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Reorg Research

Puerto Rico

Proskauer's Bienenstock Says Revised Fiscal Plan Will Show Money for Debt Service 'Almost Non-Existent' for 5 Years After Hurricane Maria

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Martin Bienenstock, of Proskauer Rose on behalf of the PROMESA oversight board and the Title III debtors, said this morning that despite some uncertainty in the wake of Hurricane Maria it is clear that virtually no debt service payments can be made over the next five years. He said this would be reflected in the new fiscal plan that is being developed by the board.

"The bottom line is we know now that the money available for debt service over the next five years is almost non-existent," Bienenstock said today in arguments before Judge Laura Taylor Swain on FGIC's motion for a broad 90-day stay of litigation, which was denied.

Judge Swain subsequently asked Bienenstock if it is his expectation that the five-year fiscal plan would not include any debt service.

"Yes," he said, adding that it is subject to the judge's ruling on whether there are any creditors entitled to debt service payments ahead of other expenditures.

Bienenstock said settlements are possible in the short term and are being worked on. After the fiscal plans are revised "we'll have to do resolutions based on best guesses" for periods of 20 years to 30 years.

Bienenstock said the PROMESA board is sympathetic to concerns about clarity amid efforts to rework fiscal plans for the commonwealth and other Title III entities, but argued that many "hard facts" are clear including the projection that Puerto Rico's tax revenues will miss targets by roughly 50% because of the hurricane and that the Puerto Rico government "can't pay for its own government for the foreseeable future without federal funding."

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