

Canada - United States  
Inter-Parliamentary Group  
Canadian Section



Groupe interparlementaire  
Canada - États-Unis  
Section canadienne

**Report of the Canadian Parliamentary Delegation  
respecting its participation at the National Governors  
Association Winter Meeting**

**Canada-United States Inter-Parliamentary Group**

**Washington, D.C., United States of America**

**February 26-28, 2011**

# Report

## DELEGATION MEMBERS AND STAFF

From February 26-28, 2011, a delegation from the Canadian Section of the Canada-United States Inter-Parliamentary Group (IPG) attended the winter meeting of the National Governors Association (NGA) in Washington, D.C. The delegation included the Honourable Wilfred Moore, Q.C., Senator, the Honourable John McKay, P.C., M.P., Vice-Chair, Mr. Dean Del Mastro, M.P. and Mr. Brent Rathgeber, M.P. The delegation was accompanied by Angela Crandall, the Group's Executive Secretary, and June Dewetering, Senior Advisor to the IPG.

## THE EVENT

Founded more than a century ago when President Theodore Roosevelt gathered state governors in order to discuss the nation's resources, the NGA is the collective voice of U.S. governors from the 50 states, three territories and two commonwealths. It is also a public policy organization that represents the governors on Capitol Hill and before the U.S. Administration on federal issues that affect them, and that develops and implements solutions to public policy challenges.

The NGA, which meets in the winter and summer each year, is supervised by a chair, vice-chair and nine-person executive committee, and governors participate on four standing committees – Economic Development and Commerce; Education, Early Childhood and Workforce; Health and Human Services; and Natural Resources – as well as on special *ad hoc* bipartisan committees and task forces. At the 2011 Winter Meeting, each of the four standing committees held a session, the Special Committee on Homeland Security and Public Safety met, and there were a number of plenary and other sessions.

The theme for the NGA's activities this year – including the winter and summer meetings – is "Complete to Compete," which was selected by former West Virginia Governor Joe Manchin before he was elected to the U.S. Senate and was continued by Washington Governor Christine Gregoire when she succeeded him as NGA Chair for 2010-2011.

## DELEGATION OBJECTIVES FOR THE EVENT

Members of the Canadian Section of the IPG have been attending the winter and summer meetings of the NGA for several years. At this winter meeting, which involved a large number of newly elected governors, Canadian delegates were able to continue their dialogue with governors on issues of Canadian and/or joint interest. In particular, they spoke with Governors Beebe, Chaffee, Dayton, Gregoire, Herbert, LePage, O'Malley, Patrick and Shumlin about the nature and scope of the Canada-U.S. relationship, the 8 million U.S. jobs that depend on bilateral trade and the cooperative will to move forward together in a range of areas.

Their interactions with governors enable Canadian members of the IPG to achieve better the aim of finding points of convergence in respective national policies, initiate dialogue on points of divergence, encourage exchanges of information and promote better understanding on shared issues of concern. Moreover, the NGA meetings provide the Canadian Section of the IPG with an important means to provide input to, and gather information about, state-level issues that affect Canada. It is anticipated that the IPG's attendance at the winter and summer meetings will continue.

## **ACTIVITIES DURING THE EVENT**

The 2011 Winter Meeting of the NGA included the following sessions:

- Opening Plenary Session: Growing a Competitive State Economy
- Economic Development and Commerce Committee: The State of Public Finance – Myths and Facts Shaping State Economies
- Education, Early Childhood and Workforce Committee: Global Lessons to Improve K-12 Education
- Health and Human Services Committee: Sustainability of the Medicaid Program
- Natural Resources Committee: Impediments to Responsible Natural Resource Development – the Federal-State Relationship
- Special Committee on Homeland Security and Public Safety: Cyber Security – States' Role in Protecting Against Insider Threats, Hackers and Terrorists
- Closing Plenary Session: Preparing to Succeed in a Global Economy.

This report summarizes the main points that were made at the plenary as well as at selected standing committee sessions.

## **OPENING PLENARY SESSION: GROWING A COMPETITIVE STATE ECONOMY**

### ***Michael Porter, Harvard Business School***

- in the United States, the fundamental challenge is to get the “fiscal house in order” while building a competitive economy for a prosperous future
- governors need to develop an economic strategy, with both short- and long-term agendas, in which key stakeholders are working together to build a competitive state
- states differ greatly in their economic prosperity
- a state's people, capital and natural resource endowments should be used to produce the goods and services that people want
- a state's productivity determines wages and the standard of living, and whether the state will thrive; prosperity depends on productivity
- innovation is needed in order to improve productivity

- governments need to have the right innovation for productivity; competitiveness is not a zero-sum game, so there are opportunities for everyone to benefit
- every state has a different strategic challenge, so each state needs a unique strategy
- at the state level, there are three significant strategy issues:
  - the general business environment – it must support productivity
  - clusters – a critical mass of expertise, infrastructure, etc. is needed and the state should focus on its existing and/or emerging strengths
  - multiple levels of geography – states benefit from strong neighbouring states since each state exists in a sub-region
- in terms of the business environment, four elements should be considered:
  - the inputs available – including people, infrastructure, etc.
  - rules about how business is done – including tax, regulations, etc.
  - the availability of supporting industries
  - demand conditions – including whether the state is a sophisticated market for goods and services
- regulation and permitting should be efficient
- unnecessary costs of doing business should be eliminated, particularly those costs that fall disproportionately on small businesses
- training systems should be aligned with the needs of industry
- education is fundamental; a strong talent pool and skills base is needed to justify high wages
- states should understand their local industries, and ensure that each serves the local market and does not compete with other locations; as well, states should identify their clusters, which should compete across states and countries
- the dominant influence on prosperity is how competition occurs in each of a state's clusters rather than the mix of clusters in the state; states should build on their existing and emerging strengths rather than on clusters where they lack human capital, physical capital, infrastructure, etc.
- some clusters are interrelated, leading to synergies; for example, an education cluster should be together with a medical device cluster, so that they can share skills, technology, etc. across clusters
- states cannot think of themselves as independent entities; they are affected by federal policies and programs as well as by those of neighbouring states
- many states have both urban and rural areas, the latter of which are generally significantly less prosperous; rural areas must be integrated into each state's economic plan

- there is no “silver bullet” regarding competitiveness; since so many things matter – such as infrastructure, regulations, education and health care – the state should have a strategy or an overarching view of how the state can be unique
- once a state has a strategy, the priority areas of focus should be clearer
- states compete with each other in the sense that businesses decide where to locate
- states should end any exclusive focus they have on new investment, and should also focus on getting existing companies to “exist more” in the state; states should stop competing for every plant and should instead focus on reinforcing existing strengths
- general tax reductions do not bring about the desired outcomes
- rather than providing subsidies to offset costs, states should reduce the fundamental costs of doing business
- historically, economic development was a government-driven process; now, it is a collaborative process with the private sector
- the goal of a state’s economic strategy should be to enhance competitiveness, with productivity and innovation being key guiding principles; from a causality perspective, it is enhanced competitiveness that will lead to job creation
- new investments are not required; the focus should be on improved use of existing resources as well as on having the “right” rules, policies and collaborative efforts
- states should ensure that they mobilize the private sector and act in a non-partisan manner

## **ECONOMIC DEVELOPMENT AND COMMERCE COMMITTEE: THE STATE OF PUBLIC FINANCE – MYTHS AND FACTS SHAPING STATE ECONOMIES**

### ***Thomas Doe, Municipal Market Advisors***

- municipal bonds are a significant tool for funding important infrastructure projects; these projects create jobs
- when discussions about pension reform and bankruptcy occur, it is important not to impede or imperil states’ access to capital markets
- access to capital markets continues to exist for states because of confidence that state governors will do their job well
- while there may be relatively less access to the capital market, the reduced access is not a function of state budgets; rather, it is a demand-side issue
- markets and institutional investors understand that state debt is “good”

### ***Harley Duncan, KPMG LLP***

- now is an opportune time to give serious consideration to comprehensive tax reform
- states are recovering, and should focus on repairing structural imbalances between revenues and expenditures
- states should create a climate that promotes growth and investment; tax reform can be a key component, and the tax system should be aligned with the nature of economic development
- capital is mobile around the globe
- the current tax system has its basis in the 1950s; a tax structure should be “in sync” with the way in which business is done
- services are now two thirds of personal consumption expenditures, an increase from one half about 50 years ago; consideration should be given to taxing services
- consideration should be given to the manner in which the digital economy should be taxed
- the tax reform process is important, and the initial emphasis should be on communicating the goals of the reform; as well, extensive stakeholder involvement should occur, technical expertise should be employed, and executive leadership and commitment should exist
- comprehensive reform of the personal income tax and/or the corporate income tax systems are on the agenda; as well, there is some discussion about a federal broad-based consumption tax
- the federal role in the tax practices of states should be limited
- the tax system should be aligned with economic activity

### ***Mark Zandi, Moody's Analytics***

- there is reason to be optimistic about the economy's prospects, and 2011 and 2012 should be good economic years
- American businesses are very profitable, and profit margins are as wide as they have ever been; these businesses have strong balance sheets and are very focused on minimizing costs
- U.S. households are working hard to get their “fiscal houses” in order
- nothing is a greater threat to the U.S.' economic recovery than rising oil prices; higher oil prices benefit foreigners
- the home foreclosure crisis continues to exist
- continued and measurable progress is likely to continue to be made regarding revenues

## **EDUCATION, EARLY CHILDHOOD AND WORKFORCE COMMITTEE: GLOBAL LESSONS TO IMPROVE K-12 EDUCATION**

### ***Andreas Schleicher, Organisation for Economic Co-operation and Development***

- many countries are now benchmarking the quality of their education systems, and it would be instructive to identify the factors that explain differences in educational performance across countries
- there are significant differences in educational outcomes across the U.S. states
- spending on education explains 15% of the variation in educational outcomes across countries; there is no guarantee that more spending on education will lead to better educational outcomes; how the money is spent is more important than the amount of money that is spent
- policy makers should focus on the quality of, and equity of access to, education
- all students should be expected to meet certain standards and to do well
- teacher quality is important
- accountability for educational outcomes should be assured
- the key questions are: are students learning, and are students able to apply what they are learning?

### ***Honorable Arne Duncan, U.S. Secretary of Education***

- in terms of education, the United States “stopped” while other countries moved ahead; the status quo is not good enough and progress is not being made quickly enough
- the United States must educate its way to prosperity
- the “educational bar” needs to be raised, and it needs to be raised for everyone
- in the United States, there is a huge “appetite” to use collaboration and collective bargaining to drive student achievement
- significant investments should be made in community colleges
- the federal government recognizes the budgetary challenges being faced by states; the challenge is to reduce spending yet drive student achievement
- President Obama believes that, by 2020, the United States must again lead the world in college graduation rates
- the “No Child Left Behind” law is broken and needs to be fixed; “fixes” could include
  - reward excellence by teachers, principals and students
  - provide needed flexibility
  - establish high standards

- ensure well-rounded curricula

***Sir Michael Barber, McKinsey & Company***

- there is a huge opportunity to reform education in the United States, and transforming the education system is very important
- the educational achievement gap in the United States is the equivalent of a permanent national recession
- systems can improve significantly in as few as six years
- while both accountability and teacher capacity-building are important, their relative importance changes as the educational system improves
- the teaching profession needs to be reshaped, with:
  - careful recruitment
  - ongoing development
  - flexibility, as required
  - good teaching experiences for the best teachers
- going forward, the focus should be on:
  - setting challenging standards
  - developing teachers effectively and providing them with professional development
  - being very selective about who is permitted to enter the teaching profession
  - selecting excellent school leaders
  - tackling failures
  - ensuring data-informed policy-making at all levels

**SPECIAL COMMITTEE ON HOMELAND SECURITY AND PUBLIC SAFETY: CYBER SECURITY – STATES’ ROLE IN PROTECTING AGAINST INSIDER THREATS, HACKERS AND TERRORISTS**

***General Keith Alexander, U.S. Cyber Command***

- about 89% of the activity that occurs in cyberspace is spam
- if Facebook was a country, it would be the third-largest country in the world
- technology presents opportunities, but also risks
- it is important that people be educated about digital security
- states have a tremendous amount of citizen data, and they have a responsibility to protect that information
- there is a need to ensure that banking and similar data are secure



***Honorable Rand Beers, U.S. Under-Secretary of Homeland Security***

- cybersecurity is an essential part of the U.S. Department of Homeland Security's mission
- no single agency or department can address cybersecurity; partnerships are needed among departments, with the private sector, among various levels of government, etc.
- a national cyber incident response plan is needed; common effort and similar procedures are needed in order to ensure success
- a secure information base is needed; the risks of using open source software must be recognized

***Will Pelgrin, Multi-State Information Sharing and Analysis Center***

- everyone has a responsibility regarding cybersecurity; a collective view is more powerful than a singular view
- truthful sharing of cyber information/intelligence should occur
- the terrorist attacks of 11 September 2001 were both a physical attack and a cyber attack/event/incident
- the average "survival" time for an unprotected networked computer is minutes
- hackers attack governments because that is where the data are
- the cyber challenges facing states include:
  - social networking
  - cloud computing
  - old infrastructure
  - data loss/theft
  - data protection
  - thumb drives
  - phishing

**CLOSING PLENARY SESSION: PREPARING TO SUCCEED IN A GLOBAL ECONOMY**

***Bill Gates, Bill & Melinda Gates Foundation***

- education is a key issue for the future of the United States, and governors are in a position to be leaders and to make a difference
- one of the key challenges is ensuring that people are trained for the jobs of tomorrow

- there are drastic differences across educational institutions in their rates of completion
- per pupil spending is increasing, and has doubled in the last 10 years, but educational outcomes have not changed very much
- best practices should be spread; the best teachers and the best institutions should be replicated to get the best results
- the common core educational standards initiative is amazing
- technology should be used to lengthen the school day and to strengthen teaching
- good data are needed in order to make good decisions
- data should be collected and then analyzed; for example, it might be beneficial to examine patterns by race, income class, etc.
- incentives should be provided for better teachers and for the better teachers who help other teachers get better
- education is important for improving equity
- the focus should be on outcomes per dollar spent, rather than on just outcomes or on just the amount spent.

Respectfully submitted,

Hon. Janis G. Johnson, Senator  
Co-Chair

Canada-United States  
Inter-Parliamentary Group

Gord Brown, M.P.  
Co-Chair

Canada-United States  
Inter-Parliamentary Group

## Travel Costs

<b>ASSOCIATION</b>	Canada-United States Inter-Parliamentary Group
<b>ACTIVITY</b>	National Governors Association Winter Meeting
<b>DESTINATION</b>	Washington, D.C., United States of America
<b>DATES</b>	February 26-28, 2011
<b>DELEGATION</b>	
SENATE	Hon. Wilfred P. Moore, Q.C., Senator
HOUSE OF COMMONS	Hon. John McKay, P.C., M.P., Vice- Chair, Mr. Dean Del Mastro, M.P. and Mr. Brent Rathgeber, M.P.
STAFF	Ms. Angela Crandall, Executive Secretary and Ms. June Dewetering, Senior Advisor
<b>TRANSPORTATION</b>	<b>\$ 1,713.34</b>
<b>ACCOMMODATION</b>	<b>\$ 5,167.59</b>
<b>HOSPITALITY</b>	<b>\$ Ø</b>
<b>PER DIEMS</b>	<b>\$ 752.33</b>
<b>OFFICIAL GIFTS</b>	<b>\$ Ø</b>
<b>MISCELLANEOUS / REGISTRATION FEES</b>	<b>\$ 4,931.84</b>
<b>TOTAL</b>	<b>\$ 12,565.10</b>