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Puerto Rico House to Unveil Bond-Cutting Bill Next Week: Speaker

- **Legislature aims to approve new bonds by Oct. 4, Speaker says**
- **Bill would allow the island to restructure \$22 billion of debt**

Puerto Rico lawmakers plan to file legislation next week that allows the commonwealth to sell new bonds to replace existing debt, a necessary step to help finalize the island's record bankruptcy.

The commonwealth's House of Representatives is set to file the bill as soon as Monday, Rafael "Tatito" Hernandez, speaker of the House, said in a telephone interview. The legislature plans to pass a debt-restructuring bill by Oct. 4 for Governor Pedro Pierluisi to consider, Hernandez said.

"We need to fix this and then focus on economic development and job growth," Hernandez said. "This is a great step in the right direction for the future of Puerto Rico."

Getting Puerto Rico lawmakers' approval for a new bond sale to restructure \$22 billion of general obligations and commonwealth-guaranteed debt is a key step before U.S. District Court Judge Laura Taylor Swain begins conformation hearings in early November on Puerto Rico's debt adjustment plan.

To get enough votes to pass the House, the legislation will include issues beyond cutting Puerto Rico's obligations, including programs for municipalities and retirees, Hernandez said. Lawmakers will be working on the legislation as bondholders wrap up voting on the debt adjustment plan that Puerto Rico's financial oversight board submitted to the court earlier this year.

Island lawmakers are the final group to weigh in on restructuring the commonwealth's debt after competing bondholder pools, insurance companies and unsecured creditors approved the debt adjustment plan earlier this year. Without legislative approval, the financial oversight board, which is overseeing the bankruptcy, may need to ask the court to authorize new bonds. That's an unusual move in the \$4 trillion municipal-bond market where state legislatures and local governments typically approve debt sales.

"Our takeaway from our recent conversations with the governor and the legislative leadership is that all parties involved are determined to get Puerto Rico out of bankruptcy as soon as reasonably possible," said Matthias Rieker, spokesperson for the financial oversight board.

The legislation also involves how to repair Puerto Rico's broke pension system, which owes current and future retirees an estimated \$55 billion. The oversight board has proposed cutting some pensions by 8.5% and guaranteeing that no monthly pension falls below \$1,500. The House bill would boost that threshold to \$2,000, and also help restore any pension cuts with any future surplus revenue, Hernandez said.

"We will be disciplined," Hernandez said. "We will do our work, but if there's a surplus we will restore our pensions and invest in retirees."

While the board is seeking the retirement changes, island lawmakers are reluctant to cut pensions. The governor has said he wouldn't support legislation that reduces any retirement benefits.

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