

U.S. House of Representatives

Committee on Natural Resources

Washington, DC 20515

April 6, 2018

Mr. Jose B. Carrion III
Chairman
Financial Oversight and Management Board of Puerto Rico
PO Box 192018
San Juan, PR 00919-218

Dear Chairman Carrion and Members of the Financial Oversight and Management Board:

I am writing to condemn the Puerto Rico Oversight Management and Economic Stability Act, (PROMESA) Oversight Board's insistence that the revised Puerto Rico Fiscal Plan submitted by Governor Ricardo Rosselló must include additional extreme austerity measures. As someone who opposed the Board taking this approach from its inception, I am compelled to express support for efforts to resist your demand for further pain to the Puerto Rican people which include: cuts in public employee pensions by an average of 10 percent, as well as various labor reforms, including at-will employment by the start of 2019, voluntary Christmas bonuses, reduction in mandatory vacation and sick leave, and a work requirement for the Nutritional Assistance Program by 2021.

There is no doubt that more deep cuts will mean more great and immediate pain for the residents of Puerto Rico. It is equally clear to economists that further austerity will do more harm than good for efforts to help Puerto Rico overhaul its economy and repay more of its debt.

The Board's insistence on additional cuts callously ignores the suffering the Puerto Rican people continue to endure since being struck last fall by two category five hurricanes—Maria and Irma. Six months later, the island is still a long way from recovery. Federal workers there are still in emergency mode: The Federal Emergency Management Agency (FEMA) is still distributing food and water supplies; the Army Corps of Engineers is still picking up hurricane debris and installing blue roofs on damaged homes.¹

Meanwhile, Puerto Rican bondholders are giddy with optimism at budget projections showing the government in Puerto Rico will, in the next five years, have money available to begin to restore some of the basic functions of government that have already been eviscerated by excessive austerity; bondholders are anticipating that they will be able to reallocate those scarce funds to their own pockets.

The budget projections that expect funds to be available in five years are not credible. The most recent fiscal plan projects an increase in real gross national product (GNP) of 19.4 percentage

¹ <https://www.vox.com/policy-and-politics/2018/3/20/17138990/puerto-rico-hurricane-maria-6-months>

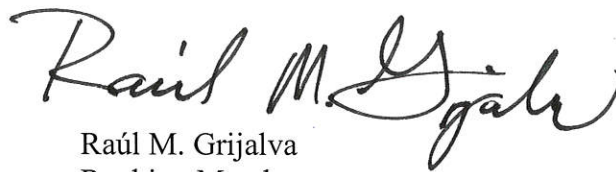
points between now and the fiscal year ending on June 30, 2019. This is a growth projection that is unheard of in the world economy, and even more so when compared with Puerto Rico's history, according to several economists.² Any justifications for more austerity must be grounded in realistic budget projections.

Even if the projections were credible, handing over funds that would help the island's economic recovery and provide immediate relief to the people of Puerto Rico to bondholders would be unconscionable. If the newly acquired federal funds for rebuilding after the storms were actually spent only on recovery instead of being funneled to bondholders, Puerto Rico would still face the major economic challenges that predated the storms, in addition to a wholly inadequate hurricane recovery response by their federal government. More than 45 percent of residents live in poverty, workforce participation is about 40 percent and the fiscal plan projects the population will still shrink.

No final Fiscal Plan should prioritize debt payments over the health and welfare of the Puerto Rican people. At a minimum, there should not be any debt repayment until there is sustained positive economic growth.

I urge you and your fellow PROMESA Oversight Board members to approve a Fiscal Plan that does not fall on the backs of the Puerto Rican people. Doing otherwise will only lead to social unrest and the further depopulation of the island which I submit is not a formula for sustained, positive economic growth.

Sincerely yours,



Raúl M. Grijalva
Ranking Member
House Committee on Natural Resources

Cc:

Andrew G. Biggs, Member, Financial Oversight and Management Board of Puerto Rico
Carlos M. García, Member, Financial Oversight and Management Board of Puerto Rico
Arthur J. González, Member, Financial Oversight and Management Board of Puerto Rico
José R. González, Member, Financial Oversight and Management Board of Puerto Rico
Ana J. Matosantos, Member, Financial Oversight and Management Board of Puerto Rico
David A. Skeel, Member, Financial Oversight and Management Board of Puerto Rico

² <https://cityandstateny.com/articles/policy/policy/fantasy-fiscal-plan-puerto-rico.html>