

**The original documents are located in Box 79, folder “New York City, November 1975 – July 1976 (4)” of the L. William Seidman Files at the Gerald R. Ford Presidential Library.**

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THE WHITE HOUSE

WASHINGTON

November 18, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: New York City

The following issues are outlined to provide a focus for the discussion of the New York City situation at the 3:00 p.m. meeting today:

Issue 1: Should the Federal Government provide financial assistance to New York City to meet its seasonal borrowing requirements for essential services?

Option A: Turn down the New York request for Federal assistance and recommend that additional actions be taken at the state and local level.

Option B: Agree to support legislation authorizing Federal assistance to meet seasonal borrowing needs for essential services.

Option C: Seek agreement from private financial institutions to provide financing the New York City's seasonal needs and support legislation securing such financing with future Federal payments otherwise due the State and City.

If you decide in principle to support Federal assistance for New York City's seasonal borrowing needs several additional issues require your attention.

Issue 2: Should seasonal borrowing assistance take the form of direct loans or loan guarantees?

Option A: Direct loans.

Option B: Loan guarantees.



Issue 3: What types of conditions should be attached to the provision of Federal assistance?

Option A: General condition that the lender (the Federal Government) be satisfied that the borrower has the capacity to repay the loan.

Option B: Mandate certain specific actions that must be taken to qualify for the assistance.

Option C: Require that Federal loans or guarantees be secured by a lien on future Federal payments otherwise due the State and City. (An OMB memorandum on this issue is attached)

Issue 4: What should constitute the control mechanism for any Federal assistance?

Option A: Supervision of Federal loans or guarantees by a small Board of Federal officials appointed by the President.

Option B: Supervision of Federal loans or guarantees by a single Cabinet officer appointed by the President.

Option C: Supervision of Federal loans or guarantees by a small Board of non-Federal Government officials appointed by the President.

Issue 5: What should be the size and duration of any Federal assistance to New York for seasonal borrowing?

Option A: Restrict Federal assistance initially to one year duration and to the estimated \$1.3 billion required by New York City for the remainder of this fiscal year (through June 30, 1976).

Option B: Restrict Federal assistance to three years and to the estimated levels outlined in the New York plan (through June 30, 1978).

Option C: Provide Federal assistance for the five years outlined in the current House bill.



[11-19-75]

The President is gratified that the leaders of New York State  
~~and City~~ appear to have accepted primary responsibility for solving  
the ~~financial~~ <sup>of New York City</sup> problems and are proceeding in the direction of a long-  
term solution in accordance with ~~State laws~~ <sup>and the State Constitution</sup>. He is impressed with the  
seriousness of their intentions as described by Governor Carey  
in his letter to Secretary Simon and awaits further concrete actions  
by the State and the other parties concerned. If all parties continue  
to cooperate <sup>and take prompt action</sup> the President ~~now~~ believes that a satisfactory solution  
can be found. The President continues to give sympathetic consideration  
to the well-being of the people of New York City ~~and~~ <sup>and</sup> reiterates his  
determination that their essential services will be maintained.



STATEMENT BY THE PRESIDENT

Instead of continuing to press for massive Federal bailouts for New York City, the leaders of New York are now taking firm initiatives to solve their problems on their own. The seriousness of their intent is underscored in a recent letter sent by Governor Carey to Secretary Simon.

In view of these encouraging developments, I will today submit to the Congress legislation which will provide for tightly restricted seasonal loans to the City. These loans must be repaid in full during the year in which each loan is made and will be secured by future Federal payments to New York. This assistance will also be earmarked for services only and is intended to ensure, as I have pledged before, that the people of New York City not suffer undue hardships as the financial integrity of their City is restored.

My support for these loans is contingent, of course, upon the completion of appropriate fiscal actions by the leaders in New York sufficient to ensure that these loans can be repaid. At the same time, however, I must emphasize that the type of financial actions taken at the State and local levels are entirely a matter for the leadership of New York to decide. Primary responsibility for the resolution of this matter continues to rest in New York.



In the event the New York leaders fail to accept their responsibilities, 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 the process of such a default, if it occurs, is as orderly as possible.



The President is gratified that the leaders of New York appear to have accepted primary responsibility for solving the financial problems of New York City and are proceeding in the direction of a long term solution in accordance with the State Constitution and State laws. He is impressed with the seriousness of their intentions as described by Governor Carey in his letter to Secretary Simon and awaits further concrete actions by the State and the other parties concerned. If all parties continue to cooperate and take the prompt action the President believes that a satisfactory solution can be found. The President continues to give sympathetic consideration to the well being of the people of New York City and reiterates his determination that their essential services will be maintained.

11/19/75



In the event the New York leaders fail to accept their responsibilities, 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 the process of such a default, if it occurs, is as orderly as possible.





Office of the White House Press Secretary

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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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As part of the current 3-year plan, the following actions will have been taken:

- a. Three-year Emergency Financial Control Board (EFCB) plan to bring expense budget into modest surplus by fiscal year 1977-78. Additional reduction in personnel of over 40,000 employees (previous reduction 21,000).
- b. \$200 million annual expense cuts have been approved by EFCB above the original plan submitted by the City.
- c. Over \$200 million of City taxes have been voted by the State Legislature and will be imposed by EFCB.
- d. Moratorium legislation has been voted by the State Legislature with respect to City short-term notes amounting to \$2.6 billion.
- e. An exchange offer has been approved by the MAC Board for an exchange of 10-year 8% MAC bonds for \$1.6 billion of City notes held by the public.
- f. 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.
- g. 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.
- h. 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 which will be worked out over the next few days.
- i. \$85 million of annual City contributions to the pension systems has been shifted to the employees by legislation. The impact on the employees is \$107 million.
- j. Extensive management changes are being made in the City, including a new Deputy Mayor of Finance and new Chief of Planning.



- k. In the area of pension reform, 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.
- l. 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 fund. 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 fund on a sound actuarial basis and to have those recommendations to the Control Board no later than January 31, 1976.

All of this is on top of actions this summer which, by December 1, will have:

- a. Provided about \$3.5 billion of financing to the City, of which about \$1.5 billion was refinancing of short-term debt.
- b. Layoffs of about 22,000 people since January 1 and increased taxes of over \$300 million this summer (details to follow).
- c. A wage freeze and deferral being enacted this summer and fall.
- d. Expense cuts being imposed at City University in an amount equivalent to tuition.
- e. Increase in the transit fare from 35¢ to 50¢.
- f. Creation of MAC and EFCB control mechanism.
- g. Identified \$3 billion past deficit which is being amortized through MAC over 10 years and approximately \$600 million in expense items in the capital budget which are being amortized in a similar way.



THE WHITE HOUSE

WASHINGTON

November 19, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: New York Financial Situation:  
Possible Scenario of Events

Discussions with Governor Carey, Mayor Beame, and Felix Rohatyn, Chairman of MAC, suggest that the following represents the most likely sequence of events:

Wednesday, November 19

MAC passes requirement that New York City pension funds be reformed and that skimming by the city of the interest earned on the pension funds be eliminated.

Friday, November 21

New York State Teachers Fund advances \$100 million of the \$250 million needed to meet the State's financial obligation to the city.

Notice to city note holders offering to exchange their notes for long-term bonds is mailed out.

New York banks reconfirm their willingness to adjust their obligations as outlined in their letters to MAC.

Saturday, November 22

Michigan defeats Ohio State at Ann Arbor. Great joy reverberates across the land.



Monday, November 24

New York State Legislature enacts legislation authorizing additional New York City taxes of \$200 million.

Trustees of New York City Pension Fund commit to loan New York City \$2.5 billion.

Tuesday, November 25

New York City Council enacts additional New York City taxes of \$200 million authorized by the State Legislature.

Wednesday, November 26

Administration affirms its support of legislation to meet seasonal financing for essential city services.

Arthur Levitt agrees to use \$150 million of New York State Pension Funds to meet the remainder of the State's financial obligation to the City.

Monday, December 1

Legislation introduced to provide for Federal assistance for seasonal borrowing to meet essential services.

Friday, December 5

Legislation for seasonal borrowing loans or loan guarantees signed by the President.

Saturday, December 6

New York State battles out how it will meet its financial obligations.



THE WHITE HOUSE

WASHINGTON

November 15, 1975

MEMORANDUM FOR WILLIAM NICHOLSON

FROM: ROGER PORTER

SUBJECT: Request for a meeting with the President for representatives of local New York City Utility Workers Union and officers of the national organization to discuss New York's financial crisis

In responding to the request by representatives of the NYC Utility Workers Union, I like your alternative of turning down an appointment with the President but offering them an opportunity to present their views to Mr. Seidman, Mr. Cannon, or their representatives. Bill has indicated that he would meet with them, if necessary. I suggest that your letter indicate that he would be willing to meet with them and suggest that they contact his office to arrange for an appointment.

Developments are proceeding so rapidly that their request for and interest in a meeting may be overtaken by events.



NEW YORK CITY CASH FLOW NEEDS  
(dollars in millions)

	Cumulative Needs	
	<u>FY 1976-77</u>	<u>FY 1977-78</u>
June	1100	1041
August	1462	1413
September	1197	1237
October	1585	1293
November	1614	1325
December	2063	1670
January	2062	1697
February	2017	1645
March	2120 peak	1994 peak
April	1528	1369
May	1103	996
June	0	0

Per Peter Goldmark

cc upon Mr. Goldmark's request to Bob Gerrard, Treasury.

11/17/75



STATEMENT BY THE PRESIDENT

Events of the last few days demonstrate that the leaders of New York State and New York City now appear to have accepted primary responsibility for solving their own financial problems and are proceeding in the direction of a long term solution. The seriousness of their intentions is apparent in a recent letter sent by Governor Carey to Secretary Simon.

I am gratified by these developments and now await further concrete actions by the State and other concerned parties which can open the way to a satisfactory resolution of this matter.

11/18/75





NYC

November 19, 1975

Dear Mr. Joy:

This is to acknowledge your telegram of November 5 to the President requesting a meeting with him for representatives of the New York City Utility Workers Union and officers of the national organization to discuss New York City's financial crisis.

Currently a time is not foreseen when this meeting could be arranged in view of the President's schedule commitments. We suggest, though, that you contact Mr. L. William Seidman of his staff who is very familiar with the New York City financial crisis and has expressed his willingness to meet with representatives of the Utility Workers Union. His telephone number is 202-856-2335.

With best wishes.

Sincerely,

William W. Nicholson  
Director  
Scheduling Office

Mr. James Joy, Jr.  
Business Manager  
AFL-CIO Utility Workers Union  
386 Park Avenue, South  
New York, New York 10016

cc and incmg with file to Roger Porter  
cc: 2 cys Nancy Gemmell

WWN:MMR:rg



THE WHITE HOUSE  
WASHINGTON

November 15, 1975

1) MR  
cc: ~~Seidman~~ Seidman



MEMORANDUM FOR WILLIAM NICHOLSON

FROM: ROGER PORTER **RP**

SUBJECT: Request for a meeting with the President for representatives of local New York City Utility Workers Union and officers of the national organization to discuss New York's financial crisis

In responding to the request by representatives of the NYC Utility Workers Union, I like your alternative of turning down an appointment with the President but offering them an opportunity to present their views to Mr. Seidman, Mr. Cannon, or their representatives. Bill has indicated that he would meet with them, if necessary. I suggest that your letter indicate that he would be willing to meet with them and suggest that they contact his office to arrange for an appointment.

Developments are proceeding so rapidly that their request for and interest in a meeting may be overtaken by events.

*L. William Seidman  
T. 2335*

*Say no time is currently  
foreseen on the President's  
Sch. We would suggest you  
contact Mr Bill Seidman who  
is very familiar with the NYC  
ISSUE. ~~Seidman~~ has expressed  
his willingness to meet with  
the reps of the NYC Utility Workers  
Union.*

THE WHITE HOUSE

WASHINGTON

November 11, 1975

MEMORANDUM FOR: ROGER PORTER

FROM: WILLIAM NICHOLSON *WUN*

SUBJECT: Request for a meeting with the President for representatives of local New York City Utility Workers Union and officers of the national organization to discuss New York's financial crisis

Attached is a copy of a telegram requesting a meeting with the President for representatives of the local New York City Utility Workers Union and officers of the national organization. How would you recommend this be handled?

Two possible alternatives are:

Turn down appointment with the President and offer them an opportunity to discuss their plight with Mr. Seidman, Mr. Cannon, or their representatives.

Turn down appointment with the President and assure them that their concerns will be brought to the attention of the appropriate people.

What are your thoughts?



THE WHITE HOUSE  
WASHINGTON

November 10, 1975

NOTE FOR BILL NICHOLSON

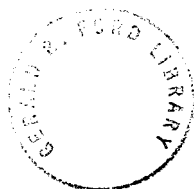
Bill -

The AFL-CIO Utility Workers Union in NYC asks to meet with the President about effects of default on their members - note they say they are few unions which has supported national and state candidates of the Republican Party

You will recall we asked advice on how to reply to Black and Puerto Rican Legislative ~~Caucus~~ Caucus of NY Assembly and a draft was submitted which we did use in replying to them

USE a similar response to the Union or should we ask Seidman or Cannon about this one?

MR



The White House  
Washington

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PMS PRESIDENT GERALD FORD



WHITE HOUSE DC

MR PRESIDENT, THE NATIONAL UTILITY WORKERS UNION REPRESENTING 65,000  
WORKERS ENDORSED AND WORKED FOR RICHARD NIXON FOR PRESIDENT AND THIS  
LOCAL ENDORSED AND LABORED STRENUOUSLY FOR HIS ELECTION AND FOR THE  
ELECTION OF MALCOLM WILSON AS GOVERNOR OF NEW YORK OF WHICH BOTH MR  
NIXON AND MR WILSON ARE PERSONALLY AWARE. THIS LOCAL UNION  
REPRESENTS 20,000 EMPLOYEES OF THE CONSOLIDATED EDISON COMPANY IN  
NEW YORK AND WE WERE ONE OF THE VERY FEW FORMER CIO UNIONS WHICH HAS  
EVER SUPPORTED NATIONAL AND STATE CANDIDATES OF THE REPUBLICAN PARTY  
NOW OUR MEMBERS IN NEW YORK CITY ARE FACED WITH UNEMPLOYMENT  
IMMEDIATELY UPON THE CITIES DEFAULT BECAUSE OF ANY FAILURE BY NEW  
YORK CITY TO MEET ITS GAS AND ELECTRIC UTILITY BILLS WE SHOULD LIKE

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VERY MUCH TO HAVE A MEETING WITH YOU ALONG WITH OFFICERS OF OUR  
NATIONAL UNION TO EXPLORE WAYS THAT COULD BE PRODUCTIVE OF BOTH  
YOURS AND OUR OBJECTIVES

1) JAMES JOY, JR., BUSINESS MANAGER<sup>2)</sup> AFL-CIO UTILITY WORKERS UNION,  
386 PARK AVE SOUTH NEW YORK, 10016 (2125327110)  
*1, n.g.*

NNNN



November 7<sup>th</sup> 1975

Dear Mr. Ebe:

The President asked me to acknowledge your October 30 telegram on the New York City fiscal situation sent in behalf of the New York State Black and Puerto Rican Legislative Cauchs. He appreciates receiving your views, but regrettably his schedule does not permit a meeting.

I can assure you, however, that any further comments you may have will be conveyed to appropriate officials for careful consideration.

With kind regard and appreciation of your concern.

Sincerely,

William W. Nicholson  
Director  
Scheduling Office

Mr. Arthur O. Ebe  
Chairman  
Black and Puerto Rican Legislative Caucus  
New York State Assembly  
LOB Room 735  
Albany, New York 12224

WWN:jem

cc: 2 cys nancy gemmell



Resolution adopted by the Emergency Financial  
Control Board at its meeting on  
November 19, 1975

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RESOLVED, that the Emergency Financial Control Board accepts and endorses the City's commitment, after receipt of a report from the Mayor's Management Advisory Committee, to update the assumptions regarding interest earnings, salary progressions, mortality tables and similar matters in the computation of the City's contribution to its actuarial pension funds; to initiate any legal and legislative steps required in that connection; and to revise its financial plan as appropriate and to submit it to the Board by January 31, 1976; and, included in such revisions, there should be no further extension of the provisions of law (Chapter five hundred ninety-five of the Laws of nineteen hundred seventy-four and Chapter eight hundred one of the Laws of nineteen hundred seventy-five) which authorized the City of New York to reduce the City's contributions to its retirement systems by the income in excess of four percent estimated to be earned on pension fund investments during the fiscal year.





Resolution adopted by the Emergency Financial  
Control Board at its meeting on  
November 19, 1975

WHEREAS, payment for excess overtime work in the last year of employment before retirement is considered as part of the salary of that year for purposes of computing pension benefits; and

WHEREAS, overtime work should be limited to the minimum required for efficient operations; and

WHEREAS, it appears that excessive overtime work by employees of the City of New York and covered organizations in the last year of work preceding retirement has inflated the pension costs of the City;

NOW THEREFORE, be it

RESOLVED, that the City and the Executive Director of the Emergency Financial Control Board are directed to report to the Board, within thirty days, concerning overtime practices and costs in the City government and covered organizations, and to eliminate abuses of overtime, particularly as it inflates pension costs.



NEW YORK CITY: Draft of Possible Announcement

For many months, leaders of New York have been struggling to overcome the financial difficulties of New York City.

During most of this period, the essence of their position has been that the Federal Government -- and not New York itself -- should assume primary responsibility for restoring the city's financial integrity.

Six months ago and again two months ago, representatives of New York met with me and insisted that they had exhausted their own resources. What we needed they said, was massive and immediate intervention by Washington. To be specific:

-- They maintained that there was no possibility for them to raise taxes to cover their own expenses;

-- They maintained there was no possibility of renegotiating city labor contracts which were plainly excessive;

-- They maintained that State and local pension funds could not be used as a source of funds;



SHORT VERSION  
11-24-75

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I could not agree with that view.

It seemed evident to me that New York's political leaders could do far more to help themselves.

I also did not want to be party to any plan which eroded the fundamental idea of our republic that cities and states should govern themselves -- that Washington should not make all the decisions and pay all the bills. Neither New York nor any other city should ever become a permanent ward of the Federal Government.



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-- They maintained that there was no possibility for them to raise taxes to cover their own expenses;

-- They maintained there was no possibility of renegotiating city labor contracts which were plainly excessive;

-- They maintained that State and local pension funds could not be used as a source of funds;



-- They maintained that their payment obligations to holders of New York City notes and bonds could not be renegotiated; and,

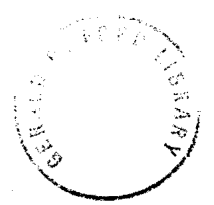
-- They maintained that every possible cut had been made in the New York City budget.

The only realistic option, they said, was for Washington to rush to the rescue with a huge assistance program -- a program that would inevitably have continued for years.

I could not agree to those terms.

It seemed evident to me that with a sufficient amount of imagination and political courage, New York's political leaders could do far more to help themselves.

I could see no reason why working people across America should be forced to pay for a level of extravagance they often could not afford in their own home towns.



I also did not want to be party to any plan which eroded the fundamental idea of our democracy that cities and States should govern themselves -- that Washington should not make all the decisions and pay all the bills. Neither New York nor any other city should ever become a permanent ward of the Federal Government.

For all of these reasons, I have been steadfastly opposed to a Federal bailout of New York City and I remain opposed today.

Many said it was right for me to stand tough. Others said it was wrong because I supposedly betrayed a callous insensitivity to the needs of the city. I will leave it to the American people to decide whether my stand has led to a more honorable and more equitable resolution of this crisis.

The fact is that in September, the New York State Legislature passed a plan that would tide the city over



through early December. For the first time, pension funds were tapped. The first cuts began to come in municipal expenses. The financial books that had been juggled for so many years were brought more into line. The unions, the banks, the political leaders -- all began to work together in a more cooperative and earnest way.

Yet even that was not enough. It was only a temporary bandaid, and everyone knew it. In fact, some believed that the temporary relief was intended to give the politicians of New York more time to lobby Washington. I continued to receive urgent pleas for a Federal bailout, and we saw the beginnings of a campaign to stampede the Government and the people of this country into submission.

Such scare tactics were intolerable, and I said so. We were not about to have the mortgage payments for New York frightened out of the American taxpayer.



Before the National Press Club on October 29th, I said that I was prepared to veto any bill which had as its central purpose a Federal bailout in order to prevent a default. As I said, a bailout would reduce, rather than increase, the prospects that the City's budget might be balanced. It would only encourage more of the same "politics as usual" in New York. The politicians of New York City have proved repeatedly in the past that they could not face up to the City's massive network of pressure groups so long as any other alternative were available.

As I indicated, the primary beneficiaries of a bailout would be the very New York officials who would thus escape responsibility for solving the problems of their own making. The second <sup>one</sup> beneficiaries would be the major holders of New York City obligations -- large investors and financial institutions. Set against these, one had to count the victims of a bailout -- working people across the country





who had no hand in creating this crisis and, indeed, the citizens of New York City who for so many years had been led down the primrose path by their politicians.

Accordingly, I proposed that in the event New York was unable or unwilling to meet its own obligations, the Federal government should ensure two things:

One, that the process of default be as orderly as possible, which would require a change in the Federal bankruptcy laws; and,

Two, that essential services for the people of New York City be continued, which would require an infusion of Federal assistance limited to that single purpose. It is imperative that the innocent victims of this ordeal, the eight million people of New York City, suffer no undue hardships.

At the time I made this proposal, it was unclear whether



New York's political leaders should muster the courage and the will to take the initiative on its own. It seemed apparent to me that the only way to put them to the test was to withhold any promise of Federal assistance prior to an actual default. Once we gave such a signal, their political will might magically disappear and the American taxpayer would be left holding the bag.

Now, at the eleventh hour, I believe we are witnessing a revival of the "can do" spirit of New York that was once the pride of the Empire State. Lacking an easy way out, the political leaders of New York are facing up to hard realities. They have rediscovered the backbone which <sup>has</sup> always made America stand so tall within the family of nations.

In the last three weeks, there has been a concerted, all-out effort within New York to put the finances of the city and the State on a sound basis -- exactly what we have been asking them to do all along.



The outlines of their plan were first presented to my Administration two weeks ago. Since then, many additional details have been hammered out so that all of us have a better understanding of exactly what New York is planning to do for itself.

Let me outline the essence of their self-help program:

One, almost \$1 billion in new city and State taxes will be raised;

Two, payments on the city's debts will be postponed and interest payments will be reduced;

Three, for the first <sup>time</sup>, municipal employees will be required to bear part of the cost of their pension contributions and other reforms will be made in the pension funds;

Four, significant additional cuts will be made in the cost of running the city through personnel reductions, welfare payments and other economies; and,



Five, the city pension system is to provide additional loans of up to \$2.5 billion to the city.

All of these steps are part of a broader effort to balance the State's budget now and to bring the city's budget into balance within three years.

All of these steps are also precisely what was said to be out of the question only a few months ago. The distance between what was said to be impossible then and what is actually being done today is the best measure of how far New York has come toward accepting primary responsibility for this crisis.

This is a tough, constructive program, and the leaders of New York, including the Governor, the Mayor and the public-spirited citizens who have served so ably on the State's Emergency Financial Control Board and in other capacities, are to be warmly commended for their efforts.



Governor Carey, in particular, deserves public praise: he pledged to me \_\_\_\_\_ days ago that he would carry out a tough program of reform, and he has been a man of his word.

Even this program, however, will not be totally sufficient. In the next few months, New York City will still lack enough revenues to cover its day-to-day operating expenses. In effect, because the city's tax receipts come late in the year, the city fathers need to borrow funds for a short period of time early each year to ensure that essential services are provided.

Because the private credit markets remain closed to them, representatives of New York have come to me and said, in essence: we have done everything you asked us to do originally. New York will take care of all of its old debts without a Federal bailout. We need your help, the help of the Federal Government, to assist us in a single, narrow area -- to help us on a short-term basis in providing



essential services to the eight million Americans who live in the nation's largest city.

My fellow Americans, New York in recent weeks has done what is fair and what is right. They have built nearly all of the bridge back to financial safety. Now we can --and should -- put the last span in place on their bridge.

To that end, I will now ask the Congress for authority to provide a temporary line of credit of up to \$\_\_\_ billion to the State of New York to enable it to supply seasonal financing of essential services for the people of New York City. Money would be lent to the State during the period when the city experiences a revenue shortfall -- the period from December through March -- and would be repaid to the Federal Government during April, May and June. If New York continues to act affirmatively in its own behalf, I believe we can say with reasonable confidence that all Federal loans will be repaid in full with interest.



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The officials of New York -- including the Governor, the Mayor, the banks and others -- have already provided me with written assurances that they will carry out their program. Moreover, since my statement last week that I would await further concrete actions by the State Legislature substantial progress has been made in Albany toward enacting portions of this plan.

There should be no illusions about my position. I am not prepared to endorse any further Federal assistance. In the event that local parties fail to abide by the New York plan, I am prepared to terminate all Federal assistance. Given the turbulent history of this tragedy, it would be prudent for the Federal Government to have in place a workable arrangement for the possible future default of New York City. I say to the officials of New York that I will work with you to see that your plan succeeds. In return, I ask that you work with me to amend current Federal laws,



so that, in the unhappy event that the New York plan fails, there can be an orderly resolution of the resulting default.

But this is not a day for recriminations or a lack of faith. If anything, the developments of recent days have provided evidence that our local political leaders can still remain masters of their own destinies and that the process of self-governing remains strong and viable in the United States.

Many observers have said recently -- and I count myself among them -- that the crisis of New York City illustrates what can happen to the United States itself unless we put our financial affairs in order. A nation, just like a city and a family, cannot continually live beyond its means. There is certainly much that we can learn from the spend-thrift way that New York City has been run over the years.





Yet I would suggest today that the way in which the people of New York City and New York State are rallying to overcome their crisis is also rich in meaning for our nation.

The process of facing up to reality and then dealing with it has at times been halting. At times all of us have held our breath wondering whether they would pull themselves back from the brink. But the essential point is that they are succeeding. They are proving once again that when Americans realize there is no easy way out, they can still overcome even the greatest of adversities.

Certainly, this nation has had its share of adversities in recent years.

We have had to overcome the shock of losing national leaders to the bullets of an assassin.



We have had to endure a long and very divisive war.

We have had to regain our faith in the political process after a President resigned from office.

And we have had to begin rebuilding our economic foundations after we suffered the worst siege of inflation and recession in more than a generation.

The American spirit has truly been put to the test. But we have not only endured; we have prevailed.

Sixteen years ago, before this long train of events began, Carl Sandburg was speaking at Gettysburg on the 150th anniversary of Lincoln's birth. What he said there has as much relevance today as it did then.:

"Long before this time of ours, America saw the faces of men and women torn and shaken in turmoil, chaos and storm. Always the path of American destiny has been into the



Unknown. And always there arose enough of reserves of strength, balances of sanity, portions of wisdom, to carry the nation through to a fresh start with an ever renewing vitality."

Now in 1975, there is a new vitality again in our land. Let us resolve today that we shall carry it ever forward into our future.

Thank you.



NEW YORK CITY: Draft of Possible Announcement

For many months, leaders of New York have been working to overcome the financial difficulties of New York City.

During most of this period, the essence of their position has been that the Federal Government -- and not New York itself -- should assume primary responsibility for restoring the City's financial integrity.

I could not agree with that view.

It seemed evident to me that New York's political leaders could do far more to help themselves.

I also did not want to be party to any plan which eroded the fundamental idea of our republic that cities and states should govern themselves -- that Washington should not make all the decisions and pay all the bills. Neither New York nor any other city should ever become a permanent ward of the Federal Government.



~~For all of these reasons~~, I have been steadfastly opposed to a Federal bailout of New York City and I remain opposed today.

Many said it was right for me to stand tough. Others said it was wrong because I supposedly betrayed a callous insensitivity to the needs of the City. I will leave it to the American people to decide whether my stand has led to a more honorable and more equitable resolution of this crisis.

The fact is that in September, the New York State Legislature passed a plan that would tide the City over through early December. For the first time, pension funds were tapped. The first cuts began to come in municipal expenses. The financial books that had been juggled for so many years were brought more into line. The unions, the banks, the political leaders -- all began to work together in a more cooperative and earnest way.

Yet even that was not enough; it was only temporary, and everyone knew it.



Only in the last month, when it was made clear that the City would have to balance its revenues and expenditures without the help of the Federal taxpayer, has there been a concerted effort within New York to put the finances of the City and the State on a sound basis.

The outlines of their plan were first presented to my Administration three weeks ago. Since then, many additional details have been hammered out so that all of us have a better understanding of exactly what New York is planning to do for itself.

Let me outline the essence of their self-help program:

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

Two, more than \$200 million in new taxes will be raised;

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



Fourth, banks and other large institutions have agreed to defer collection of their loans and reduce interest rates;

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

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

All of these steps are part of an effort to provide financing and to bring the City's budget into balance by the fiscal year starting in 1977.

The distance between what was thought impossible a few weeks ago and what is actually being done today is the best measure of how far New York has come toward accepting primary responsibility for this crisis.

This is a constructive program. It accomplishes many of the necessary sacrifices that would have been forced in default, without



the need for formal court action. The leaders of New York, including the Governor, the Mayor and the public-spirited citizens who have served so ably on the MAC Board and in other capacities, are to be warmly commended for their efforts.

Even this program, however, will not make them self-sufficient.

In the next few months, New York City will still lack enough funds to cover its day-to-day operating expenses. The City needs to borrow funds for a period of time each year to ensure that essential services are provided.

Because the private credit markets remain closed to them, representatives of New York have come to me and said that they have acted but that they still need help on a short-term basis in providing essential services to the eight million Americans who live in the Nation's largest city.

My fellow Americans, New York in recent weeks has started building the bridge back to financial safety. Now we must put the last





span in place on their bridge.

To that end, I will now ask the Congress for authority to provide a temporary line of credit of up to \$\_\_\_\_\_ billion to the State of New York to enable it to supply seasonal financing of essential services for the people of New York City. Money would be lent to the State on a seasonal basis, normally being loaned from July through March and repaid in April, May and June. If New York continues to act affirmatively in its own behalf, I believe we can reasonably expect that all Federal loans will be repaid in full with interest at the end of their fiscal year.

I recognize that this is only the beginning of the process and not the end. As always, the local officials must provide the leadership. There should be no illusions about my position. In the event that local parties fail to abide by the plan, I am prepared to terminate all Federal assistance. Given the turbulent history of this



tragedy, it would be prudent for the Federal Government to have in place a workable arrangement for any contingency. Accordingly, I ask the Congress to act promptly to amend current Federal laws so that, in the event that the New York plan fails, there can be an orderly resolution of the resulting default.

But this is not a day for recriminations or a lack of faith. If anything, the developments of recent days have provided evidence of the vitality of our Federal system and that the process of self-government remains strong in the United States.



Emergency Financial Control Board

November 25, 1975

RESOLVED, that the taxes imposed by Chapters 877, 879, 880, 883, 884 of the Laws of 1975, and Chapter 882 of the Laws of 1975 as amended by Chapter 886 of the Laws of 1975, are necessary; and be it further

RESOLVED, that the revenues derived from those taxes shall be expended in accordance with the provisions of the New York State Financial Emergency Act for the City of New York.

The Board hereby directs the Chairman to immediately provide a copy of the above resolution to the appropriate officers named in such Chapters.



THE WHITE HOUSE

WASHINGTON

November 25, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: New York City Materials

Two documents in draft form relating to the announcement of your position on New York City are attached. The first is the draft legislation, the New York City Seasonal Financing Act of 1975, prepared and cleared by the Departments of Justice and Treasury, OMB, and the White House Counsel's Office. The second is a Fact Sheet outlining your position, summarizing the proposed legislation, detailing the measures taken by New York officials, providing a section by section analysis of the legislation, and including some likely questions and answers.



A BILL

To authorize the Secretary of the Treasury to provide and facilitate seasonal financing for the City of New York.

WHEREAS it is necessary for the City of New York to obtain seasonal financing from time to time because the City's revenues and expenditures, even when in balance on an annual basis, are not received and disbursed at equivalent rates throughout the year; and

WHEREAS the Congress finds that at the present time the City is or may be unable to obtain such seasonal financing from its customary sources; and

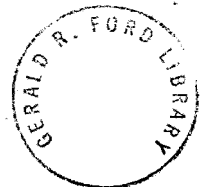
WHEREAS the Congress finds that it is necessary to assure such seasonal financing, in order that the City of New York may maintain essential governmental services.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "New York City Seasonal Financing Assistance Act of 1975".

Section 1. Definitions.

The words and phrases used in the Act have the following meanings:

(a) The terms "City" and "State" mean the City and State of New York, respectively.



(b) The term "Secretary" means the Secretary of the Treasury.

(c) The term "Guaranteed Obligation" means any obligation of the City guaranteed by the Secretary under Section 3 of this Act.

(d) The term "default" with respect to Guaranteed Obligations means the failure of the City, for whatever reason, to make payment of any installment of interest on or of the principal amount of such obligations on the date or dates specified on the face of such obligations.

Section 2. Loans.

(a) Upon written request of the City, the Secretary may make loans to the City subject to the provisions of this Act.

(b) Each such loan shall mature not later than the last day of the fiscal year of the City in which it was first issued, and shall bear interest at an annual rate established by the Secretary at the time of the loan.

Section 3. Guarantees.

(a) Upon written request of the City, the Secretary may guarantee the timely payment of interest and principal on obligations of the City, subject to the provisions of this Act. In connection with each guarantee under this section the Secretary is authorized to collect from the



City a guarantee fee not to exceed one per centum of the principal amount guaranteed.

(b) Each Guaranteed Obligation shall state on its face a maturity date not later than the last day of the fiscal year of the City in which such Guaranteed Obligation was first issued and shall further bear on its face the following legend: "The United States has guaranteed the timely payment of the interest and principal of this obligation pursuant to Section 3 of the New York City Seasonal Financing Assistance Act of 1974."

(c) In the event that the City defaults with respect to any Guaranteed Obligation, the Secretary shall, upon demand, pay the holders of such obligation the unpaid principal amounts thereof and the interest thereon to the date when the holders of such obligation shall first have the right to demand payment of the principal amounts of such obligation. In such case, the United States shall have a claim against the City for the amounts paid to the holders of such obligation.

Section 4. Security for Loans or Guarantees.

In connection with any loan or guarantee under this Act, the Secretary may require the City and, where necessary, the State, to provide such security for the City's timely satisfaction of its obligations under this Act as he deems appropri-



ate. The Secretary may take such steps as are necessary to realize upon any collateral in which the United States has a security interest pursuant to this section to enforce any claim the United States may have against the City pursuant to this Act. Notwithstanding any other provision of law, the Secretary may withhold any payments from the United States to the City, either directly or through the State, which may be or may become due pursuant to any law and offset such withheld amounts against any claim the Secretary may have against the City pursuant to this Act.

Section 5. Limitations and Criteria.

(a) The Secretary may make or withhold loans or guarantees under this Act as he may in his sole discretion see fit, and such action shall not be subject to review in any court by mandamus or otherwise. Without limiting the generality of the foregoing, the Secretary may condition the making of a loan or guarantee upon identification of revenue sources adequate to satisfy the obligations incurred or secured thereby; and may require such terms and conditions to be included in the instrument of loan, the instrument of guarantee, or the instrument of Guaranteed Obligation, as he may deem appropriate.

(b) At no time shall the outstanding amount of loans under section 2 of this Act plus the outstanding amount





of Guaranteed Obligations issued under section 3 of this Act exceed in the aggregate \$2,300,000,000.

(c) No loan or guarantee shall be provided under this Act unless: (i) the City shall have repaid according to their terms all prior loans under this Act which have matured, (ii) the City shall have paid the interest on and principal amount of all previously issued Guaranteed Obligations according to the terms of such obligations and (iii) the City shall be in compliance with the terms of any such outstanding loans or Guaranteed Obligations.

Section 6. Remedies.

The remedies of the Secretary prescribed in this Act shall be cumulative and not in limitation of or substitution for any other remedies available to the Secretary or the United States.

Section 7. Funding.

For the purpose of making any loan or any payment to a holder of a Guaranteed Obligation under this Act, the Secretary is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the making of such loans and payments.



Section 8. Guaranteed Obligations Taxable.

Section 103(a)(1) of the Internal Revenue Code of 1954 (relating to interest on certain governmental obligations) is amended by inserting before the semi-colon at the end thereof, the following:

" , except in the case of an obligation guaranteed by the Secretary of the Treasury pursuant to Section 3 of the New York City Seasonal Financing Assistance Act of 1975."

Section 9. Termination.

The authority of the Secretary to make any loan and to enter into any guarantee under this Act terminates on June 30, 1978. Such termination does not affect the carrying out of any transaction entered into pursuant to this Act prior to that date, or the taking of any action necessary to preserve or protect the interests of the United States arising out of any loan or guarantee under this Act.



1. Definitions. The words and phrases used in the Act have the following meanings:

(a) The terms "City" and "State" mean the City and State of New York, respectively.

(b) The term "Secretary" means the Secretary of the Treasury.

(c) The term "Guaranteed Obligation" means any obligation of the City guaranteed by the Secretary under Section 3 of this Act.

(d) The term "default" with respect to Guaranteed Obligations means the failure of the City, for whatever reason, to make payment of any installment of interest on or of the principal amount of such obligations on the date or dates specified on the face of such obligations.

2. Loans.

(a) Upon written request of the City, the Secretary may make loans to the City subject to the provisions of this Act.

(b) Each such loan shall mature not later than the last day of the fiscal year of the City in which it was first issued, and shall bear interest at an annual rate established by the Secretary at the time of the loan.

3. Guarantees.

(a) Upon written request of the City, the Secretary may guarantee the timely payment of interest and principal



on obligations of the City, subject to the provisions of this Act. In connection with each guarantee under this section the Secretary shall collect from the City a guarantee fee of one per centum of the principal amount guaranteed.

(b) Each Guaranteed Obligation shall state on its face a maturity date not later than the last day of the fiscal year of the City in which such Guaranteed Obligation was first issued and shall further bear on its face the following legend: "The United States has guaranteed the timely payment of the interest and principal of this obligation pursuant to Section 3 of [insert name of Act]."

(c) In the event that the City defaults with respect to any Guaranteed Obligations, the Secretary shall, upon demand, pay the holders of such obligations the unpaid principal amounts thereof and the interest thereon to the date when the holders of such obligations shall first have the right to demand payment of the principal amounts of such obligations. In such case, the United States shall have a claim against the City for the amounts paid to the holders of such obligations.

4. Security for Loans or Guarantees.

In connection with any loan or guarantee under this Act, the Secretary may require the City and, where necessary, the State, to provide such security for the City's timely satis-



faction of its obligations under this Act as he deems appropriate. The Secretary may take such steps as are necessary to realize upon any collateral in which the United States has a security interest pursuant to this section to enforce any claim the United States may have against the City pursuant to this Act. Notwithstanding any other provision of law, the Secretary may withhold any payments from the United States to the City, either directly or through the State, which may be or may become due pursuant to any law and offset such withheld amounts against any claim the Secretary may have against the City pursuant to this Act.

5. Limitations and Criteria.

(a) The Secretary may make or withhold loans or guarantees under this Act as he may in his sole discretion see fit, and such action shall not be subject to review in any court by mandamus or otherwise. Without limiting the generality of the foregoing, the Secretary may condition the making of a loan or guarantee upon identification of revenue sources adequate to satisfy the obligations incurred or secured thereby; and may require such terms and conditions to be included in the instrument of loan, the instrument of guarantee, or the instrument of Guaranteed Obligation, as he may deem appropriate.

(b) At no time shall the outstanding amount of loans under section 2 of this Act plus the outstanding amount



of Guaranteed Obligations issued under section 3 of this Act exceed in the aggregate \$2,300,000,000.

(c) No loan or guarantee shall be provided under this Act unless: (i) the City shall have repaid according to their terms all prior loans under this Act which have matured, (ii) <sup>the City</sup> shall have paid the interest on and principal amount of all previously issued Guaranteed Obligations according to the terms of such obligations and (iii) the City shall be in compliance with the terms of any such outstanding loans or Guaranteed Obligations.

6. Remedies.

The remedies of the Secretary prescribed in this Act shall be cumulative and not in limitation of or substitution for any other remedies available to the Secretary or the United States.

7. Funding.

For the purpose of making any loan or any payment to a holder of a Guaranteed Obligation under this Act, the Secretary is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the making of such loans and payments.



8. Guaranteed Obligations Taxable.

Section 103(a)(1) of the Internal Revenue Code of 1954 (relating to interest on certain governmental obligations) is amended by inserting before the semi-colon at the end thereof, the following:

" , except in the case of an obligation guaranteed by the Secretary of the Treasury pursuant to Section 3 of the [insert name of this Act];".



THE WHITE HOUSE

WASHINGTON

November 25, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN  
SUBJECT: New York City Speech

An agreement involving actions by New York State, City, union and financial community officials is expected to be consummated today at 3:00 p.m. A discussion at the EPB Executive Committee and with Ron Nessen, Bob Hartmann and others has produced the following options for consideration regarding the announcement of your position on New York which you indicated last week you would make after reviewing the actions taken by New York officials.

Announcement of your position would be contingent on a successful consummation of the package put together by New York officials. Draft legislation has been prepared and cleared by the Departments of Treasury, Justice, the White House Counsel's Office, and OMB. A Fact Sheet for release following any statement or speech is being prepared.

There is general agreement that:

- (1) The appearance of a "cave in" on the New York issue should be avoided and that your announcement should make clear that seasonal financing will not impose costs on the American taxpayer.
- (2) Any announcement should consist of a well reasoned explanation of your position and that your announcement should be allowed to "stand" at least overnight.
- (3) Any announcement should be preceded by notification of key congressional members and State and local government officials.

Options

Option 1: Deliver a medium length (10-15 minute) address from the Oval Office at Noon tomorrow. (Wednesday)



Advantages:

- o A Noon announcement would likely be carried live by the major networks and would also receive maximum coverage in the network evening broadcasts.
- o A Noon announcement has two advantages over a Thanksgiving Eve night time announcement when large numbers of people could be expected to be travelling and when it would not receive coverage in the nightly network news programs.

Option 2: Deliver a medium length (10-15 minute) address from the Oval Office at 7:30 p.m. tomorrow. (Wednesday)

Advantages:

- o It is expected that the major networks would provide time for live coverage.

Option 3: Request network television time for coverage of an announcement of your position at a meeting with designated New York officials (Governor Carey, Mayor Beame and a few others) in the Cabinet Room.

Advantages:

- o This would provide a new setting and permit you to commend the New York officials personally on the measures that they have taken. New York officials who have been quietly approached on their reaction to such a meeting have indicated that they would be receptive to the idea and that they would respond positively during such a meeting.

Option 4: Deliver a short (2-3 minute) address from the Oval Office taped late this afternoon for use on the major network evening news broadcasts.

Advantages:

- o Would occur the day that the news of the successful consumation of the measures by New York officials was released.



Disadvantages:

- o Would make notification of congressional and State and local government officials prior to your announcement extremely difficult.
- o A short (2-3 minute) address could not include a full explanation of your position and could therefore result in misunderstanding.



THE WHITE HOUSE  
WASHINGTON

NOVEMBER 25, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *fwS*  
SUBJECT: New York City Speech

An agreement involving actions by New York State, City, union and financial community leaders is expected to be consummated today at 3:00 p.m. A discussion at the EPB Executive Committee and with Ron Nessen, Bob Hartmann and others has produced the following options for consideration regarding the announcement of your position on New York which you indicated last week you would make after reviewing the actions taken by New York officials.

Draft legislation, the New York Seasonal Financing Assistance Act of 1975, has been prepared and cleared by the Departments of Treasury, Justice, the White House Counsel's Office, and OMB. A fact sheet for release following any statement or speech is being prepared and should be completed by the end of the day.

Options

Option 1: Deliver a medium length (10-15 minute) address from the Oval Office at noon tomorrow.

Advantages:

- o A noon announcement would likely be carried live by the major networks and would also receive maximum coverage in the network evening broadcasts.
- o A noon announcement has two advantages over an evening announcement when large numbers of people could be expected to be travelling on Thanksgiving Eve and when it would not receive coverage in the nightly network news programs.



Option 2: Deliver a medium length (10-15 minute) address from the Oval Office at 7:30 p.m. tomorrow.

Advantages:

- o It is expected that the major networks would provide time for live coverage.

Option 3: Request network television time for coverage of an announcement of your position at a meeting with designated New York officials (Governor Carey, Mayor Beame and a few others) in the Cabinet Room.

Advantages:

- o This would provide a new setting and permit you to commend the New York officials personally on the measures that they have taken. New York officials who have been quietly approached on their reaction to such a meeting have indicated that they would be receptive to the idea and that they would respond positively during such a meeting.

Option 4: Announce your position on New York in a prepared statement at the beginning of a press conference tomorrow.

Advantages:

- o An announcement of your position in the context of a press conference maintains the visibility of such an announcement while permitting attention on other issues at the same time (i.e. the China trip) and thereby reducing the perception that your announcement represents a major change in your position.



THE WHITE HOUSE

WASHINGTON

November 25, 1975

MEMORANDUM FOR: BILL SEIDMAN

FROM: BOB WOLTHUIS *RKW*

Members of Congress to be notified regarding Presidential decision on NYC

Mansfield	McClellan	Albert	Mahon
Scott	Young	O'Neill	Cederberg
Byrd	Muskie	McFall	Brock Adams
Griffin	Bellmon	Rhodes	Latta
Curtis		Michel	
Tower		Reuss	
Brooke		Albert Johnson	
Hruska		Rodino	
Buckley		Hutchinson	
Javits		John Anderson	
Proxmire			
Eastland			

Optional Notifications

New York State GOP Congressmen

Lent  
Wydler  
Peyser  
Fish  
Gilman  
McEwen  
Don Mitchell  
Walsh  
Horton  
Cenable  
Kemp  
Hastings

NY State Democratic Congressmen

Pike  
Downey  
Ambro  
Wolff  
Addabbo  
Rosenthal  
Delaney  
Biaggi  
Scheuer  
Chisholm  
Solarz  
Richmond  
Zeferetti  
Holtzman  
John Murphy  
Koch  
Rangel  
Abzug

