

## **H.R. 4900 (REP. SEAN DUFFY) PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA)**

- The situation in Puerto Rico is the result of decades of fiscal mismanagement and a state-run economy that is hopelessly inefficient. With over \$118 billion in debt in the form of bonds and unfunded pension liabilities, Puerto Rico has not produced audited financial statements for two years and has already defaulted on portions of its debt.
- If Puerto Rico fails to make debt payments in the coming months, large-scale defaults will occur that will impact millions of Americans both in Puerto Rico and on the mainland. Without broad government and economic reform, Puerto Rico will continue on the cusp of default and run the risk of future calls for a financial bailout.
- The Committee's bill includes key reforms to transition the Island away from state-run cronyism, privatize its energy sector and boost domestic economic activity. The Committee's legislation seeks to ensure that Puerto Rico has access to capital markets, which is the only way to transition its state-run economy to a foundation for growth.

### **Key Provisions**

- The Oversight Board will work with the Government of Puerto Rico and its corporations to produce audited financials, create efficiencies and reforms, and address the Island's financial crisis in the most equitable manner that is respectful of the rule of law, self-governance and all involved parties and creditors.
- The updated bill modifies the Oversight Board language to address concerns that it was too colonialist, while still being able to achieve intended goals.
- Audited financial statements and government reforms will help inform ongoing voluntary restructuring negotiations and help determine if or to what extent additional restructuring will be necessary. The Board's audits are crucial to holding the Puerto Rican government accountable for paying its creditors and avoiding the Island's financial collapse.
- If debt restructuring is needed in certain areas and voluntary agreements can't be reached, the Oversight Board would have the ability to facilitate a court supervised debt restructuring where necessary, not in the context of Chapter 9 bankruptcy.
- The bill has a new title that provides for a vote of creditors. Title VI is akin to a collective action clause whereby a majority of creditors in a given class are provided a vote.
- The infrastructure piece establishes a position of Revitalization Coordinator under the Oversight Board. After a project is nominated by the Revitalization Coordinator, The Oversight Board can either approve or disapprove; then they can provide access to expedited permitting and regulatory processes through existing Puerto Rican law.
- The bill prevents the U.S. Department of Labor's proposed 113% increase in the individual salary threshold to qualify as exempt from federal overtime pay requirements from impacting Puerto Rico. It also allows the Island to adjust minimum wage requirements for temporary workers up to the age of 25.

