

**U.S. House of Representatives**  
**Committee on Natural Resources**  
**Washington, DC 20515**

March 29, 2018

Mr. José B. Carrión III  
Chairman  
Financial Oversight and Management Board of Puerto Rico  
PO Box 192018  
San Juan PR 00919-2018

Dear Chairman Carrión and members of the Financial Oversight and Management Board:

Six months ago, Puerto Rico was ravaged by two devastating hurricanes. The destruction endured by our American brethren added a humanitarian emergency to the already severe fiscal crisis. As such, you – the members of the Financial Oversight and Management Board (Oversight Board) – published a Fiscal Plan Revision Process to reflect the new reality faced by the residents of Puerto Rico and the Commonwealth government. Although no revised plans have been certified by the Oversight Board, the draft plans released by Governor Rosselló circumvent the stated purpose of the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA). I write today to reemphasize the purpose of the Fiscal Plans, to reiterate my frustration with your lack of creditor engagement, and to ensure the Puerto Ricans have hope in their island's future.

As you well know, Congress created the Oversight Board under PROMESA as a mechanism for the territory to achieve financial transparency, fiscal stability and returned access to the capital markets. Fiscal Plans under PROMESA are not advisory documents or mere suggestions to the Puerto Rican government; rather, as the Committee on Natural Resources (Committee) report accompanying PROMESA states, a Fiscal Plan is “the cornerstone for the *structural reforms* the Oversight Board deems necessary” to carry out its responsibilities under the law. Thus, through the Constitutional powers conferred upon Congress “to dispose of and make all needful rules and regulations for territories,” you have been delegated a statutory duty to mandate any reforms – be they fiscal or structural – on the government of Puerto Rico to ensure the realization of PROMESA's purpose.

With such power governing the development of the Fiscal Plans, it is imperative you adhere to the tenets and Congressional mandate of PROMESA, while providing an avenue for Puerto Ricans to recover from the storms. This careful balance requires you to transparently assess the economic impact of the hurricanes and “respect the relative lawful priorities or lawful liens” of debt issued, while working cooperatively with creditors on holistic solutions to revitalize the local economy and stabilize Puerto Rico’s finances. Furthermore, these Fiscal Plans must “provide adequate funding for public pension systems” – and indeed, one of the key tasks will be to ensure the government pension plans that so many Puerto Rican retirees rely on are properly maintained. A good start would be to determine what constitutes “essential public services,” clearly defining where governmental cuts should occur. Furthermore, the recognition of existing debt is paramount to Puerto Rico’s recovery, and will require much greater degrees of transparency, accountability, goodwill and cooperation on the part of the Puerto Rican government and the Oversight Board. Your authorities under PROMESA include subpoena powers to obtain all appropriate fiscal information from the territorial government and relevant instrumentalities. Transparency is the only path to ensure that Fiscal Plans and any plans for adjustment under Title III are informed by accurate and realistic data and deemed to be fair and equitable by all stakeholders.

Federal funding has and will continue to help in the recovery process, but structural reforms and the elimination of redundancy must also occur. Of particular note is the increase in governmental costs while population is projected to drop, and the extreme amount being spent on the litigation of Title III cases. As your March 12 letter to Congress indicated, triple representation within the restructuring cases is not only averse to PROMESA, but also wasteful of Puerto Rico’s limited fiscal capacity. Reduction of these expenses and a focus on consensual deals to avoid costly litigation is imperative. Going forward, any certified Fiscal Plan should reflect the Oversight Board as the *sole* representative of debtors involved in Title III cases – and any attempt by the Commonwealth to circumvent this uniformity of representation should be met with appropriate budget reductions under Section 203.

I remain frustrated with the Oversight Board’s inability and unwillingness to reach consensual restructuring agreements with the holders of Puerto Rico’s debt. Indeed, as Section 206 clearly provides, one of the requirements to entering into a Title III case is that the “entity has made good-faith efforts to reach a consensual restructuring with creditors.” PROMESA’s emphasis on these good faith efforts reflects Congress’ desire for the debt restructuring process to be efficient and geared toward achieving a return to capital market access for Puerto Rico, without undermining the respect for the rule of law that is fundamental to efficient capital raising for municipalities across the United States. Unfortunately, one of *only* two good-faith efforts that resulted in a consensual restructuring agreement – the former Puerto Rico Electric Power Authority’s Restructuring Settlement Agreement – was eviscerated by the Oversight Board. If litigation and Title III costs are of concern to you, then you – as PROMESA clearly explains – should actively work alongside creditors to consensually resolve the issues, and expedite the bankruptcy claims. Not only would such outreach result in more expeditious Title III cases, but also promote the development of more transparent and effective Fiscal Plans.

Chairman Carrión

March 29, 2018

Page 3

To date, the Committee has been unsatisfied with the implementation of PROMESA, and the lack of respect for the Congressional requirements of the Fiscal Plan. And now, due to intentional misinterpretations of the statute, the promise we made to Puerto Rico may take decades to fulfill. I ask that you adhere to the mandates of PROMESA and work closely with creditors and the Puerto Rican government as you finalize and certify the Fiscal Plans; in doing so, you will not only bring a revitalized economy to the Puerto Rican people, but also revitalized hope. My Committee will be monitoring your actions closely; and as we near the two-year anniversary of the passage of PROMESA, an oversight hearing on the status of achieving PROMESA's goals will likely be merited.

Sincerely,



Rob Bishop

Chairman

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