Emergency Moratorium Act of New York City 1975
IN SENATE—Introduced by Committee on Rules—read twice and ordered printed, and when printed to be committed to the Committee on Rules.

IN ASSEMBLY—Introduced by Committee on Rules—read once and referred to the Committee on Ways and Means.

AN ACT

In relation to enacting the New York State emergency moratorium act for the city of New York.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:
Section 1. Legislative findings and statement of purposes. It is hereby found and declared that the grave public emergency found and declared to exist by the legislature in adopting the New York State Financial Emergency Act for the City of New York has dramatically worsened in the last two months. Today, not only is the City of New York threatened with default on its outstanding obligations, but financially sound agencies of the state itself are similarly threatened because of public fears about the effects of default by the city.

Significant and drastic steps have been and continue to be taken by the city and the state pursuant to the New York Municipal Assistance Corporation Act and the New York State Financial Emergency Act of the City of New York to eliminate the causes of this crisis and to restore the city to financial health. It is now apparent, however, that there is not enough time for the effects of these steps to be demonstrated before all funds now available to the city will be exhausted.

There is therefore an imminent danger that the city of New York will be unable to pay its outstanding short-term indebtedness and even -to provide those basic services essential to the health, safety and welfare of its
inhabitants and the continuation of orderly government in
the city. The legislature recognizes and insists that the
pledge of the "faith and credit" of the city to the payment
of its obligations must be respected. The legislature fur-
ther recognizes that in the current financial crisis, this
pledge can be honored only if the viability and resources
of the city are preserved and that the continuation of essen-
tial services is vital to such preservation. The preserva-
tion of the city, the honoring of its obligations and the
restoration of public confidence in the agencies of the state
and of the state itself are all matters of imperative state
care and require the extraordinary exercise of the state's
essential reserve and emergency powers set out in this Act to
protect the vital interests of the people by sustaining the public
credit and maintaining local government.

This Act establishes a conditional three-year mora-
torium on enforcement of outstanding short-term obligations
of the city, so as to avoid destructive actions during the
time the city requires to regain its financial health. The
moratorium will be effective only as to those holders of
city notes who are first offered an opportunity to exchange
their short-term obligations for long-term bonds of the
Municipal Assistance Corporation for the city of New York,
and who, in the event of refusal, receive continuing interest
payments on their short-term obligations as specified in this
Act.

The purpose of the moratorium is to ameliorate the
disastrous consequences, to taxpayers, to holders of short-
term obligations and to city residents, of an inability by
the city to meet its financial and governmental responsibil-
ilities in full. The limited and conditional moratorium estab-
lished by this Act is intended to avoid undue disruption of
the process of financial recovery already underway, so as to
facilitate restoration of the city's financial integrity and
the payment of all its obligations.
§ 2. The New York state emergency moratorium act for the city of New York is hereby enacted to read as follows:

NEW YORK STATE EMERGENCY MORATORIUM ACT FOR THE CITY OF NEW YORK

Section 1. Short title. This act shall be known and may be cited as the "New York State Emergency Moratorium Act for the City of New York."

§ 2. Definitions. As used in this act, the following words and terms shall have the following meanings unless the context shall indicate another or different meaning or intent.

1. "City" means the city of New York.

2. "Short-term obligations" means tax anticipation notes, bond anticipation notes, revenue anticipation notes, budget notes and urban renewal notes of the city which are outstanding on the effective date of this act.

3. "Moratorium period" means the period expiring three years from the effective date of this act unless shortened by act of the legislature.

4. "Replacement obligation" means a bond, note or other evidence of indebtedness of the municipal assistance corporation for the city of New York created by section three thousand thirty-three of the public authorities law.
5. "Offer" means an opportunity to exchange a short-term obligation for a replacement obligation which is disseminated by publication at least once in each of two consecutive weeks in a financial newspaper and in a newspaper of general circulation, customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and circulated in the city.

§3. Enforcement of judgments and liens on account of short-term obligations suspended. During the moratorium period, and notwithstanding any inconsistent provisions of any law, general, special or local, or of any agreement or short-term obligation, no act shall be done, and no action or special proceeding shall be commenced or continued in any court in any jurisdiction, seeking to apply or enforce against the city, or any political subdivision, agency, instrumentality or officer thereof, or their funds, property, receivables or revenues, any order, judgment, lien, set-off or counterclaim on account of any short-term obligation, or the indebtedness or liability evidenced thereby, or seeking the assessment, levy or collection of taxes by or for the city or the application of any funds, property, receivables or revenues of the city on account of any such short-term obligation, or the indebtedness or liability evidenced thereby, although the payment of such short-term obligation may be due by the terms thereof or any general or special or local law or agreement.

§4. Actions upon short-term obligations suspended. During the moratorium period, and notwithstanding any inconsistent provisions of any law, general, special or local, or of any agreement or short-term obligation, no action or special proceeding shall be commenced or continued upon any
short-term obligation, or the indebtedness or liability evidenced
thereby, although the payment of such short-term obligation
may be due by the terms thereof or any general or special or
local law or agreement.

§5. Conditions of suspension. Notwithstanding
the foregoing provisions, any person who would otherwise
have the right to do the acts or commence or continue the
actions or special proceedings suspended by such provisions,
shall have the right, unless waived in writing by such person, to make
an application to any court in which such an action or special
proceeding might be brought, upon thirty days' notice to the city
pursuant to subdivision two of section three hundred eleven,
of the civil practice law and rules, and if upon such application
it shall appear to the satisfaction of the court that either
of the following conditions shall not have been met, then, the
court shall order the termination of the suspension provided
by sections three and four of this act as applied to such
person:

(A) That, either before the date of maturity
of the short-term obligation held by such person or not later
than sixty days after such date of maturity, an offer shall
have been made to exchange such short-term obligation for a
replacement obligation having a date of maturity no more than
twenty years after the date of maturity of such short-term
obligation and bearing interest, payable at least annually,
at a rate of not less than six per centum per annum; and

(B) That interest on the short-term obligation
held by such person, who does not accept the offer, shall have
been paid to such person at the rate stated in such short-
term obligation to the date of its maturity and, thereafter,
at least annually, at a rate of not less than six per centum
per annum until the principal of such short-term obligation
is paid or otherwise discharged, and at such time shall have
paid such additional interest, if any, as may be held to be
mandated by the constitution of the state of New York or the
United States.
§6. Issuance by city of evidence of indebtedness not prohibited. Nothing contained in this act shall be construed to prohibit or prevent the city from issuing to consenting holders of short-term obligations certificates or other evidence of indebtedness in payment, renewal or refunding of such short-term obligations.

§7. Statute of limitations not to run during moratorium. Any act or special proceeding within the scope of this act, which would have been maintainable at any time during the moratorium period, shall not be barred by any provision of article two of the civil practice law and rules, nor by any defense of laches, during a period of one year after the expiration of the moratorium period. This section shall not be construed to shorten the period within which any such action or special proceeding may be commenced.

§3. If any section, part or provision of this act shall be declared unconstitutional or invalid or ineffective by any court of competent jurisdiction, such declaration shall be limited to the section, part or provision directly involved in the controversy in which such declaration was made and shall not affect any other section, provision or part thereof.

§4. This act shall take effect immediately.
AN ACT to amend a chapter of the laws of nineteen hundred seventy-five entitled "An Act in relation to enacting the New York state moratorium act for the city of New York"

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Subdivision B of section five of the New York state emergency moratorium act for the city of New York, as added by section two of a chapter of the laws of nineteen hundred seventy-five entitled "An Act in relation to enacting the New York state emergency moratorium act for the city of New York", is hereby amended to read as follows:

(B) That interest on the short-term obligation held by such person, who does not accept the offer, shall have been paid to such person at the rate stated in such short-term obligation to the date of its maturity and, thereafter, at least annually, at a rate of not less than six per centum per annum and not less than the interest rate payable to any holder of such short-term obligations who has entered into an agreement with the city pursuant to section six or which provides for the extension of the maturity of the short-term obligations held by such holder until the principal of such short-term obligation is paid or otherwise discharged, and at such time shall have paid such additional interest, if any, as may be held to be mandated by the constitution of the state of New York or the United States.

§ 2. This act shall take effect immediately.
AN ACT to amend the public authorities law, in relation to the amount of obligations that may be issued by, and the terms of certain payments of funds of, the municipal assistance corporation for the city of New York.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Legislative findings and statement of purposes. As part of the comprehensive effort by the state to meet and overcome the financial crisis facing the city of New York and the state, the amendments to the municipal assistance corporation for the city of New York act set forth in this act, permitting an increase in the amount of obligations which may be issued by such corporation and broadening the manner of assistance that may be provided by such corporation to the city of New York, are necessary and desirable to advance the objectives of such comprehensive effort.

§ 2. Subdivision two of section three thousand thirty-three of the public authorities law is amended to read as follows:

2. Subject to the provisions of any contract with noteholders or bondholders the corporation shall not issue bonds and notes in an aggregate principal amount exceeding [five] six billion dollars, excluding bonds and notes issued to refund outstanding bonds and notes.

§ 3. Section three thousand thirty-seven of such law is hereby amended to read as follows:

§ 3037. Payments to or purchases of obligations of the city. In the event that the mayor from time to time certifies to the corporation an amount required by the city to enable it to pay, at maturity, the principal of and interest on any short-term obligations of the city, [or to pay operating expenses of the city] the corporation may (i) pay to the city, or (ii) purchase from the city at par obligations hereafter issued by the city in an amount equivalent to, such part or all of such certified amount. In the event that the mayor from time to time certifies to the corporation an amount required by the city to enable it to pay.
operating expenses or to meet capital requirements of the city, the corporation may purchase from the city at par obligations hereafter issued by the city in an amount equivalent to part or all of such certified amount. Moneys paid to the city pursuant to (clause (i) or (ii)) the preceding provisions of this section shall be held in trust for the payment of short-term obligations or shall be used to pay operating expenses or capital requirements of the city. Any obligations issued by the city and purchased by the corporation pursuant to this section shall mature on a date not later than [fifteen] twenty years from the original date of issue of such obligations. The corporation shall not make any payment to the city, or purchase any obligations from the city, pursuant to this section unless the city shall have agreed to observe the conditions set forth in section three thousand thirty-eight of this chapter, subject to such modifications as are permitted thereunder. The outstanding amounts paid to the city for operating expenses pursuant to (clause (i) and clause (ii) of) this (subdivision) section shall not exceed [one] two billion [seven] four hundred twenty-five million dollars, provided that not more than nine hundred million dollars shall be obligations maturing in a fiscal year succeeding the fiscal year in which issued [(of which not less than seven hundred fifty million dollars shall be applied for welfare or public education purposes, as to which state assistance payments have been or will be advanced to the city)] and shall be evidenced by city obligations, and any balance shall be short-term obligations payable in the fiscal year in which issued. The outstanding amounts paid to the city for capital requirements pursuant to this section shall not exceed one billion dollars.

§ 4. Subdivision nine of section three thousand thirty-nine is hereby amended to read as follows:
9. a. The city shall not, at any time permit the aggregate principal amount of its outstanding short-term obligations plus the aggregate principal amount of all notes and bonds issued by the corporation (less any notes or bonds of the corporation which have been refunded or renewed and less any short-term obligations of the city then held by the corporation) to exceed (i) [six] nine billion one hundred million (hereinafter called the base debt limit) plus (ii) an additional amount, not exceeding ten percent of the base debt limit; provided, however, that during the fiscal years ending June 30, 1976 and 1977 such additional amount may not exceed thirty percent of the base debt limit, during the fiscal year ending June 30, 1978 the additional amount may not exceed twenty-five percent of the base debt limit, during the fiscal year ending June 30, 1979, the additional amount may not exceed twenty percent of the base debt limit, and during the fiscal year ending June 30, 1980 the additional amount may not exceed fifteen percent of the base debt limit.

b. In addition to the foregoing limitation the city shall not, at any date, permit the aggregate principal amount of its outstanding short-term obligations (excluding bond anticipation notes) plus the aggregate principal amount of all notes and bonds issued by the corporation (less any notes or bonds refunded or renewed and less any short-term obligations of the city then held by the corporation and less any short-term obligations of the city issued and payable within the same fiscal year) to exceed [four] eight billion [five hundred million] dollars plus, in the discretion of the board of directors, an additional amount not exceeding five hundred million dollars.

§ 6. If any provision of this act is declared unconstitutional, no other provisions of this act shall be rendered ineffective, unless inseparable from the provision declared to be unconstitutional.

§ 7. This act shall take effect immediately.
Financial Emergency Act for New York City 1975
NEW YORK STATE FINANCIAL EMERGENCY ACT
FOR THE CITY OF NEW YORK

Consolidating Chapter 868 of the Laws of 1975 and the amending provisions of Chapters 869, 870 and 888 of the Laws of 1975
New York City—Financial Emergency Act

CHAPTER 588

An Act in relation to creating the New York state financial emergency act for the city of New York; to amend the executive law, in relation to the appointment of a special deputy comptroller for the city of New York; to amend the local law, in relation to local receivable notes; to amend the state finance law, in relation to the investment of state funds issued for the corporate purposes of the municipal assistance corporation for the city of New York; to amend the retirement and social security law, in relation to retirement of public pension funds in the municipal assistance corporation; to amend the public authorities law, in relation to the issuance and security of bonds and notes of such municipal assistance corporation; to amend the state finance law, in relation to the payment of state funds to the city of New York; to amend the state finance law, in relation to the establishment of a municipal assistance state aid fund; to amend the education law, in relation to the payment by the city of New York to the city university construction fund; to amend the private housing finance law, in relation to bonds and notes of the New York city housing development corporation; to amend the New York city charter, in relation to the investment of sinking fund moneys of the city of New York in obligations of the municipal assistance corporation for the city of New York; to amend the public authorities law, in relation to the construction of certain agreements with holders of notes or bonds issued by any municipal assistance corporation; to amend the public authorities law, in relation to making bonds or notes of the New York city stabilization reserve corporation legal investments for public authorities; to amend the local finance law, in relation to the authority of municipalities to design and construct public housing buildings on a public housing finance law, in relation to certain amendments for collective or pledged by a municipality of its mortgage interest in a project; to amend the local finance law, in relation to assistance to certain municipalities during periods of financial emergency, to amend the public authorities law, in relation to certain payments and funds of the municipal assistance corporation for the city of New York; and making an appropriation for the corporate purposes of the city of New York, and making a first instance appropriation from the local assistance fund to the city of New York.


The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Legislative findings and statement of purposes. It is hereby found and declared that a financial emergency and an emergency period exists in the city of New York. The city is unable to obtain the funds needed by the city to continue to provide essential services to its inhabitants or to meet its obligations to the holders of outstanding securities. Unless such funds are obtained the city will (a) fail to pay salaries and wages to employees and merchants and vendors and suppliers to the city, (b) fail to pay amounts due to persons receiving assistance from the city and (c) default on the interest and principal payments due the holders of outstanding obligations of the city.

If such failures and defaults were to occur, the effect on the city and its inhabitants would be devastating; (a) unpaid employees refuse to work; (b) unpaid merchants and suppliers refuse to sell their goods and render services to the city; (c) unpaid recipients of public assistance would be unable to provide for themselves with this time of need; and (d) unpaid holders of city obligations would seek judicial enforcement of their local rights as city revenue. These events would effectively force the city to stop operating as a viable governmental entity and create a clear and present danger to the health, safety and welfare of its inhabitants.

The difficulties of finding solutions to such events would be compounded by the likelihood that the city, as well as the municipal assistance corporation for the city of New York, would be foreclosed from seeking funds in the public markets. The elimination of public markets as a source of funds would leave the city with no foreseeable way to refund its outstanding short-term indebtedness. Thus, the city might be unable for an extended period to face demands for the redemption of its obligations and that event could almost permanently destroy the fiber of the city. The status of the city as the financial capital of the nation and of the world and as the headquarters of American and international commerce would be severely shaken. Just as significantly, the exodus of the city from corporate and individual taxpayers would increase, thereby having the effect of insinuating a greater burden onto the remaining taxpayers.

It is in a matter of substantial and imperative state concern that the city not fail to meet its obligations and thereby suffer the collapse of its municipal assistance corporation. Such a failure could require the state to provide costly and emergency financial assistance to the city to avert the emergency conditions that would result. Aside from the avoidance of that expense, it is in the best interest of the state that the above-described events not occur, because the city represents a major part of the state. In addition to being the state's largest city, the city is the commercial, financial, communications and transportation center of the state. If the city were, because of the lack of funds, to function in its normal manner, the economy of the state would, therefore, be drastically harmed.
A failure by the city to meet its obligations would also affect the state's own ability to raise funds in the public markets. Defaults by the city would adversely affect the ability of all public issuers in the state to market securities to meet their cash requirements. To the extent the state and other public issuers within the state would be able to meet their obligations, the interest rates at all the interest rates would similarly be elevated. Securities which otherwise would be paid. This effect has already been clearly demonstrated since the urban development corporation defaulted on its obligations in February nineteen hundred and seventy-five. Notwithstanding that such default was seen as the result of non-action, other public authorities, such as the housing development authority and the county authority, have been unable to market their securities or have been required to pay much higher interest rates than ever before and numerous municipalities, school districts and sewer districts throughout the state have been similarly affected.

This situation is a disaster and creates a state of emergency. To end this disaster, to bring the emergency under control and to respond to the overriding state concern described above, the state must undertake an extraordinary exercise of its police and emergency powers under the state constitution, and exercise controls and supervision over the financial affairs of the city of New York, but in a manner intended to preserve the ability of city officials to determine programs and expenditure priorities within available financial resources.

To forestall the effects on the city and the state of a failure by the city to meet its obligations when due, the state has developed, in coordination with the municipal assistance corporation for the city of New York and certain private financial institutions located in the city, a financial program designed to infuse the city with funds needed by it during the next several months. This financial program is in short-term means of helping the city to meet its obligations during this emergency period. For longer range success, the city must restore its own financial capability by the efforts of the city itself.

The programs embodied in this Act provide the necessary statutory changes to permit the financial assistance required by the city at this time, including the mandatory investment of a portion of the funds of the state and city retirement systems in obligations of the municipal assistance corporation for the city of New York, and provides for (i) the creation of a state board with some city representation. (ii) the board, after review and audit of city operations by such board and the approval of such board to assume or terminate a city's operating or non-operating debt service requirements, and (iii) the appointment of the state retirement board in accordance with the plan. In addition, the program requires the purchase of an aggregate of seven hundred and twenty five million dollars of the securities of the municipal assistance corporation for the city of New York by retirement systems for public employees in the state of New York and in the city of New York. The purpose of this requirement is to provide the city with a certain source of revenue in the immediate future.

This legislative program is intended to accomplish the objectives described above and to thereby ensure the continuance of governmental operations in the city and to provide the means by which the present emergency can in time be overcome, the city restored to financial health and this intervention by the state brought to an end.

Furthermore, in view of the present danger that the city may fail to meet its obligations, it is equally imperative that steps be taken at this time, in advance of any such failure, to ameliorate to the extent possible the disastrous consequences of any such failure by the city (or by any other municipality) by providing a framework to lessen the impact on a municipality (and thereby to lessen the impact on the state itself) of a failure by such municipality to meet its obligations, to ensure the continuity of governmental operations therein during the period of any default, and to provide the means by which such defaults may in time be overcome. To that end, the exercise of the police power of the state is appropriate to accomplish four additional objectives during the period that an emergency exists for a municipality: first, to provide a municipality with prior notice of the intention of any person to take action against it on a debt or obligation, second, to provide for a stay of attempts by creditors to enforce their remedies while a municipality attempts to develop a plan to cure any defaults; third, to permit such a plan providing for the satisfaction of debts and obligations of a municipality to be submitted to, and approved by a court of this state; and, fourth, to authorize a municipality of this state, or an emergency financial control board created for such municipality, if necessary, to seek the benefits of any federal statute or hereafter enacted to provide relief to financially distressed municipalities.
§ 2. The city of New York is hereby enacted to read as follows:

NEW YORK STATE FINANCIAL EMERGENCY ACT
FOR THE CITY OF NEW YORK

Section
1. Short title.
2. Definitions.
2-a. Legislative declaration of financial emergency.
4. Power of city or covered organization to determine the expendi-
ture of available funds.
5. New York state emergency financial control board; created.
6. Administration of the board.
7. Functions of the board.
9. Establishment and application of emergency financial control
   board fund.
10. Wage freeze.
11. Prohibitions; penalties.
12. Termination.

Section 1. Short title
This act shall be known and may be cited as the "New York State
Financial Emergency Act for the City of New York".

§ 2. Definitions
As used in this act, the following words and terms shall have the
following meanings unless the context shall indicate another or dif-
f erent meaning or intent:
1. "Comptroller" means the comptroller of the state of New York.
2. "City" means the city of New York.
3. "Mayor" means the mayor of the city of New York.
4. "City comptroller" means the comptroller of the city.
5. "Covered organization" means any governmental agency, public
   authority or public benefit corporation which receives or may receive
   housing directly, indirectly or contingently, (other than monies received
   for the sale of bonds or the rendering of services at the loan of money
to the city) from the city, and in any event includes, without limitation,
   the board of education of the city of New York, the board of higher
   education of the city of New York, the health and hospitals corpora-
tion, the New York city transit authority, the New York city housing
   authority, the New York city housing development corporation, city
   university construction fund, Battery park city authority, New York
   city convention and exhibition center corporation, Manhattan and Bronx
   surface transit operating authority, Staten Island rapid transit
   operating authority, the New York city sports authority and the
   Brooklyn sports center authority but shall not include any state public
   authority as defined in section two hundred one of the public service
   law, unless specifically named above, or any governmental agency,
   authority, commission or instrumentality created by compact or agree-
ten between the state of New York and another state or states.
6. "Board" means the governmental agency created by section
   five of this act.
7. "Special deputy comptroller" means the special deputy comptroller
   for the city of New York created by section two of this law.
8. "Municipal assistance corporation for the city of New York" means
   the corporate governmental agency created by section three of this
   law.
9. "Short-term obligations" means tax anticipation notes, bond ante-
piciation notes, revenue anticipation notes, budget notes and other
   renewal notes of the city.
10. "Revenue" means all taxes, general and special, all receipts,
    charges, payments, all proceeds from borrowings and other income and
    receipts paid or payable to or for the account of the city or any of the
    covered organizations.
11. "Financial plan" means the financial plan of the city and the
    covered organizations to be developed pursuant to section eight of
    this act, as from time to time modified.
12. "Emergency period" means the period of time from the effect-
    ive date of this act until the date when the board determines that
    the expense budget of the city shall have been in balance for one fiscal
    year in accordance with the accounting methods prescribed for such
    budget by the state comptroller pursuant to subdivision ten of section
    one thousand three hundred eighty of the public authorities law.
13. "Debt service repayment account" means the special account
    established pursuant to subdivision four of section nine of this act.
14. "Fund" means the emergency financial control board fund es-
    tablished pursuant to subdivision one of section nine of this act.
15. "Available funds" means at any date the amounts in the fund
    which are then available, as determined by the board, to be applied
    to the purposes stated in clause (ii) of subdivision five of section nine
    after provision has been made for the application of amounts in the
    fund for the purposes stated in clauses (i) and (ii) of subdivision five
    of section nine.
§ 2-a. Legislative declaration of financial emergency

The legislature hereby finds and declares that a state of financial emergency exists within the city.

§ 3. General rights and prohibitions

1. Neither the city nor any covered organization shall borrow or expend any moneys, or in any way, directly or indirectly, expressly or implicitly, engage its credit during the emergency period except in compliance with the provisions of this act.

2. Nothing contained in this act shall limit the right of the city or any covered organization to comply with the provisions of any existing contract with or for the benefit of the holders of any bonds or notes of the city or such covered organization or any public authority or public benefit corporation.

3. Nothing contained in this act shall be construed to impair the right of employees to organize or to bargain collectively.

§ 4. Power of city or covered organization to determine the expenditure of available funds

Nothing contained in this act shall be construed to limit the power of the city or a covered organization to determine, from time to time, within available funds, not only the city or for each covered organization, the purpose for which expenditures are to be made by the city or each covered organization and the amounts of such expenditures, requested with the aggregate expenditures then permitted under the financial plan for the city or such covered organization.

§ 5. New York state emergency financial control board; created

There is hereby created the New York state emergency financial control board. The board shall be a governmental agency and instrumentality of the state and it shall have such powers and functions as are set forth in this act.

§ 6. Administration of the board

1. The membership of the board shall be the governor, the state comptroller (pursuant to his authority to supervise the accounts of any political subdivision of the state), the mayor, the city comptroller and a member three members appointed by the governor with the advice and consent of the senate. Such appointed members shall serve at the pleasure of the governor. The governor shall be the chairman of the board and the chairman or his representative shall preside over all meetings of the board. The board shall act by majority vote of the entire board. The board shall maintain a record of its proceedings in such form as it may determine, but such record shall indicate attendance and all votes cast by each member. Every member of the board, who is otherwise an elected official of the state or city, shall be entitled to designate a representative to attend, in his place, meetings of the board and to vote or otherwise act in his behalf. Written notice of such designation shall be furnished to the board by the designated member prior to any meeting attended by his representative. Any representative shall serve at the pleasure of the designating member. No representative shall be authorized to delegate any of his duties or function to any other person.

2. Notwithstanding any inconsistent provisions of law, general, special or local, an officer or employee of the state, any political subdivision of the state, any governmental entity operating any public school or college or other public agency or instrumentality or unit of government which exercises governmental powers under the laws of the state, shall forfeit his office or employment by reason of his acceptance or appointment as a member, representative, officer, employee or agent of the board or shall serve as such member, representative, officer, employee or agent of the board or be deemed incompatible or in conflict with such office or employment.

3. The members of the board appointed by the governor and all representatives designated by members of the board shall serve without salary or per diem allowance but shall be entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties under this act, provided however that such members and representatives are not, at the time such expenses are incurred, public employees otherwise entitled to such reimbursement.

4. The board may delegate to one or more of its officers, employees or agents, such powers and duties as the board may deem proper, except any duties inconsistent with the duties and functions prescribed by any other office or position any such person may hold.
§ 7. Functions of the board

1. In carrying out the purposes of this act, the board shall perform the following functions:

a. As set forth in section eight, the board shall (i) determine, in connection with the development of the financial plan, estimated revenues for the city and the covered organizations, (ii) consult with the city and the covered organizations in the preparation of the financial plan, (iii) prescribe the form of the financial plan and the supporting information required in connection therewith, and (iv) exercise the rights of approval, disapproval and modification with respect to the financial plan.

b. As set forth in section nine, the board shall establish and adopt procedures with respect to the deposit of revenues of the city and the covered organizations in the fund and the disbursement of monies from the fund.

(c) The board shall, from time to time and to the extent it deems necessary or desirable in order to accomplish the purposes of this act, (i) review the operations, management, efficiency and productivity of such city operations and of such covered organizations or portions thereof as the board may determine, and make reports thereon; (ii) audit, examine, and control the financial plan in such areas as the board may determine; (iii) recommend to the city and the covered organizations such measures relating to their operations, management, efficiency and productivity as it deems appropriate to reduce costs and improve services so as to advance the purposes of this act; and (iv) obtain information of the financial condition and needs of the city and the covered organizations. Nothing herein shall limit the powers of the controller otherwise provided by law and the board may request the assistance of the controller in performing the above functions.

d. (i) The board shall receive from the city and the covered organizations and from the special deputy controller, and shall review such financial statements, statements, budgetary data and information, and management reports and materials as the board deems necessary or desirable to accomplish the purposes of this act;

(ii) inspect, copy and audit such books and records of the city and the covered organizations as the board deems necessary or desirable to accomplish the purposes of this act.

(e) All contracts entered into by the city or any covered organization must be consistent with the provisions of this act and must comply with the provisions of the financial plan as approved by the board. With respect to all contracts or other obligations to be entered into by the city or any covered organization after October thirty-first, nineteen hundred seventy-five, requiring the payment of funds or the incurring of costs by the city or any covered organization:

(i) Within thirty twenty days from the effective date of this act the mayor shall present to the board proposed regulations respecting the enterances and types of contracts and other obligations required to be reviewed by the board pursuant to this subdivision e. The Within thirty days from the effective date of this act, the board may approve or modify and approve such proposed regulations or may promulgate its own in the event that such proposed regulations are submitted to it within the thirty twenty days as provided for herein. Such regulations may thereafter be modified by the board from time to time on not less than thirty days notice to the mayor and the mayor may from time to time propose modifications to the board. Unless expressly disapproved or modified by the board within thirty days from the date of submission by the mayor, any such proposed regulations or modifications shall be deemed approved by the board;

(ii) Prior to entering into any contract or other obligation subject to review of the board under its regulations, the city or any covered organization shall submit a copy of such contract or other obligation to the board accompanied by an analysis of the projected costs of any contract or other obligation and a certification that performance thereof will be in accordance with the financial plan, all in such form and with such additional information as the board may prescribe. The board shall promptly review the terms of such contract or other obligation and the supporting information in order to determine compliance with the financial plan;

(iii) The board shall, by order, disapprove any contract or other obligation reviewed by it only upon a determination that, in its judgment, the performance of such contract or other obligation would be inconsistent with the financial plan and the city or covered organization shall not enter into such contract or other obligation;

(iv) If the board approves the terms of a reviewed contract or other obligation, the city or covered organization may enter into such contract or other obligation upon the terms submitted to the board. Failure of the board to notify the city or covered organization within thirty days to request additional time not exceeding thirty days as the board shall have notified the city or covered organization, that it requires to complete its review and analysis after submission to it of a contract or other obligation that such contract or other obligation has been disapproved shall be deemed to constitute board approval thereof.
§ 8. Development of the financial plan

Pursuant to the procedures contained in subdivision two of this section, the board, in consultation with the city, shall develop and, every two years, a financial plan for the city and the covered organizations with respect to the fiscal years of the city ending June thirtieth, nineteen hundred seventy-six, June thirtieth, nineteen hundred seventy-seven, June thirtieth, nineteen hundred seventy-eight, June thirtieth, nineteen hundred seventy-nine, and June thirtieth, nineteen hundred eighty. The board may from time to time extend the period to be covered by the financial plan through the end of any fiscal year of the city in which the emergency period terminates. The financial plan shall conform to the requirements of subdivision three of this section and shall constitute a program by which the city will achieve the following objectives:

a. For its fiscal year ending June thirtieth, nineteen hundred seventy-eight, the city's expenses shall be balanced in accordance with the accounting system and procedures prescribed in subdivision two of section three thousand thirty-eight of the public authorities law, with substantial progress toward that goal to be achieved in each of the fiscal years ending June thirtieth, nineteen hundred seventy-six and June thirtieth, nineteen hundred seventy-seven. In accordance with subdivision five of section three thousand thirty-eight of the public authorities law, progress toward the elimination of excess items from the capital budget will also be required during the period during which the financial plan is in effect.

b. The limitations on its outstanding short-term obligations required by subdivision nine of section three thousand thirty-eight of the public authorities law shall be observed at all times.

2. In developing the financial plan the city and the board shall seek to achieve a stabilized work force for the city and, to the extent a reduction in the work force is required, primary reasons shall be had to the attrition process to accomplish such reduction.

3. The financial plan shall be developed and adopted, and any time to time be modified, in accordance with the following procedures:

a. Not later than September thirtieth, nineteen hundred seventy-five, the board shall deliver to the city estimates of revenues of the city and the covered organizations for each month during which the plan is in effect.

b. Based upon the revenues estimated by the board pursuant to paragraph a of this subdivision, the city shall, by October fifteenth, nineteen hundred seventy-five, prepare and submit the financial plan to the board. If the board shall, in its judgment, determine that such financial plan in complete and would achieve the objectives set forth in subdivision one of this section, the board shall approve the financial plan which shall then take effect.
e. The board shall disapprove the financial plan proposed by the city if, in the judgment of the board, such plan:

(i) fails to provide for the payment in full of the debt service requirements on all bonds and notes of the city and the covered organizations or a lesser amount approved by the board if a moratorium is in effect pursuant to state law suspending or staying the enforcement of rights with respect to such notes or fails to fund adequately programs of the city and the covered organizations mandated by state or federal law;

(ii) fails to provide that operations of the city and the covered organizations will be conducted within the cash resources available according to the board's revenue estimates;

(iii) fails to achieve the objectives set forth in subdivision one of this section; or

(iv) in addition to the foregoing limitations, provides for aggregate expenditures (other than amounts required to pay debt service, pension costs, public assistance and care, and such other amounts as the board determines to be required by law) in the expense budget of the city or the expense budget of any covered organization for any of the years during which the plan is in effect, above the level contained in the expense budget adopted by the city or by such covered organization for the fiscal year ending June thirtieth, nineteen hundred seventy-six as modified or amended to the effective date of this act, or (b) such further increases as the board may approve as required to meet the impact of substantial inflation after the effective date of this act, but in either case only if the board determines that increased revenues are available in an amount equal to the requested increase in expenditures.

d. In disapproving the financial plan proposed by the city the board may direct that:

(i) expenditures or reserves to assure availability of amounts required for debt service requirements on all bonds and notes of the city and the covered organizations, or expenditures required for adequate funding of programs of the city and the covered organizations mandated by state or federal law, be increased to the levels required to provide for their payment in full; or

(ii) the aggregate expenditures in any period be reduced to conform to the revenue estimates of the board prepared pursuant to paragraph a of this subdivision or to achieve the objectives set forth in subdivision one of this section.

e. In the event that the city shall, for any reason, fail to adopt a financial plan, as required pursuant to paragraph b of this subdivision, or to adopt a financial plan approved by the board effective October thirty-first, nineteen hundred seventy-five, the board may suspend and adopt the financial plan, such financial plan to become effective on its adoption to be effective October thirty-first, nineteen hundred seventy-five. All subsequent operations by the city or a covered organization shall be in accordance and consistent with the financial plan.

f. After the initial adoption of the financial plan, the revenue estimates prepared by the board pursuant to paragraph a of this subdivision and the financial plan shall be regularly re-examined by the board in consultation with the city and the covered organizations and the city shall provide a modified financial plan in such detail and within such time period as the board may require. Changes in such revenue estimates shall be made only by the board. In the event of reductions in such revenue estimates, or in the event the city or a covered organization shall expend funds at a rate that would exceed the aggregate expenditure limitations for the city or covered organization, prior to the expiration of the fiscal year, the city shall modify the financial plan to effect such reductions in total expenditures as may be necessary to conform to such revised revenue estimates or aggregate expenditure limitations. If, within a time period specified by the board, the city fails to make such modifications after reductions in revenue estimates, or to provide a modified plan in the detail and within such time period required by the board, the board may formulate and adopt such modifications to the financial plan, such modifications to become effective on their adoption.

g. The city may, from time to time, modify the expenditures specified in the financial plan, subject to the approval of the board. The board shall approve such modifications only in the judgment of the board, such modifications would constitute grounds for disapproval of the financial plan pursuant to paragraph e of this subdivision.
4. The financial plan shall be in such form and shall contain such information for each year during which the financial plan is in effect as the board may specify, shall include the city and all the covered organizations, and shall, in such detail as the board may from time to time prescribe, include statements of all estimated revenues and of all expenditures and cash flow projections of the city and each of the covered organizations. The financial plan may, with the approval of the board, not include amounts necessary to provide for the payment of debt service on any notes of the city or any covered organization if a moratorium is in effect pursuant to state law suspending or staying the enforcement of rights with respect to such notes.

5. The financial plan shall, except to the extent waived by the board, with respect to any limited period, include any information in which the board may request to satisfy itself that (i) projected employment levels, collective bargaining agreements and other action relating to employee costs, capital construction and such other matters as the board may specify, are consistent with the provisions made for such obligations in the financial plan, (ii) the city and the covered organizations are taking whatever action is necessary with respect to programs authorized by state and federal law to ensure that expenditures for such programs are limited to and covered by the expenditures stated in the financial plan, and (iii) adequate reserves are provided to maintain essential programs in the event revenues have been overestimated or expenditures underestimated for any period.

6. The covered organizations shall submit to the city and the board such information with respect to their proposed expenditures and revenues for each year during which the financial plan is in effect as the city or the board shall determine for inclusion in the financial plan to be submitted by the city. Notwithstanding any other provision of law limiting the authority of the city with respect to any covered organization, the city, in the preparation and submission of the financial plan and modifications thereof, shall except for debt service or for other expenditures to the extent that such expenditures are required by law, have the power to determine the aggregate expenditures to be allocated to any covered organization in the financial plan and any modifications thereof.

9. Establishment and application of emergency financial control board fund.

1. There is hereby established a fund designated the emergency financial control board fund. Commencing November first, nineteen hundred seventy-five on the effective date of the financial plan, and for the duration of the emergency period, all revenues received or to be received by the city or any covered organization shall, under the order of the board, be revenues of the fund and shall be used for the benefit of the city and appropriate covered organizations, but disbursement from the fund shall be made by the board in accordance with the approved financial plan, except to the extent expressly prohibited by federal law or where such revenues are pledged to the payment of any outstanding bonds, notes or other obligations of covered organizations. Commencing November first, nineteen hundred seventy-five on the effective date of the financial plan, and for the duration of the emergency period, all funds and accounts established or theretofore established by the city or the covered organizations shall, unless exempted by order of the board, thereafter be included in the accounts of the fund except to the extent expressly prohibited by federal law or to the extent prohibited by revenues or agreements relating to any outstanding bonds, notes or other obligations of covered organizations. All such accounts of the board shall have such captions and entries as the board shall determine to be necessary to credit the foregoing revenues and receipts to the fund. The names of the fund shall not be deemed to be names of the state or money under its control.

2. The deposit of revenues into the fund and the investment or disposal of monies therein shall be made in accordance with and pursuant to procedures established by the board.

3. In order to assure compliance with the financial plan, the board shall from time to time adopt procedures controlling the disbursement of monies from the fund.

4. Within the fund there is hereby established a special account designated the debt service repayment account. The board shall from time to time, in accordance with procedures adopted by the board, deposit in the fund the debt service repayment account of such amounts as the board shall, in its discretion, determine to be sufficient to meet the debt service requirements of the city and the covered organizations on their bonds and notes as they become due, (other than bonds and notes of covered organizations payable from revenues not included in the fund) as they become due, or if a moratorium is in effect pursuant to state law suspending or staying the enforcement of rights with respect to any such notes, such amounts as may be required pursuant to a schedule determined by the board to pay or to recoup before the expiration of the moratorium an amount sufficient for the payment of such notes upon the expiration of the moratorium. Amounts in the debt service repayment account shall be used to meet such debt service requirements of the city and the covered organizations.
9. If at any time the board determines that the amount then held in the fund or the amount estimated by the board to be held in the fund is or will be insufficient to meet the expenditures in the amounts and at the times required by the financial plan, the board shall require disbursements from the fund to be made in the following order of priority, unless otherwise required by law of the United States of America: (i) the payment of amounts from the fund to the debt service repayment account to maintain therein the amount required by subdivision (b) of this section; (ii) the payment of other liabilities having statutory or contractual priority over remaining liabilities of the city and the covered organizations whose worries are included in the fund; and (iii) the payment of other obligations on an allocated basis as specified by the city for expenditures in accordance with the financial plan provided that, in the event that the city fails to so specify, the board may withhold payment of any or such other obligations or may direct their payment prior thereto.

10. Wage freezes

1. Increases in salary or wages of employees of the city and employees of covered organizations which have taken effect since June thirtieth, nineteen hundred seventy-five or which will take effect after that date pursuant to collective bargaining agreements or other analogous contracts, now in existence or hereafter entered into, requiring such salary increases as of July first, nineteen hundred seventy-five or as of any date thereafter are hereby suspended. All increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan and step-ups or increments for employees of the city and employees of covered organizations which have taken effect since June thirtieth, nineteen hundred seventy-five or which will take effect after that date pursuant to collective bargaining agreements or other analogous contracts requiring such increased payments as of July first, nineteen hundred seventy-five or as of any date thereafter shall be hereby suspended. For the purposes of computing the pension base of retirement allowances, the suspended salary or wage increases and the suspended other payments shall not be considered as part of compensation or final compensation or of annual salary earned or earned. The suspensions provided herein shall be effective for the first pay period ending on or subsequent to September first, nineteen hundred seventy-five and shall continue until one year thereafter and, to the extent of any determination by the board that a continuation of such suspensions, to a date specified by the board, is necessary in order to achieve the objectives of the financial plan, such suspensions shall be continued to the date specified by such board, which date shall in no event be later than the end of the emergency period.

2. This section shall not be applicable to employees of the city or employees of a covered organization covered by a collective bargaining agreement or an employee of the city or a covered organization not covered by a collective bargaining agreement where the collective bargaining representative or such representative employee has engaged in a settlement of salary or wage increases by an instrument in writing which has been certified by the mayor on or before September first, nineteen hundred seventy-five, or certified by the board after September first, nineteen hundred seventy-five as being an acceptable and appropriate contribution toward alleviating the fiscal crisis of the city. The board may, if it finds that the fiscal crisis has been sufficiently alleviated or for any other appropriate reason, direct that the suspensions of salary or wage increases or suspensions of other increased payments shall, in whole or in part, be terminated.
§ 11. Prohibitions: penalties

1. During the emergency period, (i) no officer or employee of the city or of any of the covered organizations shall make or authorize an obligation or other liability in excess of the amount provided therefor under the financial plan as then in effect; (ii) no officer or employee of the city or of any of the covered organizations shall involve the city or any of the covered organizations in any contract or other obligation or liability for the payment of money for any purpose required to be approved by the board unless such contract has been so approved or deemed to be approved as provided in paragraph (c) of subdivision one of section seven and unless such contract or obligation or liability is in compliance with the financial plan as then in effect.

2. No officer or employee of the city or any of the covered organizations shall take any action in violation of any valid order of the board or shall fail or refuse to take any action required by any such order or shall prepare, present or certify any information (including any projections or estimates) or report for the board or any of its agents that is false or misleading; or, upon learning that any such information is false or misleading, shall fail promptly to advise the board or its agents thereof.

3. In addition to any penalty or liability under other law, any officer or employee of the city or any of the covered organizations who shall violate subdivision one or two of this section shall be subject to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office by order of either the governor or the mayor; and any officer or employee of the city or any of the covered organizations who shall knowingly and willfully violate subdivision one or two of this section shall, upon conviction, be guilty of a misdemeanor.

4. In the case of a violation of subdivision one or two of this section by an officer or employee of the city or any of the covered organizations, the mayor or the chief executive officer of such covered organization shall immediately report to the board all pertinent facts together with a statement of the action taken thereon.

§ 12. Termination

Six months after the end of the emergency period, the existence of the board and all other provisions of this act not theretofore terminated shall terminate.
IN SENATE—Introduced by Committee on Rules—read twice and ordered printed, and when printed to be committed to the Committee on Rules.

IN ASSEMBLY—Introduced by Committee on Rules—read once and referred to the Committee on Ways and Means.

AN ACT

to amend a chapter of the laws of nineteen hundred seventy-five, entitled "An Act in relation to enacting the New York state financial emergency act for the city of New York, to amend the executive law, in relation to the appointment of a special deputy comptroller for the city of New York, to amend the local finance law, in relation to tax receivable notes, to amend the state finance law, in relation to the investment of state funds in bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for the city of New York, to amend the retirement and social security law, in relation to investment of public pension funds in such municipal assistance corporation securities, in relation to enacting the investment of funds by pension and retirement systems for public employees act, to amend the workmen's compensation law, in relation to the purchase by the state insurance fund of bonds and notes of such municipal assistance corporation, to amend the public authorities law, in relation to the issuance and maturity of bonds and notes of such municipal assistance corporation, to amend the state finance law, in relation to the payment of per capita aid to the city of New York, to amend the state finance law, in relation to the establishment of a municipal assistance state aid fund, to amend the education law, in relation to the payment by the city of New York to the city university construction fund, to amend the private housing finance law, in relation to bonds and notes of the New York city housing development corporation, to amend the New York city charter, in relation to the investment of sinking fund moneys of the city of New York in obligations of the municipal assistance corporation for the city of New York.
New York; to amend the public authorities law, in relation to the contents of certain agreements with holders of notes or bonds issued by any municipal assistance corporation; to amend the public authorities law, in relation to making bonds or notes of the New York city stabilization reserve corporation legal investments for public authorities; to amend the local finance law, in relation to the authority of municipalities to assign for collateral or pledge its mortgage interest; to amend the private housing finance law, in relation to certain assignments for collateral or pledges by a municipality of its mortgage interest in a project; to amend the local finance law, in relation to assistance to certain municipalities during periods of financial emergency; to amend the public authorities law, in relation to certain payments and funds of the municipal assistance corporation for the city of New York; and making an appropriation for the corporate purposes of the city of New York; and making a first instance appropriation from the local assistance fund to the city of New York,"in relation to the legislative intent thereof; to amend the New York State Financial Emergency Act for the City of New York, in relation to the definition of the term "covered organization"; the compliance of certain contracts and obligations with the requirements of the financial plan; the approval of certain regulations; the review of certain proposed borrowing; the issuance of certain orders; the development of a financial plan; the time for delivery of certain estimates of revenues; the formulation and adoption and time of submission of the financial plan; requirements for items of aggregate expenditures; the deposit of revenues and application of funds in the emergency control board fund; the application of the wage freeze to certain contracts; to amend the retirement and social security law in relation to investments in municipal assistance corporation obligations; to amend the investment of funds by pension and retirement systems for public employees act in relation to investments by such systems in obligations of the municipal assistance corporation; to amend the workmen's compensation law, in relation to investments by the state insurance fund in obligations of the municipal assistance corporation; to amend the public authorities law, in relation
to certain obligations of the municipal assistance corporation; the state finance law, in relation to the apportionment of certain amounts payable to the city of New York as per capita aid and the municipal assistance state aid fund; the education law, in relation to financial assistance by the city of New York to the dormitory authority; the private housing finance law, in relation to the amount of outstanding bonds and notes of the New York city housing development corporation; to amend the local finance law, in relation to assignment or pledge by a municipality of its mortgage interest in certain cases; notice of limitation of provisions; notice of claim; demand for payment; petition; petition of municipality; repayment plan; court approval and continuation of stay in certain cases and to repeal section 85.10 thereof relating to presentation of claims and commencement of actions against municipalities in certain cases and to amend section twenty-two of such chapter of the laws of nineteen hundred seventy-five, in relation to the availability of funds appropriated therein to the city of New York; the repayment by the city thereof; the apportionment of certain other funds of the city in default of such repayment

The People of the State of New York, represented in Senate and Assembly, do enact as follows:
Section 1. The fifth and eighth undesignated paragraphs
of section one of a chapter of the laws of nineteen hundred seventy-five entitled

"AN ACT

in relation to enacting the New York
state financial emergency act for the
city of New York; to amend the execu-
tive law, in relation to the appoint-
ment of a special deputy comptroller
for the city of New York; to amend
the local finance law, in relation to
tax receivable notes; to amend the
state finance law, in relation to the
investment of state funds in bonds
and notes issued for any of the cor-
porate purposes of the municipal
assistance corporation for the city
of New York; to amend the retirement
and social security law, in relation
to investment of public pension funds
in such municipal assistance corpor-
ation securities; in relation to enac-
ting the investment of funds by pension
and retirement systems for public em-
ployees act; to amend the workmen's
compensation law, in relation to the
purchase by the state insurance fund
of bonds and notes of such municipal
assistance corporation; to amend the
public authorities law, in relation to
the issuance and maturity of bonds and
notes of such municipal assistance cor-
poration; to amend the state finance
law, in relation to the payment of
per capita aid to the city of New
York; to amend the state finance law,
in relation to the establishment of
a municipal assistance state aid fund;
to amend the education law, in rela-
tion to the payment by the city of
New York to the city university con-
struction fund; to amend the private
housing finance law, in relation to
bonds and notes of the New York city
housing development corporation; to
amend the New York city charter, in
relation to the investment of sinking
fund moneys of the city of New York
in obligations of the municipal as-
sistance corporation for the city of
New York; to amend the public authorities law, in relation to the contents of certain agreements with holders of notes or bonds issued by any municipal assistance corporation; to amend the public authorities law, in relation to making bonds or notes of the New York city stabilization reserve corporation legal investments for public authorities; to amend the local finance law, in relation to the authority of municipalities to assign for collateral or pledge its mortgage interest; to amend the private housing finance law, in relation to certain assignments for collateral or pledges by a municipality of its mortgage interest in a project; to amend the local finance law, in relation to assistance to certain municipalities during periods of financial emergency; to amend the public authorities law, in relation to certain payments and funds of the municipal assistance corporation for the city of New York; and making an appropriation for the corporate purposes of the city of New York; and making a first instance appropriation from the local assistance fund to the city of New York", are hereby amended to read, respectively, as follows:

A failure by the city to meet its obligations would also affect the state's own ability to raise funds in the public markets. Defaults by the city would adversely affect the ability of all public issuers within the state to market securities to meet their cash requirements. To the extent the state and other public issuers within the state would be able to market their securities at all, the interest rates would significantly exceed those which otherwise would be paid. This effect has already been clearly demonstrated since the urban development corporation defaulted on its obligations in February nineteen hundred seventy-five. Notwithstanding that such default was soon cured as the result of state action, other public authorities [such as the housing development authority and the dormitory authority,] have been unable to market their securities or have been required to pay much higher interest rates than ever before and numerous municipalities, school districts and sewer districts throughout the state have been similarly affected.
The program embodied in this act provides the necessary statutory changes to permit the financial assistance required by the city at this time, including the mandated investment of a portion of the funds of the state and city retirement systems in obligations of the municipal assistance corporation for the city of New York, and provides for (i) the creation of a state board with some city representation to review, control and supervise the financial management of the city, (ii) the adoption, with the approval of such board, of a plan that will provide the basis for a return of the city to sound financial condition, (iii) control by such board over the disbursement of city funds, under which debt-service requirements will be met as a first priority, and (iv) review and audit of city operations by such board to assure that sound management practices are observed or restored and that operations are conducted in accordance with the plan. In addition, the program [requires] provides for the purchase of an aggregate of seven hundred [fifty] twenty-five million dollars of the securities of the municipal assistance corporation for the city of New York by pension and retirement systems for public employees in the state of New York and in the city of New York. The purpose of this requirement is to provide the city with a certain source of revenues in the immediate future.
§ 2. Subdivision five of section two of section two of such chapter, constituting the New York State Financial Emergency Act for the City of New York is hereby amended to read as follows:

5. "Covered organization" means any governmental agency, public authority or public benefit corporation which receives or may receive monies directly, indirectly or contingently, (other than monies received for the sale of goods or the rendering of services or the loan of monies to the city) from the city, and in any event includes, without limitation, the board of education of the city of New York, the board of higher education of the city of New York, the health and hospitals corporation, the New York city transit authority, the New York city housing authority, the New York city housing development corporation, city university construction fund, Battery park city authority, New York city convention and exhibition center corporation, Manhattan and Bronx surface transit [operation operating] authority, Staten Island rapid transit operating authority, the New York city sports authority and the Brooklyn sports center authority but shall not include any state public authority as defined in section two hundred one of the civil service law, unless specifically named above, or any governmental agency, authority, commission or instrumentality created by compact or agreement between the state of New York and another state or states.
§ 3. The opening subparagraph and subparagraph (i) of paragraph (c) of subdivision one of section seven of such act, as enacted by such chapter, are hereby amended to read, respectively, as follows:

All contracts entered into by the city or any covered organization must be consistent with the provisions of this act and must comply with the requirements of the financial plan as approved by the board. With respect to all contracts or other obligations to be entered into by the city or any covered organization after October [thirty-first] fifteenth, nineteen hundred seventy-five, requiring the payment of funds or the incurring of costs by the city or any covered organization:

(i) Within [thirty] twenty days from the effective date of this act the mayor shall present to the board proposed regulations respecting the categories and types of contracts and other obligations required to be reviewed by the board pursuant to this subdivision e. [The] Within thirty days from the effective date of this act, the board [may] shall approve or modify and approve such proposed regulations or [it may] promulgate its own in the event that such proposed regulations are not submitted to it within the [thirty] twenty days as provided for herein. Such regulations may thereafter be modified by the board from time to time on not less than thirty days notice to the mayor and the mayor may from time to time propose modifications to the board. Unless expressly disapproved or modified by the board within thirty days from the date of submission by the mayor, any such proposed regulations or modifications shall be deemed approved by the board;
§ 4. Paragraphs f and h of subdivision one of section seven of such act, as enacted by such chapter, are hereby amended to read, respectively, as follows:

f. The board shall review the terms of each proposed long-term and short-term borrowing by the city and any covered organization to be effected during the emergency period but after October [thirty-first] fifteenth, nineteen hundred seventy-five, and no such borrowing shall be made unless approved by the board. The board shall consult and coordinate with the municipal assistance corporation for the city of New York with respect to borrowings of the city and any covered organization and shall receive reports from the municipal assistance corporation for the city of New York on its review of borrowings by the city. No covered organizations shall be prohibited from issuing bonds or notes to pay outstanding bonds or notes.

h. The board shall issue, to the appropriate officials of the city and the covered organizations, such orders as it deems necessary to accomplish the purposes of this act, including but not limited to timely and satisfactory implementation of an approved financial plan. Any order so issued shall be binding upon the official to whom it was issued and failure to comply with such order shall subject the official to the penalties described in section eleven of this act.

§ 5. The opening paragraph and the second undesignated paragraph of subdivision one of section eight of such act, as enacted by such chapter, are hereby amended to read, respectively, as follows:

Pursuant to the procedures contained in subdivision [two] three of this section, the board, in conjunction with the city, shall develop, and may from time to time amend, a financial plan for the city and the covered organizations with respect to the fiscal years of the city ending June thirtieth, nineteen hundred seventy-six, June thirtieth, nineteen hundred seventy-seven and
June thirtieth, nineteen hundred seventy-eight. The board may from time to time extend the period to be covered by the financial plan through the end of any fiscal year of the city in which the emergency period terminates.

The financial plan shall conform to the requirements of subdivision [three] four of this section and shall constitute a program by which the city will achieve the following objectives:

§ 6. Paragraph b of subdivision three of section eight of such act, as enacted by such chapter, is hereby amended to read as follows:

b. Based upon the revenues estimated by the board pursuant to paragraph a of this subdivision, the city shall, by October fifteenth, nineteen hundred seventy-five, prepare and submit the financial plan to the board. If the board shall, in its judgment, determine that such financial plan is complete and would achieve the objectives set forth in subdivision one of this section, the board shall approve the financial plan [, which shall then take effect].
§ 7. Subparagraph (iv) of paragraph c of subdivision three of section eight of such act, as enacted by such chapter, is hereby amended to read as follows:

(iv) In addition to the foregoing limitations, provides for aggregate expenditures (other than amounts required to pay debt service, pension costs, public assistance and care, and such other amounts as the board determines to be required by law) in the expense budget of the city or in the expense budget of any covered organization for any of the years during which the plan is in effect, above the level contained in the expense budget adopted by the city or by such covered organization for the fiscal year ending June thirtieth, nineteen hundred seventy-six as modified or amended to the effective date of this act. The board may, upon the request of the city, allow (a) an increase in the expense budget (other than amounts required to pay debt service, pension costs, public assistance and care, and such other amounts as the board determines to be required by law) of the city or of a covered organization for any fiscal year during the emergency period (which increase may be cumulative) equal to two percent of the expense budget (other than amounts required to pay debt service, pension costs, public assistance and care, and such other amounts as the board determines to be required by law) adopted by the city or by such covered organization for the fiscal year ending June thirtieth, nineteen hundred seventy-six as modified or amended to the effective date of this act, or (b) such further increases as the board may approve as required to meet the impact of substantial inflation after the effective date of this act, but in either case only if the board determines that increased revenues are available in an amount equal to the requested increase in expenditures.
§ 8. Paragraphs e and f of subdivision three of section eight of such act, as enacted by such chapter, are hereby amended to read, respectively, as follows:

e. In the event that the city shall, for any reason, fail to [adopt] submit a financial plan, as required pursuant to paragraph b of this subdivision, or to adopt a financial plan approved by the board to be effective by October [thirty-first] twentieth, nineteen hundred seventy-five, the board [may] shall formulate and adopt the financial plan [such financial plan to become effective on its adoption] to be effective October twentieth, nineteen hundred seventy-five. All subsequent operations by the city or a covered organization shall be in conformance and compliance with the financial plan.

f. After the initial adoption of the financial plan, the revenue estimates prepared by the board pursuant to paragraph a of this subdivision and the financial plan shall be regularly re-examined by the board in consultation with the city and the covered organizations and the city shall provide a modified financial plan in such detail and within such time period as the board may require. Changes in such revenue estimates shall be made only by the board. In the event of reductions in such revenue estimates, or in the event the city or a covered organization shall expend funds at a rate that would exceed the aggregate expenditure limitation for the city or covered organization, prior to the expiration of the fiscal year, the city shall modify the financial plan to effect such reductions in total expenditures as may be necessary to conform to such revised revenue estimates or aggregate expenditure limitations. If, within a time period specified by the board, the city fails to make such modifications after reductions in revenue estimates, or to provide a modified plan in the detail and within such time period required by the board, the board may formulate and adopt such modifications to the financial plan, such modifications to become effective on their adoption.
§ 9. Subdivision six of section eight of such act, as enacted by such chapter, is hereby amended to read as follows:

6. The covered organizations shall submit to the city and the board such information with respect to their proposed expenditures and revenues for each year during which the financial plan is in effect as the city or the board shall determine, for inclusion in the financial plan proposed by the city. Notwithstanding any other provision of law limiting the authority of the city with respect to any covered organization, the city, in the preparation and submission of the financial plan and modifications thereof, shall (except for debt service or for other expenditures to the extent that such expenditures are required by law) have the power to determine the aggregate expenditures to be allocated to any covered organization in the financial plan and any modifications thereto.

§ 10. Subdivisions one and four of section nine of such act, as enacted by such chapter, are hereby amended to read, respectively, as follows:

1. There is hereby established a fund designated the emergency financial control board fund. Commencing [November first, nineteen hundred seventy-five] on the effective date of the financial plan, and for the duration of the emergency period, all revenues received or to be received by the city or any covered organization shall, unless exempted by order of the board, be revenues of the fund and shall be [received] for the account of the [board] city and the appropriate covered organizations, but disbursement from the fund shall be made by the board in accordance with the approved financial plan, except to the extent expressly prohibited by federal law or where such revenues are pledged to the payment of any outstanding bonds, notes or other obligations of covered organizations. Commencing [November first, nineteen hundred seventy-five] on the effective date of the financial plan, and for the duration of the emergency period, all
funds and accounts established or thereafter established by the city or the covered organizations shall, unless exempted by order of the board, thereafter be funds and accounts of the fund except to the extent expressly prohibited by federal law or to the extent prohibited by covenants or agreements relating to any outstanding bonds, notes or other obligations of covered organizations. All such accounts of the board shall have such captions and entries as the board shall determine to be necessary to credit the foregoing revenues and receipts to the fund. The monies of the fund shall not be deemed to be money of the state or money under its control.

4. Within the fund there is hereby established a special account designated the debt service repayment account. The board shall from time to time direct, in accordance with procedures adopted by the board, the deposit in the debt service repayment account of such amounts as the board shall, in its discretion, determine to be [a] sufficient [reserve] to meet the debt service requirements of the city and the covered organizations [whose monies are included in the fund] on [all of] their bonds and notes as they [mature] become due, other than bonds and notes of covered organizations payable from revenues not included in the fund. Amounts in the debt service repayment account shall be used to meet such debt service requirements of the city and the covered organizations.

§ 11. Subdivision one of section ten of such act, as enacted by such chapter, is hereby amended to read as follows:

1. Increases in salary or wages of employees of the city and employees of covered organizations which have taken effect since June thirtieth, nineteen hundred seventy-five or which will take effect after that date pursuant to collective bargaining agreements or other analogous contracts, now in existence or hereafter entered into, requiring such salary increases as of July first, nineteen
hundred seventy-five or, as of any date thereafter are hereby suspended. All increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan and step-ups or increments for employees of the city and employees of covered organizations which have taken effect since June thirtieth, nineteen hundred seventy-five or which will take effect after that date pursuant to collective bargaining agreements or other analogous contracts requiring such increased payments as of July first, nineteen hundred seventy-five as of any date thereafter are hereby, in the same manner, suspended.

For the purposes of computing the pension base of retirement allowances, the suspended salary or wage increases and the suspended other payments shall not be considered as part of compensation or final compensation or of annual salary earned or earnable.

The suspensions provided herein shall be effective for the first pay period ending on or subsequent to September first, nineteen hundred seventy-five and shall continue until one year thereafter and, to the extent of any determination of the board that a continuation of such suspensions, to a date specified by the board, is necessary in order to achieve the objectives of the financial plan, such suspensions shall be continued to the date specified by such board, which date shall in no event be later than the end of the emergency period.
§ 12. Section ninety-eight-a of the state finance law as amended by such chapter is hereby amended to read as follows:

§ 98-a. Investment of general funds, bond proceeds, and other funds not immediately required. Any moneys in the general fund of the state or moneys received from the sale of any bonds or notes issued by the state, any moneys in any fund or account of the state, heretofore or hereafter established, the investment of which is not otherwise authorized and which are not immediately required may be invested by the comptroller. Such moneys may be invested only in obligations of the categories specified in subdivisions one to five, both inclusive, and [subdivisions] subdivision seven, subdivisions fourteen, as added by chapters seven hundred ninety-seven and nine hundred thirty-two of the laws of nineteen hundred sixty-three, respectively, subdivisions fifteen, sixteen and seventeen of section ninety-eight of this chapter, maturing or redeemable at the option of the holder within two years of the date of such investment or in a certificate of deposit of a bank or trust company in this state. Any certificate of deposit shall be fully secured by the issuer thereof depositing with the comptroller stocks, bonds, or notes of any county, town, city, village, fire district or school district of this state issued pursuant to law and maturing within five years from the date of issuance of such certificate of deposit, bonds or notes or direct or guaranteed obligations of the United States of America or its agencies or of the state of New York or bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for the city of New York in an amount equal to the amount of such certificate of deposit. Any bonds, notes or certificates of deposit purchased with moneys of the general fund shall be available always to pay any lawful appropriation in force. Any bonds, notes or certificates of deposit purchased with moneys received from the
sale of any bonds or notes issued by the state shall be available always for the purposes or purpose for which such bonds or notes were issued. Any bonds, notes or certificates of deposit purchased with moneys of any other funds shall be available always for the purpose for which such fund was created. Unless otherwise required by law, income received on any moneys invested pursuant to this section shall be credited to the fund or funds from which such moneys were invested, provided, however, that income received from the investment of moneys of the local assistance fund, the state purposes fund and the capital construction fund may be credited in whole or in part to one or more of such funds to the extent necessary to reimburse first instance appropriations for interest on temporary obligations issued on behalf of the fund or funds to be credited. Notwithstanding any other provision of this section or of any other general or special law, all moneys available and retained on deposit for the payment of lottery prizes may be invested in obligations by the comptroller as herein provided, except that such obligations need not mature or be redeemable at the option of the holder within two years of the date of such investment. Income received from such investments may be used for the payment of prizes awarded and made payable in more than one payment, including prizes awarded and made payable throughout the lifetime of the lottery prize winner.
§ 13. Section one hundred seventy-nine of the retirement and social security law, as added by such chapter, is hereby amended to read as follows:

§ 179. Investments in municipal assistance corporation [securities] obligations; indemnification. 1. It is hereby found and declared that [securities] obligations of the municipal assistance corporation for the city of New York are reasonable, prudent, proper and legal investments for any fund described in subdivision one of section one hundred seventy-six of this article or for any board member, officer, employee, trustee or fiduciary thereof to make on behalf of such fund.

2. Notwithstanding any other provision of law, including the provisions of subdivision one of section seventeen of the public officers law, no member of the board, officer, employee, fiduciary of any fund described in subdivision one of section one hundred seventy-six of this article shall incur or suffer any liability whatsoever to any person beneficially interested in such system by reason of any investment of the monies thereof in [securities] obligations of the municipal assistance corporation for the city of New York and each such system shall save harmless and indemnify all members of the board, officers, employees, trustees, fiduciaries and investment advisors of any fund described in subdivision one of section one hundred seventy-six of this article from financial loss arising out of any claim, demand, suit, action or judgment for alleged negligence, waste or breach of
fiduciary duty by reason of any investment of any monies of such fund in [securities] obligations of the municipal assistance corporation for the city of New York provided that such person shall, within five days after the date on which he is served with any summons, complaint, process, notice, demand, claim or pleading, deliver the original or a true copy thereof to the legal advisor of such system. Upon such delivery the legal advisor of such system may assume control of the representation of such person in connection with such claim, demand, suit, action or proceeding. Such person shall cooperate fully with the legal advisor of the system or any other person designated to assume such defense in respect of such representation or defense.
§ 14. The investment of funds by pension and retirement systems for public employees act as enacted by such chapter is hereby amended to read as follows:

INVESTMENT OF FUNDS BY PENSION AND RETIREMENT SYSTEMS FOR PUBLIC EMPLOYEES ACT

Section 1. Legislative findings.


Section 1. Legislative findings. It is hereby found and declared that the financial emergency of the city of New York, recognized by the state, necessitates, as a matter of urgent public policy of the state, purchases of [securities] obligations of the municipal assistance corporation for the city of New York by the pension and retirement systems for public employees in the city of New York and the state of New York.

This legislature has found, declared and enacted that [securities] obligations of the municipal assistance corporation for the city of New York are reasonable, prudent and proper investments for all public officers and bodies of this state and all trustees and other fiduciaries under the laws of this state.

§ 2. Purchases of [securities] obligations. The trustees of the following pension and retirement funds and systems for public employees in the city of New York and the state of New York are hereby authorized and directed to take any and all actions necessary or appropriate to cause such funds and systems to purchase the principal amounts set forth after their respective names below, of bonds of the municipal assistance corporation for the city of New York:

(a) Teachers' retirement system of the city of New York: $200,000,000;
(b) New York city employees retirement system: $225,000,000;
(c) New York city police pension fund: $55,000,000;
(d) New York city fire department pension fund: $10,000,000;
(e) Board of education retirement system of the city of New York: $10,000,000;
(f) New York state policemen's and firemen's retirement system and New York state employees retirement system: $125,000,000;
(g) New York state teachers retirement system: $100,000,000.
Each such amount shall include all amounts of bonds of the municipal assistance corporation for the city of New York purchased by such system or fund from and after September first, nineteen hundred seventy-five. Each of the purchases required herein shall take place as promptly as possible, in accordance with a schedule to be established by the New York state emergency financial control board, but in no event later than December first, nineteen hundred seventy-five. The terms and conditions of such bonds, including the rates of interest thereon, shall be determined by the municipal assistance corporation for the city of New York, after consultation with such trustees, provided such terms and conditions are found to be fair and reasonable by the New York state emergency financial control board.

In order to obtain the funds necessary to purchase the bonds required by this chapter, the trustees of each of the said pension funds and retirement systems in accordance with rules and regulations adopted by such trustees shall have the right to borrow an amount not exceeding the obligation incurred by such pension fund or retirement system pursuant to this chapter and to pledge as collateral [therefore they] therefore such assets as they may deem advisable.

The authorization and the direction of this section are rescinded as to any such purchase if by the date of such purchase the city of New York has defaulted in the payment of any of its outstanding bonds or notes.
§ 15. Section eighty-seven-a of the workmen’s compensation law, as added by such chapter, is hereby amended to read as follows:

§ 87-a. Investment in obligations of the municipal assistance corporation for the city of New York; indemnification. 1. The state insurance fund, and all state officers with responsibility for the custody or investment thereof, are authorized and directed to take any and all actions necessary or appropriate to cause such fund to make purchases as soon as possible, in accordance with a schedule to be established by the New York state emergency financial control board, but in no event later than December first, nineteen hundred seventy-five, of bonds of the municipal assistance corporation for the city of New York in the aggregate principal amount of one hundred million dollars, provided, however, that at the date of any such purchase the city of New York has not defaulted in the payment of any of its outstanding bonds or notes. The terms and conditions of such bonds, including the rates of interest thereon, shall be determined by the municipal assistance corporation for the city of New York, after consultation with the commissioners of the fund, provided such terms and conditions are found to be fair and reasonable by the New York state emergency financial control board.

2. It is hereby found and declared that [securities] obligations of the municipal assistance corporation for the city of New York are reasonable, prudent, proper and legal investments for the state insurance fund or for any state officer with custody or responsibility for the investment of the assets thereof.

3. Notwithstanding any other provision of law, including the provisions of subdivision one of section seventeen of the public officers law, no state officer with custody or responsibility for the investment of the assets thereof shall incur or suffer any liability whatsoever to any person beneficially interested in such system by reason of actions taken pursuant to
the authorization and direction of subdivision one and such fund 
shall save harmless and indemnify all such officers and any in-
vestment advisors from financial loss arising out of any claim,
demand, suit, action or judgment for alleged negligence, waste or 
breach of fiduciary duty by reason of any investment of any monies 
of the state insurance fund in [securities] obligations of the 
municipal assistance corporation for the city of New York provided 
that such person shall, within five days after the date on which 
he is served with any summons, complaint, process, notice, demand, 
claim or pleading, deliver the original or a true copy thereof to 
the legal advisor of such system. Upon such delivery the legal 
advisor of the state insurance fund may assume control of the 
representation of such person in connection with such claim, demand, 
suit, action or proceeding. Such person shall cooperate fully 
with the legal advisor of the system or any other person designated 
to assume such defense in respect of such representation or defense.

4. In order to obtain the funds necessary to purchase the 
bonds required by this chapter, the commissioners of the state 
insurance fund in accordance with rules and regulations adopted 
by such commissioners shall have the right to borrow an amount 
not exceeding the obligation incurred by such fund pursuant to 
this chapter and to pledge as collateral therefor such assets 
as they may deem advisable.
§ 16. Subdivision four of section three thousand thirty-three of the public authorities law, as added by such chapter is hereby amended to read as follows:

4. If the bond resolution or other resolution pursuant to which any obligations of the corporation are issued shall designate, with the approval of any emergency financial control board then established for the city or, if none, then with the approval of the mayor, the corporation may hereafter issue obligations which shall, upon maturity, at the election of the holder thereof [or exclusively] if so provided in such obligations, be receivable at full face value and in lieu of cash in payment of any tax of the city, any installment of estimated tax of the city, or any interest or penalties thereon. Any obligations of the corporation so received in payment of any such tax or installment of estimated tax or interest or penalties shall [either be cancelled by the officer receiving the same, as of the date of their receipt, and the cancelled obligations returned to the corporation or] be presented to the corporation for payment to the city.
§ 17. Paragraph c of subdivision seven of section fifty-four of the state finance law, as amended by such chapter, is hereby amended to read as follows:

c. Upon such certification of the amounts payable to counties, cities, villages and towns for town-wide and town outside village purposes, such per capita aid shall be apportioned and paid to the chief fiscal officer of each such locality pursuant to this section on audit and warrant of the state comptroller out of moneys appropriated by the legislature for such purpose to the credit of the local assistance fund in the general fund of the state treasury;

provided however that upon such certification of amounts payable to the city of New York, such per capita aid shall be apportioned and paid as follows: (i) any amounts then required to be paid to the city university construction fund pursuant to the city university construction fund act, (ii) any amounts required to be paid to the New York city housing development corporation pursuant to the New York city housing development corporation act, (iii) any amounts required to be paid by the city to the state to repay an advance made in nineteen hundred seventy-two to the city to meet operating expenses of the New York city transit authority, (iv) any amounts required to be paid to the transit construction fund to meet any deficiency in annual payments due such fund by the city, (v) any amounts then required to be paid by the city to the state to repay an advance made in nineteen hundred seventy-four to subsidize the fare of the New York city transit authority, (vi) five hundred thousand dollars to the chief fiscal officer of the city of New York for payment to the trustees of the police pension fund of such city pursuant to the provisions of paragraph e of this subdivision, and (vii) the balance to the special
account for the municipal assistance corporation for the city of New York in the municipal assistance state aid fund created pursuant to section ninety-two-e of the state finance law.

(i) any amounts required to be paid to the city university construction fund pursuant to the city-university construction fund act, (ii) any amounts required to be paid to the New York city housing development corporation pursuant to the New York city housing development corporation act, (iii) any amounts required to be paid by the city to the New York city transit authority pursuant to the provisions of chapter seven of the laws of nineteen hundred seventy-two, (iv) any amounts required to be paid by the city to the state to repay an advance made in nineteen hundred seventy-four to subsidize the fare of the New York city transit authority, (v) five hundred thousand dollars to the chief fiscal officer of the city of New York for payment to the trustees of the police pension fund of such city pursuant to the provisions of paragraph e of this subdivision, (vi) eighty million dollars to the special account for the municipal assistance corporation for the city of New York in the municipal assistance tax fund created pursuant to section ninety-two-d of the state finance law to the extent that such amount has been included by the municipal assistance corporation for the city of New York in any computation for the issuance of bonds on a parity with outstanding bonds pursuant to a contract with the holders of such bonds prior to the issuance of any other bonds secured by payments from the municipal assistance state aid fund created pursuant to section ninety-two-e of the state finance law, and (vii) the balance to the special account for the municipal assistance corporation for the city of New York in the municipal assistance state aid fund created pursuant to section ninety-two-e of the state finance law. Notwithstanding any existing law,
no payments of per capita aid payable to the city of New York shall be paid to the state of New York municipal bond bank agency, the New York state sports authority or the transit construction fund so long as amounts of such aid are required to be paid into the municipal assistance state aid fund, and thereafter, after payment of the amounts described in subparagraphs (i) through [(vi)] (vii) the balance shall be paid (A) to the state in repayment of the appropriation of two hundred fifty million dollars made to the city pursuant to the chapter of the laws of nineteen hundred seventy-five providing emergency financial assistance to the city of New York at the extraordinary session held in such year, as amended, (B) to the state of New York municipal bond bank agency to the extent provided by section twenty-four hundred thirty-six of the public authorities law, [(B)] (C) to the New York state sports authority to the extent provided by section twenty-four hundred sixty-three of the public authorities law, [(C)] (D) to the transit construction fund to the extent provided by section twelve hundred twenty-five-i of the public authorities law, and thereafter [(D)] (E) to the city.
§ 18. Subdivision two of section ninety-two-e of such law, as added by such chapter, is hereby amended to read as follows:

2. Such fund shall consist of per capita aid apportioned thereto pursuant to section fifty-four of the state finance law.
§ 19. Subdivision two of section sixty-two hundred seventy-nine of the education law, as amended by such chapter, is hereby amended to read as follows:

(2) The city shall, in addition to any other city financial assistance, annually pay to the fund an amount equal to one-half of the aggregate of all rentals and such other payments due to the dormitory authority from the fund pursuant to any lease, sublease or other agreement entered into between the dormitory authority and the fund for the city fiscal year commencing July first succeeding the filing of the report required to be submitted by the fund pursuant to subdivision seven of section sixty-two hundred seventy-four of this article, which amount shall [not exceed fifty-one million dollars in any year and shall] be payable as follows: (a) fifty percentum on or before the fifteenth day of July and (b) fifty percentum on or before the fifteenth day of May, of such city fiscal year; provided, however, that such amount shall have been first appropriated by the city to the fund or shall otherwise have been made lawfully available to the fund for such purposes. In the event of the failure of the city to pay the fund, pursuant to the schedule of payments established by this subdivision, all or part of such amounts, the fund shall forthwith make and deliver to the comptroller of the state of New York a certificate stating such amount and the sum, if any, paid by the city to the fund with respect to such amount, and further stating the difference between such amount and such sum, after the state comptroller shall have given written notice to the city budget director, such difference shall not exceed sixty-five million dollars in any one city fiscal year and shall be paid to the fund by the state comptroller out
of the next succeeding payment of state aid apportioned to the city of New York as per capita aid for the support of local government pursuant to section fifty-four of the state finance law during such city fiscal year. The amount so paid over to the fund shall be deducted from the corresponding apportionment of such per capita state aid otherwise payable to the city of New York, and shall not obligate the state to make or entitle the city of New York to receive any additional apportionment or payment of per capita state aid. The amounts of money required to be paid pursuant to this section shall be determined from the report required to be submitted by the fund pursuant to subdivision seven of section sixty-two hundred seventy-four of this article. Notwithstanding any other provision of law, the city shall have the power to contract indebtedness and to issue its obligations pursuant to the local finance law for the purpose of financing any payment authorized or required to be made by the city by this section. Any such payment shall constitute an object or purpose for which the period of probable usefulness is hereby determined to be five years.
§ 20. Paragraph c of subdivision one of section six hundred fifty-six of the private housing finance law, as amended by such chapter, is hereby amended to read as follows:

   c. No bonds or notes of the corporation shall be issued if upon such issuance (i) the aggregate principal amount of bonds and notes of the corporation then outstanding exceeds the lesser of eight hundred million dollars or such amount as would cause the maximum capital reserve fund requirement to exceed eighty-five million dollars [in any year] or (ii) the aggregate principal amount of bonds and notes then outstanding for the purpose of financing mortgage loans to owners of existing multiple dwellings exceeds two hundred million dollars or (iii) the aggregate principal amount of bonds and notes then outstanding for the purpose of participating with the city or with one or more organizations mentioned in section fifteen of this chapter in making mortgage loans exceeds one hundred million dollars; provided that, in determining such aggregate principal amounts there shall be deducted (i) all sums then available for the payment of such bonds or notes either at maturity or through the operation of a sinking fund; (ii) the aggregate principal amount of outstanding bonds issued (a) to refund notes and (b) to refund bonds, theretofore issued and then outstanding; and (iii) the aggregate principal amount of outstanding notes issued to renew notes theretofore issued and then outstanding.
§ 21. Section 153.00 of the local finance law, as added by such chapter, is hereby amended to read as follows:

§ 153.00 Authorization for municipality to assign for collateral or pledge its mortgage interest. Any municipality shall be authorized to assign for collateral or pledge as security for any of its bonds, notes or other obligations its mortgage interest in a project constructed pursuant to article two of the private housing finance law to the state or to any political subdivision thereof.

§ 22. Subdivision two of section twenty-three of the private housing finance law, as amended by such chapter, is hereby amended to read as follows:

2. The supervising agency shall have exclusive power to promulgate such supplementary rules and regulations with respect to a municipally-aided project and a company formed to undertake or operate any such project, as may be necessary to carry out the provisions of this article. No assignment for collateral or pledge by a municipality of its mortgage interest in a municipally-aided project to the state or to any political subdivision thereof shall either affect the power of the supervising agency granted herein or authorize the commissioner to exercise any powers not otherwise granted in this article.
§ 23. Section 85.00 of the local finance law, as added by such chapter, is hereby amended to read as follows:

§ 85.00 Limitation of provisions; emergency period. The provisions of this title shall be applicable (a) only to a municipality with respect to which the legislature has declared that a state of financial emergency exists, and (b) only during the emergency period as that term is defined in section two of the New York state financial emergency act for the city of New York or as such period may be specified by the legislature for any other municipality for which the provisions of this title may be applicable [as such period may be specified by the legislature]; provided, however, that the provisions of section 85.80 of this title shall apply to any municipality at any time. As used in this title, the term "emergency financial control board" shall mean any such board established by state law for the municipality, and the term "covered organization" shall mean any such organization as defined in the act declaring that a state of financial emergency exists for such municipality. Nothing contained in this title shall be construed to limit or stay any emergency financial control board from doing any act or commencing or continuing any action or special proceeding against or involving the municipality or any covered organization.

§ 24. Section 85.10 of such law, as added by such chapter, is hereby REPEALED and a new section, to be section 85.10 is hereby inserted therein, in lieu thereof, to read as follows:

§ 85.10 Notice of claim. No act shall be done or action or special proceeding shall be prosecuted or maintained seeking to apply or enforce against the municipality or any covered organization, or their funds, property, receivables or revenues, any order, judgment, lien, set-off or counterclaim relating to any contract, debt or obligation, direct or indirect, of the municipality, including but not limited to any bond, note or other evidence of indebtedness, or seeking the assessment, levy or collection of
taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality or any covered organization, unless: (a) payment by the municipality or covered organization in connection with such contract, debt or obligation is due or overdue; and (b) a demand for payment shall have been made and served upon the municipality, in compliance with section 85.20 of this title, and thirty days shall have elapsed since the service of such demand; and (c) any complaint, petition or other moving paper seeking any relief as aforesaid shall contain an allegation that at least thirty days have elapsed since the service of such demand and that adjustment or payment has been neglected or refused.
§ 25. Subdivision b of section 85.20 of such law, as added by such chapter, is hereby amended to read as follows:

b. The demand shall be in writing, sworn to by or on behalf of the claimant, and shall set forth: (1) the name and post-office address of each claimant, and of his attorney, if any; (2) the contract, debt or obligation involved; (3) the nature and basis of the claim; (4) the time when the claim arose; (5) the items of damage claimed to have been sustained so far as then practicable; and (6) the nature of the act proposed to be done or of the action or special proceeding proposed to be commenced by the claimant.
§ 26. Sections 85.30 and 85.40 of such law, as added by such chapter, are hereby amended to read, respectively, as follows:

§ 85.30 Petition of municipality; temporary stay of claims. A voluntary petition may be filed pursuant to this section by any municipality or, in the event a municipality refuses to file such petition after request by its emergency financial control board, or fails to do so within five days thereafter, the board may file a petition pursuant to this section on behalf of the municipality. The petition shall be filed in the supreme court in a county in which the municipality is located. The petition shall state:
(a) that the municipality is unable to pay its debts or obligations as they mature; (b) that the municipality or its emergency financial control board intends to file with the court a repayment plan in compliance with the requirements of section 85.40 of this title; (c) the nature of the debts and obligations of the municipality which may be affected by the plan and the approximate amount thereof; and (d) the identities and addresses of creditors who may be affected by the plan or, in lieu thereof, the reason such identification is impracticable and a listing of creditors in a manner that is practicable in the circumstances. A petition filed pursuant to this section shall operate to prohibit the doing of any act, and to stay the commencement or continuation of any action or special proceeding in any court in any jurisdiction, seeking to apply or enforce against the municipality or any [agency or other instrumentality thereof] covered organization, or their funds, property, receivables or revenues, any order, judgment, lien, set-off or counterclaim relating to any contract, debt or obligation, direct or indirect, of the municipality, including but not limited to any bond, note or other evidence of indebtedness, or seeking the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality or any [agency or other instrumentality thereof] covered organization, for a period of ninety days; provided, however, that:

35
(i) the stay may be vacated prior thereto if, upon motion of any creditor affected thereby, the court finds, after a hearing, that the petition was not filed in good faith; (ii) if a repayment plan for the municipality is filed within ninety days from the filing of the petition, or within such additional period of time as the court may find after a hearing[,] is required to permit the preparation and filing of such a plan, the court shall extend the stay for such additional period of time as is required to permit the court to enter an order pursuant to section 85.40 of this title; (iii) any applicable statute of limitations shall be tolled during the period of any stay or extension thereof pursuant to this title; and (iv) during the period of any stay or extension thereof pursuant to this title, the municipality may expend moneys to maintain and provide such services and for such purposes as are determined to be necessary by its emergency financial control board.

§ 85.40 Repayment plan for municipality; court approval; continuation of stay. Upon the filing of a petition pursuant to section 85.30 of this title, a repayment plan may be filed by the municipality or, in the event the municipality refuses to file such a plan after request by its emergency financial control board or, after such request, fails to file a plan within forty-five days from the filing of a petition pursuant to section 85.30 of this title, the board may file a repayment plan pursuant to this section on behalf of the municipality. Upon the filing of such a plan, the court shall enter an order approving the plan and extending any stay then in effect pursuant to section 85.30 of this title as against all creditors of the municipality for such additional period of time as is required to carry out fully all of the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder, if the court finds, after a hearing, that:

(a) the repayment plan provides for the eventual satisfaction of all debts and obligations of the municipality affected thereby[, together with interest];

(b) that, giving due regard to the financial condition of the municipality and to the necessity for the municipality to expend moneys to maintain and provide for services and purposes determined to be necessary as
provided in section 85.30 of this title, the repayment plan provides as prompt payment to all creditors affected thereby, on a fair and equitable basis, as is practicable in the circumstances; (c) that the repayment plan [recognizes and] preserves any applicable priorities among creditors or classes of creditors; and (d) that the repayment plan was approved by the municipality's emergency financial control board. In the event that the court is unable to make the aforesaid findings as to the repayment plan, it shall enter an order disapproving the plan and vacating the stay then in effect, which order shall become effective within ten days from the entry thereof unless, prior thereto, an amended repayment plan is filed with the court. Upon the filing of the first such amended plan, the court shall extend and, in its discretion, upon the filing of any further amended plans it may extend the stay then in effect for such additional period of time as is required to permit the court to enter an order containing findings pursuant to this section with respect to the amended plan.
§27. Subdivision two of section ninety-two-d of the state finance law, as added by chapter one hundred sixty-eight of the laws of nineteen hundred seventy-five, is hereby amended to read as follows:

2. Such fund shall consist of the revenues derived from municipal assistance sales and compensating use taxes imposed by section eleven hundred seven and eleven hundred eight of the tax law and such amount of per capita aid apportioned and paid into such fund pursuant to paragraph c of subdivision seven of section fifty-four of this chapter.
§ 28. Section twenty-two of a chapter of the laws of nineteen hundred seventy-five, entitled "AN ACT"

in relation to enacting the New York state financial emergency act for the city of New York; to amend the executive law, in relation to the appointment of a special deputy comptroller for the city of New York; to amend the local finance law, in relation to tax receivable notes; to amend the state finance law, in relation to the investment of state funds in bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for the city of New York; to amend the retirement and social security law, in relation to investment of public pension funds in such municipal assistance corporation securities; in relation to enacting the investment of funds by pension and retirement systems for public employees act; to amend the workmen's compensation law, in relation to the purchase by the state insurance fund of bonds and notes of such municipal assistance corporation; to amend the public authorities law, in relation to the issuance and maturity of bonds and notes of such municipal assistance corporation; to amend the state finance law, in relation to the payment of per capita aid to the city of New York; to amend the state finance law, in relation to the establishment of a municipal assistance state aid fund; to amend the education law, in relation to the payment by the city of New York to the city university construction fund; to amend the private housing finance law, in relation to bonds and notes of the New York city housing development corporation; to amend the New York city charter, in relation to the investment of sinking fund moneys of the city of New York in obligations of the municipal assistance corporation for the city of New York; to amend the public authorities law, in relation to the contents of certain agreements with holders of notes or bonds issued by any municipal assistance corporation; to amend the public authorities law, in relation to making bonds or notes of the New York city stabilization reserve corporation legal investments for public authorities; to amend the local finance law, in relation to the authority of municipalities to assign for collateral or pledge its mortgage interest; to amend the private housing finance law, in relation to certain
assignments for collateral or pledges by a municipality of its mortgage interest in a project; to amend the local finance law, in relation to assistance to certain municipalities during periods of financial emergency; to amend the public authorities law, in relation to certain payments and funds of the municipal assistance corporation for the city of New York; and making an appropriation for the corporate purposes of the city of New York; and making a first instance appropriation from the local assistance fund to the city of New York", is hereby amended to read as follows:

§ 22. The amount named in this section or so much thereof as shall be sufficient to accomplish the purposes designated by the appropriation, is hereby appropriated and authorized to be paid and shall be available for payment as provided for herein.

LOCAL ASSISTANCE FUND
THE CITY OF NEW YORK

The sum of two hundred fifty million ($250,000,000) dollars or so much thereof as shall be necessary is hereby appropriated in the first instance from the local assistance fund as an advance to the city of New York, for its city purposes.

Notwithstanding the provisions of any general or special law, no part of such appropriation shall be available for the purposes designated until a certificate of approval of availability shall have been issued by the director of the budget and a copy of such certificate filed with the state comptroller, the chairman of the senate finance committee and the chairman of the assembly ways and means committee. Such certificate may be amended from time to time, subject to the approval of the director of the budget, and a copy of each such amendment shall be filed with the state comptroller, the chairman of the senate finance committee and the chairman of the assembly ways and means committee.

The director of the budget shall not issue any certificate of approval of availability until the city of New York shall have (i) issued notes of the city payable to the state of New York in an aggregate principal amount of two hundred fifty million ($250,000,000)
dollars, maturing not later than October first, nineteen hundred seventy-six, and bearing interest at a rate per annum to be determined by the director of the budget, and (ii) assigned to the state as security for payment of such notes, all mortgages issued and held by the city of New York on the effective date of this act, pursuant to article two of the private housing finance law. Any mortgage so pledged may be further assigned by the city of New York, provided that the terms of any such assignment are first approved by the director of the budget and the proceeds thereof are applied to redeem all or part of the notes of the city of New York held by the state. The city of New York shall and is hereby authorized to execute any and all documents required by the director of the budget to effectuate the purposes of this section.

The director of the budget shall issue a certificate of approval of availability only upon the certification by the municipal assistance corporation for the city of New York and the emergency financial control board in the month of October, nineteen hundred seventy-five, that there will be available to the city of New York in such month sufficient funds to meet the expenditures required to be made by the city of New York during such month, as determined by the municipal assistance corporation for the city of New York and the emergency financial control board, after taking account of amounts payable to the city of New York and the municipal assistance corporation for the city of New York, pursuant to this act. Upon such certification, the director of the budget may issue a certificate of approval of availability for an amount not exceeding two hundred fifty million ($250,000,000) dollars. In no event shall any certificate of approval of availability be issued unless and until the director of the budget has certified that cash and other assurances for the purchase of notes and bonds of the city of New York and the municipal assistance corporation for the city of New York, satisfactory to him, have been received by the city of New

40
York and the municipal assistance corporation for the city of New York, for the months of September, October and November, nineteen hundred seventy-five, from sources other than the state, in the aggregate principal amount of one billion one hundred fifty million ($1,150,000,000) dollars, or such other amount determined by him and certified by the emergency financial control board and the municipal assistance corporation for the city of New York as sufficient, together with the funds to be made available by the state pursuant to this act, to meet the expenditures required to be made by the city of New York during such three months.

In the event the city of New York shall fail to redeem any note issued to the state referred to in this section, in addition to any other remedy available to the state, the state comptroller shall deduct an amount necessary to meet such payments from any moneys available from any succeeding payments of state aid apportioned to such city; provided, however, that prior to any deductions from moneys available for payments of state aid apportioned to such city as per capita state aid for the support of local government pursuant to section fifty-four of the state finance law, the moneys, if any, shall be apportioned and paid as follows: [(i) any amounts then required to be paid to the city university construction fund pursuant to the city university construction fund act, (ii) any amounts required to be paid to the New York city housing development corporation pursuant to the New York city housing development corporation act, (iii) any amounts required to be paid by the city to the state to repay an advance made in nineteen hundred seventy-two to the city to meet operating expenses of the New York city transit authority, (iv) any amounts required to be paid to the transit construction fund to meet any deficiency in annual payments due such fund by the city, (v) any amounts then required to be paid by the city to the state to
repay an advance made in nineteen hundred seventy-four to subsidize the fare of the New York city transit authority, (vi) five hundred thousand dollars to the chief fiscal officer of the city of New York for payment to the trustees of the police pension fund of such city pursuant to the provisions of paragraph e of this subdivision, and (vii) the balance to the special account for the municipal assistance corporation for the city of New York in the municipal assistance state aid fund created pursuant to section ninety-two-e of the state finance law.]
(i) any amounts required to be paid to the city university construction fund pursuant to the city university construction fund act, (ii) any amounts required to be paid to the New York city housing development corporation pursuant to the New York city housing development corporation act, (iii) any amounts required to be paid by the city to the New York city transit authority pursuant to the provisions of chapter seven of the laws of nineteen hundred seventy-two, (iv) any amounts required to be paid by the city to the state to repay an advance made in nineteen hundred seventy-four to subsidize the fare of the New York city transit authority, (v) five hundred thousand dollars to the chief fiscal officer of the city of New York for payment to the trustees of the police pension fund of such city pursuant to the provisions of paragraph e of this subdivision, (vi) eighty million dollars to the special account for the municipal assistance corporation for the city of New York in the municipal assistance tax fund created pursuant to section ninety-two-d of the state finance law to the extent that such amount has been included by the municipal assistance corporation for the city of New York in any computation for the issuance of bonds on a parity with outstanding bonds pursuant to a contract with the holders of such bonds prior to the issuance of any other bonds secured by payments from the municipal assistance state aid fund created pursuant to section ninety-two-e of the state finance law, and (vii) the balance to the special account for the municipal assistance corporation for the city of New York in the municipal assistance state aid fund created pursuant to section ninety-two-e of the state finance law.
The state comptroller is hereby authorized to receive any notes issued to the state of New York pursuant to this act and all funds received by the state in repayment of the expenditures from this appropriation or redemption of any notes and bonds of the corporation, with all accrued interest thereon, and to deposit or credit the same to the state treasury.

The monies hereby appropriated, when made available pursuant to a certificate of approval of availability issued by the director of the budget, shall be paid from the local assistance fund on the audit and warrant of the state comptroller on vouchers approved by any duly authorized officer of the city of New York ............... $250,000,000
§ 29. If any section, part or provision of this act shall be declared unconstitutional or invalid or ineffective by any court of this state, any party in interest shall have a direct appeal as of right to the court of appeals of the state of New York, and such appeal shall have preference over all other causes. Service upon the adverse party of a notice of appeal shall stay the effect of the judgment or order appealed from, and shall stay all actions, special proceedings or other acts within the scope of section 85.30 of the local finance law, pending the hearing and determination of the appeal.

§ 30. If any section, part or provision of this act shall be declared unconstitutional or invalid or ineffective by any court of competent jurisdiction, such declaration shall be limited to the section, part or provision directly involved in the controversy in which such declaration was made and shall not affect any other section, provision or part thereof.

§ 31. This act shall take effect immediately.
AN ACT

To amend the New York State Financial Emergency Act for the City of New York, in relation to the membership upon and administration of the New York state emergency financial control board and to amend the executive law, in relation to the appointment of a special deputy comptroller for the city of New York.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:
Section 1. Subdivisions one and three of section six of the New York state financial emergency act for the city of New York, as enacted by a chapter of the laws of nineteen hundred seventy-five, entitled

"AN ACT"

in relation to enacting the New York state financial emergency act for the city of New York; to amend the executive law, in relation to the appointment of a special deputy comptroller for the city of New York; to amend the local finance law, in relation to tax receivable notes; to amend the state finance law, in relation to the investment of state funds in bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for the city of New York; to amend the retirement and social security law, in relation to investment of public pension funds in such municipal assistance corporation securities; in relation to enacting the investment of funds by pension and retirement systems for public employees act; to amend the workmen's compensation law, in relation to the purchase by the state insurance fund of bonds and notes of such municipal assistance corporation; to amend the public authorities law, in relation to the issuance and maturity of bonds and notes of such municipal assistance corporation; to amend the state finance law, in relation to the payment of per capita aid to the city of New York; to amend the state finance law, in relation to the establishment of a municipal assistance state aid fund; to amend the education law, in relation to the payment by the city of New York to the city university construction fund; to amend the private housing finance law, in relation to bonds and notes of the New York city housing development corporation; to amend the New York city charter, in relation to the investment of sinking fund moneys of the city of New York in obligations of the municipal assistance corporation for the city of
New York; to amend the public authorities law, in relation to the contents of certain agreements with holders of notes or bonds issued by any municipal assistance corporation; to amend the public authorities law, in relation to making bonds or notes of the New York city stabilization reserve corporation legal investments for public authorities; to amend the local finance law, in relation to the authority of municipalities to assign for collateral or pledge its mortgage interest; to amend the private housing finance law, in relation to certain assignments for collateral or pledges by a municipality of its mortgage interest in a project; to amend the local finance law, in relation to assistance to certain municipalities during periods of financial emergency; to amend the public authorities law, in relation to certain payments and funds of the municipal assistance corporation for the city of New York; and making an appropriation for the corporate purposes of the city of New York; and making a first instance appropriation from the local assistance fund to the city of New York" are hereby amended to read, respectively, as follows:

1. The membership of the board shall be the governor, the state comptroller (pursuant to his authority to supervise the accounts of any political subdivision of the state), the mayor, the city comptroller and [a member] three members appointed by the governor with the advice and consent of the senate. Such appointed [member] members shall serve at the pleasure of the governor. The governor shall be the chairman of the board and the governor or his representative shall preside over all meetings of the board. The board shall act by majority vote of the entire board. The board shall maintain a record of its proceedings in such form as it may determine, but such record shall indicate attendance and all votes cast by each member. Every member of the board, who is otherwise an elected official of the state or city, shall be entitled to designate a representative to attend, in his place, meetings of the board and to vote or otherwise act in his behalf. Written notice of such designation shall be furnished to the board by the designating member prior to any meeting attended by his representative.
Any representative shall serve at the pleasure of the designating member. No representative shall be authorized to delegate any of his duties or functions to any other person.

3. The [member] members of the board appointed by the governor and all representatives designated by members of the board shall serve without salary or per diem allowance but shall be entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties under this act, provided however that such [member] members and representatives are not, at the time such expenses are incurred, public employees otherwise entitled to such reimbursement.

§ 2. Subdivision one of section forty-one-a of the executive law, as added by such chapter, is hereby amended to read as follows:

1. In addition to the deputies otherwise authorized by law, the comptroller shall, by and with the advice and consent of the senate, appoint a special deputy comptroller for the city of New York. Such deputy may be removed or replaced by the comptroller and shall receive an annual salary to be fixed by the comptroller within the amounts appropriated therefor. Such deputy may perform any of the powers or duties of the comptroller and he shall assist the New York state emergency financial control board created pursuant to section five of the New York state financial emergency act for the city of New York in carrying out and exercising the responsibilities assigned and powers granted to such board.

§ 3. This act shall take effect immediately.
AN ACT

in relation to enacting the New York state financial emergency act for the city of New York; to amend the executive law, in relation to the appointment of a special deputy comptroller for the city of New York; to amend the local finance law, in relation to tax receivable notes; to amend the state finance law, in relation to the investment of state funds in bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for the city of New York; to amend the retirement and social security law, in relation to investment of public pension funds in such municipal assistance corporation securities; in relation to enacting the investment of funds by pension and retirement systems for public employees act; to amend the workmen's compensation law, in relation to the purchase by the state insurance fund of bonds and notes of such municipal assistance corporation; to amend the public authorities law, in relation to the issuance and maturity of bonds and notes of such municipal assistance corporation; to amend the state finance law, in relation to the payment of per capita aid to the city of New York; to amend the state finance law, in relation to the establishment of a municipal assistance state aid fund; to amend the education law, in relation to the payment by the city of New York to the city university construction fund; to amend the private housing finance law, in relation to bonds and notes of the New York city housing development corporation; to amend the New York city charter, in relation to the investment of sinking fund moneys of the city of New York in obligations of the municipal assistance corporation for the city of
New York; to amend the public authorities law, in relation to the contents of certain agreements with holders of notes or bonds issued by any municipal assistance corporation; to amend the public authorities law, in relation to making bonds or notes of the New York city stabilization reserve corporation legal investments for public authorities; to amend the local finance law, in relation to the authority of municipalities to assign for collateral or pledge its mortgage interest; to amend the private housing finance law, in relation to certain assignments for collateral or pledges by a municipality of its mortgage interest in a project; to amend the local finance law, in relation to assistance to certain municipalities during periods of financial emergency; to amend the public authorities law, in relation to certain payments and funds of the municipal assistance corporation for the city of New York; and making an appropriation for the corporate purposes of the city of New York; and making a first instance appropriation from the local assistance fund to the city of New York.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:
Section 1. Legislative findings and statement of purposes. It is hereby found and declared that a financial emergency and an emergency period exists in the city of New York. The city is unable to obtain the funds needed by the city to continue to provide essential services to its inhabitants or to meet its obligations to the holders of outstanding securities. Unless such funds are obtained the city will soon (i) fail to pay salaries and wages to employees and amounts owed vendors and suppliers to the city, (ii) fail to pay amounts due to persons receiving assistance from the city and (iii) default on the interest and principal payments due the holders of outstanding obligations of the city.

If such failures and defaults were to occur, the effect on the city and its inhabitants would be devastating: (1) unpaid employees might refuse to work; (2) unpaid vendors and suppliers might refuse to sell their goods and render services to the city; (3) unpaid recipients of public assistance would be unable to provide themselves with the basic necessities of life; and (4) unpaid holders of city obligations would seek judicial enforcement of their legal rights as to city revenues. These events would effectively force the city to stop operating as a viable governmental entity and create a clear and present danger to the health, safety and welfare of its inhabitants.

The difficulties of finding solutions to such events would be compounded by the likelihood that the city, as well as the municipal assistance corporation for the city of New York, would be foreclosed from seeking funds in the public markets. The elimination of the public markets as a source of funds would leave the city with no foreseeable way to refund its outstanding short-term indebtedness. Thus, the city might be unable for an extended
period to cure defaults on its outstanding obligations and that event could almost permanently destroy the fiber of the city. The status of the city as the financial capital of the nation and of the world and as the headquarters of American and international commerce would be severely shaken. Just as significantly, the exodus from the city of corporate and individual taxpayers would increase, thereby having the effect of imposing a greater burden on the remaining taxpayers.

It is a matter of substantial and imperative state concern that the city not fail to meet its obligations and thereby suffer the above consequences. Such a failure could require the state to provide costly financial assistance to the city to ameliorate the emergency conditions that would result. Aside from the avoidance of that expense, it is the concern of the state that the above-described events not occur, because the city represents a major part of the state. In addition to being the state's largest city, the city is the commercial, financial, cultural, communications and transportation center of the state. If the city were unable, because of the lack of funds, to function in its normal manner, the economy of the state would, therefore, be drastically harmed.

A failure by the city to meet its obligations would also affect the state's own ability to raise funds in the public markets. Defaults by the city would adversely affect the ability of all public issuers within the state to market securities to meet their cash requirements. To the extent the state and other public issuers within the state would be able to market their securities at all, the interest rates would significantly exceed those which otherwise would be paid. This effect has already been clearly demonstrated since the urban development corporation defaulted on its obligations in February nineteen hundred seventy-five. Notwithstanding that such default was soon cured as the result of state action, other public authorities
have been unable to market their securities or have been required to pay much higher interest rates than ever before and numerous municipalities, school districts and sewer districts throughout the state have been similarly affected.

This situation is a disaster and creates a state of emergency. To end this disaster, to bring the emergency under control and to respond to the overriding state concern described above, the state must undertake an extraordinary exercise of its police and emergency powers under the state constitution, and exercise controls and supervision over the financial affairs of the city of New York, but in a manner intended to preserve the ability of city officials to determine programs and expenditure priorities within available financial resources.

To forestall the effects on the city and the state of a failure by the city to meet its obligations when due, the state has developed, in coordination with the municipal assistance corporation for the city of New York and certain private financial institutions located in the city, a financial program designed to infuse the city with funds needed by it during the next several months. This financial program is only a short-term means of helping the city to meet its obligations during this emergency period. For longer range success, the city must restore investor receptivity to the obligations of the city.
The program embodied in this act provides the necessary statutory changes to permit the financial assistance required by the city at this time, including the mandated investment of a portion of the funds of the state and city retirement systems in obligations of the municipal assistance corporation for the city of New York, and provides for (i) the creation of a state board with some city representation to review, control and supervise the financial management of the city, (ii) the adoption, with the approval of such board, of a plan that will provide the basis for a return of the city to sound financial condition, (iii) control by such board over the disbursement of city funds, under which debt service requirements will be met as a first priority, and (iv) review and audit of city operations by such board to assure that sound management practices are observed or restored and that operations are conducted in accordance with the plan. In addition, the program provides for the purchase of an aggregate of seven hundred twenty-five million dollars of the securities of the municipal assistance corporation for the city of New York by pension and retirement systems for public employees in the state of New York and in the city of New York. The purpose of this requirement is to provide the city with a certain source of revenues in the immediate future.
This legislative program is intended to accomplish the objectives described above and thereby to insure the continuity of governmental operations in the city and to provide the means by which the present emergency can in time be overcome, the city restored to financial health and this intervention by the state brought to an end.

Furthermore, in view of the present danger that the city may fail to meet its obligations, it is equally imperative that steps be taken at this time, in advance of any such failure, to ameliorate to the extent possible the disastrous consequences of any such failure by the city (or by any other municipality) by providing a framework to lessen the impact on a municipality (and thereby to lessen the impact on the state itself) of a failure by such municipality to meet its obligations, to insure the continuity of governmental operations therein during the period of any default, and to provide the means by which such defaults may in time be overcome. To that end, the exercise of the police power of the state is appropriate to accomplish four additional objectives during the period that an emergency exists for a municipality: first, to provide a municipality with prior notice of the intention of any person to take action against it on a debt or obligation; second, to provide for a stay of attempts by creditors to enforce their remedies while a municipality attempts to develop a plan to cure any defaults; third, to permit such a plan providing for the satisfaction of debts and obligations of a municipality to be submitted to, and approved by a court of this state; and, fourth, to authorize a municipality of this state, or an emergency financial control board created for such municipality, if necessary, to seek the benefits of any federal statute now or hereafter enacted to provide relief to financially distressed municipalities.
§ 2. The New York state financial emergency act for the city of New York is hereby enacted to read as follows:

NEW YORK STATE FINANCIAL EMERGENCY ACT

FOR THE CITY OF NEW YORK

Section 1. Short title.

2. Definitions.

2-a. Legislative declaration of financial emergency.

3. General rights and prohibitions.

4. Power of city or covered organization to determine the expenditure of available funds.

5. New York state emergency financial control board; created.

6. Administration of the board.

7. Functions of the board.


9. Establishment and application of emergency financial control board fund.

10. Wage freeze.

11. Prohibitions; penalties.

12. Termination.

Section 1. Short title. This act shall be known and may be cited as the "New York State Financial Emergency Act for The City of New York".
§ 2. Definition... As used in this act, the follow
words and terms shall have the following meanings unless the context
shall indicate another or different meaning or intent.

1. "Comptroller" means the comptroller of the state of New
York.

2. "City" means the city of New York.

3. "Mayor" means the mayor of the city of New York.

4. "City comptroller" means the comptroller of the city.

5. "Covered organization" means any governmental agency, pub-
lic authority or public benefit corporation which receives or may
receive monies directly, indirectly or contingently, (other than
monies received for the sale of goods or the rendering of services
or the loan of monies to the city) from the city, and in any event
includes, without limitation, the board of education of the city of
New York, the board of higher education of the city of New York, the
health and hospitals corporation, the New York city transit authority,
the New York city housing authority, the New York city housing devel-
operation corporation, city university construction fund, Battery park
city authority, New York city convention and exhibition center corpor-
 Manhattan and Bronx surface transit (operation) operating
 authority, Staten Island rapid transit operating authority, the New
York city sports authority and the Brooklyn sports center authority
but shall not include any state public authority as defined in sec-
tion two hundred one of the civil service law, unless specifically
named above, or any governmental agency, authority, commission or
instrumentality created by compact or agreement between the state of
New York and another state or states.

6. "Board" means the governmental agency created by section
five of this act.

7. "Special deputy comptroller" means the special deputy
comptroller for the city of New York created by section forty-
one-a of the executive law.

8. "Municipal assistance corporation for the city of New
York" means the corporate governmental agency created by section
three thousand thirty-three of the public authorities law.

9. "Short-term obligations" means tax anticipation notes,
bond anticipation notes, revenue anticipation notes, budget notes
and urban renewal notes of the city.
10. "Revenues" mean all taxes, federal and state aid, rents, fees, charges, payments, all proceeds from borrowings and other income and receipts paid or payable to or for the account of the city or any of the covered organizations.

11. "Financial plan" means the financial plan of the city and the covered organizations to be developed pursuant to section eight of this act, as from time to time modified.

12. "Emergency period" means the period of time from the effective date of this act until the date when the board determines that the expense budget of the city shall have been in balance for one fiscal year in accordance with the accounting methods prescribed for such budget by the state comptroller pursuant to subdivision two of section three thousand thirty-eight of the public authorities law.

13. "Debt service repayment account" means the special account established pursuant to subdivision four of section nine of this act.

14. "Fund" means the emergency financial control board fund established pursuant to subdivision one of section nine of this act.

15. "Available funds" means at any date the amounts in the fund which are then available, as determined by the board, to be applied to the purposes stated in clause (iii) of subdivision five of section nine after provision has been made for the application of amounts in the fund for the purposes stated in clauses (i) and (ii) of subdivision five of section nine.
§ 2-a. Legislative declaration of financial emergency. The legislature hereby finds and declares that a state of financial emergency exists within the city.

§ 3. General rights and prohibitions. 1. Neither the city nor any covered organization shall borrow or expend any monies, or in any way, directly or indirectly, expressly or implicitly, engage its credit during the emergency period except in compliance with the provisions of this act.

2. Nothing contained in this act shall limit the right of the city or any covered organization to comply with the provisions of any existing contract with or for the benefit of the holders of any bonds or notes of the city or such covered organization or any public authority or public benefit corporation.

3. Nothing contained in this act shall be construed to impair the right of employees to organize or to bargain collectively.

§ 4. Power of city or covered organization to determine the expenditure of available funds. Nothing contained in this act shall be construed to limit the power of the city or a covered organization to determine, from time to time, within available funds for the city or for such covered organization, the purposes for which expenditures are to be made by the city or such covered organization and the amounts of such expenditures, consistent with the aggregate expenditures then permitted under the financial plan for the city or such covered organization.
§ 5. New York state emergency financial control board; created. There is hereby created the New York state emergency financial control board. The board shall be a governmental agency and instrumentality of the state and it shall have such powers and functions as are set forth in this act.

§ 6. Administration of the board. 1. The membership of the board shall be the governor, the state comptroller (pursuant to his authority to supervise the accounts of any political subdivision of the state), the mayor, the city comptroller and three members appointed by the governor with the advice and consent of the senate. Such appointed members shall serve at the pleasure of the governor. The governor shall be the chairman of the board and the governor or his representative shall preside over all meetings of the board. The board shall act by majority vote of the entire board. The board shall maintain a record of its proceedings in such form as it may determine, but such record shall indicate attendance and all votes cast by each member. Every member of the board, who is otherwise an elected official of the state or city, shall be entitled to designate a representative to attend, in his place, meetings of the board and to vote or otherwise act in his behalf. Written notice of such designation shall be furnished to the board by the designating member prior to any meeting attended by his representative. Any representative shall serve at the pleasure of the designating member. No representative shall be authorized to delegate any of his duties or functions to any other person.

2. Notwithstanding any inconsistent provisions of law, general, special or local, no officer or employee of the state, or political subdivision of the state, any governmental entity operating any public school or college or other public agency or instrumentality or unit of government which exercises governmental powers under the laws of the state, shall forfeit his office or employment by reason of his acceptance or appointment as a member, representative, officer, employee or agent of the board nor shall service as such member, representative, officer, employee or agent of the board be deemed incompatible or in conflict with such office or employment.
3. The members of the board appointed by the governor and all representatives designated by members of the board shall serve without salary or per diem allowance but shall be entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties under this act, provided however that such members and representatives are not, at the time such expenses are incurred, public employees otherwise entitled to such reimbursement.

4. The board may delegate to one or more of its officers, employees or agents, such powers and duties as the board may deem proper, except any duties inconsistent with the duties and functions prescribed by any other office or position any such person may hold.
§ 7. Functions of the board. 1. In carrying out the purposes of this act, the board shall perform the following functions:

a. As set forth in section eight, the board shall (i) determine, in connection with the development of the financial plan, estimated revenues for the city and the covered organizations, (ii) consult with the city and the covered organizations in the preparation of the financial plan, (iii) prescribe the form of the financial plan and the supporting information required in connection therewith, and (iv) exercise the rights of approval, disapproval and modification with respect to the financial plan.

b. As set forth in section nine, the board shall establish and adopt procedures with respect to the deposit of revenues of the city and the covered organizations in the fund and the disbursement of monies from the fund.

c. The board shall, from time to time and to the extent it deems necessary or desirable in order to accomplish the purposes of this act, (i) review the operations, management, efficiency and productivity of such city operations and of such covered organizations or portions thereof as the board may determine, and make reports thereon; (ii) audit compliance with the financial plan in such areas as the board may determine; (iii) recommend to the city and the covered organizations such measures relating to their operations, management, efficiency and productivity as it deems appropriate to reduce costs and improve services so as to advance the purposes of this act; and (iv) obtain information of the financial condition and needs of the city and the covered organizations. Nothing herein shall diminish the powers of the comptroller otherwise provided by law and the board may request the assistance of the comptroller in performing the above functions.

d. (1) The board shall receive from the city and the covered organizations and from the special deputy comptroller, and shall review such financial statements and projections, budgetary data and information, and management reports and materials as the board deems necessary or desirable to accomplish the purposes of this act:
(ii) Inspect, copy and audit such books and records of the city and the covered organizations as the board deems necessary or desirable to accomplish the purposes of this act.

e. All contracts entered into by the city or any covered organization must be consistent with the provisions of this act and must comply with the requirements of the financial plan as approved by the board. With respect to all contracts or other obligations to be entered into by the city or any covered organization after October 15, nineteen hundred seventy-five, requiring the payment of funds or the incurring of costs by the city or any covered organization:

(i) Within twenty days from the effective date of this act the mayor shall present to the board proposed regulations respecting the categories and types of contracts and other obligations required to be reviewed by the board pursuant to this subdivision e. [This] Within thirty days from the effective date of this act, the board may shall approve or modify and approve such proposed regulations or may promulgate its own in the event that such proposed regulations are not submitted to it within the twenty days as provided for herein. Such regulations may thereafter be modified by the board from time to time on not less than thirty days notice to the mayor and the mayor may from time to time propose modifications to the board. Unless expressly disapproved or modified by the board within thirty days from the date of submission by the mayor, any such proposed regulations or modifications shall be deemed approved by the board;

(ii) Prior to entering into any contract or other obligation subject to review of the board under its regulations, the city or any covered organization shall submit a copy of such contract or other obligation to the board accompanied by an analysis of the projected costs of such contract or other obligation and a certification that performance thereof will be in accordance with the financial plan, all in such form and with such additional
information as the board may prescribe. The board shall promptly review the terms of such contract or other obligation and the supporting information in order to determine compliance with the financial plan:

(iii) The board shall, by order, disapprove any contract or other obligation reviewed by it only upon a determination that, in its judgment, the performance of such contract or other obligation would be inconsistent with the financial plan and the city or covered organization shall not enter into such contract or other obligation;

(iv) If the board approves the terms of a reviewed contract or other obligation, the city or covered organization may enter into such contract or other obligation upon the terms submitted to the board. Failure of the board to notify the city or covered organization within thirty days (or such additional time not exceeding thirty days as the board shall have notified the city or covered organization, that it requires to complete its review and analysis) after submission to it of a contract or other obligation that such contract or other obligation has been disapproved shall be deemed to constitute board approval thereof.

f. The board shall review the terms of each proposed long-term and short-term borrowing by the city and any covered organization to be effected during the emergency period but after October fifteen, nineteen hundred seventy-five, and no such borrowing shall be made unless approved by the board. The board shall consult and coordinate with the municipal assistance corporation for the city of New York with respect to borrowings of the city and any covered organization and shall receive reports from the municipal assistance corporation for the city of New York on its review of borrowings by the city. No covered organizations shall be prohibited from issuing bonds or notes to pay outstanding bonds or notes.
g. The board shall receive quarterly reports from the comptroller setting forth the debt service requirements on all bonds and notes of the city and the covered organizations for the following quarter.

h. The board shall issue, to the appropriate officials of the city and the covered organizations, such orders as it deems necessary to accomplish the purposes of this act, including but not limited to timely and satisfactory implementation of an approved financial plan. Any order so issued shall be binding upon the official to whom it was issued and failure to comply with such order shall subject the official to the penalties described in section eleven of this act.

i. The board shall coordinate with the municipal assistance corporation for the city of New York and the special deputy comptroller with respect to the performance of its review and monitoring of the revenues and expenditures of the city and the covered organizations.

2. In the event of any default by the city on its outstanding bonds or notes, and so long as such default has not been cured, the board may, any provisions of this act notwithstanding, take any action that it is authorized to take pursuant to title six-A of article two of the local finance law, and may direct the city to take any action that the city is authorized to take under such law.
§ 8. Development of the financial plan. 1. Pursuant to the procedures contained in subdivision three of this section, the board, in conjunction with the city, shall develop, and may from time to time amend, a financial plan for the city and the covered organizations with respect to the fiscal years of the city ending June thirtieth, nineteen hundred seventy-six, June thirtieth, nineteen hundred seventy-seven and June thirtieth, nineteen hundred seventy-eight. The board may from time to time extend the period to be covered by the financial plan through the end of any fiscal year of the city in which the emergency period terminates.

The financial plan shall conform to the requirements of subdivision four of this section and shall constitute a program by which the city will achieve the following objectives:

a. For its fiscal year ending June thirtieth, nineteen hundred seventy-eight, the city's expense budget will be balanced in accordance with the accounting system and procedures prescribed in subdivision two of section three thousand thirty-eight of the public authorities law, with substantial progress toward that goal to be achieved in each of the fiscal years ending June thirtieth, nineteen hundred seventy-six and June thirtieth, nineteen hundred seventy-seven. In accordance with subdivision five of section three thousand thirty-eight of the public authorities law, progress toward the elimination of expense items from the capital budget will also be required during the period during which the financial plan is in effect.
b. The limitations on its outstanding short-term obligations required by subdivision nine of section three thousand thirty-eight of the public authorities law shall be observed at all times.

2. In developing the financial plan the city and the board shall seek to achieve a stabilized work force for the city and, to the extent a reduction in the work force is required, primary recourse shall be had to the attrition process to accomplish such reduction.

3. The financial plan shall be developed and adopted, and may from time to time be modified, in accordance with the following procedures:

   a. Not later than September thirtieth, nineteen hundred seventy-five, the board shall deliver to the city estimates of revenues of the city and the covered organizations for each month during which the plan is in effect.

   b. Based upon the revenues estimated by the board pursuant to paragraph a of this subdivision, the city shall, by October fifteenth, nineteen hundred seventy-five, prepare and submit the financial plan to the board. If the board shall, in its judgment, determine that such financial plan is complete and would achieve the objectives set forth in subdivision one of this section, the board shall approve the financial plan which shall then take effect.

   c. The board shall disapprove the financial plan proposed by the city if, in the judgment of the board, such plan:

      (i) fails to provide for the payment in full of the debt service requirements on all bonds and notes of the city and the covered organizations or fails to fund adequately programs of the city and the covered organizations mandated by state or federal law;

      (ii) fails to provide that operations of the city and the covered organizations will be conducted within the cash resources available according to the board's revenue estimates;

      (iii) fails to achieve the objectives set forth in subdivision one of this section; or
(iv) in addition to the foregoing limitations, provides for aggregate expenditures (other than amounts required to pay debt service, pension costs, public assistance and care, and such other amounts as the board determines to be required by law) in the expense budget of the city or in the expense budget of any covered organization for any of the years during which the plan is in effect, above the level contained in the expense budget adopted by the city or by such covered organization for the fiscal year ending June thirtieth, nineteen hundred seventy-six as modified or amended to the effective date of this act. The board may, upon the request of the city, allow (a) an increase in the expense budget (other than amounts required to pay debt service, pension costs, public assistance and care, and such other amounts as the board determines to be required by law) of the city or of a covered organization for any fiscal year during the emergency period (which increase may be cumulative) equal to two percent of the expense budget (other than amounts required to pay debt service, pension costs, public assistance and care, and such other amounts as the board determines to be required by law) adopted by the city or by such covered organization for the fiscal year ending June thirtieth, nineteen hundred seventy-six as modified or amended to the effective date of this act, or (b) such further increases as the board may approve as required to meet the impact of substantial inflation after the effective date of this act, but in either case only if the board determines that increased revenues are available in an amount equal to the requested increase in expenditures.

d. In disapproving the financial plan proposed by the city the board may direct that:

(1) expenditures or reserves to assure availability of amounts required for debt service requirements on all bonds and notes of the city and the covered organizations, or expenditures required for adequate funding of programs of the city and the covered organizations mandated by state or federal law, be increased to the levels required to provide
for their payment in full; or

(ii) the aggregate expenditures in any period
be reduced to conform to the revenue estimates of the board
prepared pursuant to paragraph a of this subdivision or to
achieve the objectives set forth in subdivision one of this
section.

e. In the event that the city shall, for any reason, fail
to submit a financial plan, as required pursuant to para-
graph b of this subdivision, or to adopt a financial plan approved
by the board to be effective by October twenty-first, nineteen
hundred seventy-five, the board shall formulate
and adopt the financial plan to become ef-
fective on its adoption to be effective October twenty-first, nineteen
hundred seventy-five. All subsequent operations by the city
or a covered organization shall be in conformance and com-
pliance with the financial plan.

f. After the initial adoption of the financial plan, the
revenue estimates prepared by the board pursuant to paragraph a
of this subdivision and the financial plan shall be regularly re-
examined by the board in consultation with the city and the
covered organizations and the city shall provide a modified finan-
cial plan in such detail and within such time period as the board
may require. Changes in such revenue estimates shall be made only
by the board. In the event of reductions in such revenue estimates,
or in the event the city or a covered organization shall expend
funds at a rate that would exceed the aggregate expenditure limita-
tion for the city or covered organization prior to the expiration
of the fiscal year, the city shall modify the financial plan to effect
such reductions in total expenditures as may be necessary to conform
to such revised revenue estimates or aggregate expenditure limita-
tions. If, within a time period specified by the board, the city
fails to make such modifications after reductions in revenue esti-
mates, or to provide a modified plan in the detail and within such
time period required by the board, the board may formulate and adopt
such modifications to the financial plan, such modifications to be-
come effective on their adoption.
g. The city may, from time to time, modify the expenditures specified in the financial plan, subject to the approval of the board. The board shall approve such modifications unless, in the judgment of the board, such modifications would constitute grounds for disapproval of the financial plan pursuant to paragraph c of this subdivision.

4. The financial plan shall be in such form and shall contain such information for each year during which the financial plan is in effect as the board may specify, shall include the city and all the covered organizations, and shall, in such detail as the board may from time to time prescribe, include statements of all estimated revenues and of all expenditures and cash flow projections of the city and each of the covered organizations.

5. The financial plan shall, except to the extent waived by the board with respect to any limited period, include any information which the board may request to satisfy itself that (i) projected employment levels, collective bargaining agreements and other action relating to employee costs, capital construction and such other matters as the board may specify, are consistent with the provisions made for such obligations in the financial plan, (ii) the city and the covered organizations are taking whatever action is necessary with respect to programs mandated by state and federal law to ensure that expenditures for such programs
are limited to and covered by the expenditures stated in the financial plan, and (iii) adequate reserves are provided to maintain essential programs in the event revenues have been overestimated or expenditures underestimated for any period.

6. The covered organizations shall submit to the city and the board such information with respect to their proposed expenditures and revenues for each year during which the financial plan is in effect as the city or the board shall determine, for inclusion in the financial plan proposed by the city. Notwithstanding any other provision of law limiting the authority of the city with respect to any covered organization, the city, in the preparation and submission of the financial plan and modifications thereof, shall (except for debt service or for other expenditures to the extent that such expenditures are required by law) have the power to determine the aggregate expenditures to be allocated to any covered organization in the financial plan and any modifications thereto.
§ 9. Establishment and application of emergency financial control board fund. 1. There is hereby established a fund design-

deated the emergency financial control board fund. Commencing first, nineteen hundred seventy-one on the effective date of the financial plan, and for the duration of the emergency period, all revenues received or to be received by the city or any covered organization shall, unless exempted by order of the board, be revenues of the fund and shall be received for the account of the city and the appropriate covered organizations, but disbursement from the fund shall be made by the board in accordance with the approved financial plan, except to the extent expressly prohibited by federal law or where such revenues are pledged to the payment of any outstanding bonds, notes or other obligations of covered organizations. Commencing November first, nineteen hundred seventy-one on the effective date of the financial plan, and for the duration of the emergency period, all funds and accounts established or thereafter established by the city or the covered organizations shall, unless exempted by order of the board, thereafter be funds and accounts of the fund except to the extent expressly prohibited by federal law or to the extent prohibited by covenants or agreements relating to any outstanding bonds, notes or other obligations of covered organizations. All such accounts of the board shall have such captions and entries as the board shall determine to be necessary to credit the foregoing revenues and receipts to the fund. The monies of the fund shall not be deemed to be money of the state or money under its control.
2. The deposit of revenues into the fund and the investment or deposit of monies therein shall be made in accordance with and pursuant to procedures established by the board.

3. In order to assure compliance with the financial plan, the board shall from time to time adopt procedures controlling the disbursement of monies from the fund.

4. Within the fund there is hereby established a special account designated the debt service repayment account. The board shall from time to time direct, in accordance with procedures adopted by the board, the deposit in the debt service repayment account of such amounts as the board shall, in its discretion, determine to be sufficient to meet the debt service requirements of the city and the covered organizations as they become due, other than bonds and notes of covered organizations payable from revenues not included in the fund. Amounts in the debt service repayment account shall be used to meet such debt service requirements of the city and the covered organizations.

5. If at any time the board determines that the amount then held in the fund or the amount estimated by the board to be held in the fund is or will be insufficient to meet the expenditures in the amounts and at the times required by the financial plan, the board shall require disbursements from the fund to be made in the following order or priority unless otherwise required by law of the United States of America: (i) the payment of amounts from the fund to the debt service repayment account to maintain therein the amount required by subdivision four of this section, (ii) the payment of other liabilities having statutory or contractual priority over remaining liabilities of the city and the covered organizations whose monies are included in the fund, and (iii) the payment of other obligations on an allocated basis as specified by the city for expenditures in accordance with the financial plan provided that, in the event that the city fails to so specify, the board may withhold payment of any of such other obligations or may direct their payment pro rata.

6. The board shall cause to be performed such pre-audit and post-audit reviews of the fund and disbursements therefrom as it may determine.
§ 10. Wage freeze. 1. Increases in salary or wages of employees of the city and employees of covered organizations which have taken effect since June thirtieth, nineteen hundred seventy-five or which will take effect after that date pursuant to collective bargaining agreements or other analogous contracts, now in existence or hereafter entered into, requiring such salary increases as of July first, nineteen hundred seventy-five or as of any date thereafter are hereby suspended. All increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan and step-ups or increments for employees of the city and employees of covered organizations which have taken effect since June thirtieth, nineteen hundred seventy-five or which will take effect after that date pursuant to collective bargaining agreements or other analogous contracts requiring such increased payments as of July first, nineteen hundred seventy-five as of any date thereafter are hereby, in the same manner, suspended.

For the purposes of computing the pension base of retirement allowances, the suspended salary or wage increases and the suspended other payments shall not be considered as part of compensation or final compensation or of annual salary earned or earnable. The suspensions provided herein shall be effective for the first pay period ending on or subsequent to September first, nineteen hundred seventy-five and shall continue until one year thereafter and, to the extent of any determination of the board that a continuation of such suspensions, to a date specified by the board, is necessary in order to achieve the objectives of the financial plan, such suspensions shall be continued to the date specified by such board, which date shall in no event be later than the end of the emergency period.

2. This section shall not be applicable to employees of the city or employees of a covered organization covered by a collective bargaining agreement or an employee of the city or a
covered organization not covered by a collective bargaining agreement where the collective bargaining representative or such unrepresented employee has agreed to a deferment of salary or wage increase, by an instrument in writing which has been certified by the mayor on or before September first, nineteen hundred seventy-five, or certified by the board after September first, nineteen hundred seventy-five as being an acceptable and appropriate contribution toward alleviating the fiscal crisis of the city. The board may, if it finds that the fiscal crisis has been sufficiently alleviated or for any other appropriate reason, direct that the suspensions of salary or wage increases or suspensions of other increased payments shall, in whole or in part, be terminated.
§ 11. Prohibitions; penalties. 1. During the emergency period (i) no officer or employee of the city or of any of the covered organizations shall make or authorize an obligation or other liability in excess of the amount available therefor under the financial plan as then in effect; (ii) no officer or employee of the city or of any of the covered organizations shall involve the city or any of the covered organizations in any contract or other obligation or liability for the payment of money for any purpose required to be approved by the board unless such contract has been so approved or deemed to be approved as provided in paragraph e of subdivision one of section seven and unless such contract or obligation or liability is in compliance with the financial plan as then in effect.

2. No officer or employee of the city or any of the covered organizations shall take any action in violation of any valid order of the board or shall fail or refuse to take any action required by any such order or shall prepare, present or certify any information (including any projections or estimates) or report for the board or any of its agents that is false or misleading, or, upon learning that any such information is false or misleading, shall fail promptly to advise the board or its agents thereof.

3. In addition to any penalty or liability under other law, any officer or employee of the city or any of the covered organizations who shall violate subdivision one or two of this section shall be subject to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office by order of either the governor or the mayor; and any officer or employee of the city or any of the covered organizations who shall knowingly and willfully violate subdivision one or two of this section shall, upon conviction, be guilty of a misdemeanor.

4. In the case of a violation of subdivision one or two of this section by an officer or employee of the city or any of the
covered organizations, the mayor or the chief executive officer of such covered organization shall immediately report to the board all pertinent facts together with a statement of the action taken thereon.

§ 12. Termination. Six months after the end of the emergency period, the existence of the board and all other provisions of this act not theretofore terminated shall terminate.
§ 3. The executive law is hereby amended by adding thereto a new section, to be section forty-one-a, to read as follows:

§ 41-a. Special deputy comptroller for the city of New York. 1. In addition to the deputies otherwise authorized by law, the comptroller shall, by and with the advice and consent of the senate, appoint a special deputy comptroller for the city of New York. Such deputy may be removed or replaced by the comptroller and shall receive an annual salary to be fixed by the comptroller within the amounts appropriated therefor. Such deputy may perform any of the powers or duties of the comptroller and he shall assist the New York state emergency financial control board created pursuant to section five of the New York state financial emergency act for the city of New York in carrying out and exercising the responsibilities assigned and powers granted to such board.

2. Six months after the termination of the emergency period defined in section two of the New York state financial emergency act for the city of New York, the authorization for the special deputy comptroller for the city of New York contained in subdivision one of this section shall terminate.
§ 4. The local finance law is hereby amended by adding thereto a new section, to be section 24.10, to read as follows:

§ 24.10 Tax receivable notes. The city of New York may issue tax anticipation notes which are tax receivable notes. As used in this section, the term "tax receivable notes" shall mean tax anticipation notes issued pursuant to section 24.00 of this title, which shall, upon maturity, at the election of the holder thereof if so provided in such notes, be receivable at full face value and in lieu of cash in payment of any tax of the city of New York, any installment of estimated tax of the city of New York, or any interest or penalties thereon, as shall be designated by the comptroller of the city of New York at the time such tax receivable notes are issued. Tax receivable notes received in payment of any such tax or installment of estimated tax or interest or penalties shall be cancelled by the officer receiving the same, as of the date of their receipt.
§ 5. Section ninety-eight-a of the state finance law as amended by chapter one hundred sixty-nine of the laws of nineteen hundred seventy-five is hereby amended to read as follows:

§ 98-a. Investment of general funds, bond proceeds, and other funds not immediately required. Any moneys in the general fund of the state or moneys received from the sale of any bonds or notes issued by the state, any moneys in any fund or account of the state, heretofore or hereafter established, the investment of which is not otherwise authorized and which are not immediately required may be invested by the comptroller. Such moneys may be invested only in obligations of the categories specified in subdivisions one to five, both inclusive, and (subdivision) subdivisions seven, subdivisions fourteen, as added by chapters seven hundred ninety-seven and nine hundred thirty-two of the laws of nineteen hundred sixty-three, respectively, subdivisions fifteen, sixteen and seventeen of section ninety-eight of this chapter, maturing or redeemable at the option of the holder within two years of the date of such investment or in a certificate of deposit of a bank or trust company in this state. Any certificate of deposit shall be fully secured by the issuer thereof depositing with the comptroller stocks, bonds, or notes of any county, town, city, village, fire district or school district of this state issued pursuant to law and maturing within five years from the date of issuance of such certificate of deposit, bonds or notes or direct or guaranteed obligations of the United States of America or its agencies or of the state of New York or bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for the city of New York in an amount equal to the amount of such certificate of deposit. Any bonds, notes or certificates of deposit purchased with moneys of the general fund shall be available always to pay any lawful appropriation in force. Any bonds, notes or certificates of deposit purchased with moneys received from the
sale of any bonds or notes issued by the state shall be available always for the purposes or purpose for which such bonds or notes were issued. Any bonds, notes or certificates of deposit purchased with moneys of any other funds shall be available always for the purpose for which such fund was created. Unless otherwise required by law, income received on any moneys invested pursuant to this section shall be credited to the fund or funds from which such moneys were invested, provided, however, that income received from the investment of moneys of the local assistance fund, the state purposes fund and the capital construction fund may be credited in whole or in part to one or more of such funds to the extent necessary to reimburse first instance appropriations for interest on temporary obligations issued on behalf of the fund or funds to be credited. Notwithstanding any other provision of this section or of any other general or special law, all moneys available and retained on deposit for the payment of lottery prizes may be invested in obligations by the comptroller as herein provided, except that such obligations need not mature or be redeemable at the option of the holder within two years of the date of such investment. Income received from such investments may be used for the payment of prizes awarded and made payable in more than one payment, including prizes awarded and made payable throughout the lifetime of the lottery prize winner.
§ 6. Section one hundred seventy-nine of the retirement and social security law is hereby renumbered to be section one hundred seventy-nine-a, and such law is hereby amended by inserting therein a new section, to be section one hundred seventy-nine, to read as follows:

§ 179. Investments in municipal assistance corporation obligations; indemnification. 1. It is hereby found and declared that obligations of the municipal assistance corporation for the city of New York are reasonable, prudent, proper and legal investments for any fund described in subdivision one of section one hundred seventy-six of this article or for any board member, officer, employee, trustee or fiduciary thereof to make on behalf of such fund.

2. Notwithstanding any other provision of law, including the provisions of subdivision one of section seventeen of the public officers law, no member of the board, officer, employee, fiduciary of any fund described in subdivision one of section one hundred seventy-six of this article shall incur or suffer any liability whatsoever to any person beneficially interested in such system by reason of any investment of the monies thereof in obligations of the municipal assistance corporation for the city of New York and each such system shall save harmless and indemnify all members of the board, officers, employees, trustees, fiduciaries and investment advisors of any fund described in subdivision one of section one hundred seventy-six of this article from financial loss arising out of any claim, demand, suit, action or judgment for alleged negligence, waste or breach of
fiduciary duty by reason of any investment of any monies of such fund in obligations of the municipal assistance corporation for the city of New York provided that such person shall, within five days after the date on which he is served with any summons, complaint, process, notice, demand, claim or pleading, deliver the original or a true copy thereof to the legal advisor of such system. Upon such delivery the legal advisor of such system may assume control of the representation of such person in connection with such claim, demand, suit, action or proceeding. Such person shall cooperate fully with the legal advisor of the system or any other person designated to assume such defense in respect of such representation or defense.
§ 7. The investment of funds by pension and retirement systems for public employees act is hereby enacted to read as follows:

INVESTMENT OF FUNDS BY PENSION AND RETIREMENT SYSTEMS FOR PUBLIC EMPLOYEES ACT

Section 1. Legislative findings.

2. [Insertion of obligations]

Section 1. Legislative findings. It is hereby found and declared that the financial emergency of the city of New York, recognized by the state, necessitates, as a matter of urgent public policy of the state, purchases of [insertion of obligations] of the municipal assistance corporation for the city of New York by the pension and retirement systems for public employees in the city of New York and the state of New York.

This legislature has found, declared and enacted that [insertion of obligations] of the municipal assistance corporation for the city of New York are reasonable, prudent and proper investments for all public officers and bodies of this state and all trustees and other fiduciaries under the laws of this state.

§ 2. Purchases of [insertion of obligations]. The trustees of the following pension and retirement funds and systems for public employees in the city of New York and the state of New York are hereby authorized and directed to take any and all actions necessary or appropriate to cause such funds and systems to purchase the principal amounts set forth after their respective names below, of bonds of the municipal assistance corporation for the city of New York:

(a) Teachers' retirement system of the city of New York: $200,000,000;
(b) New York city employees retirement system: $225,000,000;
(c) New York city police pension fund: $55,000,000;
(d) New York city fire department pension fund: $10,000,000;
(e) Board of education retirement system of the city...
of New York: $10,000,000;

(f) New York state policemen's and firemen's retirement system and New York state employees retirement system: $125,000,000;

(g) New York state teachers retirement system: $100,000,000.

Each such amount shall include all amounts of bonds of the municipal assistance corporation for the city of New York purchased by such system or fund from and after September first, nineteen hundred seventy-five. Each of the purchases required herein shall take place as promptly as possible, in accordance with a schedule to be established by the New York state emergency financial control board, but in no event later than December first, nineteen hundred seventy-five. The terms and conditions of such bonds, including the rates of interest thereon, shall be determined by the municipal assistance corporation for the city of New York, after consultation with such trustees, provided such terms and conditions are found to be fair and reasonable by the New York state emergency financial control board.

In order to obtain the funds necessary to purchase the bonds required by this chapter, the trustees of each of the said pension funds and retirement systems in accordance with rules and regulations adopted by such trustees shall have the right to borrow an amount not exceeding the obligation incurred by such pension fund or retirement system pursuant to this chapter and to pledge as collateral such assets as they may deem advisable.

The authorization and the direction of this section are rescinded as to any such purchase if by the date of such purchase the city of New York has defaulted in the payment of any of its outstanding bonds or notes.
§ 8. The workmen's compensation law is hereby amended by adding thereto a new section, to be section eighty-seven-a, to read as follows:

§ 87-a. Investment in obligations of the municipal assistance corporation for the city of New York: indemnification.

1. The state insurance fund, and all state officers with responsibility for the custody or investment thereof, are authorized and directed to take any and all actions necessary or appropriate to cause such fund to make purchases as soon as possible, in accordance with a schedule to be established by the New York state emergency financial control board, but in no event later than December first, nineteen hundred seventy-five, of bonds of the municipal assistance corporation for the city of New York in the aggregate principal amount of one hundred million dollars, provided, however, that at the date of any such purchase the city of New York has not defaulted in the payment of any of its outstanding bonds or notes. The terms and conditions of such bonds, including the rates of interest thereon, shall be determined by the municipal assistance corporation for the city of New York, after consultation with the commissioners of the fund, provided such terms and conditions are found to be fair and reasonable by the New York state emergency financial control board.

2. It is hereby found and declared that obligations of the municipal assistance corporation for the city of New York are reasonable, prudent, proper and legal investments for the state insurance fund or for any state officer with custody or responsibility for the investment of the assets thereof.

3. Notwithstanding any other provision of law, including the provisions of subdivision one of section seventeen of the public officers law, no state officer with custody or responsibility for the investment of the assets thereof shall incur or suffer any liability whatsoever to any person beneficially interested in such system by reason of actions taken pursuant to
the authorization and direction of subdivision one and such fund shall save harmless and indemnify all such officers and any investment advisors from financial loss arising out of any claim, demand, suit, action or judgment for alleged negligence, waste or breach of fiduciary duty by reason of any investment of any monies of the state insurance fund in obligations of the municipal assistance corporation for the city of New York provided that such person shall, within five days after the date on which he is served with any summons, complaint, process, notice, demand, claim or pleading, deliver the original or a true copy thereof to the legal advisor of such system. Upon such delivery the legal advisor of the state insurance fund may assume control of the representation of such person in connection with such claim, demand, suit, action or proceeding. Such person shall cooperate fully with the legal advisor of the system or any other person designated to assume such defense in respect of such representation or defense.

4. In order to obtain the funds necessary to purchase the bonds required by this chapter, the commissioners of the state insurance fund in accordance with rules and regulations adopted by such commissioners shall have the right to borrow an amount not exceeding the obligation incurred by such fund pursuant to this chapter and to pledge as collateral therefor such assets as they may deem advisable.
§ 9. Subdivisions two and three of section three thousand thirty-three of the public authorities law, as added by chapter one hundred sixty-nine of the laws of nineteen hundred seventy-five, are hereby amended to read, respectively, as follows:

2. [The] Subject to the provisions of any contract with noteholders or bondholders, the corporation shall not issue bonds and notes in an aggregate principal amount exceeding [three] five billion dollars, excluding bonds and notes issued to refund outstanding bonds and notes[, provided, however, that if bonds and notes are issued by the New York city stabilization reserve corporation pursuant to title twenty-six of article eight of the public authorities law, the maximum principal amount of bonds and notes which may be issued by the corporation shall be decreased by the difference between the principal amount of such bonds and notes issued by the New York city stabilization reserve corporation and the principal amount of such bonds and notes held by the corporation].
3. No note or bond (i) shall mature more than [fifteen] twenty years from the date of the original issue of such note or bond or (ii) [or] shall be issued on a date later than five years after the effective date of this act, unless such note or bond is a renewal or refunding of an outstanding note or bond.

§ 10. Section three thousand thirty-three of such law is hereby amended by adding thereto a new subdivision, to be subdivision four, to read as follows:

4. If the bond resolution or other resolution pursuant to which any obligations of the corporation are issued shall designate, with the approval of any emergency financial control board then established for the city or, if none, then with the approval of the mayor, the corporation may hereafter issue obligations which shall, upon maturity, at the election of the holder thereof, be receivable at full face value if so provided in such obligations, be receivable at full face value and in lieu of cash in payment of any tax of the city, any installment of estimated tax of the city, or any interest or penalties thereon. Any obligations of the corporation so received in payment of any such tax or installment of estimated tax or interest or penalties shall either be cancelled by the officer receiving the same or of the date of their receipt, and the cancelled obligation or obligations of the corporation or be presented to the corporation for payment to the city.
§ 11. Paragraph c of subdivision seven of section fifty-four of the state finance law, as amended by chapter ten hundred seventeen of the laws of nineteen hundred sixty-six, is hereby amended to read as follows:

C. Upon such certification of the amounts payable to counties, cities, villages and towns for town-wide or town outside village purposes, such per capita aid shall be apportioned and paid to the chief fiscal officer of each such locality pursuant to this section on audit and warrant of the state comptroller out of monies appropriated by the legislature for such purpose to the credit of the local assistance fund in the general fund of the state treasury;

provided however that upon such certification of amounts payable to the city of New York, such per capita aid shall be apportioned and paid as follows: (i) any amounts required to be paid to the city university construction fund pursuant to the city university construction fund act, (ii) any amounts required to be paid to the New York city housing development corporation pursuant to the New York city housing development corporation act, (iii) any amounts required to be paid by the city to the state to repay an advance made in nineteen hundred seventy-two to the city to meet operating expenses of the New York city transit authority, (iv) any amounts required to be paid to the transit construction fund to meet any deficiency in annual payments due such fund by the city, (v) any amounts then required to be paid by the city to the state to repay an advance made in nineteen hundred seventy-four to subsidize the fare of the New York city transit authority, (vi) five hundred thousand dollars to the chief fiscal officer of the city of New York for payment to the trustees of the police pension fund of such city pursuant to the provisions of paragraph c of this subdivision, and (vii) the balance to the special
(i) any amounts required to be paid to the city university
correction fund pursuant to the city-university construction fund
act, (ii) any amounts required to be paid to the New York city
housing development corporation pursuant to the New York city
housing development corporation act, (iii) any amounts required to
be paid by the city to the New York city transit authority pursuant
to the provisions of chapter seven of the laws of nineteen hundred
seventy-two, (iv) any amounts required to be paid by the city to
the state to repay an advance made in nineteen hundred seventy-four
to subsidize the fare of the New York city transit authority, (v)
five hundred thousand dollars to the chief fiscal officer of the
city of New York for payment to the trustees of the police pension
fund of such city pursuant to the provisions of paragraph e of this
subdivision, (vi) eighty million dollars to the special account for
the municipal assistance corporation for the city of New York in
the municipal assistance tax fund created pursuant to section nine-
yty-two-d of the state finance law to the extent that such amount
has been included by the municipal assistance corporation for the
city of New York in any computation for the issuance of bonds on
a parity with outstanding bonds pursuant to a contract with the
holders of such bonds prior to the issuance of any other bonds se-
cured by payments from the municipal assistance state aid fund
created pursuant to section ninety-two-e of the state finance law,
and (vii) the balance to the special account for the municipal
assistance corporation for the city of New York in the municipal
assistance state aid fund created pursuant to section ninety-two-e
of the state finance law. Notwithstanding any existing law,
no payments of per capita aid payable to the city of New York shall be paid to the state of New York municipal bond bank agency, the New York state sports authority or the transit construction fund so long as amounts of such aid are required to be paid into the municipal assistance state aid fund, and thereafter, after payment of the amounts described in subparagraphs (i) through (vii), the balance shall be paid (A) to the state in repayment of the appropriation of two hundred fifty million dollars made to the city pursuant to the chapter of the laws of nineteen hundred seventy-five providing emergency financial assistance to the city of New York at the extraordinary session held in such year, as amended, (B) to the state of New York municipal bond bank agency to the extent provided by section twenty-four hundred thirty-six of the public authorities law, (C) to the New York state sports authority to the extent provided by section twenty-four hundred sixty-three of the public authorities law, (D) to the transit construction fund to the extent provided by section twelve hundred twenty-five-i of the public authorities law, and thereafter (E) to the city.
§ 12. Such law is hereby amended by adding thereto a new section, to be section ninety-two-e, to read as follows:

§ 92-e. Municipal assistance state aid fund. 1. There is hereby established in the custody of the comptroller a special fund to be known as the municipal assistance state aid fund. Within such fund, there is hereby established a special account for each municipal assistance corporation created under article ten of the public authorities law.

2. Such fund shall consist of per capita aid apportioned pursuant to section fifty-four of the state finance law.

3. Such per capita aid apportioned to a city in aid of which a municipal assistance corporation has been created, shall be deposited by the comptroller to the credit of the special account established for the municipal assistance corporation therein created in aid of such city in order to enable such corporation to fulfill the terms of any agreements made with the holders of its notes and bonds and to carry out its corporate purposes, including the maintenance of the capital reserve fund securing such bonds and notes, and, subject to
the provisions of section fifty-four of the state finance law, the balance, if any, shall be paid to the chief fiscal officer of the city in aid of which such corporation has been created as hereinafter provided.

4. Revenues in any special account in the municipal assistance state aid fund shall be kept separate and shall not be commingled with any other money in the custody of the comptroller. All deposits of such revenues shall, if required by the comptroller, be secured by obligations of the United States or of the state having a market value equal at all times to the amount of such deposits and all banks and trust companies are authorized to give security for such deposits. Any such revenues in such fund may, in the discretion of the comptroller, be invested in obligations of the United States or of the state or in obligations the principal of and interest on which are guaranteed by the United States or by the state.

5. Upon receipt by the comptroller of a certificate or certificates from the chairman of a municipal assistance corporation that such corporation requires a payment or payments in order to comply with any agreement with the holders of its notes and bonds and to carry out its corporate purposes, including the maintenance of the capital reserve fund securing such bonds, from the appropriate special account established for such
corporation, each of which certificates shall specify the required payment or payments and the date when the payment or payments is required, the comptroller shall pay from such special account on or before the specified date or within thirty days after receipt of such certificate or certificates, whichever is later, to such corporation, as the chairman thereof may direct in any such certificate, the amount or amounts so certified. The comptroller shall from time to time, but in no event later than the fifteenth day of October, January and April and the last day of June of each fiscal year, pay over and distribute to the chief fiscal officer of the city in aid of which such municipal assistance corporation has been created to be paid into the treasury of such city to the credit of the general fund all revenues in the special account established for such corporation in the municipal assistance state aid fund, if any, in excess of the aggregate amount which the chairman of such corporation has certified to the comptroller and which has been previously paid to such corporation as hereinabove authorized. In no event shall the comptroller pay over and distribute any revenues to any person other than the municipal assistance corporation unless and until the aggregate of all payments certified to the comptroller as required by such corporation as of such date in order to comply with
its agreements with the holders of its notes and bonds and to
carry out its corporate purposes, including the maintenance of the
capital reserve fund securing such bonds, which remain unpaid
to such corporation shall have been paid in full to such corpo-
ration; provided, however, that no person, including such
corporation or the holders of its notes or bonds shall have
any lien on such revenues and such agreement shall be execu-
tory only to the extent of such revenues available to the
state in such special account.

6. All payments of moneys from the municipal assis-
tance state aid fund shall be made on the audit and warrant
of the state comptroller.
§ 13. Subdivision two of section sixty-two hundred seventy-nine of the education law, as amended by chapter three hundred thirty-two of the laws of nineteen hundred seventy-five, is hereby amended to read as follows:

(2) The city shall, in addition to any other city financial assistance, annually pay to the fund an amount equal to one-half of the aggregate of all rentals and such other payments due to the dormitory authority from the fund pursuant to any lease, sublease or other agreement entered into between the dormitory authority and the fund for the city fiscal year commencing July first succeeding the filing of the report required to be submitted by the fund pursuant to subdivision seven of section sixty-two hundred seventy-four of this article, which amount shall not exceed fifty million dollars in any year and shall be payable as follows: (a) fifty percentum on or before the fifteenth day of July and (b) fifty percentum on or before the fifteenth day of May, of such city fiscal year; provided, however, that such amount shall have been first appropriated by the city to the fund or shall otherwise have been made lawfully available to the fund for such purposes. In the event of the failure of the city to pay the fund, pursuant to the schedule of payments established by this subdivision, all or part of such amounts, the fund shall forthwith make and deliver to the comptroller of the state of New York a certificate stating such amount and the sum, if any, paid by the city to the fund with respect to such amount, and further stating the difference between such amount and such sum, after the state comptroller shall have given written notice to the city budget director, such difference shall not exceed sixty-five million dollars in any one city fiscal year and shall be paid to the fund by the state comptroller out
of the next succeeding payment of state aid apportioned to the city of New York as per capita aid for the support of local government pursuant to section fifty-four of the state finance law during such city fiscal year. The amount so paid over to the fund shall be deducted from the corresponding apportionment of such per capita state aid otherwise payable to the city of New York, and shall not obligate the state to make or entitle the city of New York to receive any additional apportionment or payment of per capita state aid. The amounts of money required to be paid pursuant to this section shall be determined from the report required to be submitted by the fund pursuant to subdivision seven of section sixty-two hundred seventy-four of this article. Notwithstanding any other provision of law, the city shall have the power to contract indebtedness and to issue its obligations pursuant to the local finance law for the purpose of financing any payment authorized or required to be made by the city by this section. Any such payment shall constitute an object or purpose for which the period of probable usefulness is hereby determined to be five years.
§ 14. Paragraph c of subdivision one of section six hundred fifty-six of the private housing finance law, as amended by chapter nine hundred ninety of the laws of nineteen hundred seventy-two, is hereby amended to read as follows:

c. No bonds or notes of the corporation shall be issued if upon such issuance (i) the aggregate principal amount of bonds and notes of the corporation then outstanding exceeds the lesser of eight hundred million dollars or such amount as would cause the maximum capital reserve fund requirement to exceed eighty-five million dollars or (ii) the aggregate principal amount of bonds and notes then outstanding for the purpose of financing mortgage loans to owners of existing multiple dwellings exceeds two hundred million dollars or (iii) the aggregate principal amount of bonds and notes then outstanding for the purpose of participating with the city or with one or more organizations mentioned in section fifteen of this chapter in making mortgage loans exceeds one hundred million dollars; provided that, in determining such aggregate principal amounts there shall be deducted (i) all sums then available for the payment of such bonds or notes either at maturity or through the operation of a sinking fund; (ii) the aggregate principal amount of outstanding bonds issued (a) to refund notes and (b) to refund bonds, theretofore issued and then outstanding; and (iii) the aggregate principal amount of outstanding notes issued to renew notes theretofore issued and then outstanding.
then outstanding; and (iii) the aggregate principal amount of outstanding notes issued to renew notes theretofore issued and then outstanding.
§ 15. Sections two hundred seventy-five and two hundred seventy-six of the New York city charter, section two hundred seventy-five thereof as amended by chapter six of the laws of nineteen hundred seventy-five, are hereby amended to read, respectively, as follows:

§ 275. Investment of sinking fund moneys.—The comptroller may invest the moneys of the several sinking funds in any of the following securities:

1. Obligations of the city of New York.

2. Obligations of the state of New York.

3. Obligations of the United States or of any agency, subdivision, department, division or instrumentality thereof, or obligations fully guaranteed or insured as to interest and principal by an agency, subdivision, department, division or instrumentality of the United States, acting pursuant to a grant of authority from the congress of the United States.

4. Obligations of the municipal assistance corporation for the city of New York.

§ 276. Annual appropriations to the sinking funds.—For the redemption of the corporate stock redeemable from the several sinking funds there shall be included annually in the budget and paid into each of the sinking funds of the city an amount to be estimated and certified by the comptroller, which amount shall be not less than the aggregate of such annual contributions as, calculated at the time each issue of corporate stock redeemable from such sinking fund was made, would be sufficient if thereafter annually contributed to such fund together with the accumulations of interest thereon computed at the rate of [three] four per centum per annum to meet and discharge such outstanding corporate stock when the same shall
be payable; provided, however, that if at the close of a fiscal year there is in any sinking fund a surplus over and above the reserve required by such sinking fund computed as hereinabove provided, the comptroller, in estimating the amount to be included for such sinking fund in the budget, shall reduce the amount of the annual contributions by the amount of such surplus.

Amounts received annually from the operation of any rapid transit railroad, for the construction, equipment or acquisition of which corporate stock redeemable from any such fund shall have been issued, shall not be considered or treated as surplus, but such amounts shall be deducted from the amount certified by the comptroller for the budget for the ensuing year.
§ 16. Subdivision six of section three thousand twelve of the public authorities law, as added by chapter one hundred sixty-eight of the laws of nineteen hundred seventy-five, is hereby amended to read as follows:

6. Anything in this article ten to the contrary notwithstanding, any agreement or agreements with the holders of notes or bonds issued by any municipal assistance corporation created by or pursuant to any title of this article shall contain a clause stating in substance that any provision in this article or in any such agreement or agreements which relate to taxes imposed under article twelve or sections eleven hundred seven or eleven hundred eight of the tax law of the state or to the funds created by sections ninety-two-c and ninety-two-d of the state finance law shall be deemed contributory only to the extent of the moneys available to the state in such funds from time to time and no liability or account thereof shall be incurred by the state beyond the moneys available in such funds.

§ 17. Title twenty-six of article eight of such law is hereby amended by adding thereto a new section, to be section twenty-five hundred fifty-one, to read as follows:

§ 2551. Bonds or notes legal investment for public authorities. Bonds and notes of the corporation are hereby declared to be legal investments for moneys of public corporations of the state of New York and may be used to secure deposits of moneys of such corporations in banks or trust companies authorized to do business in the state of New York.
§ 18. The local finance law is hereby amended by adding thereto a new section, to be section 153.00, to read as follows:

§ 153.00 Authorization for municipality to assign for collateral or pledge its mortgage interest. Any municipality shall be authorized to assign for collateral or pledge as security for any of its bonds, notes or other obligations its mortgage interest in a project constructed pursuant to article two of the private housing finance law to the state or to any political subdivision thereof.

§ 18-a. Subdivision two of section twenty-three of the private housing finance law is hereby amended to read as follows:

2. The supervising agency shall have exclusive power to promulgate such supplementary rules and regulations with respect to a municipally-aided project and a company formed to undertake or operate any such project, as may be necessary to carry out the provisions of this article. No assignment for collateral or pledge by a municipality of its mortgage interest in a municipally-aided project to the state or to any political subdivision thereof shall either affect the power of the supervising agency granted herein or authorize the commissioner to exercise any powers not otherwise granted in this article.
§ 19. Article two of the local finance law is hereby amended by adding thereto a new title, to be title six-A, to read as follows:

TITLE 6-A

LOCAL OBLIGATIONS: FINANCIAL EMERGENCY; CONDITION PRECEDENT TO CLAIMS; STAY OF CLAIMS; REPAYMENT PLAN FOR MUNICIPALITY; TERMINATION OF STAY

Section 85.00 Limitation of provisions; emergency period.
85.10 Notice of claims, commencement of notations.
85.20 Demand for payment.
85.30 Petition of municipality; temporary stay of claims.
85.40 Repayment plan for municipality; court approval; continuation of stay.
85.50 Termination of stay.
85.60 Modification of plan.
85.70 Notice to creditors.
85.80 Authority for municipality or emergency financial control board to file petition under federal statute.
85.90 Judicial review.

§ 85.00 Limitation of provisions; emergency period. The provisions of this title shall be applicable (a) only to a municipality with respect to which the legislature has declared that a state of financial emergency exists, and (b) only during
the emergency period as that term is defined in section two of the
New York state financial emergency act for the city of New York or
as such period may be specified by the legislature for any other
municipality to which the provisions of this title may be
applicable; provided, however, that the provisions of section 85.80 of this
title shall apply to any municipality at any time. As used in this
title, the term "emergency financial control board" shall mean any
such board established by state law for the municipality, and the
term "covered organization" shall mean any such organization as
defined in the act declaring that a state of financial emergency
exists for such municipality. Nothing contained in this title
shall be construed to limit or stay any emergency financial con-
trol board from doing any act or commencing or continuing any
action or special proceeding against or involving the municipality
or any covered organization.

§ 85.10 Notice of claim. No act shall be done or action or
special proceeding shall be prosecuted or maintained seeking to
apply or enforce against the municipality or any covered organiza-
tion, or their funds, property, receivables or revenues, any order,
judgment, lien, set-off or counterclaim relating to any contract,
debt or obligation, direct or indirect, of the municipality, in-
cluding but not limited to any bond, note or other evidence of
indebtedness, or seeking the assessment, levy or collection of
taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality or any covered organization, unless: (a) payment by the municipality or covered organization in connection with such contract, debt or obligation is due or overdue; and (b) a demand for payment shall have been made and served upon the municipality, in compliance with section 85.20 of this title, and thirty days shall have elapsed since the service of such demand; and (c) any complaint, petition or other moving paper seeking any relief as aforesaid shall contain an allegation that at least thirty days have elapsed since the service of such demand and that adjustment or payment has been neglected or refused.
§ 85.20 Demand for payment. a. In any case where a demand for payment is required as a condition precedent to the doing of any act or the commencement of any action or special proceeding pursuant to section 85.10 of this title, the demand shall comply with the provisions of this section.

b. The demand shall be in writing, sworn to by or on behalf of the claimant, and shall set forth: (1) the name and post-office address of each claimant, and of his attorney, if any, (2) the contract, debt or obligation involved; (3) the nature and basis of the claim; (4) the time when the claim arose; (5) the items of damage claimed to have been sustained so far as then practicable; and (6) the nature of the act proposed to be done or of the action or special proceeding proposed to be commenced by the claimant.

c. The demand shall be served on the municipality against whom the claim is made by delivering a copy thereof, in duplicate, personally, or by registered mail, to the person, officer, agent, clerk or employee, designated by law as a person to whom a summons in an action in the supreme court issued against such municipality may be delivered.
d. Anytime after the date of service of the demand for payment and at or before the trial of an action or the hearing upon a special proceeding to which the provisions of this section are applicable, a mistake, omission, irregularity or defect made in good faith in the demand required to be served by this section, not pertaining to the manner or time of service thereof, may be corrected, supplied or disregarded, as the case may be, in the discretion of the court, provided it shall appear that the other party was not prejudiced thereby. Application for such relief, if made before trial or hearing, shall be by motion, on affidavits; if made before the action or special proceeding is commenced, shall be by motion, on the petition of the claimant, or someone on his behalf. Failure to serve more than one copy may be corrected by such motion.
§ 85.30 Petition of municipality; temporary stay of claims.

A voluntary petition may be filed pursuant to this section by any municipality or, in the event a municipality refuses to file such petition after request by its emergency financial control board, or fails to do so within five days thereafter, the board may file a petition pursuant to this section on behalf of the municipality. The petition shall be filed in the supreme court in a county in which the municipality is located. The petition shall state:

(a) that the municipality is unable to pay its debts or obligations as they mature; (b) that the municipality or its emergency financial control board intends to file with the court a repayment plan in compliance with the requirements of section 85.40 of this title; (c) the nature of the debts and obligations of the municipality which may be affected by the plan and the approximate amount thereof; and (d) the identities and addresses of creditors who may be affected by the plan or, in lieu thereof, the reason such identification is impracticable and a listing of creditors in a manner that is practicable in the circumstances. A petition filed pursuant to this section shall operate to prohibit the doing of any act, and to stay the commencement or continuation of any action or special proceeding in any court in any jurisdiction, seeking to apply or enforce against the municipality or any covered organization, or their funds, property, receivables or revenues, any order, judgment, lien, set-off or counterclaim relating to any contract, debt or obligation, direct or indirect, of the municipality, including but not limited to any bond, note or other evidence of indebtedness, or seeking the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality or any covered organization, for a period of ninety days; provided, however, that:
(1) the stay may be vacated prior thereto if, upon motion of any creditor affected thereby, the court finds, after a hearing, that the petition was not filed in good faith; (ii) if a repayment plan for the municipality is filed within ninety days from the filing of the petition, or within such additional period of time as the court may find after a hearing, is required to permit the preparation and filing of such a plan, the court shall extend the stay for such additional period of time as is required to permit the court to enter an order pursuant to section 85.40 of this title; (iii) any applicable statute of limitations shall be tolled during the period of any stay or extension thereof pursuant to this title; and (iv) during the period of any stay or extension thereof pursuant to this title, the municipality may expend moneys to maintain and provide such services and for such purposes as are determined to be necessary by its emergency financial control board.

§ 85.40 Repayment plan for municipality; court approval; continuation of stay. Upon the filing of a petition pursuant to section 85.30 of this title, a repayment plan may be filed by the municipality or, in the event the municipality refuses to file such a plan after request by its emergency financial control board or, after such request, fails to file a plan within forty-five days from the filing of a petition pursuant to section 85.30 of this title, the board may file a repayment plan pursuant to this section on behalf of the municipality. Upon the filing of such a plan, the court shall enter an order approving the plan and extending any stay then in effect pursuant to section 85.30 of this title as against all creditors of the municipality for such additional period of time as is required to carry out fully all of the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder, if the court finds, after a hearing, that: (a) the repayment plan provides for the eventual satisfaction of all debts and obligations of the municipality affected thereby, together with interest; (b) that, giving due regard to the financial condition of the municipality and to the necessity for the municipality to expend moneys for services and purposes determined to be necessary as
provided in section 85.30 of this title, the repayment plan provides as prompt payment to all creditors affected thereby, on a fair and equitable basis, as is practicable in the circumstances; (c) that the repayment plan [recognizes and] preserves any applicable priorities among creditors or classes of creditors; and (d) that the repayment plan was approved by the municipality's emergency financial control board. In the event that the court is unable to make the aforesaid findings as to the repayment plan, it shall enter an order disapproving the plan and vacating the stay then in effect, which order shall become effective within ten days from the entry thereof unless, prior thereto, an amended repayment plan is filed with the court. Upon the filing of the first such amended plan, the court shall extend and, in its discretion, upon the filing of any further amended plans it may extend the stay then in effect for such additional period of time as is required to permit the court to enter an order containing findings pursuant to this section with respect to the amended plan.
§ 85.50 Termination of stay. Any order extending a stay pursuant to section 85.40 of this title may be vacated or modified if, upon motion of any creditor affected thereby, the court finds, after a hearing: (a) that the municipality has failed to comply with a material provision of the repayment plan; or (b) that, due to a material change in circumstances, the repayment plan no longer complies with the requirements of section 85.40 of this title. Upon the occurrence of the final act necessary to carry out fully all of the terms and provisions of the repayment plan with respect to those creditors who accept the plan or any benefits thereunder, the court, after a hearing, upon motion of any creditor or of the municipality or its emergency financial control board, shall enter an order vacating any stay then in effect and permanently enjoining any creditors who accepted the plan or any benefits thereunder from commencing or continuing any action or special proceeding or doing any other act within the scope of section 85.30 of this title relating to any contract, debt or obligation included in the plan.

§ 85.60 Modification of plan. At any time prior to the entry of an order approving or disapproving a repayment plan pursuant to section 85.40 of this title, the municipality, with the approval of its financial emergency control board, or any such board with or without the approval of the municipality, may file modifications thereof, subject to the power of the court to enter an order prohibiting the filing of a further modification if it finds, after a hearing, that such modification or any prior modification or the repayment plan was not filed in good faith. At any time subsequent to the entry of an order approving a repayment plan, any such modifications may only be filed by leave of the court, after a hearing. Upon the filing at any time of any modification of a repayment plan, the court shall hold a hearing pursuant to section 85.40 of this title and shall enter an order continuing or extending such stay as may then be in effect pursuant to section 85.30 or 85.40 of this title for such additional period of time as may be required to permit the court to enter an order pursuant to section 85.40 of this title with respect to the modified plan.
§ 85.70 Notice to creditors. Upon the filing of a petition pursuant to section 85.30 of this title, or of a repayment plan or amendment or modification thereof pursuant to section 85.40 or 85.60 of this title, or upon the application for, or the entry of, any order extending, vacating or modifying a stay pursuant to this title, prompt and appropriate notice thereof and of any hearing in connection therewith shall be given, at the expense of the municipality, to all creditors of the municipality affected thereby in such form and manner, including by mail or publication or both, as the court may find to be practicable and appropriate in the circumstances. Notice of any other event or proceeding shall be given as the court may direct, to such persons, in such form and manner and with such provision for the payment of the expenses thereof as the court may find to be practicable and appropriate in the circumstances.

§ 85.80 Authority for municipality or emergency financial control board to file petition under federal statute. In addition to, or in lieu of, filing a petition under this title, a municipality or its emergency financial control board may file any petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Nothing contained in this title shall be construed to limit the authorization granted by this section.

§ 85.90 Judicial review. If any repayment plan or amendment or modification thereof proposed pursuant to this title is disapproved, or if any stay is vacated or modified or an extension thereof is denied, or if any other order pursuant to this title is entered by the court which is adverse to the municipality or its financial emergency control board, the municipality or its financial emergency control board shall have a direct appeal as of right to the appellate division in the judicial department in which the court is located and, thereafter, if necessary, to the court of appeals of this state, and such appeal shall have preference over all causes in all courts. Service upon the adverse party of a notice of appeal shall stay the effect of the judgment or order
appealed from, and shall stay all actions, special proceedings or other acts within the scope of section 85.30 of this title, pending the hearing and determination of the appeals.
§ 20. Subdivisions three and five of section thirty hundred thirty-six of the public authorities law, as added by chapter one hundred sixty-nine of the laws of nineteen hundred seventy-five, are hereby amended to read, respectively, as follows:

3. The corporation shall create and establish a special fund (herein referred to as capital reserve fund), and shall pay into such capital reserve fund (i) any moneys appropriated and made available by the state for the purposes of such fund, (ii) any proceeds of sale of notes or bonds, to the extent provided in the resolution of the corporation authorizing the issuance thereof, and (iii) any other moneys which may be made available to the corporation for the purpose of such fund from any other source or sources. All moneys held in the capital reserve fund, except as hereinafter provided, shall be used solely for the payment of the principal of bonds of the corporation, as the same mature or otherwise become due, the purchase of bonds of the corporation, the payment of interest on such bonds of the corporation or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. If the amount contained in the capital reserve fund exceeds the amount required to be contained in such fund pursuant to this subdivision three of this section plus any additional amounts required to be contained in such fund pursuant to the terms of issuance of any bonds or notes, such excess moneys may be withdrawn from the capital reserve fund by the corporation; provided, however, that moneys in such fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such fund to less than the amount of principal and interest maturing or otherwise becoming due in the succeeding calendar year on all bonds of the corporation then outstanding, except for the purpose of paying principal of and interest on such bonds of the corporation maturing or otherwise due or becoming due and for the payment of which other moneys of the corporation are not available. Any income or interest earned by,
or increment to, the capital reserve fund due to the investment thereof may be transferred by the corporation to any other fund of the corporation to the extent it does not reduce the amount of the capital reserve fund below the amount of principal and interest maturing or otherwise due or becoming due in the succeeding calendar year on all bonds of the corporation then outstanding.

5. The corporation shall not issue bonds at any time if the amount of principal and interest maturing or otherwise due or becoming due in the succeeding calendar year on such bonds then to be issued and on all other bonds of the corporation then outstanding will exceed the amount of the capital reserve fund requirement at the time of issuance, unless the corporation, at the time of such issuance, shall deposit in the capital reserve fund from the proceeds of the bonds so to be issued, or otherwise, an amount which, together with the amount then in such fund, will be not less than the amount of principal and interest maturing or otherwise due or becoming due in the succeeding calendar year on such bonds then to be issued and on all other bonds of the corporation then outstanding (such amount is herein sometimes referred to as the capital reserve fund requirement). Notwithstanding the foregoing provisions of this subdivision for each of the calendar years set forth below the capital reserve fund requirement, as of any date of calculation, shall equal the percentage set forth opposite such calendar year of the amount of principal and interest maturing or otherwise due or becoming due during such calendar year on all bonds of the corporation outstanding on such date:

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>0%</td>
</tr>
<tr>
<td>1976</td>
<td>0%</td>
</tr>
<tr>
<td>1977</td>
<td>25%</td>
</tr>
<tr>
<td>1978</td>
<td>50%</td>
</tr>
<tr>
<td>1979</td>
<td>75%</td>
</tr>
<tr>
<td>1980</td>
<td>100%</td>
</tr>
</tbody>
</table>
§ 21. Such law is hereby amended by adding thereto a new section, to be section thirty hundred thirty-six-a, to read as follows:

§ 3036-a. Further payments to the corporation; additional funds of the corporation. 1. In addition to the total amount certified by such chairman for such fiscal year, all as referred to in subdivision one of section three thousand thirty-six, the chairman shall at the same time certify to the state comptroller and to the mayor a schedule setting forth additional cash requirements of the corporation which shall be equal to: (i) the amounts which are required to be deposited in the capital reserve fund authorized to be created and established pursuant to subdivision two of this section (in this section called the capital reserve fund) during such fiscal year in order to maintain the capital reserve fund at the level required in accordance with subdivision four of this section; (ii) the amounts required to be deposited in the bond service fund of the corporation to pay all interest and all payments of principal and redemption premium, if any, on notes and bonds payable from the sources hereinafter identified in this section and maturing or otherwise coming due during such fiscal year; and (iii) the amounts required to be deposited in the operating fund of the corporation herebefore established, as determined by the corporation, to meet the operating requirements and other expenses of the corporation during such fiscal year. If any increase shall occur in such additional cash requirements specified above, or if payments are required at a time or times earlier than previously certified or if the city shall for any reason fail to make timely payment of the principal and accrued interest due on any obligation issued by the city to the corporation and maturing within the same fiscal year, such chairman shall certify a revised schedule of such additional cash requirements for such
fiscal year to the state comptroller and to the mayor. The schedule accompanying each certification (or revision thereof) shall provide for such payment dates as the corporation deems appropriate to assure that sufficient funds will be available from the sources identified below to enable it to meet its current obligations under this section as they come due. Upon receipt of such certification, or any revision thereof, the state comptroller shall pay such amount to the corporation for deposit in the appropriate funds, referred to in this section, in accordance with such certification from the special account established for the corporation in the municipal assistance state aid fund in accordance with subdivision one of section ninety-two-e of the state finance law and, subject to agreements with outstanding bond and note holders of the corporation, from the special account established for the corporation in the municipal assistance tax fund, in accordance with subdivision one of section ninety-two-d of the state finance law, including any amount transferred to the municipal assistance tax fund from the stock transfer tax fund pursuant to subdivision four of section ninety-two-b of the state finance law. Any such payment shall be made within thirty days of receipt of the certification or at the time specified in the certification, whichever is later; provided that any such amounts shall have been first appropriated by the state for such purpose or shall have been otherwise made available. Any amount paid to the corporation from such municipal assistance state aid fund shall be deducted from the amount otherwise payable to the city as per capita aid pursuant to section fifty-four of the state finance law and shall not obligate the state to make, nor entitle the city to receive, any additional payments of per capita aid. Any amount so paid to the corporation from the municipal assistance tax fund shall, in addition to the amount deducted pursuant to subdivision one of section three thousand thirty-six, be deducted from the
amount otherwise payable to the city from the municipal assistance tax fund and shall not obligate the state to make, nor entitle the city to receive, any additional payments from such municipal assistance tax fund.

2. The corporation shall create and establish a capital reserve fund as an additional special fund, and shall pay into such capital reserve fund (i) any moneys appropriated and made available by the state for the purposes of such fund, (ii) any proceeds of sale of notes or bonds, to the extent provided in the resolution of the corporation authorizing the issuance thereof, and (iii) any other moneys which may be made available to the corporation for the purpose of such fund from any other source or sources. All moneys held in the capital reserve fund, except as hereinafter provided, shall be used solely for the payment of the principal of bonds secured by such capital reserve fund of the corporation, as the same mature or otherwise become due, the purchase of such bonds of the corporation, the payment of interest on such bonds of the corporation or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. If the amount contained in the capital reserve fund exceeds the amount required to be contained in such fund pursuant to this subdivision of this section plus any additional amounts required to be contained in such fund pursuant to the terms of issuance of any bonds or notes secured by such capital reserve fund, such excess moneys may be withdrawn from the capital reserve fund by the corporation; provided, however, that moneys in such fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such fund to less than the amount of principal and interest maturing or otherwise due or becoming due in the succeeding calendar year on all bonds of the corporation secured by such capital reserve fund then outstanding, except for the purpose of paying principal of and interest on such bonds of the corporation maturing or otherwise...
becoming due and for the payment of which other moneys of the corporation are not available. Any income or interest earned by, or increment to, the capital reserve fund due to the investment thereof may be transferred by the corporation to any other fund of the corporation to the extent it does not reduce the amount of the capital reserve fund below the amount of principal and interest maturing or otherwise due or becoming due in the succeeding calendar year on all bonds of the corporation secured by such capital reserve fund then outstanding.

3. In order further to assure the maintenance of the capital reserve fund, there shall be annually appropriated and paid to the corporation for deposit in the capital reserve fund such sum, if any, as shall be certified by the chairman to the governor and director of the budget as necessary to restore the capital reserve fund to an amount equal to the capital reserve fund requirement. The chairman of the board of directors of the corporation shall, annually, on or before December first, make and deliver to the governor and director of the budget his certificate stating the sum, if any, required to restore the capital reserve fund to the amount aforesaid; and the sum or sums so certified, if any, shall be appropriated and paid to the corporation during the then current state fiscal year.

4. The corporation shall not issue bonds secured by the capital reserve fund at any time if the amount of principal and interest maturing or otherwise due or becoming due in the succeeding calendar year on such bonds then to be issued and on all other such bonds of the corporation then outstanding will exceed the amount of the capital reserve fund requirement at the time of issuance, unless the corporation, at the time of such issuance, shall deposit in the capital reserve fund from the proceeds of the bonds so to be issued, or otherwise, an amount which, together with the amount then in such fund, will be not less than the amount of principal and interest maturing
or otherwise due or becoming due in the succeeding calendar year on such bonds then to be issued and on all other bonds of the corporation secured by such capital reserve fund then outstanding (such amount is herein sometimes referred to as the capital reserve fund requirement). Notwithstanding the foregoing provisions of this subdivision for each of the calendar years set forth below the capital reserve fund requirement, as of any date of calculation, shall equal the percentage set forth opposite such calendar year of the amount of principal and interest maturing or otherwise due or becoming due during such calendar year on all bonds of the corporation secured by the capital reserve fund outstanding on such date:

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>0%</td>
</tr>
<tr>
<td>1976</td>
<td>0%</td>
</tr>
<tr>
<td>1977</td>
<td>25%</td>
</tr>
<tr>
<td>1978</td>
<td>50%</td>
</tr>
<tr>
<td>1979</td>
<td>75%</td>
</tr>
<tr>
<td>1980</td>
<td>100%</td>
</tr>
</tbody>
</table>

5. In computing the amount of the capital reserve fund for the purposes of this section securities in which all or a portion of such fund shall be invested shall be valued at par or if purchased at other than par, at amortized value.

6. The corporation shall create a bond service fund.
§ 22. The amount named in this section or so much thereof as shall be sufficient to accomplish the purposes designated by the appropriation, is hereby appropriated and authorized to be paid and shall be available for payment as provided for herein.

LOCAL ASSISTANCE FUND
THE CITY OF NEW YORK

The sum of two hundred fifty million ($250,000,000) dollars or so much thereof as shall be necessary is hereby appropriated in the first instance from the local assistance fund as an advance to the city of New York, for its city purposes.

Notwithstanding the provisions of any general or special law, no part of such appropriation shall be available for the purposes designated until a certificate of approval of availability shall have been issued by the director of the budget and a copy of such certificate filed with the state comptroller, the chairman of the senate finance committee and the chairman of the assembly ways and means committee. Such certificate may be amended from time to time, subject to the approval of the director of the budget, and a copy of each such amendment shall be filed with the state comptroller, the chairman of the senate finance committee and the chairman of the assembly ways and means committee.

The director of the budget shall not issue any certificate of approval of availability until the city of New York shall have (i) issued notes of the city payable to the state of New York in an aggregate principal amount of two hundred fifty million ($250,000,000)
dollars, maturing not later than October first, nineteen hundred seventy-six, and bearing interest at a rate per annum to be determined by the director of the budget, and (ii) assigned to the state as security for payment of such notes, all mortgages issued and held by the city of New York on the effective date of this act, pursuant to article two of the private housing finance law. Any mortgage so pledged may be further assigned by the city of New York, provided that the terms of any such assignment are first approved by the director of the budget and the proceeds thereof are applied to redeem all or part of the notes of the city of New York held by the state. The city of New York shall and is hereby authorized to execute any and all documents required by the director of the budget to effectuate the purposes of this section.

The director of the budget shall issue a certificate of approval of availability only upon the certification by the municipal assistance corporation for the city of New York and the emergency financial control board in the month of October, nineteen hundred seventy-five, that there will be available to the city of New York in such month sufficient funds to meet the expenditures required to be made by the city of New York during such month, as determined by the municipal assistance corporation for the city of New York and the emergency financial control board, after taking account of amounts payable to the city of New York and the municipal assistance corporation for the city of New York, pursuant to this act. Upon such certification, the director of the budget may issue a certificate of approval of availability for an amount not exceeding two hundred fifty million ($250,000,000) dollars. In no event shall any certificate of approval of availability be issued unless and until the director of the budget has certified that cash and other assurances for the purchase of notes and bonds of the city of New York and the municipal assistance corporation for the city of New York, satisfactory to him, have been received by the city of New

-72-
York and the municipal assistance corporation for the city of New York, for the months of September, October and November, nineteen hundred seventy-five, from sources other than the state, in the aggregate principal amount of one billion one hundred fifty million ($1,150,000,000) dollars, or such other amount determined by him and certified by the emergency financial control board and the municipal assistance corporation for the city of New York as sufficient, together with the funds to be made available by the state pursuant to this act, to meet the expenditures required to be made by the city of New York during such three months.

In the event the city of New York shall fail to redeem any note issued to the state referred to in this section, in addition to any other remedy available to the state, the state comptroller shall deduct an amount necessary to meet such payments from any moneys available from any succeeding payments of state aid apportioned to such city; provided, however, that prior to any deductions from moneys available for payments of state aid apportioned to such city as per capita state aid for the support of local government pursuant to section fifty-four of the state finance law, the moneys, if any, shall be apportioned and paid as follows: (i) any amounts then required to be paid to the city university construction fund pursuant to the city university construction fund act, (ii) any amounts required to be paid to the New York city housing development corporation pursuant to the New York city housing development corporation act, (iii) any amounts required to be paid by the city to the state to repay an advance made in nineteen hundred seventy-two to the city to meet operating expenses of the New York city transit authority, (iv) any amounts required to be paid to the transit construction fund to meet any deficiency in annual payments due such fund by the city, (v) any amounts then required to be paid by the city to the state to
repare an advance made in nineteen hundred seventy-four to sub-
subsidize the fare of the New York city transit authority, (vi) five hundred thousand dollars to the chief fiscal officer of
the city of New York for payment to the trustees of the police
pension fund of such city pursuant to the provisions of paragraph
of this subdivision, and (vii) the balance to the special
account for the municipal assistance corporation for the city of
New York in the municipal assistance state aid fund created pur-
suant to section ninety-two-e of the state finance law.]
(i) any amounts required to be paid to the city university construction fund pursuant to the city university construction fund act, (ii) any amounts required to be paid to the New York city housing development corporation pursuant to the New York city housing development corporation act, (iii) any amounts required to be paid by the city to the New York city transit authority pursuant to the provisions of chapter seven of the laws of nineteen hundred seventy-two, (iv) any amounts required to be paid by the city to the state to repay an advance made in nineteen hundred seventy-four to subsidize the fare of the New York city transit authority, (v) five hundred thousand dollars to the chief fiscal officer of the city of New York for payment to the trustees of the police pension fund of such city pursuant to the provisions of paragraph e of this subdivision, (vi) eighty million dollars to the special account for the municipal assistance corporation for the city of New York in the municipal assistance tax fund created pursuant to section ninety-two-d of the state finance law to the extent that such amount has been included by the municipal assistance corporation for the city of New York in any computation for the issuance of bonds on a parity with outstanding bonds pursuant to a contract with the holders of such bonds prior to the issuance of any other bonds secured by payments from the municipal assistance state aid fund created pursuant to section ninety-two-e of the state finance law, and (vii) the balance to the special account for the municipal assistance corporation for the city of New York in the municipal assistance state aid fund created pursuant to section ninety-two-e of the state finance law.
The state comptroller is hereby authorized to receive any notes issued to the state of New York pursuant to this act and all funds received by the state in repayment of the expenditures from this appropriation or redemption of any notes and bonds of the corporation, with all accrued interest thereon, and to deposit or credit the same to the state treasury.

The monies hereby appropriated, when made available pursuant to a certificate of approval of availability issued by the director of the budget, shall be paid from the local assistance fund on the audit and warrant of the state comptroller on vouchers approved by any duly authorized officer of the city of New York .................. $250,000,000
§ 23. The amount named in this section or so much thereof as shall be sufficient to accomplish the purpose designated by the appropriation, is hereby appropriated and authorized to be paid, and shall be available for payment as hereinafter provided.

LOCAL ASSISTANCE FUND
MUNICIPAL ASSISTANCE CORPORATION FOR
THE CITY OF NEW YORK

The sum of five hundred million dollars ($500,000,000), or so much thereof as shall be necessary is hereby appropriated in the first instance from the local assistance fund as an advance to the municipal assistance corporation for the city of New York, for its corporate purposes.

Notwithstanding the provisions of any general or special law, no part of such appropriation shall be available for the purposes designated until a certificate of approval of availability shall have been issued by the director of the budget and a copy of such certificate filed with the state comptroller, the chairman of the senate finance committee and the chairman of the assembly ways and means committee. Such certificate may be amended from time to time, subject to the approval of the director of the budget, and a copy of each such amendment shall be filed with the state comptroller, the chairman of the senate finance committee and the chairman of the assembly ways and means committee.

The director of the budget shall issue certificates of approval of availability only upon the certification by the municipal assistance corporation for the city of New York and the emergency financial control board in each of the months of October, September and November nineteen hundred seventy-five, that there will be available to the city of New York in each such month sufficient funds to meet the expenditures required to be made by the city of New York during each such month, as determined by the municipal assistance corporation for the city of New York and the emergency financial control board, after taking account of the amounts payable to the municipal assistance corporation and the city of New York pursuant to this chapter.

Upon such certification for the month of September, the director of
the budget may issue certificate of approval of availability for
an amount not exceeding two hundred fifty million ($250,000,000)
dollars. Certificates of approval of availability may be issued
for so much of the balance of the appropriation made hereby as is
necessary to accomplish the purposes of this appropriation upon
such certification for the months of October and November. In no event
shall any certificate of approval of availability be issued unless and
until the director of the budget has certified that cash and other
assurances for the purchase of notes and bonds of the city of
New York and the municipal assistance corporation for the city of
New York, satisfactory to him, have been received by the city of
New York and the municipal assistance corporation for the city of
New York for the months of September, October and November, nine-
teen hundred seventy-five, from sources other than the state, in
the aggregate principal amount of one billion one hundred fifty
million ($1,150,000,000) dollars, or such other amounts
determined by him and certified by the emergency financial control
board and the municipal assistance corporation for the city of
New York as sufficient, together with the funds to be made avail-
able by the state pursuant to this act, to meet the expenditures
required to be made by the city during such three months.

The director of the budget shall not issue any certifi-
cate of approval of availability until the municipal assistance
corporation for the city of New York has entered into a written
agreement, satisfactory to him, which provides for the repayment
by such corporation to the state of New York of an amount equal
to the total amount expended by the state from this appropriation. Notwithstanding the provisions of section forty-a of the state finance law, the agreement shall contain such terms of repayment not inconsistent with this section as may be required by the director of the budget. Such agreement shall provide for the payment of interest on the amount expended by the state hereunder at a rate per annum to be determined by the director of the budget, upon recommendation by the comptroller. Such agreement shall provide that the municipal assistance corporation for the city of New York shall, (i) upon any advance of funds hereunder made during the month of September as provided for herein, issue notes of the corporation payable to the state in an aggregate principal amount equal to the amount of such advance, which mature not later than one year after the date such notes are issued, and (ii) upon any advance of funds hereunder made during the months of October and November, as provided for herein, issue bonds of the corporation payable to the state in an aggregate principal amount equal to the amount of such advance, which mature not later than twenty years after the date such bonds are issued. All such notes and bonds issued to the state pursuant to such agreement, shall be payable in accordance with the terms of such agreement.

The state comptroller is hereby authorized to receive any notes or bonds issued to the state of New York pursuant to this act and all funds received by the state in repayment of the expenditures from this appropriation or in payment of such notes or bonds and interest thereon and to deposit or credit the same to the state treasury.
The monies hereby appropriated, when made available pursuant to a certificate of approval of availability issued by the director of the budget, shall be paid from the local assistance fund on the audit and warrant of the state comptroller on vouchers approved by any duly authorized officer of the municipal assistance corporation for the city of New York.......$500,000,000
§ 24. If any section, part or provision of this act shall be declared unconstitutional or invalid or ineffective by any court of this state, any party in interest shall have a direct appeal as of right to the court of appeals of the state of New York, and such appeal shall have preference over all other causes. Service upon the adverse party of a notice of appeal shall stay the effect of the judgment or order appealed from, and shall stay all actions, special proceedings or other acts within the scope of section 85, 30 of the local finance law, pending the hearing and determination of the appeal.

§ 25. If any section, part or provision of this act shall be declared unconstitutional or invalid or ineffective by any court of competent jurisdiction, such declaration shall be limited to the section, part or provision directly involved in the controversy in which such declaration was made and shall not affect any other section, provision or part thereof.

§ 26. This act shall take effect immediately except that section eleven of the New York state financial emergency act for New York city as enacted hereby shall take effect November first, nineteen hundred seventy-five and shall be applicable to violations of such act committed on or after such date.
§ 27. Subdivision two of section ninety-two-d of the state finance law, as added by chapter one hundred sixty-eight of the laws of nineteen hundred seventy-five, is hereby amended to read as follows:

2. Such fund shall consist of the revenues derived from municipal assistance sales and compensating use taxes imposed by section eleven hundred seven and eleven hundred eight of the tax law and such amount of per capita aid apportioned and paid into such fund pursuant to paragraph c of subdivision seven of section fifty-four of this chapter.
Mr. Herbert Elish  
Executive Director  
Municipal Assistance Corporation  
2 World Trade Center  
New York, New York 10047

Dear Herb:

Enclosed are three copies of a draft outline of the "legislative" portion of the proposed package for coping with the City's financial problems. I expect to send you later in the day a draft of the "emergency findings." I have not drafted up any part of the financial package at this stage. Please give Allen Thomas or me a call and let us know whether you would like us to proceed with this part as well. I assume it is unnecessary to remind all recipients of this document of its highly confidential nature at this stage.

Sincerely,

Peter R. Haje

PRN: idk  
Enclosures

cc: Mr. William Ellinghaus (with enc.)  
Judah Gribetz, Esq. (with enc.)  
Judge Simon H. Rifkind (with enc.)  
Allen L. Thomas, Esq. (with enc.)
Tentative Proposals for Management of City Finances

1. Development of a Financial Plan

   A comprehensive financial plan would be developed to demonstrate how the City would move toward and achieve a balanced budget for its fiscal year ending June 30, 1978, using the accounting system and procedures prescribed in the MAC legislation. The financial plan would cover the entire period from July 1, 1975 through June 30, 1978.

   The development of the financial plan would begin with the preparation by an Emergency Financial Review Board (described under Point 2 below) of monthly revenue estimates for the entire period from July 1, 1975 through June 30, 1978. The revenue estimates would include all sources of income of the City (including funds from projected borrowings and from the state and federal governments). The EFRB's revenue estimates would be delivered to the City not later than September 30, 1975. Based upon such estimated revenues the City Office of Budget and Management would then be responsible for preparing a preliminary financial plan and delivering it to the EFRB within 30 days. The final financial plan would be adopted by the City within 30 days.
thereafter, after consultation among the EFRB, the Mayor, the City Comptroller and the Special Deputy State Comptroller (described under Point 3 below), but approval by the EFRB would be required that such plan will achieve the above objective of a balanced budget and that operations would be conducted within the cash resources available according to the EFRB's revenue estimates. If the City officials should fail to participate in the preparation of a financial plan within the foregoing cash and budgetary limitations, the EFRB would be authorized to adopt the plan.

Except for debt service and other mandated items, decisions of what expenditures would be made for what purposes and at what times under the financial plan would be made by the City government, not by the EFRB, so long as the above financial limitations were observed. The elected City officials should determine the City's spending priorities and preferences within the funds available and there is no wish or intention to supersede their authority in that area.

The final financial plan would contain a detailed statement of all estimated revenues and other proceeds and of all permitted expenditures, would include monthly cash flow projections, would cover all independent public corporations and agencies (such as the Health and Hospitals
Corporation, the Board of Education and the Board of Higher Education) which receive their fundings from the City, and would cover, separately, both capital and expense budget items. (All expense items now included in the capital budget would be required to be phased out according to the schedule prescribed by MAC.) The financial plan would be in the form prescribed or approved by the EFRB.

After initial adoption, the financial plan would be re-examined by the EFRB, the Mayor, the City Comptroller and the Special Deputy State Comptroller at least quarterly. Changes in revenue estimates could be made only by the EFRB and, in the event of reductions, the City would be required to effect such reductions in total expenditures as necessary to conform to the revised revenue estimates.

The financial plan as from time to time modified, would limit the City's expense budget expenditures to the levels contained in the expense budget for the fiscal year ending June 30, 1975, subject however, to (i) increases in any fiscal year of up to 2% if necessary to meet unforeseen contingencies and if sufficient revenues are available (debt service requirements and pension costs would not be included within the foregoing limitation) and (ii) further increases if approved by the EFRB as required to meet the
impact of substantial inflation after the effective date of this legislation.

The EFRB would also have the authority to extend the period to achieve a balanced budget for a specific limited further period if (for good cause demonstrated to and approved by it) the City is unable to attain a balanced budget for the fiscal year ending June 30, 1978 and in such event the duration of the emergency and the financial plan would be extended for such additional limited period found necessary for the City to achieve a balanced budget.

2. **The Emergency Financial Review Board**

   The EFRB would have three members -- the Governor or his designee, the State Comptroller or his designee and the Mayor or his designee.

   The EFRB would be responsible for general review of City finances to assure that the fiscal emergency is brought under control and then terminated and that the State's extraordinary financial support to the City (described below) may be phased out. To carry out these responsibilities, the following powers would be given to the EFRB:

   (a) As described under Point 1 above, the EFRB would determine estimated City revenues for purposes of the
financial plan, would participate in the preparation of the City's financial plan and would have the rights of approval described under Point 1.

(b) From and after __________, 1975, all City revenues would be deposited daily into special accounts of the EFRB (including any proceeds of City borrowings and, to the extent now deposited with the City Comptroller, receipts from operations of independent corporations or agencies, but excluding any revenues otherwise required to be deposited by specific federal law or regulation). It is contemplated that these new special accounts of the EFRB would substantially correspond to the accounts now maintained by the City Comptroller and that deposit of funds into these accounts would be handled in substantially the same manner as funds are now deposited in the City Comptroller's accounts. Temporary investment of funds in the EFRB's special accounts would be handled by the City Comptroller's staff.

(c) Funds would be disbursed from the EFRB's accounts only pursuant to requisitions certifying that such expenditures are in accordance with the financial plan as then in effect and in accordance with such procedures as the EFRB may from time to time specify to assure that such funds would be expended in accordance with the financial plan. It
is contemplated that the City Comptroller's staff would handle the mechanics of disbursement of such funds in substantially the same manner as at present, except that the prior approval of the EFRB would be required for assurance of compliance with the financial plan.

(d) The State Comptroller would on a quarterly basis provide the EFRB with a statement of the City's debt service requirements for the following quarter and the EFRB would be responsible for reserving in its special accounts sufficient funds to meet such requirements as they mature.

(e) If at any time the EFRB should determine that there were or would be insufficient funds in its accounts to pay all expenditures contemplated by the financial plan, funds in the accounts would be held and disbursed in such amounts as first to assure payment in full of all debt service obligations, next to such other purposes as might be entitled to priority over other liabilities pursuant to constitutional, statutory or binding contractual obligations, and the balance would be allocated for payment as specified by the City government for expenditures in accordance with the financial plan. In event of the failure of the City to specify, the EFRB could withhold payment of any such other liabilities or could direct their payment pro rata.
(f) The EFRB would have the right to receive, on such basis, at such times and in such detail as it might from time to time specify, all financial statements, projections and other budgetary data and material of the City (and its independent corporations and agencies) and the right to inspect, copy and audit all books and records of the City (and independent corporations and agencies).

(g) The EFRB would approve all major City contracts (including those of independent corporations and agencies), with such exceptions and limitations as it may approve, to assure their economic feasibility within the financial plan.

(h) Without limiting the obligations and limitations imposed by the MAC legislation, the prior approval of the EFRB would be required for all City borrowing, whether short-term or long-term. The EFRB would consult and coordinate with MAC on these decisions and would receive reports from MAC on its review of the City.

(i) The EFRB would coordinate with MAC and rely upon its staff and the staff of the State Comptroller in performing its functions of analysis, review and monitoring of City income and expenditures. The development of a significant staff within the EFRB is not anticipated.
3. **Special Deputy State Comptroller for New York City**

A new post of Special Deputy State Comptroller for New York City would be authorized and the State Comptroller would designate such official.

The Special Deputy State Comptroller would receive a salary of $ per year.

The Special Deputy State Comptroller would be empowered, in order to assure the feasibility of the financial plan and operational compliance with the financial plan and to improve the efficiency of City operations:

(a) To review the operations of such City departments and operations (including independent corporations and agencies) as he may determine, to audit compliance with the financial plan and to examine the efficiency and productivity of operations;

(b) To recommend to the EFRB such measures relating to the operation and management of the City as he may deem expedient;

(c) To keep EFRB fully advised of the financial condition of the City and of its future financial needs; and

(d) To review the preparation of the City's expense and capital budgets and the financial plan, to review the need for modifications thereto and to advise EFRB with respect thereto.
A supplemental appropriation will be requested to enable the Special Deputy State Comptroller to engage sufficient staff and, if expedient, independent consultants, to conduct the review, audit and recommendation responsibilities described above on a timely basis.

4. **Specific Limitation on City Expenditures**

The following specific limitation on City expenditures would be enacted, to continue through the emergency period (or such other period as specifically provided below).

(i) All or any part of increases in salary or wages to City employees (including employees of independent corporations and agencies) which have taken effect since June 30, 1975 or which would take effect after that date pursuant to collective bargaining and other analogous contracts or requiring such salary increases as of July 1, 1975 or any subsequent date, shall be suspended. All or any part of increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan and step-ups or increments which have taken effect since June 30, 1975 or which would take effect after the date pursuant to collective bargaining agreements and other analogous contracts requiring such increased payments as of July 1, 1975 or any date thereafter shall, in the same manner, be
suspended. For purposes of computing the pension base of retirement allowances, the suspended salary or wage increases and the other suspended payments referred to above shall not be considered as part of compensation or final compensation or annual salary earned or earnable. The foregoing suspensions shall be effective for the first pay period ending on or after September 1, 1975 and shall continue for one year thereafter and, if found necessary by the EFRB, to achieve the objectives of the financial plan, may be continued further for all or part of the duration of this fiscal emergency.

(ii) The foregoing provisions of paragraph (i) shall not be applicable to any public employee or group of employees who have voluntarily (by appropriate action by a union representing them or otherwise) by an instrument in writing agreed to a deferment of salary or wage increases, which has been certified by the Mayor on or before _________ 1975, or certified by the EFRB after _________ 1975, as acceptable and appropriate for alleviating the City's fiscal emergency. The EFRB, if it finds that the fiscal emergency has been alleviated or for any other appropriate reason, may authorize by written order that the suspensions or deferments of salary or wage increases or of other increase payments shall, in whole or any specified part, be terminated.
5. Remedies for Violation of Provisions for Management of City Finances

City officials (including officials of independent corporations or agencies) violating the foregoing provisions for management of City finances would be subject to:

(a) A statute making it a criminal offense for any City official (i) to permit the expenditure of funds in excess of amounts authorized or for purposes other than those certified, or (ii) knowingly to present or cause to be presented to the EFRB or to the Special Deputy State Controller or to MAC inaccurate financial information (including projections or estimates), or to fail to correct any such information upon learning that it was or has become inaccurate; and

(b) Removal from office by the Governor for failure to comply, or to require compliance by his subordinates, with the foregoing requirements relating to the management of City finances.

6. Increasing Availability of Funds to the City

Recognizing that in the current investment climate the City may not be able to market its own securities as soon as had been anticipated at the time of the original MAC legislation, the following proposals would be enacted:
(a) Increase and Extension of MAC Borrowing Authorization

MAC's authority to issue obligations would be increased from $3 billion to $4 billion and the maximum maturity period for which MAC is authorized to issue securities would be extended from 15 to 20 years from the date of the original issue. If an increase in MAC's revenue stream to support this increase in its borrowing capacity is required, it is anticipated that unallocated State aid to the City (subject, however, to existing liens on such aid) would be directed to MAC, in substantially the same manner as the stock transfer tax fund is now directed, effective April 1, 1976.

(b) Authorization to Apply City Notes in Payment of City Securities

As an added inducement to purchase City notes, holders of such notes issued after the effective date of the proposed legislation would be able at or after the maturity of such notes, to surrender such notes, with accrued interest thereon, for credit dollar-for-dollar, against any City taxes owed by such holder. (The sales taxes and stock transfer taxes now allocated as a revenue stream for MAC bonds are of course State taxes and would not be subject to such application of City notes.)