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THE WHITE HOUSE WASHINGTON

Nov. 6, 1976

Trudy,

The President said this came from the Vice President. Pls. file.

Dorothy

SUMMARY

- 1. City Health and Hospitals Corporation crisis deepens.
- 2. Prospective Federal Aid to give impetus to new construction.
- 3. City police problems far from settled.
- 4. State Senator points out adverse effect on most Upstate Counties of State assumption of local welfare costs.
- 5. Municipal Assistance Corporation (MAC) Bond sale moving slowly.
- 6. Coalition of Northeast Governors (CONEG) to meet at Saratoga, November 13-14.

1. City Health and Hospitals Corporation Crisis Deepens

- A. Last week's report stated that the City's Health and Hospital problems were approaching a crisis stage; unquestionably they have now arrived.
- B. In an attempt to stave off deficits of \$35 million or more in 1976-77 and as much as \$100 million in 1977-78, the Health and Hospitals Corporation admitted that it was attempting to fill every available bed with Medicaid patients because this would maximize the State and Federal aid for which the Corporation would be eligible.
- C. The Corporation estimated that this would produce about \$7.5 million per year of State and Federal funds.
- D. State and Federal officials promptly put the Corporation on notice that no reimbursement would be approved for any "inappropriate" admission.
- E. Dr. Holloman, the President of the Corporation, said it had no plans for admitting any patients who did not need hospital care.
- F. A forthcoming report of a City Task Force is expected to be highly critical of the Corporation, calling its leadership and its bureaucracy an "unmitigated disaster" according to Morrell Goldberg, the Chairman of the Task Force.
- In all probability, the announced intention of the Comment. Corporation to fill all vacant beds was intended to refer only to those Medicaid patients requiring hospital care with the hope that vacant beds could be filled by patients who would be diverted from private, voluntary hospitals that have the reputation of providing higher quality care than the City hospitals and which also qualify for higher State and Federal reimbursement rates. A basic but unpublicized problem relates to the two hospital employee unions who are involved in the City hospitals and in the private non-profit general hospitals. Victor Gotbaum's District Council 37 of the American Federation of State, County and Municipal Employees represents the City hospital employees while Leon Davis's Local 1199 of the Hospital and Health Care Employees Union represents the employees of the private institutions. The Gotbaum people believe that the layoff of about 7,000 of the Corporation's 43,000 employees and the closing of four City hospitals has forced his Union to bear a disproportionate share of the retrenchment burden.

2. Prospective Federal Aid to Give Impetus to New Construction

- A. The City has prepared a list of 119 construction projects costing \$250 million which could qualify under the Federal Public Works Employment Act; approval is expected of at least \$100 million of these.
- B. In addition, Governor Carey has submitted a list of 123 State projects costing \$172 million, many of which are located in New York City.
- C. The combined effect of the two programs could be to create 5,000 or more construction jobs in the City by March 1977.
- D. In a separate action, the urban Mass Transportation Administration announced the allocation of \$90 million for transit projects in the New York City area.
- E. The \$90 million will be used principally for subway rehabilitation, commuter rail improvements and suburban bus purchases.

3. City Police Problems Far From Settled

- A. Prospects are dim for approval of the mediator's compromise solution to the police officers work schedule and pay dispute. Dean Sovern of Columbia University Law School, the mediator, had proposed an eminently fair settlement.
- B. The vote of the delegate body may well be to refer the proposal to a ballot by all 18,000 police officers but this vote may well be unfavorable.
- C. Because of intense leadership rivalry within the police union -- the Police Benevolent Association -- the compromise may go down to defeat because the present president who helped the mediator work out the present agreement is being challenged by an insurgent leader who heads a major faction within the organization and who is opposed to the compromise.
- D. To add to the City's police problems, an Assistant Chief Inspector of Police for the Bronx, Anthony Bouza, has publicly proposed a 10 per cent cut in the number of police officers.
- E. Other disinterested observers are also of the opinion that a significant cut could be made in the force with no cut in service provided every man was used as efficiently as he could be
- F. Bouza's outspoken statements are not expected to adversely affect his position because although he is known as a maverick, he is also highly respected as a police officer and administrator.

- 4. State Senator Points Out Adverse Effect on Most Upstate Counties of State Assumption of Local Welfare Costs
 - A. State Senator William Smith, Chairman of State Temporary Commission to Revise the Social Services Law, pointed out recently that while the people of New York City would "save" from \$500 million to \$600 million if the State took over all local welfare costs and financed the cost from an increased sales tax or an increased personal income tax, the people in 53 of the 57 counties outside New York City would pay more of the welfare burden.
 - B. At 1976 levels of expenditure, people in Nassau County, for example, would pay \$151 million more under the plan if the cost were financed from an increased State personal income tax, Westchester would pay \$91 million more, and Suffolk would pay \$47 million more.
 - C. These figures reflect the fact that New York City has a disproportionate share of the total welfare load.
 - D. Comment. Smith's figures represent calculations which cannot be challenged. He has not considered all of the options, however Even though property tax relief is one of his objectives, there is nothing to prevent the State from paying at least part of the new welfare cost from a State real property tax or from one or more other taxes that might distribute the tax burden differently. Also, no mention was made of a phased-in conversion period to ease whatever adjustment the proposal might entail.
- 5. Municipal Assistance Corporation (MAC) Bond Sale Moving Slowly
 - A. MAC is selling \$250 million of bonds at about 10.5 per cent to repay an advance of this amount by the State of New York.
 - B. The plan is to sell \$140 million to banks and other large investors and \$110 million to individual buyers.
 - C. Comment. Despite published reports to the contrary the bonds are selling reasonably well and completion of the sale is expecte later this week. Sale of these bonds will bring MAC's outstandin bonded debt to \$3.7 billion.
- 6. Coalition of Northeast Governors (CONEG) to Meet at Saratoga,
 November 13-14
 - A. The coalition of Northeast Governors is scheduled to meet at Saratoga November 13-14 to consider a program to rehabilitate the economy of the Northeast through mobilizing "political clout"
 - B. In attendance are expected to be the seven Democratic governors and about "100 other officials".