



Congressman Pedro R. Pierluisi
Five-Minute Floor Statement on Puerto Rico's Comeback Story
May 11, 2011

Madame Speaker:

The United States stands at a crossroads. Responsible leaders recognize that a bipartisan fiscal strategy must be crafted to control deficits. A deal will require courage on the part of its proponents, because each revenue raiser and spending cut is bound to trigger opposition. Unless officials can persuade the average voter that sacrifice and self-restraint now are essential for stability and strength later, a deal will not happen. Even with public buy-in, leaders must be ready to take action despite the political perils and prepared to place the national interest above their personal interest in re-election. It will not be easy, but it must be done.

For officials in Washington who are in search of a comeback story, I suggest the case of Puerto Rico. In January 2009, the U.S. territory stood on the brink of disaster. The new government had inherited a deficit of \$3.3 billion dollars. As a percentage of revenue, this was the largest deficit of any U.S. jurisdiction. The new administration was even forced to take out a loan to meet its payroll. Major rating agencies had downgraded Puerto Rico's credit to near-junk status. Simply put: the Island's economy was about to implode.

Leaders in San Juan faced a stark choice. Like their predecessors, they could usher Puerto Rico down this unsustainable path, paralyzed by the fear that tough choices would antagonize voters. Or these leaders could place their responsibility to protect Puerto Rico's future above their desire to preserve their poll numbers.

Fortunately for Puerto Rico, the new leadership chose the right course. For two-plus years, Governor Luis Fortuño and the Island's legislature have taken decisive action to impose fiscal discipline and create a leaner, more responsive government. They have cut government spending by nearly 20 percent, sharply reducing the deficit as a percentage of revenue. Indeed, by this metric, the Island has moved from last in the nation to a fiscal position that is better than 30 states. The rating agencies have rewarded Puerto Rico's progress, with Moody's giving the Island its highest rating in 35 years.

To achieve savings, the government cut expenses and political appointments. It was also compelled to reduce its payroll. In my experience, rational leaders do not lay off workers because they think this will play to their political advantage. To the contrary, few actions are likely to arouse greater public displeasure. This is understandable. After all, work does more than put bread on the family table. It gives men and women dignity and a sense of purpose.

But the government's actions were absolutely necessary, and were taken despite serious political risks. In addition, measures were taken to cushion the blow for those workers who were let go, and lay-offs did not include teachers or first responders. Most importantly, the government's

actions prevented an economic disaster, which would have resulted in far greater suffering and job loss.

It is important to emphasize that these decisions were not partisan. Governor Fortuño is a Republican. As Puerto Rico's only representative in Congress—and a proud Democrat—I supported his policies. The Island legislators who voted to advance this agenda are affiliated with both national parties. And, unlike in some states, Puerto Rico's leaders did not politicize ARRA or other federal funding, which served as a lifeline for the Island. Rather, they have worked to put every dollar to good use. So, for leaders in Washington who say it will be impossible to achieve bipartisanship in the budget debate, the case of Puerto Rico should provide a measure of hope.

As it nurses the economy back to health, the Puerto Rico government is also advancing a long-term, pro-growth strategy. For example, the government has:

- reduced individual and corporate tax rates and ensured everyone contributes their fair share;
- boosted sales of housing and commercial properties through tax and other incentives; and
- worked to address Puerto Rico's high energy costs and dependence on foreign oil, including through the development of a natural gas pipeline that will create thousands of jobs, lower carbon emissions, and significantly reduce energy bills for individuals and companies.

In closing, Puerto Rico's leadership has proven that it is possible to work across party lines to control spending and create growth. I urge my colleagues in this chamber to work in this same spirit, and to set aside partisan differences to secure the long-term fiscal health of the country we love.

Thank you, Madame Speaker. I yield back the balance of my time.