The Virgin Islands Consortium

# Plaskett To Introduce Amendment Cleverly Excluding Territory From P.R. Debt Bill

Business / **Published On June 06, 2016 12:35 PM /**

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ST. CROIX -- In her fight to keep the U.S. Virgin Islands out of the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA), which is supported by the Obama administration, Delegate to Congress Stacey Plaskett told The Consortium on Friday that she would soon propose an amendment essentially removing the U.S. Virgin Islands and other U.S. territories from the bill -- something the U.S. Treasury has been vehemently opposed to, fearing court challenges -- but it comes with a caveat.

The House bill, introduced late last month, would give Puerto Rico and other U.S. 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, through an option to give a federal oversight board full control over the finances of these territories, whose leaders request the help.

"What we've been working on with a member on the Republican side -- and we've garnered several co-sponsors -- is proposing an amendment that will be introduced on the [House] floor which removes the smaller territories from the bill, but has what's called a snap back provision which says that we are excluded unless a court case says that constitutionally all the territories have to be included because of uniformity clause issues in the Constitution," Ms. Plaskett said. "And we believe that we will be successful in not


Delegate to Congress Stacey Plaskett

Part of the delegate's concern is the negative effect U.S. Virgin Islands inclusion in the P.R. debt measure could have on the territory's bonds. But the U.S. Treasury, which has been leading the charge in pushing to have all U.S. territories included in the PROMESA bill, continues to argue that if some territories are included and others are left out, bondholders, who see the bill as a way for the federal government to allow Puerto Rico to legally not pay its debt -- a notion that has greatly diminished Puerto Rico's standing in the bond market -- could sue the federal government.

Ms. Plaskett fears that local bonds could be negatively impacted as well, and noted that the territory's interest rates had already inched up just on the talk of being included in the measure.

"Since this legislation came in and has been discussed on the floor, the price of our municipal bonds (a security issued on behalf of a local authority) has gone up," she said. "And so we need to be removed from this because we still need at this time to go to the market."

Ms. Plaskett and Governor Kenneth Mapp have been singing the same chorus in regards to the bill, with Mr. Mapp coming out even before the delegate in highlighting the potential impact on the islands' bonds.

“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,” wrote Governor Mapp early April in a letter addressed to Congressional leaders.

The PROMESA 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.

According to Ms. Plaskett, the bill will be heard either this week or next on the House floor.