

# Bond Case Briefs

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## Puerto Rico Still Waits for \$4.9 Billion From U.S. Treasury.

- **Promised loans haven't arrived as island's cash dwindles**
- **Rossello administration in talks with Washington over funds**

Over two months after Hurricane Maria devastated Puerto Rico, the island's government still hasn't received any of the \$4.9 billion of short-term loans promised in the storm aid package Congress passed at the end of October.

Christian Sobrino, the governor's representative on the island's federal oversight board, confirmed Friday that no Puerto Rican entity has received any portion of the funds, which were requested for basic functions like making payroll. This week, the Puerto Rican government told the fiscal control board that the electric company, Prepa, and water utility, Prasa, would run out of money in December.

Sobrino said Friday that the island's fiscal agency was in talks with the U.S. Treasury and Department of Homeland Security about the money and how it would be disbursed.

A spokesperson for the Treasury Department wasn't immediately available to comment.

Puerto Rico's government has requested \$94 billion in federal aid, only a portion of which has been granted. Members of Congress have raised concerns over how the island's government will steward billions in federal money. In what appeared to be an attempt to reassure Washington, Governor Ricardo Rossello said last month that he was giving Federal Emergency Management Agency unprecedented power to pre-approve relief spending.

Rafael "Tatito" Hernandez, a member of the island's House of Representatives, asked U.S. Treasury Secretary Steven Mnuchin about the status of the loan package in a Wednesday letter. He said in a telephone interview Friday that he has received no response.

Members of Congress still need reassurance that the funds will be well spent, Hernandez said. "A lot of them have some issues," he said.

"We're committed to the recovery in Puerto Rico, and the administration is doing all that it can," said White House spokesman Raj Shah, who declined to say why the funds haven't been disbursed.

Hurricane Maria caused as much as \$100 billion of damage to the island, which was already embroiled in the largest municipal bankruptcy in U.S. history. The commonwealth's government and the federal board overseeing its finances said it would have to redraw plans for economic reforms on the island, where years of borrowing to meet expenses left it with \$74 billion of debt.

The administration and the panel have clashed over how to impose cuts. The board even sued the governor this year to force its recommendation to furlough public employees, though they abandoned the challenge in the wake of Maria.

"There is a risk that Puerto Rico will use the operating loans and rebuilding dollars as short-term

financing to avoid making hard choices in terms of making economic reforms,” said Matt Fabian, a partner with Municipal Market Analytics, a Concord, Massachusetts-based firm. “The federal government has to be aware that is a risk.”

The price of Puerto Rico’s benchmark general-obligation bonds due in 2035 has declined about 60 percent since Hurricane Maria struck, changing hands at a record low average price of 21.8 cents on the dollar Tuesday.

The bond’s value recovered slightly Friday, trading at an average price of 22.3 cents. On Friday, the island was generating only 68 percent of the power needed and 7 percent of customers still lacked access to clean water.

## **Bloomberg Politics**

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