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Military Outlays to Mount; Social Programs to Be Consolidated

Defense

Long-Term Rise in 'Real' Outlay Projected With No Cut in Forces

By JOHN W. FINNEY
Special to The New York Times

WASHINGTON, Jan. 21—The Administration projected today a steady, long-term growth in the defense budget, with defense spending rising to $100 billion in the next fiscal year and reaching $141 billion by 1981.

In his Budget Message to Congress, President Ford argued that an expanding military budget was necessary to reverse an inflationary erosion of the defense program in recent years and to offset an increase in Soviet military strength.

"We dare not do less," Mr. Ford said, "and if our efforts to secure international arms limitations falter, we will need to do more."

The defense budget presented by the Administration proposes no changes in the present 2.1-million-man military force, although it does recommend a relatively small 26,000-man cut in the number of civilians—now a million—employed by the Defense Department. Nor does the budget propose any major new weapons programs, although it contemplates that the Air Force will go into production with its B-1 strategic bomber.

The key feature in the Administration's defense budget was its long-term proposal that there be a steady "real" growth in military spending, over and above inflation. Over the next five years, it projects a real growth of at least 2 percent annually, which means that with anticipated inflation included, the defense budget would rise to $141.3 billion in fiscal year 1981.

Specifically, for the fiscal year that begins Oct. 1, the Administration proposed a 9 percent increase in defense spending, bringing it to a total of $100.1 billion. About 7 percent of this increase would be to offset inflation, the remainder for real increased outlays on the modernization of the armed forces.

The increase was even more pronounced in the Administration's request to Congress for new defense appropriations, not all of which would be spent in the coming fiscal year.

The Administration requested $112.7 billion in appropriations, an increase of $14.4 billion over the amount appropriated by Congress in this fiscal year. About $7 billion of the increase, according to defense officials, would represent real growth in the defense program.

For the third year in a row, therefore, the Administration is urging Congress to adopt a "turnaround" defense budget, one that would reverse a decline in defense resources that has been going on since 1968. While its budget has grown in the last six years, the Defense Department argues that the increase has been more than offset by inflation.

On Capitol Hill, there was immediate skepticism that a Democratic-controlled Congress would be any more receptive than it has been in the past to a significant increase in the defense budget. In the last two years, the Congressional approach has been to increase the defense budget only a little more than enough to offset inflation. The amount provided for a real increase in the defense program has been called inadequate by the Pentagon.

For this fiscal year, Congress cut requested defense appropriations by $7 billion. Despite the cuts, which former Defense Secretary James R. Schlesinger deplored as savage and arbitrary, the Defense Department acknowledged that the $98.3 billion provided by Congress will permit a real growth of about 2 percent. The explanation offered by Pentagon officials was that the department had originally overestimated the impact of inflation on this year's defense budget.

A personal irony in the new defense budget is that it probably is larger because of the dismissal of Mr. Schlesinger as Secretary. Shortly before his removal, which provoked complaints from conservative Republicans, Mr. Schlesinger was balking at accepting a $97 billion limit on defense spending being proposed by the White House.

In the wake of the Schlesinger dismissal, Donald H. Rumsfeld, the new Defense Secretary, fought to have $3 billion restored to the defense budget, bringing it up to the $100 billion level that Mr. Schlesinger has said he could have "lived with."

In Congressional circles there was a common reaction summed up by one key Democratic aide who advises senators on defense matters. He termed the Administration's defense budget "as much a defense against Ronald Reagan as it is against the Russians."

In a statement, Mr. Rumsfeld said the increased defense budget was "essential to reverse the trends that have been running against us." Sounding the same theme as Mr. Schlesinger before his dismissal, Mr. Rumsfeld said:

"Soviet defense spending over the past decade has been increasing steadily in real terms, while at the same time U.S. force levels and defense expenditures in real terms have been decreasing. Momentum on the part of the Soviet Union heightens the dangers that the U.S. national security posture could lose its deterrent value in the years ahead unless positive steps are taken now."

The emphasis was somewhat different in Mr. Ford's budget message, which noted that "much of the Soviet military increase has been directed toward the Chinese border." Mr. Ford also contended that "despite an increase in Soviet defense spending," the United States, through various modernization programs, had been able to maintain "an acceptable military balance."

Mr. Rumsfeld maintained that the increased defense budget "reflects a serious effort to achieve restraint." But how much budgetary restraint was imposed on the anticipated growth in the defense budget, Pentagon officials were unable to specify.

Last year, however, the Administration projected that defense spending would reach $104 billion in the coming fiscal year. Thus with its new $100 billion budget, the Pentagon appeared to have absorbed about one-seventh of President Ford's goal of reducing projected growth in Federal spending by $28 billion. The military budget constitutes one-fourth of the Federal budget.

The defense budget was set up by the Administration in such a way that holding the line at the $100 billion level will require Congressional action in areas where Congress has been reluctant to tread before—phasing out subsidies for military commissary stores, reducing the Naval Reserve by 40,000 men and selling off materials in the strategic stockpiles.

If Congress refuses to approve the economy moves proposed by the Administration the Presidential budget message warned, it will be necessary to add at least $2.8 billion to the defense appropriations requested by the Administration.

The largest single increase in the defense budget was for the procurement of new weapons, a category that jumped from $21.4 billion to a proposed $29.3 billion as the Pentagon starts to produce expensive new weapons that have been under development.

While a production decision will not be made until fall, the budget includes $1 billion to procure the first three B-1 bombers in a planned fleet of 244 planes costing $21 billion. There is also a requested $1.1 billion to produce the first 80 Trident missiles for the Navy's new missile-launching submarines.

Energy

30% Rise in Spending Proposed To Reach Energy Independence

By EDWARD COWAN
Special to The New York Times

WASHINGTON, Jan. 21—Pursuing the theme of "energy independence," President Ford's budget proposed a 30 percent increase in spending for energy programs in fiscal 1977, to a record $10.4 billion.

The biggest increase in dollar amounts was for nuclear energy, the most expensive and controversial part of the energy research effort.

The authority of the Energy Research and Development Administration to commit itself to future outlays would climb even more rapidly, by 35 percent, portending still larger spending for energy programs after fiscal 1977, which starts Oct. 1, 1976.

Mr. Ford asked Congress to authorize $2 billion in loan guarantees for pilot commercial-sized synthetic fuel projects. That was a reduction from the $6 billion request that the House rebuffed in December.

However, the President continued to give top billing in his energy list to an Energy Independence Authority, an intensely controversial Federal agency that would assist commercial energy ventures with loans and guarantees and other forms of assistance.

No Funds for Act

Completely missing from the budget were funds to implement the Energy Policy and Conservation Act, which was not passed until late December. The act, among its other provisions, continues price controls over domestically produced oil. The Federal Energy Administration was reported to be seeking approval from the Office of Management and Budget to ask Congress for enough money to double the staff of 900 that is assigned to enforcing the price controls.

Outlays for nuclear energy would climb by $386 million, to $1.3 billion, under the President's budget proposals. Nuclear energy's share of energy research programs would remain essentially unchanged at 65 percent.

The budget anticipated 1977 revenues from offshore oil lease sales and rents of $5.3 billion. However, this figure was received with skepticism because the budget also disclosed that the fiscal 1976 estimate of a year ago, $7.2 billion from these lease-sales and rents, has been revised down to $2.4 billion in the new budget.

Housing

Expenditures Would Be Kept at Current Levels

By ERNEST HOLSENDOLPH
Special to The New York Times

WASHINGTON, Jan. 21—The Ford Administration, convinced that a recovering economy will solve much of the nation's housing needs, said today that it intended to hold housing expenditures at present levels.

"Our budget agrees with President Ford's call for common sense," said Carla A. Hills, the Secretary of Housing and Urban Development. "It's the right budget for the right job."

The department plans to stand by its strategy of using rent subsidies, mostly for existing apartments, to house lower-income people, even though many housing experts see a need for Federal financial aid to promote the construction of new housing in many areas.

At a briefing on the new budget, Mrs. Hills said that H.U.D. plans to put 400,000 families into rent-subsidized apartments in the next fiscal year. That goal is unchanged from this year.

Of the total, she said, 125,000 families would be housed in new or rehabilitated units and 165,000 in existing units. The remaining 110,000 would benefit from a new twist in the subsidy program that, Mrs. Hills said, was conceived partly as a means of solving a financial problem for the Government.

Under a provision called Section 8, the department will for the first time try to house subsidized renters in some of the nearly bankrupt apartment projects for which it is responsible or in projects that it owns but cannot use.

H.U.D. says that it may save nearly $1 billion by using the financially troubled properties, which otherwise would stand vacant. The saving would result from the department's ability to avoid selling the properties at depressed prices, a spokesman explained.

The department said that it expects to house 100,000 more people under a program designed to help those of moderate income buy their own houses. That program, known as Section 235, was suspended by President Nixon in 1973, but is being revived in modified form.

Mrs. Hills said that she continues to believe that H.U.D. will meet its target of moving 400,000 families into rent-subsidized housing during this fiscal year, which ends June 30, even though the program, beset by start-up problems, had filled only 48,000 units by mid-December.

Over-all, the department proposes to spend $7.42 billion in the next fiscal year, compared to $7.48 billion this year.

It forecasts that in all of its programs it will actually place families in only 506,000 housing units next year, compared to 560,000 units this year.

Medicare

Limiting the Cost of Major Illness Would Benefit 3 Million Patients

By HAROLD M. SCHMECK Jr.

Special to The New York Times

WASHINGTON, Jan. 21—The new Administration proposal to help ease the burden of catastrophic illness for the elderly and the disabled may benefit about three million persons at an extra cost to several million others.

The President described the new proposal in his State of the Union Message and in his briefing on the proposed budget for the fiscal year 1977.

Essentially, it would put an upper limit of $500 a year on the amount any patient would have to pay for hospitalization covered by the Medicare program and a $250 limit on covered doctors' bills.

The Medicare program helps pay the cost of illness for persons over 65 and for those who are seriously and chronically disabled. The latter category includes those threatened by death from incurable chronic kidney disease. Altogether, Medicare covers some, but not all, of the medical costs of about 25 million Americans.

Catastrophic Costs

F. David Mathews, the Secretary of Health, Education and Welfare, said at a budget briefing that a Medicare patient might now have to contribute almost $4,000 toward the cost of a 150-day hospital stay.

It is this type of catastrophic cost of illness, that the Administration's proposed $500 limit is designed to curb.

In his budget briefing, President Ford said the Administration considers it proper to redistribute the financial burden somewhat among the many millions covered by Medicare in an effort to protect the roughly three million persons who are likely to be hit by catastrophic illness each year.

The proposal has already drawn criticism, however. For example, it would limit doctors to fee increases of 4 percent during a year. Considering that inflation is substantially higher than this, some specialists believe the limit will simply persuade more doctors to submit more of their their bills directly to patients rather than through Medicare. About 52 percent of such bills are now assigned through Medicare, and while Administration spokesmen believe this figure will not be changed greatly under the proposed arrangement, others disagree.

Higher Costs Seen

Some critics also charge that the main effect of the proposal will be to increase the amount the Medicare patient will have to pay out of his or her pocket. They contend, too, that the number saved from a catastrophic expense will be relatively small.

According to one estimate, the $500 ceiling on hospital payments would apply to about 925,000 persons among the roughly 4½ million Medicare patients who enter hospitals during a given year.

Under the Administration's proposed Medicare Improvements Act of 1976, beneficiaries would have to pay 10 percent of all the costs of in-patient hospital service, extended care, home health and hospital-based physicians' services for which Medicare pays now. The proposal would also increase from $60 to $77 the annual medical insurance fee paid by most persons covered by Medicare.

Altogether, the Administration estimates that its Medicare outlays in fiscal 1977 will total $19.6 billion and that the proposed changes, if enacted, will prevent this figure from going about $2.2 billion higher.

Social Programs

Block Grants to States Beginning Of Swing From Federal Control

By NANCY HICKS

Special to The New York Times

WASHINGTON, Jan. 21—President Ford's proposed plan to consolidate 59 programs into four block grants to states totaling $18.2 billion is the beginning in earnest of a pendulum swing back from years of the Federal Government's defining the scope of and solutions to seemingly intractable social programs.

The Great Society programs of the 1960's brought into being hundreds of programs to provide jobs, health care, food subsidies and housing to the poor. The Federal intervention that ensued was seen almost as a moral responsibility to do what states and localities seemed unable or unwilling to do.

For a number of reasons—some economic, some philosophical — that approach is being challenged frontally in Mr. Ford's budget, which has pleased the governors, brought mixed reactions from the mayors and distressed the special-interest groups served by the individual programs that would cease to exist in their old form.

The reaction of Congress, which holds the key to enacting the plan, is also mixed, and the chances of their passing many parts of the program are very much up in the air.

While President Ford's consolidation proposal is similar in some respects to the controversial domestic plan offered by his rival for the Republican Presidential nomination, Ronald Reagan, in substance it is more a continuation—under the traditional name "block grants"—of what President Nixon called "special revenue sharing, which he first offered in 1972 as part of his new Federalism program.

Nixon Plan for States

Mr. Nixon proposed turning over to the states a total o f $10 billion for six programs: manpower, community development, law enforcement, rural community development, education and transportation. This money was to be over and above the $6 billion proposed for general revenue-sharing.

The proposals on manpower, community development and a portion of that on rural community development were enacted and are part of Federal rolicy today.

Mr. Ford plans to add to the $6 billion that states receive in general revenue sharing under four new categories of block grants to states: health, education, social services and child nutrition. The money would be disbursed under a formula that includes the number of poor people living in a state, the per capital income and an undefined factor called "relative tax effort."

While Mr. Ford is proposing a "hands off" approach for the Federal Government on the block grants programs, he is calling for stricter Federal involvement in welfare, although he stops short of proposing over-all reform.

Instead, he says he plans to save $256 million in the fiscal year 1977 by standardizing eligibility for various programs, by standardizing state matching rates and the types of work expenses that a welfare recipient can deduct from earnings, and by requiring a step-parent's income to be included in determining benefits to children.

Block Grant Programs

These provisions are in direct opposition to the thrust of the block grant programs, which would let the states decide what they wish to contribute to the programs, let them set the number and types of benefits and provide no penalties for states that fail to serve their needy populations.

The four block grants are as follows:

¶In the health area, the Federal Government would turn over to the states $10 billion to replace money now provided by Medicaid, health planning, community health and mental health centers, veneral disease, rat control—16 programs in all.

¶In education, Mr. Ford is proposing that $3.3 billion of the $6.9 billion budget be turned over to the states, most of it to be used for aid to disadvantaged and handicapped children in place of those and other categorical programs.

¶The social services block grants plan would provide $2.5 billion for services such as day care centers, senior citizens, foster care, homemakers' care and a host of other aids for poor and disabled people. Actually, the former social services program, Title XX of the Social Security Act, is serving as the model for the other block grant plans.

The provisions of that law require states to develop a plan and publish it in newspapers three months before it goes into effect, giving the public time to respond. The final plan, which must be approved by the governors, is also published.

¶President Ford is proposing the consolidation of 15 child nutrition programs into one $2.4 billion block grant, cutting school lunch subsidies for all but poor children.

Questions Raised

The questions that are raised with the basic block grant approach are how states will fare and how individuals will be harmed.

F. David Mathews, Secretary of the Department of Health, Education and Welfare, said that there were no cuts in funds under the conversion of the health, education and social service programs to block grants, at least not for the first year.

"We've sweetened the kitty," he said, alluding to an attempt to make block grant proposals more attractive.

But state budget experts, looking at the department's $140 billion budget that would be $147 billion if allowed to continue existing programs at current levels in 1977 dollars, doubt that.

In education, for example, the total $6.9 billion asked for by the President is already less than the $7.4 billion approved by Congress over Mr. Ford's objections.

The $10 billion for consolidated health programs is about $600 million less that would be spent on those programs at current levels, H.E.W. officials say.

With the exception of big states like New York, Illinois, Pennsylvania, Michigan and California, most states, especially Southern and Southwestern ones, would do well under this plan.

"New York will be an exception," said Robert Greenblatt, who works for the state's budget bureau.

Gov. Thomas P. Salmon of Vermont says he thinks the plan will be rough on Northeastern states but beneficial to most others as long as a "trustful" relationship can be maintained between governor and Federal bureaucrats.

Ronald H. Brown, director of the Washington office of the National Urban League, is not as hopeful about the plan.

"We are deeply distressed because the principle of block grants does not give ample consideration to those with no political power on the local level, and in and of itself, discriminates against the poor and minorities who are supposed to be served by the money," he said.

The states, after 10 years of administering Great Society programs, have developed the mechanism to disburse the money with better understanding of local needs, Administration spokesmen say.

"After 10 years of threatening, cajoling, beating them over the head, they are getting the message that they are going to run these programs," said H.E.W. Assistant Secretary for Planning, William A. Morrill.

Crime

Fund Cut for Law Enforcement Puts Added Burden on Localities

By NICHOLAS M. HORROCK

Special to The New York Times

WASHINGTON, Jan. 21 — President Ford's assault on crime, which he detailed at some length in the State of the Union Message, appeared in budget terms, according to some law enforcement officials, to be more rhetoric than reality.

Across the board, Mr. Ford proposes spending just under $3.1 billion to reduce crime. This is down $50 million from 1976 and that reduction is far more stark when related to the increased costs of everything from salaries to nightsticks that the various Federal agencies must face.

Moreover, Mr. Ford's budget proposal, to many Federal law enforcement officials, seemed as one put it "illogical at best and misguided at worst."

In the Monday address, for instance, Mr. Ford said that "protecting the life and property of the citizen at home is the responsibility of all public officials but is primarily the job of local and state law enforcement officials."

Yet, the Office of Management and Budget trimmed the budgets of the Federal Bureau of Investigation and Law Enforcement Assistance Administration in the areas of training local police and support for local law enforcement.

522 Jobs to Be Cut

The F.B.I. is scheduled for its first budget cut in some 40 years. For the fiscal year 1977, it is scheduled to receive $15 million less than for the current fiscal year, a cut that will mean a personnel reduction of 522 jobs. What surprised F.B.I. officials was that the cuts were in the very areas where the bureau has the most impact on local crime, its police training program.

Under the new budget, state and local police would have to pay half the cost of training at the F.B.I. academies, an annual outlay of some $7.8 million.

Clarene M. Kelley, director of the F.B.I., met with Attorney General Edward Levi late yesterday to voice his deep concern over the cuts and, an informed source said, Mr. Levi has agreed to make a special appeal to President Ford for restoration of some of the cuts.

Mr. Ford said in his address that he would propose that Congress authorize $7 billion "over the next five years to assist state and local governments to protect the safety and property of all citizens." This is the five year proposed authorization of the Law Enforcement Assistance Administration.

Yet, Mr. Ford's request for appropriations for the agency in 1977, the first year of the asserted $7 billion program is for $707.9 million, and that would be $101.7 million less than Congress appropriated in the fiscal year 1976.

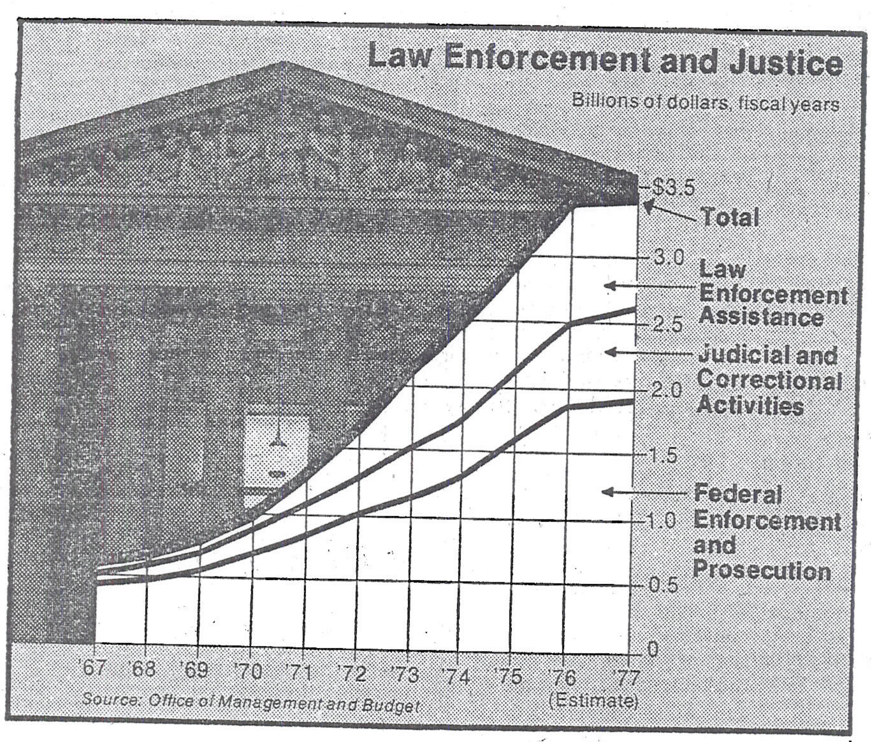
Programs to Be Dropped

The law enforcement agency budget proposal would do away with a $38 million program to help local police officers pay for college training and reduce a block grant program for local anticrime experiments by $84 million.

There are similar contradictions in other agencies of Federal law enforcement:

Mr. Ford called for the Alcohol, Tobacco and Firearms Bureau of the Treasury Department to train 500 new agents to combat the growing use of pistols in violent crime. At the same time, however, the Internal Revenue Service proposed a 9 percent cut in the budget of its intelligence division.

This would reduce the division by some 150 trained law enforcement agents and 200 or so clerical personnel. Law enforcement authorities agree that the I.R.S. intelligence division is the most efficient agent in combatting organized crime.



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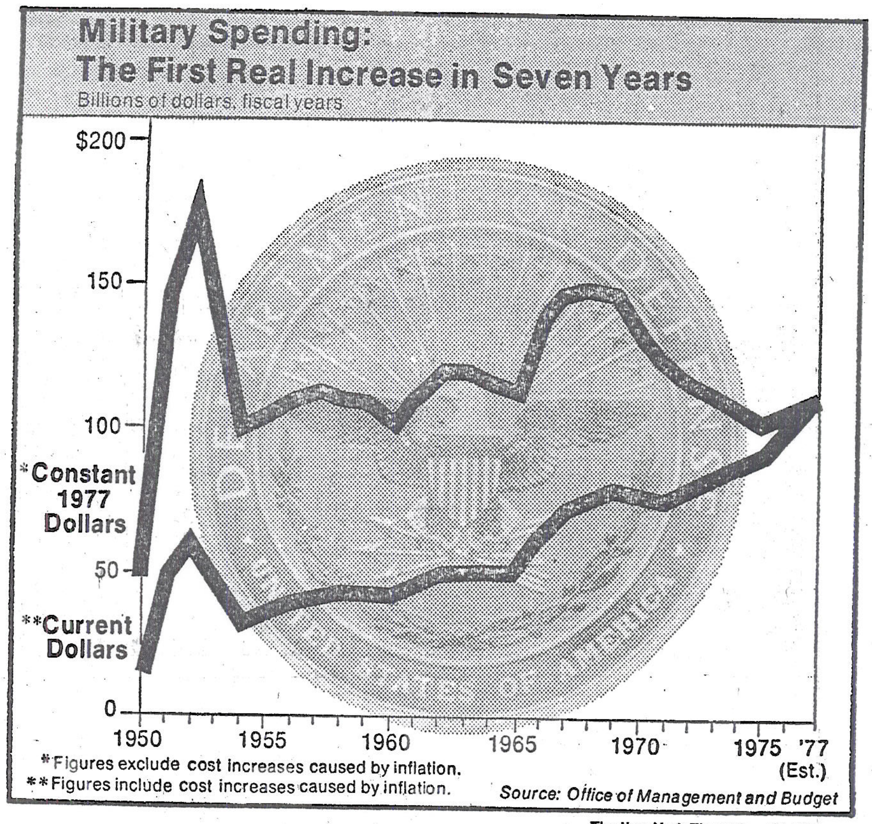

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Although defense spending has gone up almost steadily in total dollars over the years (bottom line), fiscal 1977 will be the first time in seven years that it will show a real increase by rising faster than inflation (top line).