



New York City Comptroller
John C. Liu

STATEMENT

PR11-07-067
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July 29, 2011
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LIU ISSUES DEBT CEILING ADVISORY

*Memo to Mayor and City Council Outlines Possible Effects on NYC’s Finances,
Puts Forth Contingency Plans if Debt Talks Fail*

NEW YORK, NY – City Comptroller John C. Liu today issued a Debt Ceiling Advisory outlining potential effects on the City’s finances, and offered recommendations to help offset the potential risks, if a deal is not struck in Washington to raise the nation’s debt limit.

“As inconceivable as it seems, Washington appears stuck in a quagmire just days from the hard deadline for a debt ceiling resolution. The irresponsibility and ineptitude being demonstrated in our nation’s capital could cause profound damage to our City, first and foremost with more than one million seniors and disabled New Yorkers being cut off from their primary source of income,” Comptroller Liu said. “After weeks of monitoring the situation, my office issued an advisory outlining the financial threat to our City and calling for an immediate mobilization of our resources to evaluate and shore up our preparedness.”

Liu has recommended the creation of an emergency Debt Ceiling Task Force, comprised of representatives of the Comptroller’s Office, Mayor’s Office of Management and Budget, New York City Council, and other relevant parties to begin meeting immediately to discuss the City’s options.

In addition, Comptroller Liu has put forth recommendations for discussion in the event that an agreement in Washington is not reached.

Since a failure to extend the debt ceiling could potentially result in a stoppage of federal payments, including Social Security benefits to 1.1 million New York City seniors and disabled persons, Liu is calling for the Task Force to explore any and all possibilities for the City to temporarily help finance these payments to ensure that the City’s most vulnerable are cared for.

Comptroller Liu has also recommended that the City work together with banking institutions to establish mechanisms to open credit to seniors in the event that an agreement is not reached and has requested an analysis of how City-funded service providers to the elderly and disabled could receive additional support if their client load increases.

A review of the City’s finances has highlighted five impact areas that may be affected by the lack of a deal in Washington. Each area was assigned delegation of “HIGH, MEDIUM or LOW” depending on the potential impact.

IMPACT ON NYC SOCIAL SECURITY BENEFICIARIES – HIGH

Liu said that New Yorkers who will feel the brunt of the inaction in Washington are the City's seniors, many of whom rely solely on Social Security as their main source of income. The lack of an agreement on the debt ceiling could result in more than 1 million seniors and disabled persons being denied their payments each month, totaling \$1.1 billion. See the chart below

NYC Social Security Recipient Population Profile, December 2010

	# Beneficiaries	Total Benefits	Per Recipient Monthly Benefit
Bronx	176,450	\$169,942,000	\$963
Brooklyn	301,475	\$298,082,000	\$989
Manhattan	235,805	\$276,498,000	\$1,173
Queens	300,695	\$324,533,000	\$1,079
Staten Island	81,015	\$95,707,000	\$1,181
NYC Total	1,095,440	\$1,164,762,000	\$1,063

Source: OASDI Beneficiaries by State and County, 2010, U.S. Social Security Administration.

*Note: This estimate shows a deviation of 20 recipients greater than reflected in NYC Aggregate Profile

IMPACT ON MEDICAID, MEDICARE AND PUBLIC ASSISTANCE PROGRAMS – MEDIUM

Several major social service programs in New York City could be at risk if the debt ceiling is not increased. Federal Medicaid support totals more than \$1 billion monthly. A delay could affect the state's ability to pay Medicaid service providers on a timely basis. This could also affect health care providers.

IMPACT ON NYC CASH POSITION – LOW

Because of the City's financial strength, our cash position is such that it will be able to sustain the delay of federal and state aid receipts. The City currently has \$6.9 billion in cash on hand and is expected to continue to meet its normal obligations, including payroll, vendor payments and interest payments on outstanding debt.

IMPACT ON MUNICIPAL BOND MARKETS – MEDIUM

The City has successfully managed its capital borrowing through prior periods of market turmoil, such as the fallout from the Lehman Brothers bankruptcy in 2008. However, higher interest rates would hit City taxpayers directly and for an extended period. The Comptroller's Office is monitoring the capital markets very closely to minimize any impacts on the City's capital borrowing from the current debt ceiling debate.

IMPACT ON CITY'S PENSION FUNDS – MEDIUM

It is assumed that any failure to raise the debt ceiling would have an impact on the financial markets. With over \$7 billion of short term securities, the pension funds are well equipped to make their near term pension payments to beneficiaries regardless of the near term stock and

bond market volatilities. As long-term investors, while the markets will readjust in the short term, the asset allocations may need to be reviewed for the longer term implications.

A full copy of Comptroller Liu's advisory is available at http://comptroller.nyc.gov/press/pdfs/debt_advisory.pdf

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