



Opening Statement
Hearing on Puerto Rico Economy, Debt, and Options for Congress
Senator Lisa Murkowski
October 22, 2015

Today we are here to take a look at the current state of Puerto Rico's economy, its short-term liquidity issues, and options for Congress to address what has become a financial crisis for the island.

In looking over the fiscal data that is available on Puerto Rico, I would like to reiterate Chairman Hatch's remarks at his Finance Committee hearing on Puerto Rico last month – we do want to be helpful, but in order to be helpful we need verifiable data.

As an example, the FY2016 budget approved by the Puerto Rico Legislature sets aside \$1.5 billion for debt service costs. Yet the Krueger Report states that the official FY2015 \$850 million surplus “is a far cry from interest and amortization costs of \$2.8 billion.” The Report further states that, “there is other spending ... by entities other than the General Fund that is draining cash balances.”

That's a fairly significant gap, of over \$1 billion. And with no independent audited financial report of Puerto Rico's Government Development Bank – the island's fiscal agent and financial advisor –since June 2013, it leads to uncertainty over the true level of Puerto Rico's financial situation. So, I would ask our witnesses this morning to share their views on the accuracy of the data that is available to us.

What we do know is that a number of reports suggest that even with the emergency actions taken by the Government of Puerto Rico, the Government will run out of cash in November – just a few short weeks away. If the current course of action is continued, an even bigger cash crunch will take place in June 2016, with a negative cash balance of over \$500 million. Barclays reports that the government may need to invade COFINA's tax revenue in order to pay its general obligation debt over the next five years – and even that might not be enough. In short, Puerto Rico's short-term liquidity crunch is real and action is needed.

A number of ideas have been floated to help address Puerto Rico's fiscal challenges, both short-term and long-term. We are going to use today's hearing to take a much closer look at what the reality on the ground is, what actions – both locally and at the federal level – could have the most positive impact, and what structural reforms can be made to make for a more effective and efficient government.

I also intend for this hearing to take a closer look at Puerto Rico's Electric Power Authority – PREPA – and what is happening in Puerto Rico's energy sector. In my opinion, energy and the economy cannot be separated – they are too intrinsically interlinked and Puerto Rico's economic health cannot be solved without also addressing its energy issues. I had a meeting just yesterday with some small business owners in Puerto Rico and they tell me that some 30 percent of their business expenses go to energy costs. This is

extraordinary. If one of the pillars for solving Puerto Rico's long-term financial situation is private sector economic growth, that level of energy expense is simply not sustainable.

As the various options are considered, we must keep that pillar in mind to ensure that any measures implemented do not drive business away from the island or make it too difficult for them to remain in operation.

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