

AMENDMENTS TO PROMESA



Congress passed the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) in 2016 to provide Puerto Rico and other U.S. Territories a legal path to restructure their public debt. Among other features, PROMESA established a Financial Oversight and Management Board charged with balancing the island's budget. The Board's sweeping power to make financial decisions has, so far, done more harm than good. The Board has instituted widely unpopular and counterproductive cuts to essential public services without sufficiently reducing the island's public debt. As a result, vulnerable local communities are feeling much more pain than vulture funds and bondholders.

Since PROMESA became law, Puerto Rico has experienced a series of crises that demand a serious federal response. Damage from Hurricanes Irma and María and several earthquakes, and more recently the coronavirus pandemic, have exacerbated the island's already serious financial downturn.

Over the past year and a half, Natural Resources Committee Chair Raúl M. Grijalva has engaged in an extensive process of conducting hearings, visiting Puerto Rico twice, and talking with government officials, teachers and students, business owners, unions, economists, nonprofit organizations, and members of the Board to improve PROMESA.

Along with Reps. Nydia M. Velázquez, Darren Soto, José E. Serrano, and Alexandria Ocasio-Cortez, Chair Grijalva introduced the Amendments to PROMESA Act, which makes necessary changes to PROMESA to ensure the people of Puerto Rico a more prosperous future.

KEY FEATURES OF THE AMENDMENTS TO PROMESA ACT OF 2020

Prevents conflicts of interest by Oversight Board: This section includes eligibility requirements for the appointment of Oversight Board members and employees, and establishes an Ethics Board within the Oversight Board. This language is intended to prevent members of the board from holding financial responsibilities to third parties or making decisions based on outside financial considerations.

Assigns federal funding for operation of Oversight Board and debt restructuring proceedings: This section assigns the federal government the responsibility of sufficiently funding the operations of the Oversight Board and title III debt restructuring proceedings.

Protects essential public services: This section specifies that public education, public safety, health care, and pensions are "essential public services," ensuring adequate funding by the Government of Puerto Rico and Oversight Board.

Protects the University of Puerto Rico: This section ensures enough funding is allocated to the University of Puerto Rico for the institution to fulfill its role as an essential public service.

Territorial Relief for Unsecured Public Debt: This section grants a qualifying territory that meets specified criteria the authority to discharge some of its unsecured financial obligations.

Establishes an Independent Commission to Audit Puerto Rico's Public Debt: This section creates an independent commission within the Government of Puerto Rico composed of financial, accounting, legal, and other experts to determine the amount of outstanding public indebtedness, the financial sustainability of the debt, and what policies can be implemented by the Government of Puerto Rico to address the debt. The assessment would be performed in accordance with U.S. Generally Accepted Governmental Accounting Principles.