



June 21, 2016

Dear Senator,

On behalf of the undersigned free market organizations, we urge you to vote “Yes” on the House-passed H.R. 5278, the Puerto Rico Oversight, Management, and Economic Stability Act of 2016 (PROMESA). Puerto Rico faces many challenges, and unfortunately the territory’s fiscal challenges cannot be fixed overnight. However, by putting strong, independent oversight in place, requiring fiscal reforms, and creating a path for addressing financial debt, PROMESA lays the foundation for prudent fiscal management that will lead to future solvency.

The Puerto Rican crisis is the result of many years of fiscal and economic mismanagement, and both the island’s own government and the federal government are complicit. While untangling the web of failed policy will take time, the fact remains: Puerto Rico is broke. The Puerto Rican government is already failing to meet its debt obligations, and with every day that passes, the probability of a crisis increases.

With defaults, combined unfunded pension and debt obligations over \$115 billion, and the Puerto Rican government’s failure to produce audited financial statements for several fiscal years, it is imperative to establish financial oversight, get an accurate understanding of the situation, and create an appropriately calibrated fiscal plan to restore growth. The Oversight Board set out in PROMESA is empowered to do exactly this. The Oversight Board will exercise its authority to acquire accurate financial information, establish fiscal plans, create budgets, negotiate with creditors, and ensure enforcement of the deals and plans created under its authority.

While this oversight control is the required first step toward abating Puerto Rico’s crisis, PROMESA also enacts several immediate pro-growth reforms, including altering the island’s unemployment generating minimum wage requirements and overtime regulations, and putting a plan in place for infrastructure improvements. These changes are an important part of altering the island’s path, and we urge the congressional task force created by the bill to search for further opportunities to reform policies currently limiting Puerto Rico’s growth and promote a market economy.

PROMESA lays out a process to ensure the island’s creditors are treated justly during any future debt restructuring. It encourages voluntary restructuring, requires the Oversight Board to

'respect the relative lawful priorities' of the various debt classes, and distinguishes between debt obligations and pensions.

We applaud the House for its leadership on this issue. The bill has been strengthened, and currently represents Puerto Rico's best chance to return solid fiscal footing. It is now the Senate's turn. By voting for passage, Senators will fulfill their obligation under the Constitution to 'make all the needful rules' regarding the territories. We urge you therefore to vote yes.

Sincerely,

R Street Institute  
Americans for Tax Reform