

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



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Executive Director

BY ELECTRONIC MAIL

October 6, 2017

Donald J. Trump
The President
The White House
Washington, DC 20500

Dear Mr. President:

The Financial Oversight and Management Board for Puerto Rico (“FOMB”) is grateful for your visit to Puerto Rico earlier this week and appreciative of the immense efforts that you have marshaled on behalf of the federal government to help Puerto Rico respond to and recover from the catastrophic damage caused by Hurricane Maria. We write to urge you to continue to support Puerto Rico and to tell you that in our view, failure to provide Puerto Rico with the greatest amount of federal aid and a means of accessing an emergency liquidity facility will be potentially ruinous.

Since its inception, the FOMB has worked with the Government of Puerto Rico to carry out its charge under PROMESA: to help Puerto Rico achieve fiscal balance, provide a path for its return to the capital markets, and restore economic growth and opportunity for the people of Puerto Rico. The certified Fiscal Plan for Puerto Rico worked to achieve this turnaround without new federal funding. The planned changes – from transforming the energy sector and modernizing labor laws to reducing government spending by approximately 30% – were ambitious and required unprecedented levels of effort by the government. Hurricanes Irma and Maria have fundamentally changed Puerto Rico’s reality. Your immediate and bold assistance is urgently needed to minimize loss of life, support critical emergency response efforts, and provide tools to support the island’s recovery.

Consistent with its charge under law, the FOMB conducted an independent and comprehensive analysis of Puerto Rico’s fiscal situation. Puerto Rico has over \$74 billion of debt, over \$53 billion of unfunded pension liabilities, an economy that has contracted nearly 15% in the last decade, a population that has shrunk by nearly 10% in the last decade, and a nearly 50% poverty rate. In addition, Puerto Rico’s structural budget deficits are projected to average 50 percent of recurring

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revenues. Severe liquidity challenges and persistent budget deficits have contributed to a perilous lack of investment in infrastructure.

Based on the extensive analyses that the FOMB and its advisors have conducted of Puerto Rico and its instrumentalities, and the experience of working side-by-side with the Government of Puerto Rico as the FOMB has performed its statutory duties, the FOMB is deeply concerned about Puerto Rico's ability to share any of the cost with the federal government in connection with disaster recovery from Hurricanes Irma and Maria. Puerto Rico – both its government and its populace – is significantly more impoverished than virtually any other locality that has received federal disaster assistance in recent memory.

On top of that, as you have now witnessed, the damage that Puerto Rico has suffered is catastrophic and island-wide. It is far more significant and extensive than what other hurricanes have inflicted on Puerto Rico in recent memory. While it remains too early for us to provide a damage assessment, a preliminary report from Moody's Analytics suggested it could be approximately \$95 billion, which is roughly 150% of Puerto Rico's annual GNP. Moreover, the FOMB believes that Hurricanes Irma and Maria will cause Puerto Rico's central government and some of its instrumentalities to face severe cash shortfalls from lower revenues, higher costs, and delayed or reduced cost-saving measures that had been required by the FOMB's fiscal plans.

That is why the FOMB urges the federal government to heed the Governor's calls for the maximum federal assistance to Puerto Rico to help it respond to and to recover from Hurricanes Irma and Maria. This federal assistance should come in the form of grants and reimbursements to assist Puerto Rico in responding to the catastrophic damage it has suffered, and pursuant to an emergency liquidity program, low-interest loans to assist Puerto Rico in responding to its cashflow deficiencies.

Earlier this week, we sent a similar letter to Congressional leaders with specific legislative requests. We urge you to support any legislation from Congress that: waives the local government cost-sharing requirements for disaster recovery programs, raises the caps on disaster recovery programs, expands eligibility to Puerto Rico so that it can benefit from more preexisting disaster recovery programs, and treats Puerto Rico equitably for Medicaid funding. Puerto Rico will also need support to rebuild critical infrastructure and address the housing needs of a displaced population to avoid a mass migration from Puerto Rico to the mainland. To this end, we urge you to provide Puerto Rico with substantial emergency grants to fund necessary expenses to protect health and safety, repair damaged infrastructure, and meet other critical needs of the people of Puerto Rico.

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United States citizens have been devastated by the likes of a natural disaster the Island has not experienced in a century. We must do all that we can to help Puerto Rico avert a tragedy of historic proportions.

Sincerely,

A handwritten signature in black ink, appearing to read 'José B. Carrión', with a long horizontal flourish extending to the right.

José B. Carrión
Chair

Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

CC: Hon. Ricardo A. Rosselló Nevares
Christian Sobrino Vega
Natalie A. Jaresko