



The Hon. Pedro R. Pierluisi
Opening Statement As Prepared for Delivery
Legislative Hearing on the *Puerto Rico Oversight, Management, and Economic Stability Act*
House Committee on Natural Resources
April 12, 2016

Thank you.

Chairman Bishop, I want to begin by thanking you and your staff for the hard work you have put into this bill. You have been a gentleman—tough when you need to be, but always open and fair. I know the responsibility you have been handed is heavy and, at times, thankless. But you, and I, and our colleagues should not lose sight of the stakes here, and never forget how much what we are doing matters to regular people, whether it is a teacher in Aguadilla, a doctor in Ponce, a policeman in Mayaguez, a special needs student in Caguas, or a middle-class family in San Juan or Salt Lake City who bought a Puerto Rico government bond and is concerned about their investment. If we cannot get a balanced, bipartisan bill to the President’s desk, the consequences for Puerto Rico and the island’s creditors are likely to be grave. Trust me, there are provisions in this bill that I dislike, and there are items not in the bill—like equity under Medicaid and refundable tax credits—that I believe should have been included. It is easy to object to a bad provision in the bill, or to the exclusion of a good provision from the bill, and therefore to say “no” to the entire bill. But I respect those on both sides of the aisle who are looking at the bill holistically and working hard to get to “yes.”

The broad question I will pose to our witnesses today is this: Does the bill achieve its intended purpose, which is to help Puerto Rico address its current crisis, and create the foundation for a brighter future?

Let me break the bill down into its component parts.

First, Title I and Title II establish a seven-member, temporary, independent oversight board, subject to strong ethics and conflict-of-interest rules, given specific responsibilities, that will terminate once certain conditions are satisfied. Chairman Bishop and I worked together on these titles, and—while this point is subject to reasonable debate—I believe these titles are a dramatic improvement over the earlier version of the bill and now more or less strike the appropriate balance between effectiveness in instilling fiscal discipline and respect for the democratic process. The board’s main function is to provide broad oversight of fiscal policymaking in Puerto Rico. The board will provide guardrails for the government of Puerto Rico, but in no way supplant the territory’s elected leaders. The governor will be responsible for developing a long-term fiscal plan, and the governor and legislative assembly will be responsible for crafting annual budgets in line with that fiscal plan, subject to the board’s ultimate approval. During the fiscal year, compliance with the budget will be monitored, any material variances between what was projected to occur and what is actually occurring will be identified, and Puerto Rico’s elected leaders will have multiple opportunities to take remedial action as they deem appropriate. In short, the board will have a supervisory role and will only assume a more active, hands-on role as a last resort. I will ask the witnesses whether they believe the board’s powers are properly calibrated.

Second, Section 206, Title III, and Title VI, taken together, provide Puerto Rico with a debt restructuring mechanism. Section 407 provides the territory government with a temporary stay of litigation, which—let me underscore—is intended to create an environment for consensual negotiations with creditors and not to encourage otherwise avoidable defaults. Under the collective action provision in Title VI, the oversight board will help debt-issuing entities in Puerto Rico and their creditors try to reach voluntary agreements to restructure debt. If an entity reaches an agreement with a sufficient number of creditors, who will be grouped into pools or classes, that agreement will become binding on all creditors in that pool. However, if an agreement cannot be reached, the board may authorize the entity to go to court and adjust debt using the bankruptcy code provisions that apply in every state in the nation. I will ask the witnesses, especially Mr. Weiss, about these provisions of the bill, whether they are workable, and—if not—what changes need to be made to make them work.

Thank you.