

# Puerto Rican governor proposes austerity budget

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On Wednesday, May 31, Puerto Rican Governor Ricardo Rossello presented his 2018 budget to the Legislative Assembly in San Juan, Puerto Rico. It was the first budget since the Federal Oversight Board (FOB) was given enormous power to control spending under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) imposed by the US Congress on June 2016.

Rossello's draft budget presentation was accompanied by a demagogic and jingoistic speech promoting Puerto Rican and US nationalism. At times, the listener could have concluded that Rossello was celebrating a buoyant economy instead of one facing record levels of emigration and forced to obey the mandates of the FOB and Wall Street's merciless demands for debt payments.

Warning that the budget reflected the "need to put the economic house in order," the governor made it clear that his draft reflected the dictates of the FOB. The "zero base budget" will be transparent and balanced, Rossello said, and in line with the defense of essential services, such as medical care, education and jobs. None of this is true.

In an address to the press on Wednesday, Governor Rossello declined to give specific details. While acknowledging that the budget slashes spending, he claimed to be defending public pensioners.

"We plan to do more with less," the governor declared, before listing various spending and job cuts already imposed by the government since he took office in January this year.

Rossello's \$9.6 billion proposal does not rely on any additional government borrowing. Over 20 percent of the proposed budget, \$2 billion, is earmarked to pay retirement benefits for public employees, in order to prevent the pension system from running out of funds

this summer. The Puerto Rican public pension plan has unfunded liabilities of roughly \$50 billion, in part, according to the governor's budget address, because pension funds were previously looted to shore up government spending.

Rossello failed to mention that his administration had recently explored the possibility of the US courts intervening to "restructure" the island's pension system. Along those lines, the FOB has called for the "flexibilization" of pensions, even though some 38,000 retirees receive less than \$500 per month. The average pension is \$1,100. The FOB also proposes that workers, such as teachers, not under US Social Security, be moved over to the American system.

Organizations representing retirees have placed a large question mark over the governor's promise that the pensions of 150,000 current public retirees, and of some 45,000 who will shortly join them, will be protected.

Puerto Rican Retirees Association president Roberto Aquino indicated that his group had contracted the law firm that represented retirees during the 2013 Detroit bankruptcy. Aquino gave a grim prognosis: "A humanitarian crisis is evolving; there was a promise made in 1951 that created a pension system. It is a contract that all pensioners carried out faithfully."

The budget also sets aside \$400 million to compensate bondholders for principal and interest, a fraction of the \$3.26 billion that is due in the fiscal year that begins on July 1, and half of what the FOB had called for. Another \$200 million has been set aside as a reserve fund, as demanded by the Oversight Board, allegedly to buffer the effect of layoffs.

The governor's proposal for the coming fiscal year is in line with his offer of \$7.9 billion to service Puerto Rico's bond debt of \$74 billion during the next nine

years. So far, bondholders, who expect payment of \$33.4 billion over that time interval, have flatly rejected this offer of less than 30 cents on the dollar. The debt holders, Wall Street banks, along with hedge and vulture funds, are demanding a reduction of Puerto Rican social spending, and higher regressive taxes, effectively placing the debt burden onto the backs of the Puerto Rican working class.

Overall, the budget slashes annual government spending by more 9 percent, which includes:

- Public Housing Administration: an 11 percent cut (\$45 million)
- Children's Services: a 16 percent cut (\$1.7 million)
- Aid to cities: a 45 percent cut (\$175 million)
- Legislative Assembly: a 20 percent cut (\$27 million)
- Electoral Board: a 60 percent reduction (\$42.4 million)
- Agriculture Department: an 8 percent cut (\$4.4 million)
- Consumer Affairs: a 10 percent cut (\$677,000)
- Education: a 6 percent cut (\$101 million)
- State Department: a 30 percent cut (\$1.445 million)
- Department of Justice: a 40 percent cut (\$60 million)
- Department of Natural Resources: a 30 percent cut (\$1.156 million)

In addition, the draft budget demands a 47 percent cut in subsidies and donations to small businesses and the public. It also calls for the "unification" of benefits to public employees, which will produce a reduction in benefits and "savings" of \$101 million.

During his speech, Rossello used the terms "unification" and "consolidation" as synonyms for cuts in benefits, social programs and layoffs.

Rossello tried to dress up the bad news with claims that government operations would be more efficient through improved tax collections, along with a mix of income and corporate tax cuts and sales tax increases.

"Our new budget, in the context of fiscal discipline," he declared, "assures essential services for our people and is another step toward fiscal stability and economic recovery for Puerto Rico."

Rossello made little reference to the collapsing Puerto Rican health system, apart from calling for a program of "health education," presumably to help people not get sick. Nor did he mention the 174 public schools that

will be shut down following the June 11 plebiscite. Likewise he said nothing about the ongoing protest strikes by students at the University of Puerto Rico.

The governor received applause from the joint session of the Puerto Rican Congress when he offered a measly \$1,000 bonus to laid-off Math, Science, English and Spanish teachers who "volunteer" to work in under privileged schools.

To an explosion of US flag-waving by congressmen and mayors, Rossello declared that the only way to defend health care was by Puerto Rico becoming a state, disregarding the fact that just as in Puerto Rico, education and health are coming under increasing attack throughout the United States.

While denouncing the "indignity of US colonialism," Rossello made sure to point out that the FOB, a creature of US colonialism, has approved the main parts of the budget, which was submitted to it on April 30. If the board granted this approval, it would be a signal of Wall Street and the Puerto Rican ruling class' concern that the island is on the verge of a social explosion that will not be easily contained.

Behind the governor's claims of transparency, negotiations are undoubtedly occurring among these layers on how fast the debt burden can be imposed on the backs of Puerto Rican workers, students and retirees.

Significantly, Rossello called for strengthening and "modernizing" municipal and state police forces, pointing to a recently approved law that creates a "public safety department" and establishes a rapid response team linked with security agencies on the mainland in order to better repress the coming explosions of workers and youth.

In the end, the defense of jobs, pensions and social programs will not be resolved through the debate over whether Puerto Rico remains a commonwealth or becomes a US state or independent nation, but only through an alliance between Puerto Rican workers and those in the US against the capitalist system that is attacking them both.



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