

Written Testimony of the Hon. Antonio L. Soto-Torres on behalf of  
Johnny Mendez  
Speaker  
Puerto Rico House of Representatives

Before the

Natural Resources Committee  
United States House of Representatives

“To amend the Puerto Rico Oversight, Management, and Economic Stability Act or  
‘PROMESA,’ and for other purposes.”

October 22, 2019

Dear Chairman Grijalva, Ranking Member Bishop and members of the Committee, on behalf of the Puerto Rico House of Representatives and most important our constituents, we thank you all for the opportunity given us today to express our comments and concerns regarding the Amendments to the PROMESA Act of 2019.

We would like to express our appreciation to the continuous efforts by the members of this Committee in the recovery process of Puerto Rico after hurricanes Irma and Maria. We would also like to thank our Congresswoman Jenniffer Gonzalez for her ongoing work for our beloved Islands<sup>1</sup>.

In 2016 the U.S. Congress approved and President Barack Obama signed the Puerto Rico Oversight, Management, and Economic Stability Act also known as “PROMESA”. Among many things, PROMESA created the Financial Oversight and Management Board (hereinafter “Board”) with the intention to bring financial stability to Puerto Rico, which included restructuring the Island’s debt and creating economic development.

We would like to point out and make clear that PROMESA was enacted under the plenary powers conferred to Congress under the Territorial Clause established in Article VI, Section 3, Clause 2 of the U.S. Constitution.

Since 1898, Puerto Rico has been a territory of the United States. The creation of the Board and the imposed rules established by PROMESA can only be conceded and approved upon territories in accordance with the U.S. Constitution, not to any state of the Union. We need to remind Congress that Puerto Rico, not only has rejected the territorial status, but favored statehood in the most recent plebiscites held in both 2012 and 2017. None of these electoral events were contested or challenged in any court of law. On the contrary, they represented the will and the voice of the US citizens in Puerto Rico who participated freely and voluntarily and demanded full integration of Puerto Rico with the United States. Let us also not forget that Section 402 of PROMESA establishes that: “[n]othing in this Act shall be interpreted to restrict

<sup>1</sup> Puerto Rico consists of 78 municipalities, which includes the Island-Municipalities of Culebra and Vieques.

Puerto Rico's right to determine its future political status, including by conducting the plebiscite as authorized by Public Law 113-76." We request Congress to act now.

The importance of territorial status of Puerto Rico and the political hiatus in which 3.4 million US citizens live on a daily basis in our Islands should be of concern and interest to our fellow Americans. Today Congress could be acting upon the full incorporation of Puerto Rico as a State instead of amendments to PROMESA and the Board imposed over the US citizens in Puerto Rico. Statehood might not solve all problems at once, but definitely provides a better chance to obtain equal rights and a better life. Even our founding fathers expressed this sentiment and belief in the Declaration of Independence, and I quote: "[w]e hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator, with certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness." It is our wish to obtain all these unalienable rights.

Regardless, the Puerto Rico House of Representatives has worked with the Board created under PROMESA. At the same time, we have expressed that we are not going to give up on our position that the Board cannot interfere in public policy matters which fall under the responsibility of the elected officials of Puerto Rico. We will work and contribute with the Board, but never resign to our duty, so it can fulfill its mandate and implement the recommendations made in the report of the Congressional Task Force created by PROMESA.<sup>2</sup> This report specified that the "U.S. citizens in Puerto Rico confront significant economic, financial, and social challenges. A review of Puerto Rico's history demonstrates that these challenges are enduring, not transitory." The main reason for this enduring challenge is the territorial status.

At the Puerto Rico House of Representatives our goals are clear. We need to provide to the US citizens in our archipelago the opportunity to act and excel. It is our task as their elected officials to contribute to the economic growth and rebirth of the Islands. We have worked closely with the Governor of Puerto Rico, Hon. Wanda Vazquez and our colleagues in the Senate to make sure our constituents can have a brighter and better future. For the first time since 2004, the Planning Board declared that we will have an economic growth of four point one percent (4.1 %), which is the highest in the past 36 years, even after hurricanes Irma and Maria. For the first time since the 1970s, the government's public debt was reduced by ten percent (10 %). These are real accomplishments but we can't stop here.

On May 2019, we had eight hundred and seventy one thousand (871,000) people employed according to a Department of Labor and Human Resources' survey. This represents an increase of one point six percent (1.6 %) over the same month last year. Employment has been increasing and we expect to continue this path, but still we can do more. In regards to the budget for next fiscal year, revenues to the General Fund have been greater than those projected. Also, in a historical effort we have reduced public spending.

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<sup>2</sup> Which included passing federal legislation in favor of equal resources for Medicaid and improving Medicare Part A (hospital services), Part B (medical services), Part C (Advantage Programs) and Part D (drug coverage), among other.


Recently we have approved various laws in order to attack the economic recession which has endured for more than 10 years in Puerto Rico. We adopted a new Incentives Code (Law 60 of 2019) which allows to bring specialized and expertise staff. Also it incorporates tax credits for the film industry: a 40% credit for eligible domestic expenses and 20% for eligible non-resident expenses. In addition, digital distribution projects qualify, which is a big step in the creation of a new industry.

We have increased the assistance to special education students and programs along with better services and opportunities for our senior citizens. We are also working to offer an improved hospital to the island municipality of Vieques while also looking to provide for a better maritime transportation system between the Island of Puerto Rico, Culebra and Vieques. Even though we have done so much, we still have plenty to do. Imagine all the things we could attain if Congress granted Puerto Rico's request to be the next state of the Union.

In regards to the Amendments to the PROMESA Act of 2019 (hereinafter "APA 2019"), we want to be clear that we will support any congressional bill that will benefit and contribute for a better quality of life for the US citizens in Puerto Rico. We definitely support all actions, like those in section 3, 4, and 5 of APA 2019, that can and will contribute for a better education, public safety, healthcare system, pensions, investment and the creation of jobs, reduce unemployment, expand the workforce, reduce informal economy, increase medium household income, reduce poverty level, among others.


We also agree that there needs to be total transparency with governmental transactions, like expressed in section 6 of APA 2019, this is the least our people deserve. So we support disclosure of professional persons employed in order to submit a verified statement setting forth the professional connections with debtors, creditors, third party with interest, attorneys, accountants, Oversight Board, and any person employed by the Oversight Board.

We also believe it is necessary to provide trust to our constituency, so all documents relating to the public debt of the Government of Puerto Rico should be classified as a public document. See section 7 of APA 2019.



We understand and believe the Government of Puerto Rico it's headed in the right track to gain the trust of the market and investors. This Administration, with the support of our local legislative leadership hasn't hesitated to meet the financial obligations and to comply with federal and local laws. The new section 9 as proposed by APA 2019 establishes a mechanism that allows for unsecured financial obligations to be discharged. In order for any discharge of an unsecured financial obligation to be feasible, the trust of the Government of Puerto Rico or its entities can't be put in harm's way. It is necessary to have a balance of what the public interest needs in order to provide a stable and economic atmosphere for investment.

We have always supported a comprehensive audit of Puerto Rico's public debt since 1972 until present, including its instrumentalities, in order to provide a clean and transparent process. But this audit has to be done in accordance to and with the endorsement of the federal government. We will support any bill or measure that can bring peace of mind to the people in Puerto Rico. According to the bill, the funding would be appropriated as necessary to carry out its duties. See section 10 of APA 2019.




After hurricanes Irma and Maria, the Government of Puerto Rico created the Central Office of Recovery, Reconstruction and Resiliency (known as "COR3"), in order to provide disaster planning and transparent procedures. Its Executive Director is the person in charge and liaison between the Puerto Rico Government, its municipalities, and FEMA. The creation of the Office of Reconstruction Coordinator for Puerto Rico according to Section 11 of APA 2019 would carry out most or the same duties the COR3 Director so far has carried out.


Local Law 17 of 2019 established the Energy Public Policy Law of Puerto Rico. This Law allows for the total transformation of energy, including generation, transmission and distribution. Section 12 of APA 2019 creates the position of Revitalization Coordinator which would be the person who would exercise supervision, control and oversight of the operations of the Puerto Rico Electric Power Authority and direct the reconstruction of the electric grid of our archipelago.

The best way to provide justice to the Islands is not by amending PROMESA, but by providing the necessary tools to fully incorporate Puerto Rico as a state of the Union. President William J. Clinton once said about Puerto Rico: "[s]ome people question the option of statehood because of the Hispanic culture of Puerto Rico. And with all respect, I disagree with them. After all, this is an issue for the 21<sup>st</sup> century for America." And in the words of our beloved President George H.W. Bush: "[t]here's another issue that I've decided to mention here tonight. I've long believed that the people of Puerto Rico should have the right to determine their own political future. Personally, I strongly favor statehood. But I urge the Congress to take the necessary steps to allow the people to decide in a referendum". Two great American Presidents that didn't hide their support for Puerto Rico.

Nevertheless we respectfully submit an enclosed document suggesting several additional amendments to APA 2019. Our suggestions are based in the three years of experience working with the Board.

 We humbly appreciate once again the opportunity given to us. Should you require any additional information feel free to contact us at any time. Thank you for your time and consideration. May God bless the United States of America.

Respectfully submitted,

  
Hon. Antonio "Tony" Soto-Torres  
Chairman  
Treasury, Budget and PROMESA Committee