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Puerto Rico Fiscal Plan May Expect U.S. Aid to Come Too Quickly.

- **Expected influx creating 'irrational exuberance,' expert says**
- **Only 60 percent of FEMA approved aid has yet to be released**

Puerto Rico's latest fiscal plan anticipates a temporary return to economic growth and a potential $30 billion surplus over the next 15 years thanks in part to billions of expected federal disaster aid that may help lift the bankrupt island from a 12-year recession.

But that may be too optimistic, according to the Center for a New Economy, a non-partisan think tank that analyzes Puerto Rico's debt and finances. While the influx of an anticipated $46 billion of federal public disaster aid will provide a jolt to the economy, it's still unclear if those dollars will arrive fast enough to offset the impact of other austerity measures, such as cuts to municipal aid and the University of Puerto Rico, according to Mike Soto-Class, president and co-founder of CNE.

"There is what I think is an irrational exuberance right now in this money," Soto-Class said about the federal disaster aid funds during a press conference Wednesday with reporters in the organization's new offices in D.C. "Everybody in Puerto Rico thinks that this is going to be kind of our saving grace and billions are already pouring in and even more will come and everything's going to be great. But that is not necessarily so."

The federal relief funds and private insurance money expected to come into the island since last year's hurricane has led its federal financial overseers to offer a more optimistic outlook for the bankrupt government's financial turnaround.

The recovery plan it approved on Tuesday projects that the government will have a surplus of $17 billion through 2023, a stark reversal from the large shortfalls projected soon after the storm. That's pushed up the price of Puerto Rico debt as bondholders speculate they may recover more of their investment than previously expected.

CNE's concern stems from the slow distribution of FEMA cash. Of the nearly $15 billion that FEMA has directed toward Hurricane Maria relief, only $8.9 billion, or 60 percent, has been spent as of Sept. 30, according to FEMA's most recent monthly report. That compares with 80 percent and 75 percent of disaster relief money spent, through September, for Hurricane Harvey, which flooded Houston in August 2017, and Hurricane Irma, which affected Puerto Rico and the U.S. Virgin Islands.

The latest fiscal plan, which a federal board that oversees Puerto Rico's finances approved Tuesday, doesn't take into account the time lag associated with these federal funds, Sergio Marxuach, CNE's public policy director, said during the meeting with reporters. FEMA has warned that it can take a year and a half for funds to be paid out to contractors, according to Marxuach.

"If you obligate money to fix a road today and it takes you 18 months to actually disperse the money, that has an economic impact because that money that could be flowing now will be flowing later in the process,” Marxuach said.

Puerto Rico is using an alternative procedure to process all of the FEMA public relief money, which accounts for the slower disbursement, according to CNE. FEMA is allowing the commonwealth to waive its upfront cost share. That saves Puerto Rico money now but if projects run over budget, the island is obligated to cover those future costs.

The slower pace puts optimistic economic projections at risk, Marxuach and Soto-Class both said. Drivers still contend with dangerous intersections without traffic lights and dark, unlit streets. Some water pumps and cell-phone towers continue to rely on generators and people have stopped maintaining their lawns.

“If you see debris out and the grass isn’t cut and everything looks terrible, that just really weighs on you as a person and the effects of that remain to be seen,” Soto-Class said. “Those are going to be long-term effects.”

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