The original documents are located in Box 16, folder “New York City - President's Statements” of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

EMBARGOED FOR RELEASE UNTIL 7:31 EST — NOVEMBER 26, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I would like to comment briefly on recent developments in New York. Since early this year, and particularly in the past few weeks, the leaders of New York State and of New York City have been working to overcome the financial difficulties of the City which, as a result of many years of unsound fiscal practices, unbalanced budgets and increased borrowing, threatened to bring about municipal bankruptcy of an unprecedented magnitude.

As you know, I have been steadfastly opposed to any Federal help for New York City which would permit them to avoid responsibility for managing their own affairs. I will not allow the taxpayers of other States and cities to pay the price of New York's past political errors. It is important to all of us that the fiscal integrity of New York City be restored and that the personal security of eight million Americans in New York City be fully assured.

It has always been my hope that the leaders of New York would, when the chips were down, face up to their responsibilities and take the tough decisions that the facts of the situation require. That is still my hope, and I must say that it is much, much closer to reality today than it was last Spring. I have quite frankly been surprised that they have come as far as they have. I doubted that they would act unless ordered to do so by a Federal Court. Only in the last month, after I made it clear that New York would have to solve its fundamental financial problems without the help of the Federal taxpayer, has there been a concerted effort to put the finances of the City and the State on a sound basis. They have today informed me of the specifics of New York's self-help program. This includes:

One, meaningful spending cuts have been approved to reduce the cost of running the City; Two, more than $200 million in new taxes have been voted; Three, payments to the City's noteholders will be postponed and interest payments will be reduced through passage of legislation by New York State; Four, banks and other large institutions have agreed to wait to collect on their loans and to accept lower interest rates; Five, for the first time in years, municipal employees will be required to bear part of the cost of their pension contributions and other reforms will be made in the pension funds; Six, the City pension system is to provide additional loans of up to $2.5 billion to the City. All of these steps--adding up to $4 billion--are part of an effort to provide financing and to bring the City's budget into balance by the fiscal year starting July 1, 1977.

- MORE -

Only a few months ago, we were told that all these reforms were impossible and could not be accomplished by New York alone. Today they are being done.

This is a realistic program. I want to commend all those involved in New York City and New York State for their constructive efforts to date. I have been closely watching their progress in meeting their problem. However, in the next few months, New York City will still lack enough funds to cover its day-to-day operating expenses.

This problem is caused by the City having to pay its bills on a daily basis throughout the year, while the bulk of its revenues are received during the spring. Most cities are able to borrow short-term funds to cover these needs, traditionally repaying them within their fiscal year.

Because the private credit markets may remain closed to them, representatives of New York have informed my Administration that they have acted in good faith but that they still need to borrow money on a short-term basis for a period of time each of the next two years in order to provide essential services to the eight million Americans who live in the Nation's largest city.

Therefore, I have decided to ask the Congress when it returns from recess for authority to provide a temporary line of credit to the State of New York to enable it to supply seasonal financing of essential services for the people of New York City. There will be stringent conditions. Funds would be loaned to the State on a seasonal basis, normally from July through March to be repaid with interest in April, May and June when the bulk of its revenues come in. All Federal loans would be repaid in full at the end of each year. There will be no cost to the rest of the taxpayers of the United States.

This is only the beginning of New York's recovery process and not the end. New York officials must continue to accept primary responsibility. There must be no misunderstanding of my position. If local parties fail to carry out their plan, I am prepared to stop even this seasonal Federal assistance. I again ask the Congress promptly to amend the Federal bankruptcy laws so that, if the New York plan fails, there will be an orderly procedure available.

A fundamental issue is involved here: sound fiscal management is an imperative of self-government. I trust we have all learned the hard lesson that no individual, no family, no business, no city, no State and no Nation can go on indefinitely spending more money than it takes in.

As we count our Thanksgiving blessings, we recall that Americans have always believed in helping those who help themselves. New York has finally taken the tough decisions it had to take to help itself. In making the required sacrifices, the people of New York have earned the encouragement of the rest of the country.

# # #

Nessen
[Nov. 26, 1975 ?]

STATEMENT ON NEW YORK CITY

BEFORE WE GO TO QUESTIONS, I WOULD LIKE TO COMMENT BRIEFLY ON RECENT DEVELOPMENTS IN NEW YORK.

SINCE EARLY THIS YEAR, AND PARTICULARLY IN THE PAST FEW WEEKS, THE LEADERS OF NEW YORK STATE AND OF NEW YORK CITY HAVE BEEN WORKING TO OVERCOME THE FINANCIAL DIFFICULTIES OF THE CITY WHICH, AS A RESULT OF MANY YEARS OF UNSOUND FISCAL PRACTICES, UNBALANCED BUDGETS AND INCREASED BORROWING, THREATENED TO BRING ABOUT MUNICIPAL BANKRUPTCY OF AN UNPRECEDENTED MAGNITUDE.

AS YOU KNOW, I HAVE BEEN STEADFASTLY OPPOSED TO ANY FEDERAL HELP FOR NEW YORK CITY WHICH WOULD PERMIT THEM TO AVOID RESPONSIBILITY FOR MANAGING THEIR OWN AFFAIRS.

I WILL NOT ALLOW THE TAXPAYERS OF OTHER STATES AND CITIES TO PAY THE PRICE OF NEW YORK'S PAST POLITICAL ERRORS.

IT IS IMPORTANT TO ALL OF US THAT THE FISCAL INTEGRITY OF NEW YORK CITY BE RESTORED AND THAT THE PERSONAL SECURITY OF 8 MILLION AMERICANS IN NEW YORK CITY BE FULLY ASSURED.

IT HAS ALWAYS BEEN MY HOPE THAT THE LEADERS OF NEW YORK WOULD, WHEN THE CHIPS WERE DOWN, FACE UP TO THEIR RESPONSIBILITIES AND TAKE THE TOUGH DECISIONS THAT THE FACTS OF THE SITUATION REQUIRE. THAT IS STILL MY HOPE, AND I MUST SAY THAT IT IS MUCH, MUCH CLOSER TO REALITY TODAY THAN IT WAS LAST SPRING.

I HAVE QUITE FRANKLY BEEN SURPRISED THAT THEY HAVE COME AS FAR AS THEY HAVE. I DOUBTED THAT THEY WOULD ACT UNLESS ORDERED TO DO SO BY A FEDERAL COURT.

ONLY IN THE LAST MONTH, AFTER I MADE IT CLEAR THAT NEW YORK WOULD HAVE TO SOLVE ITS FUNDAMENTAL FINANCIAL PROBLEMS WITHOUT THE HELP OF THE FEDERAL TAXPAYER, HAS THERE BEEN A CONCERTED EFFORT TO PUT THE FINANCES OF THE CITY AND THE STATE ON A SOUND BASIS.

THEY HAVE TODAY INFORMED ME OF THE SPECIFICS OF NEW YORK'S SELF-HELP PROGRAM. THIS INCLUDES:

ONE, MEANINGFUL SPENDING CUTS HAVE BEEN APPROVED TO REDUCE THE COST OF RUNNING THE CITY;

TWO, MORE THAN 200 MILLION DOLLARS IN NEW TAXES HAVE BEEN VOTED;

THREE, PAYMENTS TO THE CITY'S NOTEHOLDERS WILL BE POSTPONED AND INTEREST PAYMENTS WILL BE REDUCED THROUGH PASSAGE OF LEGISLATION BY NEW YORK STATE;

FOUR, BANKS AND OTHER LARGE INSTITUTIONS HAVE AGREED TO WAIT TO COLLECT ON THEIR LOANS AND TO ACCEPT LOWER INTEREST RATES;

FIVE, FOR THE FIRST TIME IN YEARS, MUNICIPAL EMPLOYEES WILL BE REQUIRED TO BEAR PART OF THE COST OF THEIR PENSION CONTRIBUTIONS AND OTHER REFORMS WILL BE MADE IN THE PENSION FUNDS;

SIX, THE CITY PENSION SYSTEM IS TO PROVIDE ADDITIONAL LOANS OF UP TO 2.5 BILLION DOLLARS TO THE CITY.

ALL OF THESE STEPS -- ADDING UP TO 4 BILLION DOLLARS-- ARE PART OF AN EFFORT TO PROVIDE FINANCING AND TO BRING THE CITY'S BUDGET INTO BALANCE BY THE FISCAL YEAR STARTING JULY 1, 1977.

ONLY A FEW MONTHS AGO, WE WERE TOLD THAT ALL THESE REFORMS WERE IMPOSSIBLE AND COULD NOT BE ACCOMPLISHED BY NEW YORK ALONE. TODAY THEY ARE BEING DONE.

THIS IS A REALISTIC PROGRAM. I WANT TO COMMEND ALL THOSE INVOLVED IN NEW YORK CITY AND NEW YORK STATE FOR THEIR CONSTRUCTIVE EFFORTS TO DATE.

I HAVE BEEN CLOSELY WATCHING THEIR PROGRESS IN MEETING THEIR PROBLEM. HOWEVER, IN THE NEXT FEW MONTHS, NEW YORK CITY WILL STILL LACK ENOUGH FUNDS TO COVER ITS DAY-TO-DAY OPERATING EXPENSES.

THIS PROBLEM IS CAUSED BY THE CITY HAVING TO PAY ITS BILLS ON A DAILY BASIS THROUGHOUT THE YEAR, WHILE THE BULK OF ITS REVENUES ARE RECEIVED DURING THE SPRING. MOST CITIES ARE ABLE TO BORROW SHORT-TERM FUNDS TO COVER THESE NEEDS, TRADITIONALLY REPAYING THEM WITHIN THEIR FISCAL YEAR.

BECAUSE THE PRIVATE CREDIT MARKETS MAY REMAIN CLOSED TO THEM, REPRESENTATIVES OF NEW YORK HAVE INFORMED MY ADMINISTRATION THAT THEY HAVE ACTED IN GOOD FAITH BUT THAT THEY STILL NEED TO BORROW MONEY ON A SHORT-TERM BASIS FOR A PERIOD OF TIME EACH OF THE NEXT TWO YEARS IN ORDER TO PROVIDE ESSENTIAL SERVICES TO THE 8 MILLION AMERICANS WHO LIVE IN THE NATION'S LARGEST CITY.

THEREFORE, I HAVE DECIDED TO ASK THE CONGRESS WHEN IT RETURNS FROM RECESS FOR AUTHORITY TO PROVIDE A TEMPORARY LINE OF CREDIT TO THE STATE OF NEW YORK TO ENABLE IT TO SUPPLY SEASONAL FINANCING OF ESSENTIAL SERVICES FOR THE PEOPLE OF NEW YORK CITY.

THERE WILL BE STRINGENT CONDITIONS. FUNDS WOULD BE LOANED TO THE STATE ON A SEASONAL BASIS, NORMALLY FROM JULY THROUGH MARCH TO BE REPAID WITH INTEREST IN APRIL, MAY AND JUNE WHEN THE BULK OF ITS REVENUES COME IN.

ALL FEDERAL LOANS WOULD BE REPAID IN FULL AT THE END OF EACH YEAR. THERE WILL BE NO COST TO THE REST OF THE TAXPAYERS OF THE UNITED STATES.

THIS IS ONLY THE BEGINNING OF NEW YORK'S RECOVERY PROCESS AND NOT THE END. NEW YORK OFFICIALS MUST CONTINUE TO ACCEPT PRIMARY RESPONSIBILITY. THERE MUST BE NO MISUNDERSTANDING OF MY POSITION.

IF LOCAL PARTIES FAIL TO CARRY OUT THEIR PLAN, I AM PREPARED TO STOP EVEN THE SEASONAL FEDERAL ASSISTANCE. I AGAIN ASK THE CONGRESS PROMPTLY TO AMEND THE FEDERAL BANKRUPTCY LAWS SO THAT, IF THE NEW YORK PLAN FAILS, THERE WILL BE AN ORDERLY PROCEDURE AVAILABLE.

A FUNDAMENTAL ISSUE IS INVOLVED HERE: SOUND FISCAL MANAGEMENT IS AN IMPERATIVE OF SELF-GOVERNMENT. I TRUST WE HAVE ALL LEARNED THE HARD LESSON THAT NO INDIVIDUAL, NO FAMILY, NO BUSINESS, NO CITY, NO STATE AND NO NATION CAN GO ON INDEFINITELY SPENDING MORE MONEY THAN IT TAKES IN.

AS WE COUNT OUR THANKSGIVING BLESSINGS, WE RECALL THAT AMERICANS HAVE ALWAYS BELIEVED IN HELPING THOSE WHO HELP THEMSELVES. NEW YORK HAS FINALLY TAKEN THE TOUGH DECISIONS IT HAD TO TAKE TO HELP ITSELF. IN MAKING THE REQUIRED SACRIFICES, THE PEOPLE OF NEW YORK HAVE EARNED THE ENCOURAGEMENT OF THE REST OF THE COUNTRY.

END OF TEXT

[Nov. 26 1975?]

DRAFT STATEMENT ON NEW YORK CITY

Before we go to questions, I would like to comment briefly on recent developments in New York.

Since early this year, and particularly in the past few weeks, the leaders of New York State and of New York City have been working to overcome the financial difficulties of the City which, as a result of many years of unsound fiscal practices, unbalanced budgets and increased borrowing, threatened to bring about municipal bankruptcy of an unprecedented magnitude.

~~As you know~~, I have been steadfastly opposed to any Federal help for New York City which would permit them to avoid responsibility for managing their own affairs.

I will not allow the taxpayers of other States and cities to pay the price of New York's past political errors.

It is important to all of us that the fiscal integrity of New York City be restored and that the personal security of eight million Americans in New York City be fully assured.

It has always been my hope that the leaders of New York would, when the chips were down, face up to their responsibilities and take the tough decisions that the facts of the situation require. That is still my hope, and I must say that it is much, much closer to reality today than it was last Spring.

I have quite frankly been surprised that they have come as far as they have. I doubted that they would act unless ordered to do so by a Federal Court.

Only in the last month, after I made it clear that ~~the~~ New York ~~City~~ would have to ~~balance~~ solve its fundamental financial problems ~~budget~~ without the help of the Federal taxpayer, has there been a concerted effort ~~within New York~~ to put the finances of the City and the State on a sound basis.

They have today informed me ~~in writing~~ of the specifics of New York's self-help program. This includes:

One, additional spending cuts have been approved to reduce the cost of running the City;

Two, more than $200 million in new taxes have been voted ~~will be raised~~;

Three, payments to the City's noteholders will be postponed and interest payments will be reduced through passage of legislation by New York State;

Fourth, banks and other large institutions have agreed to ~~defer~~ wait to collect~~ion of~~ on their loans and ~~reduce~~ accept lower interest rates;

Fifth, for the first time in years, municipal employees will be required to bear part of the cost of their pension contributions and other reforms will be made in the pension funds;

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

All of these steps -- adding up to $4 billion in self-help -- are part of an effort to provide financing and to bring the City's budget into balance by the fiscal year starting ~~in~~ on July 1st 1977.

(MORE)

Only a few months ago, we were told that all these reforms were impossible and could not be accomplished by New York alone. Today they are being done.

This is a realistic program. I want to commend all those involved in New York City and New York State for their constructive efforts to date.

I have been closely watching their progress in meeting their problem. In the next few months, New York City will still lack enough funds to cover its day-to-day operating expenses. Most cities are able to borrow

Because the private credit markets may remain closed to them, representatives of New York have informed my Administration that they have acted in good faith but that they still need to borrow money on a short-term seasonal basis for a period of time each of the next two years in order to provide essential services to the eight million Americans who live in the Nation's largest city.

Therefore, I have decided to ask the Congress when it returns from recess for authority to provide a temporary line of credit to the State of New York to enable it to supply seasonal financing of essential services for the people of New York City. There will be stringent conditions. Funds would be loaned to the State on a seasonal basis, normally from July through March to be repaid with interest

when [illegible] ~~its tax~~ revenues normally come in.

in April, May and June. ~~If New York continues to act affirmatively in its own behalf, we can reasonably expect that~~ All Federal loans will be repaid in full at the end

each

~~of the next two fiscal~~ year~~s~~. There will be no cost to the rest of the taxpayers of the United States.

This is only the beginning of New York's recovery process and not the end. New York officials must continue to accept primary responsibility. There must be no misunderstanding of my position. If local parties ~~do not~~ ~~[illegible]~~ fail to

carry out NY ~~+the Federal Treasury [illegible]~~

~~abide by~~ the plan, I am prepared to stop even this seasonal

Federal assistance. I again ask the Congress promptly to amend the Federal bankruptcy laws so that, if the New York plan fails, there will be an orderly procedure available.

A fundamental issue is involved here: sound fiscal management is an imperative of self-goverment. I trust we have all learned the hard lesson that no individual, no family, no business, no city, no State and no Nation can go on indefinitely spending more money than it takes in.

As we count our Thanksgiving blessings, we recall that Americans have always believed in helping those who help themselves. New York has finally taken the tough decisions it had to take to help itself. In making the required sacrifices, the people of New York have earned the encouragement of the rest of the country.

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Office of the White House Press Secretary

THE WHITE HOUSE

NEW YORK CITY'S FISCAL SITUATION

BACKGROUND

Yesterday the New York State legislature put into place the final piece of a financial package designed to restore New York City's fiscal integrity. This action is the culmination of a series of efforts, the most important of which have occurred during the last three weeks, by the elected officials of New York State and New York City, labor unions, financial institutions and others. These efforts have set the stage for accomplishing three fundamental objectives:

- -- Financing the past deficits of New York City without resort to Federal aid.
- -- Financing the anticipated deficits of New York City during the next two years without resort to Federal aid.
- -- Accelerating the period within which New York City's budget will be brought into balance.

The accomplishment of these objectives will insure that over the course of any New York City fiscal year, the City will have adequate funds to meet all of its financial obligations, a result many thought impossible a few weeks ago. Within any fiscal year, however, New York City will have deficits in some months and surpluses in others. According to information furnished by New York City, for the balance of the current fiscal year, the City will run a deficit of $141 million in December; $324 million in January; $310 million in February; and $500 million in March. In April, May and June, however, it will run monthly surpluses of $334 million, $345 million and $596 million, respectively, leaving receipts and expenditures in balance for the fiscal year.

Historically, the seasonal imbalance between a city's receipts and expenditures is usually financed by borrowing in private markets. Under current conditions, including the substantial existing commitments of the private financial sector in respect of New York City and State and the uncertainties which have prevailed over the recent past, private market financing for New York City's seasonal imbalance is not available at this time.

Because seasonal financing is necessary to provide essential services to the people of New York City, the President will fulfill his pledge to insure the continuation of such services by transmitting to Congress the New York City Seasonal Financing Act of 1975.

more

SUMMARY OF THE NEW YORK CITY SEASONAL FINANCING ACT OF 1975

The Act provides for Federal short term loans to the City or any agency authorized by the State to act for the City, in an aggregate outstanding amount not to exceed $2.3 billion. Such loans will have a maturity date not later than the last day of the fiscal year of the City in which the loan was issued.

According to New York City, the anticipated amount of such Federal seasonal assistance required is $1.3 billion in fiscal 1976 and $2.1 billion in each of the following two fiscal years.

Loans by the Federal Government will bear interest at a rate 1% higher than the Treasury borrowing rate. No loan will be provided unless all matured loans have been repaid in accordance with their terms and there is compliance with the terms of any such outstanding loans.

A loan may be made only if the Secretary determines that there is a reasonable prospect of repayment. Loans will bear such terms and conditions as may be established by the Secretary of the Treasury to insure repayment of such obligations in accordance with their terms. The Secretary may require such security as he deems appropriate. To offset any claim that the United States may have against New York City under the Act, the Secretary will be authorized to withhold any payments from the United States to the City, either directly or through the State, which may be due under any law.

The authority of the Secretary to make new loans will terminate on June 30, 1978.

ACTIONS BY NEW YORK CITY AND NEW YORK STATE

Governor Carey and Mayor Beame have informed Administration officials that the actions listed below are being implemented. New York State and City officials are delivering documentation verifying such actions for the Administration to review.

The following actions are designed to insure a balanced city budget by June 30, 1978:

a. The three-year Emergency Financial Control Board (EFCB) plan will produce a modest surplus in the City's expense budget by fiscal year 1977-78.

b. The State Legislature has voted over $200 million of additional City taxes which will be imposed by the EFCB.

c. A portion of annual City contributions to the pension systems has been shifted to the employees by legislation. On an annual basis, the savings to the City would be $85 million and the impact on the employees would be $107 million per annum.

d. The City has laid off about 22,000 employees since January 1 and increased taxes over $300 million this past summer. Additional personnel reductions of over 40,000 employees are contemplated in fiscal years 1977-1978.

e. A partial wage deferral was imposed this fall.

f. The City has reduced its subsidy to the City University by $32 million.

g. The New York City transit fare has been increased from 35¢ to 50¢.

The following actions are designed to enable New York City to meet its financing requirements:

a. Moratorium legislation has been enacted with respect to $2.6 billion of City short-term notes.

b. An exchange offer has been approved by the MAC Board for an exchange of 10-year 8% MAC bonds for the $1.6 billion of City notes held by the public.

c. The New York banks and pension systems have agreed to take 10-year 6% City securities as part of the moratorium in exchange for $1 billion of City notes.

d. The New York banks and pension systems have agreed to take 10-year 6% MAC bonds in exchange for $1.7 billion of MAC bonds bearing higher interest rates and/or shorter maturities.

e. New York City pension systems have agreed to purchase $2.5 billion of new MAC and/or City securities over the next three years. This commitment is subject to appropriate trustee indemnification.

f. MAC has provided about $3.5 billion of financing to the City, of which $1.5 billion is refinancing of short-term debt.

The City and State have implemented the following management changes:

a. Creation of MAC and EFCB control mechanisms.

b. Extensive management changes are being made in the City, including a new Deputy Mayor for Finance and a new Chief of Planning.

The following proposals have been made to reform the New York City pension program:

a. The EFCB has passed a resolution directing the City to terminate the practice of using, for budgetary purposes, all income of the pension systems in excess of 4% per annum. In the year beginning July 1, 1976, this will result in approximately $136 million per annum of additional income to the pension systems and a commensurate increase in the City's expenses. The EFCB has also directed the City management to take action and report back within 30 days with respect to termination of the practices resulting in the abuse of overtime in the last year of employment, thereby creating excessive pension burdens on the City.

b. Governor Carey has directed Mr. Richard Shinn, President of the Metropolitan Life Insurance Company, to report to the EFCB by December 31 on the actuarial soundness of the City pension funds. The EFCB has directed the City to prepare and submit to the Control Board such legislative requests and other amendments as may be necessary as a result of the Shinn study to put the funds on a sound actuarial basis and to have those recommendations to the Control Board no later than January 31, 1976.

SUMMARY OF STATE FINANCIAL PLAN TO ELIMINATE CASH DEFICIT FOR PERIOD DECEMBER 1, 1975 THROUGH JUNE 30, 1976

Estimated cash deficit as of 10/29/75*/	$ 3.95	Billion
Less effect of Carey plan to reduce deficit		
-- New city taxes	$ 100	Million
-- State advance	$ 800	Million
-- Debt moratorium, exchange offer, & restructuring	$2450	Million
-- Employee contribution to pension funds	$ 50	Million
-- Pension fund loans to New York City	$ 550	Million
Current estimate of cash deficit	0	

*Estimate of New York City, New York State, and congressional committees.

NEW YORK CITY SEASONAL CASH FLOW NEEDS

New York City has estimated its seasonal cash flow needs as follows:

Cumulative Needs
(dollars in millions)

	FY 1975-76	FY 1976-77	FY 1977-78
July	--	$1100	$1041
August	--	1462	1413
September	--	1197	1237
October	--	1585	1293
November	--	1614	1325
December	$141	2063	1670
January	465	2062	1697
February	775	2017	1645
March	1275 peak	2120 peak	1994 peak
April	941	1528	1369
May	596	1103	996
June	0	0	0

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Office of the Press Secretary

THE WHITE HOUSE

NEW YORK CITY'S FISCAL SITUATION

BACKGROUND

Yesterday the New York State legislature put into place the final piece of a financial package designed to restore New York City's fiscal integrity. This action is the culmination of a series of efforts, the most important of which have occurred during the last three weeks, by the elected officials of New York State and New York City, labor unions, financial institutions and others. These efforts have set the stage for accomplishing three fundamental objectives:

-- Financing the past deficits of New York City without resort to Federal aid.

-- Financing the anticipated deficits of New York City during the next two years without resort to Federal aid.

-- Accelerating the period within which New York City's budget will be brought into balance.

The accomplishment of these objectives will insure that over the course of any New York City fiscal year, the City will have adequate funds to meet all of its financial obligations, a result many thought impossible a few weeks ago. Within any fiscal year, however, New York City will have deficits in some months and surpluses in others. According to information furnished by New York City, for the balance of the current fiscal year, the City will run a deficit of $141 million in December; $324 million in January; $310 million in February; and $500 million in March. In the April through June period, however, it will run monthly surpluses of $334 million, $345 million and $596 million, respectively, leaving receipts and expenditures in balance for the fiscal year.

Historically, the imbalance between the City's receipts and expenditures has been financed by borrowing in the private markets. Under current conditions, including the substantial existing commitments of the private financial sector in respect of New York City and State and the uncertainties which have prevailed over the recent past, private market financing for the City's seasonal imbalance is not available at this time.

Because seasonal financing is necessary to provide essential services to the people of New York City, the President will fulfill his pledge to insure the continuation of such services by transmitting to Congress the New York City Seasonal Financing Act of 1975.

The Act authorizes Federal loans to New York City and guarantees of City obligations solely to assure meeting seasonal financing needs. According to New York City, the anticipated amount of such Federal seasonal assistance required is $1.3 billion in fiscal 1976 and $2.1 billion in each of the following two fiscal years. Federal loans or guarantees can not be made unless all matured obligations covered by the Act have been repaid. In addition, the Secretary of the Treasury is authorized to impose such conditions and obtain such security as he deems appropriate to insure repayment by the City of its obligations under the Act with respect to any Federal assistance.

ACTIONS BY NEW YORK CITY AND NEW YORK STATE

Governor Carey and Mayor Beame have informed Administration officials that the actions listed below are being implemented. New York State and City officials are delivering documentation verifying such actions for the Administration to review.

Balancing Budget

a. Three-year Emergency Financial Control Board (EFCB) plan to bring expense budget into modest surplus by fiscal year 1977-78.

b. Over $200 million of City taxes have been voted by the State legislature and will be imposed by EFCB.

c. A portion of annual City contributions to the pension systems has been shifted to the employees by legislation. On an annual basis, the savings to the City would be $85 million and the impact on the employees is $107 million per annum.

22,000
40,000

d. Layoffs of about 22,000 people since January 1 and increased taxes of over $300 million this past summer. Additional reduction in personnel in fiscal years 1977-1978 of over 40,000 employees.

e. A partial wage deferral was imposed this fall.

f. $32 million reduction in City University subsidy.

g. Increase in the transit fare from 35¢ to 50¢.

Meeting Financing Requirements

a. Moratorium legislation has been enacted with respect to $2.6 billion of City short-term notes.

b. An exchange offer has been approved by the MAC Board for an exchange of 10-year 8% MAC bonds for the $1.6 billion of City notes held by the public.

c. The New York banks and pension systems have agreed to take 10-year 6% City securities as part of the moratorium in exchange for $1 billion of City notes.

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e. New York City pension systems have agreed to purchase $2.5 billion of new MAC and/or City securities over the next three years. This commitment is subject to appropriate trustee indemnification.

f. MAC has provided about $3.5 billion of financing to the City, of which $1.5 billion was refinancing of short-term debt.

<u>Management Changes</u>

a. Creation of MAC and EFCB control mechanism.

b. Extensive management changes are being made in the City, including a new Deputy Mayor for Finance and new Chief of Planning.

<u>Pension Reform</u>

a. The EFCB has passed a resolution directing the City to terminate the practice of using, for budgetary purposes, all income of the pension systems in excess of 4% per annum. This will result in the first year, beginning July 1, 1976, in approximately $136 million per annum of additional income to the pension systems and of additional burden to the City's budget. The EFCB has also directed the City management to take action and report back within 30 days with respect to termination of the practices resulting in the abuse of overtime in the last year of employment, thereby creating excessive pension burdens on the City.

b. Governor Carey has directed Mr. Richard Shinn, President of the Metropolitan Life Insurance Company, to report to the EFCB by December 31 on the actuarial soundness of the City pension funds. The EFCB has directed the City to prepare and submit to the Control Board such legislative requests and other amendments as may be necessary as a result of the Shinn study to put the funds on a sound actuarial basis and to have those recommendations to the Control Board no later than January 31, 1976.

NEW YORK CITY SEASONAL CASH FLOW NEEDS

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February	775	2017	1645
March	1275 peak	2120 peak	1994 peak
April	941	1528	1369
May	596	1103	996
June	0	0	0

SUMMARY OF NEW YORK CITY SEASONAL FINANCING ACT OF 1975

The Act provides for Federal loans and guarantees of New York City obligations in an aggregate outstanding amount not to exceed $2.3 billion. Such loans and guaranteed obligations will have a maturity date not later than the last day of the fiscal year of the City in which the loan or guarantee was issued.

Loans by the Federal Government will bear interest at a rate established by the Secretary of the Treasury and the Federal Government may charge a fee of up to 1 percent of the principal amount of guaranteed obligations. The interest on any guaranteed obligations will be taxable under the Internal Revenue Code of 1954.

No loan or guarantee will be provided unless all matured loans and obligations guaranteed under the Act have been repaid by the City in accordance with their terms and the City is in compliance with the terms of any such outstanding loans and guaranteed obligations.

A loan or guarantee may be made only if the Secretary determines that there is a reasonable prospect of repayment by the City. Loans or guarantees will have such terms and conditions as may be established by the Secretary of the Treasury to insure repayment by the City of such obligations in accordance with these terms. The Secretary may require such security as he deems appropriate. To offset any claim that the United States may have against New York City under the Act, the Secretary will be authorized to withhold any payments from the United States to the City, either directly or through the State, which may be due under any law.

The authority of the Secretary to make new loans or guarantees will terminate on June 30, 1978.

SECTION BY SECTION ANALYSIS OF NEW YORK CITY SEASONAL FINANCING ACT OF 1975

SECTION 1. Definitions. This section defines certain terms that are used in the bill.

SECTION 2. Loans. This section authorizes the Secretary of the Treasury to make loans to New York City, subject to the provisions of the Act. Loans will mature no later than the last day of the City's fiscal year in which they were issued and will bear interest at a rate determined by the Secretary.

SECTION 3. Guarantees. This section authorizes the Secretary of the Treasury to guarantee the payment of principal and interest of obligations issued by New York City, subject to the provisions of the Act. Each guaranteed obligation will mature not later than the last day of the fiscal year of the City in which the obligation was issued and the Federal Government may collect a guarantee fee of up to 1 percent of the principal amount guaranteed. In the event of a default by the City in paying a guaranteed obligation, the Federal Government will pay to the holder of such obligation the unpaid principal amount plus interest and will then have a claim against the City for such payment.

SECTION 4. <u>Security for Loans or Guarantees.</u> In connection with any loan or guarantee, the Secretary may require the City and, where necessary, the State, to provide such security for the timely satisfaction of the City's obligations under the Act as he deems appropriate. The Secretary may take such action as may be necessary to realize upon any collateral to enforce any claim the United States may have against the City. Notwithstanding any other provision of law, the Secretary may withhold any payments owing under any law from the United States to the City, either directly or through New York State, and offset such withheld payments against any claim the United States may have under the Act.

SECTION 5. <u>Limitations and Criteria.</u> A loan or guarantee may be made only if the Secretary determines that there is a reasonable prospect of repayment by the City. Loans or guarantees will have such terms and conditions as may be established by the Secretary to insure repayment. At no time may the outstanding loans under section 2 plus the guarantees provided under section 3 exceed in the aggregate $2.3 billion. No loan or guarantee will be provided under the Act unless the City has repaid in accordance with their terms all loans made and obligations guaranteed under the Act which have matured and unless the City is in compliance with the terms of any such outstanding loans and guaranteed obligations.

SECTION 6. Remedies. This section provides that the remedies prescribed in the Act are cumulative and not limitations of or substitutions for any other remedies available to the Secretary or to the United States.

SECTION 7. Funding. This section provides that the Secretary of the Treasury may use the proceeds from the sale of securities under the Second Liberty Bond Act to make any loans under section 2 or any payments to the holder of a guaranteed obligation under section 3.

SECTION 8. Guaranteed Obligations Taxable. This section provides that the interest on any obligations of New York City guaranteed under the Act will be taxable under the Internal Revenue Code of 1954.

SECTION 9. <u>Termination of Authority</u>. The authority of the Secretary of the Treasury to enter into any new loans or guarantees under the Act will terminate on June 30, 1978. Such termination does not affect the carrying out of any loan, guarantee, contract or other obligation entered into pursuant to the Act prior to that date or the taking of any action to preserve or protect the interests of the United States thereunder.

QUESTIONS AND ANSWERS

Q: How much will the President's proposal cost the Federal Government?

A: If New York City carries out its obligations there will be no direct outlays of taxpayers' dollars. Indeed, the Federal Government will receive interest on any loans to the City and may charge a guarantee fee for any City obligations guaranteed. However, it is fair to say that there may be costs involved. Precisely how much depends on a variety of factors. Of course, if the City fails to repay a loan or if the Federal Government is required to make good on a guaranteed obligation, the cost--at least until final repayment is made--could be substantial. So far as any indirect costs are concerned, if the City does comply with the terms of any loans or loan guarantees, such costs will depend on the market's reaction to the expansion of Federal credit involved. Overall Federal borrowing costs could rise slightly, although such increases, if any, would probably be dwarfed by other factors such as the money supply, behavior of key economic indicators and similar factors. Moreover, whatever costs may be incurred will be substantially less than under the bailout legislation now pending in Congress.

11/25/75

Q: What do you mean by seasonal financing? Isn't it just another word for deficit financing?

A: Absolutely not. Seasonal financing is an accepted way of life in the business world. For example, when a toy store purchases its Christmas inventories in July, management borrows money to finance the purchase and repays the loan with the proceeds of the later sales. That is seasonal financing. Virtually every corporation, large or small, relies on seasonal financing in the form of a bank line of credit, sale of commercial paper or short term notes and the like.

This is precisely the type of financing contemplated in the President's bill. Under the proposal, New York City <u>must</u> pay off this winter's loans by June 30, 1976, the end of its fiscal year, or it will lose all future rights to assistance under the program.

11/25/75

Q: Why has the President changed his position and finally agreed to bail out New York City?

A: There has been no change in the President's position. The President has always believed that the elected officials in New York City and New York State could not be relieved of the obligation to make the tough, but necessary decisions regarding expenditure cuts, revenue increases and other measures. The President has always believed that the taxpayers of America should not be asked to finance the past and future deficits of New York City. And the President has always believed that the American people should not provide the funds to insure that investors who purchased New York City securities at speculative rates of interest get paid off at maturity, with interest, at 100 cents on the dollar.

In light of the actions which have recently been taken in New York City and New York State, these demands on the American people are no longer being made. The fundamental problems are being solved as the President hoped they would be--at the State and local level.

The bridge to fiscal integrity has been built in New York City. All the President's proposals would do is pave the roadway--insuring that, in the interim period, funds to finance essential services for the citizens of New York City will be available.

11/25/75

Q: Explain specifically how assistance would be provided under the President's bill.

A: If the proposal is enacted, the Secretary of the Treasury will establish procedures for the implementation of the legislation. Such procedures will include specification of conditions under which assistance will be granted, application mechanisms and similar formalities to insure repayment by New York City of its obligations. Whether assistance will be provided in the form of loans or loan guarantees will be determined by the Secretary of the Treasury, taking into account market conditions, availability of funds in the credit system and similar factors. While not required by the proposal, it is likely that assistance will be provided on a monthly, or even bi-weekly basis, to minimize the adverse impact of large expansions of Federal credit.

11/25/75

November 28, 1975

MR. PRESIDENT:

As you requested, here is the break-down of the mail, telegram, and telephone comment from the public on your New York City announcement as of 10:00 a.m. this morning:

IN FAVOR------------------36

AGAINST-------------------106

MISCELLANEOUS COMMENT ---2

As you see, the public reaction is extremely light, in fact, too light to really judge public reaction.

I am also attaching a few clippings representing the first reactions in editorials and columns.

RON NESSEN

Attachments

RN/pp

NEW YORK DAILY NEWS
November 27, 1975

Who Saved the City in the End? Pal Jerry, of Course

By JAMES WIEGHART

Washington, Nov. 26—A Hollywood screenwriter couldn't have done better.

It's Thanksgiving eve and the chill winds of coming winter's first cold snap sweep across Gotham. Eight million New Yorkers shiver in fear and uncertainty over whether their once-proud city will survive the numbing pressures of mounting indebtedness or collapse under the crushing weight into default.

Suddenly, their rich but up to now tight-fisted and stern uncle arrives on the scene with bags of federal treasure.

President Gerald Rudolph Ford, once perceived as the moustachioed villain of the New York financial crisis melodrama, has become the hero.

Presumably, we can now go back to basting the turkey, preparing the cranberry sauce and pumpkin pies, and stocking up on our favorite antacids so we can enjoy an afternoon of televised football in comfort.

It is, to coin a phrase, a heartwarming story, a veritable Thanksgiving carol. Perhaps it is not up to Dickens' standard, but it is first-rate for Bob Hartmann, Ford's finest speech-writer.

In the eyes of Hartmann and others in the Ford White House, the President handled the New York fiscal crisis in superb fashion, adopting a strong "no federal bail-out" position in the early phase to force the city and state to take the politically difficult actions necessary to put their fiscal houses in order and to demand the necessary sacrifices from those with a stake in the outcome — the unions, municipal employes, banks, creditors and taxpayers of New York.

Then, and only then, did Ford relent and give his support to federal assistance — not a "bail-out" mind you, merely loans which must all be repaid, with interest, of course. To have moved earlier, the

CAPITOL STUFF

President's men argue, would have taken off the pressure to accomplish the reforms that are contained in Gov. Carey's sweeping $6.6 billion austerity plan.

The only hero in Hartmann's scenario is Ford and the villains are clearly Carey and Mayor Beame and the unnamed officials who preceded them in their jobs, who supposedly grossly mismanaged the city and state operations and engaged in profligate spending.

As fiction, this isn't bad. It simply isn't true. While Ford has been traveling across the country and even abroad over the past several months blasting the city and opposing any federal "bail-out," Beame has been cutting city payrolls and reducing services and Carey has been leaning on the state Legislature, municipal employe unions and banks to put together his austerity plan to stave off default.

Attacking the city for fiscal mismanagement and making it an object of contempt for providing social services that are not available in Grand Rapids as Ford did on his barnstorming tours — did not make Beame's or Carey's jobs any easier.

But New York officials, particularly Carey, perservered and in the end succeeded in reversing the national anti-New York tide that Ford's public speaking tour helped to create.

It was this political turnabout and the quiet, behind-the scenes work on New York's behalf by Treasury Secretary William E. Simon, Federal Reserve Board Chairman Arthur F. Burns and White House economic coordinator L. William Seidman, that eventually brought Ford around.

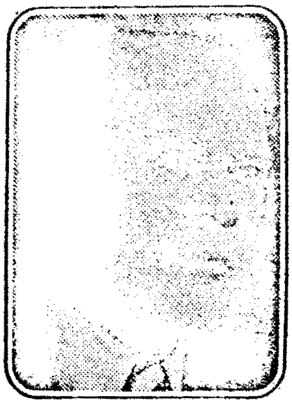
But this is not to say that Ford does not deserve credit for pulling New York back from the brink of bankruptcy. The pressure he applied, whatever his intial motives, forced both the city and state to take long overdue belt-tightening measures.

Ford also deserves praise for having the guts to reverse his original stand agains federal assistance even though the reversal could cost him politically among Republican Party conservatives..

DAILY NEWS (New York), November 28, 1975

IN THE NICK OF TIME

President Gerald Ford's announcement that he is now prepared to support federal participation in the program to save New York City from bankruptcy has put the finishing touch on an immensely complex salvage operation.


President Ford

The presidential commitment is limited to $2.3 billion in short-term back-up aid over the next three years—the period it is calculated will be necessary to clean up the municipal fiscal mess.

City and state officials no doubt had hoped for more substantial assistance, as well as for an earlier commitment from Mr. Ford. But let's not quibble over details now.

Whatever the chief executive did or failed to do in the past, the fact is that he came over to our side in time to help snatch New York back from the brink of default.

While dispensing kudos and thanks, a special word of praise is due Gov. Hugh Carey, the real hero of this melodrama. Carey and the Municipal Assistance Corp. stitched together the complicated refinancing scheme that was crucial to the deal.

And when it looked as though the State Legislature would upset the apple cart by balking at a $200 million package of new city taxes, it was the governor who stuck out his political neck to win the lawmakers over.

Those higher levies will cause immediate pain to local taxpayers, and are almost certain to inflict long-range injury on the city's economy. If at all possible, city officials should cut costs by an equivalent amount and try to get rid of this added burden.

Meanwhile, one loose end remains to be tied up—action by Congress on an aid bill that meets Mr. Ford's terms and conditions. Let's hope there will be no delay.

THE NEW YORK TIMES
11/27/75

Deliverance?...

After agonizing months of bouncing from crisis to deeper crisis, New Yorkers on this Thanksgiving Day can breathe more easily—but not much more.

President Ford's belated, grudging support last night for limited Federal aid removes the last major obstacle to a complex three-year financing scheme designed to save New York from bankruptcy while the city works its way back to self-sufficient solvency.

Deliverance, however, is by no means completely assured. As recently as Tuesday, Governor Carey warned that the city still might not be able to meet a payroll next week if funds from the new plan were not quickly forthcoming. Availability of those funds appears to hinge on prompt action by the State Legislature on promises the Governor has made to bankers and to trustees of union pension funds. And, of course, Congress must still endorse the President's new aid proposal on which the whole fragile rescue package ultimately hinges.

Even if these final conditions are expeditiously met, this crippled city faces a long uphill fight for survival, a struggle made more difficult by the harsh terms for assistance that have been imposed by the White House. Indeed, it is doubtful whether there is much hope for this or any other large metropolitan center unless the Ford Administration begins to recognize and respond to the larger urban crisis of which New York's troubles are only an ominous symptom.

...and Deliverers

Nevertheless, New Yorkers have reason to be thankful for the extraordinary progress that has been achieved in just a few short months toward awakening Washington, even in a limited way, to its responsibilities and toward reforming municipal administrative and fiscal practices. This city and state owe a tremendous debt of gratitude to hundreds of public officials, civil servants and private citizens—many of them unknown and unsung—who have labored with extraordinary skill and dedication to stave off the disaster of bankruptcy.

It would be impossible to name them all, but from the Governor on down to City Hall secretaries who worked cheerfully through sleepless nights and endless weekends, they deserve a heartfelt "well done." The performance under stress of so many talented and devoted New Yorkers offers the best possible assurance that New York, city and state, can weather the storms that still lie ahead.

THE WASHINGTON STAR (November 28, 1975)

Helping hand for New York

Call it what you will — bailout, a helping hand, a business transaction — the "New York Seasonal Financing Act of 1975" outlined by President Ford Wednesday night recognizes a fundamental fact: the United States government does have a legitimate concern about what happens to a city of eight million people.

No doubt arguments will be heard long into the 1976 presidential campaign season about whether Mr. Ford knuckled under to pressure from New York politicians and congressional leaders, whether he intended to help out all along and cleverly manuevered the city and state into getting its fiscal house in better order beforehand, whether he acted simply out of political considerations because he believed it would damage his election chances not to, or whether he felt that the possible national financial repercussions from allowing New York City to go into bankruptcy were too risky to chance.

Whatever the reasons, it was no easy decision, and the political consequences of it are unknown. We doubt that Mr. Ford will benefit much politically from it; he may even be hurt. Credibility and decisiveness were hardly enhanced by his move from hard line to softer and by the conflicting signals that came from the White House before the Wednesday announcement. And the decision to help the city may contribute to a stiffening of resistance to his nomination from the Republican right wing, where the feeling of many was to let New York stew in its own juice.

Yet, we believe that most citizens will view Mr. Ford's decision as the right one, and in the long run the politics of it may balance out. In any event, the nation's largest city now has a fighting chance to get its finances back on an even keel.

Mr. Ford undoubtedly is correct in saying that his hard stand over the past several months against bailing out the city forced state and city officials to enact some tough self-help measures. Had the administration simply opened the doors of the national treasury at the first cry for help, New York City still would be going on its merry spending way. New tax programs and spending cutbacks are evidence that New York officials recognize that getting the budget into balance is the first priority.

Other cities that might regard the Ford proposal as a gravy train ought to look closely at what's being offered before they try to climb aboard. Any city in financial trouble is going to have to look first to its own financial resources and adopt stringent spending restrictions. Secondly, the assistance being offered New York is no gift; it is in the form of loans carrying stiff repayment provisions and relatively high interest.

Even with the federal loan program, New York City will not be over the hump. Officials believe that the loans will enable the city to stave off formal bankruptcy but that is not certain.

Now is not the time to argue about the politics of what has been done but to get on, as Governor Hugh Carey said, with the "work of rebuilding and restoring confidence in New York City, of insuring New York's place in this nation." In doing that the nation, as well as New York City, will be the beneficiary.

THE WASHINGTON POST (November 28, 1975)

Joseph Kraft

Rhetoric and Compromises

Far more than most of us, President Ford is given to sounding sillier than he is. He is used, as a former Minority Leader in the House, to striking far-out rhetorical positions.

He is also used to coming off those positions in order to reach compromises that make a true impact on events. Probably the thing to be most thankful for in Washington this year is that the President is following that familiar pattern of dark rhetoric and eventual compromise in the most important economic issues now up for decision—the energy bill, the tax cut and the New York problem.

In the energy field, Mr. Ford started the year insisting that the United States reduce consumption of petroleum products by one million barrels per day—a figure dreamed up by Secretary Kissinger to impress foreign countries but without any rational basis in the American economy. The administration's preferred mode of reduction was to raise prices so that the poorest Americans would be forced to cut down their consumption of gasoline and fuel.

The Democrats in the Congress took the position that energy policy should be rooted in the domestic economy, not promises to foreign governments. They argued that a serious cutback in consumption would deepen recession in the early part of the year and delay recovery in the second half of 1975. They also wanted a gradual decontrol of oil prices so that a sudden rise would not worsen inflationary pressures. And instead of relying entirely on high prices to cut consumption, they wanted mandatory regulation forcing less use of petroleum in the new cars and by industry.

The battle was fought hard and long. Now, however, a compromise is finally emerging.

All prices will become subject to control—some at a lower level than presently. Decontrol will take place but only gradually. While there is no chance of meeting the million-barrel-per-day consumption cut, neither is the energy bill going to clobber the American economy.

With respect to taxes, the Democrats last year passed a $12 billion cut in personal income taxes—a cut which is helping to sustain the present recovery. This year, to keep the recovery moving, they have proposed a similar cut beginning in January 1977.

Mr. Ford, in a dramatic bid to outdo them, came up with a plan for a $28 billion tax cut, to begin this year, provided it was tied to a $28 billion cut in government spending to begin with the new fiscal year, in July 1977. He claimed that that way the economy would be stimulated, and government expenses cut to curb inflation.

The Democrats argued back that the $28 billion cut in one year would almost certainly harm the old, the poor, the sick and those most in need of help from government programs. They claimed, rightly again, that a continuation of last year's tax cut would probably be sufficiently strong to sustain recovery.

The compromise now emerging from the Congress provides for a continuation of income tax cuts at last year's level. There will be no firm commitment to an exactly equivalent drop in government expenditures. But the Democrats will probably recognize the need to put an eventual ceiling on expenditures. Presdident Ford, confronted with the danger that no tax cut would diminish demand and thus hurt the recovery, will almost certainly have to sign the Democratic bill.

As to New York, the President had insisted that any federal aid be preceded by a recomposition of the debt owed to city banks, new taxes raised by the city and state, and contributions from union pension funds. At one point he even demanded that New York put itself into bankruptcy before becoming a candidate for any federal help.

But Mr. Ford has now come off the bankruptcy-first kick. It looks as though all four elements of the package will be brought together in time to prevent any financial debacle in the city.

This record to be sure is far from perfect. The country does not have a plan for mobilizing its energy resources on a crash basis. It lacks a program for getting a good long-term grip on public spending at the national level. The odds are that, even if New York is saved financially, its incredibly poor management will put the city back in the soup again.

But the worst has clearly been avoided. Government policy, the favorite whipping boy for practically everybody these days, has helped the country emerge from a truly dangerous recession. And that is something for which all Americans can be thankful.