

and run with it; that we're looking after our people, including those who are most vulnerable; and that we're going to be bequeathing to the next generation the kind of America that will make us proud and assuring that the 21st century will be the American century just like the 20th century was.

We can't do that by ourselves. There's extraordinary diversity among our States, and that's a great strength. That's why our Federal system is the laboratory for democracy, because in each of your States, you guys are trying all kinds of things. And oftentimes, your best ideas end up percolating up and becoming models and templates for the country.

But we're also one Nation, and our goal has to be to find ways to find common ground and to work together, and I'm confident that we can do that moving forward.

So I want to propose a toast, not only to all the Governors who are here, but also to all their spouses, who put up with life in politics. *[Laughter]* It's not always easy, but I hope your families, given all the sacrifices you're making,

feel that it's worth it, because I certainly believe that the work that you're doing each and every day is making an extraordinary contribution to our country.

Thank you very much. Cheers.

*[At this point, the President offered a toast.]*

And with that, I'd like Christine to come up and offer a few words as well.

*[Governor Christine O. Gregoire of Washington made brief remarks, followed by a toast to the President.]*

*The President.* All right. Let's start dinner, and everybody have fun.

NOTE: The President spoke at 7:14 p.m. in the State Dining Room at the White House. In his remarks, he referred to Gov. David E. Heineman of Nebraska. The transcript released by the Office of the Press Secretary also included the remarks of Gov. Gregoire.

## Remarks to the National Governors Association February 28, 2011

Thank you, everybody. Please have a seat. Thank you so much. Well, thank you, Joe. Thank you to the members of my Cabinet and my administration who are here. Thank you, Governor Gregoire and Governor Heineman, for your outstanding leadership. And I also want to acknowledge Ray Scheppach—where's Ray? There he is—who's been NGA's executive director for 28 years, and this is his final meeting. So, Ray, thank you for your extraordinary service. Thank you.

So I hope everybody had fun last night. I know that you had a wonderful time listening to Michelle and Jill. Joe's main function is to provide a buffer between me and them so that I don't have to follow them immediately—*[laughter]*—because they are really good and care deeply about what's happening with military families.

I hope today all of you feel free to make yourselves at home. For those of you with a

particular interest in the next election, I don't mean that literally. *[Laughter]*

We meet at a moment when all of us—Democrats and Republicans, leaders at the national and the State levels—face some very big challenges. Our country has come through a long and wrenching recession. And as we recover, the question we're going to have to answer is: Where will the new jobs come from, what will the new sources of economic growth be, and how can we make sure that the American Dream remains a reality into the 21st century?

Now, in the short term, we came together here in Washington at the end of last year and enacted tax cuts that are already making Americans' paychecks bigger and are allowing businesses to write off major investments. These are tax cuts and changes in the tax credit system that are going to spur job creation and economic growth. And I'm proud that Democrats and

Republicans worked with each other to get it done.

In the long term, however, we need to address a set of economic challenges that, frankly, the housing bubble largely papered over for almost a decade. We now live in a world that's more connected and more competitive than ever before. When each of you tries to bring new jobs and industries to your State, you're not just competing with each other, but you're competing with China, you're competing with India, you're competing with Brazil, you're competing with countries all around the world.

And that means that we as a nation need to make sure that we are the best place on Earth to do business. We need a skilled and educated workforce, a commitment to cutting-edge research and technology, and a fast and reliable transportation and communications network. That's how we're going to bring new jobs to America, and that's how we're going to win the future.

Making these necessary investments would be hard at any time, but it's that much harder at a time when resources are scarce. After living through a decade of deficits and a historic recession that made them worse, we can't afford to kick the can down the road any longer. So the budget debate that we're having is going to be critical here in Washington. And so far, most of it's been focused almost entirely on how much of annual domestic spending—what in the parlance we call domestic discretionary spending—that we should cut. There's no doubt that cuts in discretionary spending have to be a part of the answer for deficit reduction.

And that's why, as a start, I've proposed a 5-year spending freeze that will reduce our deficits by \$400 billion. The budget that I sent to Congress cuts or eliminates more than 200 Federal programs. And it reforms dozens of others, from health care to homeland security to education, so that rather than throwing money at programs with no accountability or measured results, we're committed to funding only those things that work.

All told, the budget cuts I've proposed will bring annual domestic spending to its lowest share of the economy since Dwight Eisenhower.

Let me repeat that: Under my budget, if it were to be adopted, domestic discretionary spending would be lower as a percentage of GDP than it was under the nine previous administrations, including under Ronald Reagan's.

But we know that this kind of spending, domestic discretionary spending, which has been the focus of complaints about out-of-control Federal spending, makes up only about 12 percent of the entire budget. If we truly want to get our deficit under control, then we're going to have to cut excessive spending wherever it exists: in defense spending, and I have to say that Bob Gates has been as good a steward of taxpayer dollars when it comes to the Pentagon as just about anybody out there, but we're going to have to do more; in health care spending, on programs like Medicare and Medicaid; and in spending through tax breaks and loopholes. That's going to be a tough conversation to have, but it's one we need to have, and it's one I expect to have with congressional leaders in the weeks to come.

Those of you who are in this room obviously are on the frontlines of this budget debate. As the Recovery Act's funds that saw through many States over the last 2 years are phasing out—and it is undeniable that the Recovery Act helped every single State represented in this room manage your budgets, whether you admit it or not—you face some very tough choices at this point on everything from schools to prisons to pensions.

I also know that many of you are making decisions regarding your public workforces, and I know how difficult that can be. I recently froze the salaries of Federal employees for 2 years. It wasn't something that I wanted to do, but I did it because of the very tough fiscal situation that we're in.

So I believe that everybody should be prepared to give up something in order to solve our budget challenges, and I think most public servants agree with that. Democrats and Republicans agree with that. In fact, many public employees in your respective States have already agreed to cuts.

But let me also say this: I don't think it does anybody any good when public employees are

denigrated or vilified or their rights are infringed upon. We need to attract the best and the brightest to public service. These times demand it. We're not going to attract the best teachers for our kids, for example, if they only make a fraction of what other professionals make. We're not going to convince the bravest Americans to put their lives on the line as police officers or firefighters if we don't properly reward that bravery.

So yes, we need a conversation about pensions and Medicare and Medicaid and other promises that we've made as a nation. And those will be tough conversations, but necessary conversations. As we make these decisions about our budget going forward, though, I believe that everyone should be at the table and that the concept of shared sacrifice should prevail. If all the pain is borne by only one group—whether it's workers or seniors or the poor—while the wealthiest among us get to keep or get more tax breaks, we're not doing the right thing. I think that's something that Democrats and Republicans should be able to agree on.

Now, as we begin to get our budgets under control, the other thing we can't do is sacrifice our future. Even as we cut back on those things that don't add to growth or opportunity for our people, we have to keep investing in those things that are absolutely necessary to America's success: education, innovation, infrastructure.

On education, our approach has been to partner with you to offer more flexibility in exchange for better standards, to lift the cap on charter schools, to spur reform not by imposing it from Washington, but by asking you to come up with some of the best ways for your States to succeed. That was the idea behind *Race to the Top*: You show us the best plans for reform, we'll show you the money.

We're also working with you and with Congress to fix *No Child Left Behind*, with a focus on reform, responsibility, and most importantly, results. And we're trying to give States and schools more flexibility to reward good teachers and stop making excuses for bad teachers, because we know that the single most impor-

tant factor in a child's success other than their parents is the man or woman at the front of the classroom.

And I had a chance to see this recently. I went over to Parkville Middle School in Maryland, where engineering is now the most popular subject, mainly thanks to some outstanding teachers who have inspired students to focus on their math and their science skills. So we know teachers can make a difference, and we want to help you have the very best teachers in the classroom.

We also have to invest in innovation, in American research and technology, in the work of our scientists and engineers, and in sparking the creativity and imagination of our people.

Now, a lot of this obviously is done in the private sector. But as much as the private sector is the principal driver of innovation, it's often hesitant to invest in the unknown, especially when it comes to basic research. Historically, that's been a Federal responsibility. It's how we ended up with things like the computer chip and the GPS. It's how we ended up with the Internet. It's also how a lot of your States are already attracting jobs and industries of the future.

I went to Wisconsin, for example, a few weeks ago, and I visited a small-town company called Orion that's putting hundreds of people to work manufacturing energy-efficient lights in a once-darkened plant. They benefited from Federal research.

In Ohio and Pennsylvania, thanks in part to Federal grants, I saw universities and businesses joining together to make America a world leader in biotechnology and in clean energy. And if you have any doubt about the importance of this Federal investment in research and development, I would suggest that you talk to the cutting-edge businesses in your own State. They will tell you that if we want the next big breakthrough, the next big industry to be an American breakthrough, an American industry, then we can't sacrifice these investments in research and technology.

The third way that we need to invest is in our infrastructure, everything from new roads and bridges to high-speed rail and high-speed

Internet, projects that create hundreds of thousands of private sector jobs. And I know that in some of your States, infrastructure projects have garnered controversy. Sometimes they've gotten caught up in partisan politics.

This hasn't traditionally been a partisan issue. Lincoln laid the rails during the course of a civil war. Eisenhower built the Interstate Highway System. Both parties have always believed that America should have the best of everything. We don't have third-rate airports and third-rate bridges and third-rate highways. That's not who we are. We shouldn't start going down that path.

New companies are going to seek out the fastest, most reliable ways to move people, goods, and information, whether they're in Chicago or they're in Shanghai. And I want them to be here, in the United States. So to those who say that we can't afford to make investments in infrastructure, I say we can't afford not to make investments in infrastructure. We always have had the best infrastructure. The notion that somehow we'd give up that leadership at this critical juncture in our history makes no sense.

Just ask the folks that I met up in Marquette, Michigan—I was talking to Rick Snyder about this—up in the Upper Peninsula. This is a town of 20,000 people, far away from the hustle and bustle of places like Detroit or Grand Rapids. But because of the wireless infrastructure that they have set up, they've now got—the local department store, third-generation, family-owned department store, has been able to hook up with the university and have access to wireless, and they are now selling two-thirds of their goods online. They're one of the 5,000 fastest-growing companies in America—up in the Upper Peninsula—because the infrastructure was in place to allow them to succeed.

And you've got kids in schoolhouses in even more remote areas who are able to plug in to lectures and science fairs anywhere in America because of the infrastructure that was set up. That's a smart investment for every State to make. And the Federal Government wants to be your partner in making those investments.

These are the kinds of investments that pay huge economic dividends in terms of jobs and growth. They are the fundamentals that allow some States to weather economic storms better than others. They're the fundamentals that will make some States better positioned to win the future than others. These investments are not just critical for your State's success, they're critical for America's success. And I want to be a partner in helping you make that happen.

Which brings me to the final topic that's going to help determine our ability to win the future, and that's getting control of our health care costs. Now, I am aware that I have not convinced everybody here to be a member of the Affordable Care Act fan club. But surely we can agree that for decades, our governments, our families, our businesses watched as health care costs ate up more and more of their bottom line. There's no disputing that. That didn't just happen last year. It didn't just happen 2 years ago. It's been going on for years now.

We also know that the biggest driver of the Federal debt is Medicare costs. Nothing else comes close. We could implement every cut that the House of Representatives right now has proposed, and it would not make a dent in our long-term budget, wouldn't make a dent in our long-term deficits, because of health care costs.

We know it's one of the biggest strains in your State budgets: Medicaid.

And for years, politicians of both parties promised one thing: real reform. Everybody talked about it. Well, we've decided to finally do something about it, to create a structure that would preserve our system of private health insurance; would protect our consumers from the worst abuses of insurance companies; would create competition and lower costs by putting in place new exchanges, run by the States, where Americans could pool together to increase their purchasing power and select from various plans to choose what's best for them, the same way that Members of Congress do, the same way that those who are lucky enough to work for big employers do.

And the fact is that the Affordable Care Act has done more to rein in rising costs, make

sure everyone can buy insurance, and attack the Federal deficit than we've seen in years. And that's not just my opinion; that's the opinion of the Congressional Budget Office—non-partisan—the same one that puts out numbers that, when it's handy to go after me, people trot out and say, “Boy, these are—look at these numbers.” So they're saying we're saving a trillion bucks because of this act on our health care costs. Otherwise, we'd be a trillion dollars more in the red. That's something that we should build on, not break down.

Now, that doesn't mean that the job of health care reform is complete. We still have to implement the law, and we have to implement it in a smart and nonbureaucratic way. I know that many of you have asked for flexibility for your States under this law. In fact, I agree with Mitt Romney, who recently said he's proud of what he accomplished on health care in Massachusetts and supports giving States the power to determine their own health care solutions. He's right. Alabama is not going to have exactly the same needs as Massachusetts or California or North Dakota. We believe in that flexibility.

So right now under the law, under the Affordable Care Act, Massachusetts and Utah already operate exchanges of their own that are very different—operate them in their own way. And we made sure that the law allowed that. The same applies for other requests, like choosing benefit rules that meet the needs of your citizens or allowing for consumer-driven plans and health savings accounts.

And this recognition that States need flexibility to tailor their approach to their unique needs is why part of the law says that beginning in 2017, if you can come up with a better system for your State to provide coverage of the same quality and affordability as the Affordable Care Act, you can take that route instead. That portion of the law has not been remarked on much. It says by 2017, if you have a better way of doing it, help yourself, go ahead, take that route.

Now, some folks have said, “Well, that's not soon enough.” So a few weeks ago, Oregon Senator Ron Wyden, a Democrat, and Massachusetts Senator Scott Brown, a Republican,

and Louisiana Senator Mary Landrieu, they proposed legislation that would accelerate that provision. So it would allow States to apply for such a waiver by 2014 instead of 2017.

I think that's a reasonable proposal. I support it. It will give you flexibility more quickly, while still guaranteeing the American people reform. If your State can create a plan that covers as many people as affordably and comprehensively as the Affordable Care Act does, without increasing the deficit, you can implement that plan. And we'll work with you to do it. I've said before, I don't believe that any single party has a monopoly on good ideas. And I will go to bat for whatever works, no matter who or where it comes from.

I also share your concern about Medicaid costs. I know this has been a topic of significant conversation over the last couple of days. We know that over half of all Medicaid costs come from just 5 percent of enrollees, many of whom are what's called dual eligibles, seniors in Medicare as well as in Medicaid. The Affordable Care Act helps address this by changing the incentives for providers so that they start adopting best practices that will work to reduce costs while improving quality.

But we understand the pressure you're under. We understand that we've got to do more. So today—and I mentioned this to Christine last night—I'm asking you to name a bipartisan group of Governors to work with Secretary Sebelius on ways to lower costs and improve the quality of care for these Americans. And if you can come up with more ways to reduce Medicaid costs, while still providing quality care to those who need it, I will support those proposals as well.

So here's the bottom line. Once fully implemented, I'm convinced the Affordable Care Act will do what it was designed it to do: cut costs, cover everybody, end the worst abuses in the insurance industry, and bring down our long-term deficits. I am not open to refighting the battles of the last 2 years or undoing the progress that we've made. But I am willing to work with anyone—anybody in this room, Democrat or Republican, Governors or Member of Congress—to make this law even better,

to make care even better, to make it more affordable and fix what needs fixing.

You see, part of the genius of our Founders was the establishment of a Federal system in which each of our States serves as a laboratory for our democracy. Through this process, some of the best State ideas became some of America's best ideas. So whether it's through Race to the Top or improving the Affordable Care Act or reforming the way that we approach social programs by ensuring that spending is tied to success, our approach has been to give you the flexibility that you need to find your own innovative ways forward. In fact, this week I'm issuing a Presidential memorandum that instructs all Government agencies to follow this flexible approach wherever the law allows.

But even as we preserve the freedom and diversity that is at the heart of federalism, let's remember that we are one Nation. We are one people. Our economy is national. Our fates are intertwined. Today, we're not competing with each other, we're competing with other coun-

tries that are hungry to win new jobs, hungry to win new industries.

I'm confident we will win this competition as long as we're fighting it together. And I know that whatever our differences, you share that goal. So you've got a partner in the White House to make this happen. And I hope that this becomes the start of a productive and serious conversation going forward, one that I want to start by answering some of your questions.

So thank you very much. Thank you.

NOTE: The President spoke at 11:16 a.m. in the State Dining Room at the White House. In his remarks, he referred to Gov. Christine O. Gregoire of Washington, in her capacity as chair, and Gov. David E. Heineman of Nebraska, in his capacity as vice chair, of the National Governors Association; Gov. Richard D. Snyder of Michigan; and former Gov. W. Mitt Romney of Massachusetts. The transcript released by the Office of the Press Secretary also included the remarks of Vice President Joe Biden, who introduced the President.

## Statement on the Death of Frank W. Buckles *February 28, 2011*

Michelle and I were inspired by the service and life story of former Army Corporal Frank W. Buckles, the last surviving American veteran of World War I and the oldest known World War I era veteran in the world, who passed away yesterday at the age of 110. A decorated soldier in the Great War, he also survived more than 3 years in Japanese prisoner of war camps during the Second World War.

Frank Buckles lived the American century. Like so many veterans, he returned home, continued his education, began a career, and along with his late wife Audrey, raised their daughter

Susannah. And just as Frank continued to serve America until his passing, as the honorary chairman of the World War I Memorial Foundation, our Nation has a sacred obligation to always serve our veterans and their families as well as they've served us.

We join Susannah and all those who knew and loved her father in celebrating a remarkable life that reminds us of the true meaning of patriotism and our obligations to each other as Americans.

NOTE: The statement referred to Susannah Flanagan, daughter of Mr. Buckles.