

Congress of the United States
Washington, DC 20510

September 24, 2019

The Financial Oversight and Management Board for Puerto Rico
P.O. Box 192018
San Juan, Puerto Rico 00919-2018

Dear members of the Financial Oversight and Management Board:

We write to you in support of the hundreds of thousands of Puerto Ricans who took to the streets to demand accountability from their government and compelled Governor Rosselló to step down. His administration's corruption and deeply offensive comments toward women, LGBTQ people, people of color, and victims of Hurricane María were unacceptable, and we are encouraged by his resignation.

It is clear, however, that this historic and inspiring mobilization goes far beyond one individual. The people of Puerto Rico seek democratic control over their future, and called not only for the resignation of Governor Rosselló but for the end of the Financial Oversight and Management Board's (FOMB) control over the economic decisions of the island. We agree with the demands of the Puerto Rican people who came into the streets: Puerto Rico must no longer be treated as a colony.

During this moment of popular struggle for responsive and legitimate governance, we urge you to reverse the crippling austerity imposed on Puerto Rico. At a minimum, the uncertain process of succession and the fragility of Puerto Rico's political institutions must not be exploited to strengthen the unelected FOMB's power over the day-to-day lives of the people of Puerto Rico.

We remind you that more than half a million residents have left the island since 2010, and the pace of emigration has only increased since Hurricane María.¹ Thirty thousand Puerto Ricans still live under the post-hurricane blue tarp tents provided two years ago.² The island has already suffered a lost decade with no economic growth.³ Despite inadequate federal assistance and dire unmet needs throughout the island, the FOMB's most recent Fiscal Plan insists on cutting Puerto Rico's public health and education programs. This includes hundreds of millions of dollars in proposed cuts to Medicaid and to the University of Puerto Rico.⁴ The FOMB also proposed a 10

¹ Acevedo, Nicole. 2019. "Census: U.S. Latino population grows while Puerto Rico sees unprecedented drop." NBC News. June 20. <https://www.nbcnews.com/news/latino/census-u-s-latino-population-grows-while-puerto-rico-sees-n1019496>

² Stein, Jeff. 2019. "Puerto Rico corruption scandal ripples through Washington as White House, Congress call for greater spending scrutiny." Washington Post. July 11. <https://www.washingtonpost.com/business/2019/07/11/puerto-rico-corruption-scandal-ripples-through-washington/>

³ Merling, Lara, Kevin Cashman, Jake Johnston, and Mark Weisbrot. 2017. "Life After Debt in Puerto Rico: How Many More Lost Decades?" Washington, DC: Center for Economic and Policy Research. July. <http://cepr.net/images/stories/reports/puerto-rico-2017-07.pdf>

⁴ Velázquez, Nydia. 2019. "Velázquez, Menendez, Grijalva, Ocasio-Cortez Ask Oversight Board to Reconsider Cuts to Puerto Rico Healthcare, Education." August 8. <https://velazquez.house.gov/media-center/press-releases/velazquez-menendez-grijalva-ocasio-cortez-ask-oversight-board-reconsider>

percent cut to the pensions of retired public servants who paid for these benefits through years of hard work, and secured a tentative agreement of 8.5 percent in cuts.⁵ It is unacceptable to reduce the retirement security of those who paid for these benefits through years of hard work.

The FOMB's Fiscal Plan also focuses on producing a significant fiscal surplus, prioritizing the demands of Wall Street vulture funds over the needs of the Puerto Rican people.⁶ The anticipated surplus has more than doubled since the FOMB's first Fiscal Plan was published, despite there being few changes to the board's underlying assumptions.⁷ Rather than being used for social or public investment to alleviate the suffering on the ground and boost the island's sagging economy, the surplus is likely to end up in the hands of hedge funds and bankers in order to repay debt that was, in large part, bought on the secondary market for a fraction of their value at maturity.

The terms of the deal with creditors are far more generous than what the FOMB's own long-term estimates indicate that Puerto Rico is able to pay.⁸ The FOMB's unrealistic predictions and debt-restructuring proposals will only serve to undermine the future of Puerto Rico's economy.⁹ Greedy vulture funds should not be allowed to reap huge profits at the expense of ordinary Puerto Ricans.

Additionally, we are troubled by increasing evidence of the FOMB's internal mismanagement and conflicts of interest. The FOMB's own budget, paid for by Puerto Rico's taxpayers, amounts to \$300 million a year—an astounding figure for an institution promoting far-reaching austerity.¹⁰ By comparison, the U.S. Congressional Budget Office's annual budget for providing economic analysis of the entire United States is \$50.7 million. If the CBO's budget matched the FOMB's as a share of the economy it is tasked with analyzing, it would receive \$85 billion annually.¹¹

We understand that the vast majority of the FOMB's funds go toward fees for lawyers and consultants who are not subject to any disclosure requirements. In what appears to be blatant disregard for conflict-of-interest norms, McKinsey & Company, which has received more than \$50 million in advisory fees from the FOMB, is also a holder of Puerto Rican debt and stands to make millions on any potential restructuring deal for investors.¹²

FOMB members are reported to have been involved in government institutions that contracted billions of dollars of debt; served as officials in banks that underwrote that debt; and currently

⁵ Financial Oversight and Management Board for Puerto Rico. 2019. "2019 Fiscal Plan for Puerto Rico: Restoring Growth and Prosperity." San Juan, PR: Financial Oversight and Management Board for Puerto Rico. May. <https://drive.google.com/file/d/13wuVn04-JKMEPKu-u-djZJHqTK-55aV/view>
Pierog, Karen. 2019. "Puerto Rico oversight board reaches deal over retiree pensions." Reuters. June 12. <https://www.reuters.com/article/us-usa-puertorico/puerto-rico-oversight-board-reaches-deal-over-retiree-pensions-idUSKCN1TD2RZ>

⁶ Merling, Lara. 2018. "Puerto Rico's New Fiscal Plan: Certain pain, Uncertain Gain." The Philly Inquirer. June 20. <https://www.inquirer.com/philly/opinion/commentary/hurricane-maria-puerto-rico-recovery-audit-creditors-20180620.html>

⁷ FOMB. "2019 Fiscal Plan for Puerto Rico."

⁸ Aronoff, Kate. 2018. "Vulture Funds Stand to Make Millions in Wake of Hurricane Maria." The Intercept. September 28. <https://theintercept.com/2018/09/28/puerto-rico-hurricane-maria-recovery-funds/>

⁹ Members of Congress. 2018. "Letter to Members of the Financial Oversight and Management Board for Puerto Rico." Received by The Honorable José B. Carrión III, Chairman. December 6. <https://cpc-grijalva.house.gov/uploads/Bicameral%20letter%20to%20FOMB.pdf>

¹⁰ Rice, Andrew. 2019. "The McKinsey Way to Save an Island Why is a bankrupt Puerto Rico spending more than a billion dollars on expert advice?" New York Magazine. April 17. <http://nymag.com/intelligencer/2019/04/mckinsey-in-puerto-rico.html>

¹¹ Weisbrot, Mark. 2019. "Puerto Rico's Botched Disaster Relief, Unsustainable Debt, and Economic Failure Linked to its Colonial Status." Los Angeles Times. May 30. <https://www.latimes.com/sns-tns-bc-puertorico-pro-20190530-story.html>

¹² Walsh, Mary Williams. 2018. "McKinsey Advises Puerto Rico on Debt. It May Profit on the Outcome." The New York Times. September 26. <https://www.nytimes.com/2018/09/26/business/mckinsey-puerto-rico.html>

maintain familial relations to some of the largest financial institutions in Puerto Rico.¹³ Under federal statute, board members are required to provide financial disclosures and reveal any conflicts of interest. However, we are deeply concerned by the apparent failure to comply with the law. The 2017 financial disclosure documents of Chairman José B. Carrión, for example, list not a single dollar amount he received from third parties as compensation. Board member Carlos M. García similarly failed to disclose compensation amounts.¹⁴ These incomplete disclosures make the full scope of possible conflicts of interest impossible to assess.

Additionally, as the Puerto Rican people seek to compel transparency and accountability from decision makers, we believe the FOMB should heed this call. We ask that by October 7, 2019, you provide the undersigned members of Congress with:

- A detailed explanation for the increasing fiscal surplus available to creditors despite the absence of significant changes in the FOMB's economic assumptions, as well as the board's economic rationale for cuts to health, education, and pensions.
- An analysis of the expected impacts of the FOMB's proposed budget cuts to health and education expenditures on Puerto Rico's economic growth trajectory, outmigration, and inequality.
- All documents related to the FOMB's consulting arrangements with entities, such as McKinsey & Company and Citigroup Global Markets Inc., who could financially benefit from an eventual debt repayment deal.
- Materials related to the FOMB's policies on conflicts of interest and other internal measures to avoid financial capture by special interests.
- A full accounting of each member's professional or familial ties to any institutions and persons who hold Puerto Rico's debt or maintain contracts with the FOMB, and thorough financial disclosures of each board member, including details of outside compensation.

We ask that until an independent investigation about conflicts of interest is completed and all FOMB members are cleared of any conflicts of interest, debt payments and negotiations on debt repayments be paused.

For far too long, the federal government has treated the American citizens of Puerto Rico unfairly.¹⁵ Puerto Rico has suffered from decades of economic neglect, crushing debt, devastating austerity, a catastrophic hurricane and humanitarian crisis that led to some 3,000 estimated deaths, many of which were avoidable—a result of the inadequate federal emergency response.¹⁶

¹³ Valentín Ortiz, Luis J. 2018. "PUERTO RICO'S FISCAL CONTROL BOARD: PARALLEL GOVERNMENT FULL OF LAWYERS AND CONSULTANTS." Centro de Periodismo Investigativo. August 1. <http://periodismoinvestigativo.com/2018/08/puerto-ricos-fiscal-control-board-parallel-government-full-of-lawyers-and-consultants/>

¹⁴ Financial Oversight and Management Board for Puerto Rico. 2019. "Documents: Financial Disclosures." San Juan, PR: Financial Oversight and Management Board for Puerto Rico. Retrieved August 7. <https://oversightboard.pr.gov/documents/>

¹⁵ Merling et al. "Life After Debt in Puerto Rico."

¹⁶ Milken Institute School of Public Health. 2018. "Milken Institute School of Public Health Study, a collaboration with the University of Puerto Rico, to Estimate the Excess Deaths from Hurricane Maria in Puerto Rico." Washington, DC: George Washington University. September.

<https://prstudy.publichealth.gwu.edu/>
Konyndyk, Jeremy. 2017. "Hurricane Maria killed 64 Puerto Ricans. Another 1,000 died because the disaster response was inadequate." Washington Post. December 18. <https://www.washingtonpost.com/news/monkey-cage/wp/2017/12/18/hurricane-maria-killed-64-puerto-ricans-another-1000-died-because-the-disaster-response-was-inadequate/>

The people of Puerto Rico have spoken. They reject austerity and call for democratic governance, broadly shared economic growth, and self-determination — aspirations fundamentally at odds with both the policy prescriptions and the internal functioning of the FOMB. We thank you in advance for your prompt and detailed response to our inquiries, and consideration of our call for the immediate reversal of austerity and cuts to social and public spending on the island.


Sincerely,



Bernard Sanders
United States Senator



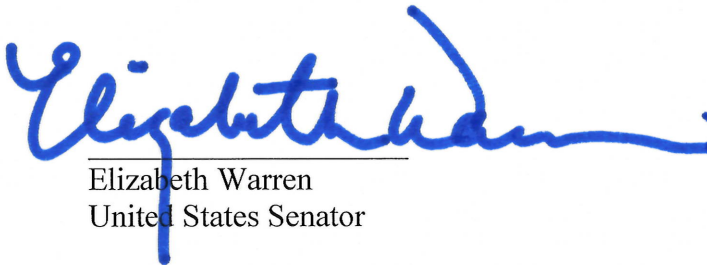
Alexandria Ocasio-Cortez
Member of Congress



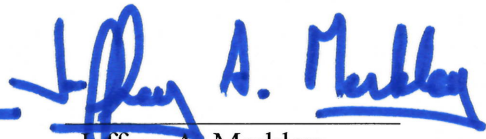
Mark Pocan
Member of Congress



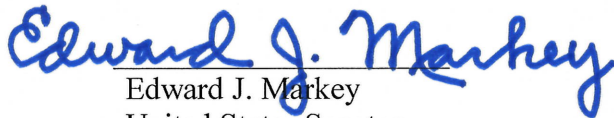
Pramila Jayapal
Member of Congress



Elizabeth Warren
United States Senator



Jeffrey A. Merkley
United States Senator



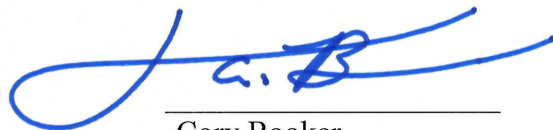
Edward J. Markey
United States Senator



Richard Blumenthal
United States Senator



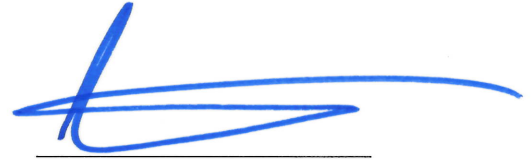
Kirsten Gillibrand
United States Senator



Cory Booker
United States Senator



Robert Menendez
United States Senator



Adriano Espaillat
Member of Congress



Jesús G. "Chuy" García
Member of Congress