

Testimony

**Testimony of Senator Spencer Abraham on the Mandates Information Act
Before the Senate Government Affairs Committee
June 3, 1998**

Mr. Chairman: Thank you for giving me the opportunity to testify in support of the Mandates Information Act. In my view this is a very important bill for America's workers, businesses and consumers and I am glad your committee is conducting this hearing.

I also thank Representatives Condit and Portman for their hard work in the House. I believe the overwhelming bipartisan vote of 279 to 132 in the House in favor of their bill is a demonstration of the widespread support this legislation has. On our side of the Capitol, almost one-third of the Senate including the entire Republican Leadership -- Senators Lott, Nickles, Craig, Mack, and Coverdell -- have cosponsored this important legislation, and we expect many of our colleagues to join us in the near future.

The "Mandates Information Act" also has the support of numerous groups representing millions of American small businesses and consumers. These groups include the Chamber of Commerce, the National Federation of Independent Businesses, the Associated Builders and Contractors, the American Farm Bureau Federation, the National Association of Manufacturers, the National Restaurant Association, the National Association of Wholesalers, the National Retail Federation, the National Roofing Contractors Association, and the National Association of the Self-Employed. I understand many of these groups are submitting testimony here today and I look forward to their input.

You may well ask, Mr. Chairman, what has brought all these Senators, Representatives, and organizations together to support this bill. Simply put, they have joined to support legislation ensuring that future Congresses are aware of the costs they impose -- or attempt to impose -- on consumers, rate payers and small businesses.

Deputy Treasury Secretary Lawrence Summers made the problem we face quite clear when he wrote, "[t]here is no sense in which benefits become 'free' just because the government mandates" them. When Congress imposes mandates it has merely passed potentially huge costs on to someone else -- specifically onto American consumers, workers and small businesses. What forms do these costs take?

- Higher Prices: When Congress imposes costs on businesses, businesses pass those costs on to consumers.

- Depressed Wages: According to the Heritage Foundation, a range of independent studies indicates that some 88 percent of the cost of private sector mandates are shifted to workers in the form of lower wages.

- Lower Employment: The Clinton Health Care mandate would have resulted in a net loss of between

200,000 - 500,000 jobs, according to Princeton economist Alan Krueger.

- **Reduced Choice:** In some instances mandates reduce the availability of consumer goods by making the business of manufacturing and selling them unprofitable.

Potential employees also suffer. Mandates typically apply only to businesses with at least a certain number of workers. As a result, small businesses have a powerful incentive not to hire enough employees to reach the mandate threshold.

For example, Mr. Chairman, Hasselbring/Clark is an office equipment supplier in Lansing. Noelle Clark is the firm's treasurer and secretary. Mindful of the raft of mandates whose threshold is 50 employees, Ms. Clark reports that lately "we have hired a few temps to stay under 49." Because of mandates, she cannot afford to create more jobs.

The "Mandates Information Act" would address this problem by making Members of Congress aware of the costs they are imposing on the American people. This legislation would create a point of order against any bill or amendment with 'direct' private sector mandate costs exceeding \$100 million.

Now I know that some questions have been raised as to the influence of indirect costs in computing the \$100 million cost threshold. In a hearing on this legislation held before the Budget Committee in February, Ms. Sharon Buccino from the Natural Resources Defense Council voiced concern that the bill as written would include indirect costs in the point of order. I expect she will raise the same concerns today. Let me make clear that that is not the intent of this legislation. The intent is to limit the analysis to the direct costs for purposes of the point of order.

I understand that the House adopted language to clarify this issue. I would certainly support a technical amendment to clarify the distinction in the Senate bill if the Committee feels it necessary.

As to the point of order itself, a simple majority of Members could waive it, as a result of which the point of order will not keep Congress from enacting needed legislation. But that point of order will force Members to recognize a mandate's costs as well as its benefits before implementing it.

Further, to ensure that Members have full information on a mandate's costs, our legislation also directs CBO to prepare a "Consumer, Worker, and Small Business Impact Statement" for any bill reported out of Committee which exceeds the \$100 million threshold for a private sector mandate. This Statement would analyze the mandates' effects on:

- Consumer prices and the supply of goods and services in consumer markets;
- Worker wages, worker benefits, and employment opportunities; and
- Hiring practices, expansion, and profitability of businesses with 100 or fewer employees.

My office worked extensively with the CBO while drafting this legislation to ensure that that Office is capable of fulfilling this responsibility, and as recently as February, CBO testified that this legislation would not necessarily require additional resources or a further diversion of resources from its ongoing budget work. I understand Mr. Blum is again testifying today so you will have the opportunity to hear

his views on CBO's ability to perform the cost estimates that would be required under this bill. While on the subject, I would like to thank the people at the CBO for all their help in making this a more effective bill.

In drafting the bill we also took a hard look at the Unfunded Mandates Reform Act -- now public law -- to see how it has performed. We found that the UMRA has been an unmitigated success. Taxpayers have saved literally billions of dollars because of the UMRA. For example:

- CBO cost estimates caused the House to eliminate mandated increases in nonfat milk solids in milk and increased milk prices from the farm bill, saving consumers between \$800 million and \$1 billion per year.
- A Senate provision invalidating all Americans' driver's licenses was struck from the immigration bill when the cost to states of \$80 to \$200 million was revealed.

The UMRA has also been successful in what it has *not* done.

- It has not created undue delays on floor proceedings -- in either the House or the Senate. In the House, I believe the procedure has been used five times. In the Senate, it has yet to be used.

- Nor has the UMRA proven unworkable for the CBO. Since it became law, the CBO has performed over one-thousand analyses without unduly harming its performance or the legislative process.

"The Mandates Information Act" will bring these same kinds of saving to private sector mandates. Like the UMRA, it will ensure that Congress is fully aware of mandate costs and that Members take that information into account. In doing so, it will level what has been, up to now, an uneven playing field. When Congress passes a bill today, it is always a result of the hard work of advocates for that legislation. Supporters in and out of Congress champion a particular bill and lobby for its passage because they believe it will benefit some part of our society. Members always hear about the benefits of legislation. What is often not given equal consideration are the costs, intended or otherwise, of a bill. The Mandates Information Act will ensure that Members have access to more information before voting on legislation.

In my view, Mr. Chairman, this bill represents a viable, common sense, good government, solution to a longstanding legislative problem: the tendency of representatives to concentrate on the specific benefits of legislation without having accurate and complete information regarding the more generalized costs. By making Congress think before it mandates, S. 389, the Mandates Information Act, will help Congress impose fewer costs on the American people.

Thank you again, Mr. Chairman for giving me this opportunity to address your committee.

[Return to the Main Page](#)

 footer

[\[Committee Members\]](#) [\[Subcommittees\]](#) [\[Special Investigation\]](#)
[\[Jurisdiction\]](#) [\[Hearings\]](#) [\[Press Releases\]](#) [\[Sites of Interest\]](#)

This home page was created and is maintained by the Senate Governmental Affairs Committee.
Questions or comments can be sent to: webmaster@govt-aff.senate.gov