The original documents are located in Box 23, folder "New York City Finances (5)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

ORIGINAL TO: WILLIAM SEIDMAN

COPY TO: JAMES FALK
Note: Numerous enclosures sent to Mr. Seidman with original

NY City

STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

HUGH L. CAREY
GOVERNOR

November 4, 1975

WS

Dear Mr. President:

I have today sent the attached letter and supporting materials to the President of the Federal Reserve Bank of New York. On behalf of the people of the State of New York, I am requesting that the Federal Reserve consider emergency credit assistance for four agencies of the state that face imminent default on their obligations. I wish to stress to you that these agencies have nothing to do with the fiscal crisis facing New York City. Each of them has an enviable record of financial soundness and prudent management. Each of them for years have been relied upon by the citizens of New York to provide housing, health and environmental facilities essential to the state's well being. Yet these agencies, the models for similar agencies in over 30 other states, now find themselves precluded from the investment market --- a condition that has only been severely aggravated since your recent speech calling for the bankruptcy of New York City.

encl

Should these agencies default, which certainly will occur in the absence of Federal assistance, hundreds of projects involving $2.5 billion in construction funds will be stopped prior to completion and thousands of workers will be thrown into the unemployment rolls. These projects include hospitals and other health facilities, schools, and housing.

The general credit of the State will not only be placed in jeopardy but, in my opinion, could be critically impaired for many years to come.

Again, all of this does not have to occur. While these agencies have no direct relationship with the New York City problem, unfortunately the investment community views the problem as one and the same. This will continue as long as the Administration remains passive in the face of the New York City crisis.

In effect, the contagion of New York City has now spread to agencies of New York State.

In addition, your many statements on this subject continue to assert that the State of New York has sufficient resources to meet the collapse of the city. I would only remind you once more of what your own financial experts know -- the State of New York has its own budget deficit of $700 million, and is in no position to sustain the city's needs or meet the borrowing needs of these state agencies.

I sense, Mr. President, as do many others across the country that we are at an economic crossroads unparallelled since those final moments in the darkest Depression. Whatever points you thought necessary to make about the past mistakes of New York City have been made. For our part, we have labored long and hard over the past ten months of my administration to right those wrongs. Now, despite all those efforts, we see the rapid spread of financial confusion and distrust from the city to the State, and potentially to other states as well.

It is not inappropriate, indeed it is in the tradition of our nation for us now to look for and expect positive leadership from a President and his administration.

Sincerely,

Hugh L. Carey
Governor

The Honorable Gerald R. Ford
President of the United States
The White House
Washington, D.C.

THE WHITE HOUSE
WASHINGTON

Date: 11/18/75

TO: Jim Cannon

FROM: Max L. Friedersdorf

For Your Information X

Please Handle

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Comments, Please

Other

THE WHITE HOUSE

WASHINGTON

NY City

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.

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.

NY

THE WHITE HOUSE

WASHINGTON

November 19, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: JACK MARSH Jack

SUBJECT: Governor Hugh Carey

Hugh Carey called me at 12:55 p.m. today.

1. He was not critical of the President's statement, and, in fact, seemed somewhat relieved.

2. He requested a meeting next week when the President is reviewing this matter to go over with you all the things he will be doing in New York.

3. He indicated it might be helpful to have certain Republican leaders of the New York Legislature present at that meeting.

I suggest Bill Seidman get in touch with Governor Hugh Carey concerning this, if you wish to pursue this further.

cc: Jim Cannon
Dick Cheney
Max Friedersdorf
Alan Greenspan
Jerry Jones
Bill Nicholson
Bill Seidman
Bill Simon

FOR IMMEDIATE RELEASE NOVEMBER 19, 1975

Office of the White House Press Secretary nyc

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I am gratified that the leaders of New York appear to have accepted primary responsibility for solving the financial problems of the City and are proceeding in the direction of a long-term solution in accordance with the State Constitution and laws. I am impressed with the seriousness of their intentions as described by Governor Carey in his letter to Secretary Simon and await further concrete actions by the State and the other parties concerned.

The bail-out bill now before the House of Representatives is irrelevant because it does not address the current situation and I would veto it.

I am convinced that if New York continues to move toward fiscal responsibility, all parties concerned can look forward to a satisfactory resolution despite the current obstacles.

If they continue to make progress, I will review the situation early next week to see if any legislation is appropriate at the Federal level.

In the meantime, should New York leaders fail to implement their intentions, New York City could still be forced into legal default. Therefore, I am asking the Congress once again to enact special amendments to the Federal bankruptcy laws which would ensure that such a default, if it occurs, would be orderly.

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Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

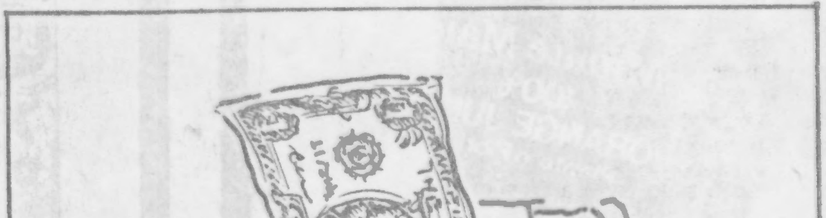
[Nov. 22, 1975?]

Neal R. Peirce

Will New York Spread Its Disease?

NEW YORK—As this great city on the Hudson careened toward the gravest municipal finance crisis in American history, the nagging question arose in city halls across the nation: will they too catch the New York sickness?

Mayors and bankers have begun to check city operations for the same factors that brought the "Big Apple" to



PLEASE CREDIT ANY QUOTES OR EXCERPTS FROM THIS ABC NEWS RADIO AND TELEVISION PROGRAM TO "ABC NEWS' ISSUES AND ANSWERS."

I S S U E S   A N D   A N S W E R S

SUNDAY, NOVEMBER 23, 1975

GUESTS:

ROBERT BENNETT - Governor of Kansas

CHRISTOPHER BOND - Governor or Missouri

DANIEL EVANS - Governor of Washington

ARCH MOORE Jr. - Governor of West Virginia

MELDRIM THOMSON Jr., - Governor of New Hampshire

MODERATOR:

Bob Clark - ABC News Issues and Answers
Chief Correspondent

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ANNOUNCER: With us today on this one hour ISSUES AND ANSWER program, five prominent Republican governors from various sections of the United States who have been attending the National Republican Governors Conference here in Wichita, Kansas.

Governor Robert F. Bennett of Kansas, the host governor for the Republican Governors Conference.

Governor Christopher Bond of Missouri, outgoing Chairman

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This is a rush transcript for the press. Any questions regarding accuracy should be referred to ISSUES AND ANSWERS

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of the Conference.

Governor Meldrim Thomson, Jr., of New Hampshire.

Governor Daniel Evans of the State of Washington.

Governor Arch A. Moore, Jr., of West Virginia, the new Chairman of the Republican Governors Conference.

* * *

From Wichita, Kansas, ISSUES AND ANSWERS Chief Correspondent, Bob Clark.

MR. CARLK: Our guests are five governors who have been attending the Republican Governors Conference. This has been an eventful week for Republicans, with Ronald Reagan's formal entry into the Presidential race.

There is a danger, of course, that the Reagan challenge to President Ford will rekindle that old feud between the liberal and conservative wings of the party.

Governor Bond, you have been presiding over this conference, so we will let you answer the first question. How seriously do you view that danger?

GOVERNOR BOND: I think there is always a danger in a primary contest as well as an opportunity. The opportunity of course is to hear both sides, and I know that both Governor Reagan and President Ford have a great deal to say. I am hopeful that the campaign will be kept on the issues dealing with the problems of the day. If we bog ourselves down in arguments over narrow ideological points of view or personal criticisms, then I think it could hurt the nominee and substantially lessen the chances that President Ford will be reelected in November - and I think he will be.

MR. CLARK: Governor Evans?

GOVERNOR EVANS: I think sometimes we forget our own history. We look back to 1952, that was a time of great contest in a primary between Senator Taft and President Eisenhower. Sometimes it got pretty bitter. But that was the most successful Republican election in a broad sense that we have had since World War II, so I don't think there is anything wrong at all with contests. I hope we can keep it on issues, which is where any political contest belongs; but I think we all kind of look forward to it. It shows we have some life in the party.

MR. CLARK: Governor Bennett, Governor Evans neglected to mention 1964, which was a year of bitter division in the party, where you went down to defeat, where Barry Goldwater was defeated about two to one by Lyndon Johnson. How seriously would you view this division within the party?

GOVERNOR BENNETT: As a result of Mr. Reagan's announcement?

MR. CLARK: Yes.

GOVERNOR BENNETT: There is a division of philosophy, but

I don't think that means it is going to divide the party. I told someone the other day it is pretty hard to divide an elephant. It can be done, admittedly, but I don't think these two candidates are inclined to do it. I think they are going to present their own philosophies; we are going to listen to those philosophies, people will take their candidates and make their own selections. And I don't think -- maybe we have learned a lesson from '64, if you want to put it that way.

MR. CLARK: Governor Thomson, representing the conservative wing of the party, how seriously would you view the threat of division or the threat of division?

GOVERNOR THOMSON: I don't believe there is any real threat. I think this could probably be more newspaper talk than anything else.

I would call your attention to the fact that Ronald Reagan is really the one to develop what he calls the 11th commandment of the Republican Party, namely, "Thou shalt not speak ill of another Republican," and he has said publicly in his announcements that he plans to follow this commandment, and he will direct his attention to the issues.

There are strong differences between the two announced candidates in the Republican Party, and I think it will be good for the party if it is to be a viable party, and for the nation, to have these differences developed.

MR. CLARK: Governor Moore.

GOVERNOR MOORE: I would think that perhaps we relate these divisions to what happened in '64, and we are all aware of the outcome of that election, but I really think that the candidacy and the contest really helps the President. He now has a legitimacy to his travels across the country, to establish a political base. Without this contest I would think he would have had the problem which he inherited, and that is having no real national constituency. So in that sense, I think it is probably a healing mechanism for the party, in terms of presenting very forthrightly both candidates.

MR. CLARK: We want to talk to you about a lot of things besides Presidential politics, but before we start, we would like to get a sounding from each of you as to whether you expect to support Mr. Ford or Mr. Reagan.

Governor Bennett?

GOVERNOR BENNETT: I support the President.

MR. CLARK: Governor Bond?

GOVERNOR BOND: I support the President also.

MR. CLARK: Governor Thomson?

GOVERNOR THOMSON: I support the one I expect to be President, Governor Reagan.

MR. CLARK: Governor Evans?

GOVERNOR EVANS: I am a strong supporter of the President.

MR. CLARK: Governor Moore?

GOVERNOR MOORE: Well, as the incoming President of the Republican governors, we have the responsibility of looking at both sides which have been present to me here in this ISSUES AND ANSWERS context this morning, but I think really what I should say to you is that the President has been such a fine and solid friend over a long number of years during my long time of service in the Congress, and I support the President.

MR. CLARK: Governor Thomson, that leaves you in the minority, so we want to give you a chance to say whether you think the expression of sentiment by the governors here is a fair reflection of Republican sentiment across the country.

GOVERNOR THOMSON: No, I wouldn't say that at all. Certainly I wouldn't be able to say that for my own State of New Hampshire, because I feel that there is a very strong tide running in favor of Governor Reagan there. I think that you will see developed an appeal by Governor Reagan to the grass roots, and that is where the voting is going to be done, by the man who has the dinner pail and the woman who is concerned about prices in the grocery stores, and I think Reagan's positions on this are much better than those of the President.

MR. CLARK: Both the President and Governor Reagan say they are for big cuts in Federal spending, but Mr. Reagan does go much farther than the President has so far. He says Federal spending could be cut by $90 billion and Federal taxes reduced 23 percent by turning programs such as welfare, housing and education, back to the states.

How many of you think this is possible? Are there volunteers?

Governor Evans?

GOVERNOR EVANS: I shall volunteer. That is just dumping the load from one level of government to another, and I don't think it is any answer at all. Certainly each state tries to do the best it can with the particular problems it has. Welfare is one of the major ones. Welfare is the problem that plagues all of us, and I think there are many things being done by each individual state attempting to insure that welfare payments go to those who need them, but no further.

Governor Reagan took great credit over the years for attempting to get at the welfare program in California, but it is interesting to note that the welfare load in California during and right up to the end of his term is one of the highest in the country. It still is.

GOVERNOR BOND: I think it is very spectacular to talk about $90 billion and kicking that back to the states, but I think a far sounder approach would be the one that our Governors Conference adopted in its policy position, of changing the form of Federal programs. Right now there are many categorical grant programs which come with red tape, federal bureaucrats, federal auditors, detailed guidelines. We think we could do the job better in our state on those important social programs if they cut the level and also cut the strings, much as Revenue Sharing has done in broader areas where they permitted these to be used in block grants with more flexibility so we could meet the needs of our people. The needs are still there. I think we can meet them under a state and local government system better than the federal.

MR. CLARK: Governor Thomson, do you support your man Ronald Reagan in his proposal to cut federal spending $90 billion?

GOVERNOR THOMSON: Yes, I certainly support him in that. I think that is quite possible. I would point out that President Ford has presented to the Congress the largest budget of any President in the history when he recommended a $349 billion budget, of which $52 billion was in deficits. And I would point out that he is now talking about for Fiscal 1977 a $423 billion budget, and says that he would cut that back by $28 billion if he could get the Congress to go along with him,for a tax reduction. But this is no reduction in the taxes for the people themselves. This is a very key issue, and I will even suggest if this cannot be presented by Governor Reagan, or President Ford, forcibly to the people, the time has come for us to cut down on the excessive spending at all levels of government, particularly the federal level, then the people will be looking somewhere else to support a candidate.

MR. CLARK: Governor Moore, do you see any prospect that Federal taxes can be cut 23 percent by turning $90 billion worth of federal programs back to the states?

GOVERNOR MOORE: Of course, I think this is the ideal. I would think anybody presenting a program such as this to the country would have to make a broad-base evaluation of the federal categories which money is now going in. I think we have utterly failed in our delivery system in the country. Maybe the Reagan proposal addresses itself to the delivery system and its inadequacies. We are living in a time of rising expectations, and yet the federal establishment has not really responded to those rising expectations, even though the spending has continued. So perhaps maybe this is where he is addressing himself. If it is a redefinition of priorities, a better and stronger relationship from the standpoint of the federal government to the state, it might have some legitimacy.

To look at the budget from this distance and indicate that arbitrarily that can be a magic figure, it is a little bit difficult for me to perceive what would happen.

MR. CLARK: Goernor Bennett.

GOVERNOR BENNETT: I am a little bit like Governor Moore. I would like to know how he is going to do it. I think everyone would like to see us cut $90 billion off of federal spending, so long as they don't cut the programs we are interested in. The federal government has mandated all of this welfare on us; we are stuck with it. If the answer is for the federal government to pull out of it and then continue the mandate and us to have to pay at the local level, which is their program, all you are doing is transferring the crisis we may havenationally to the crisis that already exists in many states. But I would hope, as Chris would, that we would get something worked out where we could go more to block grants, get away from the categorical grants, get away from the mandated bureaucracy, and get away from some of the buzzy programs like studying butterfly wings and things of that nature, and get down to real true priorities. And I think you can save many billions of dollars, but 90 billion is a lot of dollars.

MR. CLARK: Governor Thomson, your state is unique in the country in that you have neither a state sales tax nor state income taxes. Is there a danger if you try to throw some of these extensive programs back to the states, that even the worthwhile programs would just die; they would be abandoned by the taxpayers?

GOVERNOR THOMSON: Well, of course you have to take time to have a definition of what are the worthwhile programs? One thing I would like to point out is that with neither a sales nor an income tax, we also wound up our fiscal year with a surplus of $15 million, and look ahead to a surplus next year. So it can be done.

I don't understand that Governor Reagan is suggesting that whatever cutbacks are made in the federal budget necessarily are going to be throwbacks onto the state. If they were, this would be difficult for all of us, and we can understand that. But there are great areas where they can be cut back and not carried by the states.

For example, one that I would think that all governors would agree upon is that our food stamp program is way out of line. When 70 percent of the people of Puerto Rico for example qualify for food stamps and the person making up to $16,000 can qualify for food stamps, there are some real problems, here. This is what I understand Governor Reagan is addressing himself to. I cite the food stamps as only one of many areas where our programming at the federal level has grown too large, become topheavy and is bureaucratically directed, and this is what he would like to see cut back, and I think we can do that.

* * *

MR. CLARK: As Governors you are all well aware of the rebellious mood the taxpayers are in these days. There have been many examples of voters turning down bond issues for schools and other essential services.

The federal withholding tax I think most of you might agree may be a diabolic devise, but I wonder if you would also agree that it is the only way to raise money for many programs that could never be approved if they had to be submitted directly to the taxpayer.

Governor Bennett.

GOVERNOR BENNETT: Well, that presupposes, I suppose, that you can't share with the taxpayers the need for dollars and then -- no one likes to vote for taxes. I can't think of anyone that does. I think, however, the conservatism that has been expressed by the voters in all of these various bond issues turned down, it is really totally different than general tax support. You have a lot of people who want to stop spending whatever it might happen to be, and live within the dollars that are available. And the New York situation undoubtedly has given everyone a new pause to worry about this spending for tomorrow and borrowing today, rather, for tomorrow.

MR. CLARK: Governor Moore, I would like to ask you, how serious do you think this taxpayers rebellion as it is reflected in the bond issues and other signs, how serious do you think it is going to be in the 1976 elections?

GOVERNOR MOORE: I think it is a consideration that all of us have to be confronted with in terms of our capital improvement programs. We seem to be going against the stream of general consensus in the nation in the State of West Virginia. We haven't defeated a statewide referendum on bond authority either for highway construction or school construction, for that matter, in the last ten years.

With that type of an understanding in my constituency that is not posed, and I would not assume it would pose a national problem, as part of the national dialogue in '76. There isn't any question in my mind when you see the taxpayer revolt in this particular spectrum coming across, it is mostly those states where the real estate tax burden is so unconscionable at the present time. It is for basically the elementary and secondary school systems of the various states that has just got it beyond the average person's reach. And even though he wants good schools, for example, it is beyond his ability to pay, and thereby he just simply says no.

I think that some of the states are taking into consideration a different form of supporting their school systems, and perhaps maybe when that occurs and that rehabilitation of their tax structure in that regard is underway there will be a different attitude in terms of all these bond issues.

MR. CLARK: And Governors Bond and Evans, you are both from what Republicans like to call the progressive wing of the party -- I think some of the conservatives might say that is the wing that is more likely to join the big spenders. I would like to ask each of you the same question we put to the other side: How seriously would you regard the taxpayers rebellion, and what looks like it might be a rebellion in 1976 against big spending politicians?

GOVERNOR EVANS: Well, first, I think no bird flies without two wings, and I think these labels are, frankly, nonsense. If I could be pardoned one commercial, a recent national publication has pointed out that of all the states in the nation during the last ten years, the State of Washington has had the smallest increase in state taxes, so we have kept within bounds. I think what people are looking for today, it seems to me, it is not just a rebellion against taxes, it is a question of what they are getting for their money. I think people are devoted to quality schools, I think they are devoted to helping those who need help and who cannot support themselves. I think they are devoted to a quality environment. I think the real concern is that they don't feel they are getting their money's worth. The tax money just isn't being spent as efficiently and as well as it might be spent, and that is why there is little confidence in what is going on.

GOVERNOR BOND: Rather than fighting to get out of the straightjacket that you have put us in, I will just say perhaps you aren't aware of what has been going on in Missouri, because we have had a very tight budget in my administration and we have gone through reorganization, and we have done efficiency studies in the state government which has helped us save money and helped us keep a tight budget in balance. I would ask that you withdraw your designation.

MR. CLARK: I meant to indicate that as a member of the progressive wing of the party you might be more sympathetic to so-called social welfare programs.

GOVERNOR BOND: Let me answer your question without spending more time arguing with your designation. I agree with Dan Evans that people are concerned, primarily about how well their money is being spent.

I think our people recognize that there are many pressing social needs that government must address. There are needs that can come from no other source. They hate to see waste. I think they are frustrated at the federal level with bureaucracy, red tape and the misdirected priorities that many of the categorical grant programs we discussed earlier forced on us.

MR. CLARK: And soaring property taxes, and that has become a particularly nasty word across the country, are one of the reasons for the rebellious mood among many taxpayers. Do any of you as governors have the answer to this -- and I know a number of states are trying to develop programs that will provide some relief on property taxes.

GOVERNOR MOORE: We have already undertaken this in the State of West Virginia, and this is not something we have undertaken recently. It is a throwback to the early '30s. We don't support our secondary and elementary educational system on the basis of real estate taxation. The state of West Virginia supports its educational system by 97 percent of an expenditure from the general revenue fund of the state.

So we are not constantly, when the costs of education are going up, we are not constantly going back to that real estate base, which is causing a lot of states problems. We have the evenest, aside from Hawaii, as a state, in the distribution of our tax dollar to education of any of the states.

GOVERNOR THOMSON: We have just the opposite of what Governor Moore has indicated in West Virginia, because as far as our public schools are concerned, we contribute less than any other state in the union to the public school system, which means that most of the burden of the public schools is carried at the local level. I have been a strong advocate of having it at the local level, which means the property taxes in our state, because it simply means that the people themselves are closer to the educational problems. They have to go out once a year to their school meeting and decide whether they are going to vote a particular appropriation, whether they are going to raise salaries of the teachers.

We have a very democratic government in New Hampshire. This is something that I would like to see us preserve. I would point out that our property taxes are, while high, not that stifling; they are much lower than Massachusetts. On a total local and state contribution we are well under the national average, and we are well below any others in New England. For example, the total that a taxpayer pays in New Hampshire, local and state, is $456 per capita, and that is much lower.

We would all like to see the property tax less, but let's bear in mind that when you make the property tax less, then you have to do what has happened in West Virginia, transfer the burden somewhere else.

In Massachusetts they tried this some five or six years ago, saying that they would reduce property taxes by bringing in a sales tax. That didn't work at all, because after one year the property taxes went up, and now the sales tax has gone from three to five percent. And so the important thing always -- and I think this applies to all of us as public officeholders -- is to level with the people, and let them know that when you want to reduce property taxes, you are going to change the load and put it somewhere else, on some other taxpayer.

MR. CLARK: Governor Bennett, do you find Kansas voters upset about property taxes?

GOVERNOR BENNETT: There is no doubt about it. Kansas, of course, is an agrarian state, and most of the people that are engaged in the farming industry have tremendous tax burdens, and it may or may not bear some relationship to their ability to pay. So we have been trying to develop not only state aid, but alternative sources of revenue that might be available to these local units that otherwise are totally dependent upon the property tax.

The state has gotten out of the property tax business except for a very minor levy that is made for state institutions, but what we are going to do about the property tax is almost a daily, certainly an annual problem here in Kansas.

MR. CLARK: Governor Evans or Governor Bond, do either one of you have a magic formula to ease the burden on the property tax?

GOVERNOR EVANS: I guess if we had a magic formula for doing that, one or the other of us would be running for President. There are no magic answers. We have some severe problems in our own state right now in terms of school support, a rising rate of rejection of property tax special levies for school support, and I don't think it comes because people are objecting to supporting the schools, or that they want less in the way of quality education, but they simply come to the point where they, in the face of their own budgetary problems, can't absorb additional property taxation; and that is coupled with their skepticism over what they are getting in terms of educational quality. And unless they get back to the point where they have that confidence in educational quality, I think it will be very difficult.

GOVERNOR BOND: One point that Meldrim Thomson brought out I think is essential in Missouri. Our property tax is the base of support of local government. By having a local tax base, we assure that local governments do maintain their independence. If they had to rely totally on revenue collected by the state or at some other level, I think quite frankly local governments would disappear, and the strings attached to aid from above would take away the responsiveness of local government.

We do have problems with the administration of the property tax in Missouri, and in my state I have proposed and will be proposing a number of legislative and administrative reforms. I think the real problem with the property tax is it is paid in one whop; something like a sales tax which is a nickel here and a few cents there, is not quite as obvious.

The property tax could be paid over a length of time rather than hit upon the taxpayer as one large bundle, in our state just after Christmas. It would not cause the problems that it does.

MR. CLARK: Governor Bennett, we are going to ask you about a specific problem. Housing is one example of a problem that has been badly bungled at the federal level. Many housing programs, I think you would agree, have been costly failures. We have a national housing shortage and a critical shortage in some cities.

Would the states be able to solve this problem if the federal government got out of the housing business and just dumped it all on your lap?

GOVERNOR BENNETT: I think any time the federal government gets out of some of these things that normally would fall to the jurisdiction of the states, it is bound to improve, if nothing else in reducing administrative costs. I think the states are going to have to do it. We are considering a housing authority here, but we want to be of assistance more than we want to really go into the banking business or into the construction business, because perhaps New York and some other places have taught some lessons in that particular area.

I still have a great deal of confidence in the ability of the private segment of our economy to address the problem if we just give them some help, and I think our little friend that was talking to us today was addressing himself to that problem when in effect he said, give them some encouragement, some incentive, and they can move along with it.

* * *

MR. CLARK: Because housing stands as such a horrible example of the type of program that has been a failure at the federal level, we want to continue that discussion a little bit and see whether any of you really would like to have responsibility for handling that sort of a problem in your states.

GOVERNOR THOMSON: No, housing is certainly a real problem in the United States today, but I wouldn't want to take on the responsibilities of housing in our state, where the federal government has made such a mess of it. The real answer, in my judgment, is for us to cut down, as I said earlier, on our levels of spending. I can recall at the National Governors Conference in Washington in March we were all told there by Bill Simons, the Secretary of the Treasury, that we were going to be short something like 80 percent of the available capital for investment, simply because the various governments in our land would be absorbing that during this fiscal year, and that leaves about 20 percent. If we can begin to cut back on some of our expenditures and hold our costs down, this will free up more money for the private investment sector, and then if you have that, I am sure that builders and bankers can do a much better job in the housing field than the bureaucrats or, with due respect to the governors here, certainly as far as I am concerned, they could do a better job than this governor could do, and I would leave it in the private sector and put more money back into the private sector.

MR. CLARK: Would anyone else like to get into this housing item?

GOVERNOR MOORE: We have undertaken this question in the State of West Virginia. We have our West Virginia Housing Development Authority, with considerable bonding authority to correlate between the private sector -- it is an encouraging type, an incentive type of program, to relieve the housing difficulties.

Very frankly, if you talk about a national housing problem, I indicated the other day to one of the under secretaries of HUD that if HUD were to close down every operation in the State of West Virginia we wouldn't even miss them.

They are not carrying out, really, any of the answers that are in existence today to the problems in the field of housing. Now granted, all of us would much rather have no government at all. I mean, even though we are in positions of fundamental constitutional responsibility, we would like to do with the federal establishment and the state establishment. All of us would have less headaches. But Government is established for the express purpose to deliver in an area where: 1. the private sector has either failed, or 2. the people themselves cannot undertake to fulfill that deficiency in the broad spectrum called the quality of life. Very frankly, if the states have to assume it, I am not afraid zas a governor to undertake it. Very frankly, I happen to think the most innovative government in the United States today is representative of what is taking place in the states around this conference table here and a number of states not represented in this ISSUES AND ANSWERS program. I think, very very frankly, the delivery system in America is all fouled up, and until the Congress and the Administration, whether it is this one or the oncoming Administration, can conceive a better delivery system to provide answers to that segment of our society that government must provide the answers for, not for all of society but for that segment, then the states are going to have to undertake some responsibility.

MR. CLARK: Are there any advocates of state housing programs on this side?

GOVERNOR BOND: Well, we have a housing development commission in Missouri which provides assistance in low-income housing. This again is one of the areas such as Governor Moore mentioned where there is perhaps some extra assistance needed. But I would also agree with the point that the heavy federal deficits, the inflation, the drying up of available capital for investment through financing of deficits at all levels of government has done a great deal to cause the problem. I would like to see our free economy in a better position to respond to the needs, but we in Missouri are also ready to help in those instances in the low-income area where housing can only be provided with some state assistance.

MR. CLARK: And, Governor Evans, with the tremendous cost of financing house programs, and particularly with currently high and still climbing interest rates that convert into very expensive mortgage rates over a period of years, do you see any realistic prospect of the states funding their own housing programs?

GOVERNOR EVANS: Well, some have over the years, and have developed a revolving fund that now has as much income coming in as the expenditures they are making, from past loans, for the past efforts. The state of Oregon is a good example, where they have had what started out as a Veterans housing program. The state of Washington does not have any similar program, and I don't imagine we are likely to get into that.

We have a very personal interest in housing. The state of Washington, the northwest is a major producer of lumber and plywood and the materials that go into the national housing industry, and I think on that side of things, there are many relaxations of some governmental restrictions and some traditional practices that could cut the cost of housing. We tend in our building codes to restrict to such a degree new and innovative ways of doing things that we raise the cost of housing. I think some of our labor practices through our traditional craft unions again lead to more expensive than necessary housing costs.

I think there are a lot of ways, on the half that relate to how you can build a better home cheaper, there is a lot to be done there, just as there is something to be done in terms of financing.

MR. CLARK: I would like to shift to another subject at this point, and take another quick poll on how many of you favor federal aid to rescue New York City.

GOVERNOR BENNETT: I am unalterably opposed to it. I do feel that we could consider the bankruptcy situation as the President suggested, but I don't think that is the answer, and I think it would be an encouragement to further fiscal irresponsibility.

GOVERNOR BOND: I have strongly opposed any direct federal bail-out or any federal guarantee of New York. We are having to pay higher interest rates on our bonds. If New York City's bonds were guaranteed by the federal government it would give them a preferred position, and it would penalize those states and localities which have been responsible. New York's only salvation is going to have to come through tightening its own belt, which we in our states have had to do.

GOVERNOR THOMSON: I am very much opposed to any help there, because we will never get a control on spending unless those who are doing the excessive spending come to realize that there must be a balance between the income and outgo, and the people of New York and the State of New York for that matter, are going to have to learn that.

I am very concerned that there are those in Congress who are now talking about general revenue sharing being tacked onto a bail-out for the City of New York, and I would be opposed to it, even if they put the revenue sharing on it, because I think that there is a very real principle involved here, and we must face up to that principle, and I hope that the President will not waffle on what he has said about this in the past, and stand strong and veto any kind of bill that might come in for the aid of New York City.

MR. CLARK: Governor Evans, would you like to see a Presidential veto on that?

GOVERNOR EVANS: Well, first I think the prime responsibility is with the citizens of New York City, the secondary responsibility is with the State of New York. Many of our citizens would like to have free tuitions at our colleges and universities. Our state employees would unquestionably like to have a non-contributory pension system. But we contribute 6 and 7½ percent of the gross salaries of state employees to enjoy a pension system. We would like to have the salaries that exist in New York.

I think the question of whether the federal government has any role or not depends first on New York City doing as much as it possibly can, New York State following up and doing as much as it possibly can. The federal roll, if any, ought to be one to assure that after those two things have happened, if there is a temporary problem remaining that will affect the basic continuance of important services in New York City, I don't think any of us would like to see those dissolve and the city, itself come to a standstill. But if the federal government in any respect steps in, it has got to be done after a full effort by both of those other two levels, and in a way that will not give either windfall profits to those who may be holding bonds at the present time or in a way that would affect the fiscal responsibility that is so important for other units of government.

MR. CLARK: And Governor Moore, would you like to see President Ford veto any program of federal aid for New York City passed by Congress?

GOVERNOR MOORE: Well, Bob Clark, you have just discovered a political first. You have got five governors that agree in total essentially with respect to the situation in New York, and I don't know of any other news program, given the circumstances that exist within the Republican Party or across this country, that is going to get the unanimity expressed here.

I could echo each of the observations made by each of my fellow governors and indicate that they generally have summed up my attitude.

MR. CLARK: Are any of you concerned about the ripple effect, so-called, the worry that a bankruptcy in New York City would spread across the country, and as Vice President Rockefeller has said, would be a catastrophe for the country?

GOVERNOR MOORE: I think we are, Bob. But I think Chris perhaps made the observation that the State of Missouri has already begun to pay a premium as a result of the problem in New York.

Our recent experience in the bond market indicated that even though the State of West Virginia bonds in that particular category were well received, that we had also paid a premium. That ripple effect I think is already there. It has not been as profound as some of those that have been suggesting its net result.

There is one other factor involved. We are talking about the default on a single premium. We are not talking about every bond that the State of New York -- excuse me, the City of New York has coming due on a given day, and their inability to reach it. We are talking about the default on a particular coupon, and I would say that ais one experience that a lot of us have had around the horn in one way or another, and it has not altered materially -- given, though, the circumstance of the stature ofthe City of New York and the financial community it represents, but some of us have experienced the default of a coupon . It has not had that great disturbing and rippling effect that is broadcast to have been the case in New York.

* * *

MR. CLARK: Governor Evans, your state has the highest unemployment rate of any of those states represented here today, about 9 percent, higher than the national average. Can Republicans hold on to the White House or to state offices if they go through 1976 with 8 million or more Americans out of work?

GOVERNOR EVANS: We are in a tough economic situation. The 8 or 9 percent unemployment rate in the state of Washington is nothing we would like very much, but we went through an aerospace recession a few years ago when the unemployment rate was 12½ to 13 percent, and over 15 percent in the City of Seattle, and the City of Seattle is now down to about 6½ percent. Our unemployment rate in the state will always be somewhat higher than the national average, simply because of the seasonal nature of much of our industry, the fishing and the lumber, logging and other associated industries just statistically lead to a higher unemployment rate. But I hope in 1976 people will understand and recognize that the President came into office with no time for preparation, came in at a time when there was raging inflation, when unemployment was soaring, when the world was torn apart. I think some very constructive major steps have been taken back toward economic stability, to cut the rate of inflation in half.

We are not going to very easily cut down the rate of unemployment. We have just got the full force of the youngsters born right after World War II now coming into the labor market, and nobody, believe me, no matter what they promised, are likely to cut the rate of unemployment very rapidly in this nation.

MR. CLARK: Governor Bond, do you see this high rate of national unemployment, which is currently 8.6 percent, I believe, as a dangerous political issue for Republicans in the coming year?

GOVERNOR BOND: I think we have to look at it as one of the most significant problems that we face in the country today, and the political considerations ought to come second. Missouri we think is very fortunate. We have only about 6.4 percent unemployed, and yet we still make jobs for Missourians our No. 1 priority. We are interested in getting good jobs in our state, working to develop through all the resources we can, the necessary incentives and attractions for private industry and private employers to provide good jobs. We can do that on a state level. I think on a national level, the President's recommendations to cut taxes and to cut spending are a very sound start in dealing with the federal fiscal problems which have contributed to unemployment.

I think if we worry about solving the problems, then the political fallout or the political feedback will be secondary. But I think it is one of the key problems we have to solve.

MR. CLARK: Governor Moore, do you see unemployment or inflation as the more serious economic issue facing the country?

GOVERNOR MOORE: Of course, the timeframe in which we are operating, we have had the experiences of both, neither of which have been pleasant. There isn't any question if we review every Presidential election for the last 40 years, the question of economics relating to employment have been a very basic part of the Presidential campaign dialogue. But then again if you just think a little bit deeper, so is housing. You posed a question to us on housing. So is the question of education. The treatment of those that are aged citizens. And each one of the presentations that have been undertaken by both political identities that have contested for the Presidency have tried to respond or answer to these areas of deficiency in the national climate, and yet we still have them today. And I am essentially saying to you, yes, it is going to be a part of the Presidential campaign dialogue, and yes, by reason of the high rate of unemployment and the fact that we occupy the White House, we are going to get our hard knocks as a result of it.

But then, Dan has indicated if you look at it in a much broader context, my state of West Virginia has an unemployment rate of about the 6 percent level, a real unemployment rate of about 8 percent, which in modern history is the finest economic climate in terms of jobs we have had. But the fact of the matter is my people are still sensitive of the fact that there are 8 percent unemployed in the country. And it is going to be a part of the Presidential campaign dialogue.

MR. CLARK: Governor Thomson, as a Ronald Reagan chief booster, here, do you think the national rate of unemployment is going to hurt or help him? Of course he will be campaigning against President Ford, who a lot of voters will blame for that high unemployment.

GOVERNOR THOMSON: I think it will rather help Reagan than hurt him, because I think people are going to be responding to the incumbents and going to be upset with them. We in New Hampshire have the lowest unemployment rate in New England. The figures as of a few weeks ago were 5.9, and we have consistently been almost half of that of our sister states.

The real problem, unemployment and inflation go hand in hand, and I think the real problem here is that we are not solving our energy problem. This would provide a lot of jobs, but all up and down the East Coast, we know from South Carolina to New York and westward to Ohio there will be severe unemployment this winter. Why? Because of a shortage of natural gas.

Now, we should get out and get the oil and the gas on the continental shelf, we should be building more nuclear plants, providing jobs for our people, and most important of all, providing tbe energy that will keep our factories running, and this we have not done, and the blame for this should be placed squarely upon the shoulders of the Democrats in Congress. They have waffled and have not had a national program.

MR. CLARK: I want to get on to another political question or two if Governor Bennett doesn't object.

Vice President Rockefeller has thus far avoided saying flatly he won't be a candidate for President, if President Ford fails to get the nomination himself.

Does anyone here think that Rockefeller may still try to get the nomination for himself, perhaps in a stop-Reagan move at the national convention? We will ask Governor Bennett first.

GOVERNOR BENNETT: I don't think so. He didn't give us any indication publicly or privately that he was going to seek the nomination. I think the only thing I did hear him say at a press conference was -- somebody tried to say "Well, you say you will never run for President," and he obviously wouldn't make that statement. But I don't think he is going to be a nominee or a candidate for nomination at all.

MR. CLARK: And Governor Thomson, briefly, do you think Rockefeller is really out of the 1976 race for good?

GOVERNOR THOMSON: No, I do not. He hasn't closed the door, and I think there is a good possibility he might very well run for the Presidency.

GOVERNOR BOND: As long as President Ford is in the race, I am fully confident that Governor Rockefeller, former Governor Rockefeller, now Vice President Rockefeller, would not enter the race.

MR. CLARK: Governor Bond, stop me if I am wrong, but I believe you are one of the Republican governors who has declined to state flatly that he would support the nominee of the Republican Party, whether it is Mr. Ford or Mr. Reagan. Is that correct?

GOVERNOR BOND: No.

MR. CARLK: You have said you will support --

GOVERNOR BOND: I have said all along I will support the nominees of my party, and I would expect that I would be able to do so under almost any circumstances.

I can't say that forever and always I will always support the people, but I have no problems with --

MR. CLARK: To be realistic, the question perhaps should be would you support Ronald Reagan if he was the Republican nominee?

GOVERNOR BOND: I would certainly have no reason at this point not to support him. I see nothing that would cause me to decline to support him.

MR. CLARK: Governor Evans, can you see Vice President Rockefeller entering the Presidential picture?

GOVERNOR EVANS: No. I think he said what he has said, I think it is quite clear that he is stepping aside from the Vice Presidential race. I don't think he will be in the 1976 race, even if President Ford were to step aside. I rather suspect he would not be back in the race. I think he has reached the watershed, that he is stepping aside and means it.

GOVERNOR MOORE: I agree with the observations Governor Evans has made. I can't conceive of any change in circumstances, even given the removal from the race of the President himself, that the Vice President would reenter the Presidential race.

MR. CLARK: And Governor Thomson, as the lone avowed Reagan man here, would you support President Ford if he becomes the nominee?

GOVERNOR THOMSON: That will depend on how the issues develop throughout the campaign.

MR. CLARK: Does that mean at this stage --

GOVERNOR THOMSON: Not saying categorically that I would.

MR. CLARK: And that might raise the question, would you think your view on this reflects a fairly wide view among conservatives?

GOVERNOR THOMSON: No, I don't know that it does, but I think the time has come in the Republican Party for us to place less emphasis on structure and more importance on issues, and I look forward in this campaign to a renaissance of the Republican Party in service to the people.

MR. CLARK: And to still another rather detached issue, though it may have some political spinoff: How has the firing of former Defense Secretary Schlesinger and the debate that has sparked over detente and national security affected the President's election prospects?

GOVERNOR BENNETT: As nearly as I can tell here in Kansas it hasn't had anyeffect at all. I think maybe the press exaggerated a little bit, and perhaps made it a little more dramatic than it was, but talking to individuals who come in and out of the office and at meetings and what-not, I find no great concern, except over the press exaggeration, at the moment.

MR. CLARK: Governor Moore, do you find concern in West Virginia that the President and Henry Kissinger might have gone too far too fast on detente?

GOVERNOR MOORE: I think you have moved the question and sort of come up with a marriage of the two, when you refer to the President and the Secretary of State. I think all of us have a very very serious question in our minds, to a degree, on the question of detente, but if I relate your question in the same context as it was posed to Governor Bennett, the removal or the change of personnel within the framework of the Executive Branch of the Government, we didn't view with alarm, nor do West Virginians.

It was interesting to me to note that the print media and most of the viewing media generally looked at the President and said, "When are you going to put your own team in?"

He waited a period of 12 or 14 months, got his own team in, and zingo, you ask why he did it.

MR. CLARK: We want to give Governor Thomson, because Ronald Reagan does feel strongly that we are moving too fast toward detente. Do you feel the same way, Governor?

GOVERNOR THOMSON: I feel the same way. I think that the President fired the wrong man, namely, he should have fired Kissinger instead of Schlesinger, and I think his move is definitely going to hurt him in the Presidential primary in New Hampshire.

MR. CLARK: There is no one else here I gather who feels that the President's reelection prospects would be hurt by his stand on detente?

GOVERNOR BOND: Not in Missouri. I think the news media has made more of it than most of the voters.

MR. CLARK: Gentlemen, we are to the point where we are about out of time. We wouldn't have time to let each of you answer another complete question.

We want to thank all of you for being with us on ISSUES AND ANSWERS.

* * *

NEXT WEEK: Ronald Reagan, former Governor of California, and candidate for the Republican Presidential nomination.

THE WHITE HOUSE

WASHINGTON

November 25, 1975

MEMORANDUM FOR: JIM CANNON

FROM: JIM FALK JF

SUBJECT: New York Notifications

			To Call:
A. New York Officials			
1.	Governor Carey	New York	?
2.	Mayor Beame	New York City	
3.	Warren Anderson (R)	New York President of Senate	
4.	Perry Duryea (R)	New York, Min. Leader	
B. Other State Officials			
* 1.	Governor Moore (R)	West Virginia Chairman, RGA	JMC
* 2.	Governor Bond (R)	Missouri,	
3.	Governor Ray (R)	Iowa, Chairman, NGC	
* 4.	Governor Evans (R)	Washington	
* 5.	Governor Bennett (R)	Kansas	JHF
6.	Governor Milliken (R)	Michigan	
7.	Governor Holshouser (R)	North Carolina	
8.	Governor Godwin (R)	Virginia	
9.	Governor Hammond (R)	Alaska	
10.	Governor Bowen (R)	Indiana	
11.	Governor Rhodes (R)	Ohio	JMC

*Opposed aid to New York City on Issues and Answers Sunday

To Call:

12 Governor Askew (D) Florida
13. Governor Salmon (D) Vermont
14. Governor Longley (I) Maine
15. Governor Anderson(D) Minnesota
16. Governor Rampton (D) Utah
17. Governor Noel (D) Rhode Island

JHF

C. Other Local Officials

1. Mayor Ralph Perk (R) Cleveland, Ohio
2. Mayor Richard Carver (R) Peoria, Illinois
3. Mayor Timothy Barrow (R) Phoenix, Arizona
4. Mayor Pete Wilson (R) San Diego, California
5. Mayor Carlos Romero (R) San Juan, Puerto Rico
6. Mayor Moon Landrieu (D) New Orleans, Louisiana

JHF
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P.D.

The President will make a short statement on New York City tonight at 7:30 followed by a Press Conference. He will state that in the last month New York has taken a number of important actions to cure their financial situation, including budget cuts, financing from pension plans, moratorium on New York City notes, deferral of debt by banks, and new City taxes. The President believes that these strong actions would not have taken place without the firm stand he has taken. But these actions have been determined by New York officials without direction from the Federal government. As a result of the work done in the last month, New York now has a plan which will, if carried out, put them on a financially sound basis.

The only financing which they lack is the funds for short-term seasonal borrowings. This type of borrowing is used by most cities and must be repaid within their fiscal year. New York, however, is unable to use private markets for such seasonal financing due to the way they have previously handled their finances.

The President will recommend legislation, narrowly defined to allow short-term financial help loans to the City for essential services. ~~and requiring~~ loans must be that ~~it~~ be paid off at the end of each fiscal year. The amount of such help at its peak during the year will be approximately $1.3 billion in the first year and $2.2 billion in the second year. The loans will be made on a month-by-month basis so the U.S. Government can be sure the City is following its plan or no additional loans will be made.

to the State financial Control Board which has fiscal control of the City

See Simon

Based on this help, essential services will be able to be maintained in New York and the actions of the City will have the essential effect of default with respect to the interests of the various parties involved.

Draft legislation on Monday

The President will make a short statement on nationwide television tonight at 7:30 p.m. on New York City. A press conference will follow. He will say that in the last month New York has taken a number of important actions to cure their financial situation, including budget cuts, financing from pension plans, reform of the union contracts governing employee pension plans, a moratorium on New York City notes, deferral of debt by banks, and new City taxes. These actions would not have occurred without the firm stand the President has taken. | They were determined by New York officials without direction from the Federal government. The actions of the City and the State will have the essential effect of default with respect to the interests of the various parties involved. As a result of the work done in the last month, New York now has a plan which will, if carried out, put them on a financially sound basis.

The only financing which they lack is the funds for short-term seasonal borrowings. This type of borrowing is used by most cities and must be repaid within their fiscal year. New York, however, is unable to use private markets for such seasonal financing due to the way they have previously handled their finances.

The President will recommend legislation, narrowly defined, to allow short-term financial help by the State to the City so that essential services can be maintained. The loans must be paid off at the end of each fiscal year. The amount of such help at its peak during the year will be approximately $1.3 billion in the first year and $2.2 billion in the second year. The loans will be made on a month-by-month basis so the U.S. Government can be sure the City is following its plan or no additional loans will be made.

11/26/75 2:30 p.m.

STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

HUGH L. CAREY
GOVERNOR

November 26, 1975

Dear Mr. President:

On behalf of the citizens of the City and State of New York, I am pleased to inform you that the certain financial and legal requirements requested as a precondition to any Federal involvement in the fiscal crisis of New York City have been accomplished, and achieved in full. Whatever decision you make, in meeting your responsibilities, I must at the outset commend to you the efforts of the people of New York. In an unprecedented display of unity and purpose, trade unions, commercial banks and, especially, a bipartisan coalition of elected representatives, have succeeded in producing a result that will prove memorable, - indeed, a model to others for years to come. These achievements of New Yorkers are worthy in their own right, and while I write to bring their efforts and sacrifices to your attention, it is only proper that I use this opportunity to express my deepest appreciation and respect to all the parties involved.

Last evening, the Legislature of the State of New York enacted new taxes of $200 million raised in and for the City of New York. This was a general condition included in Federal loan guarantee bills for New York City pending in both houses of Congress and in our own discussions with members of your Administration. At the same time the State's Emergency Financial Control Board for New York City met and adopted the necessary resolutions effectuating the new taxes. In addition, the Legislature enacted legislation that increases employee contributions to the City's retirement systems. This legislation was passed with union support in accordance with their desire to meet their understandings with your Administration. These acts were painful for all concerned, but undertaken in the common hope of avoiding the chaos of default.

In that same mixture of trust and sacrifice, the trustees of the five City employees' retirement systems voted to purchase additional bonds of the City or New York State Municipal Assistance Corporation in the principal amount of $2,530,000,000 between December 1, 1975 and June 30, 1978, conditioned principally upon the passage of appropriate Federal legislation.

Finally, the Municipal Assistance Corporation, in connection with its offer to exchange certain of its bonds for certain outstanding short-term obligations of the City, has secured the agreement of the eleven New York Clearing House Banks and City pension funds not to tender their notes for exchange.

The agreement provides that $849.2 million in City notes held by the eleven banks and five City pension funds will be converted into a ten year City obligation at 6% interest.

Further, $200 million in City notes held by City Sinking Funds, will be converted into City obligations on which there will be no net amortization during the three-year moratorium period.

In addition, all MAC obligations now held by the banks, $991.8 million, and by the pension funds, $665 million, irrespective of their interest rates and maturities, will be exchanged for ten-year MAC obligations at 8% interest.

These agreements, too, are conditioned upon the enactment of appropriate Federal legislation.

Over the past weeks and months, Mr. President, I, on behalf of the City and State, have accepted conditions laid down by Federal authorities. Knowing full well the people of New York, their resiliency and ability to perform in the face of a common crisis, with complete trust I have not hesitated to take a condition and turn it into a commitment. Now these commitments have been fulfilled and with the same trust we await the response of the Federal Government.

Sincerely,

The President
The White House

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C.. 20410

November 26, 1975

Pat
Also see me

MEMORANDUM FOR: L. William Seidman
Assistant to The President for Economic Affairs

SUBJECT: New York State Fiscal Problems/Possible Federal Assistance

Please find attached a memo to me from Daniel P. Kearney, President of the Government National Mortgage Association, regarding the fiscal problems of New York State. The memo details a discussion held on Tuesday, November 25, with Mr. Peter Goldmark, Budget Director of the State of New York. The discussion was initiated by Mr. Goldmark at the suggestion of Treasury officials.

Mr. Goldmark described the fiscal problems faced by the State with respect to its independent agencies in general, and the New York Housing Finance Agency in particular. The availability of Federal mortgage purchase programs under the auspices of GNMA to assist the New York HFA were discussed with Mr. Goldmark on an exploratory basis. The concept of such assistance and the problems relating thereto are outlined in Mr. Kearney's memo.

Mr. Goldmark indicated that if Federal assistance were to be forthcoming, it would be necessary to have an affirmative response no later than the 8th of December. Beginning on Monday next, i.e., December 1, Mr. Goldmark will be seeking commitments from other participants in the overall plan and will be pressing the Administration for an appropriate characterization of the Administration receptivity to the concept of Federal assistance.

I have been briefed by Mr. Kearney concerning the outlines of any assistance that could be provided under the auspices of GNMA. Before any arm of the Administration proceeds, I think it wise that views be elicited from and perhaps a course of action be jointly planned by the Treasury, the Economic Policy Board, and the Office of Management and Budget.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
WASHINGTON, D.C. 20411

IN REPLY REFER TO:

November 26, 1975

SUBJECT: New York State Fiscal Problem/Possible GNMA Assistance

FROM: Daniel P. Kearney /DK
President, GNMA

I. Background

The fiscal crisis in New York City has received much attention during the past six months, particularly as regards the federal assistance, if any, to be provided in resolving New York City's fiscal problems. Considerably less attention has been devoted to the fiscal problem of the State of New York and the fiscal solvency of its quasi-independent state agencies.

Now that a plan to resolve the New York City problem appears to be reaching fruition, New York State Budget officials have been turning their attention to their own fiscal problems. At the suggestion of Treasury Department officials, the Budget Director of the State of New York, Peter Goldmark, met with me on Tuesday, November 25 to explore possible GNMA assistance in resolving the state and independent agency fiscal problem.

Mr. Goldmark stated that the State has a $6.5 billion problem, $4 billion of which is connected with New York State notes which mature in the first half of 1976 and $2.5 billion which is connected with the quasi-independent state agencies. Mr. Goldmark was particularly interested in exploring what GNMA programs might be available to assist in the financing problems of the New York State Housing Finance Agency, the largest single quasi-independent state agency.

He prefaced the discussion by saying that it would be necessary to have developed the "plan" for the state and independent agencies by December 12. On December 15th, two independent state agencies have a $250 million note maturing.

In response I outlined the available GNMA programs. The mortgage-backed securities program whereby GNMA guarantees a security backed by FHA-insured mortgages was quickly dismissed as a viable option because of the time that would be consumed to procure FHA mortgage insurance. Mr. Goldmark was advised that GNMA did have the statutory authority to guarantee conventional loans, but that the Administration had not anticipated that this program would be implemented and that securing quick Administration approval of such a program would be difficult.

I then turned to a discussion of our mortgage purchase programs -- the so-called tandem program. I described the Emergency Housing Act of 1975, which conferred on GNMA the authority to purchase conventional multifamily mortgage loans bearing an interest rate of 7-1/2 percent, such mortgages to not exceed 75 percent of the "value", or 80 percent of "value" with a qualified mortgage insurer. I advised him that it had been widely speculated that as much as $3 billion of a Congressionally authorized $5 billion in mortgage purchase authority would be made available in the near future for multifamily mortgage purchase program and that a significant percentage of this might be made available for conventional loans that would be underwritten by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Since this option seemed to be the most promising, the bulk of our discussion was concentrated on the tandem approach.

II. Potential Problems with the Mortgage Purchase Approach

As this option was discussed in greater detail, I described the following set of concerns which present obstacles to the implementation of this form of assistance.

Under existing statutory authority, GNMA is precluded from purchasing mortgages from any state or local instrumentality. I admitted that in fact mortgages originated by state agencies have been sold to GNMA utilizing a private mortgage banker or commercial bank as an intermediary. There may be a difference of degree and foreknowledge however when we knowingly participate in an arrangement that circumvents the statutory prohibition.

On the other hand, there has been Congressional discussion of amending the statutory authority to permit GNMA to buy mortgages directly from state and local instrumentalities. While this approach might be desirable because it obtains Congressional approval for the assistance to the State of New York, it has a very undesirable result of opening the door for GNMA to buy mortgages from the many other state agencies. For policy reasons GNMA does not wish to do this in the absence of FHA insurance. This concern is related to the question of "differentiation" which was the second concern I expressed.

I advised Mr. Goldmark that it would be extremely desirable and indeed necessary to distinguish any mortgage purchase assistance to a New York State Agency in such a way so as to make it unlikely that other agencies would qualify for similar assistance. In that respect we discussed at length an agreement whereby the State of New York would agree to repurchase any loans that became delinquent. I insisted that the "mechanism" be something more than a "moral obligation" as that term is used in the financial community. He responded by saying that a tax "trigger" that would generate funds to purchase these mortgages was not a politically viable solution for the Governor; however, he suggested that a mechanism similar to that employed in connection with the resolution of the UDC difficulties could be possible. In concept, this mechanism would have the New York State legislature pass a resolution whereby they would agree to repurchase any delinquent and/or defaulted loans up to a maximum specified amount per year for as many years as necessary to provide coverage for the entire portfolio of mortgages purchased by GNMA. I suggested that such an agreement might be acceptable to the Administration since it would be unlikely that other states would be prepared to make such an agreement in the absence of a fiscal crisis similar to that which presently obtains in New York. Mr. Goldmark also agreed in principle that the state agencies would undertake no more construction until its traditional financial sources had reappeared.

The third problem that I expressed was that of the budget. If New York assistance were to be forthcoming, it would require the President to release a portion of the remaining

$2 billion of Congressional authorization for mortgage purchase programs. I advised that this presented some considerable political problem for the Administration since it was anticipated by Congress that these funds would be used to support "new construction" and that there was considerable expectation that some of the assistance would be directed toward single-family housing. Moreover, the loans would not be saleable; therefore, it would increase fiscal 1976 outlays immediately. Mr. Goldmark responded by offering to use their "best efforts" to secure FHA insurance on the loans after they had been sold to GNMA and that it was his opinion that many of the loans would so qualify. Thus, to the extent that FHA insurance could be procurred, the loans would then be saleable.

Another problem identified related to the stage of construction of New York HFA projects. Most, if not all, of the New York projects have already commenced construction. It is anticipated that any conventional multifamily purchase program would be directed to projects which have not as yet commenced construction. It is a fact, however, that we have made available mortgage purchase programs for single-family units which have been under construction since October 1973 and that there is no statutory prohibition which precludes GNMA from purchasing mortgages on units under construction. Therefore, while the purchase of HFA mortgages already under construction would be a deviation from the provisions of the contemplated multifamily mortgage purchase program, it would not be inconsistent with the provisions previously enunciated in connection with single-family mortgage purchase programs.

Our attention then shifted to the gross amount of mortgages that would have to be purchased in order to generate the cash needed by the state. Our rules preclude purchasing mortgages in excess of 80 percent of "value" and I advised him that this would require GNMA to purchase only 80 percent of the outstanding principal balance of the mortgages. Therefore, the New York State officials would have to find somebody to purchase the top 20 percent participation in the principal balance outstanding. Mr. Goldmark then provided me with an outline of the financing requirements for the state agencies which revealed that it will be necessary to raise at least $353 million through this approach. It would therefore appear that some $480 million worth of mortgages would be involved although some of the other numbers in the financing requirements are quite "soft" and Mr. Goldmark advised that the figures involving GNMA assistance might rise to as high as $600 million.

III. The discussion concluded with the agreement that I would explore the mortgage purchase option with Secretary Hills and officials at Treasury and if the preliminary reaction was not negative, the matter would be raised with the OMB. Mr. Goldmark reiterated the need for a definitive answer the week of December 8 (in my judgement, an affirmative decision that week would <u>not</u> require that we actually purchase the loans during that week; I am quite confident that if a contractual agreement committing GNMA to this approach has been consummated by that time, private interim financing will be available based on that commitment). Mr. Goldmark requested that I communicate to him at the earliest opportunity, a "characterization" of the possibilities of GNMA assistance and a response to the question of whether we would "play" only as a part of a total program.

We agreed for the time being the discussions would be characterized as "exploratory" at the initiative of New York State officials and that no further description of the possibilities of this assistance would be forthcoming until I had checked with all the responsible Federal officials.

Subsequently, I discussed this meeting with Secretary Hills the afternoon of November 25. She expressed considerable concern that we might be drawn into the New York situation on a hurried basis and that the "numbers" in New York were extremely fuzzy which might give rise to a potential scandal for GNMA. Nonetheless, she indicated her disposition to render such assistance as is necessary if the assistance has been decided upon by the Administration in its entirety. Therefore, our assistance would only be forthcoming if it was clearly decided that such assistance would be necessary and desirable by the Treasury, the OMB, the E.P.B. and with the concurrence of the President.

Daniel P. Kearney
President, GNMA

EMBARGOED FOR RELEASE UNTIL EST November 26, 1975

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~~ or 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.

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.

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 was refinancing of short-term debt.

Management Changes

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.

Pension Reform

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

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

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. Security for Loans or Guarantees. 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. Limitations and Criteria. 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. Termination of Authority. 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 must 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

Put log - N.Y

THE WHITE HOUSE

WASHINGTON

November 29, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON/JIM FALK

FROM: JIM CONNOR JEC

SUBJECT: Recommended Telephone Calls

For your information the following action was taken on your recommended Telephone Calls:

Governor Otis Bowen - "Called 11/28"

Governor Mills Godwin - "Called 11/28"

In addition the President noted the following:

"11/28 - Also talked to Governor James Rhodes of Ohio".

cc: Dick Cheney
Jerry Jones

THE WHITE HOUSE

WASHINGTON

December 1, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON/JIM FALK

FROM: JIM CONNOR

SUBJECT: Recommended Telephone Calls

For your information the following action was taken on your Recommended Telephone Calls:

Governor Robert D. Ray	-	"Called 11/26/75"
Governor Robert F. Bennett	-	"Called 11/27/75"
Governor Dan Evans	-	"Called 11/27/75"
Governor Christopher Bond	-	"Called 11/27/75"
Governor Arch Moore	-	"Called 11/28/75"
Governor Jay Hammond	-	"Called 11/28/75"
Governor William Milliken	-	"Called 11/28/75"
Governor James Holshouser	-	"Called 11/28/75"

cc: Dick Cheney
Jerry Jones

THE WHITE HOUSE

WASHINGTON

November 25, 1975

MEMORANDUM FOR: JIM CANNON

FROM: JIM FALK JF

SUBJECT: <u>New York Notifications</u>

A. <u>New York Officials</u> — <u>To Call:</u>

Bud

JMC

1.	Governor Carey	New York	?
2.	Mayor Beame	New York City	
3.	Warren Anderson (R)	New York President of Senate	
4.	NA Perry Duryea (R)	New York, Min. Leader	

B. <u>Other State Officials</u>

*1.	Governor Moore (R)	West Virginia Chairman, RGA	JMC
*2.	Governor Bond (R)	Missouri,	
~~3.~~	~~Governor Ray (R)~~	Iowa, Chairman, NGC	
*~~4.~~	~~Governor Evans (R)~~	Washington	
*5.	Governor Bennett (R)	Kansas	JHF
6.	Governor Milliken (R)	Michigan	
7.	Governor Holshouser (R)	North Carolina	
8.	Governor Godwin (R)	Virginia	
9.	Governor Hammond (R)	Alaska	
10.	Governor Bowen (R)	Indiana	
NA 11.	Governor Rhodes (R)	Ohio	JMC

*Opposed aid to New York City on Issues and Answers Sunday

THE WHITE HOUSE

WASHINGTON

November 25, 1975

MEMORANDUM FOR: JIM CANNON

FROM: JIM FALK JF

SUBJECT: New York Notifications

A. New York Officials

1.	Governor Carey	New York
2.	Mayor Beame	New York City
3.	Warren Anderson (R)	New York President of Senate & Majority Leader
4.	Perry Duryea (R)	New York, Minority Leader

B. Other State Officials

* 1.	Governor Moore (R)	West Virginia Chairman, Republican Governors
* 2.	Governor Bond (R)	Missouri, Past Chairman
3.	Governor Ray (R)	Iowa, Chairman National Governors' Conference
* 4.	Governor Evans (R)	Washington
* 5.	Governor Bennett (R)	Kansas
6.	Governor Milliken (R)	Michigan
7.	Governor Holshouser (R)	North Carolina
8.	Governor Godwin (R)	Virginia
~~* 9.~~	~~Governor Thomson (R)~~	~~New Hampshire~~
10.	Governor Hammond (R)	Alaska
11.	Governor Bowen (R)	Indiana

* Opposed aid to New York City on Issues and Answers Sunday

12. Governor Rhodes (R) Ohio

~~13. Governor Edwards (R) South Carolina~~

14. Governor Askew (D) Florida

15. Governor Salmon (D) Vermont

16. Governor Longley Maine

C. Other Local Officials

1. Mayor Ralph Perk (R) Cleveland, Ohio

2. Mayor Richard Carver (R) Peoria, Ilinoia

3. Mayor Timothy Barrow (R) Phoenix, Arizona

4. Mayor Pete Wilson (R) San Diego, California

5. Mayor Carlos Romero (R) San Juan, Puerto Rico

6. Mayor Moon Landrieu (D) New Orleans, Louisiana

17. Gov Anderson Minnesota

18. Gov Rampton Utah

19. Gov Noel R. I.

20. Gov Askew Florida

File
new York City

Jobs Declined in 134 of 162 Major Industries in the City

Among the city's industries from 1969 to 1974, securities and commodities trading suffered the worst drop in employment, while health service led the relatively few fields in which the number of jobs increased, according to a new study of the city economy issued yesterday by Herbert Bienstock, head of the New York office of the Bureau of Labor Statistics.

The study shows that employment fell in 134 of the 162

Job Losses and Gains Of Industries in the City

In dustries in New York City with the largest losses and gains in employment from 1969 to 1974.

Job Losses	
Securities, commodities brokers	35,000
Water transportation	19,000
Personnel services	18,400
Eating, drinking places	17,500
Dress manufacturing	15,500
Suit, skirt, coat manufacturing	13,500
Wholesale trade	12,700
Apparel, accessories retailing	11,700
Federal Government	11,100
Insurance carriers	10,600
Job Gains	
Eelmentary, secondary schools	2,100
Construction, general contractors	2,600

est-paying jobs, while the lowest-paying jobs are held by city residents.

"The implications of all this for the city's tax base are obvious and important," Mr. Bienstock said. "After looking at these data, one must conclude that the city's fiscal crisis is a headache, but its job losses are the real disease."

They also suggest, he said "an increased labor market dependency of suburbanites on

government, not the private sector. Jobs in schools, hospitals and state and city agencies grew by 85,700, while 34,20C jobs were added by construction general contractors, ship building and repair, legal services, women's and misses outerwear manufacture, nonprofit membership organizations and banking.

Employment in the city peaked in 1969, when the average monthly level stood at 3,-