

**The original documents are located in Box 15, folder “New York City - President's Statement, November 1975” of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.**

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NEW YORK CITY: Draft of Possible Announcement

For the past eight months, officials of New York have been working to find ways that they could overcome the financial difficulties of New York City.

My position from the beginning has been that American taxpayers should not be saddled with the responsibility for paying ~~the~~ New York City's bills, especially in view of the ~~city~~ and state officials unwillingness to take tough, decisive actions on their own -- the kind of actions that had been sadly lacking in previous years.

I have said repeatedly that the Federal Government should not bail out the City of New York. Neither New York City nor any other city should ever become a permanent ward of the Federal Government. I have been steadfastly opposed to a bailout, and I remain opposed to it today.

Six months ago and again two months ago, the representatives of New York met with me and insisted that the Federal Government should intervene quickly and in a massive way, claiming that they had exhausted their own resources. To be specific:

- They maintained there was no possibility for them to raise taxes to cover their own expenses, cut spending further or raise tax to cover the City's deficit
- They maintained there was no possibility of labor renegotiating City/contracts which were plainly excessive;

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

-- 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 option, they said, was for Washington to step in with a huge assistance program -- a program that inevitably would have continued for years to come.

I could not agree to those terms. I could see no reason why the working people in communities across the nation ~~country~~ should be forced to pay for a level of extravagance that they could not afford in their own home towns. I also did not want to be party to any plan that would erode the basic idea that cities should govern themselves -- that Washington should not make all the decisions and pay all the bills. What mattered then and what matters now is whether New York officials are willing to ~~take the lead in solving~~<sup>e</sup> their own problems.

And today, ~~after much soul searching, I believe,~~ they ~~are~~ finally appear ready to solve their own problems.

In the last few weeks, we have seen a new spirit develop in New York -- a "can do" spirit that was once the pride of the city and is now resurfacing. They are finally facing up to realities. They have rediscovered the backbone upon which so much of this country's greatness was built.

In September, the New York State Legislature passed a plan that would temporarily tide the city over through December. Yet, that was not enough. It was only a temporary bandaid, and everyone knew it. Thus, I continued to receive urgent pleas for a Federal bailout.

Before the National Press Club on October 29th, I indicated that I am fundamentally opposed to a Federal bailout and that I was prepared to veto any bill that had as its purpose a Federal bailout of New York City to prevent default. A bailout would reduce, rather than increase, the prospects that the City's budget would ever be balanced. New York City officials have proved in the past that they could not face up to the City's massive network of pressure groups so long as any other alternative was available. A bailout would encourage the continuation of "politics as usual" in New York -- which is precisely not the way to solve the problem.

I indicated that ~~the primary beneficiaries~~ <sup>of Federal bailout</sup> would be the New York officials who would thus escape responsibility for their past follies and be further excused from making the hard decisions required now to restore the City's fiscal integrity. The secondary beneficiaries would be the major holders of New York City obligations -- large investors and financial institutions.

*In place of a default,*

-4-

on November

~~Accordingly~~ I submitted to the Congress/special

legislation providing the Federal Courts with sufficient authority to preside over an orderly reorganization of the City's financial affairs -- should ~~that become necessary~~. *the city beil to take steps to avoid default.*

The Federal Court would be authorized to work out an arrangement with the City creditors to postpone their debts and file a good faith plan for placing the fiscal affairs of the City on a sound basis.

I also indicated that the Federal government, in the event of default, would work with the Court to assure that essential services for the protection of life and property in New York ~~are~~ *would be* maintained.

Quite frankly, it was my conviction then, that New York City leaders lacked the political courage and will to take ~~such~~ *the* difficult steps *to cover 20 years of fiscal management,* as raising taxes, cutting spending, ~~postponing payments on their debt, and renegotiating labor contracts.~~ I felt that many of these steps would not occur unless and until the City went into bankruptcy and came under the jurisdiction of a Federal court.

*apparent* ( I must admit I have been ~~most pleasantly~~ surprised by *do* of the officials of New York , ~~their~~ willingness to act without having been required to do so by a Federal judge. In effect, they appear to be ~~on~~ on the road to achieving the same results which ~~would~~ ordinarily could have come about only through a bankruptcy proceeding.

Now, <sup>at</sup> in the eleventh hour, when last September's measures to temporarily stave off default are about to expire, the officials of New York have come together in a concerted, all-out effort to put the city's finances on a sound basis -- exactly what we have been ~~asking them to~~ <sup>saying they could</sup> do all along.

The outlines of their plan were first presented to my Administration last week. Since then, many additional details have been hammered out so that all of us have a better <sup>and state</sup> understanding of exactly what ~~the Gov is~~ <sup>Gov Laury is</sup> planning to do for ~~the city~~ <sup>the city</sup> ~~itself.~~ <sup>propose</sup>

Three ~~One~~, raise nearly \$1 billion in New City and State taxes.

one ~~Two~~, postpone payments on their debts and reduce their interest payments.

Two ~~Three~~, for the first time, require municipal employees to bear part of the cost of their pension contributions and make other fundamental changes in their extraordinarily expensive pension plans.

Four, make further and significant cuts in the costs 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 <sup>proposed by the Gov and his associates,</sup> ~~are~~ <sup>they said were</sup> precisely what ~~was~~ <sup>was</sup> thought to be out of the question only a few months ago.

This is ONE way <sup>76-</sup> the state and city to attack the problem. ~~There are other ways they could do it.~~ But they have chosen ~~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 commended for their efforts.

New York, they are saying, has ~~done everything you~~ <sup>its own problem, which is whatever</sup> ~~asked~~ <sup>to do originally.</sup> New York will take care of all <sup>the city and state</sup> of its old debts without a Federal bailout. What ~~we~~ are asking ~~the~~ the Federal Government/ to do now is to assist ~~only~~ <sup>in</sup> a single, narrow area -- to help ~~the~~ <sup>the city</sup> on a short-term basis in providing essential services to the eight million Americans who live in the nation's largest city.

Specifically, after implementing their <sup>calculate that they</sup> program, they/ will still have insufficient revenues/ <sup>during</sup> the next few months to pay for day-to-day operating expenses. In effect, because their heavy tax receipts come later in the year, they need to borrow funds to maintain essential services in the City from December through April. ~~All of the loan would, however, be~~ <sup>they promise</sup> ~~repaid~~ <sup>that the loan would be</sup> repaid by the end of June, as the tax revenues are collected.

However, we must remember that proposals are not results.

Political courage can fail at the <sup>last</sup> moment of ~~commitment~~. I say ~~to~~ to the officials of New York, that I intend to support their program, if they succeed. But I ask in return, that they support my legislation for an orderly resolution

*Steb*  
~~of New York City's financial problems, should they fail.~~

*to that end*  
~~To that end,~~ I will submit legislation to the Congress asking for authority to provide a temporary line of credit of up to \$ \_\_\_ billion to the State of New York to enable it to supply the seasonal financing of essential services for New York City. Money would be lent to the State during the period of City revenue shortfall over the next few months and would be repaid to the Federal Government during April, May and June. If New York continues to act affirmatively, I believe we can say with reasonable confidence that all Federal loans will be repaid in full with interest.

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.

To guarantee that performance, the legislation I would propose would require that the assistance provided by the Federal Government be swiftly terminated upon a failure by New York to live up to its obligations.



(option) Nasser

However, ~~MEM~~ must remember that proposals are not results. Political courage can fail at the last moment.

Therefore, I say to the officials of New York tonight: if and when you have ~~MEM~~ passed the necessary legislation and put into effect the other parts of your proposal, then I will give favorable consideration to approving a short-term ~~MEM~~ line of credit to provide essential services to the people of New York City during periods of fluctuation in revenue collection.

Because the Congress may be out of Washington at the crucial time, and ~~on the presumption that~~ <sup>on the presumption that</sup> New York ~~will~~ <sup>will</sup> carry out what it proposes...

(PICK UP .... "I will submit legislation (N.)")

[ca. 11/18/75]

DRAFT ANNOUNCEMENT ON  
NEW YORK CITY

For the past eight months, officials of New York have been working to find ways that they could overcome the financial difficulties of New York City.

My position from the beginning has been that American taxpayers should not be saddled with the responsibility for paying New York City's bills, especially in view of the city and state officials' unwillingness to take tough, decisive actions on their own -- the kind of actions that had been sadly lacking in previous years.

I have said repeatedly that the Federal Government should not bail out the City of New York. Neither New York City nor any other city should ever become a permanent ward of the Federal Government. I have been steadfastly opposed to a bailout, and I remain opposed to it today.

Six months ago and again two months ago, the representatives of New York met with me and insisted that the Federal Government should intervene quickly and in a massive way, claiming that they had exhausted their own resources.

The **only option**, they said, was for Washington to step in with a huge assistance program -- a program that inevitably would have continued for years to come.

I could not agree to those terms. I could see no reason why the working people in communities across the nation should be forced to pay for a level of extravagance that they could not afford in their own home towns. I also did not want to be party to any plan that would erode the basic idea that cities

should govern themselves -- that Washington should not make all the decisions and pay all the bills. What mattered then and what matters now is whether New York officials are willing to solve their own problems.

And today, they finally appear ready to solve their own problems.

In the last few weeks, we have seen a new spirit develop in New York -- a "can do" spirit that was once the pride of the city and is now resurfacing. They are finally facing up to realities. They have rediscovered the backbone upon which so much of this country's greatness was built.

In September, the New York State Legislature passed a plan that would temporarily tide the city over through December. Yet, that was not enough. It was only a temporary bandaid, and everyone knew it. Thus, I continued to receive urgent pleas for a Federal bailout.

Before the National Press Club on October 29th, I indicated that I am fundamentally opposed to a Federal bailout of New York City to prevent default. A bailout would reduce, rather than increase, the prospects that the City's budget would ever be balanced. New York City officials have proved in the past that they could not face up to the City's massive network of pressure groups so long as any other alternative was available. A bailout would encourage the continuation of "politics as usual" in New York -- which is precisely not the way to solve the problem.

I indicated that the primary beneficiaries of Federal bailout would be the New York officials who would thus escape responsibility for their past follies and be further excused from making the hard decisions required now to restore the City's fiscal integrity. The secondary beneficiaries would be the major holders of New York City obligations -- large investors and financial institutions.

In place of a bailout, I submitted to the Congress on November \_\_\_\_\_ special legislation providing the Federal Courts with sufficient authority to preside over an orderly reorganization of the City's financial affairs -- should the city fail to take steps to avoid default.

The Federal Court would be authorized to work out an arrangement with the City creditors to postpone their debts and file a good faith plan for placing the fiscal affairs of the City on a sound basis.

I also indicated that the Federal government, in the event of default, would work with the Court to assure that essential services for the protection of life and property in New York would be maintained.

Quite frankly, it was my conviction then, that New York City leaders lacked the political courage and will to take the difficult steps to correct the years of fiscal mismanagement, unless and until the City went into bankruptcy and came under the jurisdiction of a Federal court.

I must admit I have been surprised by the apparent willingness of the officials of New York to act without having been required to do so by a Federal judge. In effect, they appear to be on the road to achieving the same results which ordinarily could have come about only through a bankruptcy proceeding.

Now, at the eleventh hour, the officials of New York have come together in a concerted, all-out effort to put the city's finances on a sound basis -- exactly what we have been saying they could do all along.

The outlines of their plan were first presented to my Administration last week. Since then, many additional details have been hammered out so that all of us have a better understanding of exactly what Governor Casey and other state officials propose to do for the city.

One, Postpone payments on their debts and reduce their interest payments.

Two, for the first time, require municipal employees to bear part of the cost of their pension contributions and make other fundamental changes in their extraordinarily expensive pension plans.

Three, raise nearly \$1 billion in new City and State taxes.

Four, make further and significant cuts in the costs 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 proposed by the Governor and his associates, are precisely what they said were out of the question only a few months ago.

This is one way for the State and city to attack the problem. There are others ways they could do it. But they have chosen 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 commended for their efforts.

New York, they are saying, has finally done everything it could do to solve its own problem, which is what we asked them to do originally. New York will take care of all of its old debts without a Federal bailout. What the city and State are asking the Federal Government to do now is to assist in only a single, narrow area -- to help the city on a short-term basis in providing essential services to the eight million Americans who live in the Nation's largest city.

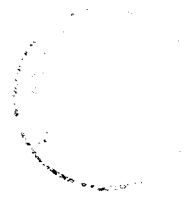
Specifically, after implementing their program, they calculate that they will still have insufficient revenues during the next few months to pay for day-to-day operating expenses. In effect, because their heavy tax receipts come later in the year, they need to borrow funds to maintain essential services in the city from December through April. They promise that the loan would be repaid by the end of June, as the tax revenues are collected.

However, we must remember that proposals are not results. Political courage can fail at the last moment. I say to the officials of New York, that I intend to support their program, if they succeed. But I ask in return, that they support my legislation for an orderly resolution of New York City's financial problems, should they fail.

To that end, I will submit legislation to the Congress asking for authority to provide a temporary line of credit of up to \$\_\_\_\_\_ billion to the State of New York to enable it to supply the seasonal financing of essential services for New York City. Money would be lent to the State during the period of City revenue shortfall over the next few months and would be repaid to the Federal Government during April, May and June. If New York continues to act affirmatively, I believe we can say with reasonable confidence that all Federal loans will be repaid in full with interest.

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.

To guarantee that performance, the legislation I would propose would require that the assistance provided by the Federal Government be swiftly terminated upon a failure by New York to live up to its obligations.



(OPTION)

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Ed. 11/18/75  
*Redacted*

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This is one way for the State and city to attack the problem. There are others ways they could do it. But they have chosen 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 commended for their efforts.

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Specifically, after implementing their program, they calculate that they will still have insufficient revenues during the next few months to pay for day-to-day operating expenses. In effect, because their heavy tax receipts come later in the year, they need to borrow funds to maintain essential services in the city from December through April. They promise that the loan would be repaid by the end of June, as the tax revenues are collected.

However, we must remember that proposals are not results. Political courage can fail at the last moment. I say to the officials of New York, that I intend to support their program, if they succeed. But I ask in return, that they support my legislation for an orderly resolution of New York City's financial problems, should they fail.

To that end, I will submit legislation to the Congress asking for authority to provide a temporary line of credit of up to \$\_\_\_\_\_ billion to the State of New York to enable it to supply the seasonal financing of essential services for New York City. Money would be lent to the State during the period of City revenue shortfall over the next few months and would be repaid to the Federal Government during April, May and June. If New York continues to act affirmatively, I believe we can say with reasonable confidence that all Federal loans will be repaid in full with interest.

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.

To guarantee that performance, the legislation I would propose would require that the assistance provided by the Federal Government be swiftly terminated upon a failure by New York to live up to its obligations.

(OPTION)

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Therefore, I say to the officials of New York tonight: if and when you have passed the necessary legislation and put into effect the other parts of your proposal, then I will give favorable consideration to approving a short-term line of credit to provide essential services to the people of New York City during periods of fluctuation in revenue collection.

Because the Congress may be out of Washington at the crucial time, and one the presumption that New York will carry out what it proposes...

(PICK UP ... "I will submit legislation, etc. ")

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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#



[11/19/75?]

Option ①

Until this is done it would  
be inappropriate to ~~discuss~~  
methods to ensure N.Y.C.  
essential services prior to  
default.



# Statement by the Press

JP

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①

~~to [redacted]~~

② However bail out is overvalued.  
w

③ at same time

④ Seasonal



4/27/74

I am gratified and encouraged that New York City officials are getting serious about their fiscal responsibilities.

New York City has <sup>has</sup> presented a plan for attaining financial stability to the administration.

However, these words and promises are not actions.

2/11/74

If New York City officials can demonstrate their plan can be implemented, the administration can seriously consider <sup>Loans</sup> assistance, on a highly controlled and federally audited basis, to maintain essential services during the difficult transition period to fiscal stability.

(3)

However the bail-out bill now before Congress is irrelevant to the situation because it does not address the current <sup>situation</sup> ~~problem~~, and furthermore, I would veto this bill.

1/2/74

Therefore I recommend that the leaders in New York follow up their plan with action. It should be understood that the administration will not commit federal intervention prior to this action.

At the same time, as a safeguard, I urge Congress to pass the bankruptcy legislation which I have recommended in the event it is needed.

(3)

I am convinced that if New York ~~City~~ continues to move towards fiscal responsibility, ~~and the Congress adopts proper safeguard legislation~~, I believe that all parties concerned can look forward to a satisfactory resolution despite the current obstacles.

after  
(4)

I am wanting to see if the leaders in N.Y. take appropriate fiscal action. Under no circumstances will I consider ~~any~~ funds these ~~customers~~ will I consider federal action limited to ~~general~~

~~Unit of~~ ~~the~~ ~~is~~ ~~is~~  
 Unit of ~~the~~ ~~is~~ ~~is~~ ~~is~~  
 it would be ~~in-~~ ~~in-~~  
 to consider  
 remaining ~~for~~  
 seasonal ~~for~~  
~~to~~ ~~maintain~~  
~~of~~ ~~the~~ ~~essential~~  
 services ~~(X)~~



THE WHITE HOUSE

[ Until  
~~before~~ this is done, it would be  
inappropriate to consider any  
remaining <sup>services</sup> need ~~for~~ ~~seasonal~~ ~~for~~  
~~financing~~ ~~to~~ ~~maintain~~ ~~for~~  
~~the~~ ~~City's~~ ~~essential~~  
services. ( maintain

[ After this done, it would  
be. ]



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 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.

I am gratified and encouraged that New York City officials are getting serious about their fiscal responsibilities.

New York City has presented a plan for attaining financial stability to the administration.

However, these words and promises are not actions.

If New York City officials can demonstrate their plan can be implemented, the administration can seriously consider assistance, on a highly controlled and federally audited basis, to maintain essential services during the difficult transition period to fiscal stability.

However the bail-out bill now before <sup>-the House of Representatives</sup> Congress is irrelevant to the situation because it does not address the current problem, and furthermore, I would veto this bill. *if it arrived on my desk.*

Therefore I recommend that the leaders in New York follow up their plan with action. *It should be understood that the administration will not commit federal intervention prior to this action.*

At the same time, as a safeguard, I urge Congress to pass the bankruptcy legislation which I have recommended in the event it is needed.

I am convinced that if New York City continues to move towards fiscal responsibility, and the Congress adopts proper safeguard legislation, I believe that all parties concerned can look forward to a satisfactory resolution despite the current obstacles.



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.

(k)



NOVEMBER 19, 1975

## Office of the White House Press Secretary

THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

*The Pres is*

~~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. ~~They are~~ *They are* 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~~ *the Pres* would veto it.

*The Pres is*

~~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.

*The Pres*

If they continue to make progress, ~~I~~ *the Pres* 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~~ *the Pres is* 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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