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WRITTEN TESTIMONY OF ALVIN VELAZQUEZ, ASSOCIATE GENERAL COUNSEL OF THE SERVICE EMPLOYEES INTERNATIONAL UNION

Before the House Committee on Natural Resources

PROMESA: Discussion Draft – Day 2

October 30, 2019

Chairman Grijalva, Ranking Member Bishop, and Members of the Committee, I am Alvin Velazquez, Associate General Counsel for the Service Employees International Union ("SEIU"), which represents 1.8 million workers in the United States, Canada, and Puerto Rico.[1]

Thank you for the opportunity to address the Committee. In doing so, I hope to bring to light the concerns of SEIU's 23,000 members living in Puerto Rico, as well as the thousands of members in SEIU's locals in the United States who are part of the Puerto Rican diaspora.

Our members in Puerto Rico are united in two local unions: Local 1996 SPT, the Sindicato Puertorriqueño de Trabajadores y Trabajadoras, and Local 1199 UGT, the Union General de Trabajadores. The SEIU members in these two unions provide custodial services in Puerto Rico's schools, protect children as security guards in the schools, and serve patients at Puerto Rico's public hospitals.

SEIU's members were among the hundreds of thousands of Puerto Ricans who took to the streets in San Juan earlier this year demanding the departure of ex-Governor Ricky Rossello. They lifted their voices with those on the street who were chanting "Ricky, renuncia y llevate la Junta!" The English translation of that statement is "Ricky, Resign and Take the Oversight Board with You!" The first demand was met when the Governor resigned, but, as I will discuss, it is now time to focus on the second equally important demand and on the circumstances of the Island's crippling debt.

Personal Background

First, let me tell you a bit about myself. I have been advising SEIU with respect to Puerto Rico's finances since 2009, when then-Governor Fortuno laid off 20,000 public workers under Law 7. I had the privilege of serving as Executive Director of Puerto Rico's Commission for the Comprehensive Audit of the Public Debt. Before joining SEIU, I worked as an attorney on commercial disputes in the private sector.

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[1] SEIU presents this testimony on its own behalf, and not on behalf of any Committee on which SEIU may be a member in the Title III PROMESA proceedings. Any opinions contained in this testimony should be attributed only to SEIU, not any other party or Committee. THIS TESTIMONY IS NOT AND SHOULD NOT BE CONSTRUED AS A SOLICITATION OF VOTES FOR OR AGAINST ANY PLAN OF ADJUSTMENT IN THE TITLE IIII PROMESA PROCEEDINGS.

My mother moved from Puerto Rico to the United States and worked as a teacher's assistant. She was a proud union member. My father also moved from Puerto Rico. He retired as a public school janitor and a member of SEIU in Chicago. With their love and support, I was ultimately able to graduate from Harvard Law School. My father is still with us, but we lost my mother after a long battle with Lou Gehrig's disease when I was a junior in high school. My father and I buried my mother in Gurabo, Puerto Rico, near where she grew up. Today, I have many family members on the Island who are struggling to make ends meet due to the high electrical bills they have to pay, the highest sales tax in the United States, and the other challenges of living on a fixed income. Even though I reside in the D.C. metropolitan area, my heart is very much in Puerto Rico.

I. How Puerto Rico Got Here.

Now, let me turn to how Puerto Rico got here.

Puerto Rico is in bankruptcy because of mistakes made by this Congress, the greed of Wall. St. hedge funds, mistakes made by politicians on the Island, and the pain inflicted by hurricanes. As noted by the Tax Foundation, the U.S. government began a process in 1996 to phase out Section 936 of the tax code over a period of 10 years. Section 936 had promoted manufacturing and finance on the island. The tax break's expiration in 2006 eroded the manufacturing sector and the Government's tax base, and led to a what has become a secular macroeconomic crisis.[2] The Government then began to issue more and more debt to offset its revenue loss, soon issuing more debt than the Puerto Rico economy could sustain.

In 2008, Wall Street greed led to the meltdown of the U.S. economy, with which we are all familiar. That meltdown compounded Puerto Rico's woes: It sent the cost of Puerto Rico's debt sky high, which in turn forced Puerto Rico to take out high risk financial instruments such as interest rate swaps, and led to massive foreclosures.

In 2009, the Government of Puerto Rico responded by laying off 20,000 public servants and raising taxes and authorizing the issuance of more sales taxed backed debt—the layoffs and borrowing made things worse rather than better. According to some economists, the layoffs actually caused the Puerto Rican economy to shed more than 120,000 jobs once the loss of secondary spending by those who formerly had public-sector positions is taken into account.[3] By 2012, the surge in government debt, decline in economic activity, and growing exodus of the Puerto Rican population put the Island into virtual bankruptcy, causing its bond prices to collapse. As has happened in many other places, like Peru and Argentina, hedge funds swooped in to purchase Puerto Rican bonds at bargain basement prices.

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[2] Scott Greenberg and Gavin Eakins, *Tax Policy Helped Create Puerto Rico's Fiscal Crisis*, https://taxfoundation.org/tax-policy-helped-create-puerto-rico-s-fiscal-crisis/, June 30, 2015.

[3] https://www.primerahora.com/noticias/gobierno-politica/nota/ley7fueadversaparalaeconomia-496760/, April 19, 2011.

More recently, Hurricane Maria devastated Puerto Rico and exposed its fundamental infrastructure problems. Today, more than 250,000 families in Puerto Rico still face foreclosure,[4] and 30,000 families still have tarps on their homes.[5]

Given this series of calamities, it should come as no surprise that Puerto Rico needed major change and a fresh start.

PROMESA led to a bankruptcy proceeding that was supposed to be that fresh start. But the law has failed to achieve its goals and will continue to fail. Indeed, the seeds of its failure were planted at the very beginning, when Wall Street interests wrote the PROMESA law to benefit themselves rather than Puerto Ricans.

In general, PROMESA's authors had a choice between two very different financial paths for Puerto Rico and U.S territories. One was a path marked by immediate and extreme fiscal austerity for the purpose of squeezing every possible penny out of the Island now in order to repay Wall Street as much as possible as quickly as possible. The other was a path focused on improving the Island and growing its economy to achieve prosperity and long-term economic health, which would include the repayment of a sustainable level of debt over a reasonable period of time.

The first path would sacrifice the Island, its people, and any chance of long-term growth on the altar of quick hedge fund payouts. It is the path that would be chosen by someone with little interest in the Puerto Rican people or the Island's continued viability. The second path would take the Island and its people into account. It is the path that would be chosen by anyone who cares more about Puerto Ricans than about hedge funds for the already rich.

As you can likely guess, the hedge funds and their lawyers who wrote PROMESA chose the first path. Thus, despite the best efforts of some on this Committee, PROMESA passed with a mandate for austerity and failed to include important economic stimulus measures such as Medicaid parity or tax credits for workers. PROMESA's elaborate legal framework tilts inexorably toward austerity while ignoring the long-term health of Puerto Rico's economy and the ability of workers on the Island to find jobs that pay a living wage and can support a family.

The reality of such policies is that they mean the end of Puerto Rico as we know it. These policies are not and were never intended to help Puerto Rico thrive.

But of course when PROMESA passed, this reality was obscured by a fictional narrative that could easily have led someone to believe exactly the opposite. Somehow Wall Street spun a story of austerity and "discipline" that could not only repay the hedge funds at remarkable rates but also benefit the Island and its people. A "win win," so to speak, is the story that was told.

That self-interested story, like many similar stories we heard before 2008, turns out to have been a lie. There is no "win win" that gives Wall Street huge, immediate payouts and also benefits Puerto Ricans. And what we see now is that lie, that fiction on which PROMESA was based, crashing headlong

[4] https://www.elnuevodia.com/negocios/finanzas/nota/alertansobreunacrisisdeejecucionesdehipotecasenlaisla-2494020/, May 15, 2019.

[5] Ricardo Cortes Chico, 30,000 homes still have tarps from FEMA, https://www.elnuevodia.com/noticias/locales/nota/todavia30000casastienencomotechostoldosdefema-2493167/, May 10, 2019.

into the economic reality that Puerto Rican workers do not make enough money to pay off a substantial amount of Puerto Rico's debt and certainly do not make enough money to do so while leaving anything meaningful for the Island, its economy, and its people.

The PROMESA reforms we are here to discuss today do not go far enough, in SEIU's view or in the view of the thousands of Puerto Ricans who took to the streets earlier this year. And part of this testimony will address major additional changes SEIU would like to see.

Nonetheless, the proposed amendments are without a doubt an improvement on what we have now. The reforms begin to shed the fiction that austerity will somehow lead to growth. These reforms begin to add the Puerto Rican people and their interests back into the discussion. They begin moving toward what we need: A plan, based in reality, for long-term economic growth that will repay Puerto Rico's debt to the extent possible without destroying the Island in the process.

II. The Fiction Underlying PROMESA

Before I turn to the discussion draft of reforms, however, let me provide a bit more detail about the fiction on which PROMESA is based and that ex-Governor Rossello happily espoused in his campaign: The notion that the people of Puerto Rico can pay enormous amounts to Wall Street and survive.

According to Census Data, the average Puerto Rican household makes $19,775 per year. https://www.census.gov/quickfacts/PR. For the sake of comparison, that same data shows that households in Mississippi, our poorest state, make more than twice as much, or $42,009 per year.[6]

Given this reality of income on the Island, the Oversight Board's May 9th Fiscal Plan was already a stretch when it claimed that Puerto Rico could repay about $400 million per year in servicing its debt. [7] Now, however, in its recently filed Plan of Adjustment, the Oversight Board suddenly claims that Puerto Rico should pay *$1.5 billion* every year for the next 30 years.[8]

Why? Even imagining for a moment that such money exists, who is the Board proposing that it be paid to?

Well, the Board's recently filed Plan of Adjustment provides one of the largest bondholder groups, the pre-2012 General Obligation Bondholders ("GO Bondholders"), with a baseline recovery of 64% that could go as high as 89.4%.[9] That would be a nearly 90% recovery for a group of primarily off-Island hedge funds unlikely ever to contribute to Puerto Rico's future. And on top of that 90%, the Board proposes to reward the GO Bondholders with $300 million extra if they support the Board's plan! Meanwhile, the Oversight Board has also agreed to provide bondholders of its electric utility ("PREPA Bondholders") a recovery of up to 89%.

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[6] https://www.census.gov/quickfacts/MS

[7] See Exhibit 28, *2019 Fiscal Plan for Puerto Rico: Restoring Growth and Prosperity*, May 9th, 2019, at https://drive.google.com/file/d/13wuVn04--JKMEPKu-u-djZJHqTK-55aV/view, and attached herein as Exhibit A. The Oversight Board's Board debt sustainability analysis indicates radically different payments of debt. SEIU uses the debt to personal income metric on this proposal, as it is the financial metric tied to the median household income in Puerto Rico, and most accurately demonstrates the ability of the tax base to pay back legacy debt.

[8] Plan Support Agreement Announcement dated June 17-2019 located at https://drive.google.com/file/d/13RFAuRJX6Tkya66DTPz3V2uEUiTjwqvQ/view, page 2.

[9] See page 24 of Disclosure Statement, attached herein as Exhibit B. The pre-2012 bondholders are denoted as "vintage bondholders" and designated as classes 6-12).

Contrast this with the Board's treatment of on-Island workers and businesses, who will have to pay for this extraordinarily generous recovery.

In order to fund an 89% recovery for PREPA bondholders, Puerto Ricans will see their electricity rates, which are already amongst the highest in the United States, rise 47% over the next five years, according to a study by noted economist Ramon Cao.[10]

Meanwhile, the Oversight Board has chosen to pay "Unsecured Creditors" only 1.8¢ on the dollar, a far cry from the GO bondholders' potential 89.4 cents on the dollar.[11] Who are these Unsecured Creditors? They are people like Ramon Ortiz Carro, the founder of Unitech Engineering Group. He and his partners built public housing for the Department of Housing over ten years ago. There are now dozens of families living in the housing Mr. Ortiz built. He employed between 125 and 150 people but has now had to let them all go because the Government of Puerto Rico refuses to pay him the more than $11 million it owes for his work. Mr. Ortiz has lost his business, and, under the Board's Plan, he will get back at most 1.8% of what he is owed, which is not enough to re-start his company or hire back his workers.[12]

For workers themselves, things are even worse. Many will lose their jobs altogether. By way of example, HIMA, the second largest hospital system in Puerto Rico, has laid off more than 750 nurses and support staff since 2015 as it struggles to stave off its own bankruptcy and retain patients in the face of a massive population exodus.[13] Puerto Rico has lost over 14% of its population in the last decade, and 4% of the population since Hurricane María made landfall.[14]

Those Puerto Rican employees who manage to keep their jobs are facing the prospect of dramatic cuts to their medical plans. Their living costs and electrical bills are going up, but they have received only one nominal raise in 10 years and, under the Board's Plan, will not see another anytime in the foreseeable future.

For those already retired, the Oversight Board proposes cuts of up to 8.5% of retirement benefits for all those who earn anything more than $1200 a month.[15] These are retirees who will have to continue to pay the United States' highest sales tax and find the money for 47% increase in their electricity bills, which are already the second highest in the United States. The retirees will have to do all of this while living on income that is below the poverty line for a family of two.[16]

Consider Carmen Castro's experience. Ms. Castro is a retired worker living in a small home. She keeps her lights and air-conditioning off, even during the summer, because she struggles to pay her

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[10] Joanisabel Gonzalez, *A Move to Avoid a Trusteeship in PREPA*, in El Nuevo Dia, dated September 10, 2019 at https://www.elnuevodia.com/english/english/nota/amovetoavoidatrusteeinprepa-2516926/.
[11] See Exhibit B. Unsecured creditors are designated as Class 27.
[12] Joanisabel Gonzalez, *Government Contractors and Suppliers Hit,* in El Nuevo Dia, dated October 19, 2019 at page 6 of the Business Section.
[13] BDC reporter, https://bdcreporter.com/company/grupo-hima-san-pablo/.
[14] https://www.noticel.com/economia/en-una-decada-puerto-rico-perdio-14-de-su-poblacion/941201401
[15] Karen Pierog, *Puerto Rico Oversight Board reaches deal over retirees pensions,* Reuters, dated June 12, 2019, at https://www.reuters.com/article/us-usa-puertorico/puerto-rico-oversight-board-reaches-deal-over-retiree-pensions-idUSKCN1TD2RZ.
[16] Federal Poverty Guidelines for 2019, at https://aspe.hhs.gov/poverty-guidelines.

electrical bill. Ms. Castro tends to eat one full meal a day, a few crackers and coffee, to keep costs down. She lives on social security alone. How will PREPA's 47% rate increase to pay legacy debt help her buy groceries or eat a real second meal? It will not. How does it provide a future and incentivize the current crop of University of Puerto Rico students to stay in Puerto Rico after graduation? It does not.

As is probably clear now, none of this makes sense. Puerto Ricans are not superhuman. They cannot pay money to Wall Street that they do not earn, and they cannot survive on nothing.

So why has the Oversight Board filed a plan that provides for $1.5 billion dollars in annual debt payments that are completely unrealistic even according to its own estimates of what Puerto Ricans can afford on their incomes?

In large part, the Board has done so because, as discussed earlier, PROMESA is structured to promote austerity—structured, that is, to give Wall Street quick payouts with no regard for the Island's future. PROMESA does not and never has given the Board the macroeconomic tools it would need to choose the alternative path I mentioned earlier, a path that would reinvigorate the economy and lead to sustained growth. PROMESA has never allowed the Board to take that path because doing so would require it to take an important initial step the hedge funds oppose: reducing Puerto Rico's bond debt to a level that bears some reasonable relationship to what Puerto Ricans actually *earn*, so that the Island can pay back its debt at a sustainable rate. This is a necessary pre-condition for other economically stimulative measures to have their intended effect.

Speaking frankly, if the Oversight Board were actually to take that step and do what it should, the Board would have to cut 85%-95 of the bond debt that was left after the COFINA deal. As support for this figure, I refer the Committee back to the testimony it received from Dr. Martin Guzman, who is the Director of the Columbia University Initiative for Policy Dialogue's Program on Debt Restructuring. Dr. Guzman, who earned his Ph.D. in economics from Brown University and who teaches at both Columbia University and the University of Buenos Aires, testified as follows on May 2, 2019, and I quote:

> ...the COFINA deal poses a serious risk of a failed debt restructuring. The deal makes sense only if the other groups of Puerto Rico's bondholders get a very large haircut. The arithmetic is simple. According to our calculations, as well as calculations by others who arrived at similar results with different methodologies, the generosity with the COFINA bondholders can only be sustained if the reduction on the rest of the public debt lies between roughly 85% and 95%.[17]

In other words, experts and reality dictate an 85-95% *cut* in remaining bond debt. But remember, the Oversight Board's Plan provides not for a 95% haircut but for an up-to-89.4% *recovery* for GO bondholders and a similarly high recovery for PREPA bondholders.

These are the imaginary economics that PROMESA's short-term Wall Street focus and drive to austerity lead to, and they cannot continue. SEIU members and the people of Puerto Rico have been saying this for a long time, and I am happy to be here now to speak for them in support of the discussion draft of reforms. While SEIU would prefer not to have PROMESA at all, we believe that this draft takes a number of steps in the right direction—away from fiction and towards reality.

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[17] Testimony of Dr. Martin Guzman before the House Committee on Natural Resources, dated May 2, 2019, at https://naturalresources.house.gov/imo/media/doc/Mr.%20Guzman%20-%20Written%20Testimony%20-%20FC%20Ov%20Hrg%205.2.19%20PROMESA.pdf.

III. SEIU Supports Section 4 of the Discussion Draft Because Puerto Rico Needs Essential Services to Grow.

SEIU supports Section 4 of the discussion draft, which would define a category of essential public services and ensure that those services are funded. Essential services will include education, the University of Puerto Rico, public safety, health care, and pensions.

These services must be adequately funded because they are necessary pillars for Puerto Rico's future growth. Right now, the Island is experiencing a "brain drain" of unprecedented proportions. An education at the University of Puerto Rico is one of the most effective mechanisms for enticing the Island's young people to stay. Without it, and without the other essential services identified in Section 4, the young will continue to abandon the Island. As they do so, they cripple Puerto Rico's economy and increase the burden of debt repayment on those who remain, in a downward spiral that is simply not sustainable.

The first step toward ensuring Puerto Rico's future, and its future economic growth, is to make staying on the Island a viable alternative for Puerto Rico's young people. Section 4 will help achieve that.

IV. SEIU Supports Section 5 of the Discussion Draft Because It Will Improve Growth and Keep Money on the Island.

PROMESA claims that its intent is to support economic growth on the Island, but, not surprisingly given the Wall Street hedge fund interests that were behind the law, PROMESA in its current form encourages a view that equates "economic growth" with repaying off-Island hedge funds and funneling additional money to those on the Island who already have it. SEIU supports Section 5 of the Discussion Draft because it is a step toward correcting this fatal flaw.

In recent years, economists the world over have come to recognize a basic truth: Extreme income inequality and lackluster wage growth are incompatible with sustained economic improvement.[18] At the most basic level, a hollowed-out middle class leaves no consumers who can afford to purchase the goods and services a healthy economy might provide. And ultimately, a hollow core will collapse the entire structure, as those at the top—who can no longer sell their goods and services at home—either face declining profits or, using the freedom their wealth provides, take their money elsewhere.

Puerto Rico is an object lesson in these realities.

Take, for example, income inequality: The GINI coefficient is a well-used measure of income inequality. A GINI co-efficient of 0 means that everyone has the same income. As incomes become more unequal, the GINI co-efficient inches closer to 1. In 2018, Puerto Rico had the most unequal economy in the United States. Its GINI coefficient was .54.[19] If Puerto Rico were a country, it would be seventh most unequal country in the world. Puerto Rico's GINI coefficient is roughly equivalent to that of Botswana (.533), Mozambique (.54), and Belize (.533), the latter of which has defaulted and restructured its debt multiple times.[20]

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[18] See e.g. Joseph Stiglitz, *The Price of Inequality* (2012), see also Thomas Piketty, Capital in the 21st Century (2013).
[19] https://www.statista.com/statistics/227249/greatest-gap-between-rich-and-poor-by-us-state/
[20] https://data.worldbank.org/indicator/si.pov.gini?most_recent_value_desc=true

As extreme inequality cripples the on-Island economy, money flows off it at an ever-accelerating pace. Money leaves with migrants; it is invested elsewhere by the rich; it travels to Wall Street for debt repayment. In fact, Puerto Rico has the second largest spread in the world between what its economy produces and what its residents keep at home—second only to Iraq.

Think about that: At a time when Puerto Rico is in bankruptcy, and its residents are being asked to shoulder the burden of billions of dollars in debt, money is rushing off the island. Imagine something like the "giant sucking sound" that Ross Perot talked about in the 1980s and you will have a sense of what is happening to Puerto Rico.

Until now, however, nothing in PROMESA has directed the Oversight Board's attention to either of these problems, income inequality or the flow of money off-Island. Section 5 begins to correct that by forcing the Board to consider job creation and increased household income when assessing appropriate capital investments. But SEIU urges the Committee to go further, by amending PROMESA Sec. 201(b)(1)(J) to explicitly include reducing income inequality and increasing Gross Domestic Product and Gross National Product among the Board's goals for its fiscal plan.

More specifically, SEIU requests that the Committee amend the language of Section 201(b)(1)(J) by inserting before the semicolon the following language: "including investments and expenditures to increase the creation of new jobs, <u>reduce income inequality</u>, <u>increase Gross National Product ('GNP)) and Gross Domestic Product ("GDP")</u>, reduce the unemployment rate, expand workforce development programs, reduce the informal economy, increase the median household income, and reduce the number of residents living under the poverty level."

Making these changes will appropriately focus the Board on reducing the inequality and off-Island money flow that is currently hobbling the Puerto Rico's growth.

V. SEIU Supports Section 7 of the Discussion Draft Because It Will Increase Transparency, but SEIU Believes an Enforcement Mechanism Must Be Added.

Section 7 of the Discussion Draft is intended to increase transparency and public access to records, and SEIU strongly supports those goals.

Puerto Rico does not have its own freedom of information law, and although the Island's Supreme Court has found a right of public access in Puerto Rico's First Amendment, there is no statutory framework for the release of public information.[21] Instead, parties ask the Government for information; the Government typically refuses the request; and the parties seeking information must then go to court for a writ of mandamus. This is a time-consuming, expensive, inefficient, and ultimately ineffective process.

SEIU has first-hand experience with the lack of transparency that results. Over the years, we have asked for data about our own members' pensions and have had those requests denied. We have also sought information about the Government's dealings with the financial sector and been similarly denied.

The Oversight Board has continued this pattern. Although it spent $16 million on an investigative report about potential legal claims it might bring, the Board has not made any of the underlying

[21] Soto v. Srio. de Justicia, 112 DPR 477 (TSPR 1982).

investigative documents public. The Board has also fought with parties in interest, creditors, and the public over the release of documents related to the underwriting of Puerto Rico's bond debts.

Section 7 of the Discussion Draft goes a long way toward improving this situation, but it will effectively be a dead letter unless there is a strong enforcement mechanism that provides the public with a cause of action in court and the right to recover attorneys' fees. Thus, SEIU recommends that the following be added to Section 7:

(c) <u>ENFORCEMENT</u>: On complaint, the District Court of the United States in the District of Puerto Rico shall have jurisdiction to enjoin the Oversight Board or any local agency from withholding agency records and to order the production of any agency records improperly withheld from the complainant. In such a case the court shall determine the matter de novo and may examine the contents of such agency records in camera to determine whether the records or any part thereof should be withheld under any of the exemptions set forth in subsection (b) of the federal Freedom of Information Act. The agency shall bear the burden of proving that an exemption applies. <u>The district court's jurisdiction over these matters shall be non-exclusive and without prejudice to any remedies provided under local law</u>.

(d) The court may assess against the Oversight Board or relevant agency reasonable attorney fees and other costs reasonably incurred in any case under this section in which the complainant has substantially prevailed. For purposes of this subparagraph, a complainant has substantially prevailed if the complainant has obtained at least some relief through either—

(I) a judicial order or an enforceable written agreement or consent decree; or

(II) a voluntary or unilateral change in position by the agency, if the complainant's claim is not insubstantial.

This proposed addition to Section 7 of the Discussion Draft is substantially similar to language in the federal FOIA law.[22] It provides a neutral forum to hear disputes and provides incentives for disclosure. It also allows for the plaintiff to decide whether they wish to proceed in federal court, or in local court.

VI. SEIU Endorses the Territorial Relief Act.

SEIU endorses Section 8 of the discussion draft, known as the Territorial Relief Act. SEIU supports the Territorial Relief Act because, if passed, it would provide an insurance mechanism should the Oversight Board fail to restructure Puerto Rico's debt to an economically sustainable level. It would also return some power to the people of Puerto Rico.

The Territorial Relief Act addresses the fundamental problem of PROMESA, namely the absence of powerful restructuring tools. The Act will ensure that Puerto Rico can cut its debt to an economically viable level; the current fiscal plans do not cut bonded debt enough. Indeed, SEIU is not aware of a single published economic analysis that supports the Board's apparent belief about how much debt the Island can continue to carry. As Professor Guzman recently explained, "[t]here is seldom so much consensus amongst economists about the main premises of a fiscal and debt policy path that needs to

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[22] *See* 5 U.S.C. 552(a)(4)(B) +(E).

be followed in order to give an economy a chance for recovery."[23] Yet the Board has ignored that expert consensus.

The debt cuts made possible by the Territorial Relief Act would also give Puerto Rico important bargaining leverage at this moment. The Act would create a very real incentive for bondholders to negotiate a settlement that is payable over the long term, rather than over the short term.

SEIU also supports the Territorial Relief Act because it provides a mechanism for dealing with the very likely failure of the Oversight Board's restructuring plan. Among other things, the Board's Plan of Adjustment is flawed because it contains a 10-year no-call provision, which means that the Island cannot refinance its debt at lower rates for a period of 10 years. The Plan also proposes higher debt payments up front, apparently based on the very suspect assumption that Puerto Rico will experience significant economic growth in the short term because of hurricane relief funds and reconstruction.[24]

There is already reason to doubt the Board's assumption about significant short-term growth. For one thing, the Trump Administration has threatened to challenge the deductibility of Law 154 excise payments against federal income taxes.[25] Currently, Law 154 excise tax payments account for 18% of Puerto Rico's General Fund. The Board had already assumed that it will lose about 50% of that income over the next year, but if the deductibility of those payments is eliminated, many more businesses may move away from the Island in an attempt to exploit tax loopholes elsewhere.

In addition, Puerto Rico is unlikely to receive the amount of hurricane relief that the Board assumed it would receive. The Oversight Board itself announced on October 21, 2019 that it is now expecting only $39 billion in federal funds, rather than the $69 billion it originally assumed.[26] As the Oversight Board noted in a September 17, 2019 presentation that it released to the market: "We are already seeing delays in disaster relief funding and have reason to question the duration of the 'boost' these funds are bringing to the economy."[27] For this reason, the Board has indicated that it now anticipates a "boost" that will last only three years, rather than five. Strangely enough, this change does not appear to be reflected in the Board's proposed amortization schedule in the Plan of Adjustment that it filed 10 days later, on September 27, 2019.[28]

These uncertainties highlight the need for the Territorial Relief Act because they help show what a high risk of future default Puerto Rico faces. In fact, subsequent defaults often follow sovereign restructurings. According to Guzman and Lombardi's 2018 study, of all the sovereign restructurings

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[23]Martin Guzman and Pablo Gluzman, The Puerto Rico Debt Dilemma, May 2019, at 21.
[24] Schedule of Cash Flow Bonds, Exhibit M to the Plan of Adjustment at M-1, attached herein as Exhibit C.
[25] Joanisabel Gonzalez, A Risk to the Adjustment Plan, in El Nuevo Dia at https://www.elnuevodia.com/english/english/nota/arisktotheadjustmentplan-2520083/, dated Sept. 26, 2019.
[26] Release to market, Commonwealth Fiscal Plan Risks, dated September 17, 2019 at p. 8. https://media.noticel.com/o2com-noti-media-us-east-1/document_dev/2019/10/20/Informe%20de%20Riesgos%20del%20Plan%20Fiscal%20septiembre%202019_1571626158096_39533768_ver1.0.pdf
[27] Id.
[28] See exhibit M-1 to plan of adjustment.

since 1970 that have involved private creditors, 49.7% have been followed by another default or restructuring within 3 years. That percentage increases to 60% over seven years.[29]

Even though SEIU has been against PROMESA since the outset, we acknowledge that these proposed amendments would have some salutary effect: They would return some measure of control to the people of Puerto Rico by requiring elected leaders to pass a resolution in order to begin the process of canceling bonded debt. Those same leaders will have to face the public for re-election, meaning that the people will have some say. The proceedings so far, by contrast, have taken place in court, behind closed doors, and in rooms dominated almost entirely by a small cadre of elite lawyers from the United States. The people of Puerto Rico made very clear this summer that they want a say in their future, and the Territorial Relief Act takes a step in that direction by at least making leaders answerable to the Puerto Rican people for any decisions to forgive debt.

Finally, let me address some concerns raised by creditors about the Discussion Draft. Creditors purport to be concerned about the Island's ability to take general obligation bonds to market in the future, assuming these changes are made. But as noted by the head of BlackRock, two-thirds of the municipal bond market is already revenue bonds rather than GO bonds.[30]

Moreover, available data does not support the creditors' view: Argentina successfully issued $2.7 billion of 100-year bonds in June 2017 at a yield of 8%. Their offering was almost four times oversubscribed. And Detroit, too, has begun to issue bonds after having cut its debt substantially. There is no reason to believe Puerto Rico cannot do the same.

VII. SEIU Supports Section 9 of the Discussion Draft but Believes It Must Be Strengthened.

SEIU has been calling for a comprehensive audit of Puerto Rico's debt since well before Law 97 was passed in 2015. Initially our demand, like our union's demand for a $15 minimum hourly wage, was ridiculed. Jose Carrion, the Chairman of Puerto Rico's Oversight Board, even called the idea a "waste of time."[31] Yet this summer hundreds of thousands of Puerto Ricans took to the streets calling not only for the governor's resignation *but also for a comprehensive audit of the debt*. It seems times have changed.

Before providing testimony regarding how the audit could be strengthened, let me dispel some myths about what has already happened with respect to a debt audit.

Myth No. 1: The Oversight Board, through its Special Claims Committee, has conducted an audit of the debt.

Reality: The Oversight Board commissioned an investigation that *did not* comply with any recognized auditing standards, such as the U.S. General Accounting Office's Government Auditing Standards (better known as the "Yellow Book") or the International Organization of Supreme Audit

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[29] Martin Guzman, *Institute for New Thinking: Ending the Wild West of Sovereign Debt Restructuring*, https://www.ineteconomics.org/perspectives/blog/ending-the-wild-west-of-sovereign-debt-restructuring, dated July 23, 2018.

[30] Peter Hayes, *The Case for Favoring Revenue Bonds Over General Obligation Bonds*, at https://www.investmentnews.com/article/20160613/FREE/160619980/the-case-for-favoring-revenue-bonds-over-general-obligation-bonds, dated July 13, 2016.

[31] Noticel, *Carrión sobre la auditoría: "es una pérdida de tiempo"* at https://www.noticel.com/ahora/carrin-sobre-la-auditora-quotes-una-prdida-de-tiempoquot-video/609379956.

Institutions' (INTOSAIs') Auditing Standards. Essentially, the Board spent $16 million on what auditors would call a pre-audit survey, without the procedures needed to complete an actual independent and certified audit.

Myth No. 2: The Oversight Board does not need to conduct an audit because it has filed several legal challenges to Puerto Rico's debt and has sued several underwriters.

Reality: This myth confuses the bringing of a lawsuit with an audit of the debt. The Oversight Board, along with the Unsecured Creditors Committee, brought forth several claims seeking to challenge the validity of Puerto Rico's debt. These lawsuits are all well and good but until we have a complete audit of the debt that actually complies with best practices we will never know the full extent of what happened. We need a real audit to know.

A few details about auditing best practices will highlight the flaws in what the Oversight Board has done. When any company or governmental entity hires an independent auditor, best practice is that the entity be involved only at the beginning, when deciding what the scope of the audit will be. After that, the auditor must have free reign to review relevant papers and make independent determinations and to do so objectively.[32] The company or government entity will typically get a chance to review a draft of the auditor's report before it is final to clarify matters, but the auditors at all times maintain their independence.

The Oversight Board did not, however, hire a truly independent auditor. The Board hired a law firm, which owed an ethical duty to its client -- the Oversight Board -- rather than fidelity to an independent standard of review. By proceeding this way, the Board kept control over the ultimate work product. This is not standard audit operating procedure.

Furthermore, independent government auditors typically review documents and issue reports before referring potential claims to legal authorities. This approach makes sense because the auditing function requires a measure of independence, whereas the legal and prosecutorial function is one of advocacy rather than neutral independence. Also, in most instances, the public will be able to see the audit report and compare it to prosecutors' subsequent actions.

The Oversight Board did none of this. Why? Perhaps because they do not want to lose control over the results or have an outside party tell it what to do. Whatever the Board's rationale, the practical effect is a lack of transparency or trust. The people of Puerto Rico have no way to know whether the Board brought forth all the claims it could or should have, or whether other claims could be pursued that would result in larger financial recoveries. An independent audit commission will bring closure and ensure that all money that should be recovered is actually recovered.

In sum, SEIU strongly supports the Discussion Draft's audit proposal but believes it should be strengthened as follows:

- The following language should be added at the end of Sec. 901(b): "The Commission shall conduct its audit in conformance with the U.S. Government Accounting Office Government

[32] See General Accountability Office, *Government Auditing Standards* 3.01 *et seq.* (setting out standards for maintaining independence and objectivity in the course of an audit). https://www.gao.gov/assets/700/693136.pdf

Auditing Standards ("Yellow Book"). It shall start its examination of the debt from the most recently issued bonds and review issuances in reverse chronological order."

- In addition, the following should be added to Section 901(b): "The Commission shall be created as an independent entity within the territorial government of Puerto Rico and shall not be considered to be a department, agency, establishment, or instrumentality of the Federal Government."
- The "Governor of Puerto Rico shall" should be deleted from Section 901(b) and replaced with "the Commission shall dissolve." Sections 901 (f)(1)-(3) should also be deleted so as to remove government from membership on the Audit Commission.
- The following language should be added to the end of Sections 901(f)(4), (5), (6), (7), (8), and (9): "as chosen by the membership of the relevant professional association recognized under the laws of Puerto Rico."

These changes will ensure that the Commission operates without political interference and is controlled primarily by the Puerto Rican people, not by politicians who may have interests in protecting themselves or their allies. These changes will also ensure that the audit is conducted by professionals free from conflicts, even if some members of the Commission have an interest in a certain outcome.

VIII. The People Should Have a Say in the Issuance of any Future Debt.

Last but certainly not least, SEIU urges consideration of legislative reform to give the Puerto Rican people a voice in the issuance of future debt. The current Plan of Adjustment limits debt backed by taxes and changes the use of bond proceeds to align with best practices.[33] These are steps in the right direction but they are not enough.

As the Kobre & Kim firm noted in their report to the Board, Puerto Rico lacks a clear mechanism for validating a bond before it issues.[34] Twenty-seven states require voters, by special elections or other mechanisms, to authorize issuance of a bond.[35] Several other states and territories authorize taxpayers to bring bond validation proceedings to determine whether a proposed bond issuance is authorized or legal.[36] Kobre & Kim recommended the adoption of a similar mechanism in Puerto Rico,[37] but as of the date of this writing, the Puerto Rican legislature has not introduced such a bill and the Oversight Board has not made such a recommendation pursuant to Sec. 205(a) of PROMESA.

At this point, Congress should step in to create a mechanism that the people of Puerto Rico can use to challenge debt issues. Doing so will make the Board and the Island's politicians more accountable to the people and give the people some voice in these key decisions that affect their future. This is

[33] See. 44.2 and 44.3 of Plan of Adjustment, filed on September 27, 2019.
[34] See Kobre and Kim report at 446. https://media.noticel.com/o2com-noti-media-us-east-1/document_dev/2018/08/20/Informe%20de%20Kobre%20Kim%20sobre%20la%20deuda%20de%20PR_1534811503036_12865995_ver1.0.pdf
[35] https://ballotpedia.org/Bond_issue
[36] See, e.g., Ala. Code § 11–81–220, et seq. (2018); Cal. Civ. Proc. Code §§ 860–871 (2018); Fla. Stat. Ann . § 75.01, et seq. (2018); Ga. Code § 50–17–25 (2018); Ky. Rev. Stat. § 66.191 (2018); La. Rev. Stat. § 13:5121, et seq. (2018); Miss. Code § 31–15–5, et seq. (2018); Ohio Rev. Code § 133.07, et seq. (2018); Wash. Rev. Code § 7.25.020, et seq. (2018); W. Va. Code § 13–1–25, et seq. (2018)
[37] Kobre and Kim report at 448.

especially true for when the Oversight Board leaves Puerto Rico (which SEIU would prefer happen immediately).

Congress should also consider giving the Citizens Audit Commission proposed in the Discussion Draft the ability to enforce the debt policy that the Oversight Board adopts in its Plan of adjustment. In doing so, it should give the Commission the ability to sue in federal court to enforce that policy. This will allow the people of Puerto Rico to have a say in the economic decisions that will govern their lives for years to come.

CONCLUSION

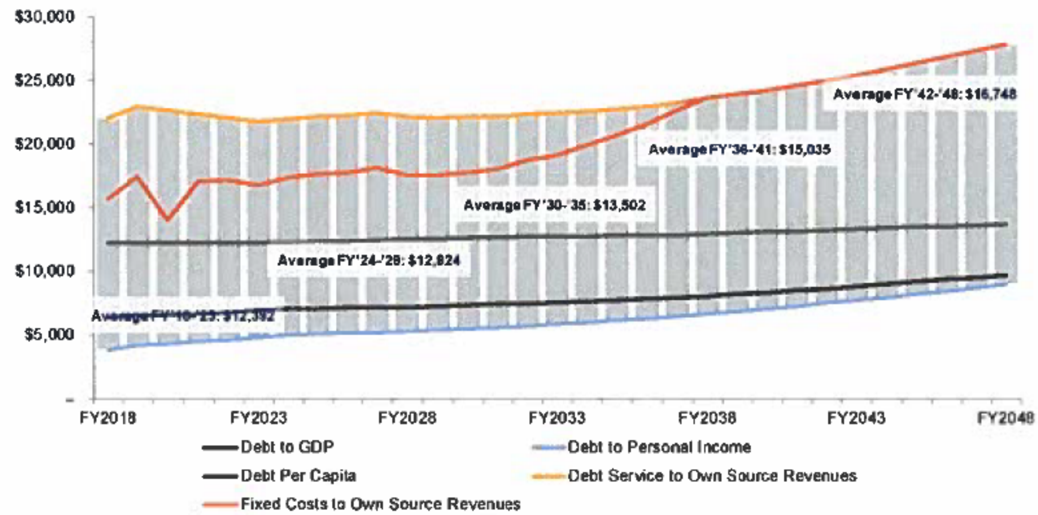
SEIU urges this Committee to listen to the people. The hundreds of thousands of Puerto Ricans who took to the streets are tired of politics as usual, tired of the unaccountable Junta, and tired of not knowing the truth about the debt that mortgaged their future.

SEIU was against PROMESA from the beginning, not only because it is a colonialist incursion into Puerto Rico but also because SEIU feared the outcome we now confront. At a minimum, the time has certainly come to reform PROMESA to give more power to Puerto Ricans and to arm them with the tools needed to achieve a sustainable, long-term plan. An audit commission, the Territorial Relief Act, consideration of income inequality ... these steps are not true de-colonization. They are a beginning, not the end. But in 2019, Puerto Rico *at least* deserves a new beginning.

Exhibit A

EXHIBIT 28: IMPLIED NET TAX-SUPPORTED DEBT CAPACITY RANGE BASED ON TOP-10 HIGHEST INDEBTED U.S. STATE DEBT METRICS ($M)

Implied debt capacity range based on top-10 highest indebted US state debt metrics, $M



For illustration purposes values in ($000's)
The Own Source Revenues metric used for the Debt Service and Fixed Costs measures excludes the 53.65% Pledged Sales Tax Base Amount used to pay the restructured COFINA bonds and also excludes Federal Transfers. In all cases future implied debt capacity range is limited to the Debt Service to Own Source Revenues Metric.

The illustrative implied levels of the Government's restructured debt in the previous chart are calculated by applying the Net Tax Supported Debt ratios of the "top ten" U.S. states (in terms of debt load) to Puerto Rico's future projected GDP, population and Own-Source Revenues. Debt Service to Own Source Revenue and Fixed Costs to Own Source Revenues figures are derived assuming debt service of a long-term level debt service structure, with a 5% average coupon.

Maximum annual debt service cap on restructured fixed payment debt. The implied debt capacity and expected growth in debt capacity must be sufficient to cover both the payments due on the restructured debt and all payments due on future new money borrowings. Accordingly, the aggregate debt service due on all fixed payment debt issued in the restructuring of the Government's existing tax-supported debt should be capped at a maximum annual debt service ("MADs") level. The cap would be derived from the U.S. state rating metrics, and specifically from what Moody's calls the "Debt Service Ratio." The Debt Service Ratio is the ratio of total payments due in a year on all existing net tax-supported debt over that state government's own-source revenues (i.e., excluding federal transfer payments) in that year.

The Moody's report indicates that the average Debt Service Ratio for the all U.S. states is 4.5%. The Moody's report indicates that the average Debt Service Ratio for the top 10 most indebted states is 9.2%. To the extent either of these Debt Service Ratios is used to set a MADs cap on the restructured debt and the Primary Surplus is below the MADs level, then the debt service due on fixed payment debt would need to be set at the lower of the amount available for debt service or the MADs limit.

With respect to the Moody's Fixed Costs Ratio, the August 2018 Moody's report indicates that the average Fixed Costs Ratio for all U.S. States is 10.3%. The same report indicates that the average Fixed Costs Ratio for the 10 States with the highest Fixed Costs Ratios is 20.9%.

Any additional cash flow above the MADs cap applied to the restructured fixed payment debt that is generated over the long-term from successful implementation of the 2019 Fiscal Plan could be dedicated to a combination of contingent "growth bond" payments to legacy bond

EXHIBIT B

Claim[35]	Class	Estimated Claim Amount	Approx. Recovery (%)	Form of Consideration
PBA Bond Claims[36]	Class 1	$4,235,144,182	23.1%	Cash
PBA Bond Claims (Insured)	Class 2	403,171,975	23.1%	Cash
PBA/DRA Secured Claim	Class 3	66,222,028	0%	-
PBA General Unsecured Claims	Class 4	[ ]	100%	Cash
PBA/DRA Unsecured Claims	Class 5	134,357,497	0%	-
Vintage CW Bond Claims	Class 6	4,954,291,497	64.1%†	New Bonds / Cash
Vintage CW Bond Claims (Insured)	Class 7	1,963,103,447	64.1%†	New Bonds / Cash
Vintage CW Bond Claims (Taxable Election)	Class 8	*	64.1%	New Bonds / Cash
Vintage CW Guarantee Bond Claims[37]	Class 9	2,744,443,277	64.1%†	New Bonds / Cash
Vintage CW Guarantee Bond Claims (Insured)	Class 10	309,964,115	64.1%†	New Bonds / Cash
Vintage CW Guarantee Bond Claims (Taxable Election)	Class 11	*	64.1%	New Bonds / Cash
2012 CW Bond Claims	Class 12	2,478,303,639	0 - 64.1%†	New Bonds / Cash
2012 CW Bond Claims (Insured)	Class 13	393,049,392	0 - 64.1%†	New Bonds / Cash
2012 Settling CW Bond Claims	Class 14	*	45.0%	New Bonds / Cash
2012 CW Bond Claims (Taxable Election)	Class 15	*	45.0%	New Bonds / Cash
2012 CW Guarantee Bond Claims[38]	Class 16	544,733,482	0 - 64.1%†	New Bonds / Cash
2012 Settling CW Guarantee Bond Claims	Class 17	*	45.0%	New Bonds / Cash

[35] **Preliminary and subject to revision.**

* Amount depends upon how many holders of Allowed Claims are eligible and elect to be treated under such class.

† Represents base recovery. Recoveries may increase up to a maximum of 89.4%.

[36] A holder of an Allowed PBA Bond Claim cannot recover more in the aggregate than 89.4% on account of such holder's Allowed PBA Bond Claim and Allowed Vintage CW Guarantee Bond Claim, Allowed 2012 CW Guarantee Bond Claim, and Allowed 2014 CW Guarantee Bond Claim, as applicable.

[37] A holder of an Allowed Vintage CW Guarantee Bond Claim cannot recover more in the aggregate than 89.4% on account of such holder's Allowed Vintage CW Guarantee Bond Claim and Allowed PBA Bond Claim.

[38] A holder of an Allowed 2012 CW Guarantee Bond Claim cannot recover more in the aggregate than 89.4% on account of such holder's Allowed 2012 CW Guarantee Bond Claim and Allowed PBA Bond Claim.

Claim[35]	Class	Estimated Claim Amount	Approx. Recovery (%)	Form of Consideration
2012 CW Guarantee Bond Claims (Taxable Election)	Class 18	*	45.0%	New Bonds / Cash
2014 CW Bond Claims	Class 19	3,606,171,111	0 - 64.1%†	New Bonds / Cash
2014 Settling CW Bond Claims	Class 20	*	35.0%	New Bonds / Cash
2014 CW Bond Claims (Taxable Election)	Class 21	*	35.0%	New Bonds / Cash
2014 CW Guarantee Bond Claims[39]	Class 22	345,380,886	0 - 64.1%†	New Bonds / Cash
2014 Settling CW Guarantee Bond Claims	Class 23	*	35.0%	New Bonds / Cash
2014 CW Guarantee Bond Claims (Taxable Election)	Class 24	*	35.0%	New Bonds / Cash
Retiree Claims	Class 25A	[ ]	[ ]	
Active ERS Participant Claims	Class 25B	[ ]	[ ]	
Active JRS Participant Claims	Class 25C	[ ]	[ ]	
Active TRS Participant Claims	Class 25D	[ ]	[ ]	
System 2000 Participant Claims	Class 25E	[ ]	[ ]	
AFSCME Employees Claims	Class 26	[ ]	[ ]	
CW General Unsecured Claims	Class 27	5,500,000,000	up to 1.8%	New Bonds
CW/HTA Constitutional Claims	Class 28	4,242,121,134	If Class accepts, 3.1%	New Bonds
CW/Convention Constitutional Claims	Class 29	414,393,096	If Class accepts, 0.4%	New Bonds
CW/PRIFA Rum Tax Constitutional Claims	Class 30	1,892,926,265	If Class accepts, 3.4%	New Bonds
CW/MBA Constitutional Claims	Class 31	[28,903,666][40]	If Class accepts, [13.5%]	New Bonds
CW Appropriations Claims	Class 32		0%	-
CW 510(B) Subordinated Claims	Class 33		0%	-
ERS Bond Claims	Class 34	3,168,698,777	[ ]	Cash
Settling ERS Bond Claims	Class 35	*	12.7%	[ ]
ERS Bond Claims (Taxable Election)	Class 36	*	[ ]	[ ]
ERS General Unsecured Claims	Class 37	[ ]	[ ]	New Bonds
Gracia-Gracia Claims	Class 38		100%	Cash

[39] A holder of an Allowed 2014 CW Guarantee Bond Claim cannot recover more in the aggregate than the Bond Recovery Cap on account of such holder's Allowed 2014 CW Guarantee Bond Claim <u>and</u> Allowed PBA Bond Claim.

[40] Claim amount reflects principal only.

EXHIBIT C

EXHIBIT M

SCHEDULE OF CASH FLOWS OF NEW BONDS

	Tax-Exempt Annual Debt Service Cash Flows			Taxable Annual Debt Service Cash Flows			Aggregate Annual Debt Service Cash Flows		
Fiscal Year (7/1)	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
Total	$10,329,850,000	$7,625,866,848	$17,955,716,848	$1,447,460,000	$1,843,007,417	$3,290,467,417	$11,777,310,000	$9,468,874,266	$21,246,184,266
2020	$820,060,000	$180,527,761	$1,000,587,761		$34,055,517	$34,055,517	$820,060,000	$214,583,278	$1,034,643,278
2021	415,645,000	500,204,688	915,849,688		101,322,200	101,322,200	415,645,000	601,526,888	1,017,171,888
2022	416,160,000	481,500,663	897,660,663		101,322,200	101,322,200	416,160,000	582,822,863	998,982,863
2023	416,510,000	462,253,263	878,763,263		101,322,200	101,322,200	416,510,000	563,575,463	980,085,463
2024	416,110,000	442,989,675	859,099,675		101,322,200	101,322,200	416,110,000	544,311,875	960,421,875
2025	415,425,000	423,224,450	838,649,450		101,322,200	101,322,200	415,425,000	524,546,650	939,971,650
2026	413,890,000	403,491,763	817,381,763		101,322,200	101,322,200	413,890,000	504,813,963	918,703,963
2027	411,955,000	383,314,625	795,269,625		101,322,200	101,322,200	411,955,000	484,636,825	896,591,825
2028	409,030,000	363,231,819	772,261,819		101,322,200	101,322,200	409,030,000	464,554,019	873,584,019
2029	405,560,000	342,780,319	748,340,319		101,322,200	101,322,200	405,560,000	444,102,519	849,662,519
2030	400,965,000	322,502,319	723,467,319		101,322,200	101,322,200	400,965,000	423,824,519	824,789,519
2031	395,630,000	301,952,863	697,582,863		101,322,200	101,322,200	395,630,000	403,275,063	798,905,063
2032	389,000,000	281,676,825	670,676,825		101,322,200	101,322,200	389,000,000	382,999,025	771,999,025
2033	381,445,000	261,254,325	642,699,325		101,322,200	101,322,200	381,445,000	362,576,525	744,021,525
2034	231,280,000	241,228,463	472,508,463	$141,080,000	101,322,200	242,402,200	372,360,000	342,550,663	714,910,663
2035	213,735,000	228,508,063	442,243,063	150,955,000	91,446,600	242,401,600	364,690,000	319,954,663	684,644,663
2036	194,000,000	216,752,638	410,752,638	161,525,000	80,879,750	242,404,750	355,525,000	297,632,388	653,157,388
2037	171,935,000	206,082,638	378,017,638	172,830,000	69,573,000	242,403,000	344,765,000	275,655,638	620,420,638
2038	147,345,000	196,626,213	343,971,213	184,930,000	57,474,900	242,404,900	332,275,000	254,101,113	586,376,113
2039	120,040,000	188,522,238	308,562,238	197,870,000	44,529,800	242,399,800	317,910,000	233,052,038	550,962,038
2040	89,810,000	181,920,038	271,730,038	211,725,000	30,678,900	242,403,900	301,535,000	212,598,938	514,133,938
2041	59,850,000	176,868,225	236,718,225	226,545,000	15,858,150	242,403,150	286,395,000	192,726,375	479,121,375
2042	305,610,000	173,501,663	479,111,663		-	-	305,610,000	173,501,663	479,111,663
2043	322,805,000	156,311,100	479,116,100		-	-	322,805,000	156,311,100	479,116,100
2044	340,965,000	138,153,319	479,118,319		-	-	340,965,000	138,153,319	479,118,319
2045	360,140,000	118,974,038	479,114,038		-	-	360,140,000	118,974,038	479,114,038
2046	381,305,000	97,815,813	479,120,813		-	-	381,305,000	97,815,813	479,120,813
2047	403,700,000	75,414,144	479,114,144		-	-	403,700,000	75,414,144	479,114,144
2048	427,415,000	51,696,769	479,111,769		-	-	427,415,000	51,696,769	479,111,769
2049	452,530,000	26,586,138	479,116,138		-	-	452,530,000	26,586,138	479,116,138

*Assumes Expected Effective Date of 2/29/20

Fiscal Year (7/1)	Maturity	Term Maturity	Mandatory Sinking Fund Amortization	Term Principal	Coupon	Call Date @ 100	Fiscal Year (7/1)	Principal	Interest	Total Debt Service
		Detailed Summary of Taxable Term Bonds					Taxable Annual Debt Service Cash Flows			
Total			$1,447,460,000	$1,447,460,000				$1,447,460,000	$1,843,007,417	$3,290,467,417
2020	7/1/20						2020		$34,055,517	$34,055,517
2021	7/1/21						2021		101,322,200	101,322,200
2022	7/1/22						2022		101,322,200	101,322,200
2023	7/1/23						2023		101,322,200	101,322,200
2024	7/1/24						2024		101,322,200	101,322,200
2025	7/1/25						2025		101,322,200	101,322,200
2026	7/1/26						2026		101,322,200	101,322,200
2027	7/1/27						2027		101,322,200	101,322,200
2028	7/1/28						2028		101,322,200	101,322,200
2029	7/1/29						2029		101,322,200	101,322,200
2030	7/1/30						2030		101,322,200	101,322,200
2031	7/1/31						2031		101,322,200	101,322,200
2032	7/1/32						2032		101,322,200	101,322,200
2033	7/1/33						2033		101,322,200	101,322,200
2034	7/1/34	2041	$141,080,000		7.000%	7/1/29	2034	$141,080,000	101,322,200	242,402,200
2035	7/1/35	2041	150,955,000		7.000%	7/1/29	2035	150,955,000	91,446,600	242,401,600
2036	7/1/36	2041	161,525,000		7.000%	7/1/29	2036	161,525,000	80,879,750	242,404,750
2037	7/1/37	2041	172,830,000		7.000%	7/1/29	2037	172,830,000	69,573,000	242,403,000
2038	7/1/38	2041	184,930,000		7.000%	7/1/29	2038	184,930,000	57,474,900	242,404,900
2039	7/1/39	2041	197,870,000		7.000%	7/1/29	2039	197,870,000	44,529,800	242,399,800
2040	7/1/40	2041	211,725,000		7.000%	7/1/29	2040	211,725,000	30,678,900	242,403,900
2041	7/1/41	2041	226,545,000	$1,447,460,000	7.000%	7/1/29	2041	226,545,000	15,858,150	242,403,150
2042	7/1/42						2042		-	-
2043	7/1/43						2043		-	-
2044	7/1/44						2044		-	-
2045	7/1/45						2045		-	-
2046	7/1/46						2046		-	-
2047	7/1/47						2047		-	-
2048	7/1/48						2048		-	-
2049	7/1/49						2049		-	-

*Assumes Expected Effective Date of 2/29/20

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Detailed Summary of Tax-Exempt Term Bonds							Tax-Exempt Annual Debt Service Cash Flows			
Fiscal Year (7/1)	Maturity	Term Maturity	Mandatory Sinking Fund Amortization	Term Principal	Coupon	Call Date @ 100	Fiscal Year (7/1)	Principal	Interest	Total Debt Service
Total			$10,329,850,000	$10,329,850,000				$10,329,850,000	$7,625,866,848	$17,955,716,848
2020	7/1/20	2024	$820,060,000		4.500%		2020	$820,060,000	$180,527,761	$1,000,587,761
2021	7/1/21	2024	415,645,000	$1,235,705,000	4.500%		2021	415,645,000	500,204,688	915,849,688
2022	7/1/22	2024	416,160,000		4.625%		2022	416,160,000	481,500,663	897,660,663
2023	7/1/23	2024	416,510,000	$832,670,000	4.625%		2023	416,510,000	462,253,263	878,763,263
2024	7/1/24	2024	416,110,000		4.750%		2024	416,110,000	442,989,675	859,099,675
2025	7/1/25	2029	415,425,000	$831,535,000	4.750%		2025	415,425,000	423,224,450	838,649,450
2026	7/1/26	2029	413,890,000		4.875%		2026	413,890,000	403,491,763	817,381,763
2027	7/1/27	2029	411,955,000	$825,845,000	4.875%		2027	411,955,000	383,314,625	795,269,625
2028	7/1/28	2029	409,030,000		5.000%		2028	409,030,000	363,231,819	772,261,819
2029	7/1/29	2029	405,560,000	$814,590,000	5.000%		2029	405,560,000	342,780,319	748,340,319
2030	7/1/30	2034	400,965,000		5.125%	7/1/29	2030	400,965,000	322,502,319	723,467,319
2031	7/1/31	2034	395,630,000	$796,595,000	5.125%	7/1/29	2031	395,630,000	301,952,863	697,582,863
2032	7/1/32	2034	389,000,000		5.250%	7/1/29	2032	389,000,000	281,676,825	670,676,825
2033	7/1/33	2034	381,445,000	$770,445,000	5.250%	7/1/29	2033	381,445,000	261,254,325	642,699,325
2034	7/1/34	2034	231,280,000		5.500%	7/1/29	2034	231,280,000	241,228,463	472,508,463
2035	7/1/35	2039	213,735,000		5.500%	7/1/29	2035	213,735,000	228,508,063	442,243,063
2036	7/1/36	2039	194,000,000		5.500%	7/1/29	2036	194,000,000	216,752,638	410,752,638
2037	7/1/37	2039	171,935,000		5.500%	7/1/29	2037	171,935,000	206,082,638	378,017,638
2038	7/1/38	2039	147,345,000		5.500%	7/1/29	2038	147,345,000	196,626,213	343,971,213
2039	7/1/39	2039	120,040,000	$1,078,335,000	5.500%	7/1/29	2039	120,040,000	188,522,238	308,562,238
2040	7/1/40	2044	89,810,000		5.625%	7/1/29	2040	89,810,000	181,920,038	271,730,038
2041	7/1/41	2044	59,850,000		5.625%	7/1/29	2041	59,850,000	176,868,225	236,718,225
2042	7/1/42	2044	305,610,000		5.625%	7/1/29	2042	305,610,000	173,501,663	479,111,663
2043	7/1/43	2044	322,805,000		5.625%	7/1/29	2043	322,805,000	156,311,100	479,116,100
2044	7/1/44	2044	340,965,000	$1,119,040,000	5.625%	7/1/29	2044	340,965,000	138,153,319	479,118,319
2045	7/1/45	2049	360,140,000		5.875%	7/1/29	2045	360,140,000	118,974,038	479,114,038
2046	7/1/46	2049	381,305,000		5.875%	7/1/29	2046	381,305,000	97,815,813	479,120,813
2047	7/1/47	2049	403,700,000		5.875%	7/1/29	2047	403,700,000	75,414,144	479,114,144
2048	7/1/48	2049	427,415,000		5.875%	7/1/29	2048	427,415,000	51,696,769	479,111,769
2049	7/1/49	2049	452,530,000	$2,025,090,000	5.875%	7/1/29	2049	452,530,000	26,586,138	479,116,138

*Assumes Expected Effective Date of 2/29/20

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