

STATEMENT OF SENATOR BOB DOLE
THE COST ESTIMATE GAME

MR. PRESIDENT, ALTHOUGH I THINK VERY HIGHLY OF THE DISTINGUISHED SENATOR FROM ALABAMA'S CONCERN OVER FISCAL RESPONSIBILITY, I MUST DISAGREE STRONGLY WITH HIS CONCLUSIONS AND URGE THAT THE SENATE VOTE TO WAIVE THE BUDGET ACT LIMITATIONS AND GET ON WITH THE BUSINESS OF REFORMING THE FOOD STAMP PROGRAM.

WE ALL GREATLY RESPECT OUR EMINENT COLLEAGUE FOR HIS DESIRE TO SEARCH OUT THE TRUTH IN THIS MATTER OF COST ESTIMATES. HIS CAREFUL STUDY OF THE POSSIBLE COST IMPACTS OF WHAT WE ARE DOING IS MAKING US THINK LONG AND HARD ABOUT THESE VARIOUS COST AND SAVINGS FIGURES. AND THAT IS HIGHLY COMMENDABLE.

UNFORTUNATELY, THE FACT IS THAT THERE IS NO "TRUTH" IN COST ESTIMATES. THEY ARE ESTIMATES. AND, AS ESTIMATES DO, THEY VARY FROM MONTH TO MONTH; THEY VARY ACCORDING TO WHAT ASSUMPTIONS ARE USED; AND THEY CHANGE WITH NEW DATA.

THE BEST THAT CAN BE DONE IS TO USE THE MOST RELIABLE OFFICIAL INFORMATION AT HAND AND CONSIDER IT CAREFULLY.

AND THIS IS EXACTLY WHAT WAS DONE IN ESTABLISHING THE COST AND SAVINGS ESTIMATES FOR THE COMMITTEE'S FOOD STAMP REFORM BILL AND THE PROPOSED SUBSTITUTE--WITH THE HELP, I MIGHT ADD, OF THE CONGRESSIONAL BUDGET OFFICE AND THE DEPARTMENT OF AGRICULTURE.

NONETHELESS, THE DISTINGUISHED SENATOR FROM ALABAMA HAS CONCLUDED THAT THE ESTIMATES WHICH WE HAVE HAD BEFORE US UP UNTIL NOW ARE FAULTY. AND BECAUSE HIS CONCLUSIONS RAISE

IMPORTANT QUESTIONS, I FEEL THAT THEY MUST BE EXAMINED AND REBUTTED BEFORE WE GET ON WITH CONSIDERATION OF FOOD STAMP REFORM LEGISLATION.

MR. PRESIDENT, LET ME TAKE A FEW MINUTES OF THE SENATE'S TIME AND SEE IF I CAN'T EXAMINE THE TWO MAJOR POINTS RAISED BY THE DISTINGUISHED SENATOR FROM ALABAMA AND SHOW WHERE HE IS MISTAKEN. IT IS IMPORTANT THAT WE HAVE CONFIDENCE IN THE COST AND SAVINGS ESTIMATES WE ARE USING AND I BELIEVE THAT I CAN SET THINGS STRAIGHT.

THE MOST SERIOUS POINT RAISED BY THE DISTINGUISHED SENATOR FROM ALABAMA IS THAT THE ESTIMATE OF SAVINGS FOR THE COMMITTEE'S FOOD STAMP REFORM BILL IS OVERSTATED TO THE TUNE OF SOME \$500 MILLION.

IN HIS JUDGMENT, THIS OVERSTATEMENT--KNOCKING THE BILL'S SAVINGS DOWN FROM \$630 MILLION TO \$130 MILLION--IS THE RESULT OF HAVING USED MISTAKEN INFORMATION ON WHAT DEDUCTIONS ARE CLAIMED UNDER THE EXISTING FOOD STAMP PROGRAM. AND HE CITES NEW DATA ON DEDUCTIONS WHICH INDICATE THAT DEDUCTIONS CLAIMED IN THE MONTH OF SEPTEMBER 1975 WERE, ON AVERAGE, \$77 A MONTH. BECAUSE THIS \$77 A MONTH IS SOME \$23 LESS THAN THE \$100 "STANDARD DEDUCTION" PROVIDED FOR IN THE COMMITTEE'S BILL, HE THEN GOES ON TO CONCLUDE THAT THE COMMITTEE BILL'S ESTIMATE OF SAVINGS IS OVERSTATED BY SOME \$500 MILLION--23 TIMES A \$21.5 MILLION COST FOR EACH DOLLAR OF DIFFERENCE.

MR. PRESIDENT, THE EMINENT SENATOR FROM ALABAMA IS MISTAKEN. LET ME POINT OUT WHY.

FIRST, IF HE IS TO OPEN UP THE ISSUE OF REVISING OFFICIAL COST ESTIMATES ON THE FLOOR OF THE SENATE BY ASKING US TO CONSIDER NEW DATA ON DEDUCTIONS, WE MUST, TO BE CONSISTENT, OPEN THE ESTIMATES UP TO REVISION BASED ON ALL THE NEW DATA THAT HAS COME TO LIGHT SINCE THE COMMITTEE MARKED UP ITS FOOD STAMP REFORM BILL. JUST TO GIVE YOU A BRIEF NOTION OF WHAT THAT MEANS, I WOULD LIKE TO POINT OUT THAT THE INFORMATION DEVELOPED IN THE HOUSE AGRICULTURE COMMITTEE'S FOOD STAMP STUDY INDICATES THAT THE COMMITTEE BILL'S ESTIMATE OF COST SAVINGS FROM SWITCHING TO A "RETROSPECTIVE ACCOUNTING SYSTEM" IS PROBABLY UNDERSTATED TO THE TUNE OF \$200-\$300 MILLION. THAT CHANGE ALONE WOULD WIPE OUT OVER HALF OF THE \$500 MILLION "OVERSTATEMENT" OF SAVINGS CLAIMED BY THE SENATOR FROM ALABAMA.

SECOND, THE \$77-A-MONTH FIGURE WHICH THE DISTINGUISHED SENATOR FROM ALABAMA USES IS APPLICABLE ONLY TO 1975--WHILE THE COMMITTEE'S BILL WILL BE IMPLEMENTED IN 1977. EVEN THE CRUDEST METHOD OF UPDATING WOULD GIVE US AVERAGE DEDUCTIONS IN 1977 OF ALMOST \$85 A MONTH AND REDUCE THE "OVERSTATEMENT" OF SAVINGS TO ONLY A LITTLE OVER \$300 MILLION--JUST ABOUT EQUAL TO THE AMOUNT WHICH THE HOUSE AGRICULTURE COMMITTEE STUDY SHOWS OUR SAVINGS ESTIMATE TO BE UNDERSTATED.

THIRD, THE \$77-A-MONTH FIGURE WHICH MY DISTINGUISHED COLLEAGUE FROM ALABAMA USES IS BASED ON RAW AND UNANALYZED DATA FROM A DEPARTMENT OF AGRICULTURE SURVEY IN WHAT MAY VERY WELL BE AN UNREPRESENTATIVE MONTH--SEPTEMBER 1975. WE MUST REMEMBER THAT SEPTEMBER 1975 WAS A MONTH DURING WHICH UNEMPLOYMENT WAS NEAR ITS PEAK AND THE UNEMPLOYED FOOD STAMP

RECIPIENT TENDS TO HAVE SMALLER THAN AVERAGE DEDUCTIONS UNDER THE EXISTING SYSTEM. AND, SEPTEMBER 1975 WAS NOT A REPRESENTATIVE MONTH IN THAT HEATING COSTS--HIGHLY CRITICAL DEDUCTIBLE ITEMS--WERE LOW IF NOT NONEXISTENT. BOTH OF THESE PROBLEMS WITH USING THE \$77 FIGURE WERE CALLED TO OUR ATTENTION IN THE LETTER FROM THE CONGRESSIONAL BUDGET OFFICE SUBMITTED FOR THE RECORD YESTERDAY.

AND, FINALLY, LET ME POINT OUT THAT THE CBO ESTIMATE USED FOR THE COMMITTEE BILL'S SAVINGS FORESAW THE PROBLEM WITH DEDUCTION ESTIMATES AND ASSUMED AN AVERAGE 1977 DEDUCTION UNDER THE EXISTING PROGRAM OF \$100, NOT THE MORE QUESTIONABLE FIGURE OF \$114 A MONTH USED BY THE DEPARTMENT OF AGRICULTURE. I MUST EMPHASIZE THAT THIS IS ONE OF THE IMPORTANT REASONS THAT THE COMMITTEE CHOSE THE CBO ESTIMATE AS ITS OFFICIAL COST ESTIMATE RATHER THAN THE DEPARTMENT'S FIGURES.

MR. PRESIDENT, I WOULD LIKE TO POINT OUT TO THE DISTINGUISHED SENATOR FROM ALABAMA THAT ALL OF THIS ONLY GOES TO SHOW THE REAL DANGER OF ATTEMPTING TO ADJUST OFFICIAL COST ESTIMATES ON THE SENATE FLOOR.

WE MUST GO WITH THE OFFICIAL COST ESTIMATES WHICH HAVE BEEN CAREFULLY PUT TOGETHER BY THE CONGRESSIONAL BUDGET OFFICE AND NOT TRY TO JACK THEM UP WITH LAST-MINUTE FLOOR REVISIONS, WILLY-NILLY.

THE SECOND MAJOR POINT BROUGHT UP BY THE DISTINGUISHED SENATOR FROM ALABAMA PERTAINS TO THE COST OF THE PROPOSED SUBSTITUTE AS COMPARED WITH THE COMMITTEE'S BILL.

HERE AGAIN, I BELIEVE HE IS MISTAKEN IN HIS CLAIM THAT THE SUBSTITUTE WOULD ACTUALLY ADD ABOUT \$9 MILLION TO THE COST

OF THE EXISTING PROGRAM, BASED ON DEPARTMENT OF AGRICULTURE ESTIMATES.

CURIOUSLY ENOUGH, THE DEPARTMENT'S ESTIMATE OF THE COST OF THE SUBSTITUTE OVER THE COMMITTEE BILL IS \$20 MILLION LESS THAN THAT PREPARED BY THE COMMITTEE STAFF WITH THE ASSISTANCE OF THE CONGRESSIONAL BUDGET OFFICE. AND, THAT'S ALL TO THE GOOD. BUT, MY DISTINGUISHED COLLEAGUE FROM ALABAMA COMPARES THIS COST TO THE DEPARTMENT'S ESTIMATE OF THE COMMITTEE BILL'S SAVINGS (\$359 MILLION RATHER THAN OUR ESTIMATE OF \$630 MILLION) IN COMING UP WITH HIS COST OF PLUS \$9 MILLION.

THIS GIVES A HIGHLY UNFAIR PICTURE. THE DEPARTMENT'S ESTIMATES OF THE COMMITTEE BILL'S SAVINGS WERE REJECTED BY THE COMMITTEE BECAUSE THEY WERE BASED ON FISCAL YEAR 1976 NOT THE YEAR OF IMPLEMENTATION, FISCAL 1977, AND BECAUSE THEY ASSUMED TOO HIGH A LEVEL OF DEDUCTIONS \$114 A MONTH.

A MORE PROPER COMPARISON WOULD BE WITH THE COMMITTEE BILL'S CBO ESTIMATE OF SAVINGS--\$630 MILLION. AND THIS WOULD STILL GIVE A SAVINGS OF OVER \$200 MILLION.

MR. PRESIDENT, WE SHOULD NOT BE LED INTO THE TRAP THAT THE VERY ABLE SENATOR FROM ALABAMA IS SETTING FOR THE SENATE. UNLESS LEGITIMATE QUESTIONS CAN BE RAISED AS TO THE VALIDITY OF THE OFFICIAL COST ESTIMATES, WE MUST ASSUME THAT OUR OFFICIAL ESTIMATES ARE CORRECT. I SUBMIT THAT THE QUESTIONS OF THE DISTINGUISHED SENATOR FROM ALABAMA DO NOT STAND UP UNDER RATIONAL EXAMINATION. THEREFORE, THEY SHOULD BE DISMISSED BY THE SENATE.