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PROMOTING GOOD GOVERNANCE:
LESSONS FROM THE STATES

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PARTICIPANTS:

Featured Speakers:

THE HONORABLE STEVE BESHEAR (D-KENTUCKY)
Governor of Kentucky

THE HONORABLE JOHN HICKENLOOPER (D-CO)
Governor of Colorado

Introduction and Moderator:

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P R O C E E D I N G S

MR. HUDAK: All right, good morning, everyone. I'd like to welcome you all to the Brookings Institution and today's panel on Promoting Good Governance: Lessons from the States. My name is John Hudak. I'm a Fellow in the Center for Effective Public Management and Managing Editor of the *FixGov* blog.

It's my distinct honor today to be joined by right now one of our nation's governors but very shortly two of our nation's governors.

SPEAKER: He's coming.

MR. HUDAK: To my left is Steve Beshear, and on his way currently from the Newseum, and he's en route is John Hickenlooper.

So we'll start off today. I'm going to introduce Governor Beshear, and we'll move on to some comments of his. When Governor Hickenlooper arrives we'll do the same for him. I'll facilitate a little conversation to follow and then we'll open up the questions to all of you.

So, Governor Beshear is from the Commonwealth of Kentucky. He's been governor since December of 2007 and in a career in public service that's now spanned more than 40 years, he's served as Lieutenant Governor, as Attorney General, and as a Kentucky State Representative. Just one year after the 2010 Tea Party wave, Governor Beshear, a Democrat, was re-elected to office with over 56 percent of the vote, and so it's my pleasure to welcome you, Governor Beshear, and I turn it over to you.

GOVERNOR BESHEAR: Well, thank you. Judging from that introduction, you know that I'm old since I've been in this business over 40 years, but I'm a young-old. First of all, thank you all for coming, and John, thank you all for having this.

Let me just say a few words about governance, and then we can move on. I like to say that Kentucky is one of the last places in the United States where

democracy still works. Being in Washington D.C., I think I can say that with a lot of assurance that you know what I mean.

The current wave of rank partisanship and obstructionism in the governing structures of this country, to me, is one of the worst threats to the long-term health of democracy in this country. To watch the process here in Washington D.C. unfold as it has, at least since I sort of date this current trend back to around 1994 when Newt Gingrich and the "Contract On America," I like to say, was the subject. You know, you sort of got back into the confrontational kind of politics again, and it seems to have grown from there.

And I know you go back in history then you read some of those news articles back in the 1800s and what they were calling each other, you would think that this is mild today, but somehow back then they found ways to get things done, and right now, at least in this town, nobody can find any way to get anything done.

When I ran in 2007 for governor this was already going on, obviously here at the federal level, and it had started filtering down into many of the states and their governance structures, and so one of the main issues I campaigned on when I ran was the idea -- and I would say it all over the state -- I don't care whether it's a Democratic idea or a Republican idea, if it's a good idea we ought to sit down and find a way to make it work.

And I could go into the most rabid Democratic stronghold in my state and say that and get a standing ovation, and I could go into the most rabid Republican stronghold and get the same reaction because I found then and I find even today that regardless of your party people are sick and tired of the kind of politics going on now. They just want some common sense to take over for a change and for people to sit down and act like adults for a change instead of kids in the cafeteria having a food fight, and

we have been able to do that in Kentucky.

Now, we're partisan. We get in our elections and we go at it hard and heavy, and I have been out there electing the folks that I want to elect and working on that as hard as possible, and the other side does too, but for the most part we've been able, once those elections are over with, to remember that we're Kentuckians first and Democrats and Republicans second. And because of that we've had some considerable success.

Now, it's not perfect. I grant you that, and when I first came in, even though I'd been in politics a long time, I'd been out of politics for 20 years, and then came back. I was sort of the Lazarus candidate. I came back from the tomb. I had run for Governor in 1987 and lost, and I was done. You don't get to come back from those kinds of things, but 20 years later through a lot of circumstances I end up becoming Governor.

And I had a lot to re-learn because you go in thinking, gosh, if I got a good idea, we're all going to sit down and we'll figure this out. Nope, wrong. It doesn't necessarily work like that, and so I had to start building relationships because the thing that you do have to realize in this business, it's a relational business. It's built on relationships.

One of the biggest problems, I think, here in this town is the fact that nobody knows each other. They don't spend any time together. They get up here on Tuesday morning, leave on Thursday night, go home, get on the phone, raise money, come back, do it again, and nobody sits down to dinner. Nobody meets anybody's families.

I have found that if you have dinner with the other side and you're sitting there talking and they meet your family, it's a lot harder to be nasty to each other. It really is. I mean it's just personalities, and if you get to know each other you can

disagree. You can be as far left or right -- you know, it doesn't matter a lot. If you get to know each other you start building a little bit of trust; at least that when he tells me something I know I can count on it. And as you do that, it just makes the system work better, and that's what I had to do, and it took me a while.

When I first came in I had a fellow that was the head of -- we got a Republican Senate and a Democratic House -- I'm a Democratic governor. So, that's our structure. The head of the Republicans in the Senate when I first came in was more of the Newt Gingrich type, I would say; pretty confrontational, and so I had a lot of work to do, but we got some things done, and then fortunately he ran against me when I ran for re-election, and we beat him by about 20 points.

And then a state judgeship came open, and he got interested in that judgeship and it just turned out that he was the most qualified guy to be a judge, and so I made an appointment and the next folks that came in are folks that I can sit down and work with. We can sit down behind closed doors, talk about any issue. They know I'm not going to drop them in when we walk out of there, and they're not going to go drop me in to the public, and we built a trust. We don't agree on everything, but now I can take our Democratic leadership in the House and our Republican leadership in the Senate and make some things happen.

We all have those issues that we go like this on, but we all realize that we're not going to solve those issues, and so we go like that in public because people have got to make their stand, but then we put those aside, and we find the things that we can find common ground on, and we make things happen.

We've done a lot of things in Kentucky. I know that for many of you when you look at Kentucky, you think Kentucky's leading the way in health care? Really? But we are, and we were the first state to adopt the Common Core Standards. First state

in the country. We were the second state in the country to adopt the Next Generation Science Standards, so a lot of things going on, and here's my friend. How are you John?

GOVERNOR HICKENLOOPER: Here finally.

GOVERNOR BESHEAR: And so that's the way that we govern in Kentucky, and it's a personal business when you get right down to it. If you build those personal relationships, you can make a difference.

MR. HUDAK: Thank you and I'm going to welcome Governor Hickenlooper. Before I introduce him I think the take-away from Governor Beshear's comments is the way to end polarization in this town is to nominate Mitch McConnell to the Supreme Court. (Laughter) I think that might have been the take-away.

And I'd also like to thank everyone joining us via our live webcast and those of you joining us on social media. As the screen shows, you can talk about today's event on Twitter using hashtag goodgov.

Governor Hickenlooper, welcome. Sorry the traffic is so bad and the cold is even worse, but thank you for joining us.

John Hickenlooper is the Governor of the State of Colorado, an office he's held since 2011. He previously served as Mayor of Denver, and has an extensive business background; first as a geologist in the petroleum industry and later as the owner of a Denver brew pub. I think one of those is certainly more exciting than the other.

In 2014, a tough year for Democrats nationwide and in Colorado specifically, Governor Hickenlooper was re-elected, and he's currently serving as the Chair of the National Governors Association which meets here this weekend in Washington, and is one of the reasons why we've had the opportunity to welcome these two distinguished gentlemen. Governor Beshear spoke for a little bit to outline his views on governance, and I welcome you to do the same.

GOVERNOR HICKENLOOPER: Sure. Well, thank you. It's always great to be back at Brookings and especially with Governor Beshear who really is one of the best governors in America, and like myself has a very complex state to govern and a legislature that is not always completely aligned with his priorities. Let's put it that way. Fairly, right?

GOVERNOR BESHEAR: Fair, fair.

GOVERNOR HICKENLOOPER: I came to government from an around-about way. After I got through all the liquids, so I did the petroleum and then I did the beer. (Laughter)

GOVERNOR BESHEAR: You're moving in the right direction.

GOVERNOR HICKENLOOPER: Yeah, exactly.

GOVERNOR BESHEAR: You can have bourbon (laughter), but you've got to come to Kentucky to get it.

GOVERNOR HICKENLOOPER: And I thought -- was struck like a lot of people were by the lack of -- especially I ran for Mayor of Denver in 2003 and I'd never run for class president or student council or dog catcher, but I thought that we ought to have small-business people involved in government. Government clearly wasn't and isn't business, but there seems to be a lot of parallels, and I will say that it's -- there's -- one of my partners, his father had run for Congress and gotten massacred in 1984 and I said, well, so, I probably shouldn't run unless I can win? He said no, no, if you have a legitimate chance to run for office and actually can hold office, you will have the opportunity to meet people you wouldn't never meet any other way, and you'll meet a greater cross section of more fascinating people, and that's been completely true from the beginning when I started as Mayor and now the last four years as Governor. We really focused on trying to bring an entrepreneurial spirit to government and to bring

some of that common sense business -- just business approaches.

This year the NJNGA, I'm the chair so I get to have what they call a Chair's Initiative, and we really focused on three things. One is talent; how do you hire the best people because surprisingly so often in government there are a lot of employees involved, but not always the most sophisticated ways of making sure you've got the right person for the right job, and it makes a huge difference on whether not just how good a job they do but whether they're happy when they come to work every day. Are they in a great mood? So, we're trying to take some of the best systems and approaches to hiring and how do you think about a job before you even post the opportunity for the job. What is it you're really looking for in that job, and then in terms of interviewing, how do you hire those folks?

Second, we're really pushing continuous improvement, and again too often in government at every level people become static, and they're happy just to come in every day and do their job rather than consistently trying to find a way to do it better, more efficiently, more effectively.

Actually Governor Beshear is someone who does this innately and has been a great pusher of efficiency in Kentucky.

We try to create a systemic approach at the National Governors Association so it makes it easier for governors to do things like lean six sigma or some of the large systemic processes that create an environment where every employee, from the bottom rungs all the way to the very top, is involved in that continuous improvement.

Then the third thing is how is the right way to make regulations? And rather than having government imposing regulations which too often happens, especially at the Federal level but even at the state level, how do we make sure we get everybody in the room at the same time and work together in a collaborative environment to make

sure that we -- that we're not creating red tape, we're not creating bureaucracy, we're trying to remove as much friction as we can from how a business goes about their part of commerce, but at the same time that we protect the public interest and we make sure that there is, as we say -- we've been saying a lot in Colorado we want to be as pro-business as we can but with a highest standards, the highest ethical standards, the highest environmental standards; that we want to make sure that there's a transparency and accountability in that relationship.

MR. HUDAK: Great. Thanks. Governor Beshear, I'm going to start with a question to you. You focused a bit on getting things done in Kentucky and one of the biggest accomplishments of your administration has been in the arena of health care, and last week the Commonwealth issued a report that came from Deloitte on the benefits of Medicaid expansion in your state and not just what it's meant in terms of the bottom line but what it's meant from a personal perspective, and so I encourage all of you to read it. It's available online through the Governor's Office, but a few highlights: The report suggests that Medicaid expansion, not the Exchange, just Medicaid expansion in Kentucky will create 40,000 jobs in the next eight years, good paying jobs as well, generate \$30 billion in economic activity, and it's so far insured 325,000 additional Kentuckians. Could you talk a little bit about what that process was like; embracing the Affordable Care Act in a state like Kentucky and what this report means to your state?

GOVERNOR BESHEAR: Yes, this is one of the most exciting things I think that has happened in Kentucky in a long time, and I love the fact that I'm right in the middle of it. As you can imagine, the President is not real popular in Kentucky. He's got about a 30 percent approval rating, and if you mention Obama Care the negative numbers skyrocket because the critics ran a very successful negative campaign against the whole idea of the health care law, the Affordable Care Act.

And so, I had to put all that politics up against the fact that Kentucky has some of the worst health rankings in the country, just like most southern states. We're too fat. We smoke too much. We eat the wrong stuff. We're way up there in cancer and you name it and we don't look good in it. So, we've been pecking away at those statistics for years trying to make a difference and we've made some difference, but I knew that unless we had some kind of transformational tool to really attack it in a systemic way that we were never going to make a big difference in that, and then along came the Affordable Care Act.

And as soon as it passed, Kentucky very quietly started taking every dollar we could get from the Federal government to plan, and once the Supreme Court finally declared it constitutional, then we really hit the ground running.

And I knew two things. Number one, I knew it was the right thing to do. When you get down to it, I mean how do you argue with wanting your people to be healthier? And if you've got a way to make that happen, you'd better go do it or you're not doing your job. But secondly, I knew that I would have to answer the question "Can we afford to do it?"

And so, I went out and got Price Waterhouse Coopers and the Urban Institute at U of L to do an economic analysis for it, and they came back and basically said, "Governor, you can't afford not to do this from an economic standpoint because we project that in the next eight years you're going to create 17,000 new jobs. You're going to infuse \$15 billion into your economy, and it'll have a positive budget impact of about \$800 million."

And so that gave me what I needed as an economic justification, and so we announced "Here we go," and so we worked hard. We worked 24 hours a day, 7 days a week, and of course, I get the credit for all of this, but the hundreds of people back

there in Kentucky that worked on this night and day really deserve the credit. We did all that work and then we came down to the night before it went live, and a midnight we crossed our fingers, said a prayer, and threw the switch, and it worked.

And, of course, you know the rest of the story. We sort of became the national model for a health benefit exchange, and during the first year -- we've got a population of about 4.3 million people. We had 521,000 people sign up for Affordable Healthcare in just that first open enrollment period, so a pent up demand was just amazing. I mean people came out of the woodwork wanting affordable health care.

So, we go through the year and the critics had moved from this is horrible, it's terrible, it'll never work. Well, of course, it worked. They moved to, well, it may be good but we can't afford it. So, I knew that at the end of the first year I needed to address that because we'll have another budget coming up, and we'll need to -- when 2017 I think it is, John, when the match starts kicking in.

We need to show that we can afford to do this, and so I got Deloitte to come in and do an economic analysis on actual numbers from the first year, and I was wrong. And Price Waterhouse Coopers was wrong because we created 12,000 jobs in the first year, and they're predicting that we're going to create 40,000 jobs over the eight-year period. That instead of \$15 billion of economic impact it's \$30 billion of economic impact, so it's a great story and it's a factual story, and so now we're at the point in Kentucky where okay, it works, and nobody argues with the idea that people need affordable health care, and now we see we can pay for it.

And so the only thing left to argue about is are you going to be against this because of the name of the guy who got it passed? And I think everybody is coming to the realization that this is something that's going to make a huge difference in Kentucky over a generation.

Just in the first year the number of preventive measures that have been taken by people; all the screeners for colon cancer, breast cancer, and cholesterol screenings, and all this kind of stuff, I mean the numbers are tremendous; up in the thousands, of people getting these preventive -- taking these preventive measures to start taking control of their own health, and that's really what we're after.

We're after educating people to manage their own health, keep them out of the emergency room, keep them out of the inpatient bays of the hospital. I mean in this first year providers in Kentucky received \$1.16 billion more than they were receiving. I don't think any of them can complain. I mean the hospitals are making a whole lot of money for the first time. I rule hospitals, have a positive cash flow for the first time in a long time, so it's working. It's going to work, and my job is just to get it so embedded that nobody can do anything about it.

MR. HUDAK: Governor Hickenlooper, you hail from one of the healthiest states in the country with fresh air and clean water and a lot of hiking opportunities and skiing, but it turned out a lot of Coloradans needed health care as well. Can you talk a little bit first about what the Affordable Care Act has meant for your state and second, how some of the good government initiatives that you talked about in your opening remarks have helped you in terms of implementing a state exchange and Medicaid expansion in Colorado?

GOVERNOR HICKENLOOPER: Sure. And I think what Steve -- what Governor Beshear's describing, we face similar size state. We're not quite as red as Kentucky is but we're a pretty purple state, and certainly when you look at the -- you actually look at all the Independents in Colorado which are now more Independents than there are -- almost evenly divided Republicans, Democrats, and Independents, but an awful lot of those Independents used to be Republicans, and they are still very

conservative, so when we wanted to -- and it's a similar inclination, right, that you know it's going to be good for your economy. You know you're going to create jobs, but you also want to make sure people get health care, that they have a medical home to allow them to begin -- beginning just thinking about how do I take care of myself. How do I get those tests?

We spent a lot of time trying to look at how can we create systemic improvement that would find savings so that when 2017 comes along and we are now going to have our share of the match, we want to be able to demonstrate objectively by scaling up our health care system the savings of that application of scale to cost control and various other expenditures would more than pay for our part of the share, and we've more than done that.

We also, at the same time, before we even opened the exchange and before we did the expansion through Obama Care we had expanded -- we were a very conservative state like many southern or western states as well, so we expanded Medicare there as well, but applied those same standards of if we're going to expand this we want to make sure that we set ambitious goals on how we're going to do cost containment and we're still looking at how can we get some waivers from the Federal government to allow us to be even more aggressive.

And again, the same thing that Governor Beshear is talking about is making people -- giving them the responsibility and the tools so that they can take control of their own health. Easier said than done, but we made great progress. We haven't done the full economic analysis although just to hear Kentucky's numbers, I'm going to go -- the great thing about coming to the National Governor's Association is you always go back to your own state with all these stories. Well, now I'm going to do this. Now I'm going to that that. I'm going to measure those jobs and the economic impact of those

decisions.

You know, we're -- our goal and -- because we are the top by almost every measure, top five or six states for health, but we've always had some real problems and as we did these expansions of Medicaid we also looked at prescription drug abuse. I mean the reason we're so thin is not because we're the smartest, but basically we've had all these young people move out there, and they're the young people that love hiking and skiing and all that stuff, so they have helped make us appear thinner than perhaps our -- some of our natural sedentary lives would otherwise indicate.

But we took on prescription drug abuse. The National Governors Association had a task force two and half years ago, so now we measure -- you know, make sure prescriptions can't be filled out multiple times. We have special days when people can bring in their oxycodone, their other opiates, and get rid of them safely which is a bigger problem than many people would feel.

We've reduced our prescription drug abuse by -- I think we're now up close to 20 percent in the last couple years. That's worth pointing out. More people die from prescription drug abuse in Colorado now than die from drunk drivers, and it's an issue that people are just now beginning to become aware of.

Teenage pregnancy; another big issue, and we were able to use some foundation money over the last four years and provide to those young women that ask for it, and these are 15 to 25 year olds, who in every case their medical provider first talked about abstinence and said teenagers shouldn't be having sex and there's a pretty strong push there, but if they choose, the phrase we've been saying is "Don't compound one bad decision with another," and making sure that people have reversible, long-acting contraception, and we've cut now teenage pregnancy in that population by over 40 percent over the last four years and have reduced abortion in that same population by 35

percent, and those are the -- again, it's the same as -- we're all competing with each other, trying to be the healthiest state, which is a pretty, you know, it's a good thing for our citizens if we're all elbowing each other and saying, "All right, you know, which idea can I steal next?"

MR. HUDAK: Great, so the Federal courts and now the U.S. Supreme Court have been handling a series of lawsuits challenging different parts of the Affordable Care Act. Have either or both of you found that those lawsuits have led you to start planning sort of just-in-case scenarios, and if so, what is that process been like, and what kinds of worries are there about the rulings that the court may hand down in the next year or two and how they might impact your state?

GOVERNOR BESHEAR: Oh, of course, the current case, the *Burwell* case that's going to argued here in what, March maybe, and decided in June is a very significant case for the Affordable Care Act.

Now, it won't directly affect Kentucky because we set up our own exchange, and the main legal issue, as I understand it, in that case is in those states that are using the Federal exchange, can you still have the subsidies and the premium subsidies? I don't think there's any question that we can in Kentucky because we set up a state exchange, so it won't directly affect us, but if the court for any reason goes what I would consider the wrong way in that case, it could affect the whole law, and obviously that could affect us because part of what makes this work is the fact that you've got those subsidies and so people can go in and in the end have a very affordable premium to get the health care coverage that they need. So, it's a serious thing, and we've joined in the suit on an amicus basis supporting the administration.

GOVERNOR HICKENLOOPER: And I just echo and reiterate what Governor Beshear said, that this is a sentence that was left out of the enabling

legislation. To me, hard to imagine you just don't fix it. If they want to repeal the legislation, get the votes and go, you know, fight that battle, but to take an oversight and then try to hold certain states, put them at a disadvantage doesn't seem to be the way government should be functioning, but again, we're in Washington. (Laughter) Enough said. Did you ever see that movie, *Chinatown*? "It's just *Chinatown*."

MR. HUDAK: Shifting gears a little bit, Governor Hickenlooper, you talked a bit about your initiative a NGA Chair and trying to bring good governing strategies not just to your state but to all of the states looking at talent and process in other areas, and you've done that as Governor. You've consolidated agencies, you've reformed contracting, and you've enacted regulatory reform as well. Can you tell us a little bit more about what states can learn from Colorado and what they can learn from your initiative? The initiative, by the way, is available on the NGA website if anyone's interested.

GOVERNOR HICKENLOOPER: Don't say if anyone's -- of course they're interested. (Laughter)

MR. HUDAK: Well, they're all interested. I just didn't want anyone to feel guilty if they didn't read it.

GOVERNOR HICKENLOOPER: There was one or two people out there who weren't interested, they shouldn't feel guilty. I appreciate that.

I think what we've tried to do is assemble a bunch of ideas, not just from Colorado but from other places. We're building -- we're in the second year of having it -- we actually created an institute because we wanted to have this notion of hiring -- smart hiring, and continuous improvement. We wanted to make it part of the actual culture of the state, so we have my head of the Office of Budget and Management for the state, a guy named Henry Sobiney who is a smart a person as I've worked with, and he has put

together this institute, and now he's got a young man named David Padrino who's kind of helping implement it, but it's going to be part of the government. It's going to be part of every agency, and we had our first class.

We're trying to take the second-chair leadership from around the state and have them go through this institute so they see what good government looks like, and the first class we have is about 40 or 45 people from different agencies. This time we're going to have 200 people, and there was competition to try and get into this "class," and I think next year we'll probably have four or five hundred people. It has really become -- you know, just like in any business or any culture, certain things become attractive or you could almost say fashionable, and we want to make this notion of good government fashionable.

And if you look across all the states, we're all doing versions of this because it's part of what -- I mean if we're ever going to get the public to invest in infrastructure of all different kinds, they're going to have to believe in government more than they do now, and there's a level of dissatisfaction and just anger towards all levels of government for a variety of reasons.

I personally think part of it's just the attack ads and the nature of campaigns these days. No matter who wins, they have been painted with this sleaze that they are somehow corrupt and untrustworthy and the government can never do anything.

When starting the Health Care Exchange, the Health Benefits Exchange like we've done in our states, it's hard. I mean businesses have a hard time creating something like that going from zero to 60 in such a short period of time, but the public gets a really distorted version, and they end up being so cynical, and we're going to have a hard time five years, ten years, twenty years down the road if we're not willing to invest in our future, and that willingness, I think, comes from people believing in government

again. It's one of the reasons I ran. I was happily minding my own business running a bunch of bars and restaurants and all my customers -- I mean the level of every city councilmember, every Congressman, everybody was Obama(inaudible). Well, we accept that at our own risk.

MR. HUDAK: Part of what you're talking about, Governor Hickenlooper, is trust in government and a real lack of trust in government that we have. Like you said, at the local level, at the state level particularly, at the Federal level, and that's something that Kentucky has dealt with quite a bit, and one of your solutions to it, Governor Beshear, has been open government.

You came to office after a predecessor who faced a series of scandals, and you're efforts were to bring integrity back to the office and back to the state. Can you talk a little bit about the open government and transparency policies that you've put into effect and what it's meant to Kentucky?

GOVERNOR BESHEAR: Well, as John mentioned, one of the big problems we have in this country now is the lack of trust that people have in all levels of government, and we were talking right before you got here, John, about this place is a zoo up here, and people now look at this as if this is what government's about, we don't want it anymore because nothing works, and people just want -- I think they're crying out for some common sense and people that are just willing to work with each other.

And labels are kind of out the window. There's a lot more Independents in my state than there ever was before, too, just because people are just shying away from being identified with either party because they're just so sick and tired of this whole process going nowhere.

When I came in one of the things, one of my priorities was to try as best we could to restore some trust of the people in their government at least in Kentucky.

And the first thing you've got to do is be open. You can't come off as hiding anything. Even if you're not hiding something, you can't even do something that people would take that way, so we just opened up our processes. We created kind of an online -- we put all our contracts, we put everything going on in government -- you can go on our website and you can find out about where every penny is being spent. And we did that for the obvious reason. We want people to at least know that we don't have anything to hide. This is really you. This government is you. This is not some foreign entity here. You're the ones that put people here and they are responsible to you, and you need to hold them responsible.

So, we worked on that in our budget process. We went through this recession like everybody did, and it ended up -- it was a tough time, and we had to cut -- I have now reduced our budget 15 times over the last 7 years and cut about \$1.6 billion out of our spending, but we didn't go through with a meat ax. Some places they just said well, if we got to cut our expenses by 5 percent, we just do across the board cut.

Now, that's the easy way to do it, I'll grant you that, but to me it wasn't the smart thing to do because as important as everything is that government does, to me there were some things more important to others and educating our kids was the most important thing that we do. Public safety was one of the most important things that we do, and so we sort of ranked things and we didn't cut there, and we cut everything else more.

But we did it in an open kind of process, and as politicians we obviously think about who we're making mad when you make a decision, and because the election is always kind of back there in your mind when you're having to run again, but I found going through this recession that because we were open, we had to cut programs that were good programs and it hurt people. We had to hurt some people when we made

these cuts to keep our budget balanced, but people understood it and they kind of accepted it because they were going through the same thing at home around their kitchen table every night trying to figure out what bills to pay first and how do we keep the kids in school as we were doing at the state government level, and that's the way I talk to people about it. And they sort of said, "You know, I don't like it but I understand it," and they kind of accepted the fact that we had to do these things in order to keep our budget balanced in very lean times, and I think they accepted it mostly because we were open about it, and we talked about it and they knew why.

MR. HUDAK: Both of you have faced some economic challenges during your tenure. Governor Beshear, you came into office and shortly after, as you said, we hit the Great Recession, and Governor Hickenlooper, when you came to office job growth in Colorado was among the worst in the nation. Can you talk a little bit about how government in your state responded to this and how you've worked both within and outside of government to get Colorado back on track and get Colorado growing again?

GOVERNOR HICKENLOOPER: Sure, we came in and we decided we would do what we call the bottom-up economic development plan. We were going to create a single plan for the whole state, but we were going to start in all 64 counties, so we reached out and I toured around the state to kind of kick these things off, but we got each of our 64 counties to create their own vision for what their economic future would be in 25 years. And then they came together and formed 12 regional plans with priorities and then a state plan.

It was amazing. We heard the same things from all over the state. We heard that they wanted the state to be more pro-business. They wanted better access to capital. They wanted less red tape. They wanted to have a better- trained workforce, priority on innovation and technology, and they wanted to market the state not just as a

tourist destination but as a place where entrepreneurs or businesses could come and grow, and those six things we heard pretty much everywhere.

But I thought that the most powerful part of that whole endeavor was making sure everyone knew each other and that everyone had a shared vision, and we created a working plan that we put on the website, transparent all the way through. Every meeting was, you know -- we took notes and video and posted everything, so we got everybody working together. And so, when we started our pits and pees effort to reduce red tape, and we've now gone through almost 16,000 regulations and either eliminated or dramatically simplified over half of them.

Everyone in the state was participating, and they all -- if you were a chiropractor and you were always sick that you had to fill out this long form, you now knew who to go to and say, "Hey, I've already filled that form out. Why do I have to fill it out every four years all over again if stuff hasn't changed?" It really allowed us to kind of reach out and convince, in many cases, maybe not in every case, but in many cases that this was a different way of government working and trying to take the friction out of business.

The friction between government and business sometimes it creates, unintentionally, but it creates more work and more red tape and is very, very frustrating to especially small businesses. Restaurants I knew -- I mean I could go on for hours. I will not, but that sense of frustration that this is not in any way helping maintain or protect the public -- not maintain the public safety. It's just make work somehow, so we've at least made a good start of getting rid of that, and I think that sense that you can be pro-business and yet hold yourself to the highest standards is really what most people, all those Independents ~~you-we~~ keep talking about, that's what they want.

I mean we are in a time when jobs are precious, and every single

governor -- boy, I don't know a single governor that doesn't think that creating jobs and making sure that their kids have great opportunities isn't one of the top priorities that they have. People like Governor Beshear who is a master at working with his mayors and reaching out and creating those collaborative partnerships so that you can get more jobs in your community -- again, every time he has a good idea I find out about it and I steal it. (Laughter) It's enlightened larceny or something like that. I'm not sure, but it is -- I think that's how this country moves forward. It's not so much the -- certainly these days when there's not as much happening in Washington, we're able to have -- each governor is doing different things, and then the good ideas are replicated and kind of passed around the country. That moves the entire country forward.

MR. HUDAK: So, I'd like to bounce around with some questions a little bit before we open it up to the audience. Governor Beshear, you talked a bit about polarization and both its causes and some of its consequences for Kentucky and for the United States in general. During your tenure you've been a fairly strong Democrat in a fairly Republican state by any measure, and as I mentioned at the opening you won re-election with 56 percent of the vote, and a year later President Obama ran statewide and received less than 38 percent of the vote. How do you explain -- maybe not explain why that happened to President Obama -- but what advice would you have for individuals running in a state that doesn't necessarily look like them politically but to craft a message that connects with them in a policy sense?

GOVERNOR BESHEAR: Well, first of all, let me tell you a little bit about politics in Kentucky because I know that all of you all look at Kentucky as being a red state because you see the face of our Federal delegation. We've got two Republican Senators. We've got 5 out of 6 Republican Congressmen. Our Senate at the state level is controlled by Republicans, but 6 of our 7 statewide constitutional officers are

Democrats. In the last -- well, since the 1930s I think we've had 3 Republican governors. The rest of the governors have been Democratic. Our House of Representatives have been controlled by the Democrats for about 100 years, so we're not quite the red state that people think we are, at least on the state and local level.

Let me give you a success story to make a point here. In 2014 we all know what happened in November, and in Kentucky it happened also. I mean Senator McConnell won re-election. He won 110 of our 120 counties. All of those Congressmen were re-elected, and the GOP had targeted our state house. They were determined to take over our state house, and on election night we ended up with as many Democrats as we had the day before. We didn't lose a seat. We came within 200 votes of gaining a seat.

Now, how did that happen with that wave that came through this country and through Kentucky? Think of how many thousands of Kentuckians had to have gone into that voting booth on election day, and after voting for Senator McConnell and voting for their Republican Congressman, went and looked and found the Democratic state representative candidate.

Think about how you had to make that happen. That's a tough thing to do, and we did it, but we did it because we talked about things people care about. You know, there's no secret of what's on people's minds. Its jobs. It's educating their kids. It's affordable health care for my family. Those are the things that have been the glue that have held the Democratic Party together for years.

Now, there's lots of other issues out there that are strong issues and people are concerned about, but those core issues are what right now, particularly coming out of a recession, that people are most concerned about, and that's what we talked about, and we told them how what we had done had created more jobs in

Kentucky, and it expanded educational opportunities for our kids, and look what we've done for health care for your family, and people heard it and people believed us. And so, we were able to get people to vote Democratic on a state representative level, and that's really what you have to do.

Your priorities have to be what the people's priorities are, and in Kentucky that's where the Democrats priorities are. I mean it's with those main issues that people get up every day and think about and worry about. I've said for a long time to Kentuckians -- I've said my main job is to get you a job because if you're working at a good paying job, you're paying taxes, and that gives me and that gives John the revenues that we need to invest in education, invest in infrastructure, invest in health care, invest in all of these things that we do to make your life better. So, a job is the top thing on a Kentuckians mind; Republican, Democrat, or Independent because they want to support their families. They want to be self-supporting, and so if you capture the issues that you believe in and they're the same issues that your people believe in, that's where you'll be successful.

MR. HUDAK: Thanks. Governor Hickenlooper, one topic I've written extensively about with relation to your state is marijuana legalization, and I've written that the rollout of legal marijuana in Colorado has been largely successful because of cooperative regulation, intergovernmental coordination, talented personnel.

Instead of looking back to the first year of marijuana, though you're welcome to if you'd like, can you talk a little bit about what maybe year two or year three might look like for this market; a market that's on a lot of people's minds when they think about Colorado?

GOVERNOR HICKENLOOPER: Sure, and I still tell Steve or any of the other governors if they ask for my advice. I say wait a couple years because I don't think

the jury is in. I do think -- and I opposed legalizing marijuana. Almost every elected official in Colorado thought it was a bad idea. Didn't worry that it sent the wrong message to kids, and no question that the old system was a train wreck, right? The War on Drugs was an abysmal failure, but to create a regulatory system that's at odds with what the law of the land is, the Federal laws, is a steep hill to climb.

But we have had some great personnel and I think the industry, the people that were growing medical marijuana now are growing recreational marijuana have really stepped up, and so we want to make this work, and we recognize that we're going to have to continuously improve. The same things I'm talking about in good government is about good regulation, and if I had a wand, if I had a magic wand the day after the election and I could have reversed the vote and had that initiative fail, I probably would have done it.

If I had that same magic wand now, I'm not sure I'd use it so quickly because I think we have made enough progress that I want to see if we can make it work. I had a young 17-year-old. Obviously we're working on edibles. I mean you asked about the future. We've got to make sure that this stuff doesn't get in front of kids. We've got to do a much better job of educating kids that this high-THC marijuana that's out there now is very different to the marijuana that was around when I was in high school, probably 10 or 12 times more potent. And every neuroscientist, every brain scientist I've talked to is convinced -- they don't have a longitudinal study yet -- but they're convinced that even once a week, this high-THC marijuana has the high probability to permanently diminish your long-term memory if your brain is still maturing, so if you're a teenager, really up until you're 24 or 25, and your long-term memory is also another way of calling your IQ. That's how we think. That's how we make decisions.

So, we're going to focus on edibles. We're going to focus on making

sure that kids understand that this is not like drinking a beer when your brain's rapidly growing. It is going to be more significant. In many ways they feel that since the adults legalized it that it's probably harmless. Well, it most likely is far from harmless for teenagers.

Ultimately, if we do this right and we get the taxing right, we should be able to eliminate the black market. There was a 17-year-old young man by the name of Bucksbaum, Max Bucksbaum, and he was interviewing me for a school project and, you know, I asked him because I was worried. I said, well, do you think there are going to be more people, more teenagers smoking marijuana now that it's legal? And he says, "Two things, Governor, first, you know, any 14-year-old or 15-year-old three years ago who wanted to find marijuana could, and it wasn't expensive. So that's the first thing. The second thing is if you get your regulatory system and get rid of that black market, it will make it much harder for kids to get it because to get access to marijuana because a drug dealer doesn't care who they sell to. Once you eliminate the black market and get the drug dealers out of there, then you're going to have a much higher probability of keeping it away from kids."

So, that remains our priority is public safety; making sure kids don't get it, that kids that do fall -- and we know that there's a certain number of individuals, not just young people, but they are given to bipolar disorder or other inclinations that some of them when they start smoking this high-THC or ingesting this high-THC marijuana, that they'll slip off the tracks and it takes some real money to get them back engaged.

So, we're making sure that we have -- we're not taking the tax revenues which will be -- you know, you put all that Federal pass-throughs where a \$27 billion a year enterprise, but this will be \$70 million in tax revenue, so it's a blip, but we're going to make sure that money is preserved for any unintended consequences, and that's the part

that we continue to work on as well.

MR. HUDAK: Thanks. I encourage all of you to follow us on Twitter using the hashtag goodgov and I'd like to open up to the floor now any questions that you may have. Let's see. How about second row from the back?

SPEAKER: First for Governor Beshear, I was wondering if you could give us your current opinion on same-sex marriage. I know that your state, you are involved in the case that's about to go before the Supreme Court in April. If you could just tell us what your current opinion is on that, and what you hope the outcome of the case is in the Supreme Court.

GOVERNOR BESHEAR: Well, I'm very glad that the U.S. Supreme Court's finally going to address the issue, and that has been my purpose in the cases that have been in Kentucky. I have said all along that this nation needs to function as a nation, and we need to all be moving in the same direction, and to end up with a patchwork of laws different in every place I didn't think was good for Kentucky or good for the country, and so we have appealed our court ruling there as has three other states in the 6th Circuit, and the 6th Circuit was the first circuit that ruled the other way.

All the other decisions had been ruling in favor of same-sex marriage. The 6th Circuit ruled against it basically, and so now the Supreme Court has agreed to take the case, and I'm glad because we need -- I mean everybody, no matter what side of the issue you're on -- you deserve an answer. We need to know where we're going to head on that issue and then I can tell you this, whatever the court decides, that's what Kentucky's going to do.

I saw -- who was it -- Mike Huckabee the other day advocating nullification again just like several southern states thought they could do before the Civil War broke out. I thought we were past that issue. I thought that had been decided, but

apparently not in his mind. But we're going to follow the law, whatever the Supreme Court says, and I just -- I hope they come out in June and get that decision out and we move on.

MR. HUDAK: How about right here?

SPEAKER: I am a retired (inaudible) analyst who's never tried marijuana but thought the case for legalizing it was pretty strong back when I was in grad school 40-some years ago, and I think Governor Hickenlooper is kind of a hero on this issue, but you kind of answered my question about what Colorado needed to do going forward, so for Governor Beshear, have you given any advice to Governor McAuliffe about how he might get medical expansion approved in Virginia since southwest Virginia is at least as poorly off as Kentucky?

GOVERNOR BESHEAR: You mean on the health care?

SPEAKER: Yes, yes.

GOVERNOR BESHEAR: Well, first of all, I congratulate Governor McAuliffe on trying. I mean he obviously knows that his people in Virginia need this. You all have a high percentage of uninsured just like we do. Our uninsured population dropped from over 20 percent to 12 percent in one year, one year, and if you go on and look at this latest report online, right in the front are two maps. One is a "before" map and one is an "after" map, and it's of uninsured rates in each of our counties, and it's an amazing picture. And our poorest areas economically are the most insured now because they've gone and they've signed up, and I would hope in the next generation that because we're getting healthier you're going to see more jobs in that area.

When you look back at -- and most of us operate like this, and I know Governor Hickenlooper does too -- you've got a plan in your mind that is an overall plan of what you want to make your state, and all of the decisions that you make tend to fit into

a process to get you there, and I want Kentucky not only to be seen as a leader in this country in many ways, but I want it to be a leader, and I want us to have high job creation, and I want us to have high educational attainment and good health care, and all of that goes together.

Every CEO I talk to, while they love tax incentives, they love good infrastructure, all of these goodies that they can get, they all will agree on one thing: that their biggest and highest priority is a productive workforce. If they don't have an educated, high-skilled, highly trained, drug-free workforce, then they can't be successful.

And guess what? You can't have a productive workforce if it's not a healthy workforce. If everybody's off sick all the time or you're having to stay home with your kids, you're not at work and you can't be productive, so all of this really goes together. If you don't improve people's health, if you don't improve their education, then you're not going to have the kind of economy that you need to move your state ahead.

There are several states now that are looking at how they can expand Medicaid, and I love some of the hoops that they try to jump through to justify it, and it's okay with me because in the end, it's their people that I care about and the people that need it the most, and so I hope all of them come up with some way, somehow, that they can justify doing it in spite of the fact that President Obama is the one that advocated for it because that's kind of crazy at this point. I mean to just allow rank politics to interfere with the health of your people just doesn't make a hell of a lot of sense.

MR. HUDAK: How about just behind you in the middle? Oh, sorry -- or both of you. If they're related, Ethel.

MS. CARVOS: I'll be quick. Thank both of you for a wonderful presentation. Rita Carvos from Georgetown University. I want to ask a question about the issue of international regulatory cooperation and the growing role of states. We have

the Transatlantic Trade and Investment Partnership Agreement and the T-TIP Agreement, both of which have very large regulatory standards, harmonization components, so for both of you, particularly in the areas, for example, of climate and renewable energy, cooperation on antibiotic drug resistance, and things like that that affects the core areas of state government, how do you see this going forward?

Because on the one hand, this morning I kind of also sense this notion of states still sort of seeing that they have their autonomy and their ability to shape things, but then we still have this rural-society phenomenon going forward where we have shared threats. We have common goals between nations and within nations, so at some point regulation has to be more than just a voluntary sort of process. How do you see this evolving as governors that clearly are talking about this in several areas of government? Thank you.

GOVERNOR HICKENLOOPER: I guess I'll start ~~(inaudible)~~ and take a run at it. ~~and~~ I am a great believer that more commerce, more trade makes the world safer, and there's all kinds of -- and certainly how the regulatory framework fits so that it encourages that is crucial, and some of the efforts now to make sure that when we have these large multi-national trade agreements that we are making sure workers aren't unfairly in some cases put in completely inhumane situations, that we're not allowing businesses to degrade their environment severely. That's part of these regulations. I mean it's a delicate dance, but I think it's vitally important to make sure we get everybody onboard in supporting these trade agreements.

The governors, this fall, October 30th and 31st, for the first time we're going to have all the governors of the United States, National Governors Association, meet in Colorado Springs with the Governors of Mexico and the Premieres of Canada. Again, all these leaders are very busy, but part of the notion is to say all right, how can

we look at just within our immediate neighbors, and again if you look at our trade within that universe, put together China and India and Brazil and go down the list, South Africa, Japan, Korea, all of our next seven or eight largest trading partners, and Canada and Mexico ~~are dwarfed~~dwarf it. It's a huge part of our trade.

The stuff that comes into the United States from Mexico or from Canada, almost a quarter is stuff that's been made with American components, so it's gone out to be assembled or whatever, but it's still American components, whereas stuff that comes from China, I think it's 4 percent or 5 percent that actually has American components. So there are all kinds of benefits for localized trade as well as the broader international trade, but I think governors are perfectly suited because we are very close to our businesses and part of having this Governor and Premiere summit in late October is to connect the business communities to the political world, especially the governors and municipal leaders at the same time.

In July in Denver we have our -- this will be our third Biennial of the Americas. Again, the same sense but it's not just Mexico and Canada. It's all the way through the hemisphere of trying to bring the thought leaders, not just from government but from business and from academia to look at solutions to challenges that we face all across this hemisphere. And for so long this country's always looked to Europe as our first touch points for culture and for, in many cases trade. Now we talk all the time about China and India, and yet this north-south axis has so much potential.

I always think it's a little bit like those old cliché movies when we were kids where the young hero -- the girl next door has pigtails and thick glasses and she's kind of nerdy, and he's the adventurous one and they get into a problem, and he's got a crush on some really attractive young woman, and she turns out to be completely useless in the challenge, and the girl next door is the one who's smart and figures it all

out and at the end of the movie she takes off her glasses. She lets down her hair. She's beautiful, you know, they go off together. (Laughter) I think that's Mexico and the United States. I'm not saying which one. I'm not saying who's who in the relationship, so we're perfectly clear. I'm not assigning one role to one country or another, but I do think we've overlooked -- in terms of trade -- we've overlooked the power of this hemisphere.

GOVERNOR BESHEAR: Well, Kentucky increasingly realizes that we're not only citizens of our state or even citizens of this country. We're citizens of the world, and we have to function together on so many levels in the future.

We have a large number of international companies that do business in Kentucky. For the last four years we've set export records every year of exporting our goods around the globe.

In general I would agree with the Governor that these trade agreements are going to be positive forces, not only for us but for the whole region. The freer that goods can flow I think the better off we are because we can compete with anybody as long as we've got a level playing field.

Now, I would agree that we've got to make sure that child labor-law protections are there and worker protections, all of those things should be there, but I think that's the direction that we have to move.

Let me tell you a quick story about how important world commerce is in Kentucky anymore. We created what we call the Kentucky Export Initiative because just like in every state, a lot of your small and medium sized businesses really don't know anything about exporting. They don't know how to do it. They're afraid of it, and so it's an educational process, and we work with our companies to teach them how to do this, how to locate markets, how to get in touch with a distributor, all the mechanics, and it's pretty easy depending upon where you're going to try to do business.

During the recession we had a luxury houseboat company that obviously didn't do very well during the recession. That was one of those things -- discretionary spending that people kind of backed off from -- and had several of those companies, matter of fact, and down in one of more rural regions on a big lake in Kentucky, and we got them into the Kentucky Export Initiative, put them in touch with an Indian businessman doing business in Dubai. Last year I went on a trade mission to Dubai and I had breakfast on a houseboat in Dubai Harbor made in Kentucky (laughter) because they're now exporting those houseboats halfway around the world.

A lady came to us down in western Kentucky. We have this invasion of Asian carp, these big fish that are invading all of our domestic waters, and it's a bad situation because they tend to eat up all the food that the other fish usually eat. And she started a business. We're now exporting Asian carp to China and Southeast Asia because it's a delicacy, and they're eating it. And so this export business just opens up the world to Kentucky companies, and it does more than just open up the world to those companies. It allows your people to grow and expand their knowledge and expand their exposure to the world, and all of that's good for everybody.

GOVERNOR HICKENLOOPER: I would tag onto that just real briefly that the export/import back -- I don't know where you -- we had our own initiative that the Export-Import Bank helped create, and for those of you who don't know, Export-Import, Ex-Im helps finance even small but often large companies and has been criticized as like corporate welfare from the government, but it is a crucial part I think of growing our exports.

Our exports are up 67 percent in the last four years and Export-Import Bank came out and brought together a lot of our small manufacturers and helped show them how they can begin exporting and the Export-Import Bank, if they had a buyer in

Brazil or in Dubai, Ex-Im, the Export-Import Bank for a nominal fee, half a percent or six-tenths of a percent, would guarantee payment if that buyer passed their muster, and they've been very successful.

Every other country has a version of this, right, so France and Germany and Australia and China and India, they all have various versions, and somehow our Congress is getting -- looks like they might actually defund it, so I'm just putting in a plug. I realize we have very influential people in this audience. I want to make sure they hear our opinion.

MR. HUDAK: All right. The next question in the gray scarf.

SPEAKER: Hi, Governor Beshear, a lot of Democrats running in Kentucky for Federal office were criticized during and especially after the election for kind of running away from the President and core Democratic platforms, and I'm curious if you agree with that criticism and if there are things that you think Democrats running in these purple states should keep in mind when running for election -- or I guess also Republicans ~~and purple (inaudible)~~ in purple states can go both ways.

GOVERNOR BESHEAR: Sure, and we had a situation where our Senate candidate was asked whether she voted for the President or not, and didn't handle it the way that I guess some people would have liked her to handle it.

Now, did that change the outcome of the election? No, when you look back on it I mean that Republican wave that was sweeping through the country would have swept through anyway, but I think that's sort of where you're going with this, and what we need to understand is number one, when I ran in 2011 I was asked that and I said, yes, I voted for the President. He's my President and when he's right I support him. When he's wrong, we fight because that's my first priority are the people of Kentucky. And I think you're right though in general that a lot of our candidates on the Democratic

side didn't embrace a lot of the good things that have happened in this country.

This President, whether you like him or not, saved this country from going into a deep depression, and I believe that because we were on the verge of ending up in a depression right after he got elected, and I'm not sure he or his advisors knew for sure that the decisions they were making were going to make a difference. They were just in a position where they had to make some decisions, whether that's bailing out the auto industry or all of those kinds of things, and fortunately most of them were the right decisions.

And yes, we went through a recession, but it would have been 10 times as bad, I believe, if they hadn't made those kinds of decisions. And so today, the economy is really starting to move. It's not great yet, but, boy, it's a lot better than it was, and he doesn't get a bit of credit for it. And the Democrats don't get any credit for it because we didn't go out and grab it, quite honestly.

Nobody these days is going to pat you on the back anymore and give you the credit. You've got to go take the credit. I mean we've got networks out here now that are, you know, they're going to be on other side and make sure that you don't get the credit, so yeah, the old idea was you don't toot your own horn. You better be out here tooting your own horn because nobody else is going to do that for you, and we could have owned that economic issue because we're responsible for it. We should own it because it is ours, but we didn't end up getting the kind of credit that I think he deserved or that the party in general deserved.

MR. HUDAK: All right. We've got two questions here. I want to get as many in as possible if you could ask them together?

SPEAKER: Sharon (inaudible) ~~have a moderate~~ Voice of a Moderate- quick question. First of all I lived in the Netherlands in the late '90s and we're having a

reunion, and of course everyone wants to go to Colorado, and then from high school in the '80s everyone wants to go to Colorado and I came from California, so obviously tourism is big because where I lived on two different sides of the earth, and I look at that as business development as far as the marijuana industry.

I also look at what you were talking about sort of the exports. I write for moderate voters being, you know, job creation. What my concern is and what my readers are into now is the bond debt that was created from the 2010 stimulus. A lot of those bad bonds are going to be due and people are fearing another financial crisis. Have either of you considered any of that into your future policies?

MR. HUDAK: And the person next to you? We'll try to bunch all of these together.

MR. MITCHELL: Thanks. I'm Garrett Mitchell and I write the *Mitchell Report*, and I want to come back to the original theme which is governance and governance at the state level, and you've both talked about the challenges of dealing with divided government, but I know in Colorado in particular -- I know less about Kentucky -- that here's this other issue which is represented by ballot initiatives and referendum.

California probably has suffered more than any but Colorado has had its share, some of which we've talked about today with marijuana. We haven't talked about TABOR in Colorado which is a big issue. And to put a sort of finer point on it, what we're really talking about is the distinction between representative democracy and direct democracy, and since we were set up to be a representative democracy, I'm interested in the way in which you have dealt with and you're thinking about the ballot initiative and referenda phenomenon and whether you see it on some sort of an arc of increase, decrease, and how it affects your ability to govern?

GOVERNOR BESHEAR: Well, I'll jump in real quick on both of them.

On the debt situation that you raised, yes, it created more debt, but if we'd been in a depression we'd be 100 times worse off than just having more debt, I think. And debt can be managed and it should be managed. On a state level we have to have a balanced budget, and so we know how to do that, and we have to make hard decisions every day to keep a balanced budget.

Federal government up here, you can either just spend more or -- I mean you can argue about it but there isn't any balanced budget. But you also can't get to that point overnight. With the way this government has functioned for years, if you want to move closer to a balanced situation, you're going to have to do it by degrees, and I would be for that. I would like to see us get better in terms of our economic management of our budget, but you can't wave a magic wand and make it happen overnight without quite honestly destroying a lot of things that I think are good for this country in the process. So, I think you have to take a measured approach by it.

We don't have initiatives in Kentucky. You find that more in the western states. It kind of was a phenomenon that came along as the western states came into the union. Quite honestly I'm glad we don't. Every time I think about somebody being able to go to the mall on Saturday afternoon and get enough signatures to put some issue on the ballot, that would scare me to death. Now -- and John probably feels different about this from me, but I look at California, for instance, and all of the different things that are on their ballot every year, many of which make no sense at all, but 5,000 people on Saturday and Sunday at the malls signed their name to something, and the restraints that it has put on governing in California, I'm amazed that Jerry Brown has made things work, and he has, and I congratulate him on it. But wow, I mean to have to do that in that kind of environment where you can't use this money and you can't -- you know, there's just all kinds of restraints that we don't have in Kentucky because we have

representative democracy, and if you want a constitutional amendment on the ballot, that's one thing. Then the legislature has to pass it, and then it's put on the ballot, but I like our system.

GOVERNOR HICKENLOOPER: I agree. I mean we have stuff, you know, equal rights for hamsters and chipmunks. I mean, these things get their way on the ballots, but I think they are a part of -- they're engrained into our culture now, and certainly TABOR is not going anywhere. In Colorado if you want to raise -- if the government wants to spend more money -- even if you've got money pouring in, your economy's going, people are paying more income tax, more sales tax, but if it grows more than inflation plus your population growth, then you've got to give that excess back to the people.

And oftentimes, like now, we're still about \$870 million behind where we should be in terms of funding schools because of the recession, but we're in a TABOR situation whereas next year instead of making that up to schools we'll have to give that back to voters which will happen. I think it should be harder to change the constitution. We have -- our constitution with all the amendments probably 2,500 pages now. That's crazy.

In terms of the debt, I think the parties -- both political parties should take on some of the long-term financial issues that are facing this country, and both parties are going to have different ways of getting there, but I think earlier on they could agree to some targets in terms of what -- here's what we're going to do about the national deficit.

I agree that if we hadn't spent that stimulus money we would have been in trouble. We needed to get things going again or we could have been in -- you never know how bad things could have been, but every indication was we could have been in a great depression like our parents lived through, so it was important, but now I think we

have to be a little more sober-minded when we look at how our spending goes.

MR. HUDAK: Great. Time for one more quick question. All right, right here in the center.

MR. LEDVAK: Thank you. My name is Charles Ledvak. I'm a student at Carleton College in Minnesota. Governors, both of you talked about good ideas. Governor Beshear, you talked about whether it's Democrat or Republican, and Governor Hickenlooper, from the NGA ideally you'll go to other governors in finding these good ideas, but naturally the three of us probably agree that the ACA has been a good idea and you've got a Republican Congress that has voted to repeal it 56 different times, so the question beyond just tooting our own horn is how do we separate the good ideas from the bad ideas when everyone can talk and everyone's got spin, what can those of us that may have the good ideas, what can we do that's going to separate us from everyone else?

GOVERNOR BESHEAR: Well, the electorate has got to take a hold a little more than what it has. If I'm right and I think I am that most of the electorate out here is frustrated as hell. They don't see anybody on either side making much happen. They need to exercise that thought. They need to basically stand their candidates up against the wall and look them in the eye and say if you want my vote next time then you're going to sit down and try to use some common sense and quite this battering ram type of approach that you've been using.

Now, I know that may be pie in the sky, but as long as these folks don't suffer any consequences for these kinds of really extreme types of positions, they'll just cruise right along because they can raise money. When you take these crazy positions, you've got a bunch of crazy people out there that will write you a check.

The vast middle in this country are busy taking care of their families and

working and doing all of this, and they don't pay a lot of attention to this stuff, but they're going to need to start paying more attention because if they do we can kind of bring some common sense back to the governance on a national level in this country, but until they do I'm afraid we're stuck in a downward spiral right now in terms of getting anything done.

GOVERNOR HICKENLOOPER: And I would echo that. The Affordable Care Act also had a lot of -- I mean it's messy. There were a lot of mistakes in it that I think we both agree that there's a lot of ways it could have been done better, but it's worth looking back before that was enacted.

Ten percent of all doctors in the United States used any kind of digital -- in other words all the prescriptions and medical records were on paper. Twenty percent of all hospitals kept their prescriptions and medical records on paper. That's insane, and so for all its failings it moved us forward, and I think we've got to keep holding ourselves to science, to evidence-based -- and on the flight out I saw a little bit of an old, old movie from my parent's generation called *Inherit the Wind*. It's about the Scope's trial and we take for granted that Darwin -- that natural selection is true science, but in most of the country it's still hotly debated, and I think that debate is what America's all about, right?

We have freedoms that most of the world doesn't have, and that going to mean that we have to do a better job of making sure people hear why the ACA, even with all its failings, is still a net positive benefit; that each of these issues, the solutions we come up with, while compromises, are still significant improvements.

Again, the attack ads, negative vitriol that permeates every layer of political commerce now makes that very, very difficult, right? I mean -- and I've said this before at Brookings. You never see Coke doing an attack ad against Pepsi because they work. Pepsi's sales would go down. Pepsi would have no choice but to do an attack ad against Coke. Coke sales would go down. Coke would attack Pepsi. Pepsi would attack

Coke. You depress the entire product category of soft drinks.

What we're doing is depressing the product category of democracy, and it gets back to representative democracy versus this referendum stuff. If people are turning off the news and -- especially young people, not paying attention to complex policy issues, this form of democracy which is pretty fragile is just not going to be as successful, and when I ran this last time and I had many supporters that got very agitated and very upset with me because we were behind in the polls for most of the campaign, but we never did a negative ad. We never did an attack ad. We tried to keep very focused on positive things, and when it wasn't going so well people were -- some of my -- they'd go out and they're working for -- they're very agitated, to say the least. (Laughter) And there were other people that came in and did attack ads against my opponent without my consent. It's independent expenditures, but ultimately if we can figure out some way to get to a more constructive discourse during our elections, I think that will go a long way towards solving this problem of how do you get people to recognize the good ideas when they're out there.

MR. HUDAK: Well, I'd like to thank all of you for coming today help me thank Governor Beshear and Governor Hickenlooper for joining us. (Applause)

GOVERNOR HICKENLOOPER: Thank you.

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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