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Testimony as Prepared for Delivery
Hearing on S. 1237, the Omnibus Territories Act
U.S. Senate Committee on Energy and Natural Resources
July 11, 2013

Chairman Wyden, Ranking Member Murkowski and Members of the Committee: thank you for inviting me to testify about S. 1237, the *Omnibus Territories Act*.

Before I begin, I want to thank the Committee for agreeing to hold a separate hearing, originally scheduled for June 11th and rescheduled for August 1st, on the referendum that was held last November in Puerto Rico regarding the territory's political status, and on the federal government's response to the historic results of that referendum. I look forward to testifying before the Committee about that subject next month.

With respect to the legislation before the Committee today, I will use my time to express support for Sections 6, 8 and 20 of the bill.

Section 8 would require the GAO to evaluate the annual estimates of revenues and expenditures of the territory governments, including the government of Puerto Rico, and to make recommendations for improving the process by which those estimates are developed.

Puerto Rico faces severe economic challenges. Based on all economic indicators, the territory has lagged far behind the states for at least four decades, and the income gap between Puerto Rico and the states continues to widen. Puerto Rico's population decreased by nearly four percent between 2000 and 2012, with hundreds of thousands of island residents departing for the states in search of improved economic opportunities. This exodus is likely to worsen, because the governing party in Puerto Rico has recently enacted a series of laws that purport to stabilize and strengthen the economy, but are so poorly conceived that they can be expected to have the opposite effect.

As the Members of this Committee are aware, I support statehood for Puerto Rico, and do so in meaningful part because history shows that every territory that joins the Union experiences a substantial increase in its economic activity and standard of living. I believe statehood is the only status that will enable Puerto Rico, on an enduring basis, to reduce unemployment, attract investment, retain talent, promote growth, and manage our deficits and debt.

However, until the day—not too far off, in my estimation—that Congress welcomes Puerto Rico as a full and equal member of the American family, it is my responsibility to take all reasonable steps to strengthen the Island's economy within the severe constraints imposed by the current territory status.

My support for Section 8 is rooted in this obligation. The provision will help address a problem that has been witnessed in Puerto Rico and other territories, and that is the tendency for the local government to overestimate the amount of revenue that will be collected and to underestimate the amount of government expenditures that will be made in the coming fiscal year. For example, between Fiscal Year 2006 and 2008, the Puerto Rico government overestimated revenue by \$1.1

billion dollars, \$822 million dollars, and \$718 million dollars, respectively. Between Fiscal Year 2009 and 2012, this practice came to an end, with actual revenue exceeding forecasted revenue by a fairly small amount each year. However, economists and rating agencies have expressed concerns that the Puerto Rico government may now be returning to its old ways.

When a government makes inaccurate budget projections, it has a negative, cascading effect—resulting in larger deficits, excess borrowing, credit downgrades, higher interest payments, and the diminished ability to meet pension obligations and make important investments in education, infrastructure, public safety and other priority areas. I respect the work of the GAO, and am confident that their sound advice will help the governments of Puerto Rico and the other territories better manage their finances.

Next, I want to express support for Section 6 of the bill, which would require the federal government to establish a team of experts to develop—and help implement—an action plan for each territory to reduce reliance on imported oil and to transition to clean energy sources that will improve the environment and lower electricity costs.

A typical territory resident pays two to three times more for electricity than the U.S. national average. As an island that does not produce oil, coal or natural gas, Puerto Rico faces inherent energy challenges. Notwithstanding the progress that was made under the last administration in San Juan—which oversaw a nearly 15 percent increase in the use of natural gas and a doubling of the use of renewable sources like solar and wind—Puerto Rico continues to generate most of its electricity from imported oil.

Burning oil pollutes the air and is a major reason why Puerto Rico has the highest rate of asthma and other respiratory illnesses in the United States. Oil is expensive and subject to sudden price spikes based on world events outside our control. The high cost of electricity strains family budgets and is regularly cited as the main burden facing current and prospective island businesses.

The action plan called for by Section 6 will help the governments of Puerto Rico and the other territories diversify their energy portfolios and reduce electricity rates, thereby improving the environment and bringing relief to consumers.

Finally, I want to express my support for Section 20, which is drawn from legislation I introduced. Current law authorizes the Department of the Interior to support efforts in foreign countries to protect endangered marine turtles. Section 20 would enable the Department to support such projects in the U.S. territories as well. This is appropriate given that four of the seven species of marine turtles are found in Puerto Rico. The territories are home to many natural treasures. Section 20 empowers the federal government to provide assistance to preserve one of these treasures for present and future generations.

In closing, I want to express my appreciation to this Committee for its attention to the fiscal, energy and environmental concerns in the territories. I look forward to working with the Committee to advance this legislation and to make any additions to the bill that may be appropriate.

Thank you.