

United States Senate

WASHINGTON, D.C. 20510

March 22, 1976

The Honorable Herman Talmadge, Chairman
Senate Agriculture Committee
322 Russell Senate Office Building
United States Senate
Washington, D. C. 20510

Dear Herman:

In connection with my proposed floor amendment to eliminate the food stamp purchase requirement, I have received new cost figures from the Congressional Budget Office which are lower than previous estimates from various sources.

As you know, CBO estimated that than an amendment to the Committee bill which would eliminate the food coupon purchase requirement would cost approximately \$625 million -- if the 27 $\frac{1}{2}$ % benefit reduction rate of the Committee bill was retained. This official cost estimate is contained in the Committee Report (No. 94-697) accompanying S. 3136.

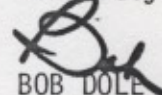
However, the amendment I am proposing would employ a 30% benefit reduction rate, thus actually reducing the net benefit to every recipient by \$2.50 for every \$100 of net income. CBO estimates that this amendment would cost around \$300 million in FY 1977. Using this estimate (which should be finalized later today or tomorrow), the bill would still save over \$300 million in the next fiscal year.

CBO has assured my staff that there is no way that the cost of the amendment could even approach \$2 billion. Such a huge cost would mean that 95% of the eligible population was participating in the program -- a participation rate which I am assured could not possibly be reached in the food stamp program. While a participation rate in excess of 90% may have been reached in the AFDC program, it must be remembered that the total yearly government benefit involved in AFDC can be as high as \$4000 to \$5000 for relatively small families. In contrast, the participation rate in the S.S.I. program, which pays benefits nearer in amount to the food stamp bonus levels, runs below 50%.

I believe that the poverty level maximum net income should be retained, and, if my amendment is accepted, I will fight any attempt to raise net income ceilings. For the poverty level net income ceiling lowers the eligible pool of food stamp participants to a point where only the very needy qualify -- thus bringing down the cost of the elimination of the purchase price to acceptable levels.

I hope these new cost estimates clear up any misunderstanding as to the nature and scope of my proposed floor amendment.

Sincerely yours,



BOB DOLE
United States Senator