



## Treasurer Shawn T. Wooden

TESTIMONY SUBMITTED TO THE GOVERNMENT ADMINISTRATION AND ELECTIONS COMMITTEE  
MARCH 13, 2019

Senators Flexer, Representative Fox, and members of the Government Administration and Elections Committee, thank you for the opportunity to offer testimony concerning House Bill 6874, *An Act Concerning the Divestment of State Funds from Companies that Hold Puerto Rican Debt*.

This legislation would, if enacted, require the Treasurer to “review the major investment holdings of the state” in order to determine whether state funds are invested in companies that hold the debt issued by the Commonwealth of Puerto Rico. The bill further directs the Treasurer to encourage the companies holding this debt “to act responsibly and not take actions that promote or otherwise add to the fiscal or humanitarian crisis in Puerto Rico.” The bill grants me the discretion to divest from companies that hold this debt.

I applaud the objectives of this measure to draw attention to the crushing debt burden that Puerto Rico is under – a burden that has been deeply exacerbated by the ongoing challenges of rebuilding from the devastation of Hurricane Maria, with far too little support from the federal government.

There have been recent, promising steps taken in the direction of recovery. Last month, Puerto Rico’s Sales Tax Financing Corporation (or COFINA), issued \$12 billion in bonds just as a federal court was considering the restructuring of some \$120 billion in debt and pension liabilities. It remains to be seen how the restructuring will play out, but what is clear is that there are concerted efforts to get Puerto Rico back on track so that it can participate in the credit markets and rebuild its infrastructure.

So while I agree with the proponent of this proposed bill that something must be done to accelerate the pace of recovery in Puerto Rico, I respectfully offer some concerns and observations about the specific language of this bill that may have the unintended impact of making the Commonwealth’s recovery much more difficult. Please consider the following:

- Where the General Assembly has directed the Treasurer to consider its investments in companies for possible divestment, it has been in the context of companies that do business with or in foreign countries that either: (1) are deemed by the U.S. Department of State as terrorist-sponsoring countries (Sudan and Iran); or (2) in the case of Northern Ireland, where Congress has set forth fair employment standards for U.S. companies doing business in that country (known as the MacBride Principles).

In accordance with state law, we evaluate companies’ activities in Iran, Sudan and Northern Ireland because policy makers in Connecticut have decided that we do not want state pension assets invested in companies that aid and abet the commission of genocide, propagate terror, or engage in unfair labor practices.

By contrast, this proposed legislation would punish a company for holding the debt issued by Puerto Rico, a commonwealth of the United States. Placing this kind of restriction would make the debt issued by Puerto Rico less attractive to investors -- just as it is trying to get back on its feet. Those of us who care about Puerto Rico’s economic recovery should seek to encourage new investment to help rebuild Puerto Rico.

- The state’s pensions and trusts are invested in more than 5,000 companies. We do not know the nature of their investments and whether they hold Puerto Rico’s bonds, and there is no requirement that this

information be publicly reported. The administrative burden of asking each one of these companies to disclose whether they hold Puerto Rico's debt would be prohibitive.

I am committed to working with the proponent of this bill on ways to help Puerto Rico emerge from its current crisis. Respectfully, I do not agree that this measure will achieve that objective.

Thank you for the opportunity to offer testimony on this important issue.