

FOR IMMEDIATE RELEASE

MAY 14, 1975

Office of the White House Press Secretary
-----THE WHITE HOUSETEXT OF THE LETTER FROM THE PRESIDENT
TO THE MAYOR OF NEW YORK CITY
THE HONORABLE ABRAHAM BEAME

Dear Abe:

The purpose of this letter is to respond to your and Governor Carey's request to me for my support for Federal legislation which would enable the City of New York to use the credit of the United States for a period of 90 days and in the amount of \$1 billion.

As you and Governor Carey explained it to me, this 90-day period would enable the City to bridge the period needed for the New York State Legislature to act upon your request for increased taxing authority and subsequently enable you to submit, and the City Council to adopt, a balanced budget for the fiscal year beginning on July 1, 1975.

I was deeply impressed with the problems you and the City Council must face in the next few weeks in meeting the financial problems of the great City of New York. I was also deeply impressed with the difficult steps confronting you to eliminate the extraordinary imbalance between current revenues and current expenses. However, it was also clear that the City's basic critical financial condition is not new but has been a long time in the making without being squarely faced. It was also clear that a ninety day Federal guarantee by itself would provide no real solution but would merely postpone, for that period, coming to grips with the problem.

For a sound judgement to be made on this problem by all concerned, there must be presented a plan on how the City would balance its budget. This, given the amount involved to accomplish that balance, would require an evaluation of what the City can do through curtailment of less essential services and subsidies and what activities the City can transfer under existing state laws to New York State.

Fiscal responsibility is essential for cities, states and the Federal Government. I know how hard it is to reduce or postpone worthy and desirable public programs. Every family which makes up a budget has to make painful choices. As we make these choices at home, so must we also make them in public office too. We must stop promising more and more services without knowing how we will cover their costs.

I have no doubt that the adoption of sound budget policies would have a substantial and beneficial effect in both short and long term credit of the City of New York.

More specifically, in regard to your request to me for support of Congressional legislation to provide Federal backing and guarantee of City debt, I believe that the proper place for any request for backing and guarantee is to the State of New York. For such "bridge loan legislation", it seems to be both logical and desirable for the State of New York to arrange under its laws a "bridge loan" to the City in the amount that you estimate will be needed during the City's fiscal year.

(MORE)

In view of the foregoing considerations, I must deny your request for support of your Federal Legislative proposal.

I have asked Secretary Simon to follow closely the credit situation of the City of New York over the next few weeks, and to keep me informed.

The Federal Reserve Board, under its statutory responsibilities, will, I am sure, likewise monitor the situation very closely.

Sincerely,

GERALD R. FORD