



## **CONGRESSIONAL WRITTEN TESTIMONY**

U. S. House of Representatives  
Committee on Natural Resources  
Subcommittee on Indian and Insular Affairs  
Wednesday, July 16th 2025

### **Oversight Hearing on "Puerto Rico's Fiscal Recovery Under PROMESA and the Road Ahead"**

#### **Written Testimony of Thomas Rivera Schatz President of the Senate of Puerto Rico**

Mr. Committee Chairman Bruce Westerman, Mr. Subcommittee Chairman Jeff Hurd, Subcommittee Ranking Member Leger Fernández, and other distinguished Members of the U.S. Congress:

#### **I. Introduction**

First of all I would like to thank you for holding this hearing on such an important issue.<sup>1</sup>

I am Thomas Rivera Schatz, President of the Senate of Puerto Rico. I submit this testimony not merely as an elected official but as a firsthand witness and active participant in the unfolding fiscal and democratic journey of our Island, representing the unwavering mandate of 3.2 million American citizens.

I first had the honor of presiding over the Senate from 2009 to 2012. During that administration, led by Governor Luis Fortuño, our government demonstrated an unwavering commitment to fiscal responsibility. We implemented disciplined budgetary measures, ensured our government met its obligations, and meticulously honored our public debt. Through deliberate and conservative fiscal management, we proved that responsible governance was achievable in Puerto Rico.

In stark contrast, from 2013 to 2016, I served as a member of the Senate minority and witnessed as the Popular Democratic Party administration dismantled this progress at an alarming pace. Their attitude of fiscal indifference—captured by the infamous expression "me vale" ("I don't care")—resulted in reckless borrowing and deliberate neglect of fiscal realities. The bonds issued

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<sup>1</sup> See *Senate of Puerto Rico's, Resolution 236*.

irresponsibly during that period inevitably resulted in the government's default in 2015, culminating in insolvency by 2016. This irresponsible governance created the crisis that led to the imposition of PROMESA.

When I returned as Senate President in 2017, at the inception of the Fiscal Oversight and Management Board's tenure, restoring order, accountability, and fiscal discipline was our immediate priority. We enacted foundational reforms, including Act 1-2017 fostering public-private partnerships; Act 2-2017 establishing the Fiscal Agency and Financial Advisory Authority (AAFAF) to professionalize fiscal oversight; Act 3-2017 addressing the fiscal emergency; and Act 106-2017 establishing a sustainable "Pay-As-You-Go" system for our public pensions.

From 2021 to 2024, even within a divided government, we remained committed to fiscal discipline, consistently enacting balanced budgets and sound financial policies. Today, since January 2025, I once again have the honor of presiding over what is arguably the most fiscally conservative Senate in Puerto Rico's modern history.

My purpose today is twofold: first, to present a clear and comprehensive account of Puerto Rico's proven capacity for fiscal self-correction. The crisis prompting the creation of the FOMB resulted from a specific, isolated period of governance failure—a crisis decisively resolved by subsequent responsible leadership. Second, and critically, to assert unequivocally that the continued imposition of the FOMB has become an unwarranted and paternalistic impediment to our democratic self-determination. Its prolonged existence undermines our democratic institutions and runs counter to the very principles of autonomy and responsible local governance that Congress itself promotes. This demand is now amplified by the clear democratic will of our citizens, who in the plebiscite of November 5, 2024, once again voted decisively for statehood, thereby rejecting the very territorial status that makes the Board's oversight possible.

It is instructive to compare the duration of this Board's tenure in Puerto Rico to another time Congress established a similar body for an American jurisdiction. In 1995, Congress created a financial control board to oversee the finances of Washington, D.C. That board successfully completed its mission and suspended its operations in 2001, returning full authority to the city's elected government after only six years. In stark contrast, the Oversight Board has now ruled over Puerto Rico for more than nine years. This unprecedented duration is not a reflection of the complexity of our situation, but a direct result of the Board's own inefficiency and its deliberate efforts to prolong its mandate in defiance of the law. What was a temporary emergency measure for our nation's capital has been allowed to become a state of permanent subjugation for the American citizens of Puerto Rico.<sup>2</sup>

This is no longer merely a matter of economic oversight, but a fundamental democratic principle. The time has come for genuine partnership with Congress, one built on mutual respect and trust in Puerto Rico's demonstrated fiscal responsibility. It is therefore imperative that Congress recognize our substantial and lasting progress, respect the legitimacy of our democratic

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<sup>2</sup> <https://www.congress.gov/crs-product/IF12577#:~:text=In%201995%2C%20Congress%20created%20a,suspended%20its%20operations%20in%202001.>

institutions, and dissolve the FOMB, restoring full self-governance to the people of Puerto Rico.

## **II. A Record of Fiscal Restoration and Prosperity**

### **A. Restructuring of Puerto Rico's Public Debt**

Mr. Chairman, our commitment to ending the era of deficit spending is not merely a political promise; it is a verifiable accomplishment, confirmed now by the United States Government Accountability Office (GAO). In its most recent analysis of our fiscal year 2022 audited financial statements, the GAO confirms that the Government of Puerto Rico achieved a total combined surplus of \$1.9 billion. This represents a dramatic and conclusive reversal from the \$2.3 billion deficit recorded in fiscal year 2020. The primary government alone generated a surplus of \$2.3 billion in fiscal year 2022—a remarkable \$2.8 billion improvement in just two years, achieved because, as the GAO notes, our increases in revenue outpaced increases in expenses. This independent verification is irrefutable proof that our policies have successfully restored fiscal balance, rendering the continued oversight of the FOMB unnecessary.<sup>3</sup>

Our first and most critical task upon returning to leadership in 2017 was to confront the staggering public debt that had crippled our government. We did not shrink from this responsibility. Through the leadership of our own fiscal team at the AAFAF, we have successfully executed one of the most complex and significant public debt restructurings in American history. The results are not theoretical; they are a matter of public record.

Our government has successfully restructured over 85% of the Commonwealth's outstanding obligations. This historic effort addressed approximately \$64.7 billion in pre-restructuring claims, reducing them by relatively 63% to a sustainable \$24.1 billion. This includes the landmark restructuring of the Government of Puerto Rico's general obligations and other related debts, which reduced \$34 billion in liabilities to just \$7.4 billion. Furthermore, the debt of the COFINA corporation was reduced by \$6 billion, generating roughly \$17.5 billion in savings for the people of Puerto Rico.

The impact of this achievement cannot be overstated. The annual service on our public debt, which once consumed an untenable 26.5% of our own-source revenues, now stands at a responsible and manageable 5.7%. This is not merely an accounting adjustment; it is a fundamental reordering of our fiscal reality, freeing up billions of dollars annually that can now be invested in our people, our infrastructure, and our future. This was achieved through the diligent work of Puerto Rico's public servants, who proved more than capable of navigating this complex process.

### **B. Restored Confidence and Access to the Capital Markets**

In Puerto Rico, fiscal discipline has been met with an unequivocal vote of confidence from the nation's capital markets. The second core objective of PROMESA—to restore market access at reasonable rates—has been decisively achieved. The narrative of Puerto Rico as a high-risk, speculative investment is a relic of the past, replaced by a new reality of stability and credibility

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<sup>3</sup> <https://www.gao.gov/assets/gao-25-107560.pdf>



that is recognized by the most sophisticated financial institutions.

The data is clear. Our restructured general obligation and COFINA bonds are no longer trading as distressed debt. To the contrary, as of September 2024, the average yield on our benchmark bonds was trading at a spread of a mere 0.29% above the Moody's Baa Index, a key measure for investment-grade municipal debt. This represents a remarkable tightening from March 2022, when that same spread was a significantly wider 0.81%.

This renewed market confidence is further evidenced by the fundamental shift in our investor base. As our own Senate has formally resolved, "the holding of COFINA and GO bonds has passed into the hands of traditional bond funds, which is a positive change from the pre-restructuring investor base that was heavily weighted towards opportunistic holders". Major institutional investors such as Nuveen, Vanguard, Goldman Sachs, and BlackRock are now the primary holders of our debt. These are not speculators; they are long-term, stable investors who have recognized the fundamental strength and durability of our fiscal turnaround.

The market has rendered its verdict: Puerto Rico has regained the trust of the financial community and has demonstrated its ability to access credit at reasonable terms. We have fulfilled this statutory requirement of PROMESA not because of the Board's micromanagement, but because our own government has done the hard work of restoring fiscal discipline and proving its commitment to meeting its obligations.


### C. Economic Resurgence

This sustained fiscal discipline has provided the critical foundation for Puerto Rico's broader economic resurgence. By establishing a stable and predictable climate for investment, we have unlocked the productive capacity of our people and private sector. The previous narrative of stagnation and economic decline has been replaced by resilient growth, historic job creation, and new opportunities across our island, all directly attributable to policy initiatives led by our elected government, independently of the FOMB.

After more than a decade of contraction, Puerto Rico's economy is now expanding, at times even surpassing growth rates on the U.S. mainland. In Fiscal Year 2022, Puerto Rico's Real Gross National Product (GNP) grew by 3.8%, significantly outpacing the U.S. Gross Domestic Product (GDP) growth of 1.9% for the same period. This positive momentum is continuing, as our Economic Activity Index reached its highest point since 2015, clearly demonstrating that this is not merely a temporary recovery but a structural turnaround driven by local policy decisions and responsible fiscal management.

This renewed economic dynamism has directly translated into historic job creation. As documented by the Government of Puerto Rico, we have successfully lowered unemployment to 5.5%, the lowest recorded rate in Puerto Rico's history, and we have maintained this progress consistently. Our labor force participation rate has reached its highest level since 2009, reflecting a renewed confidence in local economic prospects. Critically, we have successfully stemmed the wave of outmigration that drained Puerto Rico of its most valuable asset: our people.

This progress is fueled by a fundamental shift towards a robust, private-sector-driven economy.



Through responsible governance and targeted reforms, we have strategically reduced the size of government, in almost 10% of its spread of nonfarm employment. This shift has enabled private industry to flourish, as evidenced by significant job creation across critical sectors:

1. **Leisure and Hospitality:** This sector has seen a remarkable resurgence, adding 20,900 jobs since 2019, a 26% increase, driven by record-breaking visitor activity that generated lodging revenues of \$1.86 billion in 2023.
2. **Construction:** Employment in this sector has surged by 9,400 jobs or 35% since 2019, fueled by targeted investment in critical infrastructure projects and leveraging billions of dollars in federal funds without adverse audit findings from FEMA or HUD.
3. **Professional and Business Services:** Demonstrating healthy private-sector dynamism, this sector has grown substantially, adding 15,600 jobs, representing a 13% increase since 2019.
4. **Manufacturing:** A cornerstone of our economic foundation, this sector has been revitalized and stabilized through forward-thinking fiscal policies such as Act 52-2022, providing a stable and predictable tax regime. As a result, manufacturing employment has grown by 11,100 jobs or 15% since FY2019, reaching its highest employment level in over a decade.


This comprehensive data paints an unmistakably clear picture: Puerto Rico's economy is not merely recovering, it is undergoing a deep structural transformation. We have conclusively demonstrated that when our government establishes fiscal stability and empowers the private sector, the outcome is not austerity, but broad-based and sustainable prosperity.

### **III. Proactive Leadership and Competent Management**

We have not merely managed the crisis we inherited; we have initiated transformative actions to modernize our island for a new century. This is clearly evidenced by our strategic use of public-private partnerships and our documented record of managing billions in federal funds responsibly, demonstrating executive competence that renders the continued intervention of the FOMB unnecessary.

Leveraging the robust framework established by our Act 1-2017, we have attracted billions in private capital, effectively revitalizing critical infrastructure that had languished for years under public management:

1. Through a landmark 40-year concession for our primary toll roads, we secured an upfront payment of \$2.85 billion, which enabled the immediate elimination of the entire \$1.6 billion debt of our Highways and Transportation Authority—removing a longstanding financial burden on our government.
2. We successfully secured over \$270 million in new private investment to modernize and expand our cruise ship terminals in San Juan. This initiative simultaneously allowed us to eliminate the Port Authority's legacy debt totaling \$601 million.



These highlighted successes represent only a fraction of our government's comprehensive record of achievement. We have conclusively demonstrated, by every objective and documented measure, that we possess the will, the discipline, and the expertise to govern ourselves effectively. The crisis that necessitated PROMESA has been fully resolved, and it was the decisive leadership of the Government of Puerto Rico, not the FOMB, that achieved this milestone.

#### A. A Proven Record of Competent Federal Funds Management

For years, a false narrative has been perpetuated that Puerto Rico lacks the administrative capacity to manage large-scale federal programs. Our government has conclusively disproven this misconception. We have successfully administered tens of billions of dollars in federal aid, from the immediate crisis of the COVID-19 to the complex challenge of disaster recovery with a level of efficiency, transparency, and accountability formally recognized and praised by our federal partners. This exemplary record demonstrates a level of executive competence and effectiveness that renders the continued intervention of the FOMB unnecessary and redundant.

In managing the complex and unprecedented challenges associated with disaster recovery, our government has demonstrated extraordinary capability for effective, long-term strategic implementation. Under the leadership of our Central Office for Recovery, Reconstruction, and Resiliency (COR3), we have successfully managed the obligation of over \$48 billion in FEMA funds alone, directly supporting critical infrastructure, housing, education, healthcare, and economic revitalization projects across Puerto Rico.

Our performance has been so exemplary that it has garnered formal recognition from our federal partners. An April 2024 FEMA progress report explicitly stated that the agency's collaborative efforts with Puerto Rico are "paving the way for an unprecedented recovery," and praised our government's innovative capital management approach, emphasizing that it "should serve as an example for other states and territories" (FEMA official progress report, April 2024). Such acknowledgment from FEMA's highest authorities unequivocally confirms the effectiveness and strength of our internal controls and management practices.

Crucially, our record of managing billions in federal grants has been achieved without any significant adverse findings or compliance issues documented in formal audits conducted by entities such as HUD's Office of Inspector General, the Single Audit, or FEMA's compliance reviews. This audit record definitively demonstrates that our capacity for responsible governance is not merely aspirational; it is an established reality that defines our administration every day.

#### **IV. The Board's Overreach, Inefficiency, and Failure**

While the people of Puerto Rico and their elected government have demonstrated steadfast commitment to fiscal discipline and reform, the Fiscal Oversight and Management Board's own record tells a starkly different story. Since its establishment under PROMESA, the Board has repeatedly expanded its limited statutory role, dictating local public policy, nullifying duly enacted laws, and operating with a level of fiscal leniency it consistently denies our government. This legacy demands your scrutiny.

The clearest example of the Board's overreach is its unilateral imposition of new conditions for its



own termination. Congress, through PROMESA Section 209, clearly and unambiguously set only two criteria for the Board's dissolution:

1. First, the Government of Puerto Rico must have adequate access to capital markets at reasonable rates;
2. Second, the government must maintain balanced budgets for four consecutive years.

**These are the only conditions established by statute.**

However, in a clear attempt to perpetuate its existence, the Board has extended and arbitrarily distorted these requirements. Specifically, the Board has fabricated approximately 50 new "actions" and reforms that it demands our government fulfill, conditions appearing nowhere in the PROMESA statute. These requirements create a moving target designed to prolong its mandate indefinitely, contravening congressional intent and undermining local democratic governance.

Nowhere is this extra-legal expansion clearer than in the Board's requirement that Puerto Rico achieve an "investment-grade" credit rating as a precondition for exiting oversight. Such a requirement is not found anywhere within PROMESA's explicit statutory language. The Board itself confirms this extra-statutory standard in its own 2025 Fiscal Plan, explicitly stating it will "evaluate the Government's ability to achieve relevant investment-grade credit rating metrics" to determine if market access has been restored, a condition Congress never envisioned.

Moreover, while the 50 action items are not clearly enumerated they are listed throughout FOMB's fiscal plan as actions needed to comply and exit FOMB's regime; the Board's detailed and intrusive management extends far beyond the legitimate scope of fiscal oversight. For instance, the Board's Fiscal Plan mandates that our government implement specific operational decisions, such as:

1. Dictating Specific HR Technology: Requiring the launch of an "AI-powered Talent Intelligence Platform," a granular operational decision clearly beyond fiscal oversight responsibilities.
2. Micromanaging Education Policy: Instructing the Department of Education to adopt a "student-based budgeting model," a specific educational policy decision reserved exclusively for locally elected officials.
3. Directing Inter-Agency Reorganization: Ordering a comprehensive reorganization of our transportation sector, mandating that the Highways and Transportation Authority "transfer the operation of Tren Urbano and its feeder buses to ATI."
4. Mandating specific "global minimum tax" policy.

While one may agree or not with some of these 50 actions, these are not up for the non-elected members and employees of FOMB to decide and represents a profound abuse of administrative authority. The Board does not have statutory authorization to rewrite the conditions Congress explicitly established in PROMESA.

## A. Pattern of Undermining Democratic Governance

Beyond unlawfully expanding its statutory mandate, the Board has consistently undermined Puerto Rico's democratic institutions. It has repeatedly wielded its budgetary powers not as tools for fiscal responsibility, but as instruments to enforce its own policy preferences, directly overriding the democratically elected government of Puerto Rico.

The historical record clearly demonstrates multiple instances where the Board nullified or obstructed laws legitimately enacted by our Legislature and signed by our Governor. These include laws such as Act 82-2019 and Act 138-2019, regulating critical aspects of our healthcare industry, and Act 181-2019, a modest and self-funded pay raise for firefighters.


This pattern of intrusion continues today, as the Board's fiscal plans include detailed, prescriptive instructions on how our government must operate, dictating detailed educational programs and directing the design of our workforce development strategies. This ongoing interference is an affront to the democratic rights of the American citizens of Puerto Rico and undermines our locally accountable government institutions.

The greatest paradox of the Board's tenure is its insistence on a standard of fiscal discipline and efficiency for Puerto Rico's government that it flagrantly disregards itself, especially when failing in its most critical mandate.

Moreover, the Board has repeatedly intervened without statutory authority in the Commonwealth's local procurement and contracting decisions, frequently invalidating legally procured contracts based on its own subjective and vague criteria that exist nowhere within PROMESA or local law. On numerous occasions, the Board has nullified or obstructed government contracts solely because it deemed the procurement processes suboptimal, according to its arbitrary preferences rather than any defined legal standards. It has further asserted **unprecedented authority over vendor selection**, requiring the government to obtain **Board consent prior to selecting vendors**, even in cases explicitly mandated by the Board itself. A glaring example is the government's procurement of Oracle Cloud as the vendor for the mandated Enterprise Resource Planning (ERP) system, a choice which required the Board's explicit approval despite there being no legal basis or clear criteria provided for such intervention. Particularly concerning is the fact that while Board members and employees wield these extraordinary powers over local contracting decisions, they are not bound by the Puerto Rico Code of Ethics, which requires transparency regarding additional income and disclosures of conflicts of interest, despite their salaries being paid with funds from the people of Puerto Rico. This is yet another illustration of the FOMB's disregard for democratic norms, transparency, and accountability.

## B. Failure to Restructure PREPA's Debt:

The Board's starkest failure has been its prolonged inability to resolve the Puerto Rico Electric Power Authority's (PREPA) debt restructuring. After nearly a decade of complete oversight, and after spending hundreds of millions of dollars in fees, more than \$10 billion in PREPA debt remains unresolved. This unresolved debt remains the greatest obstacle to our island's full economic recovery, as it continues to stall billions in federal reconstruction funds and leaves our vital energy infrastructure mired in uncertainty and risk.



The Board's inefficiency is equaled only by its excessive operational expenditures. While there is no adequate transparency as to precise spending, reports have stated that FOMB's tenure has cost Puerto Rico taxpayers over \$2 billion, including more than \$1.5 billion in legal and advisory fees. These expenditures directly divert resources away from our schools, our police, our firefighters, and our healthcare system, funding instead an authoritative and antiamerican body whose continued presence has ceased to benefit Puerto Rico.

This documented record of overreach, democratic interference, and fiscal irresponsibility clearly proves that the FOMB is no longer a partner in Puerto Rico's recovery, but rather an impediment to its future. Puerto Rico's elected government has conclusively demonstrated our capacity to manage fiscal responsibility independently, rendering the Board unnecessary.

## V. Conclusion

Mr. Chairman and Members of the Subcommittee, the evidence we have presented today leads to a clear, undeniable conclusion: the crisis that justified the creation of the FOMB is effectively over. Through disciplined leadership by its own elected government, Puerto Rico has successfully restructured its debt, restored market confidence, and revitalized its economy, demonstrating unmistakable competence in fiscal self-governance. The FOMB's mission is complete, and its continued presence is now a costly and undemocratic barrier to Puerto Rico's future.

Allow me to directly address the key concerns outlined in this hearing notice, as these have been conclusively resolved by our actions:

**First**, regarding the stated need for "sustained oversight": we fully agree and have already built this oversight into our institutions. Through the creation of the AAFAF and the Office of Public Analysis and Legislation (OPAL), we have established durable internal controls and accountability. The oversight now needed is that exercised by democratically elected officials, directly accountable to Puerto Rico's people—not unelected federal entities.

**Second**, on the requirement of maintaining four consecutive balanced budgets: Puerto Rico is actively meeting this standard. The remaining obstacle is the FOMB's own inconsistent definition of this benchmark. In June 2024, the Board's Executive Director acknowledged that the fiscal year 2025 budget could represent our second balanced budget; however, the Board has subsequently contradicted itself, suggesting fiscal year 2026 would count as our first. This contradiction is arbitrary, unfair, and inconsistent with PROMESA's statutory language.

**Third**, regarding the unresolved PREPA debt: we acknowledge this as the primary remaining challenge. Yet, the responsibility for this lack of resolution rests squarely with the FOMB, which has exclusively controlled the PREPA restructuring for nearly a decade without success. The government of Puerto Rico, having successfully restructured over \$40 billion in other debt obligations, is fully capable of concluding the PREPA restructuring process. The Board, by its own record, has demonstrated otherwise.

**Finally**, concerning the GAO past criticisms: these critiques do not reflect Puerto Rico's reality.

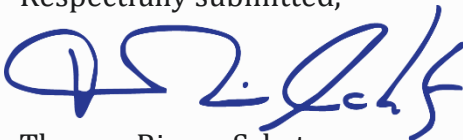
Our government effectively and transparently manages billions of federal funds, consistently earning praise from federal agencies, including FEMA, which recently described our efforts as an "unprecedented recovery." To base continued oversight on past conditions that do not exist is to ignore current, objective reality. On the contrary, the same GAO most recently has recognized that "Puerto Rico has implemented initiatives to strengthen fiscal responsibility, including a debt management policy adopted in March 2022" amongst other significant recognitions made by the office regarding the Island's own capacity to operate and manage itself.<sup>4</sup>

Mr. Chairman, the people of Puerto Rico have done the work required of us. We have successfully reformed our government, revitalized our economy, and clearly expressed our desire for full equality and democracy through our democratic vote for statehood on November 5, 2024. The continued imposition of an unelected oversight board contradicts this explicit democratic mandate.

Therefore, recognizing that almost ten (10) years is more than enough, on behalf of the Senate of Puerto Rico, **I respectfully urge this Congress to pass legislation immediately dissolving the Financial Oversight and Management Board**, maintaining PROMESA as the statutory framework, and allowing Puerto Rico's elected government to independently conclude the final phases of debt restructuring. The Board's presence should extend **no longer than the brief transition period required, to transfer records and authority back to our democratically elected government**. It is time to restore the full measure of democracy and self-governance to the American citizens that reside in Puerto Rico.

In exchange, Congress should adopt legislation authorizing a federally binding plebiscite on statehood, fulfilling the consistent democratic will expressed by the American citizens of Puerto Rico. The time to honor Puerto Rico's clear request for equality and full self-governance is now.

Respectfully submitted,



Thomas Rivera Schatz

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<sup>4</sup> <https://www.gao.gov/assets/gao-25-107560.pdf>