

May 23, 2016

We Must Stop Treating Puerto Rico Like a Colony

Dear Democratic Colleague:

Last Thursday, H.R. 5278, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) was introduced in the House. I am urging the Senate Democratic Caucus to make it clear to the Republican leadership that this legislation is unacceptable and will not be supported by Senate Democrats. I am also writing to ask you to work with me on new legislation that would take a very different approach than the bill introduced in the House.

The people of Puerto Rico are experiencing enormous economic pain as a result of a depression that has now lasted more than a decade. Over 20 percent of jobs in Puerto Rico have been lost since 2006. Almost 60 percent of Puerto Rico's adult population is not employed. Over the last five years alone, more than 150 public schools have been shut down, and the childhood poverty rate has shot up to 58 percent. At a time when the rich are getting richer, Puerto Rico now has more income inequality than any U.S. state.

At a time when the people of Puerto Rico are suffering, the legislation introduced in the House would make a terrible situation even worse.

This bill would require the governor of Puerto Rico to submit a fiscal plan to an unelected and undemocratic oversight board comprised of seven members, a majority of whom would be Republicans chosen by the Senate majority leader and the speaker of the House.

The oversight board would be empowered to reject the fiscal plan of the governor and enact a different plan to cut the budget, slash pensions, raise taxes, privatize and sell public assets, and work to restructure debt without the approval of Puerto Rico's democratically elected government.

The fiscal plan could be approved by just four out of the seven members of the oversight board. Four of the members would be Republicans and three would be Democrats.

The people of Puerto Rico would not get to choose any members of this board. The board members do not have to live in Puerto Rico, and no elected official or former elected official from Puerto Rico would be allowed to serve.

All of the members of this board are required to have expertise in finance, municipal bond markets, management, law or the organization or operation of the government. On

the other hand, there is no requirement for anyone on this board to be represented by labor, agriculture, small business, the environment or the Puerto Rican people.

Moreover, this legislation would supersede any law that was passed by the Puerto Rican government that is inconsistent with the fiscal plan approved by the oversight board.

In my view, we must never give an unelected control board the power to make life and death decisions for the people of Puerto Rico without any meaningful input from them at all. We must not balance Puerto Rico's budget on the backs of children, senior citizens, the sick and the most vulnerable people in Puerto Rico.

Moreover, this legislation requires that any restructuring of Puerto Rico's debt must be "in the best interest of creditors," not in the best interest of the 3.5 million U.S. citizens living in Puerto Rico.

Creditors would get to vote on an adjustment to their debt, which would be subject to judicial approval in either the U.S. District Court for the District of Columbia or the U.S. District Court for Puerto Rico. The oversight board would be empowered to determine which of these courts approved the debt restructuring agreements.

This legislation prevents workers in Puerto Rico who make less than \$47,000 a year from benefitting from President Obama's new overtime protections. Moreover, it would allow the governor of Puerto Rico to slash the minimum wage to just \$4.25 an hour for workers for a period of up to five years.

In other words, this legislation looks out for the needs of Wall Street vulture funds first and foremost. That is unacceptable.

We must make it clear that hedge fund managers on Wall Street cannot get a 100 percent return on Puerto Rican bonds they purchased for as little as 29 cents on the dollar yielding interest rates of as much as 34 percent, while the budget for hungry children in Puerto Rico would be cut. Wall Street vulture capitalists must not be allowed to get it all.

This legislation is strongly opposed by the AFL-CIO; the SEIU; AFSCME; the UAW; the United Food and Commercial Workers; the International Association of Machinists and Aerospace Workers; and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union.

These unions representing over 13 million workers in the 50 states and Puerto Rico, recently wrote a letter stating: "We urge you to OPPOSE H.R. 5278 as currently written ... Any restructuring package must ... protect the accrued pension benefits of Puerto Rican workers and retirees, retain worker protections that apply to all working people in the U.S. including minimum wage and overtime protections, and preserve the democratic rights of the people of Puerto Rico. PROMESA is unacceptable because the bill fails to meet these basic goals ... Congress must ... get back to work immediately to provide real solutions that allow Puerto Rico to negotiate a feasible debt restructuring plan, protects

Puerto Rican workers and retirees, and provides economic stimulus so that the territory may achieve economic growth.”

On the other hand, this bill is supported by the Securities Industry and Financial Markets Association whose members include Goldman Sachs, Citigroup, JP Morgan Chase, and Bank of America. Other supporters of this legislation include Tea Party Forward; Grover Norquist’s Americans for Tax Reform; the National Review; and the Council for Citizens Against Government Waste (one of the most right-wing lobbying groups in the country).

We have an important choice to make: do we stand with the working people of Puerto Rico or do we stand with Wall Street and the Tea Party? The choice could not be clearer.

Puerto Rico must have the same authority granted to every municipality in this country to restructure its debt under the supervision of a bankruptcy court.

Moreover, a Public-Debt Audit Committee in Puerto Rico is currently conducting an audit of Puerto Rico’s debt. If this committee finds that any of Puerto Rico’s debt was acquired in violation of its Constitution that debt must be immediately set aside.

Perhaps most importantly, the time has come for the Federal Reserve and the Treasury Department to be just as creative in finding solutions to help the 3.5 million American citizens in Puerto Rico as they were in rescuing the largest financial institutions in this country and throughout the world in 2008.

If the Federal Reserve could provide \$23 billion in total loans with interest rates as low as 0.25 percent to the Arab Banking Corporation and central banks around the world eight years ago, it can facilitate an orderly debt restructuring for Puerto Rico to alleviate the humanitarian crisis in Puerto Rico.

The Federal Reserve could and should provide loans to the electric power authority and water agency – which collectively hold \$25 billion of Puerto Rico’s debt -- with an accompanying requirement that Puerto Rican authorities use the money to hold Reverse Dutch Auctions with hedge funds and other entities that own Puerto Rican bonds – forcing creditors to compete and sell their bonds.

The Federal Reserve should also directly purchase new bonds with a six-month maturity issued by the Commonwealth of Puerto Rico – with contractual requirements that it use the loans to successfully purchase back outstanding debt using through the Reverse Dutch Auction process. After six months, Puerto Rico could refinance this debt in the open market or roll it over.

Through these steps, the Federal Reserve could require major “haircuts” that would lead to a more sustainable level of debt for Puerto Rico moving forward. This would allow Puerto Rico the time it needs to grow its economy, create jobs, reduce the poverty rate and expand its tax base so that it can pay back its debt in a way that is fair and that is just.

We must stop treating Puerto Rico like a colony and start treating the American citizens of Puerto Rico with the respect and dignity that they deserve during this very difficult period.

Once again, I look forward to working with you on legislation that protects the interests of the people in Puerto Rico, the workers, the elderly, the children and the sick – and not just Wall Street vulture funds.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bernard Sanders". The signature is fluid and cursive, with a prominent initial "B".

Bernard Sanders
United States Senator