



Rafael "Tatito" Hernandez Montanez

PDP Delegation Leader
District 11 Representative
Dorado - Vega Alta - Vega Baja

October 18, 2019

The Hon. Raul M. Grijalva
Chairman - Committee on Natural Resources
The House of Representatives
United States Congress
Washington, DC

Dear Mr. Chairman:

PROMESA is an imperfect solution to a frightening challenge Puerto Rico faced in 2016. No matter how many amendments we agree on today, we will never make it perfect. All of this could have been avoided had the Congress adopted for Puerto Rico a Super Chapter 9 of the Bankruptcy Law.

Why is this important? Had the Government of Puerto Rico three years ago, represented itself in the Bankruptcy Court, directly with its own lawyers, this costly and exhausting litigation would have ended by now, and we wouldn't be here today.

The Oversight Board is a distraction and has become the perfect political -excuse for the local government to agree something with the Board and then say something different to the public. The result- the Government hides behind the Board and creates political, social and economic instability in Puerto Rico.

But here we are. Congress will not eliminate the Board, which would be our preference, so we have to continue to work very hard to meet the conditions you imposed on us, to pave the way for the Board to get out. To this end, I am fully committed.

We applaud that the U.S. Government assume responsibility for the payment of all expenses of the Board. Although it is implied that the Board will then have to comply with all the regulations in the use of federal funds required by the U.S. Treasury, something that has been absent heretofore, we urge the Committee to consider enacting restrictions to avoid conflicts of interest in the hiring of contractors by the Board to defend self-interests of its members.

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Local administrations have refused to define essential services for purely political reasons- because of the incapacity of politicians to be straightforward with the people. My suggestion is that we should strive to agree on a certain percentage of the total budget to be designated as a reasonable maximum amount that the government will set aside from its budget to pay for these services. We can look at the last ten years and see how much we spent on essential services as a percentage of total expenditures and agree on a number.

The strongest criticism to PROMESA has been that it did not provide for economic development, when we all know that the solution to our fiscal problems is to grow our economy. The proposed amendments set specific economic objectives that the Board should strive for, but it lacks metrics. If we don't set measurable goals, little will be done.

Since fiscal plans for the next few years were drafted based on the flow of funds for the reconstruction of Puerto Rico, both federal and private, I suggest that PROMESA order the Board to draw plans based on a 5% GNP annual, sustained growth from 2023 on, and provide the specifics as to how this will be accomplished.

What will happen when reconstruction funds end? The Board needs to sit down now with our government to identify the competitive advantages that Puerto Rico offers investors, and both, the Board and the Government, lobby Congress to legislate those incentives that will attract the capital that is needed to grow the economy. Needless to say, Puerto Rico cannot plan ahead its economic future on uncertainties such as the federal credit to foreign companies, the recently enacted tax reform in the U.S., and total dependence on concessions from the federal government- none of which provide a permanent solution to our economic challenges.

In complete agreement with your amendment calling for total transparency in relation to contracting consultants, lawyers and accountants by the Board, as Congresswoman Velazquez has been pushing for some time now. Requiring access to information and auditing the debt will also support this goal.

In complete agreement with the elimination of the position of the . Infrastructure Coordinator. PROMESA created this position to coordinate critical projects in infrastructure. To this date, the Board has not approved one single critical project, except a housing development that is embroiled in serious controversies. An investigation by the local House of Representatives revealed that the then Coordinator and his attorney exerted undue pressure on certain House members, as denounced by the Speaker of the House in a recent public hearing.

But the crucial need for infrastructure investment, particularly after Hurricane Maria exists, now more than ever, and we are glad that you are addressing this issue with the creation of a Reconstruction Coordinator. This is all very positive, but not enough.

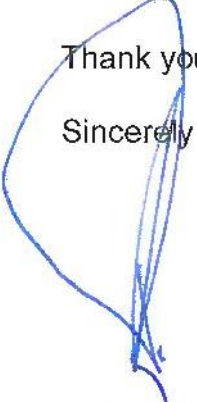
The real need right now is the oversight and effective coordination of the federal agencies to accelerate the disbursement of millions of dollars already approved by Congress, and his role should include these additional responsibilities as a priority.

We cannot support the appointment by the President of the United States of a Chief Executive Officer for PREPA with extraordinary powers that supersedes those of the existing management structure at PREPA. I, among others, have filed a motion in the federal court alleging that already certain actions of the Board violate the basic principles of our republican form of government by taking away prerogatives of the Executive and Legislative branches. The duties and responsibilities of this new position, as described in your draft, takes away all authority from this entity, something we strongly opposed in our statement before the Court.

We are handing over to the Committee specific language to improve the proposed amendments, which we urge you to consider.

Thank you for this opportunity to address the Committee.

Sincerely



Rafael Hernandez Montanez
M1 Leader
Popular Democratic Party Delegation

AMENDMENTS TO THE DISCUSSION DRAFT

by Rafael Hernandez Montanez

Sec. 3, Page 2, IN BETWEEN Lines 17 and 18, ADD:

"(c) Rules and limitations. - In the use, expenditure and disbursement of the funds herein appropriated, the FOMB, and its members individually, will observe all federal laws applicable, as well as any and all regulations specifically provided by the Department of the Treasury relative to the use of these funds. More specifically, the use of these funds by the FOMB and its members for contracting professional services from lawyers and lobbyists to promote before the Congress, directly or indirectly, the nomination, renomination or appointment of any of its members is prohibited."

Sec. 4, Page 3, Line 9 AFTER "requirements" ADD:

"To establish that to the maximum extent possible the territorial government will provide the FOMB an empirical study analyzing, for the past 10 years, the expenditures, as herein described, for the purpose of establishing a percentage of the total budget for essential services to be included in the Fiscal Plans."

Sec. 5, Page 3, Line 17 AFTER "level" ADD:

"to create a New Economic Model of Economic Development that will result in an annual growth of 5%, based on local and federal incentives, as provided by existing and new legislation, with measurable goals and where Puerto Rico will have clear competitive advantages over other jurisdictions outside the United States, to attract private capital thereby creating a stable business environment for investment and new jobs."

Sec. 10, Page 27, Lines 16 to 19 DELETE ALL AND REPLACE WITH:

"(2) One representative of each parliamentary majority, selected by the members of the caucus in the Legislature."

(3) One representative of each parliamentary minority, selected by the members of the caucus in the Legislature.,,

SEC. 11, PAGE 29, IN BETWEEN Lines 15 and 16 ADD:

"(a) DEFINITION OF FEDERAL AGENCIES. - The term "federal agency" means agencies of the federal government of the United States responsible for disbursing federal funds for which the Commonwealth of Puerto Rico qualifies or any territorial instrumentality, or funds that have been granted by the Congress for the reconstruction efforts resulting from the devastation caused by Hurricane Maria."

Sec. 11, Page 31, Line 8 ADD after "withn the phrase "federal agencies and"

Sec. 11, Page 32, IN BETWEEN LINES 11 and 12 ADD:

"(F) Act as liaison between the federal agencies and the local government entities regarding the disbursement of funds, obtaining permits, authorizations or endorsements and any other similar function necessary for the expeditious realization of all reconstruction projects and oversight the realization of these projects.,,

Sec. 12, Page 34, Line 8 AFTER "(A) DELETE "exercise supervision, control and"

Sec. 12, Page 34, Line 11AFTER "(B)" DELETE "direct" and REPLACE WITH "oversight"

Sec.12, Page 34, Line 19 AFTER "(B)" DELETE "design and implement" AND REPLACE WITH "recommend"

Sec. 12, Page 35, IN BETWEEN Lines 10 and 11 ADD:

"(F) File a motion in the court with jurisdiction over the Title III process of PREPA if the public corporation is in violation or not managing adequately the funds destined for the reconstruction of the electric grid, in the sole discretion of the Revitalization Coordinator, as mandated in this Section."



**THE HONORABLE
RAFAEL HERNÁNDEZ**

Minority Leader
P.R. House of Representatives



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Member of the Puerto Rico House of Representatives, was born on April 14, 1972 in the town of Dorado, Puerto Rico. He is married to Marfa M. Torres-Rivera and has a son, Rafael Luis and a daughter, Alanis Marie.

He is presently a part-time student at the Interamerican University School of Law. He has a Bachelor of Science with concentration in Site Surveying and Cartografía. He attended the Mortgage Bankers School, while obtaining several certifications in the area of real estate brokerage.

For 15 years he worked in the mortgage banking industry, as a real estate mortgage banker, while being a member of the U.S. Navy Reserve. He was an advisor to the Credit Unions in Puerto Rico in matters related to real estate mortgage loans, and also advised the Municipal Revenues Collection Center in the town of Dorado, CRIM by its acronym in Spanish, in matters related to property registry.

For the last 10 years, Hernandez-Montanez has been elected as a legislator for the Popular Democratic Party. In 2008, he joined the House of Representatives as a member at-large participating in the Ways and Means Committee, Housing and Infrastructure Committee. In 2012, he was elected as a Representative for the District of Dorado, Vega Baja and Vega Alta and appointed Chairman of the Ways and Means Committee. Today, he is the Popular Democratic Party Minority Leader in the House of Representatives.

In discharging his responsibilities as a legislator, he sponsored several pieces of legislation that provided for the continuation of the government's ability to offer essential services to the people, while obtaining no less than 34 laws approved by the Legislature, among which are legislation to regulate the market for social interest mortgages; to create a fund for fiscal recovery of the Government of Puerto Rico; to establish effective controls for tax reporting and collection; to set up a geospatial system for Puerto Rico; to regulate fiscal reporting and permitting; and to create an interagency application to control incentives grants for economic development.