

The Virgin Islands Consortium

Federal Oversight Board Option Does Nothing To Address Existing Inequities Or Promote Sustainable Growth In The territories

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This opinion was submitted to The Consortium on Wednesday, one day before the U.S. House of Representatives [voted on the P.R. debt bill that excludes the U.S. Virgin Islands](#) and smaller U.S. territories -- a development Delegate to Congress, Stacey Plaskett, who wrote this piece, deemed a victory for the U.S. Virgin Islands.

Two years ago, when the government of Puerto Rico sounded the alarm around their debt crisis, it did not express a new concern, but rather a continued and long-standing rising bell toll of danger, which was finally heard by Washington D.C. lawmakers.

That alarm's echo grew, as bond holders and other investors came to realize that the previously attractive Puerto Rico debt obligations held by municipal bond holders and hedge funds, may, in the end, not be fully paid by the Puerto Rican government.

Acknowledging the crisis, the White House convened a Task Force to assist Puerto Rico in not only meeting its financial obligations, but more importantly, getting to the bottom of how Puerto Rico came to this crisis, and how to prevent it from ever happening again.

The other territories, including my office, were encouraged when the Obama administration issued a "Roadmap for Congressional Action" for Puerto Rico and the other territories, which proposed to address many of the long-standing inequities facing the insular territories, as well as implement tools for economic recovery.

The Roadmap for Congressional Action additionally acknowledged Puerto Rico's mismanagement of funds and over leveraged use of Wall Street borrowing to fund general operations and much-needed capital projects and recommended an oversight board to oversee bankruptcy-like restructuring of outstanding debt.

It also recommended a lift on the cap on Medicaid dollars going to the territories (a cap not existing in the mainland). The President also proposed improved equities in healthcare, and the Earned Income and Child Tax Credits, which represent millions of dollars to the Virgin Islands on an annual basis. The White House Roadmap for Congressional Action even outlined studies and support for the beleaguered and near collapsed pension funds in the territories.

It quickly became clear, however, that the Republican-controlled Congress was unwilling to take up a measure, which would ensure lasting economic recovery for Puerto Rico and the other territories.

They were only interested in dealing with—what they believed to be—the most pressing matter: How to get Puerto Rico in a position to meet its financial obligation to its bond holders.

As a result, the United States Treasury Department, the Puerto Rican government, House Democratic leadership and the smaller territories have been placed in an untenable position: How to secure the votes necessary to ensure passage of a bill that keeps Puerto Rico from defaulting on its debt, keeps the Puerto Rican government operating and, as well, satisfies Wall Street's need for the bonds to be paid. The Puerto Rico Oversight, Management, and Economic Stability Act

(PROMESA) is the latest attempt to do that.

To be clear, PROMESA is not a bailout. After several iterations of a bill, Puerto Rico will not receive any money from the federal government, nor will it receive relief for its pension, or see changes made to its Medicaid and Medicare programs.

Treasury has included the smaller territories in the bill out of a concern for lawsuits brought by bond holders trying to defeat the restructuring. That inclusion of the territory could mean much higher costs to Virgin Islanders as we attempt to seek bonds for needed projects in the territory.

The ability to declare bankruptcy translates to our bonds being less secure, which in turn can lead the market to charge the Virgin Islands a higher interest rate to borrow for projects such as roads, infrastructure or other needs.

The PROMESA bill that Congress will consider this week, is not the bill the White House wanted. It is not the bill Puerto Rico wanted. And it does not address the fundamental disparities faced by the territories that forced excessive borrowing. Many are supporting this bill because the debt crisis in Puerto Rico threatens the shutdown of its government and default on its obligations to Wall Street investors. It is a terrible situation that should be addressed with both short and long-term solutions.

An amendment is being discussed to address Treasury's concerns and protect the territories' interests and painstakingly developed credit. Should we and our hard fought credit be dragged into this vortex for the sake of uniformity, which exists no where else? No.

We should, however, continue to support Puerto Rico's immediate crisis and press Congress to adopt the President's Roadmap for Congressional Action as the starting point to address "historic inequities" and create real tools for sustainable growth.