Please deliver the following to:

Name: Heather Ruth

FROM: Brad Johnson

TOTAL NUMBER OF PAGES 4 INCLUDING COVER LETTER.

DATE: September 30, 1980

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PHONE: 202-638-1311 —
Memorandum

September 30, 1980

TO: Governor Carey
   Felix Rohatyn
   Bob Morgado

FROM: Brad C. Johnson

RE: New York City Guarantees

As you know, Senator Proxmire added a provision to the HUD 1981 Appropriations bill (language attached) which would have prevented Treasury from issuing $300 million in guarantees to New York City under the proposed city plan. The companion House bill did not contain the Proxmire language. Initially, we thought that the issue would be resolved in a conference between the House and Senate on the 1981 HUD Appropriations bill. However, due to a lack of time and the press of other business, a conference on the 81 HUD Appropriations bill will not be convened until after the recess.

In the absence of a final Congressional consideration on the 81 HUD Appropriations bill, among others, a continuing appropriations measure has been passed by the House and Senate and was in conference today. The continuing appropriations language, as approved by the House, inadvertently referenced the Proxmire provision thereby precluding Treasury from acting on the loan guarantee request until Congress reconvenes on November 12 and convenes the conference on the HUD bill. To avoid this circumstance, we worked with the Administration and the House conferees to adopt clarifying language to eliminate the Proxmire provision from the continuing appropriation measure. Conferences on the continuing resolution met today and adopted the attached language which will effectively eliminate Proxmire’s provision from the continuing appropriations bill.

As a result, Treasury is now free to issue the guarantees to New York City if Treasury determines that the city plan is in compliance with the loan guarantee act.

Congressman Ed Boland, Chairman of the House Appropriations Subcommittee on HUD and Independent Agencies, offered the clarifying language and was extremely helpful to us in this endeavor. In addition, Joe Addabbo, the only New York conferee, was also very helpful in the negotiations on this issue. Senator Magnuson, Chairman of the Senate Appropriations Committee, was also helpful and had been contacted by the President directly.

BCJ12am
NEW YORK CITY LOAN GUARANTEE PROGRAM

For necessary administrative expenses as authorized by the New York City Loan Guarantee Act of 1978 (Public Law 95-415), $322,000; Provided, That none of these funds may be used to administer programs to issue loan guarantees to New York City for the purpose of permitting the Municipal Assistance Corporation to use the proceeds of its borrowings in fiscal years 1981 and 1982 to meet the City's financing needs after fiscal year 1982.

Total commitments to guarantee loans through June 30, 1982, shall not exceed $900,000,000 of contingent liability for loan principal.
CONFERENCE LANGUAGE

The Committee on Conference agrees that for the purposes of this resolution the language contained in Section 101(a)(3) specifying that whenever a provision is included in only one version of an Act as passed by the House or Senate, such restrictive authority as it applies to the proviso concerning the New York City Loan Guarantee Program contained in the 1981 HUD-Independent Agencies Appropriation Act must have been carried in the applicable appropriation Act for fiscal year 1980 before it is operative in fiscal year 1981.
AN ACT

Making appropriations for the Department of Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1981, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 That the following sums are appropriated, out of any money
4 in the Treasury not otherwise appropriated, for the Depart-
5 ment of Housing and Urban Development, and for sundry
DEPARTMENT OF THE TREASURY

PAYMENTS TO STATE AND LOCAL GOVERNMENT FISCAL
ASSISTANCE TRUST FUND

For payments to the State and Local Government Fiscal Assistance Trust Fund, as authorized by the State and Local Fiscal Assistance Act of 1972, as amended (21 U.S.C. 1224–1263), $4,560,040,000.

OFFICE OF REVENUE SHARING, SALARIES AND EXPENSES

For necessary expenses in the Office of Revenue Sharing, including the hire of passenger motor vehicles, $6,518,000.

NEW YORK CITY LOAN GUARANTEE PROGRAM

For necessary administrative expenses as authorized by the New York City Loan Guarantee Act of 1978 (Public Law 95–415), $922,000: Provided, That none of these funds may be used to administer programs to issue loan guarantees to New York City for the purpose of permitting the Municipal Assistance Corporation to use the proceeds of its borrowings in fiscal years 1981 and 1982 to meet the City's financing needs after fiscal year 1982.

Total commitments to guarantee loans through June 30, 1982, shall not exceed $900,000,000 of contingent liability for loan principal.
this time, the Committee notes that considerable debate and contro-
overies continue to surround the issue of whether the State share should
be eliminated. Therefore, until the general revenue sharing author-
ization extension is enacted by the Congress, the Committee does not
believe that it makes sense to go forward with an appropriation.

OFFICE OF REVENUE SHARING, SALARIES AND EXPENSES

<table>
<thead>
<tr>
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<tbody>
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<tr>
<td>Committee recommendation</td>
<td>$6,318,000</td>
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The Committee concurs with the House in recommending an appro-
priation of $6,318,000 for the salaries and expenses of the Office
of Revenue Sharing in the Department of the Treasury. This amount is
$0,000 below the budget estimate for fiscal year 1981.

The Office of Revenue Sharing was established in 1972 for the pur-
pose of implementing the State and Local Fiscal Assistance Act of 1972.
It was then amended and extended through September 30 of this year
by the State and Local Fiscal Assistance Amendment of 1976. Spec-
ifically, the Office of Revenue Sharing is responsible for correctly
computing and distributing revenue-sharing funds and maintaining ade-
squate controls to ensure the integrity of the trust funds; supplying ade-
squate information, data, and technical assistance to all recipients to assure
compliance with the act; improving the quality of State and local audits
to eliminate noncompliance with audit requirements; insuring compliance
with the nondiscrimination and public participation provisions of the act;
and, at regular intervals, reporting to Congress, recipient governments,
and the general public.

In recommending an appropriation of $6,318,000, the Committee
determines that a reduction of $0,000 can be absorbed by
the Office in personnel compensation and other services in fiscal year
1981.

NEW YORK CITY LOAN GUARANTEE PROGRAM, ADMINISTRATIVE EXPENSES

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<td>Committee recommendation</td>
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The Committee concurs with the House in recommending $16,200,000
for the administrative expenses of the New York City loan guarantee
program in fiscal year 1981. This amount is $0,000 below the budget
estimate.

The New York City Seasonal Financing Act of 1975 was passed in
response to the need of the City of New York to obtain short-term Fed-
el funds so that essential city government services could be financed
and maintained. The act also authorized the appropriation of admin-
istrative funds for the management of the seasonal loan program which
expired on June 30, 1976. Although the city met all the requirements of
the Seasonal Financing Act, it was determined further Federal financial
assistance would be necessary in order to facilitate New York City's ac-
...
cess to conventional credit markets. Therefore, in order to insure the financial solvency of the city, the New York City Loan Guarantee Act (Public Law 95-339) was established, authorizing the Secretary of the Treasury, in the 4 years ending June 30, 1982, to guarantee up to $1,650,000,000 of New York City debt for a period of time not exceeding 15 years.

To date, a total of $750,000,000 in loans have been guaranteed by the Department of the Treasury, and it is estimated by the Department that $17,000,000 in guarantee fees levied on the outstanding principal amount of guaranteed city indebtedness will be paid to the Treasury through fiscal year 1985.

The purpose of the Office is to monitor and analyze information to assist the Secretary of the Treasury in assessing the extent to which New York City's fiscal and financial problems are being solved. Specifically, the staff of the Office reviews and analyzes the city's processing of financial data; reviews the city's 4-year financial plan and modifications thereto; analyzes monthly statistics on changes in employment levels and payroll expenditures to insure compliance with the balanced budget test of the Loan Guarantee Act; analyzes the fiscal sources and operations of New York State; monitors the city's progress toward access to public credit markets; and insures that financial commitments are in place and maintained.

The Committee concurs with the House decision to reduce the Office's budget request by $150,000 in view of the fact that funding was requested for 24 staff persons, while current Treasury estimates that a staff of only 18 will be needed in fiscal year 1981 to administer the New York City loan guarantee program.

The New York City Loan Guarantee Act states that guarantees may be provided only if New York City is effectively unable to obtain credit in the public markets or elsewhere in amounts and terms sufficient to meet its financing needs.

In line with the testimony of the Treasury Department, the Committee directed in its 1978 report on the New York City loan guarantee appropriation (Public Law 95-415) that the $900,000,000 in guarantee authority remaining in fiscal years 1981 and 1982 be available on standby basis only, and that primary reliance be placed on sales of Municipal Assistance Corporation (MAC) bonds as a backup to anticipated sales of city bonds in those years, with guarantees provided only to the extent that the MAC backup is not sufficient to meet the city's financing needs.

The city is now proposing to use all of the $900,000,000 in loan guarantee authority in 1981 and 1982, and at the same time to sell a similar amount of MAC bonds, but to hold the proceeds of the MAC bond sales and use them to back up city bond sales after 1982 rather than in 1981 and 1982. This would violate the no credit elsewhere provision in the authorizing bill and the directive of the Committee, while substantially increasing the Government's financial exposure.

The Committee has recommended bill language to clarify and reemphasize the intent of the law and of the Committee by prohibiting the use of appropriated funds to administer a loan guarantee program.
would permit the use of the guarantee authority for the purpose of
permitting MAC to use the proceeds of its borrowings in fiscal years
1980-82 to meet the city’s financing needs after 1982. This language
would not change existing law, which permits guarantees to be provided
to New York City only if, and to the extent that, sufficient credit is not
available elsewhere from customary sources including MAC.

DEVELOPMENT IN NATIONAL CONSUMER COOPERATIVE BANK

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<td>Committee recommendation</td>
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The Committee concurs with the House in recommending the full
$69,000,000 requested for additional capitalization of the National Con-
sumer Cooperative Bank for fiscal year 1981.

The appropriation requested by the administration and approved by
the Committee provides for the capitalization of the National Consumer
Cooperative Bank to make loans and provide other services to con-
sumer cooperatives and other types of self-help cooperatives. The
amount provided is for the purchase of class A stock by the Treasury
Department. The Bank will redeem the Treasury’s class A stock over
the next several years using capital accumulated from retained earnings
and the proceeds of stock to cooperatives. When all the class A stock
has been redeemed, the Bank will continue operations as a private
bank owned and controlled by cooperatives.

The funds from the sale of class A stock will be utilized by the Bank
to make sound loans at market rates to eligible consumer and producer
cooperatives, for a variety of consumer-owned endeavors, including
cooperatives, food and other retailing establishments, health care
centers, day care centers, small scale energy production and distribu-
tion groups, auto repair shops, and other producer-owned activities.

It is estimated that the Bank will receive 1,650 applications for loans,
will make 464 loans, and will service up to 522 accounts in fiscal year
1981. When added to the $3,000,000 appropriated in fiscal 1979 and
$20,000,000 appropriated in the current fiscal year, the appropriation
recommended by the Committee for 1981 will bring the total amount
of appropriations for investment in class A stock to $33,000,000.

LOCAL GOVERNMENT TRANSITIONAL ASSISTANCE PROGRAM

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The Committee recommends that the fiscal year 1981 budget request
of $59,000,000 for the proposed new local government transitional
assistance program be deferred pending passage of authorizing legisla-
tion by the Congress. The House has also recommended the deferral of
this budget request.

On April 13, 1980, the President submitted a budget amendment
calling for an appropriation of $500,000,000 to alleviate, on a transi-
tional basis, the adverse effects on local governments of the anti-