Testimony of Mayor Abraham D. Beame before the Senate Committee on Banking, Housing and Urban Affairs, Dirksen Senate Office Building, Room 5302, Washington, D.C. Tuesday, May 17, 1977, 11 a.m.

Senator Proxmire and distinguished members of the Senate Committee on Banking, Housing and Urban Affairs, I am pleased to appear before you today. I am proud to have the opportunity to review with you some of our accomplishments and to consider the City's future prospects.

I want to make it clear that when I say our accomplishments I mean to include this body, the Congress of the United States and the Federal government. For the City of New York could not have made it alone, would not have survived without the seasonal loan program which provided the support needed for New York to help itself.

While we have repaid and will continue to repay on or ahead of time and on target every penny of principal and interest due, the City and its people also owe a debt of gratitude to you and the people you represent for joining with us in this great cooperative venture.

Clearly the City's journey to solid fiscal and economic recovery is far from concluded. But we have demonstrated that we will not avoid the more trying path for the leisurely detour, and that we will not wander aimlessly through a maze of self-deception because the required course is tough and unyielding.

The City and its people have come to understand the nature of their reality -- that the difficult choice is often the only choice. That is true today and it will be equally valid tomorrow.
It is in that context that I would like to review briefly with you some of the major events and actions since I last appeared before you -- and to consider with you their implications for the future of the City.

These include the moratorium, the budget and financial plan projections, economic development plans and future financing prospects.

Perhaps the most dramatic event was the action of the State Court of Appeals striking down the moratorium on the repayment of certain outstanding short-term debt. The ingredients for crisis were there. A sudden and unanticipated need for funds, a court mandate to pay, competing objectives of our creditors, and uncertainty about the method -- or even the possibility -- for complying. Yet it was a crisis which never quite materialized -- not because the threat to solvency wasn't real, but because the City had developed the capacity, the relationships, and the fiscal management capability to respond.

I am pleased to report that the settlement plan I announced in March is working very well. Of the $1 billion in moratorium notes that were outstanding, notes having an aggregate value of $403 million were exchanged for MAC long-term bonds with no amortization required until 1982; approximately $400 million of notes will be redeemed by the end of June and $180 million will be redeemed in October pursuant to the timetable established by the court. We expect to have sufficient cash to meet these obligations. Moreover, the City has received approximately
$60 million in sewage treatment reimbursement funds which are in addition to the sources of cash I outlined in March to finance the settlement. Also, the new MAC public offering will add to our cash sources. These funds will alleviate the pressure on the Mitchell-Lama refinancing which we still expect will meet our projections.

In a key respect the moratorium settlement plan -- and its implementation -- was an appropriate prelude to the 1978 budget. We were called upon to demonstrate the resourcefulness and strength that would have to underlie a reasonable, responsible and credible budget.

The financial emergency act requires that budget to be in balance. It is a requirement of this Congress and the new City Charter as well. It is an absolute prerequisite for re-entering the financial marketplace and an absolute commitment of my administration.

The City's 1978 Expense Budget is in balance. We have wiped out a billion dollar deficit in three years. We have demonstrated extraordinary fiscal restraint. The $13.9 billion budget shows a rate of growth of only 2 per cent compared to fiscal 1977. More significantly, City funds show an actual decrease of 4 per cent. I submit that these are no mean achievement, particularly considered in the light of continuing inflation and the record of other levels of government.

But it is also far more than a balance sheet. It is perhaps the most open and informative document of its kind. In the month
since its release, there have been no so-called disclosures about the budget that were not first disclosed and made public in the budget document itself.

Are there non-recurring revenues in the budget? Of course there are, as there are in all budgets, and these are clearly and specifically delineated.

Are there capitalized expense items? Yes, there are. These, too, are specifically identified. We also point out that we are complying with mandates of law -- as well as the requirements of sound practice -- in reducing the amount of those items faster than legally called for and will keep ahead of schedule.

Are we counting on revenues that are not guaranteed? We are in some instances. And we said so when the budget was published, noting that countercyclical funds and the stretch of MAC debt were not certain. We also said that in our best judgment these funds would become available or they would not have been included. And, as you know, the countercyclical extension has already taken a crucial and pivotal step toward realization.

I assure you that the City would have been deeply criticized for underestimating revenues if we had failed to include these items. Including them, with the appropriate caveats, was I believe more responsible as well as more realistic.

Are we guilty of over-emphasizing our achievements to the point of self-delusion about the rigors of the future? we harbor no such illusions. Our future course is explicitly clear as stated in the budget message. Austerity and fiscal discipline
must remain dominant and permanent fixtures. Only continued restraint and unyielding determination will keep future budgets from the prospect of cascading deficits.

We have undertaken a detailed analysis of the economy of the City as it relates to future revenues compared to future needs. On this basis, even with continued stringencies, we project there could be modest deficits in 1979, 1980 and 1981 unless for example there is a strong response to the City's economic development program coupled with Federal action in such areas as welfare and medicaid reform.

That is one reason why our economic development effort is so crucial. We have as you know made appreciable cuts in business taxes. The budget shows a 5 cent reduction in the real estate tax rate, the first decrease in 15 years at a projected cost in revenue to the City of $18 million. We are reducing the commercial rent tax rates by 10 per cent for a 'give-up' of some $20 million in revenues. And we are reducing the general corporation tax on profits by 10 per cent, forgoing some $55 million in revenue.
The budget thereby contains some $93 million in tax relief directed toward stimulating economic activities. Previously, the City sought and obtained the repeal of the Bond Transfer Tax, the Estate tax and the Stock Transfer Tax on market makers. And last Friday, I proposed the restructuring of the Stock Transfer tax to eliminate its negative impact on the financial community and so reinforce the City's position as the nation's center for securities trading. This will be achieved in a manner that fully and absolutely protects MAC bond covenants. We are also reducing the impact of the sales tax paid by manufacturers for the purchase of machinery and equipment at a loss of some $15 million in revenue to the City.

These represent but one aspect of our determined effort to change the business climate in our City. We are determined to expedite and construct Westway and a new convention center, both of which are crucial job-generating projects. We are embarking on an ambitious marketing campaign—with a $1-5 million allocation of City funds plus private contributions and we are establishing a new structure for carrying out this responsibility. We know that the world will not necessarily beat a path to our door -- unless we are out there telling them about New York's significant and demonstrable advantages. That is why we went to Houston to present the City's case as the best location for support jobs for off-shore oil activities. New tax incentives for industrial development have also been passed and the first key projects given the green light.
Coordinating this effort is a new Office of Economic Development whose allocation has been more than doubled in fiscal 1978 as opposed to its predecessor agency in the 1977 budget.

The City is doing and is committed to continue doing what is necessary and essential to stimulate its economy. We are also proceeding with necessary pension and personnel reforms as recommended by the Mayor's Management Advisory Board. The City is putting its house in order. We have instituted a new management reporting system and are putting into place a modern financial management operation. We will meet our target of July 1 for the implementation of our Integrated Financial Management System and we will shortly complete the process of selective independent accountants to audit the City's 1978 financial statements. These activities represent sweeping and lasting improvements which ultimately are the best tests and guarantors of the City's ability and capacity to deliver services/ to govern effectively and efficiently.

The ability to govern obviously hinges on the ability to finance governmental operations. The City must regain access to the financial marketplace to survive as we know it.

As you know, the City is required to use its best efforts to meet its seasonal borrowing for fiscal 1978 without resort to Treasury borrowings.

We have continued discussions with banks and investment bankers, and at the time we request the first fiscal 1978 borrowing from the Treasury, we will present a plan which will include
some fully collateralized short-term borrowing in the public markets in Fiscal 1978.

It will not be in an atmosphere of crisis and confrontation. We will not face an unsatisfied billion dollar judgement. Critical lawsuits will have been resolved. Rather, it will be in an environment where the labor and financial communities are cooperating to secure a shared objective; it will be in the context of a budget already balanced; it will be in a time when the property tax is stable, with the economy improving and our existing debt structure being made more rational.

It seems clear, however, that at most only a limited portion of our 1978 needs can be met in this fashion and that substantial use of our seasonal financing agreement with the Treasury will be required.

Accordingly, while the City is exploring the possibility of returning to the short-term credit markets, we anticipate submitting additional loan requests to the Treasury in June as is contemplated in the underlying Act. I believe the case for the granting of these loans is a compelling one.

It is a fact that the City has met every criterion and demand imposed by or pursuant to the Seasonal Loan Act. The investment of the Federal Government in New York has been a profitable one; it not only saved the City from insolvency, it paid a return that more than covered the costs of administration. During the two years, over $100 million of interest will have been paid.
The return of the City to the public short-term capital markets will necessarily be a slow process. Confidence will only return from favorable investor experience and the gradual spread of this shared knowledge to the national and international capital markets. The City must and is determined to re-enter the market. However, this poses many difficulties and it could be unrealistic to expect New York to raise some $2 billion of seasonal financing requirements in the public markets in the near future. We believe, therefore, that an extension of the Seasonal Financing Act of 1975 will be necessary prior to its expiration on June 30, 1978.

I urge the Congress to act promptly on this extension, since delay will result in uncertainty and uncertainty is a great enemy of all we seek to build and achieve.

While I have spoken of the seasonal financing needs of New York, it is apparent that seasonal and long-term financing for the City are related. The City's great need for capital investment will require new capital funds approximating $1 billion per year. In order to obtain such amounts, there must be market confidence in the City's ability to meet its short term liquidity needs, as well as to maintain fiscal discipline.

As I mentioned in my appearance before you last December, there remains a germane question relating to the appropriate Federal role in structuring a financing mechanism for municipalities recovering from financial difficulties which are unable to sell securities in the public market. I believe that a program of
standby Federal guarantees or insurance of municipal debt, with appropriate oversight requirements, would benefit large and small communities and profit the Federal government. Last Friday, a resolution embracing these principles was adopted by the Urban Economics Committee of the U.S. Conference of Mayors.

In sum, I believe that the City of New York has made significant progress in reaching its objectives of fiscal integrity and credibility. We are also aware that we do not diminish our achievement by recognizing that the future will be at least equally demanding and that there can be no let up in our determination or self-discipline.

In this respect too, though, the City has shown it can be a model -- and it merits continued support and responsible assistance in its measured, definitive march on the road to recovery.
STATEMENT
OF
ABRAHAM D. BEAME
MAYOR
THE CITY OF NEW YORK
BEFORE
THE SENATE BANKING COMMITTEE

DECEMBER 21, 1976
I am pleased to appear before this Committee again to discuss the current state of the City of New York.

Since I was last here on April 1, 1976, the City has continued to make significant progress toward its goal of restoring fiscal stability and soundness to its operations. There remains, however, a number of uncertainties which, until resolved, will frustrate the achievement of long-term solutions.

At the present time, we are faced with two major problems: first is the financing requirement caused by the decision of the New York State Court of Appeals which declared the State's Moratorium Act unconstitutional; second is the development of a sound and credible plan for achieving a balanced budget in Fiscal 1978.

Insofar as the moratorium is concerned, all parties are currently involved in sensitive and complex negotiations in hopes of satisfying the requirements of the Court and the interests of the City. The plan to close the budget gap for FY 1978 is currently in preparation and will be ready for discussion in early January.

I am not able, therefore, to report today to the Committee in definitive terms about either matter. I am prepared to describe developments to date and to provide the Committee with a general understanding of where we currently stand. If the committee wishes, I would be happy to return in January to provide details of our plan
to eliminate the 1978 budget gap and to report on the progress of our financing negotiations which we expect will be at a more developed stage, if not fully completed, by that time.

**SATISFACTION OF MORATORIUM JUDGMENT**

On November 19, 1976, the New York State Court of Appeals declared the State's Emergency Moratorium Act unconstitutional under the State Constitution. This law suspended the enforcement of judgments on short-term City notes for a three-year period ending November 15, 1978. Together with other New York State and Federal legislation, the Moratorium was intended to provide a financial bridge for the City over a three-year financial emergency period.

City notes affected by the Court's decision include approximately $983 million of notes held by the public. In addition, approximately $819 million of notes are held by certain New York City commercial banks and by the City's five actuarially funded pension systems. Under an agreement entered into November 26, 1975 these latter notes were made subject to the Moratorium and the maturities were extended to 1986. The effect of the Court of Appeals' decision on this agreement is not certain.

In its opinion, the Court said that the noteholders are not entitled to relief which is "unnecessarily disruptive of the City's delicate financial and economic balance". The Court also rejected "instant judicial remedies which might give the City no choice except to proceed into bankruptcy." While not a class action, the
Court's final order is expected to be structured in a manner that would address a solution for all the public noteholders.

On December 15, 1976, the City and the Municipal Assistance Corporation submitted a proposal for settlement of the publicly held moratorium notes to the attorney for the appellant, Flushing National Bank. A copy is being submitted for the record. The proposal contemplates a cash settlement of at least 50% by June 30, 1977, and the remainder by November 1977, one year from the Court's decision. The City identified four sources which might finance the settlement.

First, an essential element of any solution to the moratorium notes is a restructuring of approximately $1.8 billion of MAC debt held by certain institutions whereby these holders would voluntarily defer all principal payments until 1982. This would provide $206 million in cash to the City in the current fiscal year, as well as a similar reduction in the City's deficit, if accomplished before February 1, 1977. Subsequent savings of $203 million in fiscal 1978 and $170 million in 1979 and 1980 will be available to support the City's budget.

Second, a private placement with institutional investors of $250 to $300 million of MAC bonds appears feasible. Certain institutions, including New York State pension funds, commercial banks and savings banks, indicated in November that they would purchase $143 million of a $253 million offering of MAC bonds. This investment
was not made because underwriters placed the entire offering with public investors. We believe that these institutions, as well as others, including City pension funds, may represent a source of financing for a portion of the moratorium notes which might be available in the first half of calendar 1977.

Third, we believe that MAC may be able to accomplish a public offering of approximately $250 million to $300 million of MAC securities, similar to those placed with institutional investors.

While the recent public offering of MAC bonds indicates public acceptance of MAC securities, the possible market for a new MAC offering may be affected by the recent moratorium decision, as well as by uncertainties concerning the City and State budgets. However, it is possible that the development of a plan for dealing with the moratorium notes, progress in the resolution of the City and State budgets, and indications of Federal administrative and programmatic support, could provide the foundation for a successful offering.

The timing of a public offering is dependent on favorable market conditions. While current market conditions suggest that a successful offering might be accomplished in the next two months, public investors may require a more definitive resolution of uncertainties, which could delay an offering until later in the year.
Fourth, the City believes that it may be possible to make available up to $250 million of the proceeds from its currently planned refinancing of Mitchell-Lama mortgages. Proceeds from Mitchell-Lama refinancing are included in the City's Cash Flow Plan, and, if current favorable cash forecasts are sustained by the events of the year, a significant portion may be available to redeem moratorium notes. The timing of the mortgage sales is sufficiently uncertain that the City cannot commit to a specific schedule of payment now.

In addition, the City assumes that institutional holders of $819 million of moratorium notes will defer payment of principal on those notes as previously agreed.

An important element in the willingness of institutional and public investors to participate in financing a moratorium note settlement is the extent to which the Federal government addresses urban problems. Significantly, the banks and unions both have indicated that the Federal government should be involved. It is possible, therefore, that there will have to be an expression of Federal attitude to satisfy their concerns before the ultimate resolution of the moratorium can be achieved.

On December 16, 1976, the attorney for Flushing National Bank filed a proposed remittitur with the Court of Appeals. A copy is being submitted for the record. The proposed remittitur would
order the City to provide a cash settlement with the public moratorium noteholders of 20% of the original principal amount by February 1, 1977, 30% by June 30, 1977, and the balance by November 19, 1977. This timing is agreeable to the City but the proposed remittitur makes no provision for contingencies. The City has until January 16, 1977 to respond.

The City cannot redeem the moratorium notes from internal sources alone. Methods of complying with the Court's decision being considered by the City and MAC all involve the issuance of securities in substantial amounts. Our estimates indicate that a settlement along the lines we propose will provide a solution to the moratorium note problem that is manageable within the City's budget. However, I want to emphasize that the cash sources identified in our proposal are contingent, one upon the other, and that none of the possible parties to the solution has yet agreed to participate.

A year ago, the City's options in such a crisis would have been limited to a total Federal solution or bankruptcy. Today, however, we can face crisis without chaos. The prices of City and MAC securities in the market place and the willingness of the capital market to accept MAC securities reflect the progress we have made. This in turn has made it possible for us to present a proposal which includes a sale of securities as well as City cash.
While our proposal requires the help of others for its total accomplishment, we are now capable of actively contributing to the solution.

**FINANCIAL PLAN PROGRESS**

In October, the City presented year-end financial statements for the first time in its history. These FY 1976 statements showed that the City finished the year with a deficit $83 million less than plan. At the same time the City announced that it had fully accomplished its $200 million reduction program for FY 1976, in contrast to the widespread reports and even testimony before this Committee that these savings could not be made.

The City's program to close its budget gap for FY 1977 is on target. The Emergency Financial Control Board in its review of the first quarter's results concluded that it was not necessary for the City to implement any standby reductions. Pursuant to this program there will be a combination of permanent expenditure reductions and revenue increases of $379 million. In this regard, it is important to note that at the beginning of the year the EFCB requested the City to implement a substitute reduction program having an annualized value of $50 million. We estimate that only a small part of these cuts will be necessary to meet this year's budget targets and that the City is likely to have savings under the program which will favorably affect the operating deficit for the year.
The cooperation of the City's work force has continued. On June 30, 1976, the City and the Municipal Labor Unions agreed in a memorandum of interim understanding to enter into no-cost collective bargaining agreements for the next two years. Thus, there remains a City-wide wage freeze with cost of living adjustments limited to a maximum of 6% payable only out of productivity or other savings or revenues exclusive of service cuts, independently measured. The labor unions also agreed in principle that their contracts through June 30, 1978, will conform to the FY 1977 program to close the budget gap as to the funds allocated to employee wages and fringe benefits.

High attrition continues; there have been more than 14,500 net reductions since April 1, 1976. Since January, 1975, the cumulative net amount of payroll separations is more than 60,000. To counteract these reductions, the City and its unions have embarked on an intensive employee productivity program.

In the Fire Department, for example, we have cut back our manning level 19% since 1975, and it is now at the level it was in 1968. However, we have maintained our response time despite a 26% increase in the number of alarms.

In the Parks Department 50% of the seasonal employees have been separated and 25% of the overall staff. Nevertheless, the Department has performed its mission.

In the Sanitation Department there has been a 21% decline in the number of employees since 1975, but the number of tons of refuse collected per truck shift has increased.
I do not believe that the members of the City's work force have received the credit they deserve for the manner in which they have helped their City in this crisis.

The City also has commenced a major series of management reforms including the preparation and implementation of a Management Plan for thirty Mayoral agencies. These detailed plans are reviewed at regular policy and management sessions.

New management concepts have been introduced, making agencies more responsive and responsible. One such concept is the Management by Objective Program. This program was proposed by the Mayor's Management Advisory Board (the Shinn Committee) and has to date been implemented by the Fire and Highway Departments. The Shinn Committee also has produced a major data processing report and is completing a report on the City's personnel policies.

There have been legislative achievements also.

On June 1, 1976, the Board of Higher Education authorized tuition for the first time in the history of City University. On June 11, 1976, the State Legislature enacted legislation which, in part, permits the State to contribute more to City University than does the City. The City regards this as a major step toward assumption by the State of all responsibility for financial support of CUNY senior colleges.
In July, the State Legislature enacted legislation for which the City fought for many years which provides for the State to assume the full operating costs of the Courts in four years.

With regard to financing, the City paid its Federal seasonal loans on or ahead of schedule in FY 1976. In FY 1977 the City will borrow $200 million less than permitted by the Seasonal Financing Act. So too, during the Financial Plan period, the City has paid all long-term indebtedness when due. In November, a $256 million MAC issue was fully subscribed in a few days, and these bonds are now selling at a premium.

In the past year, the City has made significant improvement in its accounting and financial reporting. The Integrated Financial Management System (IFMS) project continues on target and is in its implementation phase. It will be a lasting reform of the most fundamental nature and when fully in place will provide the City with the most sophisticated municipal information system in the country. In the interim, the Office of Management and Budget has instituted a personnel ceiling system, a quarterly allocation system, and a new encumbrance control system that are insuring that the budget is not overexpended.

Pursuant to the MAC legislation, the City has adopted and is using accounting policies that are in accordance with generally accepted accounting principles for municipal governments. Furthermore, the City is preparing for an audit of its FY 1978 financial
statements.

Finally, the City issues a prospectus with every pension fund borrowing. These things mean, I believe, that we are developing a financial sophistication that previously did not exist. It means also that the City has demonstrated it has the resolve and ability to comply with its realistic Financial Plan.

FY 1978 PROGRAM TO CLOSE THE BUDGET GAP

That is our progress to date. In the City's fiscal year beginning July 1, 1977, the City is required by law to achieve a balanced budget. The City's program to achieve the required balancing must be submitted to the Board in early January, and must be fully implemented by July 1, 1977.

When I testified in April, the estimate of economies required was $442 million. We are presently estimating that the amount we must meet by reductions in spending levels or increases in revenues to be more than $500 million. This is as a result of the repeal of the counterproductive Estate and Bond Transfer taxes, the modification of the stock transfer tax and slight revisions in revenue projections.

There are also significant uncertainties which may increase this budget gap substantially. These include potential increases
in public assistance and medical assistance expenditures. The City has no control over these costs. Nevertheless, the City must absorb them in its tax levy funds.

Pensions costs also are expected to increase somewhat due to a variety of factors including the implementation of the recommendations of the Shinn Pension Task Force. The Recommendations include a complete revision of actuarial assumptions, an increase in the valuation interest rate from 4% to 5¼% and adoption of the entry age normal cost method with 40 year funding of the supplemental liability as the funding method. The City is drafting legislation embodying these changes to be submitted to the State Legislature in the next session.

A further area of uncertainty is the State FY 1978 budget which will be presented to the Legislature on January 18, 1977. Until then, we will have no details as to its impact on the City's Financial Plan.

No amount of skilled management can provide full services when the reduction in resources are as severe as the City of New York must experience in the next 18 months. That is why the City will continue to seek new and expanded sources of revenue other than tax rate increases and pursue reductions in expenditures that minimize disruption of services.
I have already mentioned the "MAC Stretch" as part of our plan to finance the moratorium note repayment. The voluntary restructuring of institutionally held debt is also an essential element in our 1978 budget balancing program, and in our long range planning effort to equalize debt service costs over a period of several years. At the present time 57% of City debt and 49% of combined MAC and City debt matures within five years. This is a shorter maturity schedule than found in most municipalities.

Of great importance also is the administration of Federal laws with sensitivity and compassion for our cities and their people. Domestic programs promulgated by the Congress have often been frustrated by discriminatory regulations. I believe that constructive administrative approaches can enhance our Federal receipts significantly.

THE FUTURE

It is because of the City's substantial progress in the last year that I look with confidence to the City's future.

Yesterday, I announced a comprehensive economic development program for the City. This program represents the City's commitment to improve the business climate, and its recognition that job-creation must be at the very top of its list of priorities.

Included in the plan, which covers the five-year period through 1981, is a broad range of interrelated steps aimed at
attracting new business to New York City and encouraging expansion of those already in the City.

Among the key features are

- A cap on real estate tax rates at the rate implicit in the City's three year financial plan;
- Elimination and reduction of certain taxes which discriminate against business;
- Tax abatement programs to encourage private investment;
- Expansion of financial and other assistance programs for businesses operating in the City;
- The creation of a major marketing campaign to "sell" New York City around the country and abroad;
- Reshaping of City land use policy, including zoning changes;
- Expanding the City's services to business.

While the City has not participated in the real growth of the national economy this year, the precipitous decline of the City's economy has been arrested. Our rate of unemployment has declined from 11.4% in January to 9.9% in October. In the first half of 1976, our rate of loss of manufacturing jobs declined substantially and our non-manufacturing payrolls were stable.

But the real key to the City's future is the performance of the national and regional economies. And in this the City does not play the
dominant role. The Federal government and the private sector do. Like all aspects of government, there is a shared responsibility, and I believe it is necessary for the Federal government to exercise its responsibility now for the benefit of all urban areas in this country. An expanded public works program, a permanent countercyclical revenue program and a commitment to the Comprehensive Employment Training Act are ways the Congress can act early in this session to create jobs and stimulate private economic activity in our cities. These are programs fully supported by the United State Conference of Mayors, the Governors, and the National Association of Counties. I urge you to act upon them.

The fiscal crisis has given the City a chance, albeit a painful one, to review, reorganize and revise its government operations. We will achieve the goals of the Financial Plan and we are better prepared to face the future than ever before.

But in the long term, New York City and all of our great cities cannot be what we want them to be without the Federal government assuming its proper responsibilities. In my judgment, it is fundamental that all local governments need to be relieved from the burdens of matching Federal public and medical assistance to the indigent. The costs of medical care and poverty are national problems and require national solutions.
Finally, there is a pressing need for a Federal program which provides a financing mechanism for municipalities recovering from financial difficulties which are unable to sell securities in the public market. I believe that a program of standby Federal guarantees or insurance of municipal debt, with appropriate monitoring and control requirements, would benefit large and small communities and profit the Federal government.

Thank you.