



Congressman Pedro R. Pierluisi
Closing Remarks
Center for a New Economy Panel Discussion
Is a Federal Fiscal Control Board the Only Option for Puerto Rico?
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Thank you.

I want to thank the Center for a New Economy, particularly Mike and Sergio, for organizing this panel discussion. Let me start by singing CNE's praises. Sergio was invited to testify at two Senate hearings on Puerto Rico last year, and his testimony on both occasions was excellent. I am often contacted by other congressional offices, asking me for a good, non-biased source of information about Puerto Rico's economic and fiscal situation, and I always refer them to CNE. It is a sad reality that Congress and creditors are skeptical about the financial data provided to them by the Puerto Rico government, and so the CNE has become a valuable resource for stakeholders who are attempting in good faith to understand the empirical basis of Puerto Rico's crisis.

Now, turning to the substance of my remarks, I will be very brief and simply make three overarching points.

First: Today, as you know, is the 99th anniversary of the date on which President Woodrow Wilson signed the Jones-Shafroth Act into law, which conferred U.S. citizenship on individuals born in Puerto Rico. The vast majority of Puerto Ricans are immensely proud of their U.S. citizenship, but let's not mince words. We are second-class citizens in this country. We cannot vote for our national leaders—the essence of democracy—and Congress can—and often does—treat Puerto Rico worse than the states under federal programs, whether it be Medicaid, Medicare or Chapter 9 of the bankruptcy code. Puerto Rico's unequal status is both the main cause of our economic and fiscal crisis, and the main reason we cannot overcome this crisis without having to implore Congress for help. In the near future, Puerto Rico must become a state or a sovereign nation, which—let me underscore—are the only two possible alternatives to territory status. We must be first-class citizens in this nation or we must be first-class citizens in our own nation. I strongly prefer the former to the latter, as do most Puerto Ricans. But either option is preferable to the *status quo*, which is an absolute disgrace for both the United States and Puerto Rico. So there is no confusion: the lack of democracy and lack of equality are inherent in our status—and they will exist regardless of how the U.S. Supreme Court rules in the pending case of Puerto Rico v. Sanchez Valle.

My second point is this. I have read the CNE report that is the subject of today's discussion. The report proposes that Puerto Rico enact local legislation establishing robust fiscal rules and targets and penalizing non-compliance with those rules and targets. The report also proposes that Puerto Rico revamp its public financial management systems and strategic budget practices. In the main, I think the report is extraordinarily constructive, clear-eyed, and wise. If and when I

am in a position to do so, I will implement most, if not all, of the recommendations contained in the report.

That brings me to my third, and final, point. If I have one minor quibble with the report, it is that the report proceeds from the premise that Congress is contemplating the establishment of an all-powerful control board that would “essentially command all aspects pertaining to government budgeting and spending.” The report naturally expresses opposition to such a board and therefore proposes a locally-enacted fiscal responsibility law as an alternative to such a board.

However, as I have made clear, I will strongly oppose any legislation in which the members of an independent, federally-appointed board supplant—rather than assist—Puerto Rico’s elected officials. It is possible to draft legislation that gives the board real teeth, that empowers it to establish and enforce fiscal metrics, but that does so in a way that does not violate basic principles of self-government. If the legislation is drafted properly, I believe it can serve as a bridge to a brighter future, can help Puerto Rico get its fiscal house in order, can enable the territory to regain access to the credit markets on reasonable terms, and can receive buy-in from government officials, business leaders, organized labor and regular citizens on the island. Of course, a provision establishing the board must be paired with a provision authorizing Puerto Rico to restructure a meaningful portion of its debt. A bill that provides for a board, but no debt restructuring authority, has little chance of being approved by Congress and signed into law by the President.

A carefully calibrated board legislated at the federal level and prudent fiscal responsibility rules enacted at the local level should be viewed as parallel, complementary and mutually reinforcing options. As I envision it, Puerto Rico officials must become more disciplined when it comes to budgeting and fiscal policymaking and, if we are, the board will become redundant very quickly and will be dissolved within a short period of time—just as it was in the case of the board established for Washington, DC in 1995.

As everyone in this room is aware, politics is the art of the possible, and principled compromise is the currency of the realm. It is clear that the establishment of an independent board is required for passage of broader federal legislation on Puerto Rico. Island leaders must recognize this reality and work within it. Trust me when I say that no bill will pass in this Congress if I do not believe it represents a net positive for Puerto Rico.

Thank you again for organizing this great discussion.