



The Hon. Pedro R. Pierluisi
Oral Testimony
“Financial and Economic Challenges in Puerto Rico”
Senate Committee on Finance
September 29, 2015

Chairman Hatch, Ranking Member Wyden, and Members of the Committee: thank you.

The crisis in Puerto Rico is not new. The 3.5 million U.S. citizens I represent have endured it for many years.

Based on any metric, Puerto Rico’s economy has lagged behind the states for decades. The Puerto Rico government spends more than it receives, leading to deficits and debt. *My* constituents are becoming *your* constituents in unprecedented numbers. Between 2004 and 2014, Puerto Rico’s population declined by over 7 percent. The exodus is changing the character of Puerto Rico and the composition of the American electorate.

To tackle the crisis, we must act with boldness and vision. If we are faint-hearted, we will fail.

The core economic problem is lack of growth, so Puerto Rico must implement a strategy to increase capital investment.

Government reform is essential. Puerto Rico has an inefficient central government whose competence and credibility are questioned by prospective investors. The government has stifled—rather than unleashed—the private sector’s potential.

Fiscal reform is also required. The Puerto Rico government must live within its means and cut spending. It must modernize its tax system, which requires some companies to pay 39 percent and others to pay under 5 percent. Recently, the government increased taxes to support its excess spending. These taxes must be repealed or refashioned. Once Puerto Rico has an equitable tax policy, the government must collect what it imposes—something it now does poorly.

Furthermore, the Puerto Rico government must ensure access to affordable electricity, a modern transportation system, and other basic infrastructure. Many of these services are provided by public corporations that are in financial distress, carry significant debt, and require reform.

The governor of Puerto Rico has asserted that, if Puerto Rico continues on its present course, its \$71 billion dollar debt is “unpayable.” But this course can—and must—change. With sound economic and fiscal policies, the debt will become easier to manage. Puerto Rico’s constitution provides that debt service on bonds issued or guaranteed by the central government take priority over other expenditures. These bonds must be paid—period. There are 18 government entities in Puerto Rico that issue bonds. Each is in different financial condition and has different legal terms governing its bonds. Contrary to the governor’s strategy, each should be considered on a case-by-case basis. Finally, the governor has portrayed the debate about whether Puerto Rico will meet its obligations to creditors as “us” versus “them.” The countless men and women from Puerto Rico who own our bonds know better.

Like the people of Puerto Rico, Congress is right to expect more from the Puerto Rico government. But it would be the height of hypocrisy for this Committee to criticize Puerto Rico without acknowledging the federal government’s shared responsibility for this crisis.

The crisis is rooted in Puerto Rico’s undemocratic and undignified territory status. Congress treats Puerto Rico in discriminatory fashion under numerous programs within this Committee’s jurisdiction. My Senate allies and I have filed bills to address these disparities, and the Committee should act on them. Otherwise, spare us the lectures about Puerto Rico’s own failings. This is not just a Puerto Rico problem; it is an American problem, requiring an American solution.

If you treat us like second-class citizens, don’t expect us to have a first-class economy.

If you treat us in appalling fashion under Medicaid and Medicare, don’t claim surprise that our health care system is in dire condition.

If you exclude us from tax credits that encourage individuals to work, don’t add insult to injury by attributing our low labor participation rate to generous welfare benefits or urging our exemption from the minimum wage.

If you don’t extend the SSI program to Puerto Rico, and you treat us unequally under TANF, don’t express disbelief that one in four Puerto Rico residents lives in extreme poverty.

I look forward to the day when my constituents have the exact same rights and responsibilities as your constituents. For Puerto Rico to prosper, it must be treated equally. And to be treated equally, it must become a state. Until then, there is much this Committee can do to empower Puerto Rico. I urge you to act.

Thank you.