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Supreme Court Upholds Puerto Rico Financial Oversight Board.

WASHINGTON — The Supreme Court on Monday upheld the oversight board established by Congress to help Puerto Rico out of a devastating financial crisis that has been exacerbated by the coronavirus outbreak, recent earthquakes and damage from Hurricane Maria in 2017. The justices reversed a lower court ruling that threatened to throw the island's recovery efforts into chaos.

In a unanimous holding, the court will allow the oversight board's work to pull the island out of the largest municipal bankruptcy in U.S. history to proceed. At one point, Puerto Rico faced more than \$100 billion in debt and unfunded pension obligations.

The case stemmed from a constitutional challenge to the oversight board's composition led by hedge funds that invested in Puerto Rican bonds. A lower court ruled last year that board members were appointed in violation of the Constitution because they were not confirmed by the Senate.

The president selects the board's seven voting members. They and one other non-voting member chosen by Puerto Rico's governor approve budgets and fiscal plans drawn up by the island's government. The board also handles bankruptcy-like cases that allow the island to restructure its debts.

In his opinion for the court, Justice Stephen Breyer wrote that the board's makeup is not controlled by the Constitution's provision on appointments, but by a different provision giving Congress significant control over U.S. territories, including Puerto Rico.

"The Board's statutory responsibilities consist of primarily local duties, namely, representing Puerto Rico in bankruptcy proceedings and supervising aspects of Puerto Rico's fiscal and budgetary policies. We therefore find that the Board members are not "Officers of the United States." For that reason, the Appointments Clause does not dictate how the Board's members must be selected," Breyer wrote.

Justices Clarence Thomas and Sonia Sotomayor, whose parents moved to New York from Puerto Rico, wrote separate opinions agreeing with Monday's outcome, though Sotomayor said she did so reluctantly.

"The Board's decisions have affected the island's entire population, particularly many of its most vulnerable citizens. The Board has ordered pensions to be reduced by as much as 8.5 percent, a measure that threatens the sole source of income for thousands of Puerto Rico's poor and elderly. Other proposed cuts take aim at already depleted healthcare and educational services. It is under the yoke of such austerity measures that the island's 3.2 million citizens now chafe," she wrote.

Congress passed the Puerto Rico Oversight, Management, and Economic Stability Act in 2016, creating the board and allowing the president to appoint members without Senate confirmation. The hedge funds sued and won a ruling in the Boston-based 1st U.S. Circuit Court of Appeals, which includes Puerto Rico. The board was allowed to keep functioning in the meantime.

Almost a year ago, the justices agreed to review the appeals court decision on a relatively quick basis, scheduling arguments for October. But it took the court nearly eight months to issue its own decision.

Many who oppose the board and resent the austerity measures it has imposed on the U.S. territory lamented Monday's ruling. Jenniffer González, Puerto Rico's representative in Congress, also seized it as an opportunity to push for statehood.

"This decision proves once again that if Puerto Rico wants to have control over local affairs, it must become a state," she said.

But the oversight board itself said it would continue its work "to help Puerto Rico recover from an unsustainable debt burden and decades of fiscal mismanagement." In a statement issued following the decision, the board said, "It is paramount that we turn the corner from this crisis as soon as we can."

By The Associated Press

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