

## **Tennessee Governor Bill Haslam Remarks at The Pew Charitable Trusts**

### **“Providing Efficient and Effective Government at the State Level”**

**February 23, 2018**

SUSAN URAHN (EXECUTIVE VICE PRESIDENT AND CHIEF PROGRAM OFFICER, THE PEW CHARITABLE TRUSTS): Good morning. I know it's early, but never too early to welcome all of you and our very special guest, Tennessee Governor Bill Haslam. We are also video recording this event and we're going to stream it on our website later today. Now while you're finishing your breakfast, I want to tell you just a little bit about Governor Haslam and the success that Tennessee has had using evidence-based policy to strengthen the state's economy while keeping the budget balanced and building a healthy rainy day fund.

First a little background on Governor Bill Haslam—in 2003, he was elected mayor of Knoxville, and was re-elected in 2007. In 2010, he was elected the 49th governor of Tennessee, and four years later, re-elected again. Governor Haslam has been a leader in investing in education. He's made Tennessee the first state to offer all adults two years of tuition-free community or technical college.

His Drive to 55 program has nothing to do with the speed limit, everything to do with higher education. He has set a goal to increase the number of Tennesseans with a post-secondary degree or credential to 55% by 2025. And he's done all of this while focusing on increasing innovation and building private sector jobs.

Now here at Pew, we've had a substantial portfolio of state policy work for two decades. This helps states advance evidence-based policy on everything from election administration, to criminal justice, to dealing with the opioid crisis.

A critical part of these efforts has been partnering with states. One of those collaborations was with Governor Haslam and his team along with five other states. And that was focused on tax incentives. The initiative helped those states get a better return on their economic development investments by identifying and sharing best practices for collecting, managing, and analyzing the data that they need to administer those tax incentives and to evaluate their effectiveness.

No matter what state policy issue Pew works on, one of our goals is to draw attention to data-driven states like Tennessee that fund programs with measurable results, they get a higher return on investment, and they are careful stewards of the taxpayer dollars and the state's long term physical health. So I mentioned Governor Haslam's education initiatives and the evidence-based fiscal policies, but there's more to the story.

He's also funding a safe and reliable transportation network. He's fighting the opioid crisis by focusing on prevention and treatment as well as law enforcement. Pew has had the privilege of

providing technical assistance to the governor and state leaders as they work to reform the juvenile justice system, because as the governor noted in his 2018 “State of the States” address, we know from evidence that costly out-of-home placements are not good for children, communities, or taxpayers.

This is a wonderful opportunity for all of us here at Pew and all of you who joined us to hear more about how Governor Haslam is providing efficient and effective government for the state of Tennessee. And now it's my pleasure to introduce Governor Bill Haslam.

GOVERNOR BILL HASLAM: All right. That was very nice. I ought to just say, “I'm Bill Haslam, I approve that message.” Y'all have a good morning. Hey, here's what I'd like to do—I would love to turn this into a conversation. And I'm going to talk fairly quickly and then we can talk about whatever you like. But first, I do want to thank Pew.

Sue mentioned a couple of things that you all helped us back early in my administration. You helped us around the whole idea of what are the proper incentives as we work toward economic development, there's a lot of conversation today, well, this is just one state buying jobs from another state, and there's nothing productive in that. And by the way, is there any way to measure whether this ends up being a net benefit for the citizens or not, and Pew gave us some initial help there.

Pew's helping us look at the whole issue of juvenile justice. There's way too many people at too young of an age who have their path determined for them for a long time due to a poor decision they made somewhere. And we currently have a bill in front of the legislature that is the result of work that Pew did. And they did that in conjunction with several of our legislative leadership members, and it's making a huge difference.

So for those of you who work for Pew that you wonder, does anybody ever hear this stuff or use this stuff that we're working on? The answer is yes. And we being in state or local government is the ultimate in pragmatic politics. Do that whole tough Mayor LaGuardia thing of there's not such a thing as a Democrat or Republican pothole.

It's the same thing with a lot of the folks that we serve. And so what you're doing it's a huge help. And one of the things you learn as a governor when you get near the end is all those things you wish you had known before, and one of those is the resources that we have to pull folks like you in on sticky problems.

OK, I'm going to start with kind of my general view of government. As Sue said, I've been a mayor for seven years. I am just entering my last year as governor. I tell folks frequently that, being in your last year of governor is a little like being the body in an open casket at the receiving of friends. Because people walk by and say, “Well, doesn't he look natural!” And you're like, no, no, no, I'm still here, kind of pushing up on the casket lid.

Because you realize they're —right, I mean, there's other people running for your job now. The airwaves are already full in Tennessee of people who would like to do what I'm doing next. But you also realize this is such a rare opportunity to make change. And I believed that who's in

office matters before I was mayor, and before I was the governor, and now I believe that times 10.

It makes a huge difference who we elect and what their approach to it is. My thought of government is this—government exist to buy things that we can't buy for ourselves. You cannot buy your own defense program, you cannot buy your own interstate network.

Most people can't buy their own schools, some can. Most people can't buy their own mental health treatment. And I can keep going. So if that's true, then that's why we exist. And I had dinner last night with the Canadian ambassador to the US, and he literally stole the line, and it's the one I quote the most that—our job is to provide the very best service at the very lowest cost. That's what we're here for.

But in doing that, you have to remember this, we're a monopoly. Right? If you want a driver's license, you're getting it from us. If you want to drive down I-40 in Tennessee, that's our road and we're the ones in charge of maintaining that. I can keep going.

So as a monopoly, we have a different responsibility. And our responsibility is to provide the very best service we can. So we were talking before this, one of the primary challenges is, who's going to do that for you? What's the workforce going to look like? I'm going to answer one of the questions that Sue might have asked me—she started by saying, what are you worried about will go away when you leave?

Because we're at that point, I can give you a long list of things [to talk about], but her question was even better. What are you worried about that no one will see or no one pays attention that will go away. And I think it's all about the quality of the workforce in state government. Again, remember, we're running a monopoly. You want a driver's license, you're getting it from us. So it really matters how hard we work in giving you great service when you come to get your driver's license or you enter as a kindergarten student or whatever it is.

If you think that, it's all about who's going to get great service inside a monopoly. What's the government form of employee compensation look like? We're going to pay you mediocre, right, at best. We're going to hire and promote whoever has been in the line the longest, OK?

Your pay raises are going to be just the same as everyone else's. But you've got great long-term benefits. OK, if I said to design an effective customer service organization, you would not design that one. And so one of the things we did was we blew up the system. So we drastically reformed how we do civil service.

I always wondered like well, the problem is that Republicans don't sometimes care enough about government service. I'm a Republican by the way, she left that out. And we have a reputation for not caring. It's like, well, let's shrink government, cut taxes, and then we can go tell everybody that we shrunk government and cut taxes.

Democrats, on the other hand, I think have always been unwilling to address the system of how government employment works. So we need civil service, that's our basic right. And so they

fought real hard to do that. And when we put in a performance pay system, we got a lot of push back from the other side of the aisle about that.

I would argue that all of us should say, we have the sacred obligation because we're a monopoly to provide great service. And so we should try to bring in a workforce that can provide that, because that's what's going to distinguish us. The second thing I'll say, and I won't call him out, but the person who was the deputy governor for my predecessor is in the room. I just saw him back there.

A predecessor told me something as I was going into office. We actually sat [down together] between the election and me being sworn in; he was the Democrat, I'm a Republican. And I said, what advice do you have? He had two great pieces of advice for me. One was, the governor should only do what only the governor can do. Because you're going to get a zillion requests and people pulling and pushing—do this, do that.

You think that you've been busy, but you have no idea until you understand the opportunities that you're going to have in front of you. The governor should only do what only the governor can do. The second thing he said was, everybody will say, we want you to run government like a business until you do. And then they're going to say, well, not like that.

But that's our job. I love that one of Pew's missions is to provide data-based information that governments can make different decisions on, because we face a myriad of issues that aren't simple. One of my most fervent hopes is that we keep doing that in states, that we can keep having decisions that are data-based instead of what I guess transpired in the neighborhood here.

Tennessee, we've really focused on three things. We focused on education. We don't have a great education track record in Tennessee, but we've made some really difficult changes. Again, started by my Democratic predecessor, we came in to continue those, all around the idea of raising standards, raising what we expect of students. Number two, more accountability, in a sense of, we want to make sure we have a year-end assessment that adequately measures what we're teaching.

And then the third part of that would be, having the teacher's evaluation be tied to the students' outcomes. Now if you're not familiar with the education world, you might think, well, what's radical about that? The teacher's evaluation tied to students' outcomes, but it is an incredibly radical idea.

Going back to when President Obama was elected, thinking back that this is a Democrat elected president, one of the strongest voter bases for any Democrat is the teachers' groups. And that's what the teacher's union, teacher's association doesn't want to happen. They don't want the teachers' evaluations tied to student outcomes, student testing.

You had a Democratic president come in and put in place a system called Race to the Top that actually encouraged, incentivized states to do just that, OK? So my predecessor took him up on

that. Tennessee made great strides in increasing our standards, putting up year assessments, teacher's evaluations tied [to student results].

We continued those, fought back when some of the push back came and because of that, for the last four years, Tennessee has been the fastest improving state in the country in education results. Thank you. The Senate could say, we had a long way to go. So you know, when you're in the bottom, when you're in the 40s somewhere in 50 states, getting to about the midpoint is not that great, but we have been in the 40s for a long time. And some very specific steps happened there.

So we're focusing on that really for a couple reasons. There's a huge work force issue in our country today, OK? There just is, believe me. I used to spend all my time recruiting companies trying to tell them, well, here's what we'll do for you in terms of an incentive package or this great piece of ground. Now, every bit of it is about, do you have the workforce that we need.

The Drive to 55 that she referred to is, is that we're to have 55% of our population have a degree or a certificate, a technical school certificate counts, by the year 2025. We started it four years ago. We're on pace to actually beat that and be there by 2023.

Well, one of the reasons that K-12 education matters so much is in this world, a lot more folks need post-secondary education. They just do. I've heard all the arguments. Not everybody does, but a lot more do than used to. But it doesn't do us any good to offer a free community college if when you get here, you're not prepared.

And six years ago, 70% of the students graduated from our K-12 schools and got to community college needed remedial work when they got here. If you need remedial work when you get to community college, there's about a 20% chance you'll actually complete and finish.

So a lot of work on that and it's for the reasons we talked out. The second was all around job recruitment. We came in coming out of the great recession of '08, '09, unemployment was at 10.5%. When you're running for governor, it didn't take a genius to feel like, well, talking about jobs will be a good thing.

So we've benefited from the economy coming back, even a little more, so Tennessee's unemployment has been about a point below the national average for the last year, where historically we've been at or above the national average. So we've made some real progress there by doing one thing. And this is what I think at Pew said, well, what have you all done? I say, it's this, we recognize here in Tennessee that jobs get created when people put capital at risk. That's the only way jobs get created.

Fred Smith, who started this whole little Tennessee company called FedEx, has this incredible chart. But it shows employment in capital investment from business. And they track it. It's two parallel lines, up or down. And we get that, and so we treat companies like that. We realize jobs are getting created when you put capital at risk.

And the third thing we've done is try to manage our budget in a way that we make great use of taxpayer dollars. So I talked about employees before. The average state employee of Tennessee makes \$10,000 more than they did when we came in seven years ago.

Now we have fewer of them. We have 7% or 8% fewer employees, but we really are wanting to invest in the right places in the right ways. We've been fortunate in Tennessee that we have the lowest debt per capita in the country; we have one of the lowest total tax burdens in the country. We've been able to triple the amount of money that is in our rainy day fund. And we've been very conscientious of how we steward those resources.

I personally think, and this is another conversation, it's those states that do that are in for a bigger competitive advantage even than normal. The tax reform plan that passed, as you'll remember, limits your state and local tax deductions to \$10,000.

If you're in a state where your total state tax burden is in the 11-12% range, and you are making big dollars, you maybe thought, well, I hate to deduct half of that, which you did under the old rules. You thought, well, maybe it's not that big of a deal. But if there's a \$10,000 limit on what you can deduct, well now it's maybe going to a state like Tennessee that has zero income tax might make a 10- 12% pay raise sounds pretty good.

So I think you're going to see more state competitiveness based on what the total tax burden looks like for the individual than you might have under the old law. OK, I'm going to stop there, because I said I wanted to leave more time than not for questions. And I would love to talk about whatever you would like to talk about. If not, nobody ask questions, I'll just keep going. Way back in the back, yeah?

AUDIENCE MEMBER #1: Good morning, Governor, thanks for being here. My name is Adam Levin and I'm with the state fiscal health program. I actually have two questions, if that's OK.

GOVERNOR BILL HASLAM: Sure.

AUDIENCE MEMBER #1: First is, one of these has come up in the country in the last few years about the urban-rural divide. Tennessee is I think a good example of that. Nashville is thriving, other parts of the state I think maybe not so. Curious if you've seen effective policies that are sort of leveraging the success of those areas and other parts of the state?

My second not totally unrelated question I think is about, one you may be anticipating about the 800-pound elephant, which is Amazon. Nashville is on the short list. Potential upsides for that I think seem sort of clear. Curious if you see any downsides, and sort of your general thoughts on this.

GOVERNOR BILL HASLAM: Yeah, those are both great questions. So let's see, the first one was all right—say the first one again. I'm thinking about Amazon in my mind. It's like, I might get asked to the prom, you know.

AUDIENCE MEMBER #1: Sure. If there are sort of ways that you see—

GOVERNOR BILL HASLAM: Right. The rural-urban divide is real and is a big issue. And some of that is just it's an international trend of people moving to cities. And you see that everywhere. And it's exacerbated by the fact that again, in today's world, the educational requirements are a lot deeper than they used to be.

So companies come to look and say, where can I find that workforce, and they know they can find a more educated work force around urban areas. So what was a natural kind of a human tendency, I want to go to the bright lights of the big city, is accelerated by the education demands.

So what have we done about it? And by the way, Tennessee has that issue, because if you haven't been to Nashville recently, come. But I think you will be surprised about, wow, look what all's happening right here. It's an incredibly attractive city. I don't have to recruit companies to come to Nashville. I mean, it's literally, it's you're taking the next company in line and working out details.

But that's not true in our rural areas. So what have we done about it? Well, two things—we focused our economic development program around the rural areas. Again, because Nashville will take care of itself, so I was really proud last year, 45% of our new jobs came in rural areas. In some areas, getting a new call center might not be a big deal. I think, well, that's just, sure people sit there and answer phones for as a third party for someone. But our county with the biggest employment issues is a county called Hancock County up in upper northeast and it still has had large unemployment.

And getting that 300-person call center for them is like getting Amazon would be for Nashville. So we worked really hard there. The second thing is, and I hate to sound like a broken record, but it does come back to education. One of our small rural towns in northwest Tennessee, I'd been governor for about two years. The city fathers and mothers asked me if I'd come visit with them about economic development, and why I wasn't helping them get more jobs. They were pretty certain that I had a bias against them because we hadn't brought some big company to them. So we walked through how the process works. It normally is the company deciding where they go, not the state. And they sort of believed me.

And then I always, whenever I go to a place, I always visit a school. And so I left them and went to the school. And I'm meeting with a group of teachers. And I'm with a group of kindergarten teachers, pardon my crassness early in the morning, but I'm quoting her. And she said, "Well governor, your problem is, you expect too much out of us. I'm a kindergarten teacher and my job is to wipe noses and wipe bottoms."

And I remember thinking, no, that's not your job. You know other kindergartners are learning to read. And if yours aren't, then we're going to have an issue and your child is not going to be prepared for anything post-secondary, and those jobs are not going to come.

So part of it has been, people think of some of our biggest challenges as being in our urban core, but if I can take you to our most poverty-challenged urban areas, and then take you to our most

rural areas, it would look remarkably similar. Skin color might be different, the housing might look different, but the challenges are very similar.

So the rural-urban deal is one that every governor is struggling with. Amazon is an interesting one. I don't know where they're going to go, OK? I think we hope they choose Nashville. But I say that for this reason, they're talking about 50,000 employees, OK? Nashville is a booming city, and if you came down there, you'd be impressed with downtown. But in our downtown core right now, and Amazon wants to go somewhere where they have public transportation and everything else, we have about 70- 75,000 people working.

So you're going to go add 50,000 to 75,000, that's a—take the bigger metropolitan area, obviously we got way, way more than that. But in the downtown area, that would be a jolt to the system. So you have to be ready to handle that infrastructure piece and everything else. Maybe not if they end up going to one of the New York areas or Arizona or New York or maybe not if they go around here. But even in those areas, Amazon will change the future of that city.

I think there's a decent chance, my personal opinion, I wouldn't be surprised if they come somewhere in this greater DC area for lots of reasons. But even DC as big and as much as it has going on, will be dramatically changed if Amazon locates here. My sense is, one of the main reasons they're leaving Seattle is that literally all the tech talent that they can get to come to Seattle has already got to come to Seattle.

And so I think they're thinking, where's another pond we can go fish in for these incredible needs that we have. And if you've watched [Jeff] Bezos, and what they try to do is definitely, we're going to go build scale. We're going to build scale and not worry about profit until we have a scale that dominates that next industry out.

AUDIENCE MEMBER #2: Good morning Governor, how's it going? My name is Anne Mosle. I'm with the Aspen Institute. And thank you so much for your leadership and your comments. We've worked very closely with former Commissioner Hatter. And now Commissioner Barnes is thinking about re-imagining Health and Human Services, which is sometimes overlooked when you're thinking about jobs and the economy. And I was kind of curious to hear you thoughts about through the future, putting children and families at the center of what you've learned around public-private partnerships, where government can incentivize them in a way that leads to both policy change, but really kind of concrete culture change, and how Health and Human Services is involved?

GOVERNOR BILL HASLAM: Yeah, thanks. And so the two women that she referred to run our Department of Human Services—everything from our TANF programs to SNAP programs to a lot of human service agencies. And it's incredibly difficult, by the way.

It's one of the things that you don't know when you come into these jobs is how complex it is to lead some of these departments. They both worked really hard to form some of those public-private partnerships. Well, one of the things we've tried to do within that is to try to—and you talked about children specifically—think about it, if you're a family that uses the state's services, you probably bump up into us in more than one place.

And so one of the leadership studies they've done is say, well for this family, this child, what are all the different places from education to human services to children's services, et cetera, that you interact with us. And we're trying to simplify it that so that family might have a "quarterback" who works with them for state services across.

The public-private partnership in the human service area, we've had mixed success, just to be honest. One of the things is, and you know this, we're not only all those things I said, when I described government, but we're also the service arm for the federal government.

So most from what the federal government provides in services, they use states to do. And they had certain assumptions, and one of those, for instance, like in a summer feeding program is, we're way more concerned with making certain kids get fed than we are with making certain that the exact number of milk cartons were allocated. Our auditors don't feel that same way at all.

And so that challenge of working with private providers, and them fulfilling their mission, and yet doing it in a way that we feel like is accountable, we haven't always gotten exactly right. So that would be one of the things I'd say. The second is, I do think it is about simplifying it from the customer's viewpoint in terms of when I'm dealing with the state, who am I dealing with? And can I have one face to deal with instead of six or seven, where there's a challenge?

And the third thing I'd say is this—it's really important that that front-line worker be somebody who is there for more than six months in a very difficult job. So one of the things we've tried to do, we've increased that person's pay, number one and number two. We've also done something that we call alternative work spaces. That worker who was having to drive into the human services office and then drive back. We said, you don't have to do that anymore. You can just leave from your office, go to where your client is, I mean, excuse me, your home. Going where your client is and come back.

A city like Nashville, like here, driving around is an issue. We have a lot of people that go, well, you just make my life a lot simpler. I'm spending more time with my customer and I'm getting home quicker. So it's been about how do we keep that front-line worker staying there. Yes?

AUDIENCE MEMBER #3: My name is Matt Vasilogambros. I write for Stateline here. States across the country are attempting to solve issues related to mass shootings. There are two bills in Tennessee right now, one would ban bump stocks, the other would limit the penalty for carrying a handgun without a permit. What sort of bill would you like to see come to your desk or solution to this issue?

GOVERNOR BILL HASLAM: Senator Corker is one of our senators. Yesterday, he said, I think what you'll see is a different environment for the conversation. The conversation is still a really hard one, right? The views are still very distinct.

Two or three things that I would say, if you say specifically, what would you like to do? I agree with that on bump stocks, number one. Number two, it's just crazy to me that you can't buy a beer at 19 but you can buy AR-15. So something that would address that.

This has to happen federally, but beginning to work on making the background check a lot better process. I mean, we're miles apart on the whole gun control debate, so you're not going to have this sweeping change. But I think starting to do some things like that that most people would say, OK, that's common sense, I can agree with that—is the right thing to do to show that we've got an issue in this country. And we can talk about all of the different reasons, but you've got to say we have an issue.

So those are three things that I would do right away.

AUDIENCE MEMBER #4: Good start. My name is Daniel Landsman. I'm from Families Against Mandatory Minimums. First off, as a Tennessean, thank you for coming up here and talking to us today. My question is, you've worked really hard along with Pew to reform the juvenile justice system in Tennessee. And I was wondering what you thought the future of adult criminal justice reform is in Tennessee.

Our neighbor up north in Kentucky, Governor Bevin has done a lot of good work on that, I was wondering what you thought?

GOVERNOR BILL HASLAM: And Georgia has too, our other neighbor. Georgia's governor, Governor Deal has done an awesome job down there, too. So when you leave, you always have some pieces that you wish you could attack more fully. I would like for us to have gotten into criminal justice reform in a deeper way.

But I think doing that means looking at the whole code. And we looked at doing a kind of partial piece of that, and we just literally ran out of capacity this year. I'm hoping whoever comes after me does that. There is a great willingness I think for folks to do that. Like everything else, when you start to do things that take discretion away from someone else, in this case, judges—we're doing a deal with opioids where we're proposing to take some discretion away from physicians prescribing practices. When you start to do that, you run into strong push back. And it's the ability to get past that tough issue. So I would I would love to tell you that we were in the middle of my last year that was one of our major legislative proposals, but like I said, we literally just ran out of bandwidth.

I'm hoping the next people will do it. One of the things that folks like Pew do is you can help us say, well, catch us up, criminal justice reform, catch us up. Evaluate here's what Georgia did, here's what Kentucky did, here's some Western states that have done things. Show us the different alternatives that we can take. And then like I said, that's like starting on second base if you're the governor. Yes?

AUDIENCE MEMBER #5: Thanks for being here with us, governor. I appreciate it. The Outdoor Industry Association estimates that outdoor spending on public lands in Tennessee supports 200,000 jobs and \$6 billion in wages and salaries. With that stat in mind, Senators Alexander and Corker along with Congressman Roe have introduced a wilderness bill for the Cherokee National Forest. But I'm curious what could be done at the state level to support outdoor recreation on a public land.

GOVERNOR BILL HASLAM: Sometimes, it comes down to very specific things. There's a white water river called the Ocoee in East Tennessee. It's where, for those of you who were around when they had the Olympics in Atlanta, it's where they did all the white water events.

Interestingly, what had happened is, it's controlled by TVA, Tennessee Valley Authority, they use that for power generation. So to open it up for outdoor activity, TVA had to shut off their power generation. So they, back 20 years ago, the state and TVA made a deal. It ran out this year. And the question is, is that a good use of taxpayer dollars, for us to negotiate a deal with TVA, for certain days of a week to quit generating power, let the water flow? We can attract people who would come there, whether they're kayaking or rafting or whatever it is.

So we made that decision. We actually kind of bought 10 years of water use from TVA to do that because we think it matters so much to do that. So 50/50 chance it's right. But there's a lot of talk, and a lot of you fit this generation, about millennials and [their] different lifestyle habits.

But one of my fairly strong theories is that the millennial generation is not going to buy nearly as much stuff, but they're going to buy a lot more experiences. I have kids that age, and so I expect it's like, well, I don't really care if I have three of those coats, but I do want to make certain I go to these places and do these things. And so I think one of the ways states will win is by attracting people to come see them.

For us, it makes sense. We don't have an income tax, we're driven by sales tax. If you come visit us and I hope you do—and every time you buy something, we get 7% of that; it's a pretty good way to make things work. So we have a big outdoor presence in Tennessee. The Great Smokey Mountain National Park is the most visited national park in the country. We try to play off of that outdoor heritage.

AUDIENCE MEMBER #6: Good morning, governor. I had the awesome opportunity to be in Tennessee last week. So I have a couple of questions based on my visit. My first two questions are really in the area of juvenile justice because there have been two headlines that have come out of Tennessee in the last year or so around juvenile justice.

And the first one that I'm going to ask about it, because I actually had the opportunity to sit-in the courtroom to hear the case play out. Which was, Teriyona Winton I believe was her name. It was a case of a 16-year-old girl who's being held in solitary confinement. And the issue was around housing. And it's because she's in an adult prison.

And the questions came up around, is the facility that she's in, are they able to comply with the sight and sound regulations, which under testimony, both facilities, both adult correctional facilities said that they were not able to be within 100% compliance. The services that she's able to get are not equitable to what she would be able to get if she was properly housed in a different facility.

But then the judge, when he made the final ruling to send her back to solitary confinement, said that he does not have the ability to send her to a juvenile facility. And so the question that I have around juvenile justice is I know that one of the thrusts of your policies has to do with

rehabilitation. And it seems like there's a policy issue in there that's forbidding that. So I just wanted to hear your thoughts on that?

GOVERNOR BILL HASLAM: That's a great question for those of us who are in government. I know there's some members of the media here. We don't always think that the media is the most helpful folks in the world. But there are a lot of times when an issue comes up that you don't know about.

One of those is the situation, I think I can roughly describe. I don't know the specific case, but I just found out, for better or worse, four of the five leading newspapers in our state are all owned by the same chain. But they ran a feature basically on this issue.

So if the juvenile is in the local jail, and the local jail says, we can't take care of that person here, then it goes to a judge and a judge says, all right, they need to go in state custody. But because they're a juvenile and they go to into the state custody, they can't be in the general population, so they end up in solitary.

So in everybody's mind, it goes, well, that doesn't make sense. I agree. It's one of those things that literally I didn't know that's how it works. So we're trying to look and see what can we do with those juveniles who nobody would say that's a good idea to have end up in solitary confinement in adult prison.

The question is the system is saying, tell us what you want us to do, because the judge said, we have to do that. Our folks that run our prisons say, that's all we have, we're not going to put them in the general population, that's all we have. And I think most of us would agree that's not an adequate answer. So I don't have our solution yet.

I became aware of the problem in the last three or four weeks, we're going to see what we can do to address that, because there's got to be a better way.

AUDIENCE MEMBER #6: Thank you. And so the second question under the same umbrella of juvenile justice had to do with the other headline that came out about Cyntoia Brown. Same thing, she went in as a juvenile, charged as an adult, basically has a lifetime sentence. And she was a victim of human sex trafficking.

So I know that there has been some push to ask for clemency, because of the extenuating circumstances. Well, I just wanted to kind of hear your opinion and feedback again, under the juvenile justice reform and hope as far as rehabilitation?

GOVERNOR BILL HASLAM: Yeah, so I'll describe the situation there. A woman who was a girl at the time caught in sex trafficking ends up being convicted of murder with the person who she was taken by. And that's the basic circumstances. She was 15, 16 at the time. I can't comment specifically because that appeal for clemency will end up on my desk. It's making its way there so it's probably not appropriate for me to comment specifically.

What we try to do in those cases is to literally really do our homework, and dig down and find out, what are the circumstances? And what's happening there? Her case, because a lot of celebrities have taken it up, has become very public.

But there are others like that, we had a man who I just we gave a pardon to, who was actually out of jail, but he had been convicted of rape 40, 50 years ago. The DNA that we have now proved that, well the DA said, if I had this evidence, if I had been the DA, I would not have prosecuted him. So we decided to exonerate him.

So you just try to do your homework the best you can on each individual situation, and make the very best call you can. In her case, it's probably just not appropriate for me to comment on. Yes?

AUDIENCE #7: Hi, governor, Steve Fair. Shifting subjects a little bit—what advice would you give your successor about managing the state's finances?

GOVERNOR BILL HASLAM: I would say this, think about this, I came into office, I'm sworn in January of '11. The economy has basically been on an up trend since then, OK? When the economy was weaker back then in '11, '12, '13, '14, than everybody thought it would be. But it was still on an upward trend, and it's pretty much stayed that way despite a few bumps. Our legislature does not have term limits, but by the time I leave, when the next governor comes in, probably about 30% of legislature would have been there before I was there serving under my predecessor, Governor Bredesen. We've had that kind of turnover.

The fear that I have that my predecessors needs to understand is, there will be some—I mean, I'm not certain when, but the economy law of averages tells you, we're going to have a downturn at some point in time. We're going to be working with a lot of people who have never been here during a hard downturn. We've had a hard year, but not three years where revenues were flat to going down.

Here's the way states basically work. In most years, you get about 2.5- 3% revenue growth, OK? But that is all eaten up by Medicaid growth, just the natural cost of health care going up, education inflation, health insurance increases for your employees. That eats up, like in Tennessee, typically most years, we have about \$500 million in new revenue.

In most years, Medicaid, what we call TennCare, would go up about 300, education would up about 200, miscellaneous stuff, like I said, health insurance, etc, would go up another 100. We're done before we've given a pay raise, we've done one new program, etc. So you got to always look at how you're going to shave off so that you can give pay raises and do the things you'd like to.

I would tell them to be prepared, because there will be a downturn and you're going to be working with a lot of people who have never been here during a downturn. And in state governments, every governor brags, I've balanced seven straight budgets. Well, it's the law, OK? It's the law.

You've got to balance that budget. And you're going to be working with a lot of people. And we have an overwhelmingly Republican legislature, but they really, really want to cut taxes. But they don't really want to cut expenses very bad, because there's some pain involved in whoever it is.

My successor will have that tough reckoning moment when we're going to say, we can't do that for something they really want to do. Yes.

AUDIENCE MEMBER #8: Thanks for taking our questions. Neil Ridley at Georgetown University. I'm not going to ask you about education. I just want to build on the previous question. How would you assess the state of unemployment insurance in your state and the other states, just to build on the previous question—a recession is inevitable, we never think about it when things are booming, but at some point, we're going to have a recession.

When you look at Tennessee and the other states, how do you think, are we ready? Are states ready? As you know, I think it was before you were in office, a lot of the states were in a position of having to borrow from federal government to get through the recession. And are we in a better position for the next downturn whenever that might be?

GOVERNOR BILL HASLAM: Great question. As an academic, you can appreciate the answer is, it depends. Because it depends on how deep and long it is. I mean, if it's a downturn, well, in Tennessee, we're actually well-positioned again, because we've had so many good years in a row and we've built up our funds to be a good way.

If it's a longer one, we'll be back to where we were in '08, '09, where we have and other states have a problem. I think one of the things as part of your question is, the economy is changing so fast. And I'll give you one example. In Tennessee, we make a lot of cars. We have Nissan, Volkswagen, General Motors all have big plants. But the largest—governors brag, OK? The largest car plant in the history of all of the Americas is not in Michigan, it's in Tennessee. Nissan makes 800,000 vehicles a year in a town called Smyrna, just south of Nashville, OK?

But those combustion engines that propelled most of our vehicles are at some point in time going to give way to battery-propelled vehicles. Good thing for the environment, good for us. It takes a lot fewer people to build a battery than it does a combustion engine.

So you see those kind of changes. It just takes a lot fewer people to do the same thing in everything than it used to. How the economy absorbs all that—so far we've done OK, but in the next downturn where people are going to say, well, we're going to save even more on the labor portion, what happens there, I think that's a big concern. And it is in Tennessee, it is everywhere.

We work really hard to build up a big manufacturing base, which I think is the best kind of employment to have because of the middle class jobs it provides. But when the economy slows down, we will feel it.

I think I got time for one or two more. One? I'm going to go—how about I do two real quick. And then we'll—I'll answer fast.

AUDIENCE MEMBER #9: Good morning, I'm La June Montgomery Tabron, I'm from the WK Kellogg Foundation. I just wanted to follow on your last thought. So as you were just saying, when the economy goes down, you're going to have this labor issue. And you spoke earlier about the issue of workforce being something that's very important now and that actually has the business attention.

What would you tell your successor knowing everything you know now and all the learnings you've had about how to pay attention to education?

GOVERNOR BILL HASLAM: I will say this, as you get in your last year, you start to—one of the hard things is, the gains you've made, you want to make certain stay in place, but you don't want to make it look like, well, we've done so great, keep doing everything the way we have. Because nobody wants to thank you very much. Your time is over.

But I do want to tell folks that the gains we made in education, we didn't just get lucky. I tell folks that all time, again, our predecessors set certain policies in place. We have followed up and we've held the door. And I just think it's critical to know that some hard decisions that some people don't like, in particular, I'd say that tying teacher evaluations to student assessments, that a lot of people don't like, that's been critical for our success, and we've also invested there.

I'll just make one last comment, and this is for the country, OK? And sorry, this will be the last question I'll take. We've been through an extraordinary period in our country. Think back now to 17 years ago. You have a Republican President, George W. Bush who starts a thing called No Child Left Behind—ends up becoming very controversial. But the thought was fairly radical. It says, no matter where you live, we think you should have the same opportunity for educational success as anyone else.

And we're not going to say, I'm sorry those kids can't learn, or we don't get any college students out of this zip code—we're not going to say that. So radical idea for a Republican president, followed up by Barack Obama. Like I said, a Democrat who went against the teacher's union and said, we're going to do these things, and again, had an education secretary in Arne Duncan who was very active and aggressive, etc.

The push back to all that was a lot of folks including states like ours that said, way too much federal intervention, way too much of you telling us what to do. But we pass ESSA, Every Student Succeeds Act, dramatic change in the balance of power when Betsy DeVos was made secretary of Education, all this discussion about, is she the right person?

With all respect to Betsy, the secretary of Education doesn't make nearly as much difference as they did before. I'm not saying that about Betsy DeVos. It's just in general, because a lot more of the power has been devolved to state and local government.

So the net result of all that is school boards have become way, way more important in this world than they were two years ago, 10 years ago, 20 years ago. School boards are incredibly important. And state legislatures and what decisions they make are way more important than what comes out of the Department of Education in Washington. That's just that's the law now.

And so folks need to realize that. The last thing I'll say is, we made a lot of our gains in Tennessee by saying, well, the federal government is making us do that. I'm a Republican. I'm not supposed to like that, but a lot of the medicine that they told us to take was really good for us. You don't have that anymore. And that will change the landscape. So I am supposed to be at the Pentagon in 25 minutes, and those guys don't take late very well.

SUSAN URAHN: Thank you everybody for coming. I really appreciate your time. Thank you again, governor. And have a great day everyone.