

Bond Case Briefs

Municipal Finance Law Since 1971

US Treasury Secretary Demands Action on Puerto Rico's Crisis.

SAN JUAN, Puerto Rico — U.S. Treasury Secretary Jacob Lew urged Congress on Friday to pass legislation by March to help ease Puerto Rico's economic crisis before it's too late.

Lew made the request in a letter to U.S. House Speaker Paul Ryan, a Wisconsin Republican, as he announced an upcoming trip to the island to meet with government officials and business leaders to talk about the financial situation.

"Although there are many ways this crisis could escalate further, it is clear that Puerto Rico is already in the midst of an economic collapse," Lew wrote. "It is time for Congress to act to provide order to a chaotic and worsening situation."

Puerto Rico is struggling with \$72 billion in public debt that the governor has said is unpayable and needs restructuring. The island recently defaulted on \$37 million in interest on bonds and faces its first lawsuit over how it has diverted funds to meet certain bond payments. Gov. Alejandro Garcia Padilla has already warned that Puerto Rico doesn't have money for upcoming bond payments including \$400 million due in May.

Lew is scheduled to meet on Wednesday with officials and community leaders to talk about the proposal that President Barack Obama's administration presented Congress to create a territorial bankruptcy regime that would allow Puerto Rico's government to restructure its debt and impose new oversight on finances and expand Medicaid benefits, among other things.

Puerto Rico does not have access to any local or federal bankruptcy laws. Meanwhile, the U.S. Supreme Court recently announced it would hear an appeal on a ruling that barred Puerto Rico from giving municipalities the power to declare bankruptcy.

A spokeswoman for Ryan did not respond to a request for comment. Ryan has previously pledged that the House will come up this year with "a responsible solution" for Puerto Rico's debt problems.

Republican leaders including Sen. Orrin Hatch, R-Utah, have demanded to see audited financial statements from Puerto Rico, but they have not materialized. Jesus Manuel Ortiz, public affairs secretary for the Puerto Rican government, said Friday that the statements are nearly ready and would be produced soon, although he didn't specify a date.

Puerto Rico is struggling with an increasingly dwindling cash flow that has threatened to cut off gasoline and electricity to certain public and private institutions. Almost 10 percent of Puerto Rico's population has left since 2006 and hundreds of businesses have closed, with Walmart announcing Friday that it would shutter seven supermarkets on the island as part of a global restructuring.

Lew noted in the letter that Puerto Rico has not had access to the municipal bond market for more than two years and ran out of funding sources commonly used to finance government operations more than six months ago.

“More recently, Puerto Rico has resorted to a series of onerous and unsustainable emergency liquidity measures, including selling assets from already depleted pension funds; borrowing from the workers compensation and other insurance funds; and withholding hundreds of millions of dollars in tax refunds,” he wrote.

Pedro Pierluisi, Puerto Rico’s representative in Congress, said he expects to meet with Lew and stress that immediate measures are needed to avoid what he said would be enormous government defaults.

By THE ASSOCIATED PRESS

JAN. 15, 2016, 12:51 P.M. E.S.T.

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com