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Press-Republican

The Hometown Newspaper of Clinton, Essex, Franklin Counties

Vol. 96 — No. 226

Copyright 1989, The Press-Republican

Plattsburgh, N.Y. 12901, Saturday, April 15, 1989

Suggested Price: 35¢ 56 Pages



Photo Editor/Dave Paczak

New citizens: Clinton County Court Clerk Terry Gordan, right, leads the United State's newest citizens through their oath of allegiance during naturalization ceremonies Friday in the courtroom of New York State Supreme Court Judge Dominick Viscardi. This group of 36 was the largest ever naturalized in Plattsburgh. The people came from Turkey, Bulgaria, Pakistan, Dominican Republic, Philippines, Canada, Iran, West and East Germany, United Kingdom, Vietnam, Egypt, Jamaica, Korea, Yugoslavia, Mexico, India, Greece and Chili.

High court tells states to tax U.S., state pensions the same

By JUDY DAUBENMIER
 Associated Press Writer

LANSING, Mich. (AP) — A U.S. Supreme Court decision ordering states to tax federal and state pensions equally or not at all could mean an \$800 a year savings for the Michigan man who filed the lawsuit, but a billion-dollar headache for 21 states.

Virginia, home to 200,000 federal civilian and military retirees, is hardest hit with a \$150 million a year tax loss because of the lawsuit won by a retired lawyer with the U.S. Securities and Exchange Commission.

At least 20 other states are known to be affected, and an Associated Press survey indicates in addition to losing \$418 million a year in future revenue, the tab could rise to \$1.3 billion if refunds for prior years are required for their 910,000 retirees.

The states listed by National Conference of State Legislatures as affected are: Arizona, Arkansas, Georgia, Iowa, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Montana, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, Utah, Virginia and West Virginia.

"It was a bombshell we knew might happen and now has happened," said Oklahoma House Speaker Jim Barker, whose state could lose \$22 million a year.

Paul Davis, of East Lansing, said he figures to save \$800 a year in Michigan income taxes because of his lawsuit. Davis — who declines to give his age, saying only that he's a senior citizen — filed the lawsuit in 1984 because Michigan taxed part of his federal pension, but not the pensions of state and local government retirees.

The court ruled March 28 that the retirees must be treated

equally — both taxed or both exempt — and sent the case back to the Michigan Court of Appeals.

"I didn't anticipate the impact would be so large on states like Virginia," said Davis, who represented himself in the lawsuit.

The ruling means a \$5 million to \$8 million a year loss to Michigan, where Attorney General Frank Kelley has asked the court to spare the 24,000 federal retirees from taxation on the same basis as local and state retirees.

At least 21 states treat federal pensions differently from state and local ones, according to Ronald Snell, senior program director for fiscal affairs of the National Conference of State Legislatures.

State laws differ, but in Michigan, the first \$7,500 of a single federal retiree's pension was exempt from state tax, but all of the state and local pensions were exempt.

Officials renew criticism of Exxon

By PAUL JENKINS
 Associated Press Writer

VALDEZ, Alaska (AP) — State and federal officials unleashed a fresh barrage of criticism against Exxon on Friday, blasting it for "entirely inadequate" efforts to clean up spilled crude oil and declaring, "This is a war."

Dennis Kelso, commissioner of the Department of Environmental Conservation, said his department has been left on standby three weeks after the 10.1 million-gallon spill. Officials are awaiting Exxon's plan to clean 3,000 shore sites.

"No plan has been submitted," Kelso said. "I do not think there is a written plan."

Gov. Steve Cowper and Coast Guard Commandant Paul Yost returned to survey the hundreds of miles of twisting, oily coastline. Yost set a Saturday deadline for Exxon to produce a cleanup plan for the spill, which officials said was not breaking up as fast as they had hoped.

Authorities said they probably would have to use high-pressure hot water spray to cleanse many beaches, a controversial technique because it kills organisms on and beneath the surface of the beach.

"This is a war," Yost said. "Don't look for a miracle on beach-cleaning," he said. "We need hundreds of people, maybe multi-hundreds, maybe multi-thousands."

Cowper, who arrived Friday wearing faded jeans and rubber boots, said he was pleased Yost had taken over command of the cleanup.

"We were not satisfied with the way the operation was being coordinated," he said. "I think it's obvious that we, the state and the Coast Guard, are not satisfied with the way Exxon has performed."

Exxon had good intentions, he said, but "good intentions and good performance are two separate items."

Cowper led denunciations of Exxon by state officials last week, threatening even to shut down the trans-Alaska oil pipeline. But officials had been more muted this week until Kelso's latest comments.

"We've been frustrated by the in-the-water cleanup. We don't want to see that replicated on the shoreline," Kelso said, calling Exxon's efforts "entirely inadequate."

Added Yost: "I'm not satisfied with the beach cleanup program. I want a lot of people on the beach cleaning up."

Exxon officials did not respond immediately to a request for comment.

Inflation fears eased by March wholesale prices

By NANCY BENAC
 Associated Press Writer

WASHINGTON (AP) — Wholesale prices rose a moderate 0.4 percent in March, the government said Friday in a report that buoyed spirits on Wall Street, where fears of spiraling inflation had risen in tandem with earlier steep price increases.

Analysts said that while last month's restrained gain in the Producer Price Index for finished goods should allay fears that inflation will skyrocket, it does indicate that price rises persist.

March's 0.4 percent gain, combined with steep gains of 1.0 percent in January and February, works out to a compound annual inflation rate of 10.2 percent for the first quarter of 1989.

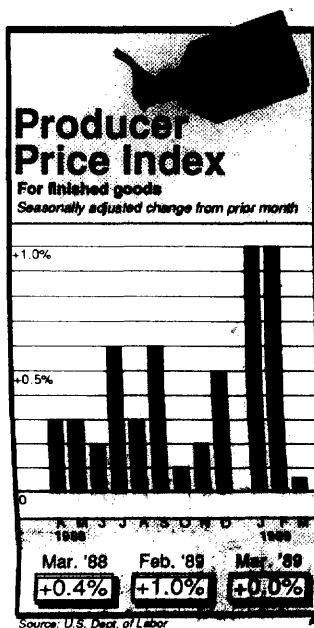
That is the largest quarterly increase in eight years and represents a sharp escalation from the 1988 inflation rate of 4.0 percent.

Stocks jump

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Nevertheless, the stock market, cheered by the apparent easing in inflationary pressures, was up sharply, gaining 41.06 points to close at 2337.06.

The market appeared to shrug



change was in line with what analysts had expected and amounted to "moderately good news."

"The deficit is not shrinking, but we didn't expect it to anyway," she said. "We don't see it improving this year by any significant amount."

Analyst Latta said the combined effect of Friday's reports was to suggest "the economy is definitely slowing and inflation is a problem but it's not necessarily a worsening problem."

For a year, the Federal Reserve Board has been pushing up interest rates in an effort to cool the economy and thus dampen inflationary pressures. Analysts are divided over whether the central bank will be able to slow the economy just enough to check inflation without unintentionally pushing the country into a recession.

Two other economic reports Friday provided signs of a possible easing of inflationary pressures and a slowing of the economy as it enters the seventh year of its record peacetime expansion.

Those reports showed: The operating rate for U.S. factories declined for the second consecutive month in March, while the pace of industrial production was flat for a second

Continued Page 16

Bush, Congressional leadership hail deficit-cutting compromise

By TOM RAUM
 Associated Press Writer

WASHINGTON (AP) — President Bush and congressional leaders Friday announced a showpiece budget compromise to reduce the 1990 federal deficit to under \$100 billion without raising taxes.

But the pact puts off most hard decisions and Democratic leaders suggested it could open the way to tax increases next year.

Bush, flanked by top lawmakers at a White House ceremony, boasted they had accomplished "the first such agreement reached ahead of schedule and not framed in the context of a crisis." He called it

a "first manageable step" in the deficit-fighting journey.

The plan would enable Bush to say he is holding to his "no new taxes" campaign pledge, while trimming the budget deficit to \$99.4 billion, just within the \$100 billion target set by the Gramm-Rudman budget-balancing law.

Under the agreement, Bush would be forced to accept lower defense spending and more spending for domestic programs than he initially sought. In exchange, congressional leaders pledged to abide by Bush's anti-tax stance — at least for one year.

But even as the accord — hammered out the night before between administration and

congressional negotiators — was announced with great fanfare, key participants conceded that it was only a skeleton that fell short of spelling out where specific programs should be cut to accomplish the savings it trumpeted.

"No one should be deluded into thinking that this is the end of a process," said Senate Majority Leader George Mitchell, D-Maine. "It is the beginning of a process. Very hard choices lie ahead."

And another leading Democrat, Senate Finance Committee Chairman Lloyd Bentsen, D-Texas, boycotted the Rose Garden session entirely, although he joined other congressional leaders in attending a preceding White House session with Bush to go over the compromise.

"He declined to go out into the Rose Garden and have his picture taken because he doesn't like the agreement," said Bentsen spokesman Jack Devore.

Still, Bush, his top lieutenants and most congressional leaders were upbeat.

"It is a major step toward a balanced budget," said House Republican Whip Newt Gingrich, R-Ga.

Major elements of the agreement include:

- Total deficit reductions of about \$28 billion for the fiscal year that begins next Oct. 1. The projected 1990 deficit of \$99.4 billion compares to a 1989 deficit estimated by the administration at \$163.3 billion.

Reds shuffle Georgian leaders

By JOHN THOR DAHLBURG
 Associated Press Writer

MOSCOW (AP) — Soviet Georgia's Communist Party chief and premier were removed Friday, five days after they ordered troops to disperse a crowd of protesters in a bloody melee that killed 19 people. The KGB chief was named party leader.

"Nobody and nothing can justify the deaths of absolutely innocent people," Foreign Minister Eduard A. Shevardnadze, himself an ethnic Georgian, said in a speech to the local party plenum that made the leadership changes.

He said in remarks later broadcast on Soviet television that it was impossible to tolerate blunders by officials that led to "death and loss."

Shevardnadze, party chief in the southern republic from 1972 to 1985 and a member of the ruling Politburo in Moscow, was dispatched to his homeland after Sunday's bloodshed.

The resignation of Communist

Saratoga's back!

Saratoga Harness entries and results will appear each day during the racing season in our expanded scoreboard section.

WEATHER
 Occasional rain. High in the mid 50s. South winds 10 to 20 mph. Cloudy tonight with a chance of showers early. Clearing later on. Low in the mid 30s. Chance of rain 50 percent. Sunday: Mostly sunny.

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