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House Panel to Hold Feb. 26 Hearing on Puerto Rico Bankruptcy Bill.

WASHINGTON — A House subcommittee will hold a hearing Feb. 26 on legislation that would allow Puerto Rico government-owned corporations to restructure their debts under Chapter 9 of the federal Bankruptcy Code.

The U.S. House Judiciary Committee's subcommittee on regulatory reform, commercial and antitrust law, which has jurisdiction over bankruptcy law, will hold the proceeding. The bill, the Puerto Rico Chapter 9 Uniformity Act of 2015, is sponsored by Democrat Pedro Pierluisi, Puerto Rico's non-voting representative to the House. Pierluisi introduced the bill last session, but it failed to gain any traction.

Puerto Rico isn't currently eligible to use Chapter 9 to adjust the debt of its municipalities and public corporations. On Feb. 9 a federal court in Puerto Rico struck down the Puerto Rico Debt Enforcement and Recovery Act, a Puerto Rico law that was enacted last year to give the island's public corporations a process to restructure their debts. Pierluisi was critical of that law, and has said repeatedly that Chapter 9 would be a better approach.

In a statement Thursday, Pierluisi thanked the leaders of the committee as well as the subcommittee, which is chaired by Rep. Tom Marino, R-PA, and consists of eight Republicans and five Democrats.

"It is my hope and expectation that the hearing next Thursday will be productive," Pierluisi said. "Many stakeholders support this bill, and this hearing will provide them with the opportunity to memorialize and explain their support. Although no objections to the bill have been registered with me up until now, if there are any concerns about the legislation, those concerns can be raised and addressed at the hearing. The point of the hearing is to create a comprehensive record that will help the committee's leadership determine whether to take the next step in the legislative process, which would be to hold a vote on the bill."

The fate of the bill could be key for investors holding the bonds of financially distressed government corporations on the island. The Puerto Rico Electric Power Authority had to draw on its debt service reserves to make a July 1 interest payment. PREPA, which has more than \$8 billion of bonds outstanding, is now in discussions with its creditors, and there had been speculation that it might ultimately use the Recovery Act.

The Puerto Rican government has said that while it supports amending Chapter 9, it felt it had to move quickly with local legislation rather than wait for Congress to take action.

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