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## **Puerto Rico's Options Dwindle as Senate May Delay Rescue Bill.**

WASHINGTON - The Senate is expected to keep Puerto Rico waiting for progress on a House bill to help the island address its debt crisis, as other options for the commonwealth have continued to be eliminated.

Senate Majority Whip John Cornyn, R-Tex., said that the Senate is expected to take up the bill, called PROMESA, next week while the House is on a recess that ends July 5, according to media reports.

That announcement came a day after Federal Reserve Board chair Janet Yellen told the Senate Banking, Housing and Urban Affairs Committee that Puerto Rico's struggle with roughly \$70 billion in debt and \$46 billion in unfunded pension liabilities "is inherently a matter for Congress."

"Our authority is extremely limited. and it wouldn't be appropriate for us to give loans to Puerto Rico," Yellen said in answer to a question from Sen. David Vitter, R-La, on Tuesday. "We have very limited authority to buy municipal debt and the authority we have, if we were [able to] buy eligible debt, I don't think it would be helpful to Puerto Rico ... Beyond that we have no ability to make emergency loans."

Her comments come a week after the Supreme Court eliminated another possible fix Puerto Rico had to address its debt. The Court ruled that a Puerto Rico law that would have allowed the commonwealth's utilities to restructure their debts in a similar way to what is allowed in municipal bankruptcies violated federal bankruptcy code and thus the Supremacy Clause of the Constitution.

The Senate leadership's decision to take the bill up next week means that if the Senate approves the bill with any amendments, the bill cannot move through Congress until after the House returns to consider the changes. The timing leaves Puerto Rico vulnerable to creditor lawsuits that would stem from an expected commonwealth default on a \$1.9 billion debt payment due July 1. PROMESA contains a provision that would stay such suits, but the stay only becomes effective after the bill becomes law.

The commonwealth already faces several debt-related lawsuits, including one that hedge funds holding Puerto Rican general obligation bonds filed in New York on Tuesday after debt restructuring talks broke down.

Though PROMESA passed the House 297 to 127 on June 9, the measure has drawn criticism from senators on both sides of the aisle, leaving amendments a strong possibility. The bill would create a seven-member oversight board that would have the power to require balanced budgets and fiscal plans, as well as to file debt restructuring petitions on behalf of the commonwealth and its entities in a federal district court as a last resort if voluntary negotiations fail.

Senate Minority Leader Harry Reid, D-Nev., said on Tuesday that there are "some serious concerns" from Democrats about the bill and that the legislation will need some amendments. He didn't specify amendments, though he said one area of focus could be a provision that gives the governor

discretion to allow employers to pay individuals under 25 years old a wage of \$4.25 per hour instead of the federal minimum wage of \$7.25.

Sens. Bernie Sanders, I-Vt., and Bob Menendez, D-N.J., have also been vocal opponents of the bill, comparing it to colonialism and critiquing, among other things, the lack of a say Puerto Rican officials get in choosing who will serve on the board.

## **The Bond Buyer**

By Jack Casey

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