

Committee on Natural Resources
1324 Longworth House Office Building
October 30, 2019 at 2:00 p.m.

Oversight Hearing
Discussion Draft Bill, Amendments to PROMESA Act of 2019 – Day Two

Questions from Rep. Grijalva for Mr. Heriberto Martínez, President, Puerto Rico Economists Association

1. In your testimony, you express support for Section 6 – Disclosure by Professional Persons Employed by Court Order to avoid conflicts of interest by consultants providing services to the Oversight Board. Several organizations have expressed there is also an urgent need to include language in PROMESA to avoid conflicts of interest by members of the Oversight Board.

Should this be a priority for the Committee? Why?

2. Mr. Martinez, I am sure you have heard the critique regarding our language defining essential services; that it would have the unintended effect of leaving other government services, which are not defined as essential, open to massive cuts.

Is this analysis correct? Can we define “essential services” to protect the UPR for example, without negatively impacting other services?

3. In your testimony, you state that if the Board determines that the money saved will go to a fund for the payment of the debt or an of its municipalities, then it will have no positive impact on the local economy.

Could you share more information about why investing in municipalities would not have a positive impact on the local economy?

Questions from Rep. Grijalva for Mr. Alvin Velázquez, Associate General Counsel, Service Employees International Union

1. If PROMESA has been the extraordinarily generous boon for bondholders as you say, why is Aurelius Investment LLC, asking the Supreme Court to overturn it and throw out its debt agreements?
2. Mr. Velazquez, you mention that Section 8 – Territorial Relief for Unsecured Public Debt would provide an insurance mechanism should the Oversight Board fail to restructure Puerto Rico’s debt to an economically sustainable level.

If the restructuring plan fails, how do you envision the existing provisions in Title III would interact with Section 8? What process would the Government of Puerto Rico follow?

3. Mr. Velazquez, in your testimony you challenge the Government of Puerto Rico's and the Oversight Board's position that an audit of the public debt has already taken place. You indicate that the Oversight Board has not performed an audit of the public debt recognized by the U.S. General Accounting Office's Government Auditing Standards and that the bringing of a lawsuit is not necessarily a complete audit of the debt. You also point out that the Oversight Board has not hired a truly independent auditor, which is standard audit operating procedure.

At this point in the debt restructuring proceedings, would the residents of Puerto Rico benefit from an actual certified audit? If so, how?

4. It is evident from your statement that you don't agree with the Oversight Board's statement that the debt restructuring plan they proposed last month will ultimately reduce the amount the Government of PR will spend on debt service to an amount it can sustainably afford over the next 30 years -- from \$4.2 billion a year to \$1.5 billion a year."
5. The Government of Puerto Rico and the Oversight Board oppose amendments to PROMESA to facilitate access to public debt information. The Government argues that this level of transparency would create problems in debt restructuring proceedings and negatively impact attorney-client privilege.

Is this the case?

6. Mr. Velazquez, you encourage Congress to establish a broadly-accepted mechanism for the residents of Puerto Rico to validate and challenge future debt issuances.

Could you share more information about how this process would look like and how could it interact with the establishment of a Comprehensive Audit Commission?

Questions from Rep. Grijalva for Ms. Lilliana Cubano, President, Puerto Rico Products Association

1. In your testimony, you emphasize the importance of shifting the focus away from austerity, due to its negative impact on economic growth.

Does to Coalition support defining and protecting essential public services to ensure the basic needs of the residents of Puerto Rico are met and to reduce migration?

2. You mention in your statement the importance of ensuring a flow of federal disaster recovery funds to the Island.

Does the Puerto Rico Private Sector Coalition have a proposal to address this concern, or does the Coalition have a position on the establishment of a Federal Reconstruction Coordinator and a PREPA Revitalization Coordinator?

Questions from Rep. Grijalva for Mr. Lyvan Buntin, Student Representative, University of Puerto Rico

1. The Executive Director of the Oversight Board testified that the Government of Puerto Rico has been subsidizing the University of Puerto Rico (UPR) at a rate far more than average for mainland U.S. states — roughly 70% instead of 20-30% — and that the PR Government can no longer afford these subsidies given that it is bankrupt?

What is your reaction to the concern that the Government of Puerto Rico can no longer afford to subsidize the UPR at the same rate that they were previously?

2. We have received a number of criticisms that the language we have in the “Discussion Draft” defining essential services to protect the UPR will have the unintended effect of leaving other government services, which are not defined as essential, open to massive cuts. Are these conclusions wrong or would you recommend that we make all government services essential?
3. The Oversight Board also asserts, that revenues are depressed and insufficient at UPR because tuition levels are extremely low for all students -- regardless of ability to pay -- and there is little effort in attracting federal grants and active development of alumni contributions. Could charging a higher tuition for students of great means, as well as securing more federal grants and alumni contributions, make up for the budget cuts in your opinion?
4. Recognizing that the financial resources of the Government of Puerto Rico are scarce, has the University presented recommendations to the Government to achieve cost savings that could mitigate budget cuts to the University? Could you share some of the recommendations with the Committee?

Questions from Rep. Grijalva for Mr. James Spiotto, Managing Director, Chapman Strategic Advisors

1. Mr. Spiotto you say, that if a plan of adjustment is not confirmed or the Oversight Board is determined not to be validly appointed, some or all of the \$73.8 billion of Puerto Rico Public Debt including the \$21.7 billion of prior court approved COFINA and GDB Public Debt, could be eliminated under the “Discussion Draft’s” proposal to allow for the discharge of unsecured debt.

How is this possible when we were advised that it would be unconstitutional for secured Public Debt to be discharged except through a court approved bankruptcy?

2. Do you agree with the hypothesis “that PROMESA was premised on a path marked by immediate and extreme fiscal austerity in order to repay Wall Street bondholders rather than one that was focused on improving and growing the island’s economy which would mean the repayment of a sustainable level of debt over a reasonable time period”?
3. Can you explain your conclusion that Title VIII could allow a secured creditor to lose their security when we expressly limit the title’s application to “unsecured debt”?
4. In your statement, you don’t address the Discussion Draft section that would define essential public services. Nevertheless, you urge Congress to assure the health, safety and welfare of the citizens of Puerto Rico with provision of food, water, medical services, and infrastructure all to a level deemed acceptable.

Is that consistent with defining essential public services to ensure they are funded by the Oversight Board?

Questions from Rep. Grijalva for Ms. Adi Martínez, Senior Policy Advisor, Oxfam America

1. You propose a Civic Society Task Force to increase the participation of civic society in Puerto Rico’s disaster recovery process. I have expressed that engaging municipalities, communities, and nonprofit organizations should be a priority for the Federal and local government. Please share what sectors – in your view - should be represented in the Civic Society Task Force?
2. How do you envision the Civic Society Task Force would influence the decision-making process of Federal and local agencies that play a role in the reconstruction process? What would be their authority?

Questions from Rep. Grijalva for Ms. Annie Mayol, President, Foundation for Puerto Rico

1. You mention that NGOs can play a game changing role in healing the distrust between the local and the federal government. Tell us more how this can be done? Would it be helpful to have other NGOs participating as subrecipients in the disaster recovery process?
2. In addition to the issue of the disbursement of CDBG-DR funds, at the end of your testimony you also mentioned the Bottom Up Destination Recovery Initiative your organization has expanded through a grant from the U.S. Economic Development Administration. Can you explain how the agency’s matching funds requirement impacts that important recovery initiative?

Questions from Rep. Grijalva for Dr. Cecilio Ortiz, Senior Fellow, National Council for Science and the Environment

1. You propose a Technical Advisory Committee to increase participation of local experts in the transformation of PREPA. Please share what sectors – in your view - should be represented in the Technical Advisory Committee. Could this Committee assist the PREPA Revitalization Coordinator proposed in the Discussion Draft?
2. Groups like the Institute for Energy Economics and Financial Analysis (IEEFA), UTIER, and other local organizations support the establishment of an Independent Private Sector Inspector General (IPSIG) for PREPA. The IPSIG would be responsible for creating personnel hiring regulations, overseeing procurements, supervising fiscal and accounting activities, and providing regulatory oversight for PREPA.

Do you support this proposal? Would an IPSIG have positive impact in PREPA's current operating environment?

Questions from Rep. Grijalva for Mr. Rodrigo Masses, President, Private Alliance for Economic Growth for Puerto Rico

1. I agree with your statement that laying the groundwork for sustained economic growth in the Island should be high priority for the Government of Puerto Rico, the Oversight Board and this Committee.

You also mention the importance of granting municipalities a more prominent role in the reconstruction process as active decision makers. How do you envision the participation of municipalities and the private sector in the planning phase of the reconstruction process to ensure improvements in the economic and social conditions in Puerto Rico?

2. In your testimony, you emphasize the need for a Development Roadmap for Puerto Rico. Could you provide more information about what this Roadmap would address?