

U.S. Supreme Court Won't Let Puerto Rico Restructure \$70 Billion Debt



Washington, June 15 (RHC)-- The U.S. Supreme Court on Monday refused to revive a Puerto Rico debt-restructuring law, putting the U.S. territory at risk of a messy default unless Congress this month passes legislation to help the Caribbean island survive its crippling fiscal crisis.

The justices ruled 5-2 that Puerto Rico's 2014 statute, which would have let it cut billions of dollars in debt at public utilities over creditor objections, conflicted with federal bankruptcy law. The Supreme Court justices left in place a 2015 appeals court ruling invalidating the law, called the Recovery Act.

Passage of legislation now advancing in the U.S. Congress is likely the only remaining option to restructure Puerto Rico's debt in a bid to avoid a default in the U.S. territory of about 3.5 million people that is burdened by a US\$70 billion debt load it has said it cannot pay.

The U.S. House of Representatives last week overwhelmingly passed legislation creating a federal control board to help Puerto Rico cope with its debt, and sent the bill to the Senate for consideration. The White House has urged the Senate to act promptly so President Barack Obama can sign the bill into law ahead of a looming July 1st deadline for Puerto Rico to make a \$1.9 billion debt payment.

But the Senate's Republican leaders, who control the agenda in that chamber, have not yet revealed their plans for dealing with the legislation. The proposed oversight board would be tasked with working with investors on restructuring Puerto Rico's debt and would have the authority to push the island into a bankruptcy-like court process in which it could restructure debt without the agreement of creditors.

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