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THE SECRETARY OF THE TREASURY
WASHINGTON

March 26, 1975

MEMORANDUM FOR THE PRESIDENT

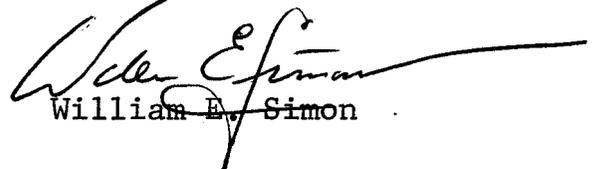
Advancing the June Revenue Sharing Payment

We are now scheduled to mail Federal revenue sharing payments to the states and municipalities of \$1-1/2 billion on April 4 and another \$1-1/2 billion in the first week of July. Under the law these payments could be made earlier but not later. If a decision were to be made today or tomorrow the amount now scheduled for July could be combined and included in the April 4 mailing for all recipients.

I recommend you authorize this advance of the July payment.

It would not increase our total outlays over the coming 4 months but it would move a portion of the payment earlier in the period when the stimulus to the economy would be more helpful. The shift in payment would also be -- and would be widely recognized to be -- a responsible effort to help states and municipalities whose financial situations have been hit by the recession. This would be particularly true of the largest municipality, New York City, which faces a serious threat of being unable to avoid default on payment of a half billion dollars of securities maturing on April 14. Such a default would have a most unfortunate impact on confidence in our economy in general and on the credit markets in particular. Insofar as New York City is concerned the proposed action would not cure the problem but would be a significant contribution to a broader effort which we are attempting to work out with New York State and the financial community.

There will be some states and municipalities who have no urgent need for these funds but in those cases the funds will be reinvested in the capital market to relieve the congestion being caused by current corporate and Federal borrowing.


William E. Simon

THE WHITE HOUSE

WASHINGTON

April 12, 1975

Mr. President:

The attached memo has been staffed and has generated the following comments:

The Vice President: See Tab A

Buchen: On the assumption that the General Counsel of the Treasury agrees that the Treasury Department can make the July revenue sharing payment on April 4, I would recommend that the Secretary's request be granted.

Cannon: Based on the fact that the President already disapproved the memo, I, therefore, fall in line.

Greenspan: The Council of Economic Advisers agrees with Secretary Simon's recommendation in his memo of March 26, 1975 to advance the July revenue sharing payment to states and municipalities. The only drawback we would note is the possibility that this action might be construed as a break in the President's budget line. We would suggest, therefore, that the accelerated payment be accompanied by a clear statement indicating that the total payments to states and municipalities would not be altered and that this action would not add to the overall budget deficit for fiscal 1975 and 1976 combined.

Lynn: New York State, as was hoped, stepped into the breach at least temporarily on New York City's problem. Therefore, Secretary Simon's recommendation should be held in abeyance until future developments clarify the status. In general, I do not like the idea and feel that creating a cash flow problem of over \$1 billion to give New York City assistance of \$46 million is a highly questionable course of action.

Marsh:

Approves

Seidman:

The President indicated his conviction that the only way an advance of the payment could be justified was if New York had made definitive decisions regarding setting their financial house in order. He reiterated his concern that advancing the general revenue sharing payment was a serious matter, establishing a dangerous precedent, and that this required the most serious consideration and that he wanted a clear determination of the steps which the City of New York was taking to put their financial house in order before he would approve advancing the general revenue sharing payment.

Don



P.S. -

Going along with N.Y. would be a disaster. First, for N.Y. since they would delay clearing up their mess. Second, for the precedent it would set. - In my view the request is outrageous.

D.

No premature payment.
JMR

THE WHITE HOUSE
WASHINGTON

April 15, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY

SUBJECT: Advancing the June Revenue Sharing Payment

Your memorandum to the President of March 26 on the above subject has been reviewed and the following notation was made:

-- No premature payment.

Please follow-up with the appropriate action.

Thank you.


Jerry H. Jones
Staff Secretary

cc: The Vice President
Donald Rumsfeld
Philip W. Buchen
James M. Cannon
Alan Greenspan
James T. Lynn
John O. Marsh
L. William Seidman



THE VICE PRESIDENT
WASHINGTON

March 28, 1975

Dear Mr. President:

I am sorry that due to my absence from town I had not seen Dick Dunham's memorandum on the New York City financial problem prior to our discussion this morning.

In the light of what he had to say, I would have to agree with his analysis of Bill Simon's proposal.

Sincerely,

A handwritten signature in cursive script, likely belonging to the Vice President mentioned in the letter.

The President
The White House

THE WHITE HOUSE

WASHINGTON

March 27, 1975

MEMORANDUM FOR THE VICE PRESIDENT

FROM: R. L. DUNHAM *Dick*
SUBJECT: NYC Financing Problem

The President plans to discuss with you the NYC financing problem.

The context is that Secretary Simon has proposed to him that the Federal government advance the July payments of Federal revenue sharing to all local governments in order to give NYC an additional \$64 million in April.

The purpose is to improve NYC's April cash flow, thus reducing their April borrowing needs by that amount.

Secretary Simon is pressing for a favorable decision but the President said he would not do it until he had discussed it with you.

I hope that we can discuss this before you make a specific recommendation to the President, but some of the considerations are:

- 1) Treasury would have to borrow an additional \$1.5 billion for 3 months in order to give NYC the \$64 million. That is, they could not just make the payment to NYC.
- 2) It might help but it does not solve NYC's borrowing problem.
- 3) The State so far has not indicated any desire or interest in helping.

- 4) This one time shot assistance would probably just be putting a finger in the dike. Mayor Beame and the City Council have not advanced a credible plan to try to solve the long term problem.

It seems to me that the Federal government should not be put in the position at this stage of having to solve the NYC financing problem, at least until the City had exhausted all other remedies, such as a cut-back plan and State assistance.

STAFFING

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: March 28, 1975

Time:

FOR ACTION: The Vice President
 Phil Buchen *in* *cc (for information):*
 Jim Cannon *in* *called* Jack Marsh *in*
 Alan Greenspan *in* *called* Bill Seidman *in*
 Jim Lynn *(called)*

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, ~~March~~ April 1, 1975

Time: noon

SUBJECT:

Simon memo (3/26/75) re: Advancing
the June Revenue Sharing Payment

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

3/29 Buchen - see attached
4/12 - Marsh - approve (by phone)
4/12 - w/P

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
 Staff Secretary

MAR 28 1975

THE WHITE HOUSE

WASHINGTON

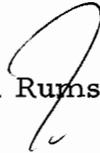
March 27, 1975

MEMORANDUM FOR JERRY JONES

Attached is a piece of paper that Secretary Simon handed to the President. Put it through the staff system and let Treasury know we are doing it.

The President told Simon not to do what that memo proposes; that he wants from Simon information on what New York is doing about the problem. The President wants the Domestic Council, the Vice President, OMB and Treasury all to have a chop and anyone else you think should, probably Seidman.

Donald Rumsfeld



Date: March 28, 1975

Time:

FOR ACTION: ~~Phil Buchen~~ ^{The Vice President} XXXXXXXXXXXXXXXXXX:
 Jim Cannon Jack Marsh
 Alan Greenspan Bill Seidman
 Jim Lynn

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, April 1, 1975

Time: noon

SUBJECT:

Simon memo (3/26/75) re: Advancing
the June Revenue Sharing Payment

ACTION REQUESTED:

- | | |
|---|--|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

On the assumption that the General Counsel of the Treasury agrees that the Treasury Department can make the July revenue sharing payment on April 4, I would recommend that the Secretary's request be granted.

Phil Buchen

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Jerry H. Jones
Staff Secretary



THE SECRETARY OF THE TREASURY
WASHINGTON

March 26, 1975

MEMORANDUM FOR THE PRESIDENT

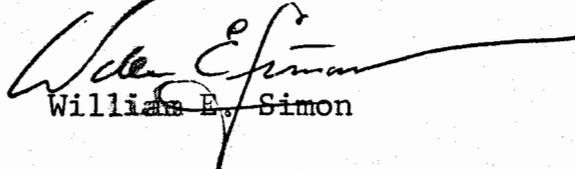
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I recommend you authorize this advance of the July payment.

It would not increase our total outlays over the coming 4 months but it would move a portion of the payment earlier in the period when the stimulus to the economy would be more helpful. The shift in payment would also be -- and would be widely recognized to be -- a responsible effort to help states and municipalities whose financial situations have been hit by the recession. This would be particularly true of the largest municipality, New York City, which faces a serious threat of being unable to avoid default on payment of a half billion dollars of securities maturing on April 14. Such a default would have a most unfortunate impact on confidence in our economy in general and on the credit markets in particular. Insofar as New York City is concerned the proposed action would not cure the problem but would be a significant contribution to a broader effort which we are attempting to work out with New York State and the financial community.

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William E. Simon

THE WHITE HOUSE

WASHINGTON

4/1

Cannon's response Simon's memo on advancement
of July revenue sharing payment:

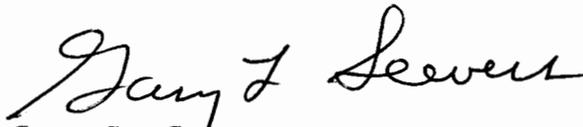
"Based on the fact~~+~~ that the President has already
disapproved the memo, I therefore fall in line."

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 1, 1975

MEMORANDUM FOR THE STAFF SECRETARY

The Council of Economic Advisers agrees with Secretary Simon's recommendation in his memo of March 26, 1975 to advance the July revenue sharing payment to states and municipalities. The only drawback we would note is the possibility that this action might be construed as a break in the President's budget line. We would suggest, therefore, that the accelerated payment be accompanied by a clear statement indicating that the total payments to states and municipalities would not be altered and that this action would not add to the overall budget deficit for fiscal 1975 and 1976 combined.


Gary L. Seevers
Acting Chairman



Date: March 28, 1975

Time:

FOR ACTION: The Vice President
 Phil Buchen ~~XXXXXXXXXXXXXXXXXX~~
 Jim Cannon Jack Marsh
 Alan Greenspan Bill Seidman
 Jim Lynn

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, April 1, 1975 Time: noon

SUBJECT:

Simon memo (3/26/75) re: Advancing
the June Revenue Sharing Payment

ACTION REQUESTED:

- | | |
|---|--|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
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REMARKS:

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Jerry H. Jones
Staff Secretary



THE SECRETARY OF THE TREASURY
WASHINGTON

March 26, 1975

MEMORANDUM FOR THE PRESIDENT

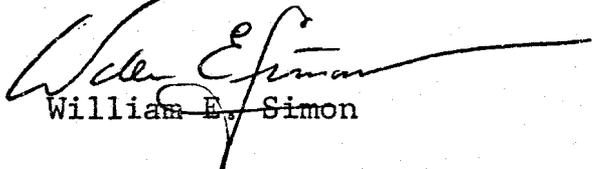
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William E. Simon

Jim Lynn says on the Simon memo - New York State as was hoped stepped into the breach at least temporarily on New York City's problem. Therefore, Secretary Simon's recommendation should be held in abeyance until further developments clarify the status. In general, I do not like the idea and feel that creating a cash flow problem of over 1 billion to give New York City assistance of 46 million is a highly questionable course of action

THE WHITE HOUSE

WASHINGTON

April 1, 1975

FOR: JERRY JONES

FROM: L. WILLIAM SEIDMAN

LWS

From our notes at the meeting, the President's decision regarding advancing the general revenues sharing payment is as follows:

The President indicated his conviction that the only way an advance of the payment could be justified was if New York had made definitive decisions regarding setting their financial house in order. He reiterated his concern that advancing the general revenue sharing payment was a serious matter, establishing a dangerous precedent, and that this required the most serious consideration and that he wanted a clear determination of the steps which the City of New York was taking to put their financial house in order before he would approve advancing the general revenue sharing payment.

Date: March 28, 1975

Time:

FOR ACTION: The Vice President
 Phil Buchen ~~XXXXXXXXXXXXXXXXXX~~:
 Jim Cannon Jack Marsh
 Alan Greenspan Bill Seidman
 Jim Lynn

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, April 1, 1975 Time: noon

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ACTION REQUESTED:

- For Necessary Action
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- Draft Remarks

REMARKS:

Roger
 wasn't this decided at
 last meeting with Pres.

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Jerry H. Jones
Staff Secretary



THE SECRETARY OF THE TREASURY
WASHINGTON

March 26, 1975

MEMORANDUM FOR THE PRESIDENT

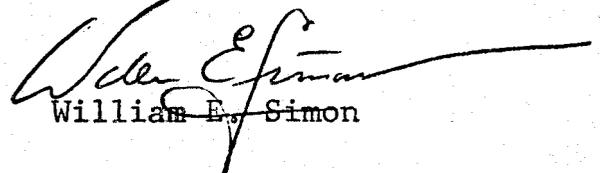
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William E. Simon