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12/1/74

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THE NEW YORK TIMES, SUNDAY, DECEMBER 1, 1974

K Award Annual Gala Altman's

OVER 40 STATES RUN FUND SURPLUS

**Texas and California Lead
—Total Is \$4.1-Billion**

By United Press International

While private industry, and the Federal Government are deeply in debt, most state governments have surplus funds—enough to pay off two-thirds of this year's Federal deficit of \$6.3-billion.

With several sharp exceptions, officials in state after state estimate that they will end their fiscal year with healthy surpluses.

More than 40 of the 50 states are in the black, by a combined total of \$4.1-billion, with California and Texas accounting for almost half.

But newly elected state officials already have plans to spend this surplus, and inflation and recession are eating away at it.

Texas leads the nation with a huge projected budget surplus of about \$1.5-billion, the result of higher than expected income from sales taxes and the soaring price of gas and oil.

California's "cut, squeeze and trim" \$500-million surplus is pointed to with pride by the out-going - Republican - Governor, Ronald Reagan.

Some New York officials say the state's surplus will be about \$20-million next spring because of higher than estimated income from income and sales taxes caused by inflation. But incoming Democrats say that any surplus will be eaten away by rising costs.

Other states are not so fortunate.

New Jersey, with no state income tax and a sales tax hard hit by recession, faces a deficit next year that officials estimate at from \$240-million to \$1-billion.

Others Facing Deficits

Massachusetts could have a deficit as high as \$316-million because of declining revenues. Connecticut, Vermont and Rhode Island also face possible deficits.

Rhode Island and New Hampshire will have to strain to keep their budgets in balance.

In Virginia, a decline in corporate and individual taxes will put the state more than \$50-million in the red next year.

Many states reflect a surplus for a simple reason: They are forbidden by law to operate in the red.

In Indiana, the state budget director, Edison Thuma, said that his state had a projected \$39.8-million surplus "because it is unconstitutional to run a deficit, and impossible to run a competent government on a zero balance."

Other states that do not reflect a budget surplus have set eggs set aside to help cushion hard times.

Alaska, for example, received nearly \$1-billion in oil lease sales in 1969. Since, then, however, the state has been spending both the interest and some of the principal in attempts to catch up on badly needed services it had not been in the position to provide before.

States with surpluses are fighting to keep them. Illinois, which had a surplus of about \$200-million this year, faces rising welfare costs that could cut it to \$100-million.

Many other states' budget surpluses reflect generally healthy economies. Colorado, Pennsylvania, Idaho, Mississippi, Hawaii, Arkansas, Iowa, Nebraska, Kansas, Louisiana, South Dakota, North Carolina, Nevada, South Carolina, West Virginia, Alabama, Kentucky, Wyoming, Georgia, Minnesota, New Mexico, Missouri, Montana, North Dakota, Oregon and Arizona were reported in the black and with hopes of staying there.

Other states, such as Washington, Florida, Utah, Delaware, Maryland, Tennessee, Wyoming, Wisconsin, either show slight surpluses or none at all and face a tough fight to balance their incomes.

