

FORD BUDGET MESSAGE PROPOSES SPENDING CUTS, SOME TAX RELIEF; CHALLENGE IN CONGRESS FORESEEN

CONSENSUS FOUND

Experts in Two Parties See Rebuff on Taxes and Social Program

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WASHINGTON, Jan. 21 —

Congressional experts on budgetary matters predicted today that Congress would reject many of the proposals outlined by President Ford in his budget.

Democratic members of the House and Senate Budget Committees and their staffs argued that the President had understated the amount of unemployment that would result from his proposals, recommended measures that would benefit the rich at the expense of those less well off and overestimated the ability of the states to pick up the slack left by cuts in social programs.

Republicans, for the most part, applauded the fiscal restraint set forth in the budget. But they conceded that it was unrealistic to expect the heavily Democratic, election-year Congress to act on many of the major recommendations.

Points of Agreement

Specifically, there was a consensus among the experts, Democrats and Republicans alike, on the following points:

¶ Government spending in the fiscal year 1977 will exceed somewhat the \$394.2 billion contemplated in the budget.

¶ Congress will almost certainly reject Mr. Ford's plan to consolidate many social programs into block grants to states and communities.

¶ The defense appropriations sought by the President will be reduced by Congress.

¶ Legislation involving income and Social Security taxes will be quite different from that proposed by Mr. Ford.

¶ Congress is not likely to agree to increase the health-care costs paid by most elderly persons to finance coverage under Medicare against catastrophic illnesses.

¶ Congress will try to continue the public-service jobs program, rather than allow it to be phased out as Mr. Ford suggests.

Few Expect Big Cuts

For the spending level in the next fiscal year to stay within the President's \$394.2 billion ceiling, Congress would have to pass legislation reducing current programs by \$15 billion. Few members of Con-

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gress expect the legislators to do so.

Representative Barber B. Conable Jr. of Rochester, who is one of the foremost Republican spokesmen in the House on economic matters, said that he thought spending could not be kept below the range of \$405 billion to \$420 billion. Most Democrats believe that the figure will be even higher.

The idea of block grants in the areas of health and education has been before Congress for nearly a decade and has never met with favor. Many of the existing programs have developed constituencies of their own who can be expected to lobby forcefully against melding their program into others.

Moreover, in the view of most experts, it would be impossible for the states to handle the block grants as soon as Mr. Ford would like them to.

Opposition Expressed

Even the most military-conscious Senators and Representatives concede that Congress will act as it has in each of the last several years and reduce defense appropriations below the President's request. Representative George H. Mahon, of the Appropriations Committee and its Defense Subcommittee, concluded:

"Obviously, some reductions are likely to be made in the defense area, but it appears unlikely that these reductions will be as large as in recent past years."

In the area of taxes, most Democrats expressed opposition to raising the Social Security tax rate, and Republicans agreed that such a step would be difficult in an election year. Some senators and representatives held out the possibility that Congress would raise further the wage base on which Social Security taxes are paid or allot money from the general

Treasury to the Social Security Fund.

Congress seems likely to reduce income taxes by close to the additional \$10 billion recommended by Mr. Ford. But experienced legislators from both parties said that additional tax credits might be preferable to the increase in the personal exemption that the President seeks.

Mr. Ford's proposals for tax incentives to encourage individuals to invest in common stocks and business to invest in areas of high employment met with disfavor among Democrats.

The American Federation of Labor and Congress of Industrial Organizations is opposed to the President's proposal for financing Government protection against catastrophic illnesses, and lobbying by the labor organization may be enough to block the plan. The federation believes that enactment of such a limited plan would lead to further delay in passage of a comprehensive national health insurance program.

Moreover, legislators are not likely to support in an election year a proposal that would require at least 80 percent of the elderly to pay more than they do now for treatment under Medicare.

Views on Unemployment

Democratic budget experts concluded that the President had understated the amount of unemployment that would result from his budget proposals. The staff of the Senate Budget Committee stated in its analysis of the budget that, if Mr. Ford's program were accepted, the unemployment rate would stay in the range of 7 percent to 7.5 percent throughout 1977 and rise in 1978. Mr. Ford predicted that the rate would drop to 6.9 percent next year and 6.4 percent in the following year.

Mr. Ford proposed several

relatively small steps that have been rejected time and again and again by Congress and are almost certain to be rejected again.

Among such proposals were those that would cancel special aid to schools based on the number of children with parents who work on Federal property but live on private land; eliminate the agriculture conservation program, under which the Government pays farmers for taking such action as putting limestone on their land, and impose special fees for users of Federal waterways and private airplanes.

New Procedures Used

The new Congressional procedures for dealing with the Federal budget are in full force this year, and, for the first time, key members of Congress were able to get immediate expert advice from the staffs of the budget committees and the nonpartisan Congressional budget office.

Within hours of the release of the budget, a specialist on the staff of the House Budget Committee calculated that, after the tax increases outlined in the budget were deducted from the proposed tax cuts, the net reduction in taxes contemplated would be only \$1.7 billion.

Representative Brock Adams, Democrat of Washington, the committee's chairman, argued that such a small net tax cut would provide too little economic stimulus. That view was supported by most other Democrats and some Republicans.

Mr. Adams also said that the President had "assumed every favorable assumption," from the amount of revenue anticipated from off-shore oil leases to the forecast for farm crops.

"We've got to deal in the real world—what the state of the economy is, not what we want it to be," Mr. Adams said.

The Budget Totals

| Billions of dollars | 1975 actual | 1976 estimate | TQ* estimate | 1977 estimate |
|----------------------|----------------|------------------|-----------------|------------------|
| Budget receipts..... | 281.0 | 297.5 | 81.9 | 351.3 |
| Budget outlays..... | 324.6 | 373.5 | 98.0 | 394.2 |
| Deficit (-)..... | -43.6 | -76.0 | -16.1 | -43.0 |

* The period July 1, 1976-Sept. 30, 1976 is a "transitional quarter" resulting from the change in the government's fiscal year. The old fiscal year started July 1. Starting this year fiscal years will begin Oct. 1.

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