

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 Annual Meeting of the
National Governors Association**

Canada-United States Inter-Parliamentary Group

Boston, Massachusetts, United States of America

July 9-11, 2010

Report

DELEGATION MEMBERS AND STAFF

From July 9-11, 2010, the Honourable Senator Janis Johnson, Co-Chair of the Canadian Section of the Canada-United States Inter-Parliamentary Group (IPG), led a delegation to the summer meeting of the National Governors Association (NGA) in Boston, Massachusetts. Other members of the delegation were the Honourable Senator Wilfred Moore, Ms. Siobhan Coady, M.P. and Mr. David Christopherson, M.P.

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 US 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 US Administration on federal issues that affect them, and that develops and implements solutions to public policy challenges.

The NGA 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* committees, bipartisan special committees and task forces.

Two meetings are held each year: the winter meeting in Washington, D.C. and the summer meeting at various locations in the United States. At each meeting, plenary and standing committee – and perhaps special and task force – meetings are held.

DELEGATION OBJECTIVES FOR THE EVENT

Canada and the United States share a mutually beneficial relationship. According to a 2010 study based on 2008 data, more than 8 million US jobs rely on Canada-US trade. At that time, bilateral trade was valued at approximately US\$392 billion: more than US\$161 billion was exported from the US states to Canada, while they imported more than US\$ 231 billion from Canada. In that year, Canada was the primary foreign export market for 34 US states. Moreover, recent data suggest that Canadians made almost 25 million visits to the United States in a 12-month period and spent almost US\$1 billion, while US residents made more than 10 million visits to Canada and spent more than US\$5 billion.

The Canada-United States Inter-Parliamentary Group aims to find points of convergence in respective national policies, to initiate dialogue on points of divergence, to encourage the exchange of information, and to promote better understanding among legislators on shared issues of concern. Members of the Canadian Section of the IPG regularly meet with their federal counterparts and, in recent years, have been attending meetings of governors and state legislators. At these events, Canadian delegates take the opportunity to engage in the dialogue that will help achieve the Canadian Section's objectives. At the NGA's 2010 summer meeting, members of the delegation spoke with

17 governors from throughout the United States, and conveyed Canada's willingness to work together with the US on issues of shared concern.

The NGA's 2010 summer meeting included presentations on a variety of topics, many of which affect Canada, such as childhood nutrition and obesity, energy issues, and interoperable communications and information sharing. These areas are among those in which our nations could – and do – share best practices and work together in attaining common goals. From the Canadian perspective, particularly important insights were gained during the sessions on the US' economic recovery as well as on the prospects for fiscal responsibility and reform. Our nations are integrated on many levels, and economic prosperity in the US enhances prosperity in Canada.

Their interactions with governors enabled delegates to achieve the Canadian Section's goals. Moreover, the 2010 summer meeting – as is the case with NGA meetings generally – provided 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 Canadian Section's attendance at the winter and summer meetings of the NGA will continue.

ACTIVITIES DURING THE EVENT

The theme for the NGA's activities in 2010 – including the winter and summer meetings – was "Rx for Health Reform: Affordable, Accessible, Accountable," which was selected by Vermont Governor Jim Douglas, the NGA Chair for this year.

At the summer meeting, each of the four standing committees held a session, there were a number of plenary sessions, and the Special Committee on Homeland Security and Public Safety met. In particular, the meeting included the following sessions:

- Opening Plenary Session: Achieving a Sustainable Health Care System
- Joint Committee Session – Education, Early Childhood and Workforce Committee and Health and Human Services Committee: Recipe for a Healthy Future: Examining Childhood Nutrition and Obesity
- Natural Resources Committee: Capitalizing on America's Domestic Energy
- Special Committee on Homeland Security and Public Safety: Answering the Call – Interoperable Communications and Information Sharing
- Plenary Session: Redesigning State Government – A Roundtable Discussion
- Economic Development and Commerce Committee: States and the Economy – On the Road to Recovery
- Closing Plenary Session: The Federal Budget Deficit – Risks and Challenges.

At the end of the summer meeting, West Virginia Governor Joe Manchin became NGA Chair for the forthcoming year, and selected "Complete to Compete" as his initiative. The Complete to Compete initiative focuses on increasing the number of US students who complete college degrees and certificates, improving the productivity of US institutions of higher education, creating a set of common higher education completion and productivity measures to monitor state progress and to compare performance

across states and institutions, and developing a series of best practices and a list of policy options to achieve increased completion rates.

This report summarizes the main points that were made in the plenary and selected standing committee sessions.

ACHIEVING A SUSTAINABLE HEALTH CARE SYSTEM

Samuel Palmisano, *IBM*

- governors and chief executive officers must be focused on the short term and the actions that must be taken to resolve the fiscal crisis
- if an economic downturn is cyclical, it is possible to “just hunker down and get through it” but, if it is not cyclical, then actions are required in relation to oversight, regulation, etc.
- America’s future is at stake, and actions must be taken with a view to ensuring that the US can be globally competitive in the future
- China is no longer just a low-cost global manufacturer, and those that continue to view China in this way do so at their peril
- the global economic downturn provides opportunities to take transformational steps
- governors operate the systems that make things “work” for people and businesses; consequently, governors have responsibility for making the decisions that will lead to transformational change
- IBM knows about functioning, resilient and reliable systems
- regarding a system, it is important that:
 - the system’s goals are clear
 - the elements of the system are connected
 - the system is able to adapt as circumstances change, often in real time
- at this point, America’s health care “system” is not a system, but rather a collection of cottage industries
- the goal of the US health care “system” should be high-quality health care, and there needs to be an increased focus on wellness and prevention
- the focus should be faster, safer and more comprehensive health care at lower cost, with high efficiency and continuous improvements in quality
- currently, the American health care system fails the test of being a “functioning” system
- health care costs are expected to rise by 70% over the next decade
- IBM provides its employees with a wellness incentive; the result is healthier employees and lower health care costs

- governors can provide leadership in four areas:
 - establish data standards for health care – data must be useful and accurate, and information must flow and be interconnected
 - ensure that smarter systems are designed and manufactured – “smart” must be an inherent part of the system’s design, since it is too difficult to add “smart” afterward
 - promote collaboration – interested parties should be shoulder to shoulder, working together to solve problems
 - ensure the existence of the proper policy and ethics – there are many challenges from the societal and ethical points of view, such as the security of information, and there is a need to build support

David Cutler, *Harvard University*

- a system that “works” will “drive” better results
- health care reform will have to happen at the state level if the health care system is going to work and if people are going to benefit
- the quality of health care must rise and the cost of health care must fall; the focus should be better health care that is delivered less expensively
- since the current health care system involves an enormous amount of wasted resources, there are significant opportunities for beneficial change
- health care costs represent about one-third of the budget, and about one-third of that amount is wasted
- “tools for change” include:
 - collaboration, including between the private and public sectors
 - changing the rules under which funding is given
 - innovation, which should result in higher quality at lower cost
- too often, people are not receiving the care that they need
- medical errors cost \$30 billion each year
- health care services are disorganized, medical tests are repeated, etc.
- health care will not be “done” better until it is organized better
- successful companies should serve as models for successful health care delivery; key considerations are:
 - get the information right – who does what and why, and what is the best way of doing it
 - make “doing the right thing” be the “profitable thing” – for example, compensate doctors who engage in prevention rather than treatment
- one-third of what nurses do is paperwork

- key recommendations to improve health care include:
 - streamline health-care-related administration in order to reduce costs
 - gather and analyze the correct medical data
 - ensure that funds are allocated to the areas that add value, and provide the correct incentives, including through reform of the payment system
 - be open to new partners and apply private-sector principles to health care
- to combat obesity, the effective price of “fattening foods” should be increased, perhaps through a tax, or incentives should be provided when workplaces offer wellness programs

RECIPE FOR A HEALTHY FUTURE: EXAMINING CHILDHOOD NUTRITION AND OBESITY

Honorable Tom Vilsack, *United States Department of Agriculture*

- 70% of the budget of the United States Department of Agriculture is allocated to nutrition programs
- childhood obesity results in higher health care costs; one solution is balanced and nutritious meals combined with increased exercise
- national security is affected by childhood obesity, since obese young adults are not fit for military service
- a nation is only as strong as its children
- First Lady Michelle Obama’s Let’s Move Initiative is designed to address the issue of childhood obesity
- significantly fewer children participate in summer feeding programs than participate in school breakfast and lunch programs
- the stigma associated with school feeding programs must be reduced; this goal might be accomplished through providing food to all children in a classroom situation
- 17 million American children live in homes that are food-insecure

CAPITALIZING ON AMERICA’S DOMESTIC ENERGY

Cathy Zoi, *United States Department of Energy*

- the United States should work toward being the leading global exporter of energy innovation
- a focus on conservation and efficiency could result in significant savings
- China is making sizable investments in renewable energy

Nicholas Akins, *American Electric Power*

- there is a need for all energy resources to be viable in the future
- carbon capture and storage technologies will help to “keep coal in the picture”

- technology exists that provides a 90% capture rate on carbon dioxide for coal; the capture rate for natural gas is 80%
- when objectives or targets are set, they – and the timeframe for meeting them – must be reasonable

Regina Hopper, *America's Natural Gas Alliance*

- the United States has more natural gas than Saudi Arabia has oil
- geopolitical factors related to the development of gas shales are important and can be “game-changers”
- there are gas shales in parts of both the United States and Canada
- in the future, all sources of energy will be important and they must work together in order to ensure economic growth and job creation
- natural gas burns relatively cleanly, and emits very little – if any – nitrous oxide, sulphur oxide or mercury
- the US is the world's largest producer of natural gas

KEYNOTE LUNCHEON ADDRESS

David Gergen, *Harvard University and CNN Senior Political Analyst*

- the United States is facing difficult times that are expected to get even more difficult; tough decisions will have to be made, including at the state and local levels
- a financial crisis is inevitably followed by a fiscal crisis
- decision makers must be willing to make hard choices and to avoid the temptation of inaction
- the world is witnessing the “rise of the rest” – including China, India, etc. – rather than the “rise of the west”
- the US has reached a strategic inflection point, where things can either go up or go down
- while the national government in the United States is good at responding to crises, it has trouble responding to chronic conditions
- the United States is not as competitive, and the American workforce is not as educated, as they once were
- the quality of a nation's education system determines its technological edge and its competitive strength
- the US has moved from being the first worldwide to being the fifteenth worldwide in terms of post-secondary educational attainment
- the choices made today will affect the future in a very fundamental way
- if you let the past overcome the present you will lose the future

REDESIGNING STATE GOVERNMENT – A ROUNDTABLE DISCUSSION

Alan Murray, of the *Wall Street Journal*, moderated a discussion in which he posed questions to the governors. In beginning the discussion, he noted that the United States is facing the worst fiscal crisis since the Great Depression, and that job growth is very, very slow.

Mr. Murray started by asking which governors had made it through the crisis without reducing the funds allocated to *education*. Governor Heineman (Nebraska) noted that his state prioritized education, since education and jobs go hand in hand. Governor Patterson (NY) remarked that his state had seen competition between education advocates and health care advocates, while Governor O'Malley (Maryland) indicated that, six years ago, his state embarked on more equitable funding of education; more recently, taxes were increased slightly in order to fund education.

The question of which states had not raised *taxes* during the most recent financial economic and fiscal crisis was posed by Mr. Murray. Governor Douglas (Vermont) highlighted that his state lowered taxes and did not reduce spending on education during the crisis, while Governor O'Malley (Maryland) said that, similarly, taxes had been reduced in his state, with 85% of residents benefitting from lower taxes. In noting that taxes were not increased in order to balance the state's budget, Governor Baldacci (Maine) indicated that the state became more efficient with its resources. Governor Patrick (Massachusetts) shared the view that most states took a blended approach to dealing with the crisis, and argued that a crisis presents opportunities: some reforms can become possible that, at any other time, would be impossible. According to Governor Gregoire (Washington), some residents of her state experienced higher taxes and post-secondary students faced higher tuition fees.

Mr. Murray then asked the governors whether the states should be asking the federal government for more funding for *health care*. Governor Quinn (Illinois) characterized health care as a fundamental right, and argued that an economy is productive if the population is healthy and well-educated; from that perspective, more federal funds are needed. According to Governor Freudenthal (Wyoming), there is a need to modify the expectations of the public about what it is that the government should do, and does, for them; in his view, people should be bearing a higher cost. Governor Douglas (Vermont) suggested that flexibility regarding how federal funds can be used would allow states to focus on wellness and prevention, while Governor Herbert (Utah) remarked that states have both an opportunity and a responsibility to lead on health care reform. Governor Bebe (Arkansas) argued for systemic change in the way that health care is financed, and suggested that changes are needed to the fee-for-service model in order to address cost and quality concerns. In his view, the states did not create the problem, and the federal government can either "lead, follow or get out of the way." Like Governor Douglas, Governor Bebe supported the notion of increased flexibility. In the view of Governor Ritter (Colorado), the states should examine health-care-related data, and then determine the best options moving forward.

Governors were then questioned about the single measure taken by them that has been the most beneficial for their state's future. Governor Bredesen (Tennessee) focused on job creation, which – in his view – is the only way to grow, and noted that economic

incentives in his state have been revised in an effort to “grow” and keep jobs and businesses. Governor Herbert (Utah) noted the creation of a “fertile atmosphere” in which businesses can flourish, while Governor Sanford (South Carolina) argued that states will have to become more efficient next year once federal stimulus spending ends. Governors Baldacci (Maine), Ritter (Colorado), Gregoire (Washington) and Freudenthal (Wyoming) mentioned a number of issues related to energy, including both traditional and renewable sources as well as research and development.

In continuing the discussion about beneficial measures, Governor Rounds (South Dakota) noted the creation of business centres in his state, while Governor Markell (Delaware) highlighted his state’s focus on education, while – somewhat similarly – Governor O’Malley (Maryland) identified the need to invest in the innovative and creative capacity of people as well. In his view, college should be more affordable, and innovation should be linked to entrepreneurs. Finally, Governor Bebe (Arkansas) argued for cradle-to-grave education, and noted the link between education and economic development, while Governor Brewer (Arizona) remarked that businesses need to know that the government is stable and the workforce is educated.

Mr. Murray continued the discussion with governors by asking them to identify the one thing that they had not done that they wish they had done in order to put their state in the position it needs to be in for the future. A number of governors spoke about tax reform and taxes of various types, including Governors Brewer (Arizona), Douglas (Vermont), Sanford (South Carolina), Bebe (Arkansas), Heineman (Nebraska), O’Malley (Maryland) and Patrick (Massachusetts). Governor Quinn (Illinois) spoke about empowering voters, while Governor Ritter (Colorado) highlighted dedicated funding for higher education and Governor Patrick (Massachusetts) also mentioned “one stop shopping” in relation to services for the poor. Finally, Governor Christie (New Jersey) noted reducing spending in a way that enhances competitiveness, Governor Markell (Delaware) spoke about access to affordable credit, and Governor Herbert (Utah) argued that each state has unique challenges and opportunities, and needs to create unique solutions.

The discussion concluded with Mr. Murray asking governors about what each state needs from the federal government. In the view of Governor Sanford (South Carolina), a sustainable federal fiscal policy is needed and the federal government should be a true partner. Governor Ritter (Colorado) spoke about access to credit for small businesses, while Governor O’Malley (Maryland) mentioned access to credit and investments in infrastructure. Finally, Governor Douglas (Vermont) highlighted the issue of unfunded mandates, while Governor Markell (Delaware) remarked on the need to open up export markets.

STATES AND THE ECONOMY: ON THE ROAD TO RECOVERY

Yolanda Kodrzycki, *Federal Reserve Bank of Boston*

- the economic recovery is likely to take a long time, perhaps until 2015
- like the recovery from the two recessions prior to this recession, the economy is growing at a lacklustre rate
- the national recovery is likely to be slow for at least two reasons:

- more conservative consumer spending
- foreign economies are not doing well, which affects US exports
- at this point, a double-dip recession is not expected
- the national economic recovery is not resulting in a one-for-one fiscal recovery for the states, and job growth does not necessarily occur at the same rate as growth in gross domestic product
- in 2011, property tax revenues are likely to be much weaker than in other years to date
- in the short term, there is not much that state governments can do to help the economy
- there is a need to focus on educating the nation's workforce; post-secondary education must be affordable
- five important areas to be considered are:
 - labour productivity
 - innovation as an engine of research and development
 - the link between the economy and clean energy
 - education of the workforce and affordable post-secondary education
 - international competition for talented workers

THE FEDERAL BUDGET DEFICIT: RISKS AND CHALLENGES

Former Senator Al Simpson, *National Commission on Fiscal Responsibility and Reform*

- to a very great extent, the United States is being financed by China and other countries; all federal spending other than that for Medicare, Medicaid and social security is financed by non-US sources of funds
- it is possible to develop a plan that would permit the stabilization of social security for at least the next 75 years

Erskine Bowles, *National Commission on Fiscal Responsibility and Reform*

- the United States is facing the most predictable economic crisis in its history; it is a question of basic arithmetic
- the US debt is a "cancer"
- the United States cannot grow or tax its way out of the current crisis
- the US needs to reduce spending or increase revenues or both
- at the recent meeting of leaders of G20 nations in Toronto, Canada, a key concern was how to protect what is a truly fragile economic recovery; leaders approved two goals:
 - reduce the deficit as a proportion of gross domestic product by 2013

- stabilize debt as a proportion of gross domestic product by 2015
- the two goals approved at the Toronto meeting of G20 leaders are attainable for the United States, but it will not be easy to achieve them
- the work of the National Commission on Fiscal Responsibility and Reform will be guided by a number of principles, including:
 - do not do anything that does not protect society's most vulnerable/disadvantaged
 - continue to invest in areas that will make the US strong and competitive, such as education, innovation, and research and development
 - ensure that America is safe and secure
 - simplify the tax code and broaden its base

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

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	Annual Meeting of the National Governors Association
DESTINATION	Boston, Massachusetts, United States of America
DATES	July 9-11, 2010
DELEGATION	
SENATE	Hon. Janis Johnson, Senator, Co-Chair Hon. Wilfred Moore, Senator
HOUSE OF COMMONS	Ms. Siobhan Coady, M.P. Mr. David Christopherson, M.P.
STAFF	Mr. Chad Mariage, Executive Secretary Ms. June Dewetering, Advisor
TRANSPORTATION	\$4,886.43
ACCOMMODATION	\$5,506.17
HOSPITALITY	\$Ø
PER DIEMS	\$2,024.37
OFFICIAL GIFTS	\$Ø
MISCELLANEOUS/REGISTRATION FEES	\$5,804.51
TOTAL	\$18,221.48