

Bond Case Briefs

Municipal Finance Law Since 1971

Puerto Rico Lawmakers Present Debt-Restructuring Bill.

- **Bill allows the issuance of new general obligation bonds**
- **Legislation also resolves ongoing fight over pension cuts**

Puerto Rico's House of Representatives filed a debt-restructuring bill Monday that proponents say will allow the U.S. territory to make its way out of bankruptcy while protecting pensioners and municipalities.

House Speaker Rafael "Tatito" Hernandez introduced the bill, calling it key to ending a 15-year economic slump that started after federal manufacturing incentives on the island were phased out. The bill authorizes the restructuring of some \$18.8 billion in debt through the issuance of new bonds. If approved, the law will cut annual debt payments from \$3.3 billion to \$1.3 billion, Hernandez said.

Getting Puerto Rico lawmakers' approval for a new bond sale to restructure some 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.

Puerto Rico, a U.S. territory of 3.3 million people, has seen its economy hit by hurricanes, earthquakes and brain drain. On Monday, the Bureau of Economic Analysis said the island's gross domestic product had increased just 0.3% in 2019 after contracting the previous three years.

Less Pain

The bill also restores public pension cuts that are being required by the Federal Oversight and Management Board as part of Puerto Rico's bankruptcy process. As Hernandez was holding his press conference, the oversight board said it had agreed not to cut any public pensions less than \$2,000 per month if officials approve the new issuance of new debt. Previously, it had set the limit at \$1,500.

With that new threshold, it will cost Puerto Rico's government about \$44 million per year to restore the cuts, Hernandez said. Even so, the bill stipulates that the pension restitution can only take place if Medicaid funding to the island is increased enough to cover the expense.

The bill also earmarks more money for municipalities. Additionally, the law creates a single fund for all government money, rather than doling it out to public corporations as has been done in the past. Hernandez said that move would help the government better manage funds.

"It's time for us to change the pertinent laws and, if it's necessary, our constitution to keep Puerto Rico from falling into bankruptcy again," Hernandez said.

Bloomberg Markets

By Jim Wyss

September 27, 2021, 10:18 AM PDT

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com