

Proposed Cuts Linked to Future Savings

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WASHINGTON, Jan. 21—President Ford's budget proposes about \$20 billion in reductions or savings in various Federal programs for the fiscal year 1977, changes that will produce significantly larger savings in subsequent years. Most of the reductions would require an act of Congress to change existing law, which Congress in the past has been reluctant to do. Some would simply permit expiration of existing laws—mainly recession-born programs involving the unemployed—which Congress may want to extend. A few can be made administratively by the President. The following are the major items:

SOCIAL SECURITY

All regular benefits would continue unchanged and there would be full cost-of-living upward adjustment next July and in July, 1977. But there would be three changes:

1. For those who continue to earn income after retirement, earnings would be counted for a whole year, instead of monthly, in calculating whether Social Security benefits should be reduced. It would no longer be possible to "bunch" earnings in a few months and lose Social Security only for those months.

2. Survivors benefit would cease for all children over 18 including students, with a four-year phase out of the present benefits for students.

3. It would no longer be possible for a person who retires after the normal retirement age of 65 to collect a lump-sum payment for his or her "missed" past benefits in return for a reduced monthly check once Social Security starts. Full Social Security would be paid, with no lump-sum option.

VETERANS

No veteran currently receiving cash or education benefits would be affected. But there would be these changes:

1. There would be no more G.I. bill education benefits for those who join the all-volunteer, peacetime armed services.

2. For Vietnam veterans and those now in the service, the time limit for using education benefits after leaving the service would be cut from 10 to 8 years.

3. Education benefits would no longer be paid for correspondence courses and flight training, for new enrollees.

4. There will be tougher enforcement to collect money from veterans who receive advance payments for education and training benefits and then do not proceed with their intended education.

5. As frequently proposed before, there would be an end to "duplicate" burial benefits, under which the families of

deceased veterans can often collect under Social Security as well as a veteran's payment.

6. For veterans with nonservice disability in Veterans Hospitals, who have private health insurance, the private insurers would have to pay like any other insured person. There would be no change for the veteran himself.

MEDICARE

The basic change is that elderly and disabled hospital patients would pay a larger share of the costs up to 60 days but could not pay more than \$500 in a year for hospital and nursing home costs. A similar change would apply to doctors' fees, with a maximum of \$250.

President Ford estimated at his budget briefing for reporters that the proposal would solve the problem of "horrendous cuts" for some three million recipients with "catastrophic" illnesses, with the remaining 22 million Medicare users assuming some extra "financial burden."

In another change, the Government would limit annual increases in hospital fees that it would reimburse in 1977 and 1978 to 7 percent. The limit on annual increases in doctors' fees that would be reimbursed in those years would be 4 percent. What complications this might cause for individual patients is not yet clear.

FOOD STAMPS

The basic reform essentially proposed before, would "limit eligibility to those at or below the poverty level" or about a \$5,500 annual income. The system of "deductions" from income allowed in order to qualify would be greatly simplified, with a standard deduction of \$100 a month or \$125 for the elderly.

CHILD NUTRITION

Some 15 separate programs, including the familiar school lunch program, would be consolidated into one "block grant" to the states, with a total Federal payment smaller than the present one. The aim would be to concentrate the child-feeding subsidies on meals for poorer children, and to reduce or eliminate the "rapidly growing" subsidies for meals served to "nonpoor children." The exact mechanics would depend in part on the states and are not yet clear. The subsidy for milk would end.

HOUSING

More new subsidized housing units are planned to be built than in the past two years. These permit below-market rents, or below-market mortgage interest rates for home purchase, for lower-income families. However a law establishing a new formula is proposed for new and existing subsidized units that would raise effective rents or monthly mortgage payments for some families, the aim being a payment between 15 and 25 percent of income for all.

EDUCATION

Once again, this President like his predecessors, has proposed a big reduction in "impact aid"—special aid to school districts with large number of Federal employees. Simplified, the aim is to limit the aid to districts where the Federal military or civilian personnel live on Federal property and, thus, pay no local taxes.

Another change would cut back on direct Federal loans to college students, offset by a small increase in cash grants for needy students, called "basic educational opportunity grants."

A major shift toward "block grants" to replace numerous Federal programs aiding elementary and secondary education is proposed, with some reductions in Federal funds from the amounts these programs would have reached under current trends and appropriations.

DEFENSE

Although total defense spending rises about \$10 billion, changes in law are proposed to keep it from rising \$4 billion more. They involve a "cap" on military pay increases, a change in pensions for retired military personnel, ending subsidized commissaries for the armed services, and reductions in the naval reserve and civilian employment of the Defense Department.

ANTIRECESSION PROGRAMS

The President proposes to essentially phase out in the calendar year 1977, the enlarged program of public service jobs (through grants to state and local governments). He will also permit to expire in 1977 a program of extended unemployment compensation benefits for those under the regular program or out of work for a long time, and another temporary program expanding coverage to previously uncovered workers including state and local employees.

NATIONAL STOCKPILE

Once again the President asked Congress to permit him to sell some \$700 million of stockpiled materials that he deems "excess".

FEDERAL GOVERNMENT PAY

The exact decision has not yet been made, but the President will propose a pay increase this year less than the old formulas would have provided for, a decision that Congress can reject.