

CHICAGO TRIBUNE

Puerto Rico (and Puerto Illinois)

June 15, 2016

Generous public pensions with nowhere near enough public money to cover those obligations. Heavy reliance on borrowing to offset lavish spending and close budget deficits. Citizens furious with politicians who've tried (without success) to solve their problems by raising taxes.

No, no, not Illinois or its biggest city. We're referring to Puerto Rico, where 3.5 million Americans are stuck with \$72 billion in public debt. A bill passed by the U.S. House last week would restructure that burden. It also would establish a federal oversight board to steer Puerto Rico away from the abyss and, just maybe, back to some semblance of fiscal health.

The bill now goes to the U.S. Senate, which needs to take it up pronto: Puerto Rico, having already missed some debt payments, risks default if it can't make a \$2 billion payment due July 1.

The House plan has three big pluses:

- Unlike rival proposals to pour U.S. taxpayer dollars on Puerto Rico's debt, this isn't a federal bailout. That would stand as a dangerous precedent if a vastly indebted state (not mentioning any names) ever begs Washington for relief from its reckless spending, borrowing and pension obligations.
- It allows something akin to bankruptcy court restructuring outside formal bankruptcy — something that Puerto Rico, like the 50 state governments, can't declare. (States can permit local governments, such as Detroit's, to file bankruptcies. Illinois doesn't permit that ... yet.) The plan would be enacted through the special constitutional powers that Congress has over U.S. territories.
- A similar oversight panel yanked the District of Columbia out of a financial crisis in the early 1990s. In Puerto Rico's case, the seven-member board would have the power to veto any overspending San Juan commits. It also could audit the government, impose pension and tax reforms, and override any laws or executive decrees that conflict with the board's rescue plan. The board would have the teeth to steward debt relief negotiations with creditors and ensure that the Puerto Rican government starts balancing budgets. Once San Juan has produced four successive balanced budgets and has patched up connections with short-term and long-term credit markets, the oversight board could be dissolved.

Not every Puerto Rican is happy about Congress' intervention. Many, particularly those in Puerto Rico's political circles, don't want the federal government imposing rigorous requirements. They believe a Washington-dictated oversight board is tantamount to colonialism.

U.S. Rep. Luis Gutierrez, D-Ill., who is leading the charge against the bill, took the rhetoric a step further. "You are imposing a junta," that is, a group that rules after a forcible takeover, he told fellow

lawmakers on the House floor. "There will be no difference between this junta and the junta of Pinochet and Chile."

Please. Setting up a mechanism for oversight is not a return to predatory colonial ways or a precursor to dictatorship — it's simply good governance. If the board greases debt relief negotiations with creditors and ensures that the Puerto Rican government starts balancing budgets, the island's people will be the long-term beneficiaries.

How dire is the island's plight now? The government has struggled to supply enough electricity for hospitals and schools, and gas for police cars and firetrucks. Unemployment has topped 12 percent as businesses shut down. Legions of Puerto Ricans have fled the territory for the U.S. mainland. "It is regrettable we have reached this point, but it is reality," says Pedro Pierluisi, Puerto Rico's representative in Congress.

We applaud the House effort to craft a bill that neither absolves the Puerto Rican government of its grave mismanagement nor condemns fellow American citizens to a needlessly punitive fate. Asking Washington to help a territory escape its addiction to debt isn't a solution anybody loves. But it's a solution.

As for Puerto Illinois: There's still time to reform how Springfield taxes, spends and discourages economic growth before anyone seriously compares this state's finance follies to the fiasco in San Juan.