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THE WHITE HOUSE

WASHINGTON


October 6, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

L. WILLIAM SEIDMAN

FROM:

JAMES E. CONNOR 

SUBJECT:

Provision of Federal Bankruptcy Law for
Municipalities: New York City

Confirming phone call to your office today, the President reviewed your memorandum of October 4 on the above subject and approved the following option:

Option 2 - Testify about the specific shortcomings of existing law, indicate a willingness to work at the staff level with the Committee, share with the Committee our current "draft" of a bill, but do not formally transmit the legislative proposal.

Please follow-up with appropriate action.

cc: Don Rumsfeld

THE WHITE HOUSE
WASHINGTON

Outbox

October 4, 1975

MEMORANDUM FOR THE PRESIDENT

FROM:

L. WILLIAM SEIDMAN *WSS*

SUBJECT:

Provision of Federal Bankruptcy Law for
Municipalities: New York City

The Department of Justice is scheduled to testify on Monday, October 6 before the House Judiciary Committee on the Federal Bankruptcy Act. A memorandum from Calvin Collier outlines the situation -- Secretary Simon on September 24 in testimony before the JEC indicated that the Administration was preparing and would shortly submit to Congress legislation amending the Federal Bankruptcy Act. (See Tab A)

I am informed that the draft legislation prepared by the Department of Justice has completed the OMB clearance process.

Your decision is requested regarding the approach the Department of Justice should take in its testimony. In discussions with OMB, Treasury and Justice two options have emerged.

Options

- Option 1: Submit a cleared bill and explain its provisions in prepared testimony and support immediate passage.
- Option 2: Testify about the specific shortcomings of existing law, indicate a willingness to work at the staff level with the Committee, share with the Committee our current "draft" of a bill, but do not formally transmit the legislative proposal.

Decision

Option 1 _____ Supported by Treasury

Option 2 _____ Supported by OMB, CEA

See me _____

*P. Pickard
option #2*



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

October 3, 1975

MEMORANDUM FOR WILLIAM SEIDMAN

FROM: CALVIN J. COLLIER *Calvin Collier*

SUBJECT: Provisions of Federal Bankruptcy Law for
Municipalities: New York City

In his September 24th prepared testimony before the Joint Economic Committee, Secretary Simon said, "We have prepared, and will shortly submit to the Congress, legislation amending Chapter 9 of the Federal Bankruptcy Act to facilitate use of the protections of that Act by New York City. In addition, we are also studying the feasibility of a Chapter 11 type reorganization procedure as an alternative mechanism."

The House Judiciary Committee, having noticed this statement, has called hearings for Monday, October 6, and has invited the Justice Department to testify. During the last week, OMB has coordinated the clearance of draft legislation prepared by Justice. Over this weekend, the legislation will be finalized.

Justice now seeks guidance with respect to the proper approach for its testimony. There are two options:

- Option 1. Submit a cleared bill and explain its provisions in prepared testimony. This option delivers on Secretary Simon's commitment and probably would be most helpful to the Committee in their deliberations. Its primary disadvantage is that it might heighten criticism of the Administration for neglecting the problems of New York City.
- Option 2. Testify about the specific shortcomings of existing law, indicate a willingness to work at the staff level with the Committee, share with the Committee our current "draft" of a bill, but

do not formally transmit the legislative proposal.
This approach would be helpful to the Committee,
but would probably generate resentment that the
Administration is vacillatory. Moreover, the
Justice witness would undoubtedly be faced with the
question of when the Administration would actually
transmit a proposal.

Since the Justice Department (Assistant Attorney General
Antonin Scalia) must prepare testimony tomorrow for delivery
on Monday, prompt guidance is necessary.

cc: James T. Lynn