



HOUSE COMMITTEE ON
NATURAL RESOURCES
CHAIRMAN BRUCE WESTERMAN

To: Subcommittee on Indian and Insular Affairs Republican Members
From: Subcommittee on Indian and Insular Affairs Staff: Ken Degenfelder
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Date: Monday, July 14, 2025
Subject: Oversight hearing titled “*Puerto Rico’s Fiscal Recovery Under PROMESA and the Road Ahead*”

The Subcommittee on Indian and Insular Affairs will hold an oversight hearing titled “*Puerto Rico’s Fiscal Recovery Under PROMESA and the Road Ahead*” on **Wednesday, July 16, 2025, at 10:00 a.m. in room 1324 Longworth House Office Building.**

Member offices are requested to notify Haig Kadian (Haig.Kadian@mail.house.gov) by 4:30 p.m. on Tuesday, July 15, 2025, if their Member intends to participate in the hearing.

I. KEY MESSAGES

- The Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) is succeeding in reducing the Commonwealth of Puerto Rico’s debt, but sustained oversight is still needed to ensure long-term economic recovery.
- The passage of a balanced budget in June 2025 was a major milestone for Puerto Rico. However, Puerto Rico must deliver three more consecutive balanced budgets and meet additional statutory benchmarks before the Financial Oversight and Management Board (FOMB) can conclude its mandate.
- The unresolved Puerto Rico Electric Power Authority (PREPA) debt restructuring remains a major obstacle to Puerto Rico’s fiscal recovery and poses financial and political risks should it not come to an acceptable resolution.
- Although Puerto Rico’s government has made some recent progress, the U.S. Government Accountability Office (GAO) has identified persistent transparency and capacity shortfalls.
- Congress must continue exercising oversight to ensure that Puerto Rico implements effective internal controls, produces timely audits, and institutionalizes reforms.

II. WITNESSES

- **Mr. Robert F. Mujica Jr.**, Executive Director, Financial Oversight and Management Board for Puerto Rico, San Juan, Puerto Rico
- **Mr. D. Andrew Austin, Ph.D.**, Analyst in Economic Policy, Congressional Research Service, Washington, D.C.
- **Ms. Michelle Sager**, Managing Director, Strategic Issues, U.S. Government Accountability Office, Washington, D.C.

III. BACKGROUND

Overview

Puerto Rico's debt crisis emerged in 2015 from a confluence of factors, including prolonged economic stagnation, structural imbalances, and unstable borrowing practices.¹ Catalyzed by the 2006 expiration of federal tax incentives, Puerto Rico routinely relied on debt to fund operating deficits, rather than implementing revenue or expenditure reforms.² Puerto Rico's Government Development Bank (GDB) served as both fiscal agent and lender, and over the decades succumbed to political pressure, enabling excessive borrowing to cover budget shortfalls.³ This practice significantly contributed to Puerto Rico's debt crisis.⁴

In early 2016, a federal court deemed the territory insolvent, and the Puerto Rican government invoked emergency powers to preserve essential services.⁵ As liquidity collapsed, then-Governor Alejandro García Padilla warned that "the debt is not payable."⁶ The government subsequently defaulted on multiple debt obligations, including those of the GDB and the Public Finance Corporation.⁷ The combination of Puerto Rico's territorial status and its government's failure to enact its own debt moratorium laws made traditional bankruptcy protections unavailable.⁸

Despite austerity measures and attempts at voluntary restructuring, Puerto Rico lost access to capital markets. The Commonwealth faced over \$118 billion in liabilities, which included more than \$70 billion in public debt and \$40 billion in unfunded pension obligations.⁹ Its projected

¹ D. Andrew Austin, *Puerto Rico's Current Fiscal Challenges*, Congressional Research Service (June 3, 2016), <https://sgp.fas.org/crs/row/R44095.pdf> – p. 2.

² Emmett A. Egger, *Emergency Refinancing: Puerto Rico's Municipal Bonds and the Contract Clause*, vol. LIII: 3:679 2018-2019, <https://derecho.inter.edu/wp-content/uploads/2022/03/EMERGENCY-REFINANCING-PUERTO-RICO%C3%A2%E2%82%AC%E2%84%A2S-MUNICIPAL-BONDS-AND-THE-CONTRACT-CLAUSE-.pdf> – p. 681.

³ Kobre & Kim LLP, *Final Investigative Report* (August 20, 2018), <https://drive.google.com/file/d/19-lauVo3w9MPS03xYVe0SWWhQin-Q6FEf/view> – p. 8.

⁴ Congressional Research Service, *Puerto Rico's Public Debts: Accumulation and Restructuring* (May 2, 2022), <https://sgp.fas.org/crs/row/R46788.pdf> – p. 8 (In 2014, Puerto Rico's general obligation (GO) bonds were downgraded to junk status and subsequent GO bonds carried an 8.6-percent yield, well above typical rates.)

⁵ D. Andrew Austin, *Puerto Rico's Current Fiscal Challenges*, Congressional Research Service (June 3, 2016), <https://sgp.fas.org/crs/row/R44095.pdf> – p. 2.

⁶ *Id.*

⁷ *Id.*, at p. 5.

⁸ *Id.*, at p. 7.

⁹ House Committee on Natural Resources, *H.R. 5278: "Puerto Rico Oversight, Management and Economic Stability Act,"* (last accessed July 8, 2025), https://naturalresources.house.gov/uploadedfiles/promesa_packet_6.6.pdf – p. 1.

financing gap over five years approached \$28 billion.¹⁰ Underlying the fiscal collapse were long-standing issues, including chronically low labor force participation, high outmigration, underperforming government institutions, structural deficits, and a declining industrial base following the phase-out of federal tax incentives under Section 936 of the Internal Revenue Code.¹¹ Compounding these issues, the GAO has also highlighted that Puerto Rico's longstanding gaps in fiscal transparency, internal controls, and reliable economic data have limited the federal government's ability to conduct effective oversight.¹²

These challenges created a fiscal and governmental emergency that led Congress to act, ultimately culminating in the passage of the Puerto Rico Oversight, Management, and Economic Stability Act of 2016 (PROMESA).¹³

PROMESA Framework and FOMB Authority

With Puerto Rico facing a fiscal crisis, Congress developed and passed PROMESA in 2016. Instead of offering a multi-billion-dollar bailout, PROMESA established a comprehensive fiscal oversight and restructuring framework, organized under seven titles.¹⁴ PROMESA was intended to enable long-term, pro-growth fiscal reforms and structural transformation to restore Puerto Rico's economic health.¹⁵

Titles I & II: Establishment, Organization, and Responsibilities of the Oversight Board

PROMESA created a seven-member Financial Oversight and Management Board (FOMB) with broad authority over Puerto Rico's finances. The FOMB reviews and certifies fiscal plans and budgets for the Commonwealth of Puerto Rico and its covered instrumentalities. Its authority also includes contract review and making policy recommendations to the Puerto Rican government.¹⁶

Title III: Debt Adjustments

Title III introduced a court-supervised debt restructuring process analogous to bankruptcy and overseen by the FOMB. Under Title III, only the FOMB, acting as the debtor's representative, may file restructuring petitions and propose adjustment plans to a federal court. The plan must meet certain requirements, including feasibility, good faith, and fair treatment of creditors.¹⁷

¹⁰ D. Andrew Austin, *Puerto Rico's Current Fiscal Challenges*, Congressional Research Service (June 3, 2016), <https://sgp.fas.org/crs/row/R44095.pdf> – p. 2.

¹¹ U.S. Senate Committee on Finance, *Hearing: Financial and Economic Challenges in Puerto Rico*, (September 29, 2015), <https://www.govinfo.gov/content/pkg/CHRG-114shrg20867/html/CHRG-114shrg20867.htm>.

¹² U.S. Government Accountability Office, *PUERTO RICO – Factors Contributing to the Debt Crisis and Potential Federal Actions to Address Them*, (May 9, 2018) <https://www.gao.gov/assets/gao-18-387.pdf> – p. 2.

¹³ P.L. 114-187.

¹⁴ Congressional Research Service, *The Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)*; H.R. 5278, S. 2328), (July 1, 2016), <https://sgp.fas.org/crs/row/R44532.pdf> – p. 6.

¹⁵ U.S. House Committee on Natural Resources, H.R. 5278: “*Puerto Rico Oversight, Management and Economic Stability Act*,” (last accessed July 8, 2025), https://naturalresources.house.gov/uploadedfiles/promesa_packet_6.6.pdf – p. 1.

¹⁶ Congressional Research Service, *The Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)*; H.R. 5278, S. 2328), (July 1, 2016), <https://sgp.fas.org/crs/row/R44532.pdf> – p. 11, 15.

¹⁷ *Id.*, at p. 20-23.

Titles IV, V & VI: Fiscal Tools and Economic Provisions

Title IV included temporary exemptions from federal labor rules (e.g., minimum wage and overtime regulations) and directed GAO to conduct studies assessing Puerto Rico's economic conditions.¹⁸ Title V created a streamlined process for designating and expediting critical infrastructure projects¹⁹ through a Revitalization Coordinator.²⁰ Title VI outlined a collective action mechanism that allowed supermajorities of creditors to agree to debt modifications in order to avoid full judicial restructuring under Title III.²¹

Additionally, PROMESA gives the FOMB enforcement mechanisms, including the power to issue subpoenas, conduct hearings, and impose penalties for noncompliance.²² The FOMB requires the Puerto Rican government to develop audited financial statements and review territorial legislation to ensure its compliance with the FOMB's Fiscal Plan.²³

Termination of PROMESA oversight will occur when two statutory benchmarks are met. First, Puerto Rico's government must have balanced budgets for at least four consecutive years, using modified accrual accounting. Second, the Commonwealth must maintain adequate access to credit markets to meet its borrowing needs.²⁴

Title VII: Sense of Congress

Title VII expressed Congress's intent that any durable solution for Puerto Rico's fiscal and economic crisis should include permanent, pro-growth fiscal reforms that support a free flow of capital between Puerto Rico and the U.S.²⁵

Debt Restructuring Milestones and Remaining Obligations

Since PROMESA's enactment, Puerto Rico has undergone the most expensive public sector debt restructuring in U.S. history.²⁶ Primarily under Title III authorities of PROMESA, the FOMB has overseen the restructuring of approximately 80 percent of Puerto Rico's outstanding debt.²⁷ This section provides a brief overview of key restructuring milestones for major issuers and highlights unresolved obligations.

¹⁸ U.S. House Committee on Natural Resources, H.R. 5278: "Puerto Rico Oversight, Management and Economic Stability Act," (last accessed July 8, 2025), https://naturalresources.house.gov/uploadedfiles/promesa_packet_6.6.pdf – p. 19-21.

¹⁹ 48 U.S. Code § 2213 - *Critical Projects*.

²⁰ 48 U.S. Code § 2212 - *Position of Revitalization Coordinator*.

²¹ U.S. House Committee on Natural Resources, H.R. 5278: "Puerto Rico Oversight, Management and Economic Stability Act," (last accessed July 8, 2025), https://naturalresources.house.gov/uploadedfiles/promesa_packet_6.6.pdf – p. 22-23.

²² 48 U.S. Code § 2124 - *Powers of Oversight Board*.

²³ 48 U.S. Code § 2144 - *Review of activities to ensure compliance with Fiscal Plan*.

²⁴ 48 U.S. Code § 2149 - *Termination of Oversight Board*.

²⁵ 48 U.S. Code § 2241 - *Sense of Congress regarding permanent, pro-growth fiscal reforms*.

²⁶ NBC News, *Puerto Rico formally exits bankruptcy following largest public debt restructuring*, (March 15, 2022), <https://www.nbcnews.com/news/latino/puerto-rico-formally-exits-bankruptcy-largest-public-debt-restructurin-rcna20054>.

²⁷ Financial Oversight and Management Board, *Puerto Rico's Debt Restructuring Process*, (last accessed July 8, 2025), <https://oversightboard.pr.gov/debt/>.

The Puerto Rico Sales Tax Financing Corporation (COFINA)

The Puerto Rico Sales Tax Financing Corporation (COFINA) was established by Puerto Rico's government in 2006.²⁸ COFINA set up a securitization of a new 5.5 percent sales and use tax, replacing the island's excise tax. The intent of the new sales and use tax was to pay off old, accumulating debts.²⁹ COFINA was controlled by the GDB and provided funds to the Puerto Rican government that were not tied to infrastructure projects. These funds covered past debts and "continuing operating budget deficits."³⁰

Over time, COFINA bonds accumulated nearly one-quarter of Puerto Rico's outstanding public debt, approximately \$17.6 billion.³¹

In August 2018, the FOMB and major COFINA creditors announced a deal.³² In February 2019, Judge Swain of the District Court of Puerto Rico approved the settlement and restructuring plan,³³ and \$17.6 billion in old COFINA bonds were exchanged for \$12 billion in new COFINA bonds. The bonds were divided up into several current-interest-bearing bonds and capital appreciation bonds, with payments due as late as 2058.³⁴

General Obligation (GO) Bonds

Following the COFINA restructuring, the FOMB shifted its attention to Puerto Rico's GO bonds and other related debts, including those of the Employee Retirement System (ERS) and the Public Building Authority (PBA).³⁵ Unlike COFINA bonds, these bonds were backed by the full faith and credit of Puerto Rico and raised complex legal questions regarding constitutional debt limits.³⁶ In January 2019, the FOMB challenged the legality of \$6 billion in "late vintage" GO bonds issued after 2011, arguing that they exceeded constitutional debt limits.^{37,38}

This strategy, paired with over 250 avoidance actions – lawsuits used in bankruptcy to reverse allegedly unfair or improper transfers made before the bankruptcy, such as efforts to claw back

²⁸ COFINA (Corporación del Fondo de Interés Apremiante), known in English as the Puerto Rico Sales Tax Financing Corporation, was established by Act 91-2006, enacted May 13, 2006, Act 117-2006, enacted July 4, 2006; and Act 291-2006, enacted December 26, 2006.

²⁹ Congressional Research Service, *Puerto Rico's Public Debts: Accumulation and Restructuring* (May 2, 2022), <https://sgp.fas.org/crs/row/R46788.pdf> – p. 5.

³⁰ *Id.*

³¹ Laura Taylor Swain, U.S. District Judge, "Memorandum of Opinion and Order Approving Settlement Between Commonwealth of Puerto Rico and Puerto Rico Sales Tax Financing Corporation," February 4, 2019, at <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=OTAzMDUx&id2=0>.

³² Congressional Research Service, *Puerto Rico's Public Debts: Accumulation and Restructuring* (May 2, 2022), <https://sgp.fas.org/crs/row/R46788.pdf> – p. 23.

³³ Memorandum Opinion and Order Approving Settlement between Commonwealth of Puerto Rico and Puerto Rico Sales Tax Financing Corporation, U.S. District Court for the District of Puerto Rico, Case 17-03283, February 4, 2019, <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTAzMDUx&id2=0>.

³⁴ Congressional Research Service, *Puerto Rico's Public Debts: Accumulation and Restructuring* (May 2, 2022), <https://sgp.fas.org/crs/row/R46788.pdf> – p. 24.

³⁵ *Id.*, at p. 26.

³⁶ *Id.*, at p. 5.

³⁷ *Id.*, at p. 26.

³⁸ Joel Cintrón Arbasetti, "275 Investment Firms Jumped on Puerto Rico's Junk Debt," Centro de Periodismo Investigativo, August 31, 2016, <https://periodismoinvestigativo.com/2016/08/275-investment-firms-jumped-on-puerto-ricos-junk-debt/>.

underwriting fees from financial services firms for the 2014 GO bond issuance³⁹ – sparked market uncertainty and litigation.⁴⁰ By mid-2019, the FOMB reached an initial Plan Support Agreement (PSA) with hedge funds, labor groups, and other creditors.⁴¹ The process stalled amid the COVID-19 pandemic, political turnover, and allegations of insider trading directed at coalitions of hedge funds involved in GO restructuring.⁴² The process resumed, and in 2021 the FOMB announced a revised PSA, which reduced \$34 billion in debt to \$7.4 billion and included a mix of new bonds, capital appreciation bonds, and contingent valuation instruments (CVI).⁴³ Recovery rates for creditors varied. The average recovery rate for GO bonds ranged between 65 to 85 percent. Outcomes varied depending on when the bond was issued and how it was classified.⁴⁴ Some bondholders received as much as 95 percent of their original claims.⁴⁵ The plan also preserved full pension benefits for most retirees.⁴⁶ Judge Swain confirmed the plan on January 18, 2022.⁴⁷

Other Restructured Obligations

In addition to COFINA and GO bonds, several other public entities underwent restructuring under PROMESA.

The Puerto Rico Highways and Transportation Authority (HTA), a key operator of the island's toll roads and transportation systems,⁴⁸ completed a Title III restructuring in 2022, reducing its debt from approximately \$6.4 billion to \$1.2 billion.⁴⁹ As noted above, ERS and PBA obligations were resolved as part of the broader GO bond plan of adjustment finalized in January 2022.⁵⁰ Separately, the GDB was restructured under Title VI and formally dissolved in 2018.⁵¹ The Puerto Rico Aqueduct and Sewer Authority (PRASA) avoided Title III restructuring due to its relatively stronger financial footing.⁵²

³⁹ Selendy Gay, *Commonwealth Avoidance Actions Trust Files Lawsuit Against Major Banks for Misconduct in Puerto Rico's Fiscal Crisis* (September 15, 2022), <https://www.selendygay.com/news/general/2022-09-15-commonwealth-avoidance-actions-trust-file-lawsuit-against-major-banks-for-misconduct-in-puerto-ricos-fiscal-crisis>.

⁴⁰ Government of Puerto Rico, Municipal Secondary Market Disclosure Information Cover Sheet Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access System (EMMA), March 16, 2022, <https://docs.pr.gov/files/AAFAF/Puerto%20Rico%20Issuers/Commonwealth%20of%20Puerto%20Rico/Bond%20Offerings/2022/MARCH/GO-Restructured-Bonds-Series-2022A.pdf?csf=1&web=1&e=OuvqLQ>.

⁴¹ Congressional Research Service, *Puerto Rico's Public Debts: Accumulation and Restructuring* (May 2, 2022), <https://sgp.fas.org/crs/row/R46788.pdf> – p. 26.

⁴² *Id.*, at p. 27, 29.

⁴³ *Id.*, at p. 30.

⁴⁴ American Bankruptcy Institute. Puerto Rico Recovery Values. <https://www.abi.org/newsroom/pr-stats/estimated-puerto-rico-debt-recovery-values>

⁴⁵ Congressional Research Service, *Puerto Rico's Public Debts: Accumulation and Restructuring* (May 2, 2022), <https://sgp.fas.org/crs/row/R46788.pdf> – p. 33.”

⁴⁶ *Id.*, at p. 31.

⁴⁷ *Id.*, at p. 32.

⁴⁸ Puerto Rico Highways and Transportation Authority (HTA), Puerto Rico Fiscal Agency and Financial Advisory Authority AAFAF, Government of Puerto Rico, <https://www.aafaf.pr.gov/puerto-rico-issuers/puerto-rico-highways-and-transportation-authority-hta>.

⁴⁹ An additional \$359 million in subordinate HTA toll road-supported debt is still owed due to the Title III agreement.

⁵⁰ Congressional Research Service, *Puerto Rico's Public Debts: Accumulation and Restructuring* (May 2, 2022), <https://sgp.fas.org/crs/row/R46788.pdf> – p. 33.

⁵¹ *Id.*, at p. 20.

⁵² *Id.*, at Summary.

The Puerto Rico Electric Power Authority (PREPA)

PREPA is the last major bond issuer with an unresolved restructuring under PROMESA. Years of underinvestment, mismanagement, political interference, and natural disasters left the public utility financially and operationally unstable.⁵³ PREPA's debt exceeded \$9 billion when the FOMB filed a Title III petition in 2017.⁵⁴

PREPA bond restructuring has been delayed by shifts in governance,⁵⁵ stalled negotiations with bond insurers and fuel lenders,⁵⁶ and the sheer complexity of the restructuring process. In December 2022, the FOMB proposed a plan of adjustment (POA), which was amended throughout 2023, that would reduce PREPA's debt by more than 70 percent, largely through a new legacy charge to be paid by ratepayers.⁵⁷ The plan has faced opposition from multiple creditor classes and local stakeholders.

In March 2025, the FOMB filed the Fifth Amended POA, which proposes reducing more than \$10 billion in claims to roughly \$2.6 billion⁵⁸ and eliminates the previously contemplated legacy charge. Instead, the Fifth Amended POA incorporates a rate reduction fund to stabilize PREPA pensions. The FOMB has stated that no rate increases are needed to fund the plan, citing high electricity costs and unstable grid reliability in Puerto Rico.⁵⁹

Like its predecessors, the Fifth Amended POA has met significant resistance. As of July 2025, the POA remains under review in the U.S. District Court for the District of Puerto Rico.⁶⁰ The upcoming confirmation process will hinge on acceptance by at least one impaired creditor class and compliance with PROMESA's financial feasibility and legal standards.⁶¹

Fiscal Governance Under PROMESA and the Road Ahead

PROMESA established a framework to restore fiscal responsibility and advance structural reforms in Puerto Rico. The FOMB, established by law, is the primary tool for accomplishing this goal. Since its creation, the FOMB has spearheaded efforts to stabilize the Commonwealth's finances, negotiate debt restructurings, and recommend long-term fiscal and structural reforms.⁶²

⁵³ U.S. Government Accountability Office, *PUERTO RICO - Factors Contributing to the Debt Crisis and Potential Federal Actions to Address Them*, (May 9, 2018), <https://www.gao.gov/assets/700/691944.pdf> p. 17-33.

⁵⁴ *Id.*, at p. 12.

⁵⁵ NBC News, *Puerto Rico cancels power company's restructuring deal*, (March 9, 2022),

<https://www.nbcnews.com/news/latino/puerto-rico-cancels-power-companys-restructuring-deal-rcna19311>.

⁵⁶ The Bond Buyer, *PREPA fuel line lenders say they have proof to stop restructuring*, (November 15, 2022),

<https://www.bondbuyer.com/news/prepa-fuel-line-lenders-say-they-have-proof-to-stop-restructuring>.

⁵⁷ Title III Plan of Adjustment of the Puerto Rico Electric Power Company, (December 16, 2022),

<https://drive.google.com/file/d/18s7kF7UMxDRP6gq9EeGaFP0JdHCJlkY1/view>, p. 35.

⁵⁸ Financial Oversight Management Board, *Oversight Board Took Another Step Towards Ending PREPA's Bankruptcy by Filing its Fifth Amended Plan of Adjustment* (March 31, 2025) <https://oversightboard.pr.gov/march-2025/>.

⁵⁹ Financial Oversight and Management Board, *Oversight Board Files 5th Amended Proposed Plan of Adjustment for PREPA*, (March 28, 2025), <https://drive.google.com/file/d/15Mn6B6xaOs9Wo-r2VtrQdtlBnPnMyiVD/view>.

⁶⁰ Case:17-03283-LTS (D.P.R. 2025).

⁶¹ Congressional Research Service, *Puerto Rico's Public Debts: Accumulation and Restructuring* (May 2, 2022), <https://sgp.fas.org/crs/row/R46788.pdf> – p. 17.

⁶² Financial Oversight and Management Board, *FAQ*, <https://oversightboard.pr.gov/faq/>.

In its early years, the FOMB certified fiscal plans and budgets for the Commonwealth and key public corporations, implemented transparency measures, and initiated the largest public sector debt restructuring in U.S. history.⁶³ A central aspect of the FOMB's strategy has been enforcing budgetary discipline by requiring government expenditures to align with projected revenues prior to certification.⁶⁴ That discipline has begun to yield tangible results. Puerto Rico's central government has posted primary budget surpluses in recent years, an outcome sharply different from the chronic deficits that preceded PROMESA's enactment.⁶⁵ Additionally, total outstanding public sector debt obligations declined by \$36.5 billion, and key debt sustainability indicators, such as debt-to-GDP and debt-to-GNP ratios, have improved.⁶⁶

On June 25, 2025, Puerto Rico enacted its first certified balanced budget since PROMESA's enactment.⁶⁷ This milestone starts the clock toward meeting one of the statutory benchmarks for ending oversight: four consecutive years of certified, balanced budgets.

Puerto Rico has taken other steps toward institutionalizing sound fiscal governance. In 2022, the government adopted a formal debt management policy that limits annual debt service to no more than 7-8 percent of own-source revenues.⁶⁸ The policy also includes rules on refinancing, borrowing constraints, and transparency in bond issuance. As part of its fiscal governance reforms, Puerto Rico created the Office of Public Analysis and Legislation (OPAL), a nonpartisan entity modeled loosely after the Congressional Budget Office (CBO).⁶⁹ OPAL is charged with reviewing the budgetary implications of proposed legislation. Although OPAL lacks full independence or binding scoring authority, and the Puerto Rican legislature commonly passes bills that OPAL warns against, it marks an important institutional advance.⁷⁰

Nevertheless, structural challenges remain. In addition to advancing budgetary discipline, the FOMB is also directed by PROMESA to recommend and support structural reforms necessary for economic revitalization and long-term economic growth. The FOMB has identified several priority areas. These include streamlining government functions, improving the ease of doing business, reforming the energy sector, reforming the civil service, reforming procurement, and expanding workforce participation.⁷¹ Progress in these areas has been uneven, and little

⁶³ Financial Oversight and Management Board, *Annual Report 2023*, (July 31, 2023), https://drive.google.com/file/d/19nDLJDgc_1L85N-tK9ob-yRCIC29xuY/view, p. 9-11.

⁶⁴ U.S. House Committee on Natural Resources, *H.R. 5278: "Puerto Rico Oversight, Management and Economic Stability Act,"* (last accessed July 8, 2025), https://naturalresources.house.gov/uploadedfiles/promesa_packet_6.6.pdf – p. 3.

⁶⁵ U.S. Government Accountability Office, *U.S. Territories: Public Debt and Economic Outlook – 2025 Update*, (June 30, 2025), <https://www.gao.gov/assets/gao-25-107560.pdf>, p. 16.

⁶⁶ *Id.*, at p. 14.

⁶⁷ Puerto Rico Federal Affairs Administration, *Governor Signs First Balanced Budget Certified by the Fiscal Oversight Board*, (June 25, 2025), <https://www.prfaa.pr.gov/recent-press-releases/governor-signs-first-balanced-budget-certified-by-the-fiscal-oversight-board>.

⁶⁸ U.S. Government Accountability Office, *U.S. Territories: Public Debt and Economic Outlook – 2025 Update*, (June 30, 2025), <https://www.gao.gov/assets/gao-25-107560.pdf>, p. 22.

⁶⁹ *Id.*, at p. 23.

⁷⁰ *Id.*

⁷¹ Financial Oversight and Management Board, *2023 Transformation Plan for Puerto Rico*, (April 3, 2023), https://docs.pr.gov/files/AAFAF/Financial_Documents/Fiscal%20Plans/CERTIFIED%20FISCAL%20PLANS/2023/April/FOMB%20-%20Fiscal%20Plan%20for%20Commonwealth%20of%20Puerto%20Rico%20-%20Volume%201%20-%20Certified%20as%20of%20April%203%202023.pdf?csf=1&web=1&e=6teBhg, p. 2.

improvement has come from attempted reforms to the civil service,⁷² procurement policy, and the energy sector.

Recent economic indicators suggest additional reasons to remain cautious. Although Puerto Rico's GNP has grown, the Economic Activity Index was lower for each month between September 2024 and February 2025 than the corresponding month in the previous year.⁷³ This trend may signal the onset of a broader economic contraction. Outmigration, an aging population, and a fragile electric grid remain serious long-term risks to economic stability. Weaknesses in Puerto Rico's financial management infrastructure, including unreliable accounting systems and frequent delays in producing audited financial statements, continue to hamper oversight and long-term planning.⁷⁴

Since his appointment in 2023, the FOMB Executive Director, Robert Mujica, has prioritized embedding fiscal discipline and improving government performance, shifting away from crisis response.⁷⁵ In its most recent annual report, the FOMB emphasized that, while Puerto Rico has made progress, its transition to full fiscal autonomy will depend on building permanent and sound fiscal management practices.⁷⁶

The FOMB has affirmed its commitment to achieve its mandate and complete operations once Puerto Rico fulfills PROMESA's statutory conditions.⁷⁷ With the passage of a balanced budget on June 25, 2025,⁷⁸ the road ahead will require continued political resolve within Puerto Rico to implement needed reforms, maintain transparency, and insulate fiscal policy from future shocks. Whether Puerto Rico can sustain this trajectory will be determined by its actions in the years to come.

⁷² Financial Oversight and Management Board, *Civil Service Reform Research*, <https://oversightboard.pr.gov/civil-service-reform-research/>.

⁷³ U.S. Government Accountability Office, *U.S. Territories: Public Debt and Economic Outlook – 2025 Update*, (June 30, 2025), <https://www.gao.gov/assets/gao-25-107560.pdf>, p. 21.

⁷⁴ U.S. Government Accountability Office, Puerto Rico. Factors Contributing to the Debt Crisis and Potential Federal Actions to Address Them. (May 9, 2018) <https://www.gao.gov/assets/gao-18-387.pdf> p. 38-47.

⁷⁵ Robert F. Mujica Jr., *Letter: 2023 Annual Report: Creating the foundations for sustainable economic growth for Puerto Rico*, (August 24, 2023), <https://oversightboard.pr.gov/2023-annual-report-creating-the-foundations-for-sustainable-economic-growth-for-puerto-rico-a-letter-from-the-executive-director-robert-f-mujica-jr/>.

⁷⁶ Financial Oversight and Management Board, *Annual Report 2024*, (January 22, 2025), <https://drive.google.com/file/d/1PSqdQ3tsIvvdHTfOI0I8dc34CPoGTFsZ/view>, p. 12.

⁷⁷ *Id.*, at p. 12. Financial Oversight and Management Board, *Annual Report 2023*, (July 31, 2023), https://drive.google.com/file/d/19nDLJDgc_1-L85N-tK9ob-yRCIC29xuY/view, p. 8.

⁷⁸ Puerto Rico Federal Affairs Administration, *Governor Signs First Balanced Budget Certified by the Fiscal Oversight Board*, (June 25, 2025), <https://www.prfaa.pr.gov/recent-press-releases/governor-signs-first-balanced-budget-certified-by-the-fiscal-oversight-board>.