

The Virgin Islands Consortium

Puerto Rico Defaults On Principal Of \$422 Million Debt Payment

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ST. CROIX -- Puerto Rico on Monday defaulted on most of its debt payment of \$422 million, paying only \$23 million, which represents interest due. The development puts pressure on Washington to come up with a solution to help the beleaguered U.S. territory.

On Sunday, Gov. Alejandro García Padilla gave a televised address in which he announced the payment default — the biggest to date in Puerto Rico's worsening debt crisis — and said he had to order it because Washington had failed to help in time.

“We have repeatedly traveled to Washington to convey the urgency of the situation,” the governor said. “So far, no action has been taken. The crisis escalates each passing day.”

A debt package being crafted in Washington includes language that, in some form, ties the territory to Puerto Rico's woes. Specifically, the bill includes language that gives U.S. territories the option to opt into a federal bailout package if they were to fall into financial trouble. The catch of opting in is that the federal government would then have oversight of the territory's public funds. Delegate to Congress Stacey Plaskett and Governor Kenneth Mapp have both come out in fierce opposition of the language, with Ms. Plaskett rebuking that portion of the measure as intrusive and Mr. Mapp expressing concern that the territory's bond ratings could be negatively impacted.

“I was asked to support this bill in its current form, and I made it clear that I could not,” Ms. Plaskett said [last month](#) at an urgent press conference held at her Frederiksted office. “Over this past weekend, I have been in deep discussion, debate, even arguments with my fellow colleagues, House leadership, other federal agencies, and I’ve made it clear that any language that implies federal oversight of how we in the Virgin Islands govern ourselves, even if it implies that local support is required, is not acceptable.”

“I believe it is unfair and wrong to demand that the other territories agree to the authorization for an oversight board with extraordinary powers — even one that would not be triggered unless requested by local resolution — without consultation with the territories affected and without considering or understanding the impact of enacting such a provision on our ability to access the capital markets and the cost to our treasuries of accessing such critical capital,” the governor stated in his message to Congress,” Mr. Mapp said [the same month](#).

According to the New York Times, Congressional aides said on Monday they agreed that the latest default showed an urgent need to establish federal oversight and restructuring powers for Puerto Rico, but they could not see a way to speed up the process.

In 1984 Congress explicitly barred Puerto Rico from restructuring debt in bankruptcy, without leaving any rationale for doing so.