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**MUNICIPAL  
ASSISTANCE  
CORPORATION  
FOR THE CITY  
OF NEW YORK**

TO: Edward V. Reagan  
FROM: Bernard J. Kabak   
DATE: January 5, 1996  
RE: Linkage between MAC Bonds and Existence of Financial Control Board.

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This memorandum describes and comments on the statutory linkage between MAC bonds and the existence of the Financial Control Board, a matter that was touched upon at Wednesday's meeting with S&P.

Linkage under the Current Statutes

By law, MAC is required to include in all its bonds New York State's pledge and agreement, made for the benefit of MAC's bondholders, that the State will not terminate the existence of the Financial Control Board (or restrict its powers or change its composition so that it is no longer State controlled) as long as bonds containing this pledge and agreement remain outstanding. Also by law, no MAC bond may mature later than July 1, 2008. Together, these two provisions determine the life of the Control Board: the Financial Emergency Act (which creates the Board) terminates when all bonds containing the State's pledge and agreement have been retired, in all events no later than July 1, 2008.

Comment

Should the Legislature wish to extend MAC's issuance authority beyond 2008, and should it also wish to condition this extension of financing benefits to New York City on the continuation of outside monitoring and control, it could do so without having to invent a new monitoring arrangement. It could simply amend the termination provision of the Financial Emergency Act and extend the life of the Control Board. The possibility, perhaps the likelihood, that the Legislature would do something along these lines is a disincentive for extending MAC's issuance authority from two perspectives: New York City, viewing the Control Board as an impairment of its right to govern itself and as an irritating vestige of the fiscal crisis, will not want to see the Board's life extended; and no Governor will want to be further entangled in the financial affairs of the City as ex officio Chairman of the Control Board, a bothersome diversion from his or her Albany responsibilities.

cc: Richard Larkin  
David Hitchcock