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Nuveen Muni Bond Exec Urges Passage of Puerto Rico Debt Bill.

Nuveen's co-head of fixed income says failure to pass proposed legislation will likely disrupt the municipal market and stall economic recovery in Puerto Rico

Less than two weeks before Puerto Rico is poised to miss a \$422 million payment on its debt, one of the country's largest managers of municipal bond assets has proclaimed its support for a congressional proposal that would create a financial oversight board that could initiate a court-supervised restructuring of the island's debt.

With that deadline approaching, the island's development bank filed this week to sell more debt, in the form of taxable securities that would mature in May 2017.

John Miller, the co-head of fixed income at Nuveen Asset Management, says in a statement released today that the proposal "provides a fair framework for consensual negotiations between Puerto Rico and its creditors and will not increase borrowing costs for U.S. states, municipalities or other territories."

According to Miller, the proposal is not a bailout for Puerto Rico, which owes \$72 billion to creditors, but a pathway for a negotiated solution.

The proposed legislation "will provide better outcomes and recoveries for thousands of individual investors that lack the ability to aggressively lobby Congress, submit editorials or seek injunctions. These investors hold an estimated one-third of Puerto Rico's debt and will realize the best recoveries possible if there is an effective oversight board shepherding the process and seeking equitable outcomes for all creditors both big and small."

Many individual investors own Puerto Rican debt through municipal bond funds, which, in turn, bought these bonds because they are triple tax-exempt - exempt from federal, state and local income taxes for all investors, no matter where they live.

Failure to pass the proposed legislation, writes Miller, will "most certainly result in prolonged, complex litigation... stifle any hope of economic recovery for Puerto Rico [and] more likely to disrupt the municipal market ... The best outcome for the broader municipal bond market and all issuers is for Congress to address this situation quickly, decisively and only at once."

House Speaker Paul Ryan, R-Wis., supports the proposed legislation. He has said it is not a government bailout but rather a way to help avoid any bailout in the future, but his fellow Republicans so far aren't buying the argument. The GOP-led Natural Resource Committee abruptly canceled a vote on the debt restructuring bill last week after it appeared the vote would fail. Sen. Orrin Hatch, R-Utah, who chairs the Senate Finance Committee, also said the bill would not pass the Senate. The House bill is currently being rewritten.

Meanwhile, the clock is ticking.

Puerto Rico's legislature has passed legislation, signed by its governor, Alejandro Garcia Padilla, that declares a moratorium on the island's debt, as a way to get around the law that prevents Puerto Rico from declaring Chapter 9 bankruptcy, unlike other municipal governments.

The territory missed a \$58 million payment on its Public Finance Corp. bonds last August. Now, in addition to the \$422 million payment due May 1, Puerto Rico has a \$2 billion payment on debt coming due July 1.

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