

WASHINGTON UPDATE June 10, 2016

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HOUSE PASSES PUERTO RICO DEBT RELIEF BILL

Last night, by a vote of 297 to 127, the House of Representatives approved bipartisan legislation dealing with the Puerto Rico debt crisis. The Senate is expected to consider the measure shortly. Time is running out for Puerto Rico to avert a financial meltdown. The US territory must make a \$2 billion debt payment on July 1 – a payment the governor says he cannot make. Adoption of the House bill is a major victory for Speaker Paul Ryan who staked a lot of political capital on getting this done.

Speaker Ryan successfully argued that the bill avoids a bailout since it doesn't commit federal funds. Puerto Rico's debt is held by US hedge-fund and mutual-fund firms and by Puerto Rican residents and financial institutions. The bill establishes a finance oversight board, appointed by Congress and the President, which will have the authority to determine whether and when to initiate court-supervised debt restructuring. One stated objective of the measure is to avoid a courtroom brawl between Puerto Rico's creditors and its government which would likely further exacerbate the territory's near decade old recession. Another objective is to reduce Puerto Rico' debt burden which hovers around 30 percent of the commonwealth's revenue.

MOTION TO RAISE DEFENSE BUDGET BY \$18 BILLION FAILS IN SENATE

Senate Armed Services Committee Chairman John McCain failed to secure enough votes to add \$18 billion, over the established budget caps, to the Pentagon's budget for fiscal year 2017. Senator McCain offered the procedural motion during floor debate on the National Defense Authorization Act for FY 2017. Most Senate Democrats opposed the initiative as threatening the appropriations process by undermining last year's spending cap agreement which calls for roughly equal levels of defense and domestic discretionary spending. McCain's motion would have transferred the funds from the war account to help pay for troops, planes and ships the Obama Administration did not request.

HOUSE GOP LEADERSHIP CHANGES FLOOR RULES

In the wake of the demise of the Energy and Water Appropriations Act for FY 2017, Speaker Ryan and his leadership team have decided to play a more active role in weeding out problematic amendments that

could gum up the annual spending bills. In this case, the House Rules Committee, controlled by Speaker Ryan's most trusted lieutenants, prohibited controversial amendments from being offered to the FY 2017 Legislative Branch Appropriations bill. The all-powerful Rules Committee nixed a Democratic amendment that would bar federal contractors from discriminating against gay and transgender employees. This same amendment was offered on the House floor two weeks ago to the Energy and Water Appropriations bill and was largely responsible for GOP members voting against the bill on final passage. While Speaker Ryan has been a strong advocate for open rules and deliberations on the appropriations process, his goal of unfettered debate has bumped up against the reality of having to manage and pass spending bills through his chamber. As it turns out, highly contentious amendments can, and often do, derail the best political intentions. House Democrats, of course, are screaming foul but can do little to challenge the new restrictions on amendments.

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