

**CHAIRMAN ROB BISHOP
OPENING STATEMENT
COMMITTEE ON NATURAL RESOURCES**

LEGISLATIVE HEARING ON

H.R. _____ -- *“Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)”*

APRIL 13, 2016

For the past few months, the Committee has held three oversight hearings and received testimony from a variety of stakeholders relating to Puerto Rico. Today, the Committee will review legislation to begin addressing the deepening fiscal crisis in Puerto Rico. This situation is the result of decades of mismanagement and a state-run economy destined for failure. 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.

The situation will become much worse when Puerto Rico fails to make debt payments in less than a month. Large-scale defaults will occur, impacting millions of Americans both in Puerto Rico and on the mainland. Unfortunately, because the situation has gotten so dire, broad reforms are required *now*. Without tools to ensure transparency and implementation of extensive government and economic reforms, Puerto Rico will continue on the cusp of default and run the risk of future calls for a financial bailout.

This legislation eliminates that risk by creating a strong, independent oversight board to ensure needed reforms are carried out. The Board will be empowered to audit the Puerto Rican government and its corporations to see what’s on the books and identify needed reforms and efficiencies. This will greatly aid with ongoing voluntary debt restructuring.

The bill includes reforms to begin transitioning the Island away from decades of state-run cronyism--allowing for privatization of its energy sector and a boost to domestic economic activity.

Let me be very clear of what this bill is not. It is not Chapter 9—a tool designed specifically by statute for municipalities of sovereign states. Puerto Rico is a U.S. *territory*. This bill is also not “Super” Chapter 9. To the contrary, it would ensure that no such dangerous precedent is set for states or in municipal bond markets by addressing the unique legal status of territories.

Certain groups are irresponsibly and falsely claiming that this bill is a bailout of Puerto Rico, which I vigorously oppose. Nothing could be further from the truth. This bill protects taxpayers by ensuring **not one dime** of taxpayer money is used to pay Puerto Rico’s debt or otherwise bailout its government.

Recently, Brookings Institution economist Barry Bosworth said “when you can’t pay, you can’t argue over the terms that much.” Unfortunately, it has come to that: the United States needs to create a mode of strong oversight and reform to rein in Puerto Rico’s system in which the government has grown too big, the debts are out of control, and its people are subject to over-regulation and cronyism. Enough is enough.

Some have proposed massive new federal spending. This is simply a non-starter and would pile on top of the problems that have led to Puerto Rico’s current fiscal woes. Others have sought to prioritize one group of creditors over another. This is also a non-starter.

This bill protects existing creditor-to-debtor and creditor-to-creditor relationships according to existing law and the United States Constitution. It fosters much needed changes to move Puerto Rico towards economic freedom, privatization and prosperity, while at the same time protecting taxpayers.

It is a good bill and I look forward to hearing testimony from the distinguished panel here today.

