

World and Nation

State tax cuts

Shrinking revenues force budget reductions

Associated Press

WASHINGTON — After a wave of tax cutting last year, few states are looking for more reductions this year and legislatures in some states are facing no-growth budgets or spending cuts in the face of economic hard times.

An Associated Press survey of state legislatures convening this month shows that state coffers are reflecting the unevenness of the economy. Booming states like Massachusetts and California are flush with surpluses, while farm-belt, oil-producing and other economically hard-hit states are looking for ways to cut spending.

"It's a very bleak picture. It makes me depressed to review it," said state Sen. Hinton Mitchem of Alabama, where Gov. George C. Wallace is proposing a 4.5 percent cut in spending by most state agencies in the budget for fiscal 1987.

Louisiana Gov. Edwin Edwards said, "We will lose 10,000 state employees, and that means a blow to services. The poor will suffer, the elderly, the mentally ill — all those who can least afford to lose services." But in California the state's general fund budget is in for a 7 percent increase, prompting Gov. George

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Deukmejian to boast, "California has gone from IOU to A-OK."

Searching for money-raising alternatives to more taxes, Florida, Louisiana and West Virginia are considering allowing gambling casinos. Kansas is considering legalizing betting on horse racing.

Nationwide, the states are projecting at least \$2.8 billion in total surpluses, with California's \$1.16 billion the largest. Others include Massachusetts at \$500 million, Illinois with \$200 million, New Jersey with \$190 million and Virginia with \$302 million.

But projected deficits amount to at least \$1.7 billion. Half that is in Minnesota, with other big shortfalls forecast in Florida, Kansas, Oklahoma and Wisconsin, and smaller ones in South Carolina and Utah.

In some cases, tight budgets directly follow enactment of tax cuts.

Last year, 20 states lowered taxes worth more than \$1 billion, according to Steven Gold, fiscal director for the National Conference of State Legislatures.

Among them was Minnesota, which cut its income tax 16 percent, or about \$915 million. This year, Minnesota has the biggest projected budget shortfall among the states — as much as \$915 million.

Other states facing budget cuts include Hawaii, Iowa, Kansas and Louisiana; no-growth budgets are expected in Illinois and West Virginia.

Kansas Gov. John Carlin has proposed a 1 percentage point boost in the sales tax. Excise taxes on gasoline or cigarettes are proposed in Colorado, Virginia and Washington.

In California, repeal or changes in the unitary tax on corporate profits is being proposed. Connecticut, Pennsylvania and Michigan, all with surpluses, may consider tax cuts. In New York, the second year of a major tax-cut program will bring about \$1.1 billion in cuts, and while Gov. Mario Cuomo says there is no surplus, Republican legislators want to cut taxes more.

Eastern attempting to ward off creditors

Associated Press

MIAMI — Eastern Airlines said Monday it will lay off 1,010 flight attendants and cut the pay and privileges of the remaining 6,000 in an effort to ward off creditors' threats to declare default on its \$2.5 billion debt.

The attendants' union said an "all-out war" had been declared.

"It is absolutely essential to get this company back on the financial footing it needs," said company President Joseph B. Leonard, adding that Eastern hopes to eventually recall the furloughed attendants.

The layoffs of attendants with less than five years seniority will be effective Feb. 4, along with a 2 percent pay cut on top of an 18 percent wage reduction instituted two years ago, Leonard said. Other employees also will eventually be affected, he said.

Eastern will maintain its flight schedule, he said.

Leaders of Transport Workers Union Local 553 had predicted the layoffs and had expected pay cuts of up to 33 percent.

Local president Robert Callahan vowed earlier Monday to fight the action.

"Since it is a fight you want, we will fight you . . . in the boardrooms, in the banks, in the media, on Wall Street and with the public . . . and maybe in the streets," Callahan said. "It's all-out war."

He would not specify what action the union would take, promising only that workers would not strike before March 1. The attendants' union has no contract and no further talks were scheduled with Eastern, which has a total of 41,000 employees.

Earlier this month, Eastern's creditors ordered the Miami-based airline to get major labor concessions or face default on its \$2.5 billion debt to about 60 lenders.

Eastern hopes to save an estimated \$250 million by the end of 1986 from the layoffs and wage cuts, Leonard said.

"This is what it's going to take to preserve their jobs," Borman said.

Besides pay cuts for attendants, the company said it is cutting their travel allowances and vacation time, eliminating extra pay for intercontinental flights and requiring them to work more time at no additional pay.

Flight attendants now average 50 to 63 hours a month in the air. Eastern officials say they will be required to work 80 hours a month starting Feb. 4.

In 1985 the average flight attendant made \$30,464. Under the new plan, they will make 2 percent less, Leonard said.

That is in addition to an 18 percent payroll deduction the three major unions took in 1984 in exchange for 25 percent of the company's common stock.

Construction worker wins \$30 million

Associated Press

NEW YORK — State officials announced today that a 59-year-old construction worker was the winner of a \$30 million Lotto jackpot, the second-largest individual prize in U.S. history.

Pasquale "Pat" Consalvo of Staten Island, who has been married for 37 years and has three children and three grandchildren, said at a news conference that he planned to spend the money on his family.

But when asked what he planned to do first, he said, "Go home and lay on my couch."

Rest was necessary, Consalvo explained, because he and relatives had been partying continuously since they learned that he had won Saturday night.

Lottery Director John D. Quinn said the top prize surpassed New York state's previous individual record, \$20 million paid to Venero Pagano, a 63-year-old retired carpenter who formerly lived in the Bronx.

Pagano, who hit the jackpot in July 1984, now lives in Florida, Quinn said.

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