

Congress of the United States
Washington, DC 20510

November 15, 2017

Mr. José B. Carrión
Chairman
Financial Oversight and Management Board for Puerto Rico
P.O. Box 192018
San Juan, PR 00919-2018

Dear Chairman Carrión:

As Puerto Rico continues to suffer the devastating aftermath of Hurricane Maria, its delicate financial situation renews many longstanding questions about its capacity to shoulder its crushing debt load. We are pleased that you are setting aside the previously approved Fiscal Plan that sought to implement fiscal cuts and are working to rewrite a plan that considers the storm's damages and the resulting population flight. As you work toward the next iteration of a Fiscal Plan—which we believe should extend for longer than the five years proposed—we urge you make a request to Judge Swain to completely discharge the Commonwealth's and its instrumentalities' debt.

After over a year of delving deep into the reality of Puerto Rico's state of affairs, you are more than aware of the precarious situation the Island has been in—a position that has been dramatically worsened since Hurricane Maria. If the situation is not reversed, Puerto Rico will face the possibility of total collapse. This is not news to the Oversight Board. As Executive Director Natalie Jaresko recently testified, “Without unprecedented levels of help from the United States government, the recovery we were planning for will fail.... The hurricane-caused damage has added greatly—and will add greatly—to the financial distress of the Commonwealth and its instrumentalities.” She also warned that “Puerto Rico is experiencing a massive population exodus.”¹

We have concerns about whether Congress's response will be sufficient. In the first tranche of disaster relief money for the island, Congress approved a \$4.9 billion loan to ease an imminent liquidity crisis. But offering Puerto Rico loans, not grants, on top of their already astronomical obligations, and subsequently requesting offsets² for true emergency needs in Puerto Rico, is disrespectful. If assistance falls short of what the island needs, people will die, basic needs will

¹ Written testimony of Natalie Jaresko, Executive Director of the Financial Oversight and Management Board for Puerto Rico, before the House Committee on Natural Resources Committee, Oversight Hearing, “Examining Challenges in Puerto Rico's Recovery and the Role of Financial Oversight and Management Board,” Nov. 7, 2017, https://naturalresources.house.gov/uploadedfiles/testimony_jaresko.pdf.

² Letter from Mick Mulvaney, Director of the Office of Management and Budget, to Senate Majority Leader Mitch McConnell, regarding disaster funding, Oct. 24, 2017.

go unmet, and Puerto Ricans who can exit the island will do so in even greater numbers, further deteriorating territory's tax base and long-term economic outlook. Irrespective of Congress's response, creditors must now finally face the reality that Puerto Rico will never be able to repay its preexisting debt, and the Oversight Board must act in accordance with that reality too.

The Puerto Rican economy has experienced a double-digit-percentage decline in the past decade. Poverty rates have risen steeply, with 58 percent of children living below the U.S. federal poverty line. Well over 10 percent of the population has left the island in the past decade due to the scarce economic opportunity there and now, post-Maria, that percentage could be mirrored in just two years. Already, tens of thousands of Puerto Ricans have fled to the mainland since the hurricane. Furthermore, researchers have found that Puerto Rico's capacity to repay post-Maria is hopeless. The Hurricane's aftermath is expected to reduce economic output by 21 percent within the next 15 years.³ Even if Puerto Rico is able disrupt its freefall descent and ultimately recover, the question still looms: what happens to the debt?

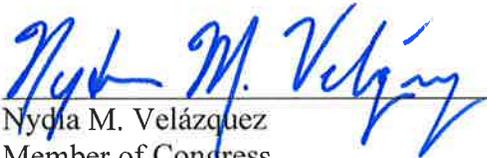
The bottom line is that Puerto Rico is insolvent; the devastation and concomitant accelerated outmigration has deteriorated the Island's repayment capacity. Unless the debt is completely written off, the economy will be permanently destroyed. The Puerto Rico Oversight Management and Economic Stability Act (PROMESA) law created a framework, based on the Territorial Clause of the U.S. Constitution, that should be immediately employed to write off all of Puerto Rico's debt.

The Board should seize this as an opportunity to ease the burden on millions of U.S. citizens. It is only fair that after decades of succumbing to unsustainable debt agreements, the people of Puerto Rico be assured that its debt will not be a permanent overhang to economic development on the island.

With so many residents still in grave need of basic supplies, we are at a pivotal time in Puerto Rico's history. I hope that you will embrace at this time the legal path to discharge Puerto Rico's debt through PROMESA. Yes, the people of Puerto Rico are resilient, but they need help.

Thank you for your attention to this important issue.

Sincerely,


Nydia M. Velázquez
Member of Congress


Elizabeth Warren
United States Senator

Cc:

Natalie Jaresko, Executive Director, Financial Oversight and Management Board of Puerto Rico
Andrew G. Biggs, Member, Financial Oversight and Management Board of Puerto Rico

³ Solomon Hsiang and Trevor Houser, "Don't Let Puerto Rico Fall Into an Economic Abyss," New York Times, Sept. 29, 2017, <https://www.nytimes.com/2017/09/29/opinion/puerto-rico-hurricane-maria.html>.

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
Christian Sobrino Vega, Ex-officio Member, Financial Oversight and Management Board of Puerto Rico