

**Congress of the United States**  
**Washington, DC 20515**

May 11, 2017

Mr. José B. Carrión  
Chairman  
Financial Oversight and Management Board for Puerto Rico  
P.O. Box 192018  
San Juan, PR 00919-2018

Dear Chairman Carrión:

We are pleased that last week the Financial Oversight Management Board for Puerto Rico took advantage of the powerful court-supervised restructuring tools provided by the Puerto Rico Oversight Management and Economic Stability Act (PROMESA) of 2016. The Board should seize this as an opportunity to revise the Fiscal Plan in a manner that would ease the burden on working families and students, while also prioritizing economic growth.

The Island's unsustainable debt has been a result of decades of poor government accountability – the overstatement of revenues, the understatement of expenses – and debt-fueled economic promises, as well as the unequal treatment it receives under many federal programs. Making matters worse, the finances of the Commonwealth have been obscured from the general public. Puerto Rico's coffers are often concealed in hard to understand accounting documents that are inaccessible to a large portion of the population.

Unfortunately, we fear the Board has gone too far with the imposed austerity measures. While we can all agree that structural reforms are needed, some of the measures required by the Board to be included in the Fiscal Plan go beyond simple belt-tightening and will undermine growth and consumer demand in an economy that is already reeling. The cuts to the economic engines, such as the \$450 million reduction to the University of Puerto Rico system, are counterproductive. That cut alone is more than half of the total funding, \$833.9 million, that the university system has received annually in the past four years. The 10-year reduction of \$6.1 billion in health care spending is also excessively harsh to the 40 percent of the population that relies on Medicaid as well as the doctors and hospitals that rely on the program for payment. Pensioners face a 10 percent reduction, another severe blow to one of the most vulnerable segments of the population – and one that is a critical source of consumer demand. Taken together, these cuts will result in lower rates of job creation and less money in the pockets of those that fuel the island's economy.

Given the judicial restructuring process that has been initiated, we urge you now to prioritize economic recovery – not austerity. This is not only the right thing to do, but a path of sustainable economic development is beneficial to all stakeholders: pensioners, public servants, students and creditors alike. Moreover, policies that foster economic growth are key to reaching a sustainable public debt load, without the need to issue new debt or renegotiate debt years later – as has been the case for other indebted jurisdictions.

It is only fair that after decades of succumbing to unsustainable debt agreements, Puerto Rico refrain from paying debt service for the next five years, or until the economy has returned to growth. This will give the Island the necessary space to implement structural reforms, reorganize expenses, and meet operational obligations. The people of Puerto Rico must be assured that the process unleashed by the adjustment of debts in PROMESA will not be tarnished by creditor influence and that any liquidity influx will not be deviated towards the debt service.

We are now at a pivotal time in Puerto Rico's history. We hope that you will embrace the tools and policies that will lay the foundation for a long and sustainable economic recovery. Any actions that favor creditors will only serve to undermine this recovery, while also escalating social tensions and pushing people to leave the Island. The people of Puerto Rico are resilient, but they need to be treated fairly and equitably.

Thank you for your attention to these important issues.

Sincerely,



Nydia M. Velázquez  
Member of Congress



José E. Serrano  
Member of Congress

cc: Members of the Financial Oversight Management Board for Puerto Rico