

Committee on Natural Resources
Oversight Hearing
1324 Longworth House Office Building
May 2, 2019
10:00 am

Hearing on *The Status of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA): Lesson Learned Three Years Later*

Questions from Rep. Rob Bishop for Hon. Ricardo Rossello, Governor of Puerto Rico

1. Please provide a list of all the supposed laws and reforms your Administration has enacted since taking office.
2. Please provide a list of all supposed laws and reforms that your Administration **has actually been able to implement** since taking office.
3. We've often heard you say the Oversight Board is interfering with public policy and that's not their mandate yet the law, PROMESA, requires the Board to certify your Government's budget. How is the Board able to do their job without having a say in policies that have to be funded by the budget?
4. There have been instances where the Oversight Board has advised your Administration not to take a particular action because they judged such action would violate either the certified fiscal plan, budget, or cause harm to the local economy. For example, you chose to ignore the Board and continue issuing Christmas Bonuses to Public sector employees against their recommendation. Another example, your Executive Order 2018-33 which raised the minimum wage to \$15 for public infrastructure projects that utilize Federal disaster relief funding, against the recommendation of the Oversight Board and local business sector. What led to these decisions you made to ignore the recommendations of the Board?

5. A key component of establishing PROMESA and the Oversight Board was to promote financial transparency on the island. The Commonwealth has only produced [1] set of audited financial statements (for the fiscal year 2014-2015), which was not a clean audit, which meant external auditors were unable to verify that the information provided by the Commonwealth was reliable. Has the Government completed Financial audits for Fiscal Years 2016, 2017, or 2018? (Answer: No.) What's the delay with completing these audits? Shouldn't a timely completion of these audits be a priority? It would seem to me that completing these audits would go a long way towards helping restore Puerto Rico's credibility and commitment to responsible fiscal management.
6. The Oversight Board recently notified your Chief Financial Officer that 28 public corporations and 66 municipalities have accrued \$340 million in debt since implementation of the PayGo system in 2017. What is your Administration doing to rectify this and ensure that government pensions are paid at all times as is required by law?
7. Your Administration and the Oversight Board were working together to enact substantial labor reforms that would have made it easier for people to find jobs and reduce the administrative burden of formal employment in the market. How did this effort fail? Will your Administration continue to pursue these necessary reforms?

Questions from Rep. Rob Bishop for Natalie Jaresko, Executive Director, Puerto Rico Financial Oversight and Management Board

1. The Oversight Board notified the Governor that his agencies had not achieved the required amount of savings in their budget to issue Christmas bonuses for government workers, yet the Governor issued the bonuses anyway. Did that action have any effect on government operation and public services in Puerto Rico? How about the effect on the economy?
2. What could be done to create more of an ease in doing business in Puerto Rico?

3. What factors in Puerto Rico contribute to the low labor force participation rate of only forty percent?
4. What sort of structural reforms could the local government take to improve economic health and stability?
5. What happens if structural reforms are delayed or not implemented at all?
6. Has the government been successful in implementing reforms?
7. How many total agencies are in Puerto Rico's current government structure? Are any of these agencies redundant in their mission and function to the government?
8. Should some of these agencies be consolidated? Does Puerto Rico have any issues with 'rightsizing' their government?
9. How challenging has it been for the Board to encourage the government to undertake this important initiative?
10. How is the Board proposing to reduce spending in the University of Puerto Rico system?
11. Has the Board ever interfered in any way with funding for public safety like police, fire emergency management or coroner services?
12. Has the Board ever prevented the government from spending money to help repair any homes or help people?
13. Why have so many funds have been expended on law enforcement and public education in Puerto Rico while law enforcement officers and teachers are still disproportionately underpaid in Puerto Rico?

14. COFINA was the largest bond issuer and the Board successfully restructured those debts and the market reaction has been positive. How important is restructuring the GO bonds, and is it true that the rating agencies won't rate Puerto Rico until the GO credit is re-established?
15. Do you think the lack of compensation is an issue for current board members? Do you believe it is an obstacle to attracting new board members? If so, what do you believe would be appropriate compensation?
16. Some creditors have claimed that the decisions and actions the Oversight Board has taken over the last three years to restructure some of Puerto Rico's debt in Title III will have detrimental impacts on how other municipalities across the US will be able to borrow considering the reactions of rating agencies and credit analyst paying attention to the outcomes with Puerto Rico's circumstances. Does the Oversight Board take into account or conduct any analysis of how potential actions and decisions that are made with regards to the debt restructuring strategy implemented will affect the broader US municipal bond market? Why or why not?

Questions from Rep. Rob Bishop for Mr. Alex Pollock

1. How important to the financial recovery of the island is fiscal transparency? How would you rate Puerto Rico's government thus far in regard to achieving and demonstrating fiscal transparency? Could an increase in the powers of the Oversight Board help achieve more success in this regard?
2. Compared to the control boards for Washington DC, New York City and other cities, how would you rate the Oversight Board's success for Puerto Rico? When considering the success the control boards of DC and New York had, are there ways you think the Oversight Board for Puerto Rico could be improved?

3. How important is it for Puerto Rico to fix their unfunded pension system? Do you think the Puerto Rican government will be able to achieve success in fixing their broken pension system alone or do you see this as an area where the local government could work together with the Oversight Board to achieve success?
4. How important would you say achieving fiscal reforms within the Government of Puerto Rico are towards helping the island recover? In your view, can the local government accomplish these necessary reforms on their own or could the Oversight Board be instrumental in helping the island achieve this goal?
5. How effective is debt restructuring IF the island's government does not also achieve fiscal reforms?

Questions from Rep. Rob Bishop for Dr. Ana Cristina Gomez-Perez

1. During the hearing, you informed the Committee that your University receives upwards of \$280 million in Federal grant funding. Please list a simple breakdown of these grants from Federal agencies the University qualifies and receives annually.