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U.S. Judge Refuses to Dismiss Lawsuit Over Puerto Rico Pension Law.

SAN JUAN — A lawsuit filed by Puerto Rico's financial oversight board over a new pension and healthcare funding law will move forward after a federal judge on Thursday denied the U.S. commonwealth's motion to dismiss the case.

The litigation, which marked the latest skirmish in an ongoing battle between the board and the government over spending priorities, targets a law that transfers hundreds of millions of dollars in municipal pension and healthcare costs to the bankrupt Puerto Rico government.

U.S. District Court Judge Laura Taylor Swain rejected arguments by the island's government that the lawsuit cites faulty claims based on the 2016 federal PROMESA Act, which created the board and a bankruptcy-like process to restructure about \$120 billion of Puerto Rico's debt and pension obligations.

Swain, who is hearing the island's bankruptcy cases, ordered the lawsuit to proceed.

A fiscal 2020 budget passed by Puerto Rico lawmakers included funding for local pensions and health insurance costs to aid cash-strapped municipalities despite warnings from the board that so-called Law 29, which enabled the move, is inconsistent with its fiscal plan.

The board's lawsuit seeks to void the law, contending it would impair the PROMESA Act by diverting hundreds of millions of dollars Puerto Rico's government could otherwise use to spur economic growth.

Law 29, which was enacted in May by then-Governor Ricardo Rossello, will add \$311 million in additional government spending in fiscal 2020 and \$1.7 billion through fiscal 2024, according to the lawsuit.

The oversight board sued Rossello and Puerto Rico's fiscal agency in July. Rossello resigned earlier this month in the wake of protests over government corruption and controversial leaked chat messages involving him and close allies. He was eventually replaced by Wanda Vazquez, Puerto Rico's justice secretary.

Following a meeting last week between Vazquez and a group of island mayors, the new governor vowed she will continue to defend the law's validity, according to Carlos Molina, president of the Mayors Federation.

By Reuters

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(Reporting by Karen Pierog in Chicago and Luis Valentin Ortiz in San Juan; Editing by Matthew Lewis)

