



Slovenian troops as they arrested three men yesterday at the train station in Ljubljana, the republic's capital.

Belgrade Orders Army to Return To Its Barracks

By CHUCK SUDETIĆ
Special to The New York Times

LJUBLJANA, Yugoslavia, Monday, July 1 — The Prime Minister of Yugoslavia and the leader of the breakaway republic of Slovenia announced late Sunday night that the Yugoslav Army had been ordered to withdraw to its barracks in an effort to ease the country away from the edge of civil war.

Early this morning, the Government in Belgrade took another important step toward restoring order when it installed a new head of the federal presidency, ending a six-week impasse that weakened the federal Government's authority to deal with separatist challenges from Slovenia and Croatia.

"We can announce following these talks that the withdrawal of the units to their barracks will begin tomorrow," said the Slovenian Prime Minister, Lojze Peterle.

Army's Ultimatum

The order, if carried out, would in effect leave Slovenia with its independence. But there is no assurance that the army will comply with the order. In a statement on television on Sunday night, the federal Prime Minister, Ante Markovic, said the army had acted on its own on Saturday when it delivered an ultimatum demanding that Slovenia they abandon control of its borders.

On Sunday, the Slovenian government rejected the ultimatum, daring the federal army to take the "decisive military action" that they had threatened and spurring Mr. Markovic to

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Opposition Leaders Arrested in Algeria; Tanks Are Called In

By YOUSSEF M. IBRAHIM
Special to The New York Times

PARIS, Monday, July 1 — Security forces in Algeria rolled tanks into the capital on Sunday and arrested the two leaders of the powerful Islamic fundamentalist party that is challenging the long rule of President Chadli Benjedid.

The two party leaders, Abassi Madani and his deputy, Ali Belhadj, were taken into custody in Algiers after both issued challenges to martial law, which was imposed throughout the country on June 5 in response to a campaign of strikes and demonstrations led by the fundamentalist party, the Islamic Salvation Front.

Reuters reported from Algiers that about 100 members of the National Guard surrounded the headquarters of the opposition party after hours of shooting in neighborhoods of the capital beginning Saturday night. Witnesses were quoted as saying that the police had fired warning shots after youths started taunting security forces Sunday morning.

Hours after the arrests, heavy gunfire was heard in the capital this morning as well, Reuters said, but there were no reports of casualties.

Over the weekend both party leaders had repeatedly urged their followers to ignore the nightly curfew in force from 11:30 P.M. to 3:30 A.M. In a speech on Friday, Mr. Madani threatened to

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Kemp's Proposals on Poverty Given Sympathy, Not Action

By JASON DEPARLE
Special to The New York Times

WASHINGTON, June 30 — A year ago, White House aides drafted a 10-page memorandum to provide President Bush with a vision for a war on poverty. They ran it past Jack F. Kemp, the Administration's Housing Secretary and anti-poverty czar.

"That's not a vision," Mr. Kemp complained in a letter to the White House. He was particularly annoyed by the document's call for two technical studies of how anti-poverty programs are financed and managed.

In a White House already criticized for "studying the problem to death," he wrote, the studies would drag on for another year. "Meanwhile, what's going on in our neighborhoods and on the streets?"

It is now a year later, and many Administration officials say Mr. Kemp's prophecy of endless study is close to coming true. When the President convened a Cabinet meeting this month for an anti-poverty report, the discussion swirled around one unacted — and

some say tepidly endorsed — legislative proposal, and the same two studies that had made Mr. Kemp cringe. The meeting then adjourned, pending further study.

In the Bush Administration, the fight against poverty has been a slow go. Its pace illustrates the difficulties that arise when a conservative like Mr. Kemp tries to rally a Republican Administration around what have historically been Democratic concerns.

Mr. Kemp's anti-poverty platform sails under the banner of "empowerment," a market-driven strategy that seeks to give the poor more power by letting them bypass Government bureaucracy. Arguing that such bureaucracies have ruined public housing and education, he calls for programs to help the poor buy their own homes and choose their children's schools. In addition, he wants tax breaks for businesses that locate near poor neighborhoods.

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FINAL CUT IS MADE ON MILITARY BASES THAT SHOULD CLOSE

STATEN ISLAND PORT SAFE

Full Set of Recommendations By Civilian Commission Now Go to President

By GWEN IFILL
Special to The New York Times

WASHINGTON, June 30 — The Federal commission charged with closing military bases, working until the last hours before its deadline, voted today to recommend closing the huge naval shipyard at Philadelphia and the naval station in Long Beach, Calif., the Army base at Fort Ord in California and a number of smaller installations around the country.

But the seven-member panel rejected several recommendations by Defense Secretary Dick Cheney, who had proposed closing dozens of bases to accommodate a 25 percent reduction in personnel expected by 1997.

Among the bases reprieved in the public voting today, as a crowd of lawmakers and local politicians looked on, were the 2-year-old Staten Island naval home port and Fort Dix in central New Jersey. Fort Dix would be kept at reduced levels for training reserves and active units. [Page A10.]

Bush's Approval Is Uncertain

By midnight, the Defense Base Closure and Realignment Commission, working from a list of 45 candidates for shutdown, had voted to recommend closing 24 of them, keeping 15 open, and consolidating the remainder. Seven of the closings were announced on Friday.

The recommendations go to President Bush and then, if he approves them, to Congress. If adopted, the shutdowns and consolidations would constitute the most extensive reduction of military installations in 20 years.

Mr. Bush's approval is by no means certain. In the past, he has said he supports the Pentagon's recommendations. And fierce opposition to base closings can be expected from members of Congress whose districts are affected. By law, Congress must accept or reject the entire list; if it rejects the list, no bases will be closed.

Other major bases that would be closed under today's recommendations are Fort Devens in Ayer, Mass., and Fort Benjamin Harrison in Indiana.

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ACCORD REACHED FOR GRIM BUDGET IN NEW YORK CITY

DIFFERENCES SPLIT

Dinkins and City Council Agree on Service Cuts and Tax Increases

By JOSH BARBANEL

With Mayor David N. Dinkins and the City Council splitting much of their difference on tax increases and service cuts, New York City officials reached an agreement last night on the outlines of a grim, recession-dominated budget that will raise the cost of living and lower the quality of services in the city.

The agreement came after months of wrangling that culminated in tense negotiations that ended only as the deadline for adopting a budget loomed. In the hours before the agreement, the Council, operating under new powers granted under the new City Charter, had renewed a threat to adopt its own version of the budget without input from the Mayor.

Under the agreement, taxes in the \$29 billion budget would rise by \$735 million, including a \$335 million income tax increase pending in Albany and a property tax increase of \$400 million, about half the property tax rise proposed by Mr. Dinkins. Council approval is needed for the property-tax increase, which would mean an average rise of 10.7 percent for homeowners and 8 percent for owners of cooperative apartments.

Layoffs Are Not Reversed

Most of the \$1.5 billion in service cuts proposed by the Mayor would go forward under the agreement, along with the layoffs of 10,000 workers, including 6,000 who were dismissed on Friday.

But at least \$117 million of the most damaging reductions in city services — from the closing of prenatal clinics to the padlocking of libraries — will be restored. The Council had sought to restore about \$220 million in proposed service cuts but seemed to split the difference with the Mayor.

"This budget contains a lot more pain, and a lot less gain than any of us would like," Mr. Dinkins said at a news conference last night he held jointly with Council Speaker Peter F. Vallone. "This is an example of what we can do in the worst of times," Mr. Vallone said.

The changes from the Mayor's budget would be paid for in part by at least \$200 million in other cuts, including \$10 million from an across-the-

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Layoffs in New Jersey

The \$14.7 billion budget passed by the New Jersey Legislature calls for laying off more than 2,000 workers but no tax increase. Page B4. Other states around the country grappled with budget deadlines. Page A10.

These are among the highlights of the budget agreement reached yesterday between Mayor David N. Dinkins and the New York City Council:

- \$400 million increase in property taxes.
- \$335 million increase in income taxes.
- \$1.5 billion in service cuts.
- Restoration of \$117 million to some of the city services that had been targeted for the most damaging cuts.
- Layoff of 10,000 workers.
- An estimated \$250 million in aid from New York State.

Mayor Still Holds Sway

Tenuous Compromise Shows Dinkins Power

By TODD S. PURDUM

By compromising on a budget for New York City, Mayor David N. Dinkins and the City Council each gave to get something for themselves and their city: a timely if tenuous agreement on how to begin facing its deepest problems in years.

News Analysis

Mr. Dinkins, his fiscal stewardship under fire for months, won only half the increase in property taxes he sought, but a third more than the Council wanted. That was enough to restore some of the worst of Mr. Dinkins's threatened cuts. He produced an agreement that proved that he was still the Mayor, a not inconsequential claim amid his misery.

The Council, flexing newfound muscles with unexpected bravado, put the Mayor on the defensive by resisting his taxes and threatening to pass its own budget over his objections. But it slashed its rosy goals for restoring spending nearly in half, because it knew that the price would have been far deeper cuts in other areas — cuts that its members could not stand.

"I don't think anyone blinked," the Mayor's chief spokesman, Leland T. Jones, said of the budget that gave next to nothing to nearly everyone. "I think both sides squinted."

In the end, it was the power of the mayoralty — if not the Mayor — that carried the day. Under the City Charter, he has the sole right to set revenues estimates, which spending cannot exceed. So if the Council had tried to pass a budget without his help, it would have had no choice but to make much deeper cuts than either side wanted.

At the last minute, Mr. Dinkins pulled the equivalent of a rabbit out of his hat, increasing his estimates of

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Sara Krulwich/The New York Times

With Some Somber Notes, a Gay Day

The canyons of Fifth Avenue echoed with hundreds of thousands of voices at the New York City Lesbian and Gay Pride Parade yesterday. But all those voices were stilled briefly to recall the toll of AIDS. Page B1.

King's Dream Lives Again at Site of His Death

By MARY B. W. TABOR
Special to The New York Times

MEMPHIS, June 30 — For years, the motel where the Rev. Dr. Martin Luther King Jr. was assassinated in 1968 stood amid dilapidated warehouses, a crumbling memorial to the civil rights leader.

But this week, the Lorraine Motel celebrates its rebirth as the National Civil Rights Museum.

The motel, once one of the few lodging houses in the city where blacks could stay, has been gutted and rebuilt to hold what museum officials say will be the first comprehensive exhibit documenting the civil rights movement in this country. Only the facade resembles the original Lorraine.

Civic leaders hope that the museum will both revitalize the forlorn Mul-

berry Street neighborhood, long overrun by prostitutes and drug dealers, and sweeten racial relations. Businesses and foundations managed by whites donated \$1.3 million for the \$9.7 million museum, with the rest of the money coming from city, state, Shelby County and other private donations. Construction delays have postponed

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the museum's opening, scheduled for July 4, until Aug. 31. But keeping with the original schedule, celebrations honoring the museum began today, and several of the museum's exhibits are already in place.

Focusing on the civil rights movement during the 1950's and 1960's, the museum's 10,000 square feet of exhibition space will include an auditorium and extensive audio, video, and photographic displays of civil rights protests in cities and towns across the country.

Visitors, to be charged \$5 for admission, will be able to sit at a lunch counter alongside statues of black students defying the ban against their presence and two jeering white men. Film foot-

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Weicker Vetoes a Sales-Tax Plan, But Delays Budget Deadline a Day

By KIRK JOHNSON
Special to The New York Times

HARTFORD, Monday, July 1 — Gov. Lowell P. Weicker Jr. vetoed a plan by the Legislature early this morning to solve Connecticut's budget crisis without an income tax, but he postponed for 24 hours his threat to shut down a large part of the state government.

Mr. Weicker had threatened to furlough thousands of state employees and suspend all nonessential services beginning today if no budget was approved by 12:01 this morning, the start of the new fiscal year. But shortly after the midnight deadline passed, he said progress was being made and that one more day could bring forth a budget he would sign.

The Governor said, however, that the no-income-tax budget passed by the Legislature Sunday night would harm the state's economy. "It was a shocking display of ignoring reality in favor of personal philosophy," he said.

Lawmakers said they were uncertain that Mr. Weicker's executive order to postpone the shutdown was enough of a legal stopgap until a full budget is in place and they moved this morning to pass a continuing resolution to appropriate money to pay the state's bills temporarily.

Mr. Weicker declined to say what

NICK AT NITE INVADES MANHATTAN KAOS IN Times Square! 99 Agent 99! The real Max! Free ice cream if you scream! Then tonight on the cable, escape with Morik & Mindy, Bewitched, Get Smart, Dragnet, Hitchcock, Mr. Ed, Best of SNL, Donna Reed and more... What a birthday! ADVT.

specific progress he saw in the negotiations. But one alternative income tax plan, sponsored by Senator William H. Nickerson, a Republican from Greenwich, was thought to be gaining in support among lawmakers even as the non-income tax plan — a proposal to greatly expand the state's sales tax, applying it to many more kinds of

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INSIDE

Tokyo Trims Interest Rate

In a move to maintain the country's long economic expansion, Japan's central bank lowered a key interest rate to 5.5 percent. Page D1.

Accord by Liberian Factions

Liberia's two largest factions moved to end hostilities that have cost tens of thousands of lives. Page A3.

Underage? No Smoking.

It is now illegal for anyone under 18 years old to smoke, chew or even possess tobacco in Iowa. Page A8.

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