The original documents are located in Box 5, folder "New York City, November 9-19, 1975" of the White House Special Files Unit Files at the Gerald R. Ford Presidential Library.

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Jim

I plan to keep these

with the New York papers.

Trudy

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[11/12/75]

THE PRESIDENT HAS SEEN....

RESPONSE TO THE MAC PLAN FOR NEW YORK CITY

OPTIONS

Option 1

Reaffirm the position outlined in your National Press Club speech: "I am prepared to veto any bill that has as its purpose a Federal bailout of New York City to prevent a default. I am fundamentally opposed to this so-called solution, and I will tell you why. Basically, it is a mirage. By giving a Federal guarantee we would be reducing rather than increasing the prospects that the City's budget will ever be balanced. New York City's officials have proved in the past that they will not face up to the City's massive network of pressure groups as long as any other alternative is available. If they can scare the whole country into providing that alternative now, why shouldn't they be confident they can scare us again into providing it three years from now? In short, it encourages the continuation of 'politics as usual' in New York -- which is precisely not the way to solve the problem.

Indicate that there will be no pre-default Federal assistance.

Option 2

Indicate that you believe that the plan is on the "right track" and request that the plan be finalized and be signed by all the interested New York parties, without providing any indication of what Federal action, if any, might be taken.

Option 3

Same as Option 2 but indicate that the plan, if implemented, would not involve a Federal bailout and would have the effect of a default in that it would require a restructuring of the City's obligations. Under these circumstances, the Federal government could consider providing short-term assistance for essential services and/or seasonal financing only.

Option 4

Indicate that you believe that the plan is on the "right track" and that the seasonal financing requirements of the plan should be financed through private banks and investigate the possibility of assuring that such private financing will be available.

Option 5

Indicate that you believe that the plan is on the "right track" and that you are requesting Secretary Simon to work with New York State and City officials to assure that the plan is implemented. Secretary Simon's instructions would be to assure that any Federal participation does not constitute a Federal bailout.

Option 6

State that the plan in its present form is inadequate and request that the New York officials make changes to require further commitments of revenue increases or expenditure reductions.

Option 7

Make no public response to the New York plan.

11/12/75

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THE PRESIDENT HAS SEEN....

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TO BILL SEIDMAN/PARIS
ZEM
UNCLAS DELIVER AT OPENING OF BUSINESS WH52142
TO: BILL SEIDMAN, PARIS
FROM: BILL GOROG

NEW YORK LEGISLATURE APPROVED MORATORIUM SUNDAY MORNING. ALSO APPROVED STATE RESCUE OF YONKERS AND STATE HOUSING FINANCE AGENCY.

RECESSED UNTIL MONDAY AFTERNOON WHEN TAX MEASURES WILL BE CONSIDERED. SOME LEADERS HAVE EXPRESSED UNWILLINGNESS TO ACT UNTIL THEY RECEIVE SOME SIGNAL FROM PRESIDENT. CAREY HAS INDICATED THAT HE EXPECTS SOME RESPONSE WITHIN NEXT TWO DAYS. TIME IS IN OUR FAVOR.

YOUR CONCEPT OF BRIEFING CONGRESSIONAL LEADERS SEEMS TO BE PAYING OFF. COMMENTS EXPRESSING APPRECIATION FOR YOUR BRIEFING MATERIALS HAVE BEEN RECEIVED FROM MEMBERS. GENERAL REACTION SEEMS TO BE RESPONSIVE TO PROGRAM. WE HAVE ONE ON ONE SESSIONS SCHEDULED BY FRIEDERSDORF FOR MONDAY.

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THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

November 17, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF M.F.

Attached are two additional Congressional comments concerning the plan being offered by New York City.

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Representative Herman Schneebeli (R-PA)

Major concern is what assurances does the Administration have that New York and New York City will actually meet and implement the requisites summarized to be a part of the plan. In addition, wants to know what guarantees will be made to assure repayment to the Federal government for extending "seasonal financing." Basically is opposed to the entire idea of providing Federal assitance to the State or City of New York -- would mean in effect that there would be three-tier revenue sharing; categorical grants, revenue sharing as we know it today, and New York City assistance.

Representative Joe Waggonner, Jr. (D-LA)

Believes that reference to reduction of welfare and social services costs is too weak. Strongly urges that the Federal government force upon Governor Carey a change in New York's welfare laws. In addition, have Governor Carey officially request that changes be made in existing Federal laws which would allow states to do more.

THE PRESIDENT HAS SEEN...

THE WHITE HOUSE

WASHINGTON

November 17, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX FRIEDERSDORF M.F.

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.

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".

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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

November 17, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN

FROM: CHARLES LEPPERT, 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 help for the city, the President's plan is far less expensive, of shorter duration, and thus much more preferable than the Rhodes-Reuss supposed 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.

GRIFFIN	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).

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~~CONFIDENTIAL~~

THE PRESIDENT HAS SEEN....

NOVEMBER 17, 1975

MEMORANDUM FOR THE PRESIDENT
FROM: MAX FRIEDERSDORF
SUBJECT NEW YORK CITY

THE HOUSE OPENS DEBATE TODAY ON THE REUSS-ASHLEY GUARANTEED LOAN LEGISLATION FOR NEW YORK CITY.

OVER THE WEEKEND HERE PRESS ACCOUNTS INDICATED THAT MINORITY LEADER JOHN RHODES AND CHAIRMAN REUSS HAD AGREED UPON A COMPROMISE REUSS BILL CALLING FOR $4 MILLION IN GUARANTEED LOANS FOR A FIVE - YEAR PERIOD.

REUSS WAS QUOTED IN THE STORIES THAT HE BELIEVED THE PRESIDENT WOULD SUPPORT THE LEGISLATION NOW THAT THE MINORITY LEADER WAS ABOARD.

ACCORDING TO OUR CONVERSATIONS WITH BILL STANTON, A. CEDERBERG AND BOB MICHEL, THEY HAVE NOT BEEN CONSULTED YET AND ON ANY COMPROMISE WITH REUSS THEY WILL REMAIN ADAMANTLY OPPOSED TO ANY FORM OF THE REUSS BILL.

JOHN RHODES IS STILL IN ARIZONA AND WILL NOT BE BACK HERE UNTIL TUESDAY EVENING, BUT WE DID VERIFY TODAY THAT HE HAS REACHED AN AGREEMENT WITH REUSS TO SUPPORT THIS COMPROMISE VERSION.

BILL STANTON WILL INDICATE TODAY TO THE FULL BANKING AND CURRENCY COMMITTEE THAT THE MINORITY MEMBERS OF THE COMMITTEE OPPOSE ANY VERSION OF THE REUSS BILL AND THAT THE ADMINISTRATION IS ALSO IN OPPOSITION.

THE HOUSE WILL DEBATE THE REUSS BILL TODAY WITH THE AMENDMENTS AND FINAL PASSAGE SCHEDULED FOR TUESDAY AFTERNOON.

THE MINORITY LEADERSHIP IN THE HOUSE AND SENATE AND THE RANKING JURISDICTIONAL MEMBERS HAVE ALL BEEN SUPPLIED WITH AN ANYLYSIS OF THE NEW YORK CITY PROPOSAL TO THE ADMINISTRATION AND WE ARE SOLICITING REACTIONS TODAY FROM THEM.

I SUGGEST THE POSSIBILITY OF A LEADERSHIP MEETING TUESDAY

END OF PAGE Ø1

Determined to be an administrative marking
Cancelled per E.O. 12356, Sec. 1.3 and
Archivist's memo of March 16, 1983
By OAW NARS date 4/13/84

MORNING INVOLVING RHODES, MICHEL, ANDERSON, AL JOHNSON
BILL STANTON, ED HUTCHINSON, CALDWELL BUTLER AND
SENATORS SCOTT, GRIFFIN, CURTIS, HRUSKA, BROOKE & TOWER.

MARSH ADVISES THAT STANTON HAS WRITTEN A LETTER TO OTHER COMMITTEE MEMBERS SHARPLY CRITICAL OF RHODES' ACTION.
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By DAD NARS date 4/13/84

FOR THE FOLLOWING RHODES, MICHEL, ANDERSON, AL JOHNSON
BILL STANTON, [illegible] WHITEHURST, CALDWELL BUTLER AND
SENATORS SCOTT, GRIFFIN, CURTIS, [illegible], BROCK [illegible].

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THE PRESIDENT HAS SEEN....

C O N F I D E N T I A L WH52158

NOVEMBER 17, 1975

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MEMORANDUM FOR THE PRESIDENT

FROM: MAX FRIEDERSDORF

SUBJECT: NEW YORK CITY

AT THE LAST MINUTE TODAY CHAIRMAN REUSS PULLED THE GUARANTEED LOAN BILL FOR NEW YORK CITY FROM THE HOUSE SCHEDULE.

THE DECISION CAME AFTER REUSS RAN INTO VERY HEAVY REPUBLICAN OPPOSITION TO THE SO-CALLED REUSS-RHODES COMPROMISE IN COMMITTEE THIS MORNING.

REUSS CUT BACK THE BILL TO $3 BILLION OF GUARANTEED LOANS REPAYABLE THROUGH 1982 AND ALL OF THE REPUBLICANS LINED UP AGAINST THAT PROPOSAL.

THE HOUSE REPUBLICAN POLICY COMMITTEE MET TODAY AND REFUSED TO ENDORSE THE REUSS-RHODES PROPOSAL AND BILL STANTON, RANKING MINORITY MEMBER ON THE SUBCOMMITTEE, COMPLAINED ABOUT THE LACK OF CONSULTATION BY THE MINORITY LEADER.

A MEETING HAS BEEN CALLED IN RHODES OFFICE AT 9:45 A.M. TOMORROW WITH THE MINORITY MEMBERS OF THE BANKING AND CURRENCY COMMITTEE TO DISCUSS NEW YORK CITY LEGISLATION.

STANTON REPORTED MUCH CRITICISM OF RHODES AT THE POLICY MEETING AND ON THE FLOOR TODAY FROM MEMBERS WHO RECEIVED PRESS INQUIRIES OVER THE WEEKEND CONCERNING THEIR POSITION ON THE RHODES-REUSS COMPROMISE.

STANTON SAYS HE FULLY SUPPORTS THE WHITE HOUSE APPROACH TO THE NEW YORK CITY SITUATION AND WOULD LIKE FURTHER GUIDANCE AS WE CONTINUE TO CONSIDER THE NEW YORK CITY PLAN.
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Cancelled per E.O. 12356, Sec. 1.3 and
Archivist's memo of March 16, 1983
By OHW NARS date 4/13/84

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Jim

A decision memo in here but no decision made --

I plan to keep with NYC papers.

Trudy

THE PRESIDENT HAS SEEN....

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 *LWS*

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.

A

November 14, 1975

MEMORANDUM FOR MAX FRIEDERSDORF

FROM: STEPHEN S. GARDNER

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 persion 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.

B

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.

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bcc: Seidman, Marsh, Cheney, Greenspan, Gorog

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

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THE WHITE HOUSE

WASHINGTON

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SUBJECT: Congressional reaction to New York City plan

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[illegible]

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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.

er the weekend. I was personally briefed [illegible] the House ...ghts. Even if one were inclined to vote for some federal help for the ...y, the President's plan is far less expensive, of shorter duration, and ...is much more preferable than the Rhodes-Reuss supposed 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.

[illegible]FIN 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 Herman Schneebeli (R-PA)

Major concern is what assurances does the Administration have that New York and New York City will actually meet and implement the requisites summarized to be a part of the plan. In addition, wants to know what guarantees will be made to assure repayment to the Federal government for extending "seasonal financing." Basically is opposed to the entire idea of providing Federal assitance to the State or City of New York -- would mean in effect that there would be three-tier revenue sharing; categorical grants, revenue sharing as we know it today, and New York City assistance.

Representative Joe Waggonner, Jr. (D-LA)

Believes that reference to reduction of welfare and social services costs is too weak. Strongly urges that the Federal government force upon Governor Carey a change in New York's welfare laws. In addition, have Governor Carey officially request that changes be made in existing Federal laws which would allow states to do more.

C

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

December 1975 - June 1976

Month	Need per Forecast	Total Sources	MAC Adjustment	Sales Tax	Bank, Pension, Sinking Funds	Swap at 90%	State Advance	Subtotal	Pensions	Seasonal Net	Seasonal Cumulative
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 FY 1976-77	FY 1977-78
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

D

THE WHITE HOUSE

WASHINGTON

November 18, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN LWS

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.

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
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	.2
TOTAL	$2104.7
75% of TOTAL	1578.5

Office of Management
and Budget
August 1975

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)	128.5
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	.2
SUBTOTAL	$ 303.0
TOTAL	1298.2
75% GRAND TOTAL	973.6

THE WHITE HOUSE

WASHINGTON

November 18, 1975

MEMORANDUM FOR: JIM CONNOR

FROM: DICK CHENEY D

Attached is some stuff taken out of the New York Times which the President marked which indicates that the city still has a long way to go.

I suppose that ought to go in the Presidential files.

Attachment

Legislators Turn to Tax Proposals, but Many in Alba

By STEVEN R. WEISMAN
Special to The New York Times

ALBANY, Nov. 15—State officials and legislative leaders turned their attention today to a broad range of tax proposals for the state and New York City after legislative approval last night and this morning of a moratorium on the city's debts and the last-minute fiscal rescue of both Yonkers and the State Housing Finance Agency.

Several officials continue to insist, however, that the Legislature, which has recessed until Monday afternoon, could not be asked to enact any of the taxes until there was more explicit insurance from Washington that President Ford would approve a measure to guarantee city borrowing if the Legislature did so.

In a post-midnight news conference in the Red Room of the State Capitol Building, where he signed the measures passed minutes before in the Legislature, Governor Carey said he thought it would be reasonable to expect a response within 48 hours from Washington on the loan guarantees.

Optimism Voiced

Despite President Ford's insistence that the Legislature must enact Mr. Carey's fiscal plan before the President could make a commitment on aid to New York, aides to the Governor said today they thought there would be a good chance of winning such a commitment anyway before the tax program was acted on.

"They understood that our actions are contingent upon their expressing themselves," said one official who attended the meeting in Washington on Friday with Governor Carey, the legislative leaders, Dr. Arthur F. Burns, chairman of the Federal Reserve Board, and top Ford Administration economic aides.

The Legislature—summoned for its special session to deal with the fiscal crises besetting the city, the state and state agencies—is being asked by Governor Carey to enact at least some of a variety of tax increases to deal with what budget officials insist is a projected $1.7 billion spending deficit in the next 17 months.

Part of the revenues are supposed to pay for a series of emergency appropriations that the Legislature is also being asked to make to strengthen the positions of four independent state agencies that borrow on the state's "moral obligation" and have been frozen from the credit markets for months.

So far, the special session, which began late this week, has focused its attention on the problems of one of those agencies, the Housing Finance Agency, and on the problems of New York City and Yonkers.

The Legislature's approval of the moratorium measure last night meant that, for the first time since the fiscal crisis began last spring, the city was no longer in danger of being forced into a long, drawn-out and potentially chaotic bankruptcy proceeding.

But the measure left unresolved the question of whether the city would be able to do the borrowing it must do after Dec. 1 to pay for its essential services.

No 'Splashy' Cuts

State Budget Director Peter C. Goldmark Jr., working at his office here on the city's revenue problems, reiterated today that the state was preparing to make $400 million worth of cuts in spending over the next year and a half, but he said the cuts would not be specified until the Legislature approved some sort of revenue package.

He and other state officials also refused to elaborate on the abrupt announcement by Governor Carey, at his news conference this morning, that the state would announce soon a series of cuts in Medicaid and welfare programs, saving $500 million for Federal, state and local governments combined.

"These will not be easy, splashy, front-page kind of cuts," Stephen Berger, the State Social Services Commissioner, said in an interview. "We've been thinking about this for five months now. The Governor has made as a priority our analysis of the full range of human service-delivery programs."

Mr. Berger said that at least some of the cuts, however, would come in programs seeking to reduce the ineligible families, estimated at 8.6 percent of the recipients, under the Aid to Dependent Children program and to eliminate abuses in Medicaid billing. Mr. Goldmark said the welfare and Medicaid cuts would be above and beyond the $70 million that the Emergency Financial Control Board had imposed on the New York City government.

The agenda for the special session is divided in three parts—city, state and state agency. Each has a different set of interlocking political problems and sensitivities that are making action cumbersome and slow.

Not the least of the problems facing Mr. Carey, as well as Senator Warren M. Anderson, the majority leader, is their wish for some explicit word of encouragement from the White House before they rush ahead to enact the painful tax increases.

Carey aides said today that, at the meeting yesterday in Washington, they brought to Federal officials letters of commitment from the different parties showing how the city intended to deal with its borrowing problems in the years to come.

Among these elements were the following:

¶Letters from the municipal labor leaders that they would agree to use their $8 billion pension system—which already holds more than $1 billion in city and Municipal Assistance Corporation securities—to buy $2.5 billion more in city securities, about $500 million before next June 30. The letters also were reported to have contained the labor leaders' agreement to increase the employes' annual contributions to the pension funds by about $85 million, a sum to be taken out of their current take-home pay or fringe benefits.

¶Letters from the city's banks, as well as the pension funds and financial institutions, agreeing to "roll over," or refinance, $1 billion in maturing city securities in the next few years at reduced interest rates. This had been negotiated with the banks during the week.

¶Details on the moratorium proposal—eventually approved by the Legislature last night—to suspend payment of principal on $1.6 billion worth of maturing city short-term notes for three years, with a reduced interest rate paid annually, and with the option enabling noteholders to exchange them for long-term M.A.C. bonds.

¶Details also on other ways that the city intends to keep down its three-year cash needs, including the use of its sinking funds, and the reducton of its debt-service requirements because it will not have issued any long-term bonds over the period of the moratorium.

¶Perhaps most painful of all a proposal to increase city revenues by $200 million a year—which would mean $100 million for the remainder of this year—from increased taxes. Although Mr. Carey said he had not settled on what sort of tax would be imposed, the most common one mentioned here is a 1-cent increase in the sales tax. Mayor Beame, however, has said he will ask the Legislature to consider increasing the income tax or the commuter tax instead.

The state officials who met with White House aides and Dr. Burns said that the Washington officials approved of all the elements but were "leaning toward" the idea of putting up their share of it that is, the granting of at least $1.5 billion in loan guarantees for this fiscal year, and $2.3 billion more in guarantees for the next.

Senator Anderson, a Binghamton Republican, has continued to insist that the state's budget deficit is not so great as the $1.7 billion figure for 17 months that Mr. Goldmark mentioned this week—and other Republicans have insisted that the gap can be closed by cuts in spending instead of new taxes.

"I think we got an A minus," said Felix G. Rohatyn, chairman of the Municipal Assistance Corporation, and an architect of the unending series of fiscal-rescue packages since the crisis began last spring.

But other state officials said that the Federal officials had "misgivings" because the state had not yet come up with a plan as comprehensive for the borrowing needs of the state itself, which is put at $4 billion starting next April 1, and the state agencies, which are scheduled to borrow more than $500 million in the next few months alone and must borrow $2.5 billion to complete their existing programs.

For this reason, Mr. Carey explained, he is attaching as urgent a pr
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THE PRESIDENT HAS SEEN....

...rs Turn to Tax Proposals, but Many in Albany Insist on Ford Assurance Before Passage

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For this reason, Mr. Carey explained, he is attaching as urgent a priority to the statewide tax increase as he is to the city tax increase—a priority not accepted by the Republicans.

A spokesman for Senator Anderson said last night, for instance, that the Senate majority leader might not agree to act on the taxes during this session but simply put off action until January.

Changes Echoed

Mr. Anderson spent the day conferring with staff members on revenue proposals and possible cuts in the budget, his spokesman said.

"Let there be no misunderstanding," he added. "In all our conversations with the Feds, all they are asking of us is that we have a balanced budget at the end of the year. They don't care how we accomplish it."

He echoed last night by Perry B. Duryea, the Montauk, L.I., Republican who is the Assembly minority leader, that any contentions by Governor Carey or others that Washington was requiring statewide taxes in return for its rescue of New York City were "totally false."

The spokesman for both Mr. Anderson and Assembly Speaker Stanley Steingut, Brooklyn Democratic, said that one of the first matters of business for the Legislature next week would be to determine and agree on the actual size of the state's budget deficit.

The variations in the estimates—which Mr. Carey is insisting is about $750 million for the current fiscal year and Mr. Anderson insisting is closer to $250 million—hinge on disagreements over what funds should be included in the budget this year, as well as on projected revenue and spending estimates.

Democrats Caucus

But the first matter for the Legislature will be the problems of the city, said the spokesman for Mr. Anderson.

The Democrats, meanwhile, held discussions today and plan to continue the talks tomorrow on whether to include for consideration in the Legislature the problems of communities around the state that are illegally spending for pension programs outside their tax limitations, and also the possibility of combining the Presidential primary with the statewide primary in next year's election.

The statewide taxes proposed by Mr. Goldmark totaling $860 million annually, include a 1 cent statewide sales tax increase — which combined with a 1 cent city sales tax rise would bring the city sales tax to 10 cents on the dollar — and taxes on gasoline, banks, liquor and cigarettes. He also suggested an emergency surcharge on the corporation franchise tax for this year and next year alone.

Mr. Carey is seeking $180 million worth of appropriations to the state agencies to repay notes, set up special debt service reserve funds and complete some projects—all actions designed to put them on a firm fiscal footing so they might return to the money-lending markets on their own once they are viewed by investors as sound. In the meantime, Governor Carey had asked the Federal Reserve to consider a temporary loan of more than a half-billion dollars.

Early this morning, the Legislature approved $80 million worth of appropriations to the Housing Finance Agency to insure that the agency will refund short-term notes purchased by State Comptroller Arthur Levitt out of State Treasury funds. The purchase of these notes averted an agency default on Friday.

THE PRESIDENT HAS SEEN. . . .

Unions, After Aiding City Financially, Try to Avert U.S. Contract Intervention

By JOHN DARNTON

In agreeing to a $2.5 billion pension-fund investment in city securities and to increased employee contributions to the pensions, major municipal-union leaders are attempting to head off Federal legislation that could abrogate their contracts and reopen past pension settlements.

At the same time, by becoming a major source of cash that could rescue the city from default, the unions are hoping to "add teeth" to an arrangement under which the city will strive to balance its budget through attrition, instead of layoffs.

These goals were confirmed yesterday by labor leaders, trading anonymity for candor, who are still negotiating with state and fiscal officers attempting to piece together a $6.6 billion three-year financing plan for the city.

Union leaders emphasized that their side of the agreement was contingent on materialization of the other components of the over-all financial plan. The understanding on the part of the major unions depends on the 'if money' from Albany and Washington," was the way Victor Gotbaum, executive director of District Council 37 of the America Federation of State, County and Municipal Employees, put it.

Also, agreements have apparently not yet been reached with unions representing policemen and firemen. Talks are continuing.

Negotiations on the part of the state and the Municipal Assistance Corporation are being conducted primarily through Herbert Elish, executive director of the M.A.C.

The key union participants so far have been Mr. Gotbaum, Albert Shanker, president of the United Federation of Teachers, and Jack Bigel, a union consultant.

The increased contributions from city workers to their pensions—a concession that the unions say was demanded by Washington through state intermediaries—will mean less take-home pay for virtually all of the city's 265,000 employees.

Mr. Bigel estimates that city workers will have their annual take-home pay reduced by between 2 and 4 percent. A supervising clerk earning $245 a week and taking home $186 stands to lose $4.89; a sanitationman taking home $220 could lose $7.28, and a policeman taking home $243 could lose $7.92.

The revision in pension financing would cut in half the city's contribution under a plan called I.T.H.P., or "increased take-home pay," which began in 1960-61 under former Mayor Robert F. Wagner. Under it, instead of granting a pay increase, the city offered to pay 2½ percent of employees' salaries toward their pensions. In 1965, the city raised this to 4 and 5 percent, depending on the unions.

The cost of the plan to the city amounts to $171 million a year. The proposed revision—cutting the city's contribution in half—would thus save the city $85.5 million.

Under the current system, some city employees, whose certified rate for pensions falls below the city's contribution, pay nothing at all toward their pensions. Others chose the option of paying the full certified rates, so that the city's share is added on top of it.

The continuance of the take-home pay plan calls for new legislation each year. So revising the system could be accomplished much more easily than changing other aspects of pension benefits that have long been law.

Under the financing plan, the city's five pension systems, with assets totaling $8.5 billion, would purchase about $2.5 billion of M.A.C. bonds and city notes, according to the current plan, would be timed as follows: $543 million next month and in January; $1.4 billion over fiscal 1976-7, at $118 million a month, and $456 million in fiscal 1977-8, at $38 million a month.

Mr. Bigel estimated the amount of purchases that could be made with "new money" coming into the systems at $1.5 billion. The remainder would involve liquidating other holdings, mostly corporate bonds, in the systems' portfolios.

In addition to agreeing to purchase $2.5 billion in city securities in the next three years, the unions have agreed to "roll over"—or extend—city notes and M.A.C. bonds in their possession.

Some union sources indicated that the labor leaders were seeking what one termed "some new mechanism" in the city administration to work in the areas of productivity and attrition. The "mechanism" would presumable be one that is sensitive to the desires of the unions.

Mr. Bigel said simply that the unions wanted some means of "telling the players on the field today, because they don't wear numbers on their backs." What he was saying is that the "ultimate source of decision making" in city government had now become obscure.

"I don't know whether the big members of the Emergency Financial board would want to wear numbers on their suits," Mr. Bigel said. "After all, they all wear Brooks Brothers. So while it's a serious recommendation, it's a tough one to implement."

PESTICIDE BILL GETS BACKING IN CONGRESS

WASHINGTON, Nov. 15 (UPI)—A House-Senate conference committee approved a compromise bill today extending Federal pesticide control until April, 1977, and giving farm interests a chance to comment before new pesticide bans are adopted.

The legislation allows the Environmental Protection Agency to retain its authority to revise pesticide controls and ban chemicals found hazardous to man or the environment.

But, reflecting farm and industry criticism that the agency has acted too hastily in past cases, the bill would require the agency to notify the Agriculture Secretary and Congressional farm committees in advance of any prospective new pesticide regulations, so that they may file objections if they wish.

The bill would allow the agency to ignore the advance notice rule in cases where a pesticide was considered an "imminent hazard" to human health.

Another provision requires the agency to allow the use of modified "self certification plans" when it applies a 1972 law requiring farmers to be federally certified to handle dangerous chemicals.

It also says the agency may insist that self-certification forms signed by farmers include a statement that the farmer has received some E.P.A.-approved training under plans designed and administered by states.

THE PRESIDENT HAS SEEN....

Legislators Turn to Tax Proposals, but Many in Albany Insist on Ford Assurance Before Passage

By STEVEN R. WEISMAN
Special to The New York Times

ALBANY, Nov. 15—State officials and legislative leaders turned their attention today to a broad range of tax proposals for the state and New York City after legislative approval last night and this morning of a moratorium on the city's debts and the last-minute fiscal rescue of both Yonkers and the State Housing Finance Agency.

Several officials continue to insist, however, that the Legislature, which has recessed until Monday afternoon, could not be asked to enact any of the taxes until there was more explicit insurance from Washington that President Ford would approve a measure to guarantee city borrowing if the Legislature did so.

In a post-midnight news conference in the Red Room of the State Capitol Building, where he signed the measures passed minutes before in the Legislature, Governor Carey said he thought it would be reasonable to expect a response within 48 hours from Washington on the loan guarantees.

Optimism Voiced

Despite President Ford's insistence that the Legislature must enact Mr. Carey's fiscal plan before the President could make a commitment on aid to New York, aides to the Governor said today they thought there would be a good chance of winning such a commitment anyway before the tax program was acted on.

"They understood that our actions are contingent upon their expressing themselves," said one official who attended the meeting in Washington on Friday with Governor Carey, the legislative leaders, Dr. Arthur F. Burns, chairman of the Federal Reserve Board, and top Ford Administration economic aides.

The Legislature—summoned for its special session to deal with the fiscal crises besetting the city, the state and state agencies—is being asked by Governor Carey to enact at least some of a variety of tax increases to deal with what budget officials insist is a projected $1.7 billion spending deficit in the next 17 months.

Part of the revenues are supposed to pay for a series of emergency appropriations that the Legislature is also being asked to make to strengthen the positions of four independent state agencies that borrow on the state's "moral obligation" to repay, but which have been frozen from the credit markets for months.

So far, the special session, which began late this week, has focused its attention on the problems of one of those agencies, the Housing Finance Agency, and on the problems of New York City and Yonkers.

The Legislature's approval of the moratorium measure last night meant that, for the first time since the fiscal crisis began last spring, the city was no longer in danger of being forced into a long, drawn-out and potentially chaotic bankruptcy proceeding.

But the measure left unresolved the question of whether the city would be able to do the borrowing it must do after Dec. 1 to pay for its essential services.

No 'Splashy' Cuts

State Budget Director Peter C. Goldmark Jr., working at his office here on the city's revenue problems, reiterated today that the state was preparing to make $400 million worth of cuts in spending over the next year and a half, but he said the cuts would not be specified until the Legislature approved some sort of revenue package.

He and other state officials also refused to elaborate on the abrupt announcement by Governor Carey, at his news conference this morning, that the state would announce soon a series of cuts in Medicaid and welfare programs, saving $500 million for Federal, state and local governments combined.

"These will not be easy, splashy, front-page kind of cuts," Stephen Berger, the State Social Services Commissioner, said in an interview. "We've been thinking about this for five months now. The Governor has made as a priority our analysis of the full range of human service-delivery programs."

Mr. Berger said that at least some of the cuts, however, would come in programs seeking to reduce the ineligible families, estimated at 8.6 percent of the recipients, under the Aid to Dependent Children program and to eliminate abuses in Medicaid billing. Mr. Goldmark said the welfare and Medicaid cuts would be above and beyond the $70 million that the Emergency Financial Control Board had imposed on the New York City government.

The agenda for the special session is divided in three parts—city, state and state agency. Each has a different set of interlocking political problems and sensitivities that are making action cumbersome and slow.

Not the least of the problems facing Mr. Carey, as well as Senator Warren M. Anderson, the majority leader, is their mutual preference for

plicit word of encouragement from the White House before they rush ahead to enact the painful tax increases.

Carey aides said today that, at the meeting yesterday in Washington, they brought to Federal officials letters of commitment from the different parties showing how the city intended to deal with its borrowing problems in the years to come.

Among these elements were the following:

¶Letters from the municipal labor leaders that they would agree to use their $8 billion pension system—which already holds more than $1 billion in city and Municipal Assistance Corporation securities—to buy $2.5 billion more in city securities, about $500 million before next June 30. The letters also were reported to have contained the labor leaders' agreement to increase the employes' annual contributions to the pension funds by about $85 million, a sum to be taken out of their current take-home pay or fringe benefits.

¶Letters from the city's banks, as well as the pension funds and financial institutions, agreeing to "roll over," or refinance, $1 billion in maturing city securities in the next few years at reduced interest rates. This had been negotiated with the banks during the week.

¶Details on the moratorium proposal—eventually approved by the Legislature last night—to suspend payment of principal on $1.6 billion worth of maturing city short-term notes for three years, with a reduced interest rate paid annually, and with the option enabling noteholders to exchange them for long-term M.A.C. bonds.

¶Details also on other ways that the city intends to keep down its three-year cash needs, including the use of its sinking funds, and the reducton of its debt-service requirements because it will not have issued any long-term bonds over the period of the moratorium.

¶Perhaps most painful of all a proposal to increase city revenues by $200 million a year—which would mean $100 million for the remainder of this year—from increased taxes. Although Mr. Carey said he had not settled on what sort of tax would be imposed, the most common one mentioned here is a 1-cent increase in the sales tax. Mayor Beame, however, has said he will ask the Legislature to consider increasing the income tax or the commuter tax instead.

The state officials who met with White House aides and Dr. Burns said that the Washington officials approved of all

ing toward" the idea of putting up their share of it that is, the granting of at least $1.5 billion in loan guarantees for this fiscal year, and $2.3 billion more in guarantees for the next.

Senator Anderson, a Binghamton Republican, has continued to insist that the state's budget deficit is not so great as the $1.7 billion figure for 17 months that Mr. Goldmark mentioned this week—and other Republicans have insisted that the gap can be closed by cuts in spending instead of new taxes.

"I think we got an A minus," said Felix G. Rohatyn, chairman of the Municipal Assistance Corporation, and an architect of the unending series of fiscal-rescue packages since the crisis began last spring.

But other state officials said that the Federal officials had "misgivings" because the state had not yet come up with a plan as comprehensive for the borrowing needs of the state itself, which is put at $4 billion starting next April 1, and the state agencies, which are scheduled to borrow more than $500 million in the next few months alone and must borrow $2.5 billion to complete their existing programs.

For this reason, Mr. Carey explained, he is attaching as urgent a priority to the statewide tax increase as he is to the city tax increase—a priority not accepted by the Republicans.

A spokesman for Senator Anderson said last night, for instance, that the Senate majority leader might not agree to act on the taxes during this session but simply put off action until January.

Changes Echoed

Mr. Anderson spent the day conferring with staff members on revenue proposals and possible cuts in the budget, his spokesman said.

"Let there be no misunderstanding," he added. "In all our conversations with the Feds, all they are asking of us is that we have a balanced budget at the end of the year. They don't care how we accomplish it."

He echoed last night by Perry B. Duryea, the Montauk, L.I., Republican who is the Assembly minority leader, that any contentions by Governor Carey or others that Washington was requiring statewide taxes in return for its rescue of New York City were "totally false."

The spokesman for both Mr. Anderson and Assembly Speaker Stanley Steingut, Brooklyn Democratic, said that one of the first matters of business for the Legislature next week would be to determine and agree on the actual size of the state's budget deficit.

The variations in the estimates—which Mr. Carey is insisting is about $750 million for the current fiscal year and Mr. Anderson insisting is closer to $250 million—hinge on disagreements over what funds should be included in the budget this year, as well as on projected revenue and spending estimates.

Democrats Caucus

But the first matter for the Legislature will be the problems of the city, said the spokesman for Mr. Anderson.

The Democrats, meanwhile, held discussions today and plan to continue the talks tomorrow on whether to include for consideration in the Legislature the problems of communities around the state that are illegally spending for pension programs outside their tax limitations, and also the possibility of combining the Presidential primary with the statewide primary in next year's election.

The statewide taxes proposed by Mr. Goldmark totaling $860 million annually, include a 1 cent statewide sales tax increase — which combined with a 1 cent city sales tax rise would bring the city sales tax to 10 cents on the dollar — and taxes on gasoline, banks, liquor and cigarettes. He also suggested an emergency surcharge on the corporation franchise tax for this year and next year alone.

Mr. Carey is seeking $180 million worth of appropriations to the state agencies to repay notes, set up special debt service reserve funds and complete some projects—all actions designed to put them on a firm fiscal footing so they might return to the money-lending markets on their own once they are viewed by investors as sound. In the meantime, Governor Carey had asked the Federal Reserve to consider a temporary loan of more than a half-billion dollars.

Early this morning, the Legislature approved $80 million worth of appropriations to the Housing Finance Agency to insure that the agency will refund short-term notes purchased by State Comptroller Arthur Levitt out of State Treasury funds. The purchase of these notes averted an agency default on Friday.

THE PRESIDENT HAS SEEN....

Unions, After Aiding City Financially, Try to Avert U.S. Contract Intervention

By JOHN DARNTON

In agreeing to a $2.5 billion pension-fund investment in city securities and to increased employee contributions to the pensions, major municipal-union leaders are attempting to head off Federal legislation that could abrogate their contracts and reopen past pension settlements.

At the same time, by becoming a major source of cash that could rescue the city from default, the unions are hoping to "add teeth" to an arrangement under which the city will strive to balance its budget through attrition, instead of layoffs.

These goals were confirmed yesterday by labor leaders, trading anonymity for candor, who are still negotiating with state and fiscal officers attempting to piece together a $6.6 billion three-year financing plan for the city.

Union leaders emphasized that their side of the agreement was contingent on materialization of the other components of the over-all financial plan. "The understanding on the part of the major unions depends on the 'if money' from Albany and Washington," was the way Victor Gotbaum, executive director of District Council 37 of the America Federation of State, County and Municipal Employees, put it.

Also, agreements have apparently not yet been reached with unions representing policemen and firemen. Talks are continuing.

Negotiations on the part of the state and the Municipal Assistance Corporation are being conducted primarily through Herbert Elish, executive director of the M.A.C.

The key union participants so far have been Mr. Gotbaum, Albert Shanker, president of the United Federation of Teachers, and Jack Bigel, a union consultant.

The increased contributions from city workers to their pensions—a concession that the unions say was demanded by Washington through state intermediaries—will mean less take-home pay for virtually all of the city's 265,000 employees.

Mr. Bigel estimates that city workers will have their annual take-home pay reduced by between 2 and 4 percent. A supervising clerk earning $245 a week and taking home $186 stands to lose $4.89; a sanitationman taking home $220 could lose $7.28, and a policeman taking home $243 could lose $7.92.

The revision in pension financing would cut in half the city's contribution under a plan called I.T.H.P., or "increased take-home pay," which began in 1960-61 under former Mayor Robert F. Wagner. Under it, instead of granting a pay increase, the city offered to pay 2½ percent of employees' salaries toward their pensions. In 1965, the city raised this to 4 and 5 percent, depending on the unions.

The cost of the plan to the city amounts to $171 million a year. The proposed revision—cutting the city's contribution in half—would thus save the city $85.5 million.

Under the current system, some city employees, whose certified rate for pensions falls below the city's contribution, pay nothing at all toward their pensions. Others chose the option of paying the full certified rates, so that the city's share is added on top of it.

The continuance of the take-home pay plan calls for new legislation each year. So revising the system could be accomplished much more easily than changing other aspects of pension benefits that have long been law.

Under the financing plan, the city's five pension systems, with assets totaling $8.5 billion, would purchase about $2.5 bil-ses, according to the current plan, would be timed as follows: $543 million next month and in January; $1.4 billion over fiscal 1976-7, at $118 million a month, and $456 million in fiscal 1977-8, at $38 million a month.

Mr. Bigel estimated the amount of purchases that could be made with "new money" coming into the systems at $1.5 billion. The remainder would involve liquidating other holdings, mostly corporate bonds, in the systems' portfolios.

In addition to agreeing to purchase $2.5 billion in city securities in the next three years, the unions have agreed to "roll over"—or extend—city notes and M.A.C. bonds in their possession.

Some union sources indicated that the labor leaders were seeking what one termed "some new mechanism" in the city administration to work in the areas of productivity and attrition. The "mechanism" would presumable be one that is sensitive to the desires of the unions.

Mr. Bigel said simply that the unions wanted some means of "telling the players on the field today, because they don't wear numbers on their backs." What he was saying is that the "ultimate source of decision making" in city government had now become obscure.

"I don't know whether the big members of the Emergency Financial board would want to wear numbers on their suits," Mr. Bigel said. "After all, they all wear Brooks Brothers. So while it's a serious recommendation, it's a tough one to implement."

PESTICIDE BILL GETS BACKING IN CONGRESS

WASHINGTON, Nov. 15 (UPI)—A House-Senate conference committee approved a compromise bill today extending Federal pesticide control until April, 1977, and giving farm interests a chance to comment before new pesticide bans are adopted.

The legislation allows the Environmental Protection Agency to retain its authority to revise pesticide controls and ban chemicals found hazardous to man or the environment.

But, reflecting farm and industry criticism that the agency has acted too hastily in past cases, the bill would require the agency to notify the Agriculture Secretary and Congressional farm committees in advance of any prospective new pesticide regulations, so that they may file objections if they wish.

The bill would allow the agency to ignore the advance notice rule in cases where a pesticide was considered an "imminent hazard" to human health.

Another provision requires the agency to allow the use of modified "self certification plans" when it applies a 1972 law requiring farmers to be federally certified to handle dangerous chemicals.

It also says the agency may insist that self-certification forms signed by farmers include a statement that the farmer has received some E.P.A.-approved training under plans designed and administered by states.

Jim -

I plan to keep these with New York City papers.

Trudy

THE PRESIDENT HAS SEEN.... [11/18/75]

THE WHITE HOUSE
WASHINGTON

MR. PRESIDENT

JOHN RHODES WANTS TO COME DOWN TODAY TO TALK TO YOU ABOUT NEW YORK CITY WITH BILL STANTON OF OHIO. FRIEDERSDORF RECOMMENDS. CHENEY SUGGESTS 12:00 NOON.

APPROVE ✓ DISAPPROVE ______

NOV. 18, 1975

Simon ✓
Greenspan ✓
Cheney ✓
Max ✓
Jack Marsh ✓

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

November 18, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF M.F.

SUBJECT: Senator John Tower (R-TEX)

Attached is a memorandum from Senator Tower, outlining in detail his views on the New York City plan, which he wanted you to see.

WILLIAM PROXMIRE, WIS., CHAIRMAN
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MARY FRANCES DE LA PAVA, CHIEF CLERK

United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

November 18, 1975

MEMORANDUM

TO: Max Friedersdorf

FROM: John Tower JGT

SUBJECT: New York City

When the Senate Committee on Banking, Housing and Urban Affairs marked up S. 2615, Senator Brooke and I proposed an amendment which would have enabled the Federal Financing Bank to supply New York City with funds to continue providing essential services after default. The use of such funds to prevent default, however, would not have been authorized.

Under the New-York-City financial plan proposed by Messrs. Carey, Rohatyn, Steingut and Anderson, the Federal Government's role would be consistent with the role which the Federal Government would have played under the approach which I supported along with Senator Brooke.

In determining the Federal Government's role, if any, under the plan proposed by Governor Carey, et al, or under any other plan, the following points should be kept in mind:

1. If the Federal Government is to participate in a plan which involves commitments by New York State, municipal and/or State pension funds, municipal employees, unions, financial institutions and others, the Federal Government must have absolute assurance that the commitments can and will be honored.

2. Federal assistance should be used only to finance seasonal, intra-year borrowing needs.

3. Serious consideration should be given to using Federal loans as opposed to guarantees in order to reduce the potential cost to the Federal Government in case of default and avoid confusion with the guarantees that have been proposed for preventing default. Demand loans could be called in the event of failure by some group to fulfill a commitment, but a loan guarantee could not be revoked. Also, the impact on financial markets would be less under the loan mechanism than under the guarantee mechanism.

4. Serious consideration should be given to naming New York City in the legislation rather than providing for generic legislation. This would prevent other cities from being tempted to seek similar assistance from the Treasury.

5. Serious consideration should be given to placing authority with the Secretary of the Treasury, rather than a board, in order to emphasize the need to treat this as a financial transaction to be handled by the nation's chief financial officer.

6. Serious consideration should be given to charging New York City a rate of interest comparable to that paid by other cities with similar credit ratings.

7. The bankruptcy alternative still should be made available to New York City. This might be needed, for instance, if the forced restructuring of New York's short-term debt is held to be unconstitutional.

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

November 19, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF M.F.

SUBJECT: Senator Roman Hruska (R-NEB)

Senator Hruska characterized the President's New York City message as "masterful."

"The statement says it all," Hruska commented.

Hruska intends to put the New York City statement in the CONGRESSIONAL RECORD.

He added that the bankruptcy bill is now on the Senate calendar and he will push for passage after the recess.

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

November 19, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF M.F.

SUBJECT: Representative Barber Conable (R-NY)

Conable describes the Presidential statement today on New York City as "excellent."

Also reports calls from New York State legislators praising the message.

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

November 19, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF M.F.

SUBJECT: New York City

When the President's statement on New York City was delivered and read into the Rules Committee record, Chairman Rodino requested that he be allowed to reconsider his request to allow the bankruptcy measure to be incorporated into the loan guarantee bill.

The Democrats on the Rules Committee reacted to the President's statement by indicating they did not want the White House dictating to them how legislation would be considered on the House Floor.

At 12:00 noon, the Rules Committee adjourned, subject to the call of the Chair.

The following are one minute speeches on the House Floor in reaction to the President's statement:

McKinney - Concerned with the President's statement, hopes that the Executive and Congress will pull together in order that our Nation will be best served in this instance.

Reuss - Regrets the President's statement, asks the leadership to withdraw his loan guarantee legislation from House Floor consideration.

Rhodes - Shares Reuss' regrets that they had to withdraw the loan guarantee bill today. He supports the concept of loan guarantee plus bankruptcy. He then requested the Majority leadership to bring up the bankruptcy bill as a single legislative item.

Reuss - Then stated he opposed having the bankruptcy legislation considered separately.

Ottinger - Stated the President is playing Russian Roulette with the financial condition of our entire country. The default of New York City will incur a domino effect in other cities throughout the country. Feels the President's move was exceedingly unwise.

Wylie - Tremendously applauds the action by the President.

Bauman - The President represented the view of a vast majority of Republicans in the House and of people throughout the country. Strongly applauded the President's action today.

Tip O'Neill announced the following legislative schedule for today in view of the fact that New York City is off the schedule.

H.R. 8578 - (CAP legislation)

Price/Anderson bill

...and a resolution for adjournment to be followed by an informal session for tomorrow.