

U.S. SENATE COMMITTEE ON

ENERGY & NATURAL RESOURCES

SENATOR MARIA CANTWELL, *Ranking Member*



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Opening Statement Senator Maria Cantwell (D-Wash.) Hearing on Puerto Rico: Economy, Debt and Options for Congress October 22, 2015

“Thank you Madam Chair, and thank you for holding this important hearing. And I too look forward to the witnesses’ testimony this morning and working with you and other members of the Senate on this issue.

“At the outset, I’d note that many observers may be wondering why, exactly, the Senate Committee on Energy and Natural Resources is having a hearing on the Puerto Rico debt crisis. It’s important to remember that, until the Senate reorganized its committee structure in 1977, this committee was actually known as the Committee on Interior and Insular Affairs.

“We have jurisdiction over ‘measures relating generally to the insular possessions of the United States, except those affecting their revenues and appropriations’. Today, we retain jurisdiction over ‘territorial possessions of the United States, including trusteeships’, which covers matters related to the territory of Puerto Rico.

“It’s because of our general responsibility for oversight that the Energy Committee has a key role to play in convening a responsible discussion about economic solutions that Puerto Rico now faces. However, it’s also clear that fashioning solutions will require partnerships with other committees in the Senate—particularly the Finance Committee, which I attended the hearing, and the Judiciary Committee—along with the Puerto Rican government and the administration.

“The Finance Committee has already convened a hearing on this topic to date. But today, we will hear for the first time what the Administration would propose to do, to address the issue more specifically. And certainly look forward to that testimony.

“I would also like to make a few key points, to put the current situation in context. First, it is very important to remember that the 3.5 million residents of Puerto Rico today are U.S. citizens and have been citizens since 1917.

“As we look at ways that our U.S. economy has recovered, it’s very important to understand that Puerto Rico has not rebounded.

“The continuing decline in productivity is felt there every day. Incomes are falling, and Puerto Rico is already well below the poorest state — about \$18,000 per person in Puerto Rico, about

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half of the \$37,000 in Mississippi. Tuition is up, hospitals are closing, and everywhere families are meeting these challenges. Puerto Rico is currently experiencing one of the largest migrations in U.S. history, having lost about 8 percent of its population – more than 300,000 people—in the past 10 years. Those individuals include many of Puerto Rico’s most-skilled and highest-paid workers.

“So this migration issue—to the U.S.—will continue. And I think it is one of the challenges we face.

“Debt has accumulated to an estimated \$72 billion. In fact, the government and the electric utility have failed to make their required debt payments. And I know, Madam Chair that you know a lot about high cost utilities. But the fact that these energy rates are at 26 cents per kilowatt hour, obviously presents an incredible challenge to any manufacturing in the future. Credit is either unavailable or prohibitively expensive, and cash reserves are expected to be exhausted in just the coming weeks.

“It is clear that the current situation is not acceptable. It is clear we do not want to see a situation unfold in which the government of Puerto Rico faces a binary choice of paying teachers or reimbursing health care costs, versus paying off its debt—much of which has been bought up by Wall Street for pennies on the dollar, under the assumption that Congress would not act.

“So I think it’s very important that we meet our responsibility here, Congressional authority over Puerto Rico and the other territories stems from the Territory Clause of the Constitution, which says that ‘Congress shall have Power to dispose of and make all needful Rules and Regulations respecting the Territory ... belonging to the United States....’

“I think is very important. And we have done this in the past. Congress has acted. For example, the Constitution of Puerto Rico was authorized and approved (with amendments) by Act of Congress. And, the Organic Acts of Guam and the U.S. Virgin Islands are Federal statutes.

“All of these acts were reported by the Senate Committee on Interior and Insular Affairs, the earlier incarnation of this very committee. So I think it’s very important to realize that we do have the power to act here. We do have the authority.

“It was first President Bush, who said in 1992 that federal agencies should ‘treat Puerto Rico administratively as if it were a state’ unless doing so would ‘increase or decrease federal receipts or expenditures or ... seriously disrupt’ federal programs.



“So, I know there are a lot of ancillary debates here about how we help Puerto Rico. But we do have the ability to give them the key tool to restructure under Chapter 9, without costing us anything from a budget perspective. We have the ability to give them that power.

“If we are in fact to enact new laws in this area, we do need to have a partnership. Obviously, as I said there are other committees that would have to be consulted in how we move forward on this issue. So I look forward to hearing from all the witnesses and the discussion about how we best move forward for Puerto Rico’s future.

“I should just note that getting through this financial crisis is one step of the process. Clearly, I have a lot of questions in my own mind about a flat world and how an island economy can be best positioned to grow in the future. But we’ll save that discussion for another day. And instead focus on how we give Puerto Rico the best tools possible to get through this financial crisis. I thank the chair and I look forward to the witnesses’ statements.”

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