

# Committee on Natural Resources

Rob Bishop, Chairman  
Hearing Memorandum

April 12, 2016

To: All Natural Resources Committee Members

From: Majority Committee Staff

Subject: Full Committee legislative hearing on H.R. \_\_\_\_\_ "*Puerto Rico Oversight, Management, and Economic Stability Act*" PROMESA.

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The Subcommittee will hold a legislative hearing on H.R. \_\_\_\_\_ the "*Puerto Rico Oversight, Management, and Economic Stability Act*" on **Wednesday, April 13, 2016, at 10:00 a.m.** in Room 1324 Longworth House Office Building.

## **Witnesses Invited**

*Mr. Antonio Weiss*  
Counselor to the Secretary  
U.S. Department of the Treasury  
Washington, D.C.

*The Honorable Anthony A. Williams*  
Senior Advisory, Dentons US LLP,  
and former Mayor of Washington, D.C.  
Washington, D.C.

*Mr. John V. Miller, CFA*  
Managing Director, Co-Head of Fixed Income  
Nuveen Asset Management  
Chicago, IL

*Professor Andrew Kent*  
Professor of Law  
Fordham University School of Law  
New York, NY

*Mr. Susheel Kirpalani*  
Partner  
Quinn Emanuel Urquahart & Sullivan  
New York, NY

*Prof. Simon Johnson*  
Professor of Global Economics and Management  
MIT Sloan School of Management  
Cambridge, MA

*Mr. Timothy H. Lee (Invited)*  
Senior Vice President of  
Legal and Public Affairs  
Center for Individual Freedom  
Alexandria, VA

## **Background**

The fiscal situation in the Commonwealth of Puerto Rico is dire. The island has managed to accumulate \$72 billion of unsustainable debt and a pension liability of over \$40 billion.<sup>1</sup> Additionally, the average citizen on the island makes \$19,000 per year – 60% less than the median income of the United States.<sup>2</sup> These economic realities have led to a flight of 10 percent of the population away from Puerto Rico and to the continental United States.

Recent incidents have exacerbated the fiscal crisis on the island. On April 6, Puerto Rico's Governor Padilla signed legislation authorizing him to declare a moratorium on Puerto Rico's debt.<sup>3</sup> This law was precipitated by Puerto Rico's Government Development Bank's (GDB) transfer of funds from government accounts.<sup>4</sup> Essentially, the Governor and Legislature of Puerto Rico have authorized the nonpayment, i.e. a moratorium, on debt service payments for Puerto Rico, the GDB, the Economic Development Bank for Puerto Rico, and "any remaining instrumentalities."<sup>5</sup>

These developments underscore the immediate necessity for Congressional action, and highlight the work of the Committee on Natural Resources (Committee) to develop legislation for the Puerto Rico debt crisis. Over the past several months, the Committee has held three hearings on Puerto Rico's debt crisis, which have informed the crafting of the Committee's legislative draft and key elements of the bill. The hearings focused on: the need for energy and infrastructure development;<sup>6</sup> the outline for an oversight board;<sup>7</sup> and why Puerto Rico needs

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<sup>1</sup> Antonio Weiss Testimony.

<sup>2</sup> See Carmen DeNavas-Walt and Bernadette D. Proctor, *Income and Poverty in the United States: 2014*, September 2015, available at <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf>.

<sup>3</sup> Puerto Rico Senate Act P. del S. 1591, April 5, 2016.

<sup>4</sup> Hedge Funds Sue Puerto Rico's Government Development Bank to block payments, April 4, 2016, available at <http://latino.foxnews.com/latino/news/2016/04/04/hedge-funds-sue-puerto-rico-government-development-bank-to-block-payments/>.

<sup>5</sup> Puerto Rico Senate Act P. del S. 1591.

<sup>6</sup> Committee on Natural Resources, Subcommittee on Energy and Mineral Resources, Oversight Hearing on "Exploring Energy Challenges and Opportunities Facing Puerto Rico," January 12, 2016.

<sup>7</sup> Committee on Natural Resources, Subcommittee on Indian, Insular and Alaska Native Affairs, Oversight Hearing on "The Need for the Establishment of a Puerto Rico Financial Stability and Economic Growth Authority," February 2, 2016.

access to debt restructuring.<sup>8</sup> Accordingly each of the six titles of the “*Puerto Rico Oversight, Management, and Economic Stability Act*” (PROMESA) respond to testimony received during the Committee’s recent hearings.

### Creating an Oversight Board to Ensure Fiscal Responsibility

For too long, Puerto Rico has enabled poor fiscal decisions by having limited oversight and transparency within its governmental structures. Evidencing this is the failure of Puerto Rico to produce any audited financials for the past two fiscal years.<sup>9</sup> In turn, credit rating agencies now view the economic health of Puerto Rico to be on par with Greece’s.<sup>10</sup> These economic realities faced by Puerto Rico, coupled with the recent legislation passed by the Governor, demonstrate the immediate need for an independent body to oversee Puerto Rico’s fiscal activity.

The Committee’s response to righting the economic health of Puerto Rico is found in Titles I and II of PROMESA. These titles establish an Oversight Board (Board) that would oversee the development of budgets and fiscal plans for Puerto Rico’s instrumentalities and government. In doing so, the Board would require Puerto Rico to balance its budgets, incorporate pro-growth reforms, and ensure legislative acts further Puerto Rico towards the goal of fiscal responsibility and regaining access to the capital markets.

The Oversight Board proposed by the Committee maintains broad control over the Puerto Rico government. Specifically, the Board has the authority to impose recommendations, such as the privatization of municipalities, through the implementation of the fiscal plan, and maintains veto authority over Puerto Rico’s legislature for acts that are significantly inconsistent with the Fiscal Plan, or acts that have not received a score by Puerto Rico’s government. Furthermore, the Board has the authority to reject contracts, leases, regulations and rules. If Puerto Rico’s government fails to comply with a fiscal plan, then the Oversight Board may impose mandatory cuts on Puerto Rico’s government and instrumentalities – a power far beyond the District of Columbia’s power to merely cut federal funding.<sup>11</sup>

As established at the Committee’s February 2nd hearing, an Oversight Board model has been effective in ensuring the overseen entity returns to fiscal responsibility.<sup>12</sup> The Oversight Board established by PROMESA will stay in existence until Puerto Rico is able to produce audited financials pursuant to modified accounting accrual standards and a balanced budget for four consecutive years.

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<sup>8</sup> Committee on Natural Resources, Oversight Hearing on “The U.S. Department of the Treasury’s Analysis of the Situation in Puerto Rico,” January 12, 2016.

<sup>9</sup> Megan Davies and Nick Brown, Puerto Rico may issue delayed audited 2014 statements in April, Feb. 22, 2016, available at <http://www.reuters.com/article/us-usa-puertorico-accounts-idUSKCN0VV2A0>.

<sup>10</sup> Trading Economics, Puerto Rico | Credit Rating, available at <http://www.tradingeconomics.com/puerto-rico/rating>.

<sup>11</sup> Pub. L. 104-8, § 206 (d).

<sup>12</sup> See Testimony of James E. Spiotto before the Subcommittee on Indian, Insular and Alaska Native Affairs, Oversight Hearing on “The Need for the Establishment of a Puerto Rico Financial Stability and Economic Growth Authority.”

## Allowing for an Orderly Restructuring of Debts without Affecting State Markets

Consistently, the Committee has been told of the unsustainability of Puerto Rico's debt, and that an avenue for debt restructuring must be made available to assist Puerto Rico in managing debt levels. In response to these calls, Title III and VI of PROMESA provide Puerto Rico the opportunity to restructure its debts. Access to this restructuring is contingent on a number of gating provisions that ensure creditors will be provided multiple opportunities to negotiate voluntary agreements through use of the collective action clause, and therefore avoid any forced restructuring mechanism.

Some critics of PROMESA have asserted falsely that Title III of the bill amounts to the now infamous designation of "Super Chapter 9."<sup>13</sup> These critics claim that by granting Puerto Rico broad access to restructuring authority – including the debt backed by Puerto Rico's Constitution – Congress will undermine the constitutionally guaranteed debt of all fifty states.<sup>14</sup> Critics presume states will seek the same sort of broad restructuring granted to Puerto Rico.

However, these criticisms completely misstate and ignore the realities of the restructuring provisions of PROMESA. First, the Constitution grants Congress the authority to "dispose of and make all needful rules and regulations respecting the territory or other property belonging to the United States."<sup>15</sup> Rather than being a sovereign as states are, territories are subject to the immediate control of Congress—this was made clear in 1952, when Congress was afforded the opportunity to approve or disapprove of the Constitution of Puerto Rico.<sup>16</sup> Thus, Puerto Rico's Constitution is subject to a level of federal control that state constitutions are not – making Puerto Rico more similar to a municipality of a state rather than a state.

Second, states have underscored that they do not want bankruptcy as an available option. In 2011, the National Governors Association and the National Conference of State Legislatures each issued a letter stating their opposition to any proposal "to provide states with bankruptcy protections."<sup>17</sup>

Finally, whether Congress could even grant states the authority to declare bankruptcy is an open constitutional question. Article I, Section 10 of the Constitution, (known as the Contracts Clause), explicitly provides "[n]o State shall . . . pass any . . . law impairing the Obligation of Contracts." It is unlikely that the U.S. Supreme Court would permit a law granting states the ability to declare bankruptcy. Territories, on the other hand, are not subject to the

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<sup>13</sup> See e.g. Arturo C. Porzecanski, Congress Shouldn't Provide A 'Super Chapter 9' Escape For Puerto Rico, Nov. 6, 2015, *available at* <http://www.forbes.com/sites/realspin/2015/11/06/congress-shouldnt-provide-a-super-chapter-9-escape-for-puerto-rico/>.

<sup>14</sup> See CFIF Staff, CFIF Launches National Media Campaign to Oppose House "Super Chapter 9" Bankruptcy Legislation for Puerto Rico, April 3, 2016, *available at* <http://cfif.org/v/index.php/commentary/54-state-of-affairs/3047-cfif-launches-national-media-campaign-to-oppose-house-qsuper-chapter-9q-bankruptcy-legislation-for-puerto-rico>.

<sup>15</sup> U.S. Const. Art. IV Sect. 3.

<sup>16</sup> Pub. L. 82-447.

<sup>17</sup> Governor Christine Gregoire and Senator Richard Moore, NGA/NCSL Bankruptcy, Feb. 4, 2011, *available at* <http://www.nga.org/cms/home/federal-relations/nga-letters/executive-committee-letters/col2-content/main-content-list/february-4-2011-letter---ngancsl.html>.

Contracts Clause, and as such, there exists no constitutional impediment to providing territories access to bankruptcy.

The Committee crafted PROMESA in a manner that ensures there will be no adverse effect on states. First, it only applies to territories and will be specifically positioned in the chapter of the U.S. Code governing territories. Second, it requires the authorization and imposition of an oversight board over the territory's finances. In essence, for a state to ever gain access to the restructuring authority of Title III, the state would be required to revoke its statehood and accept the imposition of a federal overseer.

### Promoting Infrastructure and Energy Revitalization

At the January 12th hearing, the Committee heard testimony about the poor status of energy infrastructure within Puerto Rico. Indeed, nearly 80 percent of the generation capacity of the Puerto Rico Electric Power Authority, Puerto Rico's public electric utility, was constructed before 1977.<sup>18</sup> Yet, Puerto Rico's infrastructure crisis expands far beyond the energy sector, as it was recently reported that 22 of Puerto Rico's 27 landfills were in violation of the Resource Conservation and Recovery Act.<sup>19</sup>

Furthermore, development in Puerto Rico is hampered both by the fiscal crisis, and by permitting inefficiencies. In fact, the World Bank has identified Puerto Rico as 135th out of 189 countries for ease of "Dealing with Construction Permits."<sup>20</sup> Thus a legislative solution must address both the bureaucratic processes that hinder development on the island, and bring in private capital to spur economic development.

Title V of PROMESA, entitled the Puerto Rico Infrastructure Revitalization, will address these infrastructure problems by providing the Oversight Board an opportunity to fast-track infrastructure projects through the co-opting of Puerto Rico Act 76-2000 (Act 76). That Act provides for fast-track of projects that address emergencies on Puerto Rico. Former Governor Fortuño utilized the Act during his administration to expedite the development of energy projects, including renewable generation, by declaring an emergency for the status of energy generation infrastructure.<sup>21</sup>

Title V replicates the Act 76 process by establishing the position of "Revitalization Coordinator," who in consultation with the Governor and various agencies of Puerto Rico, can designate infrastructure projects as "Critical Projects." To be designated as such a project, project proponents must demonstrate that they address an infrastructure emergency and have access to private capital among other requirements. Once a project is designated as a "Critical Project," it will then gain access to the expedited permitting process envisioned by Act 76. Furthermore, Title V seeks to encourage quick resolution of federal processes, by designating

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<sup>18</sup> Alvarez & Marsal, Presentation to the Government Development Bank of Puerto Rico, at 36 (2012).

<sup>19</sup> Eli Diaz-Atienza, Opinion: The other Puerto Rico crisis that ballooned over the years, April 6, 2016, *available at* <http://latino.foxnews.com/latino/opinion/2016/04/06/opinion-other-puerto-rico-crisis-that-ballooned-over-years/>.

<sup>20</sup> World Bank Group, Doing Business 2016 data for Puerto Rico, *available at* <http://www.doingbusiness.org/data/exploreeconomies/puerto-rico/>.

<sup>21</sup> Executive Order of the Governor of Puerto Rico to Activate the Provisions of Law No. 76, Admin. Bulletin No. OE-2010-034, July 19, 2010.

points of contact for federal agencies, and encouraging the rapid discharge of federal duties for designated critical projects within Puerto Rico.

This Title will bring private capital back into Puerto Rico, and encourage the development of job-creating infrastructure, as well as the promotion of projects that will limit the environmental degradation of Puerto Rico.

### **Showing Current Law as Amended by H.R. 4900, PROMESA**

[new text highlighted in yellow; text to be deleted in brackets and highlighted in blue]

#### **Section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206)**

§206. Minimum wage.

(a) Employees engaged in commerce; home workers in Puerto Rico and Virgin Islands; employees in American Samoa; seamen on American vessels; agricultural employees. Every employer shall pay to each of his employees who in any workweek is engaged in commerce or in the production of goods for commerce, or is employed in an enterprise engaged in commerce or in the production of goods for commerce, wages at the following rates:

(1) except as otherwise provided in this section, not less than-

(A) \$5.85 an hour, beginning on the 60th day after May 25, 2007;

(B) \$6.55 an hour, beginning 12 months after that 60th day; and

(C) \$7.25 an hour, beginning 24 months after that 60th day;

(2) if such employee is a home worker in Puerto Rico or the Virgin Islands, not less than the minimum piece rate prescribed by regulation or order; or, if no such minimum piece rate is in effect, any piece rate adopted by such employer which shall yield, to the proportion or class of employees prescribed by regulation or order, not less than the applicable minimum hourly wage rate. Such minimum piece rates or employer piece rates shall be commensurate with, and shall be paid in lieu of, the minimum hourly wage rate applicable under the provisions of this section.

The Administrator, or his authorized representative, shall have power to make such regulations or orders as are necessary or appropriate to carry out any of the provisions of this paragraph, including the power without limiting the generality of the foregoing, to define any operation or occupation which is performed by such home work employees in Puerto Rico or the Virgin Islands; to establish minimum piece rates for any operation or occupation so defined; to prescribe the method and procedure for ascertaining and promulgating minimum piece rates; to prescribe standards for employer piece rates, including the proportion or class of employees who shall receive not less than the minimum hourly wage rate; to define the term "home worker"; and to prescribe the conditions under which employers, agents, contractors, and subcontractors shall cause goods to be produced by home workers;

(3) if such employee is employed as a seaman on an American vessel, not less than the rate which will provide to the employee, for the period covered by the wage payment, wages equal to compensation at the hourly rate prescribed by paragraph (1) of this subsection for all hours during such period when he was actually on duty (including periods aboard ship when the employee was on watch or was, at the direction of a superior officer, performing work or standing by, but not including off-duty periods which are provided pursuant to the employment agreement); or

(4) if such employee is employed in agriculture, not less than the minimum wage rate in effect under paragraph (1) after December 31, 1977.

(b) Additional applicability to employees pursuant to subsequent amendatory provisions. Every employer shall pay to each of his employees (other than an employee to whom subsection (a)(5) applies) who in any workweek is engaged in commerce or in the production of goods for commerce, or is employed in an enterprise engaged in commerce or in the production of goods for commerce, and who in such workweek is brought within the purview of this section by the amendments made to this chapter by the Fair Labor Standards Amendments of 1966, title IX of the Education Amendments of 1972 [20 U.S.C. 1681 et seq.], or the Fair Labor Standards Amendments of 1974, wages at the following rate: Effective after December 31, 1977, not less than the minimum wage rate in effect under subsection (a)(1).

(c) Repealed. Pub. L. 104–188, [title II], §2104(c), Aug. 20, 1996, 110 Stat. 1929

(d) Prohibition of sex discrimination.

(1) No employer having employees subject to any provisions of this section shall discriminate, within any establishment in which such employees are employed, between employees on the basis of sex by paying wages to employees in such establishment at a rate less than the rate at which he pays wages to employees of the opposite sex in such establishment for equal work on jobs the performance of which requires equal skill, effort, and responsibility, and which are performed under similar working conditions, except where such payment is made pursuant to (i) a seniority system; (ii) a merit system; (iii) a system which measures earnings by quantity or quality of production; or (iv) a differential based on any other factor other than sex: *Provided*, That an employer who is paying a wage rate differential in violation of this subsection shall not, in order to comply with the provisions of this subsection, reduce the wage rate of any employee.

(2) No labor organization, or its agents, representing employees of an employer having employees subject to any provisions of this section shall cause or attempt to cause such an employer to discriminate against an employee in violation of paragraph (1) of this subsection.

(3) For purposes of administration and enforcement, any amounts owing to any employee which have been withheld in violation of this subsection shall be deemed to be unpaid minimum wages or unpaid overtime compensation under this chapter.

(4) As used in this subsection, the term "labor organization" means any organization of any kind, or any agency or employee representation committee or plan, in which employees participate and which exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.

(e) Employees of employers providing contract services to United States.

(1) Notwithstanding the provisions of [section 213 of this title](#) (except subsections (a)(1) and (f) thereof), every employer providing any contract services (other than linen supply services) under a contract with the United States or any subcontract thereunder shall pay to each of his employees whose rate of pay is not governed by [chapter 67 of title 41](#) or to whom subsection (a)(1) of this section is not applicable, wages at rates not less than the rates provided for in subsection (b) of this section.

(2) Notwithstanding the provisions of [section 213 of this title](#) (except subsections (a)(1) and (f) thereof) and the provisions of [chapter 67 of title 41](#), every employer in an establishment providing linen supply services to the United States under a contract with the United States or any subcontract thereunder shall pay to each of his employees in such establishment wages at rates not less than those prescribed in subsection (b), except

that if more than 50 per centum of the gross annual dollar volume of sales made or business done by such establishment is derived from providing such linen supply services under any such contracts or subcontracts, such employer shall pay to each of his employees in such establishment wages at rates not less than those prescribed in subsection (a)(1) of this section.

(f) Employees in domestic service.

Any employee-

(1) who in any workweek is employed in domestic service in a household shall be paid wages at a rate not less than the wage rate in effect under subsection (b) unless such employee's compensation for such service would not because of section 209(a)(6) of the Social Security Act [42 U.S.C. 409(a)(6)] constitute wages for the purposes of title II of such Act [42 U.S.C. 401 et seq.], or

(2) who in any workweek-

(A) is employed in domestic service in one or more households, and

(B) is so employed for more than 8 hours in the aggregate,

shall be paid wages for such employment in such workweek at a rate not less than the wage rate in effect under subsection (b).

(g) Newly hired employees who are less than 20 years old.

(1) In lieu of the rate prescribed by subsection (a)(1) [.]—

(A) any employer may pay any employee of such employer, during the first 90 consecutive calendar days after such employee is initially employed by such employer, a wage which is not less than \$4.25 an hour [.] ; and

(B) the Governor of Puerto Rico, subject to the approval of the Financial Oversight and Management Board established pursuant to section 101 of the Puerto Rico Oversight, Management, and Economic Stability Act, may designate a time period not to exceed five years during which employers in Puerto Rico may pay employees who are initially employed after the date of enactment of such Act a wage which is not less than \$4.25 an hour.

(2) No employer may take any action to displace employees (including partial displacements such as reduction in hours, wages, or employment benefits) for purposes of hiring individuals at the wage authorized in paragraph (1).

(3) Any employer who violates this subsection shall be considered to have violated section 215(a)(3) of this title.

(4) This subsection shall only apply to an employee who has not attained the age of 20 years, except in the case of the wage applicable to Puerto Rico, 25 years.

### **Section 1508 of Public Law 106-398**

#### **SEC. 1508. TRANSFER AND MANAGEMENT OF CONSERVATION ZONES.**

(a) Transfer to Secretary of the Interior.--

(1) Transfer required.--Except as provided in section 1506, the Secretary of the Navy shall transfer, without reimbursement, to the administrative jurisdiction of the Secretary of the Interior all Department of Defense real properties on the western end of the Vieques Island, consisting of a total of approximately 3,100 acres, that are designated as Conservation Zones in section IV of the 1983 Memorandum of Understanding between the Commonwealth of Puerto Rico and the Secretary of the Navy.



(2) Time for transfer.--The Secretary of the Navy shall complete the transfer required by paragraph (1) not later than May 1, 2001.

(b) Conveyance to Conservation Trust.--

(1) Conveyance required.--Except as provided in section 1506 and subject to paragraph (2), the Secretary of the Navy shall convey, without consideration, to the Puerto Rico Conservation Trust the additional Conservation Zones, consisting of a total of approximately 800 acres, identified in Alternative 1 in the Draft Environmental Assessment for the proposed transfer of Naval Ammunition Support Detachment property, Vieques, Puerto Rico, prepared by the Department of the Navy, as described in the Federal Register of August 28, 2000 (65 Fed. Reg. 52100).

(2) Time for conveyance.--The Secretary of the Navy shall complete the conveyance required by paragraph (1) not later than May 1, 2001, except that paragraph

(1) shall apply only to those portions of the lands described in such paragraph that the Commonwealth of Puerto Rico, the Secretary of the Interior, and the Puerto Rico Conservation Trust mutually agree, before that date, to--

(A) include in the cooperative agreement under subsection (d)(2); and

(B) manage under standards consistent with the standards in subsection (c) applicable to the lands transferred under subsection (a).

(c) Administration of Properties as Wildlife Refuges.—[The Secretary]

(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary of the Interior shall administer as wildlife refuges under the National Wildlife Refuge System Administration Act of 1966 (16 U.S.C. 668dd et seq.) the Conservation Zones transferred to the Secretary under subsection (a).

(2) CONVEYANCE AUTHORITY.—

(A) CONVEYANCE AUTHORIZED.—Except as provided in subparagraph (B), the Secretary of the Interior is authorized to convey, without consideration, all or any portion of the Conservation Zones transferred to the Secretary under subsection (a) to the Commonwealth of Puerto Rico for the purpose of permitting the Commonwealth of Puerto Rico for the purpose specified in subparagraph (B). The conveyance shall be subject to interests retained pursuant to section 1506 of this Act.

(B) CERTAIN LANDS EXCLUDED.—The conveyance authority provided by this paragraph does not include the land encompassing Solid Waste Management Unit 4, as depicted on the map of former Naval Ammunition Support Detachment, Vieques, maintained by the Naval Facilities Engineering Command.

(C) INDEMNIFICATION.—The indemnification requirements and conditions specified in section 1502(e) of this Act shall apply with respect to the release or threatened release (after the conveyance is made under this paragraph) of any hazardous substance or pollutant or contaminant as a result of Department of Defense activities on the conveyed property.

(D) RELATION TO COOPERATIVE AGREEMENT.—The cooperative agreement entered into under subsection (d)(1) shall no longer apply to any portion of the Conservation Zones conveyed by the Secretary of the Interior under this paragraph.

(E) RELATION TO OTHER LAWS.—Nothing in this paragraph shall be construed to affect the continued applicability of section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9620(h)) and the Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.) to any portion of the Conservation Zones conveyed by the Secretary of the Interior under this paragraph.

(d) Cooperative Agreement.--

(1) Required; parties.--The Secretary of the Interior shall manage the Conservation Zones transferred under subsection (a) pursuant to a cooperative agreement among the Commonwealth of Puerto Rico, the Puerto Rico Conservation Trust, and the Secretary of the Interior.

(2) Inclusion of adjacent areas.--Areas adjacent to the Conservation Zones transferred under subsection (a) shall be considered for inclusion under the cooperative agreement. Subject to the mutual agreement of the Commonwealth of Puerto Rico, the Secretary of the Interior, and the Puerto Rico Conservation Trust, such adjacent areas may be included under the cooperative agreement, except that the total acreage so included under this paragraph may not exceed 800 acres. This determination of inclusion of lands shall be incorporated into the cooperative agreement process as set forth in paragraph (4).

(3) Sea grass area.--The Sea Grass Area west of Mosquito Pier, as identified in the 1983 Memorandum of Understanding between the Commonwealth of Puerto Rico and the Secretary of the Navy, shall be included in the cooperative agreement to be protected under the laws of the United States and the laws of the Commonwealth of Puerto Rico.

(4) Management purposes.--All lands covered by the cooperative agreement shall be managed to protect and preserve the natural resources of the lands in perpetuity. The Commonwealth of Puerto Rico, the Puerto Rico Conservation Trust, and the Secretary of the Interior shall follow all applicable Federal environmental laws during the creation and any subsequent amendment of the cooperative agreement, including the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.), the Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.), and the National Historic Preservation Act (16 U.S.C. 470 et seq.).

(5) Completion and implementation.--The cooperative agreement shall be completed not later than May 1, 2001. The Secretary of the Interior shall implement the terms and conditions of the cooperative agreement, which can only be amended by agreement of the Commonwealth of Puerto Rico, the Puerto Rico Conservation Trust, and the Secretary of the Interior.

**Section 1469e of title 48, United States Code**

§1469e. Insular government purchases.

[The Governments of American Samoa, Guam, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the Virgin Islands are authorized to make purchases through the General Services Administration.]

The Governments of Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the United States Virgin Islands are authorized to make purchases through the General Services Administration.

**Section 1492a of title 48, United States Code**

§1492a. Study of electric rates in the insular areas.

(a) Definitions.

In this section:

(1) Comprehensive energy plan.

The term "comprehensive energy plan" means a comprehensive energy plan prepared and updated under subsections (c) and (e) of section 1492 of this title.

(2) Energy action plan

The term "energy action plan" means the plan required by subsection (d).

(3) Freely Associated States.

The term "Freely Associated States" means the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

(4) Insular areas.

The term "insular areas" means American Samoa, the Commonwealth of the Northern Mariana Islands, Puerto Rico, Guam, and the Virgin Islands.

(5) Secretary.

The term "Secretary" means the Secretary of the Interior, except that, with respect to Puerto Rico, the term means, the Secretary of Energy.

(6) Team.

The term "team" means the team established by the Secretary under subsection (b)

(b) Establishment.

Not later than 180 days after December 16, 2014 (except in the case of Puerto Rico, in which case not later than 180 days after the date of enactment of the Puerto Rico Oversight, Management, and Economic Stability Act), the Secretary shall, within the Empowering Insular Communities activity (except in the case of Puerto Rico), establish a team of technical, policy, and financial experts-

(1) to develop an energy action plan addressing the energy needs of each of the insular areas and Freely Associated States; and

(2) to assist each of the insular areas and Freely Associated States in implementing such plan.

(c) Participation of regional utility organizations.

In establishing the team, the Secretary shall consider including regional utility organizations.

(d) Energy action plan.

In accordance with subsection (b), the energy action plan shall include-

(1) recommendations, based on the comprehensive energy plan where applicable, to-

(A) reduce reliance and expenditures on fuel shipped to the insular areas and Freely Associated States from ports outside the United States;

(B) develop and utilize domestic fuel energy sources; and

(C) improve performance of energy infrastructure and overall energy efficiency;

(2) a schedule for implementation of such recommendations and identification and prioritization of specific projects;

(3) a financial and engineering plan for implementing and sustaining projects; and

(4) benchmarks for measuring progress toward implementation.

(e) Reports to Secretary.

Not later than 1 year after the date on which the Secretary establishes the team and annually thereafter, the team shall submit to the Secretary a report detailing progress made in fulfilling its charge and in implementing the energy action plan.

(f) Annual reports to Congress.

Not later than 30 days after the date on which the Secretary receives a report submitted by the team under subsection (e), the Secretary shall submit to the appropriate committees of Congress a summary of the report of the team.

(g) Approval of Secretary required.

The energy action plan shall not be implemented until the Secretary approves the energy action plan.