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## **Republicans, Obama Administration Reach Agreement on Puerto Rico Restructuring Bill.**

WASHINGTON — House Speaker Paul Ryan capped weeks of delicate negotiations by agreeing with the White House and congressional Democrats on a deal to allow Puerto Rico to restructure its \$70 billion debt load.

The bill, a rare moment of bipartisan cooperation in an election year, offers a path for the island to write down its debt similar to bankruptcy while forcing its government to submit financial statements and budget blueprints to a federal oversight board. The legislation doesn't spend any federal money, a critical ingredient to win Republican support.

The big questions now are whether Mr. Ryan can keep conservative lawmakers from rebelling against the compromise, and if it passes the House, whether and when the Senate might act.

Puerto Rico has defaulted on three classes of bonds, including this month when it missed most of a \$422 million payment. It faces payments totaling \$2 billion on July 1 that the island's governor said can't be paid.

Puerto Rico's public agencies can't seek protection in federal bankruptcy court to shed debts because the island, a commonwealth of the U.S., isn't a state, and it can't seek aid from the International Monetary Fund because it isn't an independent country.

Mr. Ryan sidestepped a question Thursday about whether the bill would attract a majority of Republicans but said the legislation was "exactly where we wanted it."

Rep. Raul Labrador (R., Idaho), a conservative who has been negotiating closely with Republican leaders on the bill, said he expected the legislation would get widespread GOP support.

Puerto Rico missed a debt payment on Monday. The White House is calling on Congress to step in and help the U.S. territory avoid financial disaster. How did the island get into this situation? WSJ's Jason Bellini has #TheShortAnswer. Photo: Erika P. Rodriguez/Bloomberg

Rep. Jim Jordan (R., Ohio), who leads the conservative House Freedom Caucus, said it wasn't yet clear how many of the group's members would support the bill. "You'll see some who will, some who won't," he said.

Opposition from the entire group would force Mr. Ryan to rely on a significant number of Democrats to pass the legislation, creating the type of political headache that badly weakened his predecessor, John Boehner.

The bill follows weeks of close consultations led by the House Natural Resources Committee, which has jurisdiction of U.S. territories. The committee pulled an earlier iteration from consideration last month after objections surfaced from both parties.

Mr. Ryan "has done what those on the right asked leadership to do for years, which is to do this

through regular order and don't jam this down our throats," said Douglas Holtz-Eakin, who heads the American Action Forum, a right-leaning Washington think tank. Those who oppose the bill "can't complain about how it got done."

Democrats appear poised to support the bill. Treasury Secretary Jacob Lew called it "a fair, but tough bipartisan compromise" and House Minority Leader Nancy Pelosi (D., Calif.) said she hoped Congress would "move swiftly" to approve it.

Having an agreement between leaders of both parties in Congress and the White House "is an accomplishment in and of itself," said Mr. Holtz-Eakin, who supports the bill.

The goal of the bill is twofold. First, officials want to reduce a debt burden that currently absorbs nearly a third of the commonwealth's revenues, far more than any U.S. state. Second, they want to avoid a massive courtroom brawl between different creditors and the government that could further chill investment in Puerto Rico, which has been mired in recession for most of the last decade.

The bond funds with the largest exposure to Puerto Rico's debt haven't taken public positions on the bill. OppenheimerFunds Inc. is reviewing the bill, said a spokeswoman. Franklin Templeton Inc. declined to comment.

Senate GOP aides said Thursday they were still reviewing the legislation, but leaders have indicated they would probably approve legislation if the House could pass it first.

"I see it moving through the Senate very quickly, as compared to everything else in the Senate that moves very, very slowly," said former Sen. Judd Gregg, a Republican who has been hired by a group of bondholders that supports the bill.

Still, the legislative process will give deep-pocketed opponents several chances to peel apart a fragile coalition. Some bondholders have objected to a broad debt restructuring because it would force them to accept losses earlier. They say the bill would set a precedent for distressed states and chill the island's ability to issue new debt. And some are ramping up an expensive lobbying campaign to defeat the bill.

Former Treasury Secretary Lawrence Summers said the current legislation offered the "only prospect" of restoring Puerto Rico's access to credit markets anytime soon. "This debt is not being repaid," he said. "Creditors should want to establish the precedent that there is no debt relief without reform and without a clear necessity."

If creditors "were successful in further impoverishing millions of Puerto Ricans for the sake of their bonds, which they bought with a very substantial risk premium, it would really be a demonstration that financial interests have excessive power in formulating public policy," said Mr. Summers.

The compromise left each side without everything it wanted. Democrats didn't receive a health-care funding boost and objected to provisions that exempt the island from new overtime-pay regulations. Some Republicans wanted tougher language to overhaul pensions. And Puerto Rico's governor said the federal oversight board was an "unacceptable" incursion on self-rule.

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