



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

June 9, 2016
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 5278 - Puerto Rico Oversight, Management, and Economic Stability Act

(Rep. Duffy, R-WI, and two cosponsors)

The Administration strongly supports House passage of H.R. 5278, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), which would provide Puerto Rico with a comprehensive restructuring authority to address its unsustainable debt, coupled with appropriate fiscal oversight to increase transparency and achieve meaningful reforms.

Puerto Rico has already begun defaulting on its \$70 billion of debt with a much larger default anticipated on July 1 when nearly \$2 billion in additional payments are due. However, this is not just a matter of financial liabilities. The human costs for the 3.5 million Americans in Puerto Rico – in terms of access to health care, electricity, education, and basic public safety – are real and escalating daily. H.R. 5278 would allow Puerto Rico to restructure its liabilities to help address the ongoing crisis, with no new Federal spending.

While the Administration supports passage of H.R. 5278, the Administration has concerns with some provisions in the bill. The Administration opposes the measures in this bill on minimum wage and overtime that put in jeopardy important protections for workers, do nothing to address the crisis, and further exacerbate the economic disparities between Puerto Rico and the mainland United States. Although the bill would include important provisions to ensure adequate funding for public sector pensions, it could do even more to protect pensions. Further, the bill should ensure Puerto Ricans have a robust voice on the proposed Financial Oversight and Management Board. While the bill includes provisions the Administration opposes, on balance, the Administration believes this compromise legislation is far superior to the status quo and is necessary to protect the well-being of 3.5 million Americans and create a path to recovery.

Only Congress has the authority to provide Puerto Rico the tools to resolve this crisis. Failing to act now will result in an economic and humanitarian crisis far beyond what Puerto Rico is already facing today. Absent the bill's protections and tools, an escalating series of lawsuits between creditors and against Puerto Rico could ensue, which could imperil essential services and put pensions in jeopardy.

The Administration urges the Congress to build on the bipartisan effort behind PROMESA and pass this legislation quickly before this crisis grows materially worse.

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