

To: The Puerto Task Force on Economic Growth

Puerto Rico has a severe problem with corruption several which have recently been overlooked for example, the Trump International Golf Club Puerto Rico, it was built as a for-profit venture, subsidized by federal taxpayers and backed by the island's powerful Government Development Bank, which sold to investors and guaranteed repayment of more than \$50 million in tax-exempt bonds was sold to a group of local San Juan investors for a mere 2.2 million dollars with not debt attached. Last year, it went bankrupt. (Mr. Trump was not involved in the financing or operation of the club, but he is a creditor.) Then, about a week ago, a buyer scooped up the property, wine cellar and all, for a mere \$2.2 million and is rushing to get it ready for a Professional Golfers Association tournament in March, a nationally televised event and a point of pride for Puerto Rico. The name "Trump" is being removed from the signs, to be replaced by "Coco Beach." After just 4 months the hotel hosted a golf tournament that made the hotel approximately 4 million in profits nearly twice what the group purchased the hotel and golf course for just months prior. This loss of 50 million in bonds from the Government Development Bank consisting of funds from the employees government pension system and also absorbed an additional 50 million in debt that was not transferred to the new owners at the time of the sell.

http://www.nytimes.com/2015/11/30/business/dealbook/behind-puerto-ricos-woes-a-broadly-powerful-development-bank.html?_r=0

Not only is corruption a severe issue on the island but a sense of entitlement exist in the islands 3.5 million people. An example, in December 2015 the Island was preparing to default on Bonds, still owed roughly 300 million in tax refunds to individuals yet the government decided to pay Christmas bonuses! In Puerto Rico, the government requires all private businesses and the local government to pay employees 6 percent of their annual salaries. Puerto Rico has laws enforcing these Christmas bonuses and employees closed down critical government services when the government was considering not paying this benefit. Puerto Rico ultimately paid Christmas bonuses costing millions instead of returning tax refunds to those individuals who were owed returns.

Puerto Rican government officials have consistently choice political choices over common sense principles and driven the territory to the state of economic collapse. The government of Puerto Rico consistently does not take credit for their own financial collapse but shifts the blame to Americans for occupying their territory and treating them like a colony. In 2014, Puerto Rico's government decided to make Spanish the governments official language, Bill 1177, introduced in August 2014 by Antonio Fas Alzamora, ex-president of the ruling Popular Democratic Party, or PPD, which was ultimately passed and transitioned all government services (Court, government offices, ect) to only use Spanish which separated the island further from the United States.

Puerto Rico has established itself more towards a socialism form of government with nearly 54% of the island living off the federal tax payer benefits. Unlike in the United States individuals are given ATM cards to withdrawal cash instead of the EBT card used commonly throughout the United States. Second, the islands only main source of jobs are government jobs which is plagued by corruption and high cost positions which offer limited benefits. Puerto Rico has 78 mayors which is one mayor for every 46,153 people on the island, and the average salary for each mayor is \$68,194. Their collective salary is \$5,319,132 in 2015.

Due to all the restrictions and requirements placed on private businesses in Puerto Rico including Christmas bonuses, taxes, and government corruption unlike anything I have ever seen around the world. I spent several months in Ukraine and I would equate Puerto Rico's government in the same category. In 2016, Puerto Rico targeted Walmart by creating an illegal tax effectively taxing them at a 91% effective tax on profit which Walmart effectively defeated in Federal Court. The money that Walmart had paid in 2016 pending the court's appeal to date has not been returned to the company.

Puerto Rico residents do not pay federal income taxes yet they received more than \$6.5 billion annually in [federal aid](#) from the United States.^[1] A substantial portion of this amount is earmarked for public welfare, including funding educational programs (such as [Head Start](#)), subsidized housing programs (such as [Section 8](#) and [public housing projects](#)), and a [food stamp](#) system called the [Nutrition Assistance for Puerto Rico](#) program. According to online data, in 2015, Puerto Rico received approximately 26 Billion in Federal Tax Payer funds and only collected 10 billion in taxes. Puerto Rico has established their own form of government including a senate, a house of representatives, and a governor. Puerto Rico does not use the federal tax rates and effectively taxes over 30,000 federal employees stationed in Puerto Rico at an income tax rate of 33% on any income that exceeds 61,000 Dollars. The FBI, DEA, and DOJ are the only really effective law enforcement agency in Puerto Rico which cost U.S. tax payer hundreds of millions of dollars each year yet the Puerto Rican government and local law enforcement are hostile to them due to the large amount of corruption.

Puerto Rico also recently increased their sales tax rates to 14 percent higher than any other state or territory yet their spending only increased to the corruption and out of control spending to earn votes. Puerto Rico de-incentivizes working because they provide a large amount of social welfare benefits. During my time in Puerto Rico, I could walk into a store and see people withdrawing cash from their government cards, purchasing steaks, alcohol, and head to the beach for partying. All around San Juan, I often saw signs for help wanted at retailers who said no one ever applies because they don't want to work for minimum wage because they would have to pay a portion of their electric bill. The issue with Puerto Rico goes beyond the availability for jobs but a culture and sense of entitlement the government is creating. Another big issue is the underground cash economy. I have travelled to over 20 countries and Puerto Rico is the first place I have been where even McDonalds or Wendy's would often not accept anything but cash. Doctors, lawyers, restaurants, and the list goes on to the number of locations that only accepted cash.

As a military member, the way that military members are treated in Puerto Rico is disrespectful. The view the U.S. military as an invader of their country and they don't want any military presence in Puerto Rico. Puerto Rico wants money from the U.S. only to continue their way of spending. The island expects the United States government to bail them out and to continue to allow them to run their government in a negligent manner. Puerto Rico would cost 100's of billions in U.S. tax payer funds to improve their education system, highways/infrastructure, and support such a large number unemployed.

The only two things that could help Puerto Rico is independence or the elimination of their separate government, separate constitution, and a lot of U.S. tax payer bailout.

Sincerely,

David Paitsel