The Puerto Rico Stability and Recovery Package

Territory-Wide Restructuring Authority. Unlike Chapter 9, which would only cover approximately 1/3 of Puerto Rico's $72 billion in debt, this proposal gives Puerto Rico the ability to restructure all of its debt. This is necessary to bring the island's debt-service payments to a sustainable level. This proposal would also establish a "Chief Financial Officer" (CFO) and "Fiscal Stability and Reform Board" (Board), both of which are carefully calibrated to provide much needed transparency, oversight, and technical assistance. Additionally, under this plan, the Governor of Puerto Rico will develop a five-year Fiscal Plan, which will be subject to the Board's approval, and will serve as the guiding financial benchmark for the island's debt restructuring and budgeting processes.

CFO and Fiscal Stability and Reform Board. In order to trigger the restructuring mechanism, the Puerto Rican Legislature would need to pass a resolution to opt in to the process (and request theestablishment of the Fiscal Stability and Reform board). This resolution would need to be signed by the Governor. Once the Board is established, the Governor would then appoint a CFO. The Board will consist of nine members chosen as follows (six members must be full-time residents of Puerto Rico, six members must have knowledge of Puerto Rico's history, culture, and socioeconomics, and all members must have financial and management expertise) with staggered terms to ensure continuity:

- Four by the Puerto Rican Legislature
- Two by the President of the United States
- Two by the Governor of Puerto Rico
- One by the Puerto Rican Supreme Court

Fiscal Plan and Annual Budgets. Once the Board is established, the Governor will submit a five-year "Fiscal Plan" to the Board, which proposes levels of debt, spending, and tax policy necessary to restore solvency and fully fund pensions. The Board will either approve or disapprove of the Fiscal Plan. Once the Fiscal Plan is approved, the Governor will submit an annual budget to the Board, which can either certify or deny that the proposed budget complies with the Fiscal Plan. If the Board certifies that the budget complies with the Fiscal Plan, the budget is sent to the legislature for standard review and approval. If the Board denies the initial budget proposal, the Governor would submit a new budget, and the Board will either certify or deny the new budget as compliant. If the Governor's second budget is not compliant with the Fiscal Plan, the budget will still go to the legislature, but the Board would clearly and publicly state the reasons why the budget does not comply with the Fiscal Plan. If the budget fails to comply with the Fiscal Plan, this vote of "no confidence" from the Board will send a strong and unequivocal message to the legislature, capital markets, and Puerto Rican people that the proposed budget is unsustainable.

Restructuring Process. As soon as Puerto Rico passes a resolution to opt in to the restructuring mechanism, the proposal institutes an automatic 12-month stay to give Puerto Rico time to organize its finances. During this time, the Board will work with the Governor as outlined above to approve the Fiscal Plan. Once this process is complete, as in typical Chapter 9 bankruptcy proceedings, the Governor will submit a restructuring proposal. If the creditors object, the judge (to be selected by the First Circuit Court of Appeals) can approve the plan against the creditor objections, or require Puerto Rico to resubmit an alternative restructuring proposal. In order to approve the restructuring proposal, the judge would have to confirm that such proposal complies with the Fiscal Plan, treats pensions as senior secured debt, and if feasible, does not unduly impair general obligation bonds (government-issued debt).

Equitable Tax Credit Treatment. Because of a disparity in current law, hundreds of thousands of American citizens in Puerto Rico do not qualify for the EITC and CTC programs, even though they would be eligible to receive these federal credits by moving to the mainland. This disparity has contributed to Puerto Rico's current economic crisis by decreasing labor participation and increasing outmigration.

Health Care Equity. A significant portion of Puerto Rico's financial obligations are health care-related and this bill would address several key issues to put the island's health system on strong financial footing. Currently, the Medicaid program, rather than being provided federal reimbursement for necessary costs, is capped and set to hit a funding "cliff" as soon as mid-2017. When this happens, the island is responsible for 100 percent of the Medicaid costs, a burden no state could handle. This bill includes policies to move Puerto Rico towards a Medicaid system that provides stable funding for the long-term. Additionally, there are several policies in Medicare that treat the island differently than the rest of the nation. This leaves providers and seniors facing unfair penalties and lower reimbursements. This bill includes key provisions to more accurately align Medicare policies in Puerto Rico with the rest of the country.