

**Oral Testimony of
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(On Behalf of Hon. Wanda Vázquez Garced, Governor of Puerto Rico)

before the

**U.S. House of Representatives – House Committee on Natural Resources
Hearing on "PROMESA Implementation During the Coronavirus Pandemic"**

June 11, 2020

Good afternoon, Chairman Grijalva, Ranking Member Bishop, and members of the Committee:

I am Omar Marrero, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF). I am honored to appear before you once again on behalf of Governor Wanda Vázquez, and thank you for the opportunity to discuss the implementation of PROMESA during the COVID-19.

During the last two and a half months, our Government's top priority has been to manage the COVID-19. Today, I will share some of the measures we have implemented in order to manage this crisis. I will also discuss the implementation of PROMESA during this period and some aspects of the law that need to be modified to make them more effective. Based on our experience with the Board, we believe the best way to improve PROMESA would be to clarify the *sui generis* power-sharing relationship between the Government and Board by limiting each to their respective public policy and fiscal accountability roles; Especially now as we continue to respond to the COVID-19 and rebuild from past and ongoing natural disasters.

Lets discuss the measures our administration has implemented against the COVID-19.

First, on March 15, Governor Vázquez imposed the first mandatory lockdown in the nation via Executive Order that included the closure of non-essential businesses, an island-wide curfew and social distancing measures. On March 18, the Governor requested the FAA to limit air traffic into Puerto Rico, including suspending all domestic and international flights. In response, the

FAA agreed that all commercial flights must land at San Juan International Airport. Next, we started conducting COVID-19 testing for all passengers arriving at the airport, a strategy that has been praised by both visitors and residents.

On March 23, Governor Vázquez announced a local relief package of approximately \$787 million to provide immediate emergency assistance. Some of the initiatives were aimed at the self-employed; Small and Medium Businesses; municipalities and public hospitals, and some dedicated emergency response personnel.

On March 27, the CARES Act was signed into law, and of the \$150 billion Congress appropriated to state and local governments through the Coronavirus Relief Fund (CRF), Puerto Rico was awarded roughly \$2.2 billion dollars.

On May 15, Governor Vázquez announced our Strategic Disbursement Plan for CRF funds. Under the Plan, the CRF funds are mainly prioritized for economic stimulus, for health related expenses, and for government related expenses. The Government's goal is to distribute funds as quickly as possible, while ensuring transparency, compliance, and accountability. To ensure appropriate oversight, review panels comprised of representatives from each lead agency are providing input and recommendations, and a newly created CRF Disbursement Oversight Committee serves as the centralized oversight authority of all Programs and disbursements.

To date, we have distributed from CRF approximately \$150 million to Self-Employed Individuals; approximately \$100 million to small and medium businesses; and transferred around \$150 million to the State Unemployment Insurance Trust Fund. In addition, we have allocated \$150 million to Private Hospitals and \$100 million to Municipalities. This information is publicly available through our transparency portal at the AAFAF COVID-19 Website.

Certainly, like any other government, our response to this unprecedented crisis has not been free from challenges and obstacles. Similar situations have occurred stateside. However, our Government remains committed to the principles of transparency and accountability, and that's what we have implemented for the funds available to fight against COVID-19.

As to the implementation of PROMESA during the COVID-19, as this Committee knows, the Government and Board have had a long history marked with uneven periods of cooperation and disagreement, some of which has become the subject of litigation. But despite some important disagreements, the Government and Board have actually collaborated and successfully restructured about \$25 billion of debt over the last few years.

Since taking office in August 2019, Governor Vázquez has consistently sought to improve the relationship between the Government and the Board by facilitating periodic meetings and supporting the restructuring proceedings. In addition, Governor Vázquez has worked to improve our relationship with the federal administration, which Coast Guard Rear Admiral Brown—the Trump administration’s liaison to the Government— acknowledged early this year when he said that Puerto Rico’s “reputation seems to lag the reality” because the Government has implemented “very strong internal control mechanisms to counter any attempts at corruption or diversion of funds.” This new atmosphere of cooperation and trust, that did not exist with prior administrations is a development that we hope will continue to improve and expand.

Despite our best efforts to minimize disagreements, the contours of PROMESA allows the Board to blur the line between the Government and the Board. Over the last several years, the Board has taken advantage of such unclear separation of powers to gain more control over day-to-day operations, particularly by using PROMESA certification processes to micro-manage the public governance in Puerto Rico. The Government believes that any attempt to actively impede our public policy initiatives is counterproductive and undermines the recent progress to work together.

Therefore, due to the lessons learned during the last four years, the Government recommends that, if this Committee were to consider amendments to PROMESA, these must be directed at clarifying where the Board’s powers end, as I fully explained in my written statement.

Finally, as Justice Breyer advised in his book “Making Our Democracy Work,” a “workable government” requires trust among government institutions and between those institutions and the

people. In order to achieve a long-term “workable government” for Puerto Rico, the Government and the Board must trust each other in their respective roles, fully respecting thereby our democratic system, which the Puerto Rico Constitution acknowledges as fundamental to our people and which is intrinsically aligned with the long-standing American principle “that government of the people, by the people, for the people, shall not perish from the earth.”

Thank you.