



CITIZEN OUTREACH

Putting the Public Back in Public Policy

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March 20, 2017

Honorable Mark Meadows
1024 Longworth HOB
Washington, DC 20515

Representative Meadows,

I write you today on behalf of my organization, Citizen Outreach, to share our concern about the actions of Puerto Rico's government in carrying out the Puerto Rico Oversight, Management, and Economic Stability Act.

As you are aware, PROMESA was passed last year in an effort to stabilize the island territory's economy and help it regain access to the capital markets, from which it has been locked out following a default on its senior-most creditors in 2016.

Importantly, during lengthy discussions over the bill last year, Congressional leaders were clear that the bill was not intended as a bailout of the Commonwealth, nor was it intended to give the Puerto Rican government license to "cram down" on its creditors without regard for the law.

Rather, PROMESA was intended to create a framework for orderly, consensual negotiations with creditors and to facilitate the reformation of the Commonwealth's bloated government.

Unfortunately, the Commonwealth's government has thus far not lived up to its end of the bargain. In the more than eight months that have elapsed since the bill was signed into law, Puerto Rico has yet to conduct any negotiations with creditor groups.

In fact, Governor Ricardo Rossello has announced publicly that he will ask Congress to amend the law to provide for yet another extension of its stay on litigation - which expires on May 1st - having already been extended once for a period of 75 days.

Moreover, the island has violated the spirit and letter of PROMESA in its recently certified fiscal plan. Section 201 of PROMESA makes clear that the fiscal plan must “respect the relative lawful priorities or lawful liens, as may be applicable, in the constitution, other laws, or agreements of a covered territory or covered territorial instrumentality.”

But the certified plan does not abide by this provision. Rather it elevates numerous interests above creditors, including its constitutionally-protected General Obligations bonds.

The plan fails to make any serious spending or pension reforms, and instead directs almost 95% of the Commonwealth’s revenues to expenditures other than debt service, incredibly deeming all of these expenses to fall under the purview of “essential services.”

The Commonwealth’s failure to abide by PROMESA, and its insistence on rebuffing creditors’ attempts at negotiation in favor of a costly and deeply-adversarial bankruptcy proceeding, is especially troubling given Governor Rossello’s commitment to seeking statehood for the territory.

States do not willfully violate federal law, and Puerto Rico would have to demonstrate a willingness to act accordingly if it were to move toward statehood.

Ahead of this week’s House Natural Resources Committee hearing on Puerto Rico, Citizen Outreach urges you to look into the Puerto Rican government’s compliance with the law.

Sincerely,



Chuck Muth
President