

temporarily "resolved." A series of summit conferences involving the Governor, the Mayor, legislative leaders and various coat-holders and sword-bearers had brought forth: a 1-cent rise in the sales tax, other tax increases, plus some mirrors and other fiscal flimflammy.

The results had been sharp cuts in the welfare and Medicaid allowances; layoffs of nearly 10,000 state workers and a freeze on hiring that still stands; a cut from 21 to 18 per cent in the localities' share of the state revenue-sharing program only a year after the program got under way; reductions in the City University budget, and a virtual halt to any new programs in a state and city that traditionally have been the most liberal and progressive in the nation.

The Governor had looked to the bond issue to provide all the funds for the next few years for needed transit improvements and the state's traditional highway building program, so that general tax revenues could be used exclusively for education, welfare and other nontransportation items.

To compound the fiscal chaos, the current state budget is already out of balance. As part of his campaign to promote the bond issue, the Governor, far earlier than usual, confessed to his constituents that state tax revenues were lagging by a projected \$470-million because of the national economic slowdown.

That prospective deficit nearly doubled with the bond issue defeat because the Governor, like a poker player betting next month's rent, had included in his current budget \$300-million from the big bond issue that is not there. It was a long way from the Rockefeller, circa 1955, and "pay-as-you-go" state financing.

State fiscal wizards were already talking last week about such sleight of hand tactics as deferring tax refunds and other state payments for the next fiscal year and even borrowing on anticipated taxes to relieve the crunch. But they also emphasized that the real meat and potatoes savings will come from reductions in state aid to localities, which accounts for nearly two-thirds of the entire state budget.

That means that the Governor and the Mayor are partners in the fiscal crisis whether they like it or not. When the state gets a pain in the pocket-book, the city, which gets nearly one-third of the state's funds, winces.

The 30-cent transit fare was also jeopardized by the defeat of the bond issue, but most politicians believe that the Governor and the Mayor, after much fancy footwork and buck-passing, will come to some agreement to prevent the fare from jumping to 45 cents. Such an increase would make a ghost town out of this city," said one politician, envisioning an accelera-

tion in the number of businesses leaving the city.

City officials are also hopeful that the transit fare, which was frozen under President Nixon's wage-price freeze, will continue to be iced in Phase Two. Under this reasoning, there would be only a small increase, if any.

The most likely solution to the transit fare is state permission for the city to borrow subsidy money and maybe even a state loan to the city in anticipation of Federal mass transit aid. These two plans were the essential features of the Rockefeller-Lindsay bond-issue agreement two weeks ago.

Normally, the Republican-dominated Legislature would not be overly concerned with saving the transit fare or even keeping the increase to 5 cents. But Albert H. Blumenthal, deputy minority leader of the Assembly, pointed out that commuters were also threatened with fare increases by Dr. Ronan if the bond issue went down. "The only saving feature is that the Long Island Railroad fare is also threatened," said Mr. Blumenthal. A suburban-city coalition can command a majority in the Legislature.

To compound the city's problems, it also had gambled on passage of a community development constitutional amendment that would have permitted the city to borrow \$300-million outside its debt limit for capital construction. The amendment went down with the bond issue and now these projects must be canceled or paid for with borrowed funds diverted from other areas.

With few signs of any major improvements in the economy, more layoffs, cuts in government services and aid seem inevitable at both the state and local levels.

As one cynic put it: "The Mayor may even have to lay off some of his advance men." Many of those who have been organizing the Mayor's trips out of state to test a possible Presidential candidacy are on the city payroll.

The remark pointed up the political implications of the bond issue defeat for both the Governor and the Mayor. For one thing, it demonstrated that their appeal in their home state is hardly irresistible. They said yes in unison—for a change. The voters said no.

It also meant that they will be spending the next six months bickering over such less-than-cosmic matters as subway fares and budget cuts. Not very good imagery for a Mayor who obviously wants to be a President and a Governor who once did, but is said to have lowered his sights to Cabinet level in a second Nixon Administration.

The irony of the situation was not lost on many politicians: the two bitter