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[Nov. 1975]

DRAFT ANNOUNCEMENT ON  
NEW YORK CITY

For the past eight months, officials of New York have been working to find ways that they could overcome the financial difficulties of New York City.

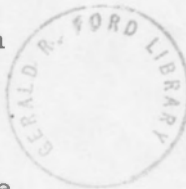
My position from the beginning has been that American taxpayers should not be saddled with the responsibility for paying New York City's bills, especially in view of the city and state officials' unwillingness to take tough, decisive actions on their own -- the kind of actions that had been sadly lacking in previous years.

I have said repeatedly that the Federal Government should not bail out the City of New York. Neither New York City nor any other city should ever become a permanent ward of the Federal Government. I have been steadfastly opposed to a bailout, and I remain opposed to it today.

Six months ago and again two months ago, the representatives of New York met with me and insisted that the Federal Government should intervene quickly and in a massive way, claiming that they had exhausted their own resources.

The only option, they said, was for Washington to step in with a huge assistance program -- a program that inevitably would have continued for years to come.

I could not agree to those terms. I could see no reason why the working people in communities across the nation should be forced to pay for a level of extravagance that they could not afford in their own home towns. I also did not want to be party to any plan that would erode the basic idea that cities



should govern themselves -- that Washington should not make all the decisions and pay all the bills. What mattered then and what matters now is whether New York officials are willing to solve their own problems.

And today, they finally appear ready to solve their own problems.

In the last few weeks, we have seen a new spirit develop in New York -- a "can do" spirit that was once the pride of the city and is now resurfacing. They are finally facing up to realities. They have rediscovered the backbone upon which so much of this country's greatness was built.

In September, the New York State Legislature passed a plan that would temporarily tide the city over through December. Yet, that was not enough. It was only a temporary bandaid, and everyone knew it. Thus, I continued to receive urgent pleas for a Federal bailout.

Before the National Press Club on October 29th, I indicated that I am fundamentally opposed to a Federal bailout of New York City to prevent default. A bailout would reduce, rather than increase, the prospects that the City's budget would ever be balanced. New York City officials have proved in the past that they could not face up to the City's massive network of pressure groups so long as any other alternative was available. A bailout would encourage the continuation of "politics as usual" in New York -- which is precisely not the way to solve the problem.

I indicated that the primary beneficiaries of Federal bailout would be the New York officials who would thus escape responsibility for their past follies and be further excused from making the hard decisions required now to restore the City's fiscal integrity. The secondary beneficiaries would be the major holders of New York City obligations -- large investors and financial institutions.

In place of a bailout, I submitted to the Congress on November \_\_\_\_\_ special legislation providing the Federal Courts with sufficient authority to preside over an orderly reorganization of the City's financial affairs -- should the city fail to take steps to avoid default.

The Federal Court would be authorized to work out an arrangement with the City creditors to postpone their debts and file a good faith plan for placing the fiscal affairs of the City on a sound basis.

I also indicated that the Federal government, in the event of default, would work with the Court to assure that essential services for the protection of life and property in New York would be maintained.

Quite frankly, it was my conviction then, that New York City leaders lacked the political courage and will to take the difficult steps to correct the years of fiscal mismanagement, unless and until the City went into bankruptcy and came under the jurisdiction of a Federal court.

I must admit I have been surprised by the apparent willingness of the officials of New York to act without having been required to do so by a Federal judge. In effect, they appear to be on the road to achieving the same results which ordinarily could have come about only through a bankruptcy proceeding.



Now, at the eleventh hour, the officials of New York have come together in a concerted, all-out effort to put the city's finances on a sound basis -- exactly what we have been saying they could do all along.

The outlines of their plan were first presented to my Administration last week. Since then, many additional details have been hammered out so that all of us have a better understanding of exactly what Governor Casey and other state officials propose to do for the city.

One, Postpone payments on their debts and reduce their interest payments.

Two, for the first time, require municipal employees to bear part of the cost of their pension contributions and make other fundamental changes in their extraordinarily expensive pension plans.

Three, raise nearly \$1 billion in new City and State taxes.

Four, make further and significant cuts in the costs of running the City through personnel reductions, welfare payments and other economies.

And five, the City pension system is to provide additional loans of up to \$2.5 billion to the City.

All of these steps proposed by the Governor and his associates, are precisely what they said were out of the question only a few months ago.



This is one way for the State and city to attack the problem. There are others ways they could do it. But they have chosen a tough, constructive program, and the leaders of New York, <sup>Bi Partisan</sup> ~~including the Governor, the Mayor~~ and the public-spirited citizens who have served so ably on the State's Emergency Financial Control Board and in other capacities are to be commended for their efforts.

New York, they are saying, has finally done everything it could do to solve its own problem, which is what we asked them to do originally. New York will take care of all of its old debts without a Federal bailout. What the city and State are asking the Federal Government to do now is to assist in only a single, narrow area -- to help the city on a short-term basis in providing essential services to the eight million Americans who live in the Nation's largest city.

Specifically, after implementing their program, they calculate that they will still have insufficient revenues during the next few months to pay for day-to-day operating expenses. In effect, because their heavy tax receipts come later in the year, they need to borrow funds to maintain essential services in the city from December through April. They promise that the loan would be repaid by the end of June, as the tax revenues are collected.

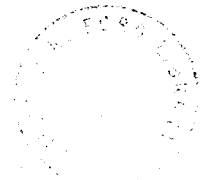


However, we must remember that proposals are not results. Political courage can fail at the last moment. I say to the officials of New York, that I intend to support their program, if they succeed. But I ask in return, that they support my legislation for an orderly resolution of New York City's financial problems, should they fail.

To that end, I will submit legislation to the Congress asking for authority to provide a temporary line of credit of up to \$\_\_\_\_\_ billion to the State of New York to enable it to supply the seasonal financing of essential services for New York City. Money would be lent to the State during the period of City revenue shortfall over the next few months and would be repaid to the Federal Government during April, May and June. If New York continues to act affirmatively, I believe we can say with reasonable confidence that all Federal loans will be repaid in full with interest.

The officials of New York -- including the Governor, the Mayor, the banks and others -- have already provided me with written assurances that they will carry out their program.

To guarantee that performance, the legislation I would propose would require that the assistance provided by the Federal Government be swiftly terminated upon a failure by New York to live up to its obligations.



(OPTION)

However, we must remember that proposals are not results.  
Political courage can fail at the last moment.

Therefore, I say to the officials of New York tonight: if and when you have passed the necessary legislation and put into effect the other parts of your proposal, then I will give favorable consideration to approving a short-term line of credit to provide essential services to the people of New York City during periods of fluctuation in revenue collection.

Because the Congress may be out of Washington at the crucial time, and one the presumption that New York will carry out what it proposes...

(PICK UP ... "I will submit legislation, etc.")





November 14, 1975

MEMORANDUM FOR MAX FRIEDERSDORF

FROM: STEPHEN S. GARDNER ~~SSG~~

SUBJECT: New York Plan

Governor Carey, Felix Rohatyn, Chairman of MAC, Stanely Steingut, Speaker of the State Assembly, Warren Anderson, Majority Leader of the State Senate, and other New York officials presented the outlines of a plan designed to meet the financial needs of New York City, New York State, and the New York State agencies.

1. Summary of the Plan

The plan involves measures to:

- A. Force a restructuring of New York City's short term debt.
- B. Generate \$200 million of new city tax revenues.
- C. Provide \$2.5 billion in new loans to the City from the city pension funds.
- D. Reduce City contributions to employee pension funds by requiring contributions from the employees thus reducing by \$85 million City expenditures and restructuring the employee pension plans.
- E. Generate sufficient State tax revenues (estimated by Governor Carey at \$600-700 million) to balance the State's budget.
- F. Provide State funding for the Housing Finance Agency to strengthen its financial condition.
- G. Force a balancing of New York City's budget in the fiscal year 1977-78.
- H. Reduce welfare and social service costs.



## 2. Proposed Federal Role

The Federal Government has been asked to provide seasonal financing on a short term, self-liquidating, basis. For FY 1976, approximately \$1.3 billion would be required during the period December 1975-March 1976, to be repaid by June 30, 1976. For FY 1977 and FY 1978 the July-March need would peak at \$2.3 billion in March, and the entire amount to be repaid by June 30 of each of these fiscal years.

## 3. Details of the Plan

### A. New York City

The key elements of the plan are a restructuring of New York City's short term debt and substantial commitments of new cash from the union pension funds. The debt restructuring is in two parts. First, the banks and other institutional investors have agreed to exchange their short term New York City notes for ten year City bonds carrying an interest rate of six percent. Secondly, they have agreed to refinance their holdings of MAC bonds to reduce the cash flow drain on the City. These understandings are contained in letters to MAC from the major New York banks and certain union leaders.

Individual short term City noteholders (who hold \$1.6 billion) will be offered a long term (10-15 year) MAC bond, carrying an 8-9 percent interest rate. Holders who do not accept the exchange will be subject, pursuant to new legislation the Governor is introducing, to a three year moratorium on their right to enforce the terms of notes: that is, their ability to collect principal and interest at maturity. This approach is modeled on the anti-mortgage foreclosure legislation used by New York and other States during the depression.

New loans of \$2.5 billion through FY 1978 will be provided from the city employee pension funds. This commitment, as well as a commitment to restructure their existing holdings of MAC securities and City notes is reflected in a letter to MAC signed by the heads of the Teachers, Municipal Employee, and Sanitationmen's unions.

The plan also includes legislation for new City taxes of \$200 million and changes in certain pension fund arrangement relieving the City of \$85 million in contribution obligations.

### B. New York State

The key element of the State plan is new state taxes and expenditure reductions to eliminate the \$700 million deficit estimated for the fiscal year ending March 31, 1976.

The Governor indicated that he will seek to achieve reductions in the welfare and social service expenditures.

C. State Agencies

Two major steps are prepared for State agencies. First, no new projects will be undertaken. Second, the Governor is proposing legislation of the type requested by the banking community to bolster the finances of the Housing Finance Agency.



THE WHITE HOUSE

WASHINGTON

November 18, 1975

MEETING WITH ECONOMIC ADVISORS ON NEW YORK CITY

November 18, 1975

3:00 p.m.

Cabinet Room

From: L. William Seidman

I. PURPOSE

To discuss the most recent developments in the New York financial situation.

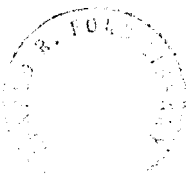
II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: On Friday November 14, Governor Carey, Felix Rohatyn, Chairman of MAC, Stanley Steingut, Speaker of the New York State Assembly, Warren Anderson, Majority Leader of the New York State Senate, and other New York officials met with Administration officials at the Treasury and presented the outlines of a plan designed to meet the financial needs of New York City, New York State, and the New York State agencies.

A summary of the plan including proposed actions by New York State and City and a proposal for Federal financial assistance for seasonal borrowing was circulated by the White House Office of Congressional Liaison on Friday evening to key Republicans in the House and the Senate. A copy of the summary which was circulated is attached at Tab A.

Congressional reaction, summarized in a memorandum from Max Friedersdorf at Tab B, has generally been favorable with the caveat that several expressed caution regarding any indication of Federal assistance prior to positive actions having been taken by New York City and State.

Two tables showing the seasonal borrowing needs of New York City during the remainder of FY 1976 and for FY 1977 and FY 1978 are attached at Tab C.



A memorandum outlining a series of issues to provide a focus for the discussion is attached at Tab D.

- B. Participants: William E. Simon, L. William Seidman, Alan Greenspan, James T. Lynn, John T. Dunlop, Richard Cheney, Robert T. Hartmann, John O. Marsh, Max Friedersdorf, James Cannon, Arthur F. Burns, Ron Nessen.
- C. Press Plan: David Kennerley.

### III. AGENDA

#### A. Review of New York City Situation

Secretary Simon will review the most recent developments in the New York City situation.



Cherney

[Nov: 1975]

The President is gratified that the leaders of New York appear to have accepted primary responsibility for solving the financial problems of New York City and are proceeding in the direction of a long-term solution in accordance with the State Constitution and State laws. He is impressed with the seriousness of their intentions as described by Governor Carey in his letter to Secretary Simon and awaits further concrete actions by the State and the other parties concerned. If all parties continue to cooperate and take prompt action the President believes that a satisfactory solution can be found. The President continues to give sympathetic consideration to the well-being of the people of New York City and reiterates his determination that their essential services will be maintained.



DEX TO DICK CHENEY WITH PRESIDENT'S PARTY  
THE WHITE HOUSE  
WASHINGTON

*file*

November 11, 1975

EYES ONLY - TO BE DELIVERED PERSONALLY

MEMORANDUM FOR: DICK CHENEY  
FROM: JIM CAVANAUGH  
SUBJECT: New York City

Attached is a draft statement which we discussed on New York City. It has been approved by Paul Theis. Earlier similar drafts were reviewed and approved by Paul O'Neill, Bill Seidman, and Alan Greenspan.

Also attached is the Q&A on the President's position.

Attachments



November 11, 1975

PRESIDENTIAL STATEMENT ON NEW YORK CITY

I am encouraged by the progress which New York State and City officials, banks, and union representatives are making to prevent the city from defaulting on its obligations.

As I said in a speech at the National Press Club in Washington on October 29, I am opposed to Federal legislation designed to bail out New York City. I am still opposed to such legislation. But I also stated at the time that I was prepared to see to it that the citizens of New York City did not suffer from the inability of the city government to maintain essential services. I am still prepared to do so.

Since these earlier statements, members of my staff have reviewed a tentative three-year financial plan for New York City prepared by the Municipal Assistance Corporation.

This plan would provide for the following:

1. The enactment of new taxes to increase revenues.
2. A procedure to defer payment on outstanding debts and reduce interest payments to the financial institutions holding New York City obligations.
3. Amendments to union contracts and pension systems.
4. A significant reduction in the City budget.
5. The provisions for additional credit financed by City pension funds.

These steps suggest that New York officials are finally taking the actions required to bring receipts and outlays into balance and avoid default.

I am today requesting Governor Carey, Mayor Beame and other leaders to formally commit themselves to this plan. This is an ambitious program which, if carried out, can enable New York City to solve its financial problems.





In the meantime, I have directed my staff to work with New York officials on which actions, if any, will be required to maintain essential services and on how the Federal government may be of assistance.

The steps I have outlined here are conditioned on the ability of New York officials to carry out these commitments and to follow through on the plan they have proposed.



Q. Is the President about to change his position on aid to New York City?

- A. • The President's position has not changed.
- He continues to be opposed to any federal bail-out of New York City to avoid default.
  - He believes that the responsibility for avoiding the repercussions from fiscal default of New York City rests with state and local officials.
  - As the President stated in his remarks before the National Press Club October 29, he believes that the Congress should enact legislation providing the federal courts with sufficient authority to preside over an orderly reorganization of New York City financial affairs should that become necessary.
  - The President is encouraged by the apparent efforts made in recent days by state and local officials to find ways to restore the fiscal integrity of New York City.
  - As indicated in his National Press Club remarks, he is prepared to work with appropriate officials to ensure that essential services are provided to the citizens of the city in the event of default.



11/11/75

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FM THE WHITE HOUSE

TO DICK CHENEY - AF-1

~~CONFIDENTIAL~~ WH52115

NOVEMBER 11, 1975

Determined to be Administrative Marking  
Date 1/15/00 By W/HM

EYES ONLY - TO BE DELIVERED PERSONALLY

MEMORANDUM FOR: DICK CHENEY

FROM: JIM CAVANAUGH

SUBJECT: NEW YORK CITY

ATTACHED IS A DRAFT STATEMENT WHICH WE DISCUSSED ON NEW YORK CITY. IT HAS BEEN APPROVED BY PAUL THEIS. EARLIER SIMILAR DRAFTS WERE REVIEWED AND APPROVED BY PAUL O'NEILL, BILL SEIDMAN, AND ALAN GREENSPAN.

YOU OR SOMEONE NEEDS TO CONVENE A MEETING ASAP WITH SEIDMAN, GREENSPAN, SIMON, AND LYNN.

KEY QUESTION: ARE SOME PROPOSING THAT WE CHANGE POSITION TO PROVIDE FEDERAL ASSISTANCE BEFORE DEFAULT?

ALSO ATTACHED IS THE Q&A ON THE PRESIDENT'S POSITION.

ATTACHMENTS

PRESIDENTIAL STATEMENT ON NEW YORK CITY

I AM ENCOURAGED BY THE PROGRESS WHICH NEW YORK STATE AND CITY OFFICIALS, BANKS, AND UNION REPRESENTATIVES ARE MAKING TO PREVENT THE CITY FROM DEFAULTING ON ITS OBLIGATIONS.

AS I SAID IN A SPEECH AT THE NATIONAL PRESS CLUB IN WASHINGTON ON OCTOBER 29, I AM OPPOSED TO FEDERAL LEGISLATION DESIGNED TO BAIL OUT NEW YORK CITY. I AM STILL OPPOSED TO SUCH LEGISLATION.

\*\*\*\*\*WHSR COMMENT\*\*\*\*\*

CAVANAUGH

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BUT I ALSO STATED AT THE TIME THAT I WAS PREPARED TO SEE TO IT THAT THE CITIZENS OF NEW YORK CITY DID NOT SUFFER FROM THE INABILITY OF THE CITY GOVERNMENT TO MAINTAIN ESSENTIAL SERVICES. I AM STILL PREPARED TO DO SO.

SINCE THESE EARLIER STATEMENTS, MEMBERS OF MY STAFF HAVE REVIEWED A TENTATIVE THREE-YEAR FINANCIAL PLAN FOR NEW YORK CITY PREPARED BY THE MUNICIPAL ASSISTANCE CORPORATION.

THIS PLAN WOULD PROVIDE FOR THE FOLLOWING:

1. THE ENACTMENT OF NEW TAXES TO INCREASE REVENUES.
2. A PROCEDURE TO DEFER PAYMENT ON OUTSTANDING DEBTS AND REDUCE INTEREST PAYMENTS TO THE FINANCIAL INSTITUTIONS HOLDING NEW YORK CITY OBLIGATIONS.
3. AMENDMENTS TO UNION CONTRACTS AND PENSION SYSTEMS.
4. A SIGNIFICANT REDUCTION IN THE CITY BUDGET.
5. THE PROVISIONS FOR ADDITIONAL CREDIT FINANCED BY CITY PENSION FUNDS.

THESE STEPS SUGGEST THAT NEW YORK OFFICIALS ARE FINALLY TAKING THE ACTIONS REQUIRED TO BRING RECEIPTS AND OUTLAYS INTO BALANCE AND AVOID DEFAULT.

I AM TODAY REQUESTING GOVERNOR CAREY, MAYOR BEAME AND OTHER LEADERS TO FORMALLY COMMIT THEMSELVES TO THIS PLAN. THIS IS AN AMBITIOUS PROGRAM WHICH, IF CARRIED OUT, CAN ENABLE NEW YORK CITY TO SOLVE ITS FINANCIAL PROBLEMS.

IN THE MEANTIME, I HAVE DIRECTED MY STAFF TO WORK WITH NEW YORK OFFICIALS ON WHICH ACTIONS, IF ANY, WILL BE REQUIRED TO MAINTAIN ESSENTIAL SERVICES IN THE EVENT THIS PLAN DOES NOT WORK AND DEFAULT BECOMES INEVITABLE.

OPTIONAL PARAGRAPHS IN LIEU OF ABOVE PARAGRAPH

IN THE MEANTIME, I HAVE DIRECTED MY STAFF TO WORK WITH NEW YORK OFFICIALS ON WHICH ACTIONS, IF ANY, WILL BE REQUIRED TO MAINTAIN ESSENTIAL SERVICES AND ON HOW THE FEDERAL GOVERNMENT MAY BE OF ASSISTANCE.

\*\*\*\*\*CONFIDENTIAL\*\*\*\*\* COPY

THE STEPS I HAVE OUTLINED HERE ARE CONDITIONED ON THE ABILITY OF NEW YORK OFFICIALS TO CARRY OUT THESE COMMITMENTS AND TO FOLLOW THROUGH ON THE PLAN THEY HAVE PROPOSED.

Q. IS THE PRESIDENT ABOUT TO CHANGE HIS POSITION ON AID TO NEW YORK CITY?

A. THE PRESIDENT'S POSITION HAS NOT CHANGED.

HE CONTINUES TO BE OPPOSED TO ANY FEDERAL BAIL-OUT OF NEW YORK CITY TO AVOID DEFAULT.

HE BELIEVES THAT THE RESPONSIBILITY FOR AVOIDING THE REPERCUSSIONS FROM FISCAL DEFAULT OF NEW YORK CITY RESTS WITH STATE AND LOCAL OFFICIALS.

AS THE PRESIDENT STATED IN HIS REMARKS BEFORE THE NATIONAL PRESS CLUB OCTOBER 29, HE BELIEVES THAT THE CONGRESS SHOULD ENACT LEGISLATION PROVIDING THE FEDERAL COURTS WITH SUFFICIENT AUTHORITY TO PRESIDE OVER AN ORDERLY REORGANIZATION OF NEW YORK CITY FINANCIAL AFFAIRS SHOULD THAT BECOME NECESSARY.

THE PRESIDENT IS ENCOURAGED BY THE APPARENT EFFORTS MADE IN RECENT DAYS BY STATE AND LOCAL OFFICIALS TO FIND WAYS TO RESTORE THE FISCAL INTEGRITY OF NEW YORK CITY.

AS INDICATED IN HIS NATIONAL PRESS CLUB REMARKS, HE IS PREPARED TO WORK WITH APPROPRIATE OFFICIALS TO ENSURE THAT ESSENTIAL SERVICES ARE PROVIDED TO THE CITIZENS OF THE CITY IN THE EVENT OF DEFAULT.

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THE WHITE HOUSE

WASHINGTON

November 17, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX FRIEDERSDORF

SUBJECT: NYC Plan

Attached is a summary of the Congressional reactions we received today concerning the New York City plan which we distributed last weekend.

Senator Roman Hruska -- He is concerned about the public perception in changing positions and strongly recommends that any agreement be structured to retain administration credibility.

Hruska also suggested that the President receive the additional commitment from New York City that they would support his Chapter 16 Bankruptcy Legislation.

Hruska feels this is important because the agreement may fall apart if New York City can't deliver and the bankruptcy amendments are needed as a fallback position.

Hruska also suggested that the \$500 million in general revenue sharing for New York should be held as a priority if the self-liquidation feature fails. Hruska had further consideration about the bill and Bill Gorog is working with Harry Dixon on Hruska's staff.

Senator John G. Tower -- Thinks New York City plan pretty well tracks with option considered by Senator Brooke and Senator Tower; thinks he could support plan; favors loans over guarantees; favors interest rates charged to other cities; and prefers supervision be left in hands of Treasury. Tower is sending detailed memo.

✓  
bcc: Seidman, Marsh, Cheney, Greenspan, Gorog



Rep. Barber Conable, Jr. (R.-N.Y.)

Still has serious reservations concerning the Federal government's role in such a plan. States that Governor Carey, for instance, is a long way from achieving passage by the New York State legislature of increased state taxes. Upstate New York does not believe it should be made to carry a tax burden to, in effect, pay for New York City's irresponsible fiscal actions. Counsels great caution until, in fact, the State of New York and New York City have in place all programs summarized to be part of the overall plan.

Rep. M. Caldwell Butler (R.-Va.)

With respect to page 2 of the memorandum, 3A "Details of the Plan -- New York City", voices strong reservations as to whether under existing Federal law the New York State legislature can legally pass legislation as referred to in paragraph 2 of 3A. (During conversation the Congressman referred to Section 83 (I) of appropriate Federal statutes). Further, the Congressman believes that spokesmen for the labor unions are protecting bargaining agreements for the benefit of current employees at the expense of all beneficiaries of the pension funds. Questions what guarantees the Federal government will have for repayment of "seasonal financing".



THE WHITE HOUSE

WASHINGTON

November 17, 1975

MEMORANDUM FOR:

MAX FRIEDERSDORF

FROM:

VERN LOEN VL

SUBJECT:

Congressional reaction to New York City plan

Al Cederberg (R-Mich.)

Wants to see the state and city take the necessary actions first to put their houses in order. "I don't trust those guys."

Jack Wydler (R-N. Y.)

Since they have taken the necessary actions to avoid immediate default, we are no longer dealing in a crises atmosphere. Cannot understand Rhodes compromise at the \$4 billion level which is more than they are asking. Is concerned that we are falling into a trap which will permit Governor Carey to blame the Administration for raising state taxes. The state tax increase, as he understands it, is necessary to meet a huge deficit in the state budget unrelated to the needs of New York City. When Governor Carey met with the New York delegation Friday, he indicated that he just wants to get any legislation to conference where it can be re-written when the President decides what he will accept.

Bob Michel (R-Ill.)

On west coast today. Unavailable for comment until tomorrow.





THE WHITE HOUSE

WASHINGTON, D.C.

November 17, 1975

MEMORANDUM FOR:

MAN L. FRIEDERSDORF

THRU:

VERN LOEN

FROM:

CHARLES LEPPER, JR.

SUBJECT:

Congressional Comments re Legislation  
on New York City

I have heard from the following Congressmen and quote their comments:

McKinney, Stewart B. (R-Conn.)

Cited the article in the Wall Street Journal this morning (copy attached). Said it spells out the situation pretty well. In all practicality, don't see how the state or city can get up much more. He feels that the compromise bill should be signed by the President.

Hutchinson, Edward (R-Mich.)

He is reading it now but if you want his reaction -- it's negative.

Stanton, J. William (R-Ohio)

He wrote a Dear Colleague letter to members of the Committee and took it with him this morning to Banking and Currency Committee.

"Dear Colleague:

"Due to the weekend and the early Monday morning meeting of the Committee, I regret that this is the only way I can convey some of the knowledge of the New York situation to you.

"First, I personally believe John Rhodes' intervention into the legislation was very premature and poorly handled. To my knowledge, he did not consult with a single minority member of the Committee. Secondly, he may have undermined the President's desire to force the State and City to do more for themselves before any commitment is given from the federal government.



over the weekend. I was personally briefed on some of the White House thoughts. Even if one were inclined to vote for some federal aid for the city, the President's plan is far less expensive, of shorter duration, and thus much more preferable than the Rhodes-Reuss discussed agreement.

"For this reason and others, I would hope that at least thru this morning's session we will stay united against any change in the President's bill. At the first chance we have I will inform you of all else I know concerning this legislation.

"Many thanks."

Johnson, Albert W. (R-Pa.)

Unable to obtain a statement as he went direct to Committee from his home. In contact with Rick Robb in his office but he has not reported back as of this writing.



STEFEN

Thought the commitment to renegotiate union wages and pension programs was very, very weak. Language sounds like "an effort will be made to cut back." Feels that the President should demand firm action in these areas before he supports Federal participation.

JAVITS

Delighted, urges the President to accept.

BROOKE

Thinks that the New York proposal has merit and feels that this approach is a worthwhile way to address the problem. Encourages favorable consideration by the President and would not object to recognition by the White House for himself and Senator Tower for the role they played in the development of the Administration's proposal.

He will probably go public tomorrow, November 18, with his endorsement of the New York proposal and would hope to be kept closely involved with future Administration actions on this matter.

BUCKLEY

Assuming that all of the commitments are carried to conclusion by New York City and the State, the Senator would be for "an accommodation," as he put it. In other words, he has studied the plan and, if they do what they are supposed to do, he would go along with the plan.

SCOTT, H.

Ken Davis believes he will follow Buckley's lead on New York plan (see above for Buckley's view).



Representative

Keefe (R-PA)

Major concern  
is that New York  
will implement  
the plan. In  
be made to assure  
extending "seas  
entire idea of  
City of New York  
three-tier revenue  
sharing as we know

guarantees does the Administration  
New York City will actually meet  
sites summarized to be a part of  
wants to know what guarantees will  
sent to the Federal government for  
"financing." Basically is opposed to the  
Federal assistance to the State or  
would mean in effect that there would be  
ing; categorical grants, revenue  
today, and New York City assistance.

Representative

Donner, Jr. (D-LA)

Believes that reduction  
services costs  
government forced  
welfare laws. I  
request that change  
would allow state

to reduction of welfare and social  
weak. Strongly urges that the Federal  
Governor Carey a change in New York's  
tion, have Governor Carey officially  
made in existing Federal laws which  
do more.





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

NOV 17 1975

MEMORANDUM FOR: WILLIAM L. SEIDMAN  
FROM: CALVIN J. COLLIER  
SUBJECT: New York City

The attached tables summarize anticipated Federal payments to (or for the benefit of) New York City, along with rough estimates of the amounts of such payments in fiscal year 1976. Specifically,

- Table I lists major estimated payments to the City or its agencies.
- Table II lists major estimated payments to the State or its agencies that are passed through to the City or its agencies.
- Table III lists those payments considered most amenable to being pledged as collateral for loans to finance seasonal cash needs of the City.

OMB strongly recommends against using this information as a basis for decisionmaking for the following reasons:

- The information was assembled in August through a "quick and dirty" survey. It was not reliable when it was collected.
- An unknown portion of these funds has probably been spent already.
- The responsible agencies have not reviewed these estimates.

To avoid serious error, OMB recommends that either of two alternative actions be taken to collect reliable information:



ALTERNATIVE 1. OMB to conduct a new survey to obtain directly from the agencies (principally, Health, Education, and Welfare; Labor; Housing and Urban Development; and Agriculture) up-to-date Federal payment information. This effort would take three to five days.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

ALTERNATIVE 2. Treasury to obtain from the New York State Emergency Financial Control Board their list of anticipated Federal payments. OMB would then verify this information with the responsible Federal agencies.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Attachments



TABLE I

Rough Estimates of Federal Payments to  
New York City in FY 1976  
(in millions)

Mass transportation operating subsidies (DOT)	\$ 71.0
Community development block grants (HUD)	40.0
Comprehensive planning grants (HUD)	1.2
Neighborhood facilities grants (HUD)	2.4
Open spaces grants (HUD)	5.0
Model cities (HUD)	40.0
Water and sewer construction (HUD)	3.0
Urban renewal (HUD)	21.7
Real estate taxes (HUD)	2.6
Public and subsidized housing assistance (HUD)	193.3
Head start (HEW)	25.4
Bilingual education (HEW)	11.5
Manpower services (DOL)	60.4
High unemployment (DOL)	40.8
Temporary public service jobs (DOL)	108.1
Real estate taxes (GSA)	2.2
General revenue sharing (Treasury)	263.3
Community action program (CSA)	20.0
Wastewater treatment construction (EPA)	70.0
Health manpower (VA)	.5
Food stamps administrative costs (DOA)	6.4
Food and nutrition assistance (DOA)	128.5
	<hr/>
TOTAL	\$1117.3
75% of TOTAL	838.0

Office of Management  
and Budget  
August 1975

TABLE II

Rough Estimates of Federal Payments to  
New York State  
 (in millions)

Highway construction (DOT)	\$ 30.0
Medicaid (HEW)	1115.0
Training for local public assistance employees (HEW)	10.9
Social services assistance (HEW)	160.2
AFDC (HEW)	656.7
Educationally deprived children (HEW)	117.7
Vocational education	14.0
Intergovernmental personnel assistance	<u>.2</u>
TOTAL	\$2104.7
75% of TOTAL	1578.5

Office of Management  
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TABLE III

Payments Most Amenable to Pledges  
(in millions)

To the City

Mass transportation operating subsidies (DOT)	\$ 71.0
Community development block grants (HUD)	40.0
Comprehensive planning grants (HUD)	1.2
Model cities (HUD)	40.0
Real estate taxes (HUD)	2.6
Public and subsidized housing assistance (HUD)	193.3
Head start (HEW)	25.4
Bilingual education (HEW)	11.5
Manpower services (DOL)	60.4
High unemployment (DOL)	40.8
Temporary public service jobs (DOL)	108.1
Real estate taxes (GSA)	2.2
General revenue sharing (Treasury)	263.3
Health manpower (VA)	.5
Food stamps administrative costs (DOA)	6.4
Food and nutrition assistance (DOA)	<u>128.5</u>
SUB TOTAL	\$ 995.2

To the State

Training for local public assistance employees (HEW)	10.9
Social services assistance (HEW)	160.2
Educationally deprived children (HEW)	117.7
Vocational education	14.0
Intergovernmental personnel assistance	<u>.2</u>
SUBTOTAL	\$ 303.0
TOTAL	1298.2
75% GRAND TOTAL	973.6



4. CASH NEEDS AND SOURCES BY MONTH TO DERIVE SEASONAL BORROWING

December 1975: - June 1976

<u>Month</u>	<u>Need per Forecast</u>	<u>Total Sources</u>	<u>MAC Adjustment</u>	<u>Sales Tax</u>	<u>Bank, Pension, Sinking Funds</u>	<u>Swap at 90%</u>	<u>State Advance</u>	<u>Subtotal</u>	<u>Pensions</u>	<u>Seasonal</u> <u>Net Cumulative</u>	
DEC	829	829	21		91	305	--	412	271	141	141
JAN	1306	1306	--		173	537	--	596	272	324	465
FEB	571	571	--		8	253	--	310	--	310	775
MAR	953	953	--		109	344	--	500	--	500	1275
APR	144	144	28	50	--	--	400	(334)	--	(334)	941
MAY	75	75	--		220	--	200	(345)	--	(345)	596
JUNE	19	19	28	50	337	--	200	(596)	--	(596)	0
TOTAL	3897	3897	77	100	938	1439	800	543	543	0	0



NEW YORK CITY CASH FLOW NEEDS  
(dollars in millions)

	Cumulative Needs	
	<u>FY 1976-77</u>	<u>FY 1977-78</u>
June	1100	1041
August	1462	1413
September	1197	1237
October	1585	1293
November	1614	1325
December	2063	1670
January	2062	1697
February	2017	1645
March	2120 peak	1994 peak
April	1528	1369
May	1103	996
June	0	0

Per Peter Goldmark

cc upon Mr. Goldmark's request to Bob Gerrard, Treasury.



11/17/75

THE WHITE HOUSE  
WASHINGTON

November 18, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LS*  
SUBJECT: New York City

The following issues are outlined to provide a focus for the discussion of the New York City situation at the 3:00 p.m. meeting today:

Issue 1: Should the Federal Government provide financial assistance to New York City to meet its seasonal borrowing requirements for essential services?

Option A: Turn down the New York request for Federal assistance and recommend that additional actions be taken at the state and local level.

Option B: Agree to support legislation authorizing Federal assistance to meet seasonal borrowing needs for essential services.

Option C: Seek agreement from private financial institutions to provide financing the New York City's seasonal needs and support legislation securing such financing with future Federal payments otherwise due the State and City.

If you decide in principle to support Federal assistance for New York City's seasonal borrowing needs several additional issues require your attention.

Issue 2: Should seasonal borrowing assistance take the form of direct loans or loan guarantees?

Option A: Direct loans.

Option B: Loan guarantees.



Issue 3: What types of conditions should be attached to the provision of Federal assistance?

- Option A: General condition that the lender (the Federal Government) be satisfied that the borrower has the capacity to repay the loan.
- Option B: Mandate certain specific actions that must be taken to qualify for the assistance.
- Option C: Require that Federal loans or guarantees be secured by a lien on future Federal payments otherwise due the State and City. (An OMB memorandum on this issue is attached)

Issue 4: What should constitute the control mechanism for any Federal assistance?

- Option A: Supervision of Federal loans or guarantees by a small Board of Federal officials appointed by the President.
- Option B: Supervision of Federal loans or guarantees by a single Cabinet officer appointed by the President.
- Option C: Supervision of Federal loans or guarantees by a small Board of non-Federal Government officials appointed by the President.

Issue 5: What should be the size and duration of any Federal assistance to New York for seasonal borrowing?

- Option A: Restrict Federal assistance initially to one year duration and to the estimated \$1.3 billion required by New York City for the remainder of this fiscal year (through June 30, 1976).
- Option B: Restrict Federal assistance to three years and to the estimated levels outlined in the New York plan (through June 30, 1978).
- Option C: Provide Federal assistance for the five years outlined in the current House bill.



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11/18/75 DRAFT

Last May, after my first meeting with Governor Carey and Mayor Beame about the fiscal problems of New York City, I informed the Governor and the Mayor, and I stated publicly, that the proper place for the resolution of New York City's problem is the State of New York.

Since that time, I have held to <sup>the</sup> ~~this~~ position <sup>that the</sup> ~~there is~~ solution. ~~It~~ has to come from the local and responsible state authorities.

Now New York City and State officials, working together on a bipartisan basis, have come up with what is for them a difficult but realistic ~~solution~~ <sup>some agreement to solve</sup> to the city's fiscal problems.

I commend them for the way they are meeting their responsibilities. I encourage them to enact ~~that~~ <sup>of</sup> program promptly <sup>as a program that will resolve New York City's problems.</sup>

If they do so, I ~~cannot deny~~ a helping hand to the ~~people~~ people of New York who will be making sacrifices in reduced services and increased taxes, or to the city and state officials who will need some temporary financial assistance.

Accordingly, I have ~~asked~~ <sup>Congress</sup> the ~~Secretary of the Treasury~~ <sup>to present a plan -</sup> to ~~present plans~~ - conditional on the State's enactment of ~~the~~ <sup>acceptable to me -</sup> stringent fiscal program ~~set forth~~ by state and city officials -- <sup>Federal</sup> to provide short-term loans, at interest, to assist New York City in meeting payments for essential city services.



~~Handwritten mark~~

I have also directed the Secretary of the Treasury to continue to monitor all developments related to the New York City's fiscal crisis.

\* \* \* \* \*



DRAFT  
11/18/75

Last May, after my first meeting with Governor Carey and Mayor Beame about the fiscal problems of New York City, I informed the Governor and the Mayor, and I stated publicly, that the proper place for the resolution of New York City's problem is the State of New York.

Since that time, I have held to the position that the solution has to come from the local and responsible state authorities.

Now New York City and State officials, working together on a bipartisan basis, have come up with what is for them a difficult but realistic solution to the city's fiscal problems.

I commend them for the way they are meeting their responsibilities. I encourage them to enact promptly a program that will resolve New York City's problems.

If they do so, I cannot deny a helping hand to the people of New York who will be making sacrifices

in reduced services and increased taxes, or to the city and state officials who will need some temporary financial assistance.

Accordingly, I ask the Congress to enact a plan--conditional on the State's enactment of a stringent fiscal program acceptable to me--to provide short-term Federal loans, at interest, to assist New York City in meeting payments for essential city services.

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