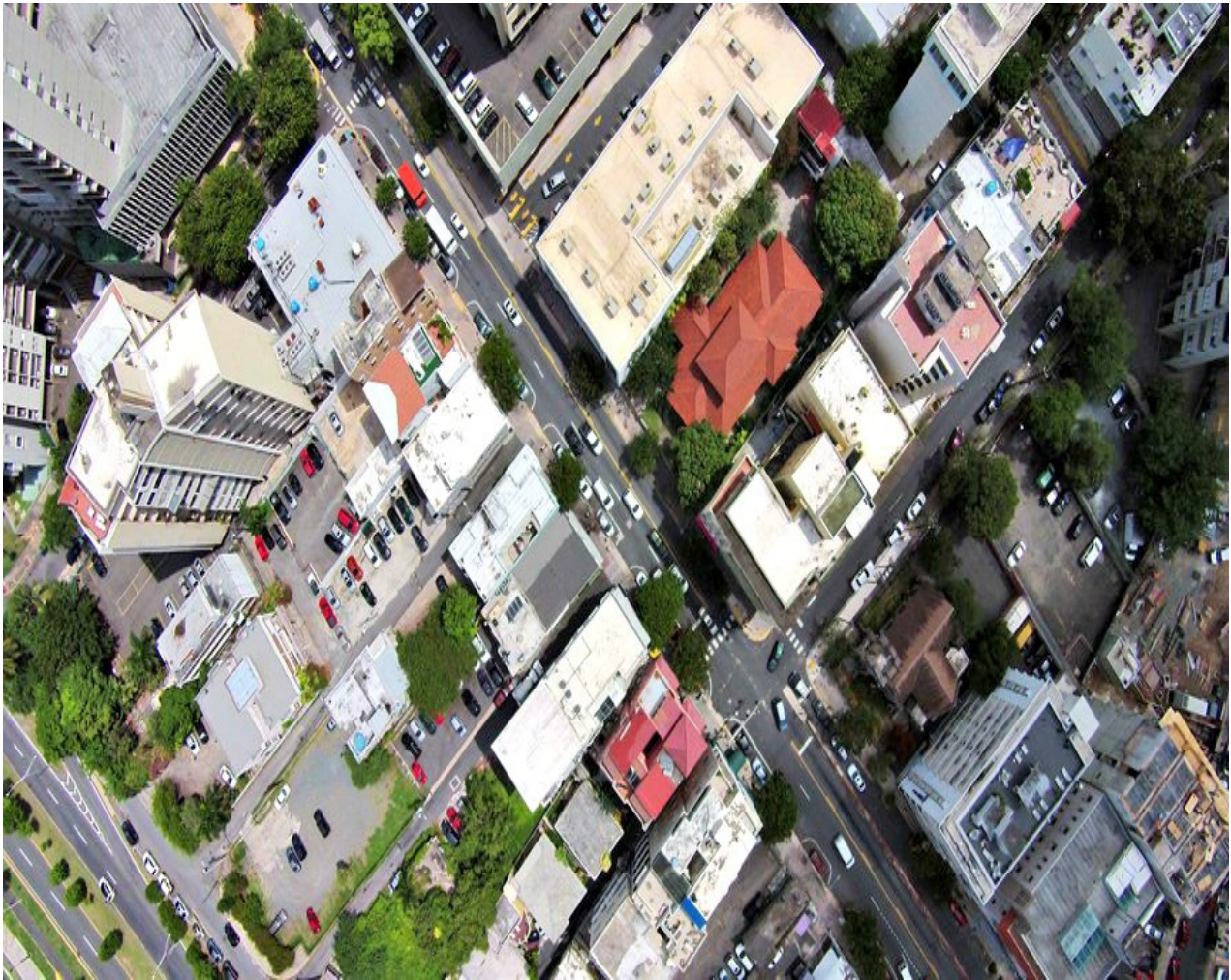


The Virgin Islands Consortium

Congress, White House Reach Deal On P.R. Debt; Plaskett Concerned As V.I. Is Tied To Package

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ST. CROIX -- House Republicans on Thursday drew a road map to lead Puerto Rico out of its financial quagmire, with support from the Obama administration.

But the deal includes language that is vehemently opposed by Virgin Islands leaders, including Governor Kenneth Mapp and Delegate to Congress Stacey Plaskett.

The House bill, introduced late Wednesday, would give Puerto Rico and other United States territories a set of rules for reducing their debts outside of bankruptcy. Guam, American Samoa, the United States Virgin Islands and the Northern Mariana Islands could use the framework too, if necessary.

In a statement issued on Friday, Ms. Plaskett expressed concern with the measure in its current form, but with support from the Obama administration secured, the bill seems to be the best bet for Puerto Rico in terms of a compromise. Ms. Plaskett allowed that the bill represents a "significant step forward towards ensuring the Puerto Rican government can continue to provide essential services." However, she contended, "it still contains provisions that are concerning to the interest of the U.S. Virgin Islands."

The bill would put Puerto Rico's fiscal affairs under direct federal control and establish a legal framework for reducing its \$72 billion load of debt. The rules would be similar to Chapter 9 municipal bankruptcy, but with differences intended to reassure those creditors who believe Chapter 9 is stacked against them.

If enacted as is, the bill would also pre-empt action by the United States Supreme Court, which has been called upon to interpret the laws governing Puerto Rico, according to the New York Times. Chapter 9 of the bankruptcy code explicitly bars Puerto Rico from seeking debt relief, without revealing why. In March, the justices heard oral arguments in an expedited appeal by the island, but they expressed uncertainty about how to proceed.

Ms. Plaskett highlighted what she calls the "best changes" to the bill as language that creates "a level payment of the retirees' debt along with Wall Street debt and allowing the Oversight Board to be appointed by the President." And while she noted that it contains a provision to remove a minimum wage, such a decision, she added, would be at the discretion of the governor.

But the delegate to Congress did not relent in her opposition of the provision affecting U.S. territories outside Puerto Rico.

"The new bill, however, still proposes to create an oversight board with very broad powers over the Puerto Rican government, which will have enormous power over the people of Puerto Rico. It can quash legislation, regulations or administrative action it believes is not in the fiduciary best interest of Puerto Rico and its debtors. It also contains the same provision that was proposed in an earlier version of the bill, allowing the other Insular territories the option of electing to have the same oversight board preside over their respective local governments," she said.

Ms. Plaskett also decried the bill's exclusion of tax relief or Medicaid, "nor does it provide any other recommended economic growth options that will allow meaningful growth, as recommended in the White House road map for Congressional action to address the Puerto Rico debt crisis introduced earlier this year. The bill deals only with the mechanism for Puerto Rico's restructuring of its debt," she said.

[Last month](#), Governor Kenneth Mapp wrote letters to Congressional leaders voicing his concern, along with a plea to remove the U.S. Virgin Islands from the measure altogether.

"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.

And he told The Consortium in a separate conversation that the territory's partners in the bond market would react negatively to the news; since the measure essentially gives all U.S. territories the option, if needed, to forego debt with the safeguard of the federal government. It was a sentiment also expressed by Ms. Plaskett on Friday.

"In the past, the bond market has taken into account the fact that bankruptcy is not an option for territories as a legal security positive fact and it was factored into bondholders' investment decisions," she noted. "In the future, if the language in this bill remains, the Virgin Islands can expect some investors to have apprehensions when considering whether or not to purchase Virgin Islands bonds, because of this new option to adjust debts. Because of the increased risk to investors, another ramification may be that some borrowing might become significantly more expensive in the form of higher interest rates, which in turn will mean higher cost to the territory to borrow," Ms. Plaskett said.

The bill was drafted by the House Committee on Natural Resources under direction from Speaker Paul D. Ryan, who told his fellow Republicans to work with Democrats. The result is a bipartisan compromise with provisions that different stakeholders have said they did not want but now seem willing to live with.

Feature Image: This Sept. 23, 2014 photo, shows an aerial view of the Santurce neighborhood in San Juan, Puerto Rico. The neighborhood is bounded on the north and east by the upscale Atlantic Coast districts of Condado, Ocean Park and Isla Verde, areas familiar to tourists visiting Puerto Rico. To the west lies the largely middle-class area of Miramar and the approach to picturesque Old San Juan, a colonial district of cobblestone streets and the seat of local government. (AP Photo/Ricardo Arduengo).