solutions to national problems.

8 In the mid-'90s, we had a coalition of six
9 of us, almost all of whom are the in room. Mike
10 Leavitt, John Engler, Tommy Thomson, myself and Roy
11 Romer who just spoke, and the late Blunt Chiles
12 spent 100 hours together, three from each party,
13 talking about welfare and health care issues that
14 were stymied in the Congress and in the White House
15 at the time.

16 We came up with a solution that was
17 satisfactory to all our contemporaries in the
18 governors' offices, which was taken forward and
19 became an impetus of some federal change. But that's
20 not the environment in the U.S. Congress, and it's
21 not . . . the overall federal environment is seen as a
22 highly partisan, you know, non-functional group on a

1 comparative basis.

2 I remember after having been governor, I
3 was recruited to run for the U.S. Senate. I chose
4 not to do so. One of the incentives that was
5 suggested to me was “you get along very well with your
6 colleagues on the other side of the aisle, and we'd
7 like to have you be the person to go over and kind of
8 work things out.”

9 I said "You think that's an incentive for
10 me to go to the U.S. Senate?" There is a
11 differentiation, and people realize that. We are
12 closer to the people on a day-to-day basis in our
13 individual states, and that also, I think, makes a
14 difference in public perception.

15 DR. SMITH: Governor Grandholm.

16 GOVERNOR GRANDHOLM: Michigan has probably
17 been the state that's been most challenged by
18 globalization, as a result of the loss, and as a
19 result, we have lost so many jobs, particularly in
20 manufacturing. Obviously when manufacturers can
21 chose to locate in countries that pay, you know, 50
22 cents an hour or a day or something like that.

1 I say that, because I think all of us need
2 to take Governor Hunt's point extremely seriously,
3 especially we're in the context of national election,
4 where we can make this point to both candidates on
5 both sides of the aisle.

6 It's true with education and our
7 competitiveness against other countries. It's true
8 with health care and how other countries are
9 providing health care to their job providers in a
10 way that makes them more competitive than our
11 manufacturers.

12 It's true with respect to trade policy, and
13 it's certainly true with respect to energy policy.
14 We cannot as states do it alone. We can't expect the
15 private sector to do the investment necessary in the
16 infrastructure associated with energy, whether it's
17 renewable energy or the technology associated with
18 carbon sequestration.

19 We cannot expect that the universities are
20 going to be able to commercialize on their own or do
21 on their own all of the research and development
22 that's necessary. We don't as states have the

1 resources to be able to invest in the infrastructure
2 associated with getting ethanol or cellulosic ethanol
3 to the pumps and then into the vehicles.

4 Everyone has a role to play. So having a
5 comprehensive national strategy on energy, on health
6 care, on education is critical, and for the states to
7 be able to carry that out, I would urge as much. I
8 really like the idea of block granting myself,
9 because it allows for that innovation while still
10 carrying out that national policy.

11 DR. SMITH: Governor McKernan.

12 GOVERNOR McKERNAN: Just one point that
13 follows on the education part, with the old saying
14 about the pollster, who goes up to somebody's door
15 and says "What do you think the biggest problem is
16 facing this country today, ignorance or apathy." The
17 person say "I don't know and I don't care."

18 *(Laughter.)*

19 GOVERNOR McKERNAN: You know, we do know,
20 I think--all of us as governor or former governors--
21 the importance of being competitive. We've heard
22 about the globalization, we've heard about where we

1 stand from an education standpoint.

2 What we should all be concerned about and
3 be looking to try to affect the federal government
4 on is the fact that if we want to continue to
5 increase the standard of living in this country, we
6 need people with more education than ever before, and
7 we're falling behind.

8 When you realize that over 80 percent of
9 the jobs that are being created in this country
10 require more than an associate's degree, and only 37
11 percent of the existing workforce has an associate's
12 degree or higher, you see that those lines are going
13 to cross, and it's going to deny us the ability to
14 continue to pay an ever-increasing wage for American
15 workers so that we can increase our standard of
16 living.

17 I think since governors are the ones who
18 are trying to create jobs in their states. They can
19 have a big impact if this association continues to
20 work as it has in the past and affect policy in
21 Washington by coming together on a consensus,
22 bipartisan basis and make that happen.

1 DR. SMITH: Parris Glendening.

2 GOVERNOR GLENDENING: Just to ring in on a
3 couple of the issues that were raised here this
4 morning, it occurs to me that when we were talking
5 earlier about the states being such centers of
6 innovation in what's going on, whether it was welfare
7 reform or education reform and so on, and then moving
8 up to the fact that the way the states have done this
9 has been through cooperation.

10 A lot of states work with neighbors, work
11 with the regions and certainly work through the NGA.
12 Pulling that to looking towards the future just a
13 little bit, it seems very clear to me and to many
14 people, and not at all negating the extraordinary
15 importance of education as the foundation. I agree
16 with everything that's been said and have been
17 honored to serve with such leaders in education as we
18 have here.

19 But a couple of the really major, major
20 pressing issues is the energy sustainability, the
21 cost of energy, what's happening on energy
22 availability. The truth is that in the next decade,

1 first couple of the years of the next decade, we're
2 going to be looking at about \$7 a gallon for
3 gasoline.

4 Yet, there's little really national
5 initiative going on this. The same thing with
6 the global climate change and the severity in the
7 coastal states, what is happening to the severity of
8 the storms in the interior and so on.

9 It seems if we could draw back on our past
10 areas where we've had success, by first of all
11 working together. We see this. A lot of states are
12 coming together with different climate change
13 mitigation efforts, energy efforts and so on.

14 But what's missing in a lot of this debate
15 now is a partnership between the national government
16 and the state government.

17 If we do not begin, for example, a major,
18 major shift toward transit and away from the
19 automobile-centric type of growth that we've been
20 having, we're going to find whole communities that
21 very shortly will be like the areas in the 1880s,
22 when the trains stopped coming to the town. They're

1 going to have limited options in the future.

2 There's a sense of real urgency to that.

3 At the same time, in the past, when that sense of

4 urgency has been there, the states have come

5 together. The states have been innovators through

6 the NGA, and the states have sometimes voluntarily,

7 sometimes forced the federal government, kicking and

8 screaming, to become an active partner in this.

9 I believe we're going to make some really

10 dramatic, significant advances which we need in these

11 areas. So in the energy sustainability and the

12 global climate change, we're going to have to

13 fundamentally re-think the type of partnership that

14 does not exist with the federal government right now,

15 and reactivate that in these areas and build even

16 further on the regional cooperation that we're seeing

17 among the states of these issues.

18 DR. SMITH: Governor, second round.

19 *(Simultaneous discussion.)*

20 MALE PARTICIPANT: Secretary Kempthorne

21 said something I was reminded as I went from the

22 federal to the state as well. When I was in

1 Congress, somebody once said to me "Don't go to
2 Congress if you can't handle deferred gratification."

3

4 I thought you expressed well why it is
5 that people become governors, and the advantage of
6 being governors. Having said that, I want to follow
7 up on those who have been speaking about education,
8 because I think the Congress is ready to do something
9 on education in conjunction with states.

10 I think the basis of the deal, an
11 agreement, is there. All the statistics have been
12 mentioned, the ones that Governors McKernan and Hunt
13 and Romer and others have mentioned, have made this
14 now not just a state issue but a national crisis.

15 Because if you've got 90 percent of your
16 fastest-growing high wage jobs now requiring more
17 than post-secondary, if you have the statistics that
18 Governors Romer and Hunt talked about, this is a
19 national issue as well. It's a civil rights
20 imperative, but it's also a national one.

21 So that's why--and how much has each
22 state spent on developing its own standards? Some of

1 you have worked in agreement, the NECAP, the New
2 England agreement, for instance. Others are spending
3 off on their own.

4 But Congress, I believe, is looking for
5 states to come forward and say if you can agree on
6 common standards that are internationally
7 benchmarked, then we'll help fund it. Not mandated
8 top-down; coming from the bests that the states have
9 and truly benchmarked.

10 While we're on the subject of
11 benchmarking, or even if we weren't, let me just also
12 point out that one of the areas that deal could be
13 made, and Governor Napolitano, you've been a leader
14 in talking about this, is we are the only federal
15 nation that participates in this PISA exam that
16 Governor Hunt talked about, the Program for International
17 Student Assessment, administered by the OECD.

18 We're the only federal nation that
19 participates, but the individual states do not.
20 Every province in Canada can tell you exactly how
21 they fare against Latvia all the way up to South
22 Korea. Every *Länder* in Germany, every canton in

1 Switzerland. We're the only nation that you cannot
2 tell how you're doing, as many of you made such
3 incredible efforts.

4 So I do believe that in this--we're
5 moving into a new era of federalism where we're
6 exploring different roles. We've had two
7 presidential candidates that are talking about
8 change, and that there's a basis of a consensus there
9 between the governors coming together to set the
10 standards, truly internationally benchmarked, the
11 federal government paying for those assessments,
12 assisting with those governors that want to be truly
13 internationally benchmarked with PISA, and also that
14 then all comes under the contest of MCOB and getting
15 a true No Child Left Behind that everyone agrees on.

16 DR. SMITH: Governor Sununu.

17 GOVERNOR SUNUNU: Well, I'm afraid I have
18 to dissent with a great deal of what has been said,
19 and I'm really shocked. There are some areas in
20 which the federal government has a major role--energy
21 policy, trade policy.

22 But the last place in the world you want

1 to get the federal government to have a major role is
2 in education. The one statistic you have not cited
3 is that the degrading of the quality of our education
4 is absolutely correlated to the increasing role of
5 the federal government in education.

6 The key to education is a compact amongst
7 the student, the teacher and the parent. The further
8 and further away you take funding, the further and
9 further away you take regulation, the further and
10 further away you take control of the system, the
11 further and further away you get from an effective
12 compact that is working.

13 One of the things that is the key in my
14 state, in the state of New Hampshire, is that the
15 school boards at the local level are absolutely
16 powerful. They control most of the fundraising,
17 they control the allocation of funds, they negotiate
18 the contracts, and we have the highest state, at
19 least when I was governor and in a long period of
20 time before that--it wasn't just because I was
21 there--we had the highest SATs in the country with
22 the highest level of participation.

1 As you drift control to the state level
2 from local control, and as you drift control from the
3 state level to the federal government, you become
4 homogenized at the lowest common denominator in
5 education.

6 Yes, we want the federal government to
7 assist you financially. We want the federal
8 government to assist you, perhaps, in giving some
9 leadership on standards. But the last thing in the
10 world you want is to let the federal government start
11 creeping in control, as has become over the last
12 decade.

13 It is . . . the key to the erosion of education
14 has been the bureaucrats moving into the education
15 system from Washington, and the loss of control from
16 the local school boards.

17 I think it is a slippery slope that all of
18 a sudden--because it's easy to get money out of
19 Washington--that we start sitting on and we lose the
20 reality of the benefit of the state structure, which
21 is in my opinion, particularly in education, an
22 absolute, necessary ingredient if we are going to

1 meet with the needs of today's world.

2 DR. SMITH: Governor Baliles.

3 GOVERNOR BALILES: Yes, sure. Ted
4 Kennedy, in one of his last public appearances before
5 he was sidelined, quoted Mark Twain to this effect:
6 "It's ironic that in a country where physical courage
7 is so common, moral courage is so rare."

8 Maybe we ought to stop reading polls and
9 start reading more Mark Twain. That's all.

10 (*Applause.*)

11 MALE PARTICIPANT: A little perspective.
12 Twenty years ago, I was at this convention as
13 chairman of NGA, and our theme for the year was the
14 International Frontier. We could see the advent of
15 the European Union. We knew that our competition was
16 with emerging and developing countries.

17 Two themes emerged through the year of
18 study by the governors 20 years ago. One was on
19 transportation. Our argument was that the purpose of
20 the transportation system is to move people and
21 products quickly and efficiently, and a competitive
22 nation that cannot do that cannot grow. If it cannot

1 grow and compete, it suffers economically and in many
2 other ways.

3 We also argued that education was becoming
4 the new coin of the realm, and that a competitive
5 nation requires an educated citizenry. If it does
6 not possess that, it cannot compete. If it cannot
7 compete, it cannot grow. It's that fundamental.

8 So here we are 20 years later, still
9 talking about many of the same issues that have
10 occupied governors and former governors for many
11 years. I've been sitting here listening and thinking
12 about 20 years.

13 Twenty years ago, the Soviet Union was a
14 super-power, bristling with nuclear weapons. Today,
15 it's disappeared, and it's been replaced by at least
16 15 countries that are now members of NATO and the
17 European Union. Twenty years ago, Germany was
18 divided into two countries, east and west. Today
19 it's unified. The Berlin Wall has been sold off in
20 chunks to tourists.

21 Twenty years ago, the Soviet Union was in
22 Afghanistan. Today, the United States is in

1 Afghanistan. Twenty years ago, the Web, the
2 Internet, were just being created, just being
3 developed, and today they constitute the crossroads
4 of our commerce and communications.

5 The question that I raise is: if the pace
6 of change has been so dramatic, what about the next
7 20 years? This is not something that the states can
8 solve themselves. It's not something that the
9 federal government can solve alone.

10 Twenty years ago at this meeting, I had a
11 portable phone as governor. I could barely lift it,
12 and it cost a bundle. Today, cell phones are
13 everywhere. Kids and--thanks to Mark Warner.

14 *(Laughter; applause.)*

15 MALE PARTICIPANT: But the question for
16 us: a lot of the issues never really changed. The
17 structure of our government is not going to change.
18 I mean the constitution that's been created in this
19 city distributes power vertically as well as
20 horizontally.

21 All of that requires, it seems to me,
22 governors and members of Congress and the White House

1 occupants, to really think about leadership itself.
2 Colin Powell used to say that the Army had studied
3 the leadership question for 200 years and they had
4 not come up with a definition.

5 But he always liked the sign he saw down
6 at Fort Benning, Georgia, that said "Leadership is
7 the art of persuading others to follow, if for no
8 other reason than curiosity." It seems to me that's
9 what governors do. They have to be persuaders. They
10 have to use the bully pulpit. They have to have a
11 sense of strategic direction.

12 You cannot persuade if you're not
13 prepared. You cannot be prepared if you don't
14 understand the context in which one operates. That
15 to me is part of our problem, I think, in
16 communicating with our larger public.

17 We assume people know more than they
18 really do about the issue. I think governors are in
19 a peculiar position, a unique position, to try to
20 show the connection between investment and return.
21 If it's education, for example, you show the
22 connection between education and economic growth,

1 between education and social responsibility, between
2 education and civic betterment.

3 You do that for every subject. I think
4 the reasons that governors are successful in our
5 federal system is because so many of them have had
6 that understanding of the importance of context.
7 Without it, I think you have a much more difficult
8 proposition to communicate to your public.

9 When that happens, you have less results
10 that satisfy the American public.

11 DR. SMITH: Governor Voinovich, what about
12 that?

13 GOVERNOR VOINOVICH: Well, I'd like to get
14 back to this education thing, and make one other
15 point. I voted against No Child Left Behind. It was
16 a Republican proposal. I was opposed to it, because
17 I thought the education was the responsibility of the
18 states; that it was arrogant for the federal
19 government to start demanding from the states when
20 they were only putting seven percent of the money
21 into the pot.

22 Last but not least, I knew that if it

1 passed, we wouldn't fund it. That's exactly what's
2 happened.

3 The other issue I wanted to raise, and
4 this is the one at 35,000 feet, and that is this: We
5 are in deep, deep trouble financially. Our national
6 debt is \$9.4 trillion. It's 68 percent of our gross
7 national product.

8 Unless we come to grips, like governors
9 had to, with the finances of this country, many of
10 the programs that the states are benefitting from
11 from the federal government in all areas are going to
12 disappear.

13 By 2030 . . . by 2030, if we're taking about 19
14 percent of GDP as far as revenues coming in, all of
15 the federal government's money is going to go for
16 interest, for health care and for social security. I
17 think all of you should start to pay a lot more
18 attention to that.

19 There's going to be a big movement on
20 between now and the election by the Concord
21 Coalition, by Pete Peterson, David Walker leading it,
22 and even Ross Perot's going to get into the act. But

1 we have got to get the presidential candidates to
2 agree that they're going to face this problem
3 forthrightly and stop smoothing it over and making
4 the American people think that things are in good
5 shape.

6 One of the things that's great about being
7 a governor is you've got to balance your budget. You
8 either do it by cutting expenses or you have to raise
9 taxes. We've been on a honeymoon for too long in
10 this country, and it's about time we faced up to it.

11 It's going to take your help for us to get
12 the job done, because I'm not sure we've got the
13 political backbone today in the Congress of the
14 United States to get it done.

15 *(Applause.)*

16 DR. SMITH: Governor *(inaudible)*.

17 MALE PARTICIPANT: This conversation,
18 which began with a discussion on federalism and has
19 gone through a whole series of issues, including
20 education, reminds me that the founding fathers in
21 1787 in this city may have formed the perfect form of
22 government for the 21st century.

1 They created what is essentially a
2 network. We've operated for some time as a big
3 mainframe. We have the ability now to operate as a
4 network of PCs.

5 I believe the reason that the federal
6 government has a 30 percent approval rating is
7 because the federal government has routinely
8 concluded to take on issues that are uniquely state
9 issues, and we do a bad job of it because we try to
10 be the computer and not just the operating system.

11 We try to . . . rather than develop
12 standards, we try to prescribe everything that goes
13 on. So I would like to say we need to have
14 federalism continue, but it needs to be a
15 reinvigorated, 21st-century version of federalism.
16 It does require that there are some national
17 standards.

18 But it also requires that the Congress of
19 the United States demonstrate enough restraint that
20 they allow states to operate in the unique way that
21 they can to show the kind of innovation that they
22 can.

1 It also requires that states act in their
2 legitimate constitutional role and begin to agitate
3 and push back when the federal government steps
4 across that boundary. Now it's been my experience, both
5 as governor and working in an agency that interacts
6 with my colleagues and former colleagues a great
7 deal, that what we hear most agitation about is more
8 money, not more flexibility.

9 If we're going to make 21st-century
10 federalism work, we've got to guard and protect the
11 institution of the state and make it more powerful
12 by our virtue of standing up for those positions.
13 Then the federal government's got to begin to
14 recognize that its best advantage is in developing
15 standards, and freeing and enabling action of the
16 states, not taking it over.

17 DR. SMITH: Governor Schweitzer?

18 GOVERNOR SCHWEITZER: Sorry. You know, in
19 this back row, we can't hear what everybody's saying.
20 We kind of have to guess. I want to be very direct
21 in the West, where the federal government owns
22 somewhere between 30 and 80 percent of our land.

1 I'm going to tell you right now the
2 federal government makes a damn poor neighbor. They
3 don't know how to run those resources, they don't
4 take care of those resources, and frankly, it appears
5 to us that sometimes in the West, that the original
6 colonies treat us like the colonies, just as a place
7 that we can play and we can take resources.

8 It's important for us as governors to say
9 "no, hell no" and "no" to the federal government often.
10 It seems to work in the West. If you say no enough,
11 they'll leave you alone and they'll bother somebody
12 else.

13 I only say that partially in jest, because
14 as I visit with the rest of the Western governors
15 we're always looking for solutions of getting the
16 federal government off our backs. We're always
17 looking for solutions to get the federal government
18 to listen to us. They usually don't because we have
19 a small number of Congressmen and a large quantity of
20 land with a lot of minerals.

21 So Congress, by and large, they will make
22 those decisions for us, because there's value in

1 those resources and they still own that land. I
2 border Canada--three provinces. So I'm watching the
3 system in Alberta, British Columbia, Saskatchewan,
4 Manitoba.

5 They have a much better system than we
6 have. They have much more economy, each and every
7 one of those provinces. They're responsible for
8 their own minerals, they're responsible for their own
9 health care, and they're responsible for their own
10 education.

11 We heard earlier that Canada seems to have
12 a better education system than we do in the United
13 States. I think that's true, and it's run by the
14 provinces. Some of us know that their health care
15 system is a universal health care system, and it's
16 paid for by their provinces, probably superior to the
17 system that we have here.

18 The provinces in Canada are much more
19 autonomous than the states. I think their system is
20 working, and I think that that might be a template
21 for some of us states to be watching. Thank you.

22 DR. SMITH: Let me raise something. Let

1 me take Governor Leavitt up on his challenge about a
2 new kind of federalism, because it has been suggested
3 that all of you in fact can significantly change the
4 way things are done in Washington because of the
5 redistricting process of which you are a significant
6 part.

7 That if districts were not drawn to assure
8 one party control, if districts were made more
9 competitive, first of all it might very well increase
10 voter turnout.

11 Secondly, it would change the nature of
12 the electoral process itself. It might very well
13 place a greater emphasis upon pragmatism, moderation,
14 problem-solving, all of those qualities that define
15 governors at their best.

16 So what about it? What about that notion?
17 I believe Governor Schwarzenegger's taken the lead in
18 California. What's your role in that function, and
19 are you willing to step up to challenge your own
20 political parties? Anyone?

21 GOVERNOR MANDEL: I think all that we've
22 been discussing today, I hate to say, it gets back to

1 one word: leadership. I think what's lacking and
2 what is taking the place of leadership is party
3 politics. Just think for a moment. I was hesitant
4 to say it, because I may have to leave town.

5 But seriously, party politics is taking
6 the place of leadership. Issues are being decided on
7 the basis of what's good for the party and not what's
8 good for the state or not what's good for the
9 country. What's good for the party?

10 As you get closer to Washington, living
11 closer to Washington, you see more and more of it.
12 We're in Maryland, we're right next door. Every time
13 something is done, the question comes "Is it good for
14 the party?"

15 Well, when I was in office, we said
16 "What's good for the state, what's good for the
17 government, not what's good for the party? What is
18 the right thing to do and let's do it." I think the
19 leadership to do that is what's lacking today.

20 MALE PARTICIPANT: I don't have the answer
21 to your question, but it does seem, with the
22 mathematical precision of reapportionment, we'd have

1 the two parties pull farther and farther apart. Some
2 people like that.

3 I had the privilege of serving in Congress
4 between 1975 and '83 and there seemed to be a lot
5 more bipartisan cooperation, discussion, socializing,
6 friendships, and certainly a lot less heated rhetoric
7 than today. I don't know if it's me or it's the
8 change in condition. Others have written about it.

9 But I think the conditions have changed,
10 and it does make it harder to deal with some of the
11 issues, like the debt that Governor Voinovich
12 mentioned, which is clearly a huge danger to our
13 future.

14 DR. SMITH: Governor Vilsack.

15 GOVERNOR VILSACK: To your question about
16 the nature of how we set up legislative districts, I,
17 with some pride and I think Governor Culver would
18 agree with me about this, the state of Iowa, I think,
19 has a very good model, which establishes very
20 competitive legislative districts. It takes the
21 politics out of it, and I think we have seen the
22 ability and capacity of our state to have less

1 partisanship than perhaps other states.

2 It is a computer-driven process, in which
3 the computer is given information about the
4 population statistics. It comes up with a map. It
5 comes up with three maps actually. The legislature
6 is given the opportunity to do an up or down vote on
7 the first map, no amendments, no changes.

8 If it's passed, the governor has the right
9 to sign or veto. If for whatever reason it doesn't
10 pass or it's vetoed, the second map, the same
11 process. If that doesn't work, the third map.

12 If that doesn't work, ultimately the
13 courts basically make the decision. But the reality
14 is the courts have never had to make that decision,
15 because people understand and appreciate it's part of
16 our culture.

17 So I would really urge the nation's
18 governors to take a look at this system, because I
19 really think it does work well to your point.

20 Let me just say one other thing. I've
21 listened very carefully to this conversation today,
22 and I would simply say this. Part of our problem, if

1 we have a problem, is the frame in which we discuss
2 issues.

3 Most of what's been discussed today has
4 been in the negative, what's wrong, what needs to be
5 fixed. Maybe what this country needs is a positive
6 frame. This came to me when I was visiting some
7 folks in Europe about climate change.

8 They looked at me and they said "You know,
9 we're not capable of doing the innovation that's
10 going to be required to really solve this problem.
11 We are looking to America to do this."

12 It seems to me that what governors are
13 successful . . . the reason we're successful is that we
14 create in our states a positive frame, something that
15 people can rally around, not move away from. Maybe
16 there's a lesson there for our national leaders.

17 We have problems, we have difficulties.
18 But someone has to call Americans, all of us, to a
19 positive outlook, to a positive future, and explain
20 how each of us has a role and a responsibility to
21 make that future happen.

22 DR. SMITH: Governor Vilsack, I think

1 that's the perfect note--

2 *(Applause.)*

3 DR. SMITH: --on which to wrap this up. I
4 would only say one observation. As you know, for a
5 long, long time, it's been said in the United States
6 Senate that if you poked your head in and said Mr.
7 President, 100 faces would turn in your direction,
8 I'm wondering . . .

9 I look around this group and I'm wondering
10 if maybe if I say Mr. or Madam Vice President, maybe
11 that would apply too. Anyone here want to declare
12 their candidacy or non-candidacy?

13 *(Laughter.)*

14 DR. SMITH: Well, anyway. Listen, I cannot
15 thank you enough. I think we promised you a lively
16 and substantive conversation about the state of the
17 states, and I think the governors behind me more than
18 delivered. Would you please join me in thanking
19 them?

20 *(Applause.)*

21 DR. SMITH: I think we can all agree:
22 Alexander Hamilton, eat your heart out. Thank you

1 for coming.

2 *(Applause.)*

3 *(Whereupon, the session was concluded.)*

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1 NATIONAL GOVERNORS ASSOCIATION

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3 CENTENNIAL CELEBRATION

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5 "LEGACY OF LEADERSHIP"

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1 AFTERNOON SESSION

2 VOICE: Good afternoon, everyone. Before
3 we begin the afternoon session, I want to note the
4 presence of four great present-day governors who have
5 joined us and didn't get a chance to be introduced
6 this morning: Governor Don Carcieri from Rhode
7 Island--Don.

8 *(Applause.)*

9 VOICE: Governor Steven Beshear from
10 Kentucky.

11 *(Applause.)*

12 VOICE: Governor Brad Henry from Oklahoma.

13 *(Applause.)*

14 VOICE: And the one and only Governor
15 Haley Barbour from Mississippi.

16 *(Applause.)*

17 VOICE: President William Jefferson
18 Clinton became known to the political world as a six-
19 term governor of the State of Arkansas. He did many
20 things pushing and accomplishing a progressive
21 agenda, but of all the things that he accomplished,
22 his biggest achievement was totally reforming and

1 revitalizing Arkansas' public education system. He
2 went on to get elected President of the United States
3 and, as President of the United States, he
4 revitalized the American economy by ending a massive
5 budget deficit and producing record surpluses, by
6 opening up the telecommunications industry with the
7 reauthorization of the Telecommunications Act in 1996
8 and, as a result, helped create during his time in
9 office 23.5 million new jobs in America. He helped
10 restructure--with the help of this organization,
11 helped restructure our public welfare system in
12 American. He established Hope scholarships, bringing
13 hope and a chance to attend college to several
14 million Americans who never thought they could reach
15 college in their wildest dreams.

16 As effective as he was in the domestic
17 arena, he was equally effective in foreign affairs.
18 He brought peace to Northern Ireland; he brought hope
19 to Africa; he brought life to over one million Kosovars
20 who were ticketed for ethnic cleansing by the
21 Milosevic regime. We were able to accomplish the
22 protection of those one million Kosovars without the

1 loss of one American serviceman or servicewoman.

2 As impressive a President as William
3 Jefferson Clinton was, he has been even more
4 impressive as an ex-President. The Clinton
5 Foundation has done so much all over the world,
6 reaching into and impacting on some of the most
7 significant challenges that we face as a country and
8 as a planet.

9 And we all know that President Clinton is
10 a very smart and intelligent man. And, in preparing
11 for this introduction, I pretty much thought that I
12 knew everything about Bill Clinton and the Clinton
13 presidency and the post-Clinton presidency years, but
14 I read the biography anyway, and I have concluded from
15 one fact that I was able to discern that he's even
16 smarter than any of us ever realized.

17 His biography lists his 20 favorite books
18 in alphabetical order by name of author. The third
19 on the list is Living History by Hillary Rodham
20 Clinton.

21 *(Laughter.)*

22 VOICE: Ladies and gentlemen, the former

1 President of the United States, former President of
2 the National Governors Association, William Jefferson
3 Clinton.

4 *(Applause.)*

5 PRESIDENT CLINTON: Thank you. Thank you
6 very much. Thank you. Thank you.

7 Thank you very much, Governor Rendell,
8 Chairman Pawlenty, the governors, the former
9 governors, their spouses, family members, and ladies
10 and gentlemen. I was very honored to be asked by
11 Governor Rendell to come here today. I used to have
12 to run for office every two years, and I thought I
13 would never be able to hold a job, but I got to be a
14 governor for 12 years; it's the longest I ever had
15 any one single employment in my entire life--

16 *(Laughter.)*

17 PRESIDENT CLINTON: . . . and I loved it. And
18 I am profoundly honored to be here on the 100th
19 anniversary of the Nation's Governors as an
20 association.

21 You know, our founders believed that the
22 states should be laboratories of democracy. When

1 laboratories are used in a scientific sense, one of
2 the things that you immediately see scientists
3 grappling with is how can they do the best research
4 and come up with the answer to whatever the question
5 is first, but then what are their ethical and
6 practical obligations to share those discoveries with
7 others so that the process of permanent improvement
8 can go forward. That's what laboratories do.

9 One of the things that I had the honor of
10 presiding over, but not doing, was the successful
11 sequencing of the human genome in 2000, after years
12 and years and years of both individual and
13 collaborative research by scientific labs in the
14 United States and many other countries.

15 And I remember the day we announced it in
16 the White House and in London. Tony Blair and I were
17 on satellite together, but we had the representatives
18 of all the other countries who had contributed to
19 this landmark moment in scientific history,
20 . . . laboratories involved, sharing.

21 I think it is altogether interesting that
22 it was 120 years, therefore, between the election of

1 George Washington as the first President of the
2 United States and the first convening of the
3 governors with President Theodore Roosevelt in the
4 White House in 1908, 100 years ago. I want to say a
5 little more about that in a moment.

6 But I came here early and had the chance
7 to hear my colleagues and former colleagues speaking
8 right before we broke for lunch. And the whole idea
9 of being a governor involves in some sense moving
10 beyond party to policy to positive changes in the
11 lives of real people. Politics in the best sense is
12 about both symbol and substance, about the emotional
13 reality of our lives together and the material
14 circumstances that shape them, about good intentions
15 and about the hard work necessary to achieve actual
16 changes, about standing for what you believe in and
17 reaching out to others to find common ground.

18 In the best sense for 100 years now the
19 National Governors Association has represented that,
20 I think, to virtually every governor who ever served.
21 It has done an exceptional job of helping states to
22 be laboratories of democracy, making the most of

1 consensus when it was there--as it was by and large
2 in the 1970s when I became a governor for the first
3 time--and helping to minimize the partisan tectonic
4 shifts that occurred in America in the 1980s and
5 persisted throughout the '90s. I used to tell people
6 that I love going to the [National] Governors Association
7 because it was a center of want-dom.

8 And I love the idea of the laboratories of
9 democracy because, on occasion when I was governor of
10 Arkansas, we would be the first state to do
11 something, but I was always just a little prouder if
12 we were the second state to do something, because it
13 meant that the founders' idea was being honored. So
14 the most important thing I can do today as a former
15 member is to honor this association, to honor the
16 current governors and their predecessors for truly
17 fulfilling the founders' ideals in good times and
18 bad.

19 But I would like to take just a few
20 minutes to talk about what that means today. What
21 should the laboratories of democracy be about today?
22 The 21st century is overwhelmingly the age of

1 greatest global interdependence in history. A
2 hundred years ago when we met first, or our
3 predecessors did, just a few years before the
4 outbreak of World War I, the world was actually about
5 as trade dependent as it is today. In fact, the
6 countries of Western Europe, several of them were
7 actually more trade dependent than they are today;
8 that is, a higher percentage of their GDP was
9 generated by trade than today.

10 But there was nowhere near the
11 interdependence we see today in travel and
12 communications, in shared culture, in instantaneous
13 information, in international institutions which
14 bring us together, and nowhere near the
15 interdependence in terms of our shared vulnerability
16 to terror, to climate change, to the spread of
17 disease and all the other things which we share in
18 common which are negative as well as positive.

19 In this interdependent world, I would
20 argue that both around the world and here at home the
21 laboratories of democracy have to confront three
22 profound challenges that stand in the way of our

1 children and grandchildren having the future that
2 they deserve. They are, in no particular order:

3 Persistent and profound inequality in
4 incomes, employment, education and health care.

5 Identity. In a world in which we are all
6 thrown together, and we celebrate our diversity armed
7 by the knowledge of the Genome Project that we are
8 genetically more than 99.9 percent the same. Indeed,
9 just in the last year, Craig Venter, who had a
10 private enterprise effort to sequence the human
11 genome--which finally was reconciled with the
12 public one--came out with a new study saying that
13 the original findings that we were 99.9 percent the
14 same, all of us who live on earth, was absolutely
15 wrong, and that in fact it was a gross overstatement,
16 we are only 99.5 percent the same.

17 *(Laughter.)*

18 PRESIDENT CLINTON: Now, actually, in
19 scientific terms, this can have enormous
20 significance, since there are 3 billion genomes, for
21 the resolution of all kinds of inquiries about
22 disease. But if you're a politician, if you work

1 with people, there's not a lot of difference in 99.5
2 and 99.9.

3 And yet the world is truly bedeviled by
4 people who still persist in believing that our
5 differences are more important than our common
6 humanity and that we simply can't find a way to live
7 with that.

8 The most extreme examples are obviously in
9 the terrorist countries that believe they won't
10 matter unless they have their own nuclear weapons,
11 and we have smaller examples of that--in America,
12 our biggest problem is figuring out how to manage the
13 fact that more people want to come here every year
14 and make a living in an unequal world than we can
15 accommodate. So we haven't quite figured out how to
16 be a nation of immigrants and a nation of laws. But
17 all of these are identity questions.

18 And you see it also in American politics--
19 this is the only book I will recommend to you
20 today. But I read a book a couple weeks ago called
21 The Big Sort, S-O-R-T, written by a man who had a
22 long career as a journalist; . . . happens to be a Democrat

1 but it's rather sympathetic with Republicans. And
2 this is the argument of the book.

3 The argument of the book is that America
4 is becoming more diverse so if you look at us as a
5 nation it looks like we're accommodating all this
6 difference really well and, to be sure, in many ways
7 we are.

8 I was really proud that this year in the
9 election my party's surviving candidates were an
10 African American and a woman. There's a lot of other
11 evidence of that.

12 But here's the point [Bill] Bishop makes: that
13 underneath this apparent accommodation to our
14 diversity, we are in fact hunkering down in
15 communities of like-mindedness. And it threatens our
16 ability to manage difference.

17 He points out, for example, that in 1976
18 in the presidential election between President Carter
19 and President Ford, it was very close, and it was
20 close almost everywhere. So that only 20 percent of
21 our counties voted for either one of them by more
22 than 20 percent margins. In most of America, people

1 were having this discussion. In their houses of
2 worship, where they work, with their neighbors, at
3 their civic clubs, in bowling leagues, they were all
4 talking about it. We were bound together across our
5 political differences.

6 In 2004, when we had another close
7 election between President Bush and Senator Kerry,
8 48.5 percent of our counties voted for one or the
9 other of them by more than 20 points. We were
10 sorting ourselves out by choosing to live with people
11 whom we agreed with. And the same thing is true with
12 our virtual reality, where we can now seek Web sites
13 and television news programs and print media that
14 confirms our pre-existing inclinations instead of
15 challenges us in a civilized way to talk through
16 these things, which may be one reason when we come up
17 against somebody that disagrees with us we can hardly
18 hear them anymore. So we have to learn to manage
19 difference.

20 And the third big problem we face after
21 inequality and identity is energy and global warming.
22 This country became a great world power more or less

1 coincident with the rising industrial age. We became
2 a greater power after World War II with the rise of
3 the middle class. All of it was fueled by our
4 capacity to develop and use our natural resources and
5 to put more greenhouse gases into the atmosphere.

6 We are now coming to a time when, if all
7 these climate scientists are right--and it's rather
8 foolish to assume that they're all wrong--we have
9 to move to a radically different energy future, and we
10 have to do it in a way that doesn't undermine our
11 struggle to create a common identity and that doesn't
12 undermine our struggle to reduce the gross
13 inequalities within our country and across the world.

14 If you think about the challenges facing
15 the governors today, most of them can be reduced to
16 one of those three categories. If you're worried
17 about jobs or schools or incomes or health care,
18 you're caught up in the world's inequality challenge.
19 If you've got an immigration issue, you're caught up
20 in the world's identity challenge. And we're all
21 facing \$4 or more gasoline, as well as the looming
22 threat of global warming.

1 So what can we do about it? What we can
2 do is always more pedestrian than talking about it,
3 but I think it is worth analyzing.

4 First of all, let me just mention a couple
5 of things. With regard to the inequality challenge--
6 and let me back up and say in my current life, when
7 I got out of the White House and I realized I wasn't
8 President any more, then my symbolic job became far
9 less important than my substantive obligations. My
10 rhetorical responsibilities were far less significant
11 than my real action responsibilities. And what I do
12 now running my foundation is much more like what I
13 did when I was a governor, I just wake up every day
14 and figure out what can I do, in the words that
15 former Governor Brendan Byrne reminded me of, to
16 close the gap between what is and what ought to be.
17 What can we do?

18 So let me just mention a couple of things.
19 With regard to inequality of incomes and the whole
20 cluster of issues, I think that one thing I've been
21 involved in and many governors are working on is the
22 fact that some of the poorest working people in the

1 country are paying the largest amount of money to do
2 ordinary business transactions with the little money
3 they have because of the payday loan system we have,
4 the check cashing operations we have, and this is
5 aggravating inequality in a way that is very profound
6 and yet almost never talked about.

7 For example, consider this: in this
8 decade, 90 percent of the economic gains have gone to
9 the top 10 percent of earners, over 40 percent to the
10 top 1 percent. Median family income is \$1,000 lower
11 today than it was the day I left office. In that
12 environment, with the cost of gasoline exploding, the
13 cost of health care doubling, the cost of a college
14 education going up 75 percent, what does it say about
15 us that every year low- and moderate-income people
16 spend more than \$8 billion at check-cashing outlets,
17 payday lenders, and pawnshops. Twenty-eight million
18 Americans do not have a bank account, almost 10 percent of
19 us. They can spend about \$1,000 a year just cashing their
20 paychecks.

21 With all these other cost problems they
22 have, the average full-time unbanked worker in

1 America will spend more than \$40,000 cashing checks
2 over a lifetime. If that money were simply invested
3 at a normal rate of return, it would generate
4 \$360,000 that could be spent on retirement security.

5 And that doesn't take into account all the money
6 that's being spent now on all these other problems.

7 Another 44 million Americans have a bank
8 account, but they understand it not very well and they
9 still pay for alternative financial transactions like
10 check cashers or payday loans. Listen to this:

11 there are more check cashing, payday loan, and
12 pawnshop outlets in the United States alone than
13 there are McDonalds and Starbucks worldwide.

14 So Governor Strickland of Ohio has done a
15 lot of work on this, because Ohio has had a lot of
16 real problems. Governor Schwarzenegger has done a
17 lot of work on this. The City of San Francisco has
18 been very innovative in trying to get 10,000 new
19 people a year into the banking system, and not just
20 putting them in there, but giving people the tools of
21 financial literacy. This also can help us on the
22 identity problem because immigrants are

1 disproportionately likely to be out of this system
2 even though in the workplace.

3 So we started a financial mainstream
4 program with our foundation to try to expand access
5 to lower-cost, safer and more transparent financial
6 products and services like bank accounts, savings and
7 investment vehicles, and other alternatives to payday
8 loans. We worked with the Pew Charitable Trust Safe
9 Banking Opportunities Project, and we're going to hold
10 a work session for them and state officials this
11 fall. I hope all the governors will send someone to
12 that. This is one concrete example of how you can
13 help deal with the inequality problem and the
14 identity problem that should cross all party lines.
15 And it's the kind of thing that I think--I have
16 seen just from the work we've done in New York City--
17 can make a profound difference in people's lives.

18 I'll give you another example. I believe
19 that we need to rewrite the No Child Left Behind law.
20 And the governors have always been right out there on
21 the forefront in a bipartisan way of favoring strict
22 accountability in education. But as I traveled

1 around America this year, the problem that I kept
2 running up against over and over again was that No
3 Child Left Behind--which requires five tests five
4 years in a row and lets the states pick the tests and
5 the passing score but conditions their federal aid on
6 it when they have to have the federal aid--really
7 does work for about 10 percent of the schools that
8 are the lowest performing; that is, no matter what
9 tests you pick, if you previously had kids getting
10 all the way to the eighth grade not being able to
11 read or count, it will help.

12 But if the schools perform better than
13 that, the law is likely to do more harm than good
14 because complying with the law has caused 80 percent
15 of our schools to cut back on history, economics,
16 political science, health programs, physical
17 education programs, music and the arts.

18 The governors are trusted both because
19 you're a bipartisan group and because you've always
20 been for accountability and you know if you don't
21 educate your people better, you won't be competitive.
22 So I respectfully suggest that the next Congress and

1 the next Administration ought to get a really
2 substantive and detailed position from you about how
3 we can have accountability and improvement, deal with
4 the kids that are stuck on the bottom, but stop
5 burdening all these other schools in a way that is
6 actually undermining their quest for educational
7 excellence. I think that's something you can do that
8 would reduce inequality.

9 One last thing, the inequality in health
10 care. I am quite well aware that we will never solve
11 this problem without national legislation and that,
12 in the meanwhile, most of the time what you have to
13 struggle with is what's happening with Medicare and
14 Medicaid. But I also think we need to recognize that
15 we have to do a better job of taking responsibility
16 for our own health and keeping our people healthier.

17 After my heart problems, I got into the
18 whole idea of preventing other people from going down
19 the path that I'd gone down. I agreed with the
20 American Heart Association to work on a project to
21 help improve health care among our young people, and
22 it quickly became obvious that childhood obesity was

1 the biggest problem and the biggest manifestation of
2 it is the shocking rise in what we used to call adult
3 onset diabetes, Type II diabetes, the kind you are
4 not born with a predisposition to among young people.

5 Two years ago in Harlem, where my office
6 is, we actually had a 9-year-old child diagnosed
7 with Type II diabetes. When I was with Governor and
8 Mrs. Barbour in Mississippi in Katrina and I went to
9 Biloxi, I went to a neighborhood that was destroyed.
10 The good news was . . . the bad news was all these
11 people had just paid off their home mortgages. The
12 good news was, they were all fairly well insured, and
13 they were going to be able to rebuild.

14 But I was met there by a very articulate
15 woman who could not have been a day over 35 years old
16 greeting me and explaining to me everything that had
17 happened, except she was in a wheelchair having lost
18 one of her legs below the knee to diabetes at an age
19 when it would have been unthinkable not very long
20 ago.

21 So I have very much enjoyed working in a
22 bipartisan way on this. Many of the states have

1 worked with us, the former Governor of Arkansas, Mike
2 Huckabee, and now Governor Schwarzenegger because we
3 wanted it to be bipartisan, have helped us to work
4 with the Heart Association to change the agreements
5 we have with soft drink people, with snack food
6 people to get 750,000 young people to sign up through
7 the Let's Go Healthy Challenge on Nickelodeon.
8 Mississippi, Oregon, Colorado and Alabama have
9 adopted our beverage standards for the schools. And
10 now the Robert Wood Johnson Foundation has helped us
11 to put a healthy schools program in place in all 50
12 states--we'll soon have 8,000, and we want to go to
13 25,000 schools.

14 These school programs really work because
15 they require people at the local level to decide how
16 they're going to improve the school lunch programs,
17 how they're going to improve the other feeding
18 programs, how can we have more exercise programs and
19 wellness programs for staff as well as students.

20 There will be a significant challenge here
21 because of the exploding price of food. I see it
22 now. A lot of our schools now are calling us and

1 saying I don't know if we can afford to stay with our
2 healthy food program because of the rising price of
3 food plus what it costs to run the school buses. But
4 I think this is really important. We simply cannot
5 have a health system which continues to be focused on
6 helping people just when they're sick; we have to do
7 a better job of promoting wellness.

8 Does this exhaust all the things you can
9 do with inequality? No. But you have to ask
10 yourself, what can I do? There's one final thing that
11 I think that the foundation world and the state
12 governments can do that is really important. The
13 exploding price of food has had a lot of interesting
14 consequences. Restaurants, for example, are trying
15 to manage their inventories better. That's good, but
16 it means if you live in a big city like New York it's
17 harder for our food bank to go around and get extra
18 food from people that used to provide it. So we have
19 urban food banks all over the country in some
20 trouble. People are more willing to buy three-day
21 old bread, so the grocery stores in medium-sized
22 cities maybe have less food to give to urban food

1 banks.

2 And people are simply having trouble
3 affording it. I don't know how many people I met
4 this year that told me they are literally making the
5 decision every single week between buying the gas
6 necessary to go to work and putting food on their
7 kids' tables or buying the medicine the family needs.

8 Now in that context, it is very
9 interesting that the Department of Agriculture says
10 that in 2005 only 65 percent of all people eligible
11 for food stamps claimed them. Only 57 percent of
12 low-income working people eligible for food stamps
13 claimed them. Now some of that is doubtless people
14 are proud; they're working and they don't want to
15 admit that they need this. But we're living in a
16 different world now with \$4 gasoline.

17 So I think every foundation that works in
18 neighborhoods in this country and every state
19 government ought to have an effort, it is cost free,
20 just to get the people who are eligible for this to
21 claim it.

22 President Bush just came back from the G8

1 summit in Hokkaido, Japan, where they were all being
2 told that unless they gave more money to the World
3 Food Program we were going to have mass hunger and
4 some starvation around the world.

5 I'm about to leave for my foundation's
6 annual trip to Africa, and in Ethiopia we have a
7 major AIDS project. It doesn't work anymore unless
8 we're also providing comparable nutrition services to
9 the kids or the medicine won't work, it'll just wash
10 right through their bodies. And we cannot afford to
11 let these kids die. This is going to be a huge
12 problem.

13 This sounds like a little step, but this
14 is a pre-existing authorization that will not cost
15 any more money, that is just a gap between what the
16 law provides for and what people know about or have
17 access to. So the states are very well suited, I
18 think, to close the gap between the people who are
19 eligible for food support and have not yet claimed
20 it.

21 It would also help to recirculate that
22 money in the economy, by the way, and have a modest

1 impact on slowing down the economic downturn at the
2 grass roots level. So that's something else that I
3 would encourage you to look at.

4 Finally, let me just mention one other
5 thing on the identity front. All the debate in
6 Washington is over what kind of immigration reform we
7 should have, and I hope and pray that we'll pass a
8 good balanced bill next year that makes us a nation
9 of laws and a nation of immigrants again. And I'm
10 very encouraged by what has been said by the apparent
11 nominees of both parties; I think they've been good
12 on this.

13 But we need to ask ourselves whether
14 that's enough. What else would it take for us to
15 avoid an even bigger big sort, if you will, with this
16 new generation of immigrants? We want people to live
17 in their own neighborhoods and their own communities
18 and keep their traditions alive and their language
19 alive and practice their faith as they choose and all
20 that; we want all that to happen. But are we doing
21 enough to bridge those gaps? And since it's
22 different in every state, I think this is something

1 where the states could really teach the national
2 government something about what 21st-century
3 Americanization should really mean. And let me just
4 mention one final issue, and that is the one that
5 brought the governors together 100 years ago:
6 energy, natural resources.

7 It is obvious to all of us that we have to
8 figure out how to use less, and the American people,
9 as usual, have gotten out ahead of the politicians:
10 oil imports, in spite of the price going up, are down
11 over 10 percent this month. That is cash outlays, so
12 the oil we're buying is down even more than that.
13 The American people are just using less. It would be
14 good if they hadn't given up mobility to do it. And
15 if they were in higher-mileage vehicles or plug-in
16 electric vehicles, they could do it. Or if they were
17 using cellulosic ethanol that didn't increase food
18 prices, it would be good.

19 A lot of governors are into this. I
20 believe that creating jobs will be at the heart of a
21 lot of governors' agendas for the next few years and
22 I think the only way to do it in a sustainable way is

1 to change the energy future. I think the automobile
2 industry in Michigan is going to be revived because
3 they're working on hydrogen vehicles, plug-in
4 electric vehicles, biofuels, the whole range of
5 everything between where we are and where we know
6 we're going to be in 10 or 15 years. And I think
7 anything any of us can do to support that is good.

8 I work with 40 large cities around the
9 world, the National League of Cities here and the
10 Organization of College and University Presidents to
11 prove that you can create jobs by reducing energy
12 consumption, by retrofitting buildings. And this is
13 something--but we're doing this too slow. And
14 every state could do this. I'll give you just one
15 concrete example of how you could create jobs in your
16 state tomorrow. You could do what we do on a grander
17 scale because of state government. Totally market
18 oriented.

19 My foundation went out and basically said
20 to the providers of energy efficient materials: if we
21 buy this stuff in larger volume with certain payment,
22 will you give us a discount? The same thing we do

1 with AIDS drugs. So we got a discount of anywhere
2 between 15 and 70 percent on energy technologies.
3 Nobody loses money; they just make money a different
4 way--higher volume, lower margin.

5 We then got five banks to commit a billion
6 dollars each to these urban retrofits and to agree to
7 make loans that would be paid back only through lower
8 utility bills, through the utility savings. Because
9 of the third thing we did, we got energy service
10 organizations to agree to go in and estimate the
11 savings--normally between 20 and 50 percent--that
12 could be economically achieved, and guarantee those
13 savings in return for a premium. So that if the
14 savings are not realized, the energy service
15 organization makes up what's owed to the bank.

16 Now what this means is that every state
17 government building, every local government building,
18 every school, every college building, every hospital,
19 every auditorium, eventually every house in the
20 country you can do retrofits on and there is no money
21 taken away from the taxpayers, the state budget, the
22 local budget, the school budget, because it's all

1 going to be paid off from utility savings. And when
2 they're paid off, the utility bills are lower and you
3 free up funds for other things, you have created lots
4 of jobs, you have reduced the threat of global
5 warming in a way that works.

6 Now every state government could do this.
7 We raised this \$5 billion in an afternoon and, to
8 give you an example of how bad it is now, when we did
9 this two years ago that doubled the amount of money
10 then being spent on urban building retrofits in the
11 entire world.

12 A couple of blocks of Manhattan, in spite
13 of the real estate collapse, is still worth more than
14 \$5 billion. This is no money. We should be
15 generating \$200-\$300 billion more every year across
16 the globe retrofitting these buildings, generating
17 massive numbers of new jobs.

18 Goldman Sachs put out a study last year
19 that said--listen to this--that if the United States,
20 China, India and Russia--never mind Europe and
21 Canada--just the U.S., China, India and Russia,
22 reached the energy efficiency levels of Japan, that

1 would take the entire world 25 percent of the way
2 home to reducing greenhouse gas emissions by 80
3 percent by the year 2050. In other words, that's a
4 20 percent reduction in global greenhouse gas
5 emissions if just those four countries used energy in
6 the same way Japan is.

7 Back in the '80s when I was governor of
8 Arkansas, we were trying to use cogeneration to power
9 every plant we could, and we didn't know anything
10 about global warming, we just thought it was good
11 business. These are things the governors could do.
12 There's money there.

13 The same thing is true in clean energy.
14 The Department of Energy had a study a year or two
15 ago that said that in theory enough wind blows
16 between West Texas and the Canadian border with
17 Montana to electrify America, even when the
18 politicians aren't talking.

19 *(Laughter.)*

20 PRESIDENT CLINTON: But it's just a
21 theory. Why? Because most of the wind blows where
22 there aren't enough people to have a pre-existing

1 transmission network sufficient to carry the
2 electricity back to the grid and route it to the
3 users. This is something ready-made for the states
4 to do. Oh, there are lots of windmills being built
5 all over America, but I would say at about one-fifth
6 the rate it could be and you'd have more and more
7 people in the production business. And Congress can
8 help; maybe they'll give us six years of the
9 deduction this year; I know they're working on it.

10 But the point is, it's going to be
11 economical anyway. There's still a substantial price
12 differential between coal and solar, but it's not
13 very big between wind and coal anymore, and it will be
14 inverted as soon as there's a price for carbon
15 emissions.

16 I just talked yesterday to a conference
17 that I co-hosted in Rotterdam, the world's third
18 biggest port, about whether they could collect all
19 the CO₂ from all their coal burning in the
20 Netherlands and then pipeline it up to the North Sea
21 where there is a great cavern under the sea that has
22 enough space to hold all the greenhouse gas emissions

1 Europe will generate for the rest of the century.
2 We ought to be trying to perfect clean
3 coal technology, and there ought to be joint state
4 projects to do this because--and I know this is
5 controversial with some of my environmental friends--
6 but the truth is forget about Montana and West
7 Virginia and Kentucky and everyplace else that
8 produces coal; the Chinese are bringing on a new
9 coal-fired power plant every 10 days. They have
10 already surpassed us as the world's biggest emitter
11 of greenhouse gas emissions. We have no choice but
12 to figure out how to capture carbon dioxide and
13 either bury it or chemically change it before it's
14 released into the atmosphere. This is a ready-made
15 deal for states to do.

16 So I say that, and I'd like to just read
17 you this in closing. I end it on the energy issue
18 because here's what Theodore Roosevelt said to the
19 governors 100 years ago:
20 “The natural resources of our country are
21 in danger of exhaustion if we permit the old wasteful
22 methods of exploiting them longer to continue. When

1 a nation becomes fully civilized and very rich, we
2 cannot continue to be civilized and rich unless the
3 nation shows more foresight than we are showing at
4 this moment. It is safe to say that the prosperity
5 of our people depends directly on the energy
6 intelligence with which our natural resources are
7 used. It is equally clear that these resources are
8 the final basis of national power in perpetuity and
9 it is ominously evident that these resources are in
10 the course of rapid exhaustion.

11 "We have become great in the material sense
12 because of the lavish use of our resources and we
13 have just reason to be proud of our growth, but the
14 time has come to inquire seriously what will happen
15 when our forests are gone, the coal, the iron, the
16 oil, the gas are exhausted, when the soils will have
17 been still further impoverished and washed into the
18 streams, polluting the rivers, denuding the fields
19 and obstructing navigation. They relate these
20 questions not only to the next century or to the next
21 generation.

22 "One of the great characteristics of really

1 civilized nations is foresight. We have to exercise
2 foresight in the future and, if we do not, dark will
3 be the future. We have admitted the right of the
4 individual to injure the future of our republic for
5 his own present benefit. In fact, there has been a
6 good deal of demand for unrestricted individualism,
7 for the right of the individuals to injure the future
8 of all of us for his own temporary and immediate
9 profit. The time has come for a change.”

10 Old Teddy was pretty smart, wasn't he?

11 The point is, if you read the whole
12 speech, he also argued that over the long run if we
13 conserved our natural resources we would grow
14 wealthier, not poorer; that doing the morally right
15 thing for the future was the economically beneficial
16 thing over the long run because, without a
17 sustainable economic policy, prosperity by definition
18 could not be sustained.

19 I think it is altogether interesting that
20 the world in many ways is facing a lot of the
21 challenges today it faced 100 years ago. We had a
22 lot of trade 100 years ago, and there was growing

1 prosperity, but Theodore Roosevelt was the first
2 person to say we had to do something about the
3 inequality that that industrial society had imposed
4 on us. Now we have to do something about the
5 inequality that the international information economy
6 has imposed on us.

7 There were serious identity problems 100
8 years ago as we had a big wash of immigration and no
9 one could believe with all this immigration and trade
10 that we could possibly be stupid enough to do
11 something like go to war. But then we went to war in
12 World War I with modern technology and yesterday's
13 tactics, losing as many as 900,000 people in a battle
14 over differences that most people thought didn't
15 amount to a hill of beans. And finally Roosevelt
16 understood that we had to preserve our natural
17 resources if we were going to have long-term economic
18 growth and broadly shared prosperity.

19 Just a couple of years before he gave this
20 speech to the governors, he saved the 20 remaining
21 head of buffalo in the entire United States in a
22 national park that now have given Governor Schweitzer

1 alone hundreds of head.

2 So here we are again. There may be
3 nothing new under the sun. But this moment in our
4 history on a global scale closely parallels what the
5 United States faced when Theodore Roosevelt brought
6 the governors together for the first time. And he
7 was absolutely certain that the challenges could not
8 be met unless the states did their part and were the
9 laboratories of democracy.

10 In 1996, when I came to speak to the
11 governors, the NGA gave me this, and I read it all
12 the time. This is the original printing of the
13 proceeds of the first Governors Association.
14 President Roosevelt's speech, all the dialogue, all
15 the debate. And about a third of it is as fresh as
16 yesterday's debate on climate change. There is
17 nothing new under the sun.

18 And the good news about that is the
19 founders were right; you have to be the laboratories
20 of democracy. The NGA gives the governors a forum to
21 do that. We have to deal with inequality; we have to
22 deal with identity; we have to deal with energy. If

1 we do, we're about to go into the most exciting
2 period in human history. If we don't, in the words
3 of President Roosevelt, dark will be the future. I'm
4 betting on light. I hope you are, too.

5 Thank you very much.

6 (*Applause.*)

7 VOICE: This is the second time that
8 President Clinton in the last few years has graced us
9 with his presence at the National Governors
10 Association, both times stimulating us with wonderful
11 remarks, and Mr. President, we know how many demands
12 there are on your time, and you've been very, very
13 generous with this Association.

14 His comments reminded us of his commitment
15 to the concept of laboratories of democracy, I think
16 that's inspiring to all of us as governors, and he
17 certainly demonstrated that when he was a governor his
18 areas including education reform and welfare reform
19 and others. And we also are gathered here with
20 former governors and all of us who are governors will
21 one day be former governors, and his charge to
22 transition from rhetorical emphasis to substantive

1 work is very guiding and insightful as well; and his
2 work and his foundation's work in areas such as
3 Africa and tsunami response and nutrition and health
4 and, as he so eloquently described just a moment ago,
5 a transition to a brighter and better energy future
6 for our country is spot on. So his service
7 continues, our gratitude to him as an association
8 continues and, once again, Mr. President, thank you
9 for joining us today at this historic event.

10 *(Applause.)*

11 RECORDED ANNOUNCEMENT: Please welcome to
12 the stage our VOICE for this afternoon, Emmy-award
13 winning journalist and best-selling author Cokie
14 Roberts.

15 *(Applause.)*

16 MS. ROBERTS: Gentlemen, ladies. Well, what
17 an honor it is for me to be here at this centennial
18 event and following former President Clinton and
19 Governor Pawlenty. Thank you for having me.

20 We've heard a lot about the founders
21 meeting here today, the meeting here in Philadelphia,
22 and lots of different interpretations of what they

1 were about, which is one of the nice things, because
2 they can't answer us back.

3 But it is true that in that era that
4 people referred to their states as their country and,
5 you know, they'd say in your country or my country,
6 meaning the state. So since our great host is
7 Governor Rendell, I thought that I would ask him
8 about that.

9 Governor Rendell, if Pennsylvania were a
10 country, what would you do?

11 GOVERNOR RENDELL: Well, probably invade
12 Ohio.

13 *(Laughter.)*

14 MS. ROBERTS: He was dying to do that.

15 Well we also heard a lot this morning
16 about, in the very interesting federalism
17 conversation, we heard a lot about the issue of
18 education. And of course that is the issue that is
19 uniquely the province of the states. And we, of
20 course, had the very daunting report of a nation at
21 risk 25 years ago, and here we are 25 years later and
22 a lot of concern still about the state of our

1 education, the problems that our inequalities in
2 education produce and the failures our educational
3 system in too many cases bring about. And so
4 we're going to take a look at a little video here
5 introducing us to this whole issue of education and
6 then we will discuss it. So let's see the video
7 please.

(Video begins)

8 "The first line was our nation is at risk.
9 That was 1983. That's even more the case today in
10 the year 2008. While there had been many reports
11 before about education, this was one that grabbed the
12 public by the throat essentially and said, hey, if
13 you care about the lives of your children, if you
14 care about the well-being of your country, you've got
15 to care about the education system.

16 "In this day and age, it's still true that
17 the quality of education that a student gets depends
18 upon the color of their skin, where they live and the
19 affluence of their parents. One of the saddest
20 problems is, even after this report has been around
21 for 25 years, this past year more than a million kids
22 dropped out of school.

1 "'You've got a lot of kinds that's
2 dropping out of school, you know, and that's getting
3 involved in the streets.'

4 "'There's another kind of failure and that
5 is the kids who do get out of school who forget much
6 of what they were taught before the ink is dry on
7 their diploma.'

8 "'We're still a nation at risk. I was
9 asked recently on a scale of 100 percent how far
10 we've come along the line. And I answered about 15
11 percent. We've got to figure out a way to have
12 commonly high standards for all youngsters.

13 "'There's a bigger chasm between those who
14 are truly, you know, what we would consider educated
15 high school graduates versus people who have gone
16 through the system.'

17 "'There's certain baseline minimums that
18 every state must have.'

19 "'My attitude has always been with the
20 standards . . . for me, it, you know, it just kind of
21 verified exactly what we were supposed to have been
22 teaching anyway.

1 "Continue to try to fix the schools by
2 using standards and tests, but in the meantime we
3 need to create thousands of new innovative small
4 schools that match the diversity of the student body
5 and accommodate the kinds of changes of a high-tech
6 society and a high-tech world. I considered that to
7 be essentially a laboratory for democracy.

8 "We have to do a better job of telling
9 our people what we have done. You know, we now have
10 state leadership that's heavily engaged in education.
11 We didn't have that 25 years ago.

12 "If you don't fight for progress, there
13 is no way you're going to get it.

14 "It's a very far-sighted and noble
15 politician who says I'm not going to be around to get
16 the credit for this, but we're going to do it now
17 because 16 years from now it's going to have made an
18 enormous difference, it's going to change the world,
19 and that's the kind of Governor I want to be."

20 *(End of video.)*

21 MS. ROBERTS: Well, we've heard this
22 morning from Governor Hunt, Governor Romer, Governor

1 McKernan some of the really devastating statistics on
2 where America is today in terms of education. So my
3 question is why is it still so bad? Governor
4 Barbour, do you want to take that?

5 GOVERNOR BARBOUR: Why are we still at
6 risk? First, American citizens generally don't
7 understand how far they have fallen behind the rest
8 of the world in education. We still--if you just
9 take and look at the way these 50 states describe
10 efficiency, only five of the 50 really have a
11 definition of efficiency which is what NATE, our
12 national test, would indicate. So we under-expect of
13 our students, and we have not improved teaching
14 substantially in 20 years, and I don't think we spend
15 enough time on education.

16 MS. ROBERTS: But here we are, I mean, this
17 is--you know, I heard a lot of Congress bashing
18 this morning and, you know, that's fair enough, a lot
19 of you have been in Congress so it's fun to do. I'm
20 the child of two members of Congress so I take some
21 umbrage--

22 *(Laughter.)*

1 MS. ROBERTS: And my father did run for
2 governor once, but lost. So you know, I have
3 prejudices here. But the fact is that this is what
4 governors should be doing is education and why is it
5 still so bad? Anybody want to tackle that? I mean,
6 we've had 25 years of governors saying this is a
7 problem. I see your hand up, Governor Sununu.

8 GOVERNOR SUNUNU: I think it's because the
9 easy political rhetoric does not touch the real
10 problem. The fundamental issue--on any child that
11 has to learn, the single component you can change in
12 education that I believe makes the biggest difference
13 is the child's desire to learn, and that comes from
14 the home. We are focusing resources in the classroom
15 without providing the support to the home structure
16 to make learning an important part of the culture of
17 the family. And until you do that, all the money you
18 pour into the system, all the standards you
19 establish, all the incentives you give to the
20 teachers are for naught.

21 I spent 16 years in a classroom. I can
22 teach any child who wants to learn on a log with a

1 40-year old textbook. I cannot teach a child who
2 does not want to learn with a \$2,000 computer, a
3 gymnasium that's worth \$10 million and a teacher
4 that's paid \$150,000. That's the difference.

5 And the rhetoric unfortunately that moves
6 politically is to talk about these other things. And
7 the rhetoric that is hard is to talk to parents and
8 to instill in the family and in society as a whole a
9 desire to have their kids learn.

10 *(Applause.)*

11 MS. ROBERTS: I see some other hands eager
12 to get in here.

13 VOICE: I would like to say, probably like
14 most governors, that we as governors aren't in
15 control of our education system in our states. We
16 get blamed for everything, we're required to provide
17 the funding, but most of them are stand-alone
18 agencies. So we have very little input. We might
19 get to choose the state board of education members,
20 anywhere from four- to six- or nine-year terms, but
21 to truly have access and be able to make a change and
22 a difference is something that we don't. I think

1 that we would all relish that, to be able to get in
2 there and do something.

3 And I just would like to share with the
4 rest of the governors here and former governors that
5 I was speaking to a class of honor students--and I
6 do this throughout the state. And I asked all of
7 them, at the end I said be candid with me, raise your
8 hand if you think the system of education is
9 challenging you. I've not had one hand raised yet.
10 So something is definitely wrong. But as a governor
11 I feel helpless that I can't jump in and do that.

12 And I'd like to say this, that we as governors are
13 used to being held accountable and responsible. Put
14 us in charge of education and watch something change.

15 MS. ROBERTS: Well I am surprised to hear
16 that because I thought this was something that you
17 were responsible--

18 VOICE: Not at all.

19 MS. ROBERTS: Governor Carcieri.

20 GOVERNOR CARCIERI: Let me say that if you
21 have good teachers and they have enough time with
22 individual students, they can teach every child.

1 Every child can learn. They can get them to want to
2 learn if they're really good. So I think having good
3 teaching and situations in which they can teach where
4 class size has been reduced and they have the
5 technology and a lot of other things and if they're
6 really good, I think that is a key answer to it.

7 But I'd like to ask Governor Sununu--he
8 brought the matter up about parents, and he's right
9 in a sense. If you could have just one thing, it
10 would be a great family that supports it and
11 encourages it and, you know, does all of those
12 things, but what about those parents who don't do
13 that?

14 I remember going to a school one time and
15 it was close to a public housing project and the
16 school people said you know we had a night when we
17 invited all the parents to come. Out of that public
18 housing project, 2 percent of the parents came. Only
19 2 percent. And they did everything in the world they
20 could to get them to come. So if the parents don't
21 do it, what do we do, just preach to them or . . .

22 GOVERNOR SUNUNU: Let me answer that.

1 Because that's the whole point. It is hard
2 politically then for you to say we have to create in
3 the system an asset for the child equivalent to the
4 parent. And that is hard rhetoric. That is
5 uncomfortable rhetoric. That is . . .

6 MS. ROBERTS: I'm sorry, I don't know what
7 that means.

8 GOVERNOR SUNUNU: That is part of the
9 education system.

10 MS. ROBERTS: What does that mean, that
11 something equivalent to the parent.

12 GOVERNOR SUNUNU: It means you need
13 society to make it clear to children that there is a
14 reward for education. It means you need a press
15 corps that doesn't talk down education but a press
16 corps that says it is important for you kids out
17 there to finish school. You need an economic system
18 that doesn't reward just good luck but rewards those
19 that use the results of education for society.

20 Let me give you one factoid that I think
21 is interesting. If you get a bachelors degree, you
22 get this salary. If you get a masters degree, you

1 get this salary. And if you get a PhD, you're back
2 down to this salary.

3 *(Laughter.)*

4 GOVERNOR SUNUNU: We have created a society
5 in which the economic rewards for moving on education
6 are not convincing.

7 MS. ROBERTS: Well, except that as we heard
8 from Governor McKiernan this morning, the difference
9 between having first of all a high school diploma,
10 then an associate's degree and then a college degree
11 and income is huge. And getting bigger. I mean,
12 income inequality is education inequality in this
13 country at this point.

14 Governor Granholm, you have had your hand
15 up here.

16 GOVERNOR GRANHOLM: I was going to ask the
17 same question that Governor Hunt asked you, and I'm
18 not sure that you answered it in a way that gives us
19 the ability to act as governors. What Governor Hunt
20 I think was starting to suggest is that these small
21 high schools that are referred to here, where you've
22 got rigor, relevance and, most importantly,

1 relationships, where you substitute in the classroom
2 --you become *in loco parentis*, where you have a
3 culture in the school that has high expectations;
4 that's something that we can do as governors, if
5 there isn't--I mean, ideally you'd love to have
6 parents who are all engaged. There's two districts
7 in Michigan that have the same reimbursement per
8 child, and one of these districts has terrible
9 graduation rates and one of them has great, and the
10 difference is one has great parents and one has great
11 teachers.

12 And so the question is how do you take
13 that district with great teachers and have them have
14 enough interaction with those kids, enough
15 relationships so that you can create that culture of
16 high expectations for every single child.

17 GOVERNOR SUNUNU: Which was going back . . .

18 MS. ROBERTS: I'm going to go to Governor
19 Swift, but I wanted to just raise a couple of things
20 here. One is we've known about parental involvement
21 for a very long time, certainly since the Coleman
22 report. We've known about small classrooms. We've

1 known about all of these things. So this is--for
2 25 years at least--those things have been out on the
3 table in terms of education.

4 And you were talking earlier about the
5 importance of leadership, of getting people excited
6 enough to follow you, at least curious enough to
7 follow you. And it seems to me that this is an issue
8 where we see in the polling that people really don't
9 ever put education up there with unemployment or, of
10 course, this year, gas prices or health care. So
11 there's some failure there on some level about
12 leadership and follow through because we know all the
13 problems.

14 Governor Swift, go ahead, but then, you
15 know, I like to sort of hear you all thinking about
16 that.

17 GOVERNOR SWIFT: Well, let me just say as
18 the parent of three public school children, involved
19 parenting is certainly something that can make an
20 enormous difference. But the truth is that you also
21 need innovation. We need innovation in our schools.
22 The education system is one of the few very large

1 sectors of our industry--or of our economy as an
2 industry that has yet to be revolutionized despite
3 the availability of technology which would allow for
4 more extrinsic motivation. Students who could pick
5 up . . .

6 MS. ROBERTS: Use your microphone, please.

7 GOVERNOR SWIFT: Students who could pick
8 up this iPhone, 9-year-olds, and make it work in
9 the first 30 seconds are being taught and lectured to
10 by and large in our classrooms. Most of the public
11 school students in our country are home today or in
12 some other activity that isn't learning based because
13 we're following an agrarian calendar.

14 My three daughters live on a farm but
15 they're not doing any farm work this summer, and
16 they're in a very small minority.

17 MS. ROBERTS: You need to fix that.

18 GOVERNOR SWIFT: So I think that we need
19 to embrace innovation. We need to make sure that the
20 structures that we set up help parents who are
21 involved and who are trying to drive toward
22 excellence, but also I think we need to be bolder in

1 our vision of what it is our children can achieve.
2 We talk about high expectations, but I'm not sure our
3 entire country is completely clear what that means in
4 math and what that means in science, and I think we
5 need to do a better job articulating what they're
6 going to be competing against in order to get good
7 jobs.

8 GOVERNOR CULVER: Cokie, let me jump in
9 here. This is Governor Culver back here.

10 MS. ROBERTS: There you are.

11 GOVERNOR CULVER: Before I got elected
12 governor, I taught government and . . .

13 MS. ROBERTS: I actually knew him as a
14 little child.

15 *(Laughter.)*

16 GOVERNOR CULVER: So I was on the front
17 lines as a teacher and a coach prior to getting into
18 public service as a secretary of state and a
19 governor, and I had 150 kids a day coming to my
20 classrooms, six periods a day, three different
21 subjects, and then I'd coach before and after school.

22 Let's focus for a minute on what we know

1 works: early childhood education. We just invested
2 \$60 million over the next three years in early
3 childhood education in Iowa. As a result of that,
4 this fall we'll have 100 new early childhood
5 education centers all over the state and a hundred
6 more in two more years. 90 percent . . .

7 MS. ROBERTS: A lot of . . . is that going on
8 in a lot of your states? Can I see a show of hands?

9 *(Show of hands.)*

10 GOVERNOR CULVER: Ninety percent of brain
11 development occurs zero to six. So when they show up
12 on your log, Governor Sununu, if they have early
13 childhood education, they'll . . . we need to teach kids
14 to love to learn. That young person will be ready to
15 go regardless of their background, socioeconomic
16 status, if they have that early start.

17 The other two things are health care and
18 teacher pay. So that kid also needs to be healthy
19 when they show up for your class. If you give them
20 those two things, a healthy start and an early start
21 in terms of that investment in their education early,
22 these kids will accomplish anything and everything we

1 ask them to. There's not a doubt in my mind.

2 GOVERNOR SUNUNU: I don't disagree, but 90
3 percent of that comes in the home and is stimulated
4 by the parent.

5 MS. ROBERTS: Governor Voinovich, you had
6 your hand up. Senator Voinovich.

7 SENATOR VOINOVICH: It's interesting, when
8 I was governor we had the six national goals that we
9 had and the National Governors Association actually
10 judged the states on how they were performing in
11 terms of those national goals. Two of them were
12 every parent should be a child's first teacher, every
13 child should be ready to learn. And the comments
14 about early childhood education are the most relevant
15 that I can think of, because if you don't get them
16 early on you've lost them. By the time they get to
17 school and Title I it's too late.

18 And I believe--and I've tried to get
19 this done on the national level but they don't get it
20 in Washington; they don't understand that that's
21 where we should be putting our effort as early as
22 possible with--in our state we call it Help Me Grow

1 --of working with those children and their parents
2 so that those brains are developed and so they are
3 ready for school and they're not discouraged right
4 off from the time they get into the school.

5 MS. ROBERTS: It's the old Jesuit line,
6 give me a boy before he's seven. And it is the same
7 idea.

8 Governor Sanford.

9 GOVERNOR SANFORD: What I hear are the
10 words innovation, I hear smaller class size, smaller
11 school size. It's interesting that the Bill and
12 Melinda Gates Foundation I think put a couple billion
13 dollars into their small school initiative, and what
14 they saw was clear correlation between educational
15 performance and in fact smaller classroom size--or
16 schoolroom size or classroom size because anonymity
17 and education don't go together. I think that the
18 real question though is how do you get there and this
19 is most controversial, and a lot of people hate this
20 idea but the reality is that monopolies don't
21 innovate.

22 And in answering your question, Cokie, I

1 think that one of the fundamental problems over the
2 last 25 years has been that we in essence have a
3 monopolistic educational system and that's why I've
4 become, and a number of other folks have become, such
5 proponents of this larger notion of school choice,
6 because this industrial mindset that says big school,
7 lots of widgets, keep production moving does not fit
8 with the innovation that you've seen. And again, a
9 couple of different people have alluded to it, in
10 every other marketplace of American society or human
11 society.

12 And so I think this larger notion of
13 choices where you have empowered parents--which
14 causes them to be that much more vested and that much
15 more concerned about what's happening in their local
16 school--making choices in what school fits for them
17 I think is an important part of the solution.
18 Because God makes every child different, they learn
19 differently, they have different backgrounds,
20 different aptitudes and having an empowered parent
21 acting as a consumer I think is going to be a big
22 part of the solution.

1 GOVERNOR BALDACCI: First of all, let me
2 just say that I want to just recognize that parents
3 are important. You can't teach somebody at school to
4 brush their teeth if they don't practice it at home.
5 But a lot of those homes are broken homes, they're
6 not even single heads of households, and those kids
7 are roaming the street. They're not the families
8 that we grew up with, and it's a different world. But
9 we also know the research shows that those kids with
10 higher education are going to get higher incomes and
11 we know that's going to be a benefit to everybody
12 else.

13 What we did in our state is we have two
14 initiatives: one is that we're working with the
15 Doris Buffet Foundation on Educare centers at the
16 early childhood level to get best practices at the
17 early level. The other is we have a benefactor,
18 Harold Alfond, who dedicated to every child born in
19 Maine \$500 for an education account so that the
20 parents would be getting the involvement at a very
21 early stage about their child's future and their
22 child's education to be able to get that financial

1 literacy and information into the home and to have
2 them begin thinking about it and the state matches it
3 on a small level. It's a small way of starting early
4 on to get parents thinking about it.

5 But if you don't have parents and parents
6 advisory groups and a school system that's willing
7 and open to parents, I don't think it's going to be
8 successful. So I think it has to continue to bridge
9 the gap between those who are fragmented and without
10 parents and grandparents like we all were, at the
11 same time to recognize that we've got to bring down
12 the walls from the resistance of not having them
13 involved in the classroom, because that really is
14 where all the learning is going to take place:
15 teacher, student, principal, parents involvement,
16 right there is the most important part of it.

17 And that's the economy of the future, the
18 associate degrees, the degrees that are recognizing
19 that the better they do--we studied economic
20 indicators and the two leading economic indicators
21 for raising people's income were the level of
22 education of the population over 18 and the amount

1 that we invested in research and development per
2 worker equaled higher per capital incomes. And I
3 think we've got to do it, and we've got to work at
4 it. And we don't necessarily have all the tools, is
5 what Governor Manchin was saying, and sometimes to
6 galvanize our states to say okay, I'm going to take
7 responsibility; I'm getting the blame anyway, as
8 Governor Manchin says, might as well take the
9 responsibility and get something done.

10 MS. ROBERTS: I want to take a little
11 hiatus here, because your staff at the NGA has
12 devised a polling question here that they want you to
13 answer because it's going to take a little while to
14 get the answer, and then I want to come back to the
15 conversation.

16 The question is who is most important in
17 helping you reform the education system in your
18 state, the chief state school officer, the business
19 community, the higher education leadership or the
20 teachers' union? And I think you have little
21 "gizmos," to use the formal term. So you're supposed
22 to punch a button and we will give you the answers to

1 this later.

2 But Governor Baldacci raised that question
3 of research and development and, of course, in
4 addition we've been focusing on elementary education
5 because that is the place that seems to have the most
6 need, but what about at the university level, the
7 research and development at the university level?

8 VOICE: I don't think you can look at
9 education as one component, I think it's a seamless
10 thing from preschool to the end of life and
11 everything in between; it is higher education; it's
12 the community colleges; it's the four-year colleges;
13 it's the research universities; it's workforce
14 development; it's--now in today's world it's job
15 training and retraining because, as we've seen over
16 and over, people are going to change jobs 3.5=4
17 times in their lifetime; whereas, in the past they
18 stuck with the same job throughout their professional
19 career.

20 But when you're talking about education,
21 you can't isolate one component of it to the
22 exclusion of the other unless you're willing to

1 sacrifice the total program and that's not realistic.

2

3 We were talking--the senator was just
4 talking a minute ago, and Chet was talking earlier,
5 about preschool. Our immediate reaction to preschool
6 is how much better prepared youngsters are through
7 preschool, and I think all of us have done it, we
8 just did it with \$111 million annually and probably
9 were written up for leading the nation now in
10 resources devoted to preschool, the proliferation and
11 the quality of preschool education.

12 But it not only helps the obvious, those
13 children who would have otherwise started so far
14 behind that inevitably sometimes they stay behind.
15 What we need to also recognize and what's so
16 important and needs to be told to the parents who
17 really do care, whose kids did not need the
18 preschool, that it's a good investment for their kids
19 because now the whole class can move at a faster
20 pace; the teacher's not spending 50, 60, 70 percent
21 of his or her time trying to catch 50 or 60 percent
22 of the class up to grade level at kindergarten or

1 first or second.

2 And it's all cumulative from there, the
3 entire product can move at a faster pace when you're
4 elevating those who were economically behind or
5 didn't have a family that worked with them at home or
6 don't have parents that care, and you have to find
7 all these children where they are; and if you're
8 right, governor, you have to have parents that care,
9 that's the key single ingredient.

10 But to start from where we are rather than
11 from where we want to be, you've got to recognize
12 that you've got a whole cadre of kids out there who
13 aren't in that situation. So we can't ignore them.
14 And as a result of that, all of things that have been
15 talked about and then some have to be included in
16 this equation, you can't isolate one to the exclusion
17 of the other.

18 I wanted to say something a while ago
19 about the Kip School. The delta is today's
20 Appalachia. Governor Barbour can tell you, certainly
21 Governor Jindal down in Louisiana can tell you, I can
22 tell you, Bredesen in Tennessee can tell you that the

1 poverty that exists along the Mississippi delta that
2 generates and creates that inequality that the
3 President was talking about is never more manifest in
4 a larger, I think, section or area than is reflected
5 in the delta.

6 There is a Kip School in the delta that I
7 could spend five minutes with you and blow you away
8 about what kids are doing now that nobody gave them a
9 chance to do, most of whom had parents who didn't
10 care, and it is beyond anybody's expectations about
11 what's actually going on in that school. That's not
12 the whole answer, it's not the only answer, it's
13 merely one component of the answer. But all of these
14 ideas together and the entire spectrum together are
15 things we need to focus on, there's no one magic
16 bullet.

17 MS. ROBERTS: Governor Englash.

18 GOVERNOR ENGLASH: I'll take a moment to
19 set up just a couple of comments because I work with
20 manufacturers all across the country, and I think what
21 manufacturing in America would be like if we ran it
22 like the school systems were. We spend \$550 billion-

1 plus as a nation, so I look at education as a problem
2 that in many ways is funded and so it's easier to
3 resolve than some of the problems that aren't funded.
4 We've got a lot of those that we're trying to deal
5 with.

6 I also think, a bit provocatively, that
7 we've solved every education problem that we have in
8 America, somewhere. We just heard an example of a
9 school. We've got schools all over America that work
10 with very difficult . . .

11 MS. ROBERTS: That was kind of my point in
12 the first place. We've known the problems and we've
13 known the solutions; so why are we still here?

14 GOVERNOR ENGLASH: Well I'll tell you, I
15 think that we're here because we've got a lot of
16 focus that doesn't allow us to replicate the success
17 stories--that was my reference with manufacturing.
18 If somebody makes a better widget in manufacturing
19 down in Mississippi, everybody in the country has got
20 to go there and figure out how'd they make that
21 widget, how'd they get the quality up and the price
22 down, how come they're cornering the market?

1 In education, if somebody has got a school
2 in the delta that we just heard about that's working,
3 then we say well why don't we do a study, maybe we
4 can come up with a different way to get--if we did
5 the best practices in education everywhere today,
6 regardless of the problem or the population, if we
7 took the best practices we know that work today and
8 implemented those everywhere, we would lift our
9 performance dramatically overnight. But we don't do
10 that.

11 This is a culture that fights back. And
12 then it's aided and abetted by a lot of well-intended
13 people. Bill Gates is wasting hundreds of millions
14 of dollars in education the way Walter Annenberg
15 wasted his money some years ago. Everybody is trying
16 to invent the new, new thing.

17 And I would argue that we in the
18 governments can solve this, I think, and Jim Hunt
19 and I were part of this, ACHIEVE was part of this,
20 other governors have been part of it, but we
21 absolutely have to measure things consistently across
22 the states and across the school districts. We've

1 got kids coming out of broken homes who just got
2 drafted in the NBA; they figured out that running
3 fast, shooting well, rebounding gets you to the NBA,
4 you know, they figured that out.

5 And the military is teaching kids,
6 manufacturing is teaching kids, these kids can learn,
7 but we've got to do the best practices everywhere and
8 we've got to measure, and we ought to measure it all,
9 and I think that's what Gates and others ought to do
10 is spend the money standing up the transparency. We
11 need a Sarbanes-Oxley for public education so across
12 the board we know where the \$550 billion is going and
13 replicate the best programs that we've got out there.

14 MS. ROBERTS: I want to come back to that
15 accountability question, but let's take a look at the
16 answer to the poll. All right. Number two, business
17 community was the most helpful, followed by the chief
18 state school officer, then way down the higher
19 education leadership and, trailing badly, the
20 teachers union.

21 So the business community, its role was
22 certainly seen in higher education particularly in

1 several of our states. What about in the rest of
2 education? Governor, you had your hand up back there
3 for a while.

4 VOICE: The one point that I wanted to
5 make early on, and this has been a great
6 conversation, a lot of technical answers to some of
7 our pressing problems. But the one thing that's been
8 lost I think in this entire discussion so far and one
9 that amazes me with kids at every level of education
10 --I mean, I'm a dad first and foremost, aside from
11 being a governor--is the role of the teacher in the
12 classroom.

13 We have failed fundamentally to put the
14 teacher on a pedestal where they belong. Now my
15 grandfather was a teacher; he was a music teacher in
16 high school. He was not a teacher, he was an
17 educator, and that meant something. That was the
18 apogee of society when you were an educator. And in
19 today's world we have so much clutter in the
20 classroom, we have teachers who have to be parents
21 and referees and problem solvers and then you look at
22 the testing requirements that we impose today in the

1 average classroom and it is amazing that we have any
2 teachers left who actually want to teach.

3 So I saw something that was quite amazing
4 living in Singapore, where we had our kids in local
5 schools there. In Singapore, they respect the
6 teachers. They pay them almost what they're worth.
7 Now, you ask me what they're worth, I don't know what
8 they're worth because it's somewhere way beyond my
9 ability to deliver as governor. But we somehow, some
10 way, need to get back to putting fundamentally
11 teachers back on a pedestal, and that's part
12 communities embracing our teachers, it's part our
13 higher ed programs refortifying our education
14 programs so we turn more and better and the top third
15 of the class out to become teachers as opposed to the
16 bottom third.

17 And if we're going to take what Chet
18 mentioned seriously, and I totally agree with this,
19 early childhood cognitive development. I mean, I had
20 one daughter in full-day kindergarten versus sons in
21 half-day kindergarten . . .

22 MS. ROBERTS: But that's girl versus boy.

1 *(Laughter.)*

2 VOICE: She would tell you the same thing,
3 by the way.

4 MS. ROBERTS: I'm sure she would.

5 VOICE: You know, how do you get lifelong
6 learners in society, which has tremendous
7 implications for higher ed? You've got to somehow
8 teach our kids, give them a love for learning. And
9 that love for learning comes in those early years,
10 Chet, that you talked about. How do you give those
11 kids a love for learning? I tried my best as a
12 parent reading after hours, but it's the teacher that
13 inspires that child somewhere along the way, gives
14 them a love for learning which ignites that passion
15 within and off they go, and they actually do pretty
16 well.

17 MS. ROBERTS: Governor Kempthorne --
18 Secretary Kempthorne, right next to him, your hand
19 has been up.

20 SECRETARY KEMPTHORNE: Cokie, thanks very
21 much.

22 With regard to this early learning, and

1 we've talked and touched on the families, but there
2 are programs such as Parents As Teachers that are
3 strictly voluntary. There are a number of wonderful
4 young parents, maybe the only parent, they want to be
5 good but they don't know how to do it. You tell
6 them, well just read to your child. Guess what, they
7 can't read. And so these voluntary programs can have
8 a tremendous positive impact. We must not overlook
9 that.

10 The other thing I would say, Cokie, is
11 when you look at your polling data, any one of those
12 groups, if they are a holdout, the whole system will
13 fail, any one of those that we just voted upon.

14 A couple years ago I was asked to be the
15 commencement speaker at a wonderful graduation, and I
16 invited all the university and college presidents to
17 go with me and a couple of the leading school
18 superintendents. I didn't tell them where I was
19 going. We just put them in the vehicles, left the
20 statehouse . . .

21 MS. ROBERTS: Kidnapped them.

22 SECRETARY KEMPTHORNE: And we went to one

1 of our maximum security prisons, because I'd really
2 put an emphasis on helping the prisoners to get an
3 education.

4 MS. ROBERTS: I bet that got their
5 attention.

6 SECRETARY KEMPTHORNE: Well it did, thank
7 goodness. None of them had ever been there before.

8 *(Laughter.)*

9 MS. ROBERTS: Not true in every state.

10 SECRETARY KEMPTHORNE: Right. But I took
11 them, after the commencement speech--which was a
12 great speech--but then I took them up to one of the
13 cellblocks, to the control tower, and I said the
14 reason I brought you is this, you always wonder at
15 the state of the state if the governor has been good
16 to education. That shouldn't be the question. Any
17 governor is going to be good to education. The
18 reality is what are the other absolute critical
19 needs. And if we don't do a better job and if
20 educators don't do a better job of keeping children
21 in school--that's the competition. I'd rather
22 build a gymnasium in the schools than in the prison

1 because of the totally inflated cost of doing it at
2 the prison. So any one of those components have to
3 work together.

4 The other thing I would just add is that
5 when President Clinton talked about Type II diabetes
6 and that it's happening now in six-year-old children,
7 little children are being diagnosed with high blood
8 pressure . . .

9 MS. ROBERTS: Well we're going to talk
10 about that in the next session, in the health care
11 session.

12 SECRETARY KEMPTHORNE: But here's my
13 point: I think too often we are separating those
14 two; it's one plenary in education, one plenary on
15 health care. It is the same. We need to put
16 physical education back in the schools so that these
17 children can once again have a healthy start.

18 MS. ROBERTS: I want to ask one more
19 question on higher education and, Governor Barbour,
20 I'm going to put this to you. What we're seeing now
21 with the economy in trouble is higher tuition for a
22 lot of the state schools, making it even harder for

1 people to go to college rather than easier for people
2 at a time when we want to make it easier for them to
3 go. And even community colleges, for some people,
4 are out of reach.

5 What do you do--and you've talked
6 earlier about balancing your budgets and all of that--
7 how do you balance your budget and make sure that
8 these kids can get higher education?

9 GOVERNOR BARBOUR: It's interesting,
10 Cokie. In my first four years as governor, we had
11 record increases in funding for higher education.
12 And that four years was the biggest increase in
13 funding in any four-year period in the history of the
14 state. They raised tuition every year. They've
15 raised tuition 10 years out of the last 11, to the
16 point today where, like in my state, the percentage
17 of the money put up by the state through appropriated
18 funds for higher education continues to decline as a
19 percentage of the total cost. Having said that, we
20 have record enrollment in our universities, we have
21 record enrollment in our community colleges.

22 MS. ROBERTS: And what's that do to--do

1 you have support?

2 GOVERNOR BARBOUR: You do have a genuine
3 concern that debt, that people come out of college
4 with too much debt. But I'll tell you, Mike Beebe's
5 predecessor and I spoke in Memphis a few years ago
6 and he said something very profound and that I've
7 never forgotten. It's one reason, Mike, that I'm so
8 interested in workforce development and job training.

9 He said 25 years ago in Arkansas a third
10 as many high school graduates started college as that
11 year, so the number of Arkansas high school graduates
12 going to college tripled in 25 years, and the number
13 that graduated was the same as 25 years. That's one
14 of the reasons that I'm so focused on our community
15 colleges, our workforce development, and I was
16 tickled to hear Governor Beebe say we've got to not
17 think about education as just K through 12 or just
18 early childhood as K through 12. In my state, at
19 least, lifelong learning is a huge thing.

20 MS. ROBERTS: We are about out of time on
21 this segment but I wanted to ask you before we finish
22 about President Clinton's idea, because he said for

1 you as an organization--and I think that certainly
2 includes the former governors--if it's possible for
3 you to come up with an accountability idea, something
4 that makes No Child Left Behind continue to work for
5 the schools that are failing the worst but not hurt,
6 in his words--I'm quoting--the other schools.

7 Is that possible? Is it possible for an
8 organization like the National Governors Association
9 to come up with some standards of accountability that
10 really can be used around the country? Could I see a
11 show of hands there?

12 *(Show of hands.)*

13 MS. ROBERTS: Yes, yes. So maybe that's
14 a good challenge to go away from this centennial
15 meeting with, because it really is an enormous issue
16 facing the country and our future. So I will pick up
17 where President Clinton left off there--something I
18 don't commonly do . . .

19 *(Laughter.)*

20 MS. ROBERTS: . . . and leave that on your table
21 as we move on to the issue of health care, something
22 else that I know is very, very important in all of

1 your states, and we will start this again with a
2 video. Because we have so much that the states have
3 to do in terms of health care and particularly in
4 dealing with Medicaid, which has been a tremendous
5 problem for the states, but also as we have not had a
6 national health debate over the last few years, at
7 least in the halls of Congress as opposed to on the
8 campaign trail. We have seen the states picking up
9 the slack and creating their own health care
10 programs. So let's take a look at this video and
11 then we'll move on to the subject of health care.

12 *(Video shown.)*

13 "Everybody should have health care.
14 People need it. I've got insurance through my
15 company, but still I've got to pay a lot of money,
16 even though I have insurance, it is very expensive.
17 The health insurance companies just make more, the
18 doctors charge more and everything gets passed back
19 to us, the people who have to buy the health
20 insurance.

21 "The majority of people who say that
22 they're concerned about the cost of health care are

1 worried about what they pay, not what society pays.
2 On the other side, people just say it's terrible
3 what's happening, the uninsured people in this
4 country is a disgrace; we have two classes of care,
5 every election should be about getting those 47
6 million covered.

7 "The federal government should help out
8 with a universal health care. It works for so many
9 other countries in the world. I think the federal
10 needs to take on that, you know what I'm saying,
11 because that's a very big issue, because you've got a
12 lot of people that's sick and, you know, and die but
13 they just don't have the proper insurance where they
14 can get taken care of.

15 "Health care has become a highly polarized
16 issue between the political parties. Both sides are
17 so far apart, not only the extent of the problem but
18 the nature of the solution. If you try to tackle the
19 whole system at once, you'll guarantee so many forces
20 opposing you that it's not going to work.

21 "The federal government is going to be too
22 divided until they have a clear plan, I think that

1 the best way is to see what works in the states
2 first. States have to lead the way on things like
3 that.

4 "Washington has become an extraordinarily
5 difficult town to be creative in. The bureaucracy,
6 the in-fighting, the big institutions, all of them
7 slow down the rate of innovation. Governors are
8 likely to be more successful about doing something
9 substantial about fixing health care than in
10 Washington because the political divisions in their
11 state are not as great.

12 "I would say to the governors look at the
13 places that are working, pick specific breakthrough
14 areas that you think you can communicate clearly to
15 the people of your state that will improve the
16 quality of their life while lowering the cost, and at
17 the heart of that has to be transparency.

18 "A governor that has, in my mind, very
19 good political skills can take a very serious problem
20 and find some compromise that fits their state and
21 really addresses that and get huge national
22 recognition."

1 *(End of video.)*

2 MS. ROBERTS: So Governor Rendell, did you
3 notice that they put your picture over the line of a
4 governor with good political skills? This is what we
5 call in television say cow, see cow. Good political
6 skills.

7 What about this question of the states
8 leading the way on health care? Governor Vilsack,
9 have you seen that? Is that something that you think
10 will force the Congress to act or are we going to
11 have 50 state health care plans?

12 GOVERNOR VILSACK: Well, Cokie, I'm proud
13 to be from the state that is number one in insurance
14 coverage of children and number one is insurance
15 coverage overall and number two in quality and number
16 six in low cost and I think it's a result of a lot of
17 things the state has done. Secretary Leavitt was
18 working with our state to create some flexibilities
19 that made it easy for us to get insurance coverage.

20 I would just simply suggest this one thing
21 that states could do. The Commonwealth Fund has done
22 a 50 state evaluation of health care systems for each

1 state and they've identified 37 quality indicators.
2 And if every state simply worked to be best in class,
3 to get to where the best in class currently is,
4 hundreds of billions of dollars could be saved in the
5 current system and redirected to expand access to
6 coverage, to improve coverage, to provide additional
7 benefits.

8 I think part of the problem in health care
9 is the focus has been on uninsured populations, as
10 important as that is, and not on the cost side, and
11 the cost side I think is quality. There has to be an
12 emphasis on quality.

13 MS. ROBERTS: Secretary Leavitt.

14 SECRETARY LEAVITT: I don't believe I have
15 ever felt more passionately, after 11 years as
16 governor and now nearly four as secretary of health,
17 that the states can and should and will solve this
18 problem if they are given the tools and a deadline.
19 I think it's important to remember that there are two
20 problems, as has been pointed out: cost and
21 insurance, I think insurance will be far more
22 solvable by states than the cost will, but they're

1 related. If in fact the federal government would fix
2 the tax inequity that is blatant to both parties, if
3 the federal government would establish broad
4 guidelines for states to operate within, if the
5 federal government would give states an imperative
6 and give states a deadline, I believe states would
7 step up and we would see innovation and we would see
8 every American insured in a reasonably short period
9 of time.

10 MS. ROBERTS: Governor Dukakis, I see you
11 shaking your head no.

12 GOVERNOR DUKAKIS: But the states are
13 never going to do this. I'm sorry, I was there the
14 first time in 1975, we've been talking about this
15 thing as long as I can remember and, Mr. Secretary,
16 with all due respect, it isn't going to happen. It
17 isn't going to happen.

18 My state is now heralded as the latest
19 word, believe me, we're struggling. States cannot be
20 the insurer of last resort. We're going to go
21 bankrupt. We're never going to fund this thing
22 without fundamental changes that I don't see

1 happening. So I don't buy it. And I'm the guy that
2 signed the Universal Health Care bill in 1988, which
3 I've got my success and everything and it got screwed
4 up and we never got it. So it's got to be solved
5 nationally.

6 You know, I've been on Medicare for nine
7 years. It's terrific. It works extremely well for
8 those of us fortunate enough to be 65 or older and
9 it's the most popular social program in the country.
10 So why don't we provide it for everybody everywhere,
11 or is that just too simple.

12 SECRETARY LEAVITT: I would just say it is
13 a popular program, but Medicare is going to be broke
14 in 2019 and it's the most profound problem we have in
15 America that isn't giving enough.

16 And I want to be clear: I believe there
17 is a profound role for the federal government in
18 solving this problem. But it isn't in owning the
19 system, it's in organizing the system. And part of
20 organizing the system is to give states the tools
21 they need and let them innovate against broad
22 standards, and I said something very important that

1 I'm not sure was picked up on and it is states will
2 need a deadline.

3 MS. ROBERTS: I heard you say that, and I'm
4 curious what the sitting governors think about that.
5 With the deadline . . . go ahead, Governor Carcieri.

6 GOVERNOR CARCIERI: One of the fascinating
7 things about this whole health care debate is, I think,
8 we descend often into what I call the who-pays
9 debate. In other words, the issue is we want to
10 shift the costs from the employee to the employer to
11 the state to the governors or to the federal
12 government. When the real fundamental issue--at
13 the end of the day if you do that sooner or later
14 we're all going to pay and we're going to pay more.
15 I think the real issue, and this is the tough thing,
16 and the secretary and I have talked about this, is
17 it's a case of the inflation rate of health care
18 costs. That's what's burdening all of us.

19 And when I talk with our Canadian premiers
20 each year--we had a session a year ago--and I said
21 listen, all of us Americans think you Canadians have
22 got this problem solved. What are you doing? Well

1 they all put their heads down, shook their heads and
2 said the worst problem we got. And what they meant,
3 they put it in their provincial budgets and it's
4 consuming more and more of their provincial budgets.

5 So the real issue is how do you get the
6 inflation rate of health care costs more into a line
7 with what's happening with our citizens' pay
8 increases year over year. And I think that is the
9 hard work and it goes to some of the things we've
10 mentioned, but in our state--and President Clinton
11 talked about this--but the whole wellness issue.

12 We as individuals have to take more
13 responsibility for our own health care. We need to
14 incentivize that in our people. We don't do that
15 right now. You can be doing everything perfectly,
16 Cokie, I can be doing everything wrong. Not that I
17 am. You and I are paying exactly the same thing for
18 our health care. And we know, all the physicians
19 will tell us, there are certain things that we know
20 will provide better health outcomes. So clearly
21 wellness needs to be built into the whole model of
22 what we incentivize from the insurers' standpoint.

1 We're doing that. Rhode Island, I'm happy to say,
2 was designed as the first well state in the nation
3 two years ago, and we've got a healthy weight
4 campaign.

5 The other part is efficiency but the key
6 part, and I know that there are several governors
7 working on this, and we are pushing very hard on,
8 health information technology, electronic health
9 records. If you look at what's made U.S. industry
10 prosper, if you will, for the last two decades, it's
11 been built on the back of productivity, which is
12 getting more out of what we're spending. And when
13 you look at the health care system, if we can even
14 call it a system, we are not driving productivity
15 through that system, we are not capitalizing on
16 electronics. And all the data says and I talk to
17 physician who say that the duplication of diagnostic
18 tests, et cetera, and on and on and on is because
19 they don't have the information.

20 So there are specific things that we can
21 do. We're pushing very hard on a center that will
22 clear all of the health records for every individual

1 in the state accessible by physicians and hospital
2 networks wherever they are. So I'm dis-emphasizing.
3 We need to go after how do we take cost out of the
4 system, because at the end of the day we've got to
5 get its inflation rate down to something that our
6 citizens can afford to bear.

7 MS. ROBERTS: Governor Rendell, as you
8 answer, could you also address this question of a
9 deadline?

10 GOVERNOR RENDELL: Well I think a deadline
11 is important, but a deadline has to be realistic.
12 First of all, getting cost out of the system is going
13 to take some time. We've got to change, as Governor
14 Carcieri said, the whole mindset of the system. The
15 system should be paid for performance, not for how
16 many times you go to the doctor or how many pieces of
17 medication you take. It has to be performance based,
18 number one.

19 Number two, there's low-hanging fruit:
20 hospital-acquired infections in Pennsylvania in 2006
21 cost the system \$3.5 billion passed on to all the
22 ratepayers and to the State of Pennsylvania, and get

1 the VA Hospital in Pittsburgh has reduced, just by a
2 simple protocol, has reduced MRSA, the most prevalent
3 of those infections, by over 50 percent. That ought
4 to be a protocol that we're applying nationwide, as
5 well as in Pennsylvania. We just passed a good
6 hospital-acquired infection act.

7 Chronic diseases: 20 percent of the
8 patients cost us 80 percent of the cost in the system
9 through chronic diseases. And yet there's a method,
10 it's called the Wagner method, for treating chronic
11 diseases that dramatically reduces the incidents of
12 people with chronic diseases going into hospitals.
13 You manage the disease. You don't just wait, the
14 doctor sees you in his office, he tells you you have
15 diabetes, he tells you what tests to take and says
16 good luck, here's a book on diet, good luck. The
17 next time he sees you in the emergency room, you get
18 that disease managed by a nutritionist, who calls
19 every couple of weeks to make sure you're staying on
20 your diet or tries to rework the diet with you. The
21 pharmacist makes sure that if you're taking
22 medication you understand how to take it so people

1 just don't drop off and give up. There are ways to
2 cut costs dramatically at every level. Wellness is
3 an obvious way. Incenting wellness clearly helps
4 reduce costs.

5 So we've got to do that but the question
6 is do we do that on a state-by-state basis, do we do
7 it nationally, does the NIH give us some incentives,
8 how do we get that done and accomplished? That's
9 number one.

10 And then number two is on cost itself,
11 Secretary Leavitt has been very good on working on
12 waivers. We developed a plan in Pennsylvania . . .

13 MS. ROBERTS: Medicaid waivers.

14 GOVERNOR RENDELL: . . . to cover all of our
15 children, it was called Cover All Kids, I signed it
16 in 2006; that was the bill signing you saw there in
17 2006. The plan is frustrated by the woeful
18 performance of the federal government on the
19 extension of CHIP. Our program was to take CHIP:
20 CHIP right now is totally subsidized for people 200
21 percent below poverty who are working who have kids,
22 we had people above 200 percent buy in at different

1 levels as their income level raised. Secretary
2 Leavitt allowed us to do it. Boom. Then the CHIP
3 controversy arose. So we've got to control costs but
4 we've got to find a common sense way to fund these,
5 and I think it's a combination of the states and the
6 feds working together.

7 MS. ROBERTS: Governor Sibelius, would that
8 do it? I mean, you still have these enormous costs
9 in Medicaid and, as Secretary Leavitt said, Medicare
10 is approaching crisis.

11 GOVERNOR SIBELIUS: Well it strikes me
12 there is a lot in common clearly between the two
13 topics we're talking about. I'm struck by the graph
14 and the choice of the business community as one of
15 the solution points for education.

16 MS. ROBERTS: We have a more fun poll for
17 you this time.

18 GOVERNOR SIBELIUS: Well I think the
19 business community is also at the tipping point for
20 health care. I think we're finally going to come up
21 with a solution because of the competitiveness issue
22 and the recognition that we can't keep doing what

1 we're doing and just pay more for results that get
2 worse every year.

3 And no question, we need to do a lot of
4 things simultaneously. We keep taking them in bits
5 and pieces, okay, this year or for five years we'll
6 concentrate on uninsured, but we don't change the
7 payment protocol. We still don't have an information
8 infrastructure that was promised years ago. We had
9 an Office of Information Technology at the federal
10 level. The only thing that's been done at the
11 federal level is that office was disbanded four years
12 later with no real investment in the technology
13 infrastructure that we need. So I think both in
14 education and in health care we know what works.
15 We're doing it in pockets and pieces, I think that
16 the challenge is taking it to scale and doing it
17 across the board simultaneously.

18 No question that the wellness pieces are
19 in some ways the lowest-hanging fruit. They don't
20 really cost anything to implement, and they could be
21 across the board.

22 The other thing that needs to be flipped

1 in both education and health care is the payment
2 system. If birth to three are the most important
3 learning years, those are the educators we pay the
4 least. If preventive and wellness care are the most
5 important health exercises, those are the doctors we
6 pay least. Somehow we've got to flip both of those
7 so that we're paying really for what we want to
8 achieve in results.

9 MS. ROBERTS: Governor Douglas, again, I'm
10 hearing these pockets here there, everywhere, would a
11 national program help?

12 GOVERNOR DOUGLAS: Well certainly a
13 national program would help, but I don't think we can
14 rely on federal action, and so there's a lot of things
15 that we can do and have been doing, as my colleagues
16 have noted, at the state level. The American Health
17 Foundation recently said Vermont's the healthiest
18 State in America . . .

19 MS. ROBERTS: Oh, several of you are the
20 healthiest states . . .

21 *(Laughter.)*

22 GOVERNOR DOUGLAS: I've got evidence that

1 shows we're the healthiest state. I've got my
2 pedometer on, I assume all my colleagues are wearing
3 theirs, because it's important to show some
4 leadership and to pursue the fitness and nutrition
5 initiatives that are going to bring down the cost of
6 chronic disease in the long run.

7 But thanks to Secretary Leavitt's waivers,
8 we've reduced our spending in long-term care for
9 older and disabled Vermonters by millions of dollars
10 by keeping more of them at home and reducing the cost
11 of institutionalization. Because of the Medicaid
12 waiver, we've seen a reduction in the number of
13 visits to doctors' offices and hospital emergency
14 rooms by our Medicaid population because we have
15 permission to use our dollars on preventive
16 strategies instead of just after-the-fact care.

17 Like Governor Carcieri, we're going to put
18 some software in the primary care doctors' offices,
19 we call it DocSite, so that they have information
20 they need to develop electronic medical records.
21 There are a lot of things that states can do and are
22 doing, and I think we need to continue that kind of

1 leadership at the state level to really make a
2 difference for the populations of our state.

3 MS. ROBERTS: Governor Manchin.

4 GOVERNOR MANCHIN: Basically, you know, as
5 I evaluate the health care, it's one of the few
6 services in America that we don't shop. We don't
7 know what our bills are. I've never gotten a bill in
8 my life that I ever understood from health care. And
9 I said that basically if you have any form of
10 insurance, all you care is what the bottom line is,
11 what's the co-pay. If you don't have insurance, you
12 really don't care because you're not going to pay it
13 anyway. And you're worried about someone else if
14 it's Medicaid.

15 So I said if we could just mandate on a
16 national level a unified billing, simplified unified
17 billing stating that when you leave a procedure they
18 must produce a bill. How can they give us the excuse
19 that they can't put that together.

20 I asked a bunch of doctors one time and a
21 bunch of providers and hospitals, they tell me, oh,
22 it's impossible, you know, we have lab work here and

1 we have all this different specialty going on, so
2 everyone bills separately. I said well who built
3 this building for you? Well, we had electricians, we
4 had masonry, we had carpenters. Did they give you a
5 bill at the end? Yes. Did you know what you were
6 going to pay? That's all I'm asking for.

7 And then we were trying to even implement
8 something to--where we have a high utilization of
9 Medicaid, as you know--and with that give them an
10 incentive. If they find an overbilling or a
11 mis-billing, give them 10 percent reward. Watch how
12 quick you'll take the waste out of the system.

13 MS. ROBERTS: Governor Simms.

14 GOVERNOR SIMMS: I'd just like to
15 piggyback on the governor's comments in terms of
16 consumer direction and how important it is. I'd say
17 I guess two unrelated thoughts: one is the idea of
18 looking to Washington, D.C., from the standpoint of
19 fiscally viable or sustainable systems is probably a
20 dangerous spot to look given the history there and
21 given the fact that, as was mentioned this morning,
22 David Walker and Pete Peterson and a number of others

1 are really making a push to try and raise the very
2 points that Senator Voinovich was raising earlier
3 about the unsustainability of the federal system.

4 So I think that the answer, one, has to be
5 outside of Washington and at the state level, and I
6 think that you really have to let a thousand
7 different flowers bloom and one of us is going to get
8 it right. Again, the secretary has been kind enough
9 to offer us waivers as well. We're the second state
10 in the nation to offer health savings accounts to all
11 state workers and all state retirees, and we tried a
12 mirror program at the federal level on the Medicaid
13 system.

14 And what was interesting is my wife,
15 Ginny, went in with one of the kids to try and get
16 something done and, because we were on the HSA
17 program at the state worker level, she couldn't get
18 the bill that you're alluding to and it is really
19 problematic, if you can't get a bill to determine
20 what is the cost of the product, to ever control
21 inflation.

22 MS. ROBERTS: Well is that something you

1 can do as governors? Governor Minner, you've had
2 your hand up.

3 GOVERNOR MINNER: We've started a program
4 in Delaware. When I took office, we had the highest
5 incidence and the highest death rate in cancer, and
6 we have . . .

7 MS. ROBERTS: So you weren't the healthiest
8 state?

9 GOVERNOR MINNER: No, we weren't. But I'm
10 happy to say we're much better now.

11 But what we did was start with free
12 screening, screening for life. And I told everybody
13 it's much cheaper to pay for the screening and taking
14 care of a person before they get seriously ill,
15 rather than waiting until they're seriously ill and
16 it's hundreds of thousands of dollars for their care.
17 We have moved our numbers in Delaware. We now are
18 going down in incident rate four times the national
19 average and our death rate has gone down twice the
20 national average. Because what we did is say to
21 those people who did not have insurance, if you go for
22 the screening for life we will pay as a state for two

1 years' treatment, and we have saved people that
2 expensive problem and lost time and everything else
3 that goes with it because we've caught the problem
4 while it's early.

5 MS. ROBERTS: And has that cost the state a
6 great deal of money in the screening?

7 GOVERNOR MINNER: Not in comparison to
8 what it would cost if we waited until everybody was
9 really ill and it was \$200- or \$300,000. We've
10 actually taken the money for the cancer care program
11 out of our tobacco funds, so I can honestly say to
12 the taxpayers it's not your tax dollars, it's the
13 tobacco fund tax dollars that we have used for cancer
14 care.

15 We've also done healthy rewards for our
16 state employees, and that was successful, and now
17 we're in a program, because we've advanced through
18 it, to DelaWELL, and we actually have even started
19 for our state employees a program for Weight Watchers
20 and they don't have to pay for that, we do it, but
21 they're walking during their lunch hour or their 15-
22 minute or 10-minute break.

1 We've worked very hard, of course, on the
2 smoking problem. I just recently got the numbers,
3 25,000 people in Delaware have been through our
4 smoking cessation program, and it's working as well.

5 I think you have to concentrate on one
6 thing at a time rather than trying to do it all, and
7 once you prove to the citizens that you really are
8 making a difference, then they become more enthused
9 about it. We now have walking clubs at churches and
10 at civic organizations and other things simply
11 because the state employees see how much better
12 they're feeling.

13 The total concept of it now has picked up
14 in the business community, because they see less lost
15 time for their employees as well, which means their
16 businesses aren't interrupted but continue.

17 And so it isn't just . . . you know, you've
18 got to start somewhere, and you've got to prove that
19 you can make a difference. We have made a difference
20 in cancer in Delaware. People understand that they
21 need to take care of themselves early, screening for
22 life helps with that.

1 MS. ROBERTS: Governor Pawlenty.

2 It sounds to me like you all are all sort
3 of doing something interesting here that is designed
4 to . . . at prevention and at cutting costs. I mean, is
5 that something that we're picking up in every state,
6 is that the case?

7 Go ahead.

8 GOVERNOR PAWLENTY: I think that's true.
9 I wanted to address your question about a simplified
10 or more transparent billing. But first I want to
11 also say Minnesota was the healthiest and is the
12 healthiest state in the nation.

13 I will admit that Vermont one year in one
14 study beat us. One year on one study.

15 *(Laughter.)*

16 GOVERNOR PAWLENTY: And we have since
17 retaken them on that same state.

18 MS. ROBERTS: I'm from Louisiana. We never
19 claim that.

20 *(Laughter.)*

21 MS. ROBERTS: Fun, yes. Healthy, not so
22 much.

1 GOVERNOR PAWLENTY: But on the issue of
2 consumer empowerment and transparency and simplicity
3 in billing, if we said on behalf of the NGA to the
4 audience: Go home. On your way home purchase any TV
5 that you'd like without regard to price or other
6 characteristics and we'll pay for it, how many of you
7 would show back up at your hotel room tonight with a
8 12-inch black and white.

9 *(Laughter.)*

10 GOVERNOR PAWLENTY: Not many. Part of the
11 problem, and it is only one part of the problem, with
12 our health care system is all of us get to go consume
13 goods and services, with very few exceptions we don't
14 really know what the price is, we don't really have a
15 user-friendly, easy-to-understand quality ranking, and
16 somebody else pays for and manages the transaction,
17 namely, the government, an HMO or an insurance
18 company. In no other walk of life does that system
19 work, and it doesn't really work in health care. So
20 this billing piece, and, again, only one piece, is
21 very important.

22 And my friend John Huntsman in Utah has an

1 interesting model that we have adopted in Minnesota
2 dealing with uniform billing. And it's not just
3 simplicity for the consumer. Think about each doctor
4 or clinic or hospital; they have teams of people in
5 the back room, and in our case, trying to figure out
6 different billing codes, different billing
7 requirements, different forms for 15 different
8 insurance companies, 15 different HMOs, and there's a
9 lot of back-room costs associated with this morass
10 which is billing.

11 And I don't think we have to come in with
12 a government system, but I think we could provide
13 incentives or encourage the billers, the payers, to
14 get uniform and coordinated on their billing. They
15 did it in Utah, and I think, John, it's working, isn't
16 it? Well under your leadership and it wasn't working
17 before that. So I think that's a model that people
18 can look at and it will save money.

19 MS. ROBERTS: Governor Schweitzer.

20 GOVERNOR SCHWEITZER: All right. This is
21 the way we do it. Just transfer the money that the
22 federal government is spending on Medicare, Indian

1 Health Services, Veterans Administration, Medicare,
2 CHIP, long-term care, transfer it to each one of our
3 states. We'll have 50 different examples. I will
4 steal ideas from Vermont and Utah, they'll borrow
5 some ideas from Montana and Wyoming, and 10 years
6 from now we will have been able to compare who's
7 getting the best bang for our bucks.

8 Right now we have a bunch of governors
9 talking about . . . well, we can incrementally do this, we
10 can do that, we can beg for forgiveness from Health
11 and Human Services, we can get a waiver, we can go
12 ahead and do some things and hope that they won't
13 catch us.

14 *(Laughter.)*

15 GOVERNOR SCHWEITZER: But ultimately if
16 you want a thousand flowers to bloom, like Mark
17 Sanford said, move the money, give us the
18 responsibility, give us the authority, and you will
19 see the flowers bloom.

20 VOICE: It's a good thing Montana has a
21 senate finance chair to introduce that legislation.

22 *(Laughter.)*

1 MS. ROBERTS: Yes, it's also the first time

2 Mark Sanford has been compared with Mao.

3 We will go to Governor Castle.

4 GOVERNOR CASTLE: Thank you, Cokie.

5 This is just a small addendum to

6 everything we've heard. And I agree with everything

7 we've heard here. But there are a series of programs

8 out there that we all know about and hear about, the

9 SCHIP program and Medicaid in particular, but also

10 federal community health centers, which we probably

11 all have in our various states and maybe not as much

12 Medicare, maybe local programs. But I'm constantly

13 reading that all of the people who are eligible for

14 these programs are not signed up for them,

15 particularly in the SCHIP program, for instance, even

16 as it exists today regardless of all the confusion

17 about an expansion of it. We just haven't signed up

18 all the kids that should be signed up. And these are

19 pretty high numbers, I mean, they may be 20-, 25- or

20 30 percent or whatever.

21 I don't know what methods the various

22 governors are using to do that, but I just think it's

1 something we should all be aware of, that these
2 programs exist and we have constituents who are not
3 well and we need to make sure they're allowed to get
4 into these programs if at all possible or at least
5 know about them. I just think it's an important part
6 of our health care. It won't solve all the problems,
7 but if it can solve the problems for certain numbers,
8 it could be important.

9 MS. ROBERTS: As we come close to finishing
10 out this very interesting day, your staff at the
11 National Governors Association has another polling
12 question for you, this one of a more lighthearted
13 nature. The last campaign that you had for governor
14 should have been called: *Survivor, So You Think You*
15 *Can Dance, Fear Factor* or *Lost*. If we could get that
16 poll up there, please, folks? The number one is
17 *Survivor*, there you go, *So You Think You Can Dance*,
18 *Fear Factor, Lost*. And if you'll just vote, we'll
19 get the results on that soon.

20 And while you're thinking about that, I'll
21 go back to Governor Culver, who has had his hand up
22 for a minute. And Governor Culver, I want to ask you

1 this, you know, as a currently sitting Democratic
2 governor. The whole debate, obviously, at the
3 presidential level has very different health care
4 plans presented by the candidates--we're not quite
5 sure what the Democratic plan will be, but we know
6 what Senator McCain's plan is--is this something
7 that's useful to you as a governor? Or, it sounds to
8 me like you are all coming up with solutions on your
9 own.

10 GOVERNOR CULVER: Well it's been said that
11 it has to involve a partnership if we want to solve
12 this challenge. And I think it's fair to say right
13 now there are a lot of problems that need to be
14 addressed in how we partner.

15 For example, in Iowa we're actually
16 penalized for having one of the most efficient
17 Medicare services in the country in terms of
18 providing patient care at a low cost, we get
19 penalized; we're near the very end of the line in
20 terms of reimbursement rates.

21 MS. ROBERTS: It sounds to me like you need
22 to go to Secretary Leavitt for a waiver.

1 *(Laughter.)*

2 GOVERNOR CULVER: Well he has helped on
3 other waivers. But that needs to be completely
4 redone at the federal level. And so what happens is
5 there's a lot of stress and strain on the health care
6 system.

7 We have nurses, some of the very best
8 nurses in the nation in Iowa, but because we're
9 reimbursed at 49th in the nation for Medicare
10 reimbursement rates, the doctors and nurses have to
11 perform two or three times as many surgeries and
12 things like that to get the revenue that they need to
13 run the hospital and to pay the nurses.

14 And nurses: We have a looming crisis in
15 terms of a shortage, and we need to take care of those
16 people that are on the front line, we have to pay
17 them what they're worth and we're not, and part of
18 that is because of the reimbursement rate.

19 So I'm looking forward to working with the
20 next president and with our colleagues in Washington
21 to fix the structure that will allow governors to
22 more effectively take care of the patients' needs,

1 the nursing needs, the doctors are having their
2 challenges and, most importantly, all of our
3 constituents who are going to depend on these health
4 care services in the future.

5 MS. ROBERTS: Governor?

6 GOVERNOR: I'd just like to make one
7 observation that links the two issues that we've
8 spoken about this afternoon, and that is that if we
9 don't get a handle on the health care costs, we're
10 never going to have the resources to invest in the
11 preschool, higher teacher pay, longer school year,
12 and what we may need to do to improve our education
13 system with the demographic realities that the
14 country is facing with the aging of the population.
15 This is a huge challenge and it hits Governors, you
16 know, right where they hurt, in the budget.

17 MS. ROBERTS: Well, and as Governor
18 Sebelius says, it also hits business. And do you see
19 that as a group as one of the solutions? I see you
20 nodding, Governor Granholm.

21 GOVERNOR GRANHOLM: Well, you know,
22 manufacturers who are competing against countries who

1 provide health care, and all those costs are borne by
2 the employer, it makes them uncompetitive.

3 It's true, you know, all of us have been
4 talking about little things that we've been doing in
5 our states, but I don't think anybody here would say
6 that they've been able to insure everyone in their
7 states. And those uninsured people cost the system
8 even more when they show up at the emergency rooms.
9 The system is not rational. The fact that we have to
10 continue to go to Secretary Leavitt for waiver after
11 waiver tells you that; I mean, that's a deviation
12 from the system. You're asking, you're begging for
13 permission to deviate from what the system is.

14 So the system is not working. It's not
15 working for all Americans; it's not working for all
16 of our states, and the question is: is there a more
17 rational way to do it which allows for us to do
18 primary care to save costs, to do your technology in
19 the system in a way that allows us as a nation and
20 states to be competitive and our employers to be
21 competitive, too.

22 MS. ROBERTS: Secretary Leavitt, is that a

1 question of law or a question of regulation? I mean,
2 is it something that, you know, you can listen to
3 this--and, of course, you have been dealing with it
4 regularly--and you can say actually I might be able
5 to fix some of that, particularly on the billing
6 question.

7 SECRETARY LEAVITT: This is a very good
8 example of what was referred to, which I referred
9 to earlier as a circumstance where the federal
10 government has used the statutes to be so
11 prescriptive that it has tied governors' hands.

12 Many references have been made to waivers.
13 That's a bad system. It is cumbersome, it's full of
14 drama, there's some inequity involved in it. It does
15 provide opportunities for innovation, but the fact
16 that it exists is a clear indication that we need to
17 free it up, give people tools, give them a deadline,
18 give them . . . decide what we're going to have in terms
19 of resources and let people go to work.

20 MS. ROBERTS: The thought of HCFA and
21 drama, I must say, is kind of interesting.

22 Governor Rell.

1 GOVERNOR RELL: I've been listening, I
2 think your question early on was do we face a
3 deadline and how would we respond to that. I think
4 if you listen to those that have been speaking today,
5 one of the things you'll find is that we can't wait
6 for a deadline, and we probably wouldn't appreciate it
7 if it came, because we all are working very hard in
8 our own states.

9 I guess for a few moments I'd like to take
10 a little bit of bragging rights because you talk
11 about getting the information out to make sure, for
12 example, that children are insured. We have 97
13 percent of our children are insured, either through
14 private insurance, through parents' employers, or
15 under our HUSKY plan. But we've done an outreach
16 program, I think when I first started this--we
17 actually sign up newborns in the hospital and we will
18 pay--if they don't have health insurance, we will
19 pay the first four months of the premium trying to
20 encourage families to go ahead and sign them up. It
21 has been very successful.

22 We now are doing something in the school

1 system so that every year--you know how many times
2 you have to fill out those forms as parents, who's
3 the contact person, where do you work, what's the
4 telephone number--we have another little check-off
5 box on there and it says does this child have health
6 insurance? And if the answer is no, we sign them up
7 for HUSKY, obviously with the parents' permission.
8 And in some cases, we will pay for that premium for
9 the first couple of months trying to get them
10 enrolled.

11 On July 1st of this year, we actually
12 kicked off a program that I devised back in 2006.
13 It's called the Charter Oak Health Plan. We found
14 that obviously we can insure children, we have
15 Medicare for the elderly population, but it was that
16 age gap between 19 and 65, too old for HUSKY, too
17 young for Medicare. We had 5,000 calls in the first
18 four days. These are people that are saying I've
19 always wanted to have health insurance, I just don't
20 know where to get it. Granted, it's going to cost us
21 money because we're going to be doing the premium
22 assistance, but I'd much rather be paying part of a

1 premium than paying part of the health care cost of
2 going to an emergency room or somewhere else. I
3 believe it will be successful. We can't wait for the
4 federal government's decision on what they want to
5 do. We're all acting in our own states.

6 MS. ROBERTS: Okay. We are now going to
7 get the results of your poll. All right. The last
8 campaign for governor should have been called. Let's
9 see, here we go. Number one, *Survivor*. Okay. I'm
10 so interested that 41 percent of you thought it
11 should be *So You Think You Can Dance*. And *Fear*
12 *Factor* and *Lost* only 3 percent. So we have winners
13 here.

14 One quick round, very quick round on a
15 final question, which is the most important thing a
16 governor can do. What's the most important thing you
17 can do to leave your state in the best condition that
18 you can think of? Who wants to tackle that first?
19 Anybody?

20 Go ahead.

21 VOICE: I think when we talk about the
22 major issues and the areas in which we're going to be

1 focusing on long term, I think every governor in this
2 room knows that they will all be judged by how they
3 respond in the case of a surprise or an emergency.
4 And so, number one, that's the one thing that we all
5 turn around and we all focus on is: are we prepared
6 for that which is unexpected or that would be
7 considered an emergency within our state. Before and
8 above anything else that we can do strategically,
9 we've got to be able to respond to an emergency.

10 MS. ROBERTS: Governor?

11 VOICE: Well I think the most important
12 thing we can do when we leave is people have a
13 respect for state government, in particular, the
14 governor's office. I mean, I think all these other
15 things are extremely important, but the bottom line
16 is the system works and they feel like government is
17 dealing with what they're concerned with.

18 MS. ROBERTS: Yes, Governor Rendell.

19 GOVERNOR RENDELL: I think I somewhat
20 alluded to this a little earlier and that is to
21 invest in things that are going to change your state
22 and leave it better 10, 15, 20 years down the road.

1 I think one of the great failings of American
2 politics is that we're only interested in things that
3 are going to show up while we're still there. No
4 business would ever do that. No business would
5 govern--although actually it's happening in Wall
6 Street a little bit right now--but you shouldn't do
7 it. And we should be doing things right now and we
8 are, like early childhood education, that aren't
9 going to have an impact when we're around but are
10 going to impact. Twenty years from now, I want my state
11 to be in better shape than it is today, significantly
12 better shape.

13 MS. ROBERTS: Well, I think . . . yes, go
14 ahead, Governor Edwards.

15 GOVERNOR EDWARDS: I feel privileged, today.
16 In the health care debate, you know, I served
17 before Medicaid, so it was easy. We put our money in
18 education because we didn't have to put it in health
19 care and, of course, now you are all facing the
20 problems of health care pushing aside investment in
21 education.

22 But I just wish, after listening to the

1 debate this afternoon and the remarks, that the two
2 presidential candidates should have been here, to
3 listen, not to talk, and to hear what states are
4 doing and to build a relationship that I think is
5 going to be vital if we're going to have a
6 transformative election and a new start at the
7 national level. Health care obviously is going to be
8 one of the most important things to do and I would
9 suggest that whoever is elected president start out
10 on the health care subject by bringing governors
11 together and requesting them to join in.

12 If you implemented all the good ideas I've
13 heard around here today, we'd be a long way down the
14 road toward a better health care system and
15 rationalizing it nationally. I think that's the most
16 important thing a new president can do is to create a
17 new relationship and a new partnership with the
18 governors of this nation.

19 VOICE: First of all, I'm glad to hear that
20 you and Chet Culver were childhood friends. I had
21 suspected that.

22 MS. ROBERTS: No, no, no, he was the child.

1 *(Laughter.)*

2 VOICE: I was trying to help.

3 MS. ROBERTS: I know. I appreciate it.

4 *(Laughter.)*

5 VOICE: Two things. While you're governor,
6 make as much progress as you can at every level that
7 you can and when you leave, leave your state as
8 fiscally sound as you can because budget drives
9 policy and the next governor needs a good budget to
10 set good policy.

11 MS. ROBERTS: Well I think this has been
12 quite a wonderful day. I have learned a great deal
13 myself, I'm sure that everybody has from each other,
14 which is the really sort of salutary part of this
15 meeting is how you do learn from each other and take
16 each other's ideas. So Governor Rendell, thank you
17 for hosting this; Governor Pawlenty, thank you for
18 having this whole idea of this centennial moment.

19 As I said at the beginning, we've heard a
20 lot about Philadelphia and 1787. Of course, the
21 press wasn't allowed in to that particular
22 Constitutional convention, which was probably a

1 good thing. And the women of Philadelphia were
2 desperate to know what was going on and fortunately
3 Benjamin Franklin was a big leaker. His daughter,
4 Sally, had to constantly make him be quiet at the end
5 of the day.

6 But when it was finally over and they were
7 let out of Independence Hall, as we now call it, and
8 it was so hot in September of 1787, Eliza Powell, one
9 of the great women of Philadelphia, one of the great
10 intellects was standing outside the door and she said
11 to Franklin, what do we have, sir, a republic or a
12 monarchy? And he said a republic, madam, if you can
13 keep it. The word "madam" is often left out of that
14 quotation, but that is the full quotation. So I am
15 thrilled to see the women of America, aided by the
16 men, at the state house level keeping the republic.

17 Thank you all very much for letting me
18 participate.

19 *(Applause.)*

20 *(Whereupon, the National Governors*
21 *Association conference was concluded.)*

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