



The Hon. Pedro R. Pierluisi
Oral Testimony
“Puerto Rico’s Fiscal Problems: Examining the Source and Exploring the Solution”
Senate Committee on the Judiciary
December 1, 2015

Chairman Grassley, Ranking Member Leahy, and Members of the Committee:

Thank you for inviting me to speak on behalf of the island’s 3.5 million American citizens.

When Puerto Rico becomes a state, as I know it will, my constituents will vote for the president and members of Congress who make our laws, and they will be treated equally under those laws.

Until then, Puerto Rico must depend on the goodwill of senators and representatives from the states. We must make the case for congressional action, and hope you find it compelling. We are reduced to the role of a supplicant, pleading for equal treatment, or at least more equitable treatment.

What a shameful arrangement—for us, but also for you.

I believe in American exceptionalism—the concept that this country is unique in terms of its character and its conduct. But I also believe that the manner in which the federal government has treated Puerto Rico could cause one to question whether our nation’s devotion to democratic self-government is rhetorical rather than real.

This is the fifth congressional hearing on Puerto Rico this year. At each hearing I have emphasized that Puerto Rico confronts a crisis for two reasons.

First, over the years, the Puerto Rico government—with certain notable exceptions—has demonstrated a lack of discipline, transparency and common sense when it comes to managing its finances and creating a business climate that attracts private investment, generates jobs and grows the economy. Any individual that aspires to a leadership position in Puerto Rico should acknowledge that too many island officials have a record of over-promising and under-delivering, and should have a credible plan to break this cycle.

Second, the federal government’s policies towards Puerto Rico are inequitable and incoherent. They essentially make it impossible for the island to prosper, even if our local leaders were beyond reproach.

Just as Puerto Rico’s leaders must concede their failures, this Congress must acknowledge its own responsibility. Introspection is a two-way street.

For example, it is inexcusable that over 500 days have elapsed since the end of Fiscal Year 2014 and the Puerto Rico government has not yet released an audited financial statement. Members of Congress are right to criticize Puerto Rico for such ineptitude.

But let's place things in proper perspective. Puerto Rico has been treated unequally under Medicaid and Medicare for 50 *years*; under the SSI and EITC programs for over 40 years; and under the CTC program for nearly 20 years. The argument that Congress needs audited financial statements from Puerto Rico before it can act to rectify these devastating, decades-old disparities defies logic.

Faced with this lack of federal economic support, and seeking to provide a decent quality of life for its people, the Puerto Rico government—unwisely but understandably—has over-spent its own funds and over-borrowed in the bond market. This has led to recurring deficits, a large debt, and the loss of over 60,000 residents a year through migration to the states.

For both moral and practical reasons, Congress should swiftly enact a legislative package that gives Puerto Rico more equitable treatment under federal programs. Of course these provisions will cost money, just as it costs the federal government money every year when it spends \$2.5 billion to support the Medicaid program in Iowa, or sends over \$400 million in checks to working families in Utah under the EITC program, or provides \$100 million to vulnerable individuals in Vermont under the SSI program. If Congress refuses to provide fair treatment to my constituents, they will continue to move in massive numbers to the states in order to obtain it. That is the logical consequence of an illogical system.

This package should also authorize Puerto Rico to restructure a meaningful portion of its debt. We can have a reasonable debate about the scope and nature of this authority, but—at the very least—Puerto Rico should have the same ability to adjust its debts as the states. Providing this authority will cost the federal government nothing, whereas failing to provide it will have an enormous humanitarian cost.

If—but only if—Congress acts on these items, I will not oppose the creation of an independent board that respects the Puerto Rico government's primary role in crafting its budget and making fiscal policy, but that is authorized to ensure that the Puerto Rico government complies with appropriate budgeting standards and fiscal metrics. As I see it, this board should be redundant, because the governor and legislative assembly of Puerto Rico ought to be conforming to such standards and metrics anyway, and so I would not object to federal oversight to make certain that they do.

Five congressional hearings are enough. It is time for Congress to legislate and, in so doing, to be part of the solution to a problem it had a significant role in creating.

Thank you.