

Cuts in State Aid to Cities And Schools Are Forecast

By WILLIAM E. FARRELL

City and state budget experts agreed yesterday that the voters' disapproval of the \$2.5-billion transportation bond issue would mean retrenchments in state spending on aid to local governments and schools, political donnybrooks in the 1972 Legislature and a state program next year devoid of innovation.

"Murder," was the terse analysis of Mario Merola, the City Council's finance chairman, who noted that about 25 per cent, or \$2,284,000,000, of the city's budget of \$8,566,000,000 comes from state aid.

Late yesterday afternoon Richard Dunham, the State Budget Director, issued a statement to all state departments and agencies advising them that he was suspending until

further notice "approval of all actions which would generate increased expenditure levels during the current fiscal year."

The suspensions, Mr. Dunham said, extend to such things as the filling of positions that become vacant, the issuance of new contracts, the ordering of new equipment and authorizations for state employees to travel out of state.

The Budget Director stressed that his order was an interim step until "more detailed plans are developed to meet the fiscal crisis resulting from defeat of the bond issue."

Mr. Dunham will be one of the key aides who will confer during coming days with the Governor to decide how to meet—and out of whose hide to take the funds to meet—what Governor Rockefeller called a fiscal crisis of "enormous proportions."

City budget officials were not making guesses on precisely how much the city stood to lose in state aid and the coming days and weeks will undoubtedly produce fierce political maneuvering—not only in New York City but in other localities—to avoid onerous cuts in such politically sensitive areas as school aid.

"There will be cutbacks in state aid to local governments and to schools," Mr. Rockefeller said at a news conference.

Mr. Rockefeller campaigned for the bond issue in part because some \$300-million of the present state budget had been expected to be taken from the bond issue.

The Governor has said repeatedly that the state faced a revenue lag of \$470-million by the end of the state fiscal year next March 31 and the defeat of the bond issue will raise that lag to \$770-million.

The \$300-million was earmarked for highway construction. David A. Grossman, the city's deputy budget director, said that Mr. Rockefeller had the option of either canceling all of the highway construction

or making "cuts somewhere else."

"On that decision depends or where we'll get hit," Mr. Grossman said.

At his news conference the Governor said he would review what highway contracts he could cancel and added, "We will just not let any new state highway contracts."

But he implied that such moves alone would not be sufficient and that other stringent measures would have to be taken.

The Governor said he interpreted the "no" vote on the bond issue as a strong assertion by the public of "look, we want to slow down," and of an aversion to new taxes.

He cited the acrimonious budget-conscious 1971 Legislature, where large cuts were made in his proposed budget, and said "we are in worse condition than last year."

The 1972 Legislature is expected to make the 1971 session seem like a festival of amity. It's an election year; there will be a great clamor to avoid new taxes and possibly an even greater clamor to cut further into state programs that the Governor insists "we have cut to the bone already."

At his news conference, the Governor was noncommitted on whether new taxes would be sought. The Republican leaders of both houses in Albany

'SUFFERING' SEEN

State Likely to Show \$700-Million Deficit for Fiscal Year

By FRANK J. PRIAL

State Deficit Rises

It meant, they said, that the state would end the fiscal year some \$770-million in the red, rather than the \$440-million originally forecast, because the Governor had counted on \$300-million from the bond issue to cover highway expenditures borrowed from operating funds.

Governor Rockefeller seemed to sum up the general reaction: "There's going to be a lot of suffering in this state because of this," he said.

Two proposed amendments

are also reticent but, as one politician put it, "what party in power goes for tax hikes in election year?"

The Governor has discretionary power to cut the state purposes portion of the budget without approval of the Legislature.

And he will undoubtedly make further inroads in state programs, following up the dismissal of more than 8,000 state employees this year.

But to cut aid to localities and education—which receive funds from the state based on formulas approved by the Legislature—he must get legislative approval. This "formula aid" accounts for more than half of all state aid.

Similarly, the Legislature must sanction any new taxes. And therein lies the prophesied donnybrooks.

One Rockefeller administration source noted that the state was expected to make school payments of \$350-million next January and February and that trims might be sought.

The source said that the Governor had sent letters to all state agency and department heads to propose budgets for next year's operations all but "barren" of new programs.

If anything new was suggested, the source said, the instructions were to delete something to make room for it.