



After the Fact | [Event Rebroadcast: A Conversation with Governor Bill Haslam](#)

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TRANSCRIPT

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Dan LeDuc, Host: More and more states are using data to help guide policymaking. Since this podcast is all about data, we think that's great.

I'm Dan LeDuc and this is "After the Fact" from The Pew Charitable Trusts. One state that's been a leader in using data is Tennessee—and Governor Bill Haslam says it's paid off with real results: new job creation, a tripling of the state's rainy day fund, and a rise in student test scores.

[Breakfast noise]

Governor Haslam was recently in Washington for the National Governors Association's annual meeting and while he was in town he spoke at a forum at Pew's offices. In this episode we'll listen in. We begin with Pew executive vice president Sue Urahn, who set the stage.

Susan Urahn, executive vice president and chief program officer, The Pew Charitable Trusts: 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. He 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 percent 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 helped 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.

Now, 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 higher return on investment, and they are careful stewards of the taxpayer dollars and the state's long-term fiscal 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 State 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.

[Audience claps]

Governor Bill Haslam, Tennessee: That's very nice. I'll just say I'm Bill Haslam, I approve that message. You all have—you 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, then we can talk about whatever you'd like.

But, first, I do want to thank Pew. Sue mentioned a couple of things that you all helped us with. Back early in my administration, you helped us around the whole idea of—one of the proper incentives as we worked toward economic development, you know, there's a lot of



conversation today, well, this is just, you know, 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. Now, we're looking up—Pew's helping us look at the whole issue of juvenile justice. There's way too many people at too young of an age 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 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 do work for Pew and you wonder like, does anybody ever hear this stuff or use this stuff that we're working on? The answer is yes. And we—you know, being in state or local government is the ultimate in pragmatic politics. The whole, you know, tough Mayor LaGuardia thing of they're not saying he's a Democrat or a Republican pothole. It's the same thing with a lot of the folks that we serve.

And so what you are doing is huge help. And one of the things you learn as 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. Here's—I'm gonna start just kind of with my general view of government. As Sue said, I've been a mayor for seven years. I'm 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." No, no, I'm still here! You know, 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, you know, who's in office matters before I was a mayor and before I was a governor, and now I believe that times ten. It makes a huge difference who we elect and what their issues—what their approach to it is. My thought on government is this.

Government exists 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 U.S., and he literally stole the line that is the one I quote the most: that our job is to provide the very best service at the very lowest cost. That's why—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. You know, 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 that we were talking before this that one of the primary challenges is, who's going to do that for you? What's the workforce going to look like? And I'm going to answer one of the questions that Sue might have asked me when we got through.

She started by saying, “What are you worried about will go away when you leave?” Because we're at that point, and I can give you a long list of things, but she said—her question was even better. “What are you worried about that no one will see, or no one pays attention to, that will go away?”

And I think it's all about the quality of the workforce in state government. Again, remember, we're a monopoly. Want a driver's license; you're getting it from us. So it really matters how hard we work at 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 about that, it's all about who's going to give 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's been in 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 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 really—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. We don't—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 a sacred obligation because we're a monopoly to provide great service.” And so we should have—we should try to bring in a workforce that can provide that, because that's what's going to distinguish us. Second thing I'll say, and interesting, 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 back there.

And a predecessor told me something as I was going into office that—we actually sat between the election and me being sworn in, he was a Democrat, I'm a Republican. And can I ask, 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 on doing—do this, do that. You think that you've been busy, but you have no idea until you understand the opportunities that you are going to have in front of you. So the governors 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. My most—one of my most fervent hopes is that we can keep doing that in states. That we can keep having decisions that are data-based instead of what is, I guess, transpired in the neighborhood here. In 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 Democrat predecessor. We came in and continued those—all around the idea of raising standards, raising what we expect of students. Number two, more accountability, in the sense of we want to make sure we had a year-end assessment that adequately measures what we're teaching. And then the third part of that would be having the students—or 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 student outcomes? But it is an incredibly radical idea. Going back, when President Obama was elected—think about this. This is a Democrat-elected president, one of the strongest in poll—one of the strongest voter bases for any Democrat is the teacher's groups, and that's what the teachers union, teacher association doesn't want to happen. They don't want the teacher's evaluations tied to student outcomes, student testing. You have a Democrat 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 them up on that. Tennessee made great strides in increasing our standards, putting up peer assessment, teacher evaluations tied. We continued those, fought back when some of the push back came,



and because of that, for the last four years, Tennessee's been the fastest improving state in the country in education results.

Now, that—thank you. The Senate could say we had a long way to go. You know, when you're in the bottom—you know, when you're in the 40s somewhere of 50 states—you know, getting to about the midpoint is not that great. But it'd been in the—we had 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 of reasons.

There's a huge workforce 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 incentive package, or this great piece of ground. Now, every bit of it is about “Do you have the workforce that we need?” And the workforce, more often than not, the Drive to 55, as Sue referred to, is this effort to have 55 percent of our population have a degree or a certificate—and 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.

But 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. And I've heard all the arguments—not everybody does, and not everybody does. But a lot more do than used to. But it doesn't do us any good to offer free community college if when you get there, you're not prepared. And six years ago, 70 percent of the students that graduated from our K-12 schools and got to community college, needed remedial work when they got there. If you need remedial work when you get to community college, there's about 20 percent chance you'll actually complete and finish. So a lot of work on that. And it's for the reasons we talked about. The second was all around their job recruitment. We came in, coming out of the Great Recession of '08-'09, unemployment's at 10 and a half percent—you know, when you're running for governor, it didn't take a genius to be like, “Well, talking about jobs will be a good thing.”

So we benefited from the economy coming back, but even a little more, so Tennessee's unemployment's been about a point below the national average for the last year. We've historically 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 is people say, “Well, what have you all done?” I said, we recognize that 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 little Tennessee company called FedEx—

[Audience laughter]



—Has this incredible chart. It shows employment in capital investment from business. And they track—it's two parallel lines, up or down. And we get that. And so we treat companies like that. We realize jobs are going to get 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 in Tennessee makes \$10,000 more than they did when we came in seven years ago. Now, we have fewer of them, we have 7 percent or 8 percent 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's 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—that states that do that are in for a bigger competitive advantage even than normal. The Tax Reform Plan that passed, as you 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 percent range, and you were making big dollars, you maybe thought, “Well, I get to deduct half of that.” Which you did under the old rules. You thought, “Well, maybe it's not that big of deal.” But if you have—if there's a \$10,000 limit on which you can deduct, well, now, it's, “Hm, maybe going to a state like Tennessee that has zero income tax, might make a lot—I mean, 10-12 percent 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.

[Audience claps]

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Dan LeDuc: Tennessee is just one of many states where Pew has worked with officials to develop evidence-based policy programs. You can learn more about that work—and hear all of our previous episodes at pewtrusts.org/afterthefact. And as always, we'd love to hear from you—say “hi” on Twitter [@PewTrusts](https://twitter.com/PewTrusts), drop us a note at <mailto:podcasts@pewtrusts.org>, or leave a review on Apple Podcasts—or wherever you listen.

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Thanks for listening. For the Pew Charitable Trusts, I'm Dan LeDuc, and this is “After the Fact.”

