

By RICHARD MATHIEU

Defeat of the transit bond issue hit Gov. Rockefeller smack in the middle of a \$770 million budget gap yesterday, with the grim alternatives spelled out by State Budget Director Richard L. Dunham:

"Look, there are only two ways to do this — one is by raising taxes and the other by reducing expenditures. That's all there is." The budget deficit consists of \$300 million for current highway projects that won't be realized from the bond issue, plus an acknowledged shortfall of \$470 million in anticipated tax revenues. Yet the State Constitution calls

for a "balanced budget" when the fiscal year ends March 31, so these are the prospects:

- Immediate cuts in state services, including more job layoffs. The direct target would be the \$82 billion spent annually on strictly state purposes.
- An immediate halt to most state highway construction projects.
- A special session of the Legislature to consider drastic changes in formulas granting aid to localities.
- Fund cuts for such state agencies as the university system and mental health. Fish hatcheries may be closed.

One of the proposals reported to be under consideration by high state officials was an across-the-board slash in state aid. This was proposed by the governor a few years ago when the state faced a difficult fiscal period. However, the Legislature rejected the plan and took a more selective approach to the budget cuts.

'72 Is Election Year

The Legislature will be up for election next year. Any proposal for cutting state aid to localities and raising taxes is unpalatable to the lawmakers. But the experts say that there is no alternative, unless the federal government funnels more money to the states. That is not expected to happen in time to be of any help this year.

Until the Legislature acts to change the state aid formulas, only the executive branch of the state has any real power to cut spending. Dunham warned that each day the deficit is allowed to grow, the fiscal picture will become increasingly worse.



Rock Puts a Clamp on Spending

By THOMAS POSTER, RICHARD OLIVER and JOHN MURPHY

Gov. Rockefeller's administration acted yesterday to freeze spending and put the state on a strict austerity fiscal standard in the wake of Tuesday's defeat of the \$2.5 billion transportation bond issue, which left the city's 30-cent transit fare in jeopardy.

Budget Director Richard L. Dunham, acting in what he termed a "fiscal crisis," slammed the brakes on filling vacant state jobs, letting new contracts, purchasing new equipment and out-of-state travel by state employees. He said the moves were interim actions, pending development of more detailed plans.

The budget director said he has advised "all state departments and agencies that he is suspending until further notice approval of all actions that would raise spending levels in the current fiscal year."