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League of United Latin American Citizens (LULAC)
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Panel Discussion on “Puerto Rico In Crisis: Charting A Path Forward”
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Good morning. I want to thank LULAC for inviting me to offer brief remarks about the difficult economic situation in the U.S. territory of Puerto Rico and the steps necessary to manage this crisis in the short term and to surmount it in the long term. We have an excellent moderator, and three great panelists, so you can expect a vigorous discussion.

I want to start with this sentiment. Earlier this week, President Obama gave a speech in which he acknowledged that many Americans view Washington as not only broken, but beyond repair. The President encouraged people not to give up hope and to keep fighting for the causes they believe in. “Cynicism is a choice,” he said. But “hope is a better choice.”

This is a good lesson to live by, especially in the case of Puerto Rico. The territory faces daunting challenges, and we should not pretend otherwise. It is understandable for people who love the island to become pessimistic and even despairing. But they should choose hope over cynicism—and keep fighting for a better, stronger Puerto Rico. I, for one, am confident that the situation will improve.

Now, let me frame the problem as I perceive it.

The financial picture in Puerto Rico is, to be sure, discouraging. The Puerto Rico government, including its government-owned corporations, has over \$70 billion dollars in outstanding debt, which is more than the territory's gross national product—the measure typically used by analysts to gauge the size of the Puerto Rico economy. In recent months, the bonds of nearly all of the 17 Puerto Rico entities that issue debt have been downgraded to junk status by the credit rating agencies. Late last month, the Puerto Rico government enacted a local law that would enable certain government-owned corporations to restructure their debt, which set off another round of downgrades, as well as a constitutional challenge filed in federal court.

The economic picture in the territory is also concerning. Puerto Rico's unemployment rate is nearly 14 percent, compared to a U.S. national average of just over six percent. According to the U.S. Labor Department, since the current administration in San Juan took office in January 2013, there has been a net loss of 38,000 jobs—and there are now fewer individuals employed in the territory than at any point since 1992. The median household income in Puerto Rico is around \$19,000 dollars a year, while it is \$51,000 dollars in the states and about \$40,000 dollars for Puerto Ricans living in the states.

Likewise, the demographic trends are bad—and getting worse. We are witnessing an unprecedented exodus of island residents to the states, with about 1,000 of my constituents migrating each week. Puerto Ricans are American citizens, so they don't need a passport or green card to establish residence in Florida, Texas or New York. They just need to be able to

afford the price of a one-way plane ticket. Most of these people depart Puerto Rico with sadness, but they feel compelled to relocate to seek greater opportunities—and a better life—for themselves and their families. We can lament their loss, but we cannot fault them for leaving.

Naturally, as the chairman of the main opposition party in Puerto Rico, which favors statehood for the island, I have objected to many of the policy choices made by the current Governor and the majority party in the Legislative Assembly, who prefer the territorial *status quo* over either statehood or nationhood. I believe their actions, taken as a whole, have made a difficult situation worse not better. I believe the local government's decisions, and their decision-making *process*, have caused the public, the investment community and the credit rating agencies to question the government's capacity, consistency and credibility.

At the same time, however, I know that it is easier for political leaders to disparage someone else's ideas than to develop their own ideas. That is why I have tried to make my criticism constructive, because I have a responsibility to my constituents to propose concrete solutions to Puerto Rico's problems that can be implemented at both the federal and local levels.

One message I have sought to deliver is this. Although Puerto Rico's problems have become much worse in recent months, these problems are *not* of recent vintage. For at least four decades, Puerto Rico's economic performance—and, by extension, quality of life—has been far worse than that of any state according to every indicator. In other words, Puerto Rico's difficulties have endured in more or less the same form over time, regardless of who holds power in Washington and San Juan and irrespective of the policies they formulate. Fiscal

mismanagement at the local level and insufficient attention at the federal level have been factors contributing to Puerto Rico's challenges, but the record clearly establishes they are not the main factor.

What, then, is the principal source of Puerto Rico's longstanding woes? In an editorial last year, the *Washington Post* identified the culprit, noting that the territory's economic problems are "structural—traceable, ultimately, to its muddled political status." Curiously, the *Post* then asserted that "there will be time enough to debate" the status issue later and that Puerto Rico, for the time being, should focus exclusively on fixing its finances.

As I observed in a letter to the *Post*'s editor, this is like a doctor recommending medicine to alleviate a patient's symptoms, but doing nothing to treat the underlying disease. As long as Puerto Rico remains a territory—deprived of equal treatment under federal programs, forced to borrow heavily to make up the difference, and lacking the ability to vote for the president and members of Congress who make our national laws—the island will be in a position merely to manage, rather than to surmount, its economic problems. This is the only reasonable conclusion to draw from decades of empirical evidence—including a recent report by the U.S. Government Accountability Office that confirms that, because Puerto Rico is a territory, it loses up to \$10 billion a year in federal funding.

A majority of my constituents understand that Puerto Rico's territory status is the root cause of the island's economic problems, which is why they voted to reject this status in a referendum held in 2012 and expressed a strong preference for statehood over any of the alternatives. The

President and Members of Congress from both parties recognize this as well, which is why they enacted legislation earlier this year that includes \$2.5 million dollars for Puerto Rico to hold the first federally-sponsored status vote in its history, with the declared purpose of the law being to “resolve” the territory’s status issue. Separately, I have introduced standalone legislation that calls for the federally-authorized vote to be structured as a vote on whether Puerto Rico should be admitted as state and that requires federal action if a majority of voters affirm that they favor admission. This bill is supported by 131 of my colleagues in the House, and an identical bill has been filed in the Senate.

All that remains is for the Governor and Legislative Assembly of Puerto Rico to schedule the statehood admission vote I have proposed, using the federal funds available for this purpose. But they have declined to do so, presumably because they fear the result will not be to their liking. Meanwhile, the territory’s economy continues its downward spiral.

I support statehood for many reasons, but one of the main reasons is that I believe it is the status option that is most likely to strengthen our economy and create jobs, improve the business climate, enable our government to overcome its fiscal problems, and reverse the current migration trend. I also believe that a strong and stable state of Puerto Rico would be in the *national* interest of the United States, a point reinforced by the analysis contained in the recent GAO report that I cited earlier.

I will leave you with this thought. I have never heard an objective observer argue that Puerto Rico can solve its economic problems without resolving its status problem. Those who claim

you can neatly separate the economy and status are wrong. History teaches us an irrefutable lesson. No people has ever prospered economically while being deprived of basic political and civil rights. If Puerto Rico is to succeed, it must be treated equally. And, to be equal, it must become a state.

Thank you.