## SUPREME COURT OF THE UNITED STATES

IN THE SUPREME COURT OF THE UNITED STATES

FINANCIAL OVERSIGHT AND MANAGEMENT, ) BOARD FOR PUERTO RICO, Petitioner, v. ) No. 18-1334 AURELIUS INVESTMENT, LLC, ET AL., Respondents; and AURELIUS INVESTMENT, LLC, ET AL., Petitioners, ) No. 18-1475 COMMONWEALTH OF PUERTO RICO, ET AL, ) Respondents; OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF ALL TITLE III DEBTORS OTHER THAN COFINA, Petitioner, ) No. 18-1496 AURELIUS INVESTMENT, LLC, ET AL., Respondents; and UNITED STATES, Petitioner, ) No. 18-1514 AURELIUS INVESTMENT, LLC, ET AL., Respondents; and UNION DE TRABAJADORES DE LA INDUSTRIA ELECTRICA Y RIEGO, INC., Petitioner, ) No. 18-1521 FINANCIAL OVERSIGHT AND MANAGEMENT ) BOARD FOR PUERTO RICO, ET AL., Respondents.

Pages: 1 through 95

Place: Washington, D.C.

Date: October 15, 2019

## HERITAGE REPORTING CORPORATION

Official Reporters
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Washington, D.C. 20005
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1	IN THE SUPREME COURT OF THE UNIT	ED	STA	TES
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3	FINANCIAL OVERSIGHT AND MANAGEMENT	, )		
4	BOARD FOR PUERTO RICO,	)		
5	Petitioner,	)		
6	V.	)	No.	18-1334
7	AURELIUS INVESTMENT, LLC, ET AL.,	)		
8	Respondents;	)		
9	and	)		
10	AURELIUS INVESTMENT, LLC, ET AL.,	)		
11	Petitioners,	)		
12	v.	)	No.	18-1475
13	COMMONWEALTH OF PUERTO RICO, ET AL	٠,	)	
14	Respondents;	)		
15	and	)		
16	OFFICIAL COMMITTEE OF UNSECURED	)		
17	CREDITORS OF ALL TITLE III DEBTORS	)		
18	OTHER THAN COFINA,	)		
19	Petitioner,	)		
20	V.	)	No.	18-1496
21	AURELIUS INVESTMENT, LLC, ET AL.,	)		
22	Respondents;	)		
23	and	)		
24				
25				

1	UNITED STATES,	)		
2	Petitioner,	)		
3	v.	)	No.	18-1514
4	AURELIUS INVESTMENT, LLC, ET AL.,	)		
5	Respondents;	)		
6	and	)		
7	UNION DE TRABAJADORES DE LA	)		
8	INDUSTRIA ELECTRICA Y RIEGO, INC.,	)		
9	Petitioner,	)		
10	v.	)	No.	18-1521
11	FINANCIAL OVERSIGHT AND MANAGEMENT	)		
12	BOARD FOR PUERTO RICO, ET AL.,	)		
13	Respondents.	)		
14		-		
15	Washington, D.C.			
16	Tuesday, October 15, 2	20	19	
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18	The above-entitled matt	:e	r cai	me on for
19	oral argument before the Supreme Co	ou:	rt o	f the
20	United States at 10:06 a.m.			
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22				
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24				
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1	APPEARANCES:
2	
3	DONALD B. VERRILLI, JR., ESQ., Washington, D.C.;
4	on behalf of the Financial Oversight and
5	Management Board for Puerto Rico.
6	JEFFREY B. WALL, Principal Deputy Solicitor
7	General, Department of Justice, Washington,
8	D.C.; on behalf of the United States.
9	THEODORE B. OLSON, ESQ., Washington, D.C.; on behalf
10	of Aurelius Investment, LLC, et al.
11	JESSICA E. MENDEZ-COLBERG, ESQ., Ponce, Puerto Rico;
12	on behalf of UTIER.
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1	PROCEEDINGS
2	(10:06 a.m.)
3	CHIEF JUSTICE ROBERTS: We'll hear
4	argument today in Case 18-1334, the Financial
5	Oversight and Management Board for Puerto Rico
6	versus Aurelius Investment, and the consolidated
7	cases.
8	Mr. Verrilli.
9	ORAL ARGUMENT OF DONALD B. VERRILLI, JR.,
10	ON BEHALF OF THE FINANCIAL OVERSIGHT AND
11	MANAGEMENT BOARD FOR PUERTO RICO
12	MR. VERRILLI: Mr. Chief Justice, and
13	may it please the Court:
14	The question in this case is whether
15	members of the Financial Oversight Board are
16	officers of the United States who must be
17	selected in the manner that the Appointments
18	Clause prescribes or whether they are instead
19	territorial officers who do not have to be
20	selected in that manner.
21	The Constitution's text, structure,
22	and history, and this Court's precedents all
23	make clear that the proper focus in answering
24	that question is the nature of the authority the
25	Board exercises. It comes down to whether

- 1 Congress has vested the Board with the executive
- 2 power of the national government or, instead,
- 3 vested the Board with the territorial executive
- 4 power.
- 5 The statute that created the Board,
- 6 PROMESA, answers that question in a
- 7 straightforward way. It -- it sets up an entity
- 8 within the territorial government. It gives the
- 9 Board only territory-specific authority and
- instructs the Board to pursue only
- 11 territory-specific objectives.
- The Board acts on behalf of Puerto
- 13 Rico as its representative in judicial
- 14 proceedings to restructure the territory's
- 15 debts. It pursues only Puerto Rico's interests
- in those proceedings. It's up to the Article
- 17 III court that adjudicates those proceedings to
- 18 balance all the competing interests.
- 19 Congress also instructed the Board to
- 20 implement a method for restoring fiscal
- 21 stability. That, too, is territorial authority.
- 22 It reaches only Puerto Rico's budgeting and
- 23 fiscal planning, and the Board must exercise
- 24 that authority in a manner that protects Puerto
- 25 Rico's vital -- vital interests.

1	Now Congress did build in protections
2	to guarantee the Board's independence. Congress
3	did that because it concluded that Puerto Rico's
4	staggering financial and humanitarian crisis
5	could not be solved unless the Board was
6	insulated from the political pressures that
7	caused that crisis in the first place.
8	But Congress also insulated the Board
9	from federal control. Board members can be
LO	removed only for cause, which means that the
L1	President cannot remove them based on
L2	disagreement with the Board's policies or
L3	priorities in implementing PROMESA.
L4	When you put all that together, it's
L5	the Board is in the territorial government,
L6	it's been given statutory directives to advance
L7	the interests of Puerto Rico, and it's insulated
L8	from federal control, it's clear that Board
L9	members are territorial officials
20	JUSTICE SOTOMAYOR: So how
21	MR. VERRILLI: not officers of the
22	United States.
23	JUSTICE GINSBURG: Mister
24	JUSTICE SOTOMAYOR: how can that
25	be, Mr. Verrilli? It seems to me that your very

- 1 argument that it's independent is suggesting it
- 2 can't belong to the territory and that there's a
- 3 serious problem that the federal government is
- 4 creating an entity that no one can control.
- 5 Neither Congress nor the President can remove
- 6 this entity for anything but cause.
- 7 Tell me how this differs from a U.S.
- 8 attorney. A U.S. attorney is an officer of the
- 9 United States. I think you accept that. A U.S.
- 10 attorney is enforcing federal law in Puerto
- 11 Rico, the U.S. attorney of Puerto Rico, just the
- way PROMESA is. And a U.S. attorney doesn't
- 13 have jurisdiction outside of Puerto Rico.
- So how is the U.S. attorney different?
- MR. VERRILLI: So let me make a
- general point, and then I'll specifically answer
- 17 the U.S. attorney question.
- 18 The general point, I think it's
- 19 important to make clear, we don't say, contrary
- 20 to our friends on the other side, that the
- 21 Appointments Clause doesn't apply in Puerto
- 22 Rico. It applies in Puerto Rico just like it
- 23 applies in a state, in that federal officials,
- officials who are part of the federal
- 25 government, have to be appointed in conformity

1 with the Appointments Clause --2 JUSTICE SOTOMAYOR: Could you do this -- could you pass --3 MR. VERRILLI: -- including the U.S. 4 5 attorney. 6 JUSTICE SOTOMAYOR: -- could you pass -- could Congress pass a law that -- like 7 8 PROMESA for a state? 9 MR. VERRILLI: No, I don't think so, 10 because the difference between that situation and this situation is Article IV. And I really 11 12 think that gets to the heart of the matter, Justice Sotomayor, that I think the beef that my 13 friends on the other side have is not with the 14 15 Appointments Clause; it's with Article IV. And the difference between this 16 situation and a state is that Congress has 17 18 reserved authority under Article IV to alter the 19 structure of a territorial government and to prescribe territorial law --20 21 CHIEF JUSTICE ROBERTS: Could you --22 MR. VERRILLI: -- its substantive 23 territorial law. 24 CHIEF JUSTICE ROBERTS: -- could you 25 give at least a quick answer --

1 MR. VERRILLI: Sure. I'd be --2 CHIEF JUSTICE ROBERTS: -- to the first part of Justice Sotomayor's question? 3 MR. VERRILLI: Yes. Of course. The 4 5 difference, I think, the key difference between 6 a U.S. attorney and the Board is that the U.S. attorney is executing laws of nationwide 7 8 application, the -- the U.S. Criminal Code, Title 18. And the U.S. attorney in Puerto Rico 9 10 in that respect is no different than the U.S. attorney in New York. 11 12 The Board does not implement laws of nationwide application. It implements as law --13 14 JUSTICE SOTOMAYOR: But all laws don't 15 have nationwide application, even federal laws. Some federal laws have local application as 16 17 opposed to national. They're still federal law 18 because they were passed by Congress and there 19 federal dictates. 20 MR. VERRILLI: But --21 JUSTICE SOTOMAYOR: This is no 22 different for the U.S. attorney. 23 MR. VERRILLI: I do think it's 24 different in a fundamental way, Your Honor. is territory-specific. It applies only to the 25

- 1 territory of Puerto Rico. And the Board's
- 2 authority is to -- is to act in the interests of
- 3 the territory of Puerto Rico in the -- in
- 4 their --
- 5 JUSTICE KAGAN: Well, Mr. Verrilli, I
- 6 mean, suppose that Congress looks at Florida and
- 7 it says that there are a lot of hurricanes there
- 8 and the waters are rising, and we have a
- 9 terrible Florida problem. And Congress passes
- 10 the Florida Reclamation Act, and it's supposed
- 11 to deal with, you know, the Florida problem that
- 12 it perceives but uses federal law to do so.
- Would you say that -- I think the --
- 14 your -- your phrase was the executive power of
- 15 the national government. Would the head of the
- 16 agency that the Florida Reclamation Act sets up
- 17 be exercising the executive power of the
- 18 national government?
- 19 MR. VERRILLI: Yes. And the
- 20 difference is -- I'm sorry, Your Honor.
- 21 JUSTICE KAGAN: No, I was just going
- 22 to say, what is the difference, Mr. Verrilli?
- 23 (Laughter.)
- 24 MR. VERRILLI: And the difference --
- 25 and the difference is -- and the difference is

- that -- that Congress has dual authority with
- 2 respect to the territories to act under Article
- 3 I with nation -- laws of nationwide application,
- 4 which are enforced by federal officials. For
- 5 example, there's a FEMA regional administrator.
- 6 There's an EPA regional administrator. They're
- 7 all appointed in conformity with the
- 8 requirements of the Appointments Clause. But it
- 9 has dual authority. It can also act as a
- 10 territorial legislature, and -- and under
- 11 Article IV, it has plenary authority to do so.
- 12 JUSTICE KAGAN: Well, how do we know
- which -- which authority it's using?
- MR. VERRILLI: Well, you look -- I --
- 15 I think as -- we think Palmore is the relevant
- 16 precedent there. And I think what you do is you
- 17 look to two things. First, what does it -- what
- does Congress say it's doing. Here, Congress
- 19 said expressly we're invoking Article IV and
- 20 we're creating an entity in the territorial
- 21 government. That's the --
- JUSTICE GINSBURG: What -- what's --
- 23 MR. VERRILLI: -- language of the
- 24 statute, entity --
- JUSTICE GINSBURG: -- what's the

- 1 argument, Mr. Verrilli -- you started with this
- 2 is an -- this is an entity within the Puerto
- 3 Rico government. The argument on the other side
- 4 is no, it's not within; it's above. It's above
- 5 the Puerto Rican government, and it's -- it's
- 6 above the legislature and the governor.
- 7 MR. VERRILLI: Yes, and that's -- and
- 8 that's simply an incorrect characterization. I
- 9 think it misinterprets independence for
- 10 superintendence. And I think, if you think
- 11 about it, it's just not right to say that what
- 12 you've got here is a federal overlord or a
- 13 federal master in the language of -- of the
- 14 First Circuit, because think about what Congress
- 15 did here.
- 16 First, it said that the -- that the
- 17 Board's authority is territory-specific, and
- then it said that the Board is supposed to act
- on behalf of Puerto Rico and represent Puerto
- 20 Rico in the restructuring proceedings. It's not
- 21 supposed to advance the broad interests of the
- 22 United States. It advances Puerto Rico's
- 23 interests.
- 24 And, similarly, with respect to its
- 25 budget --

Τ	JUSTICE KAGAN: Well, wasn't Congress
2	thinking about the broad interests of the United
3	States? I mean, here it was. It was looking at
4	this terrible financial crisis in Puerto Rico
5	and considering a wide variety of options to
6	address that crisis.
7	Now one option could have been some
8	kind of financial bailout. Congress didn't want
9	to do that. It instead chose an option that had
10	less financial cost for the American people as a
11	whole.
12	So, you know, why shouldn't we think
13	that Congress, in enacting this piece of
14	legislation, was not thinking about it through a
15	broad national lens?
16	MR. VERRILLI: First, I think what
17	matters is what Congress did, not what the
18	motivations of individual legislatures were in
19	moving forward with what Congress did.
20	Second, the best evidence of what
21	Congress did is the statute itself, where it
22	made a choice to create an entity in Puerto Rico
23	and it instructed it to act on behalf of Puerto
24	Rico. And even with respect to its budgeting
25	authority it said when you do your hudgeting

- 1 and fiscal planning, you've got to ensure that
- 2 there's adequate funding for essential services
- 3 in Puerto Rico, adequate funding for the Puerto
- 4 Rico pension plan, adequate funding for economic
- 5 development in Puerto Rico.
- It told this Board to act for Puerto
- 7 Rico.
- 8 CHIEF JUSTICE ROBERTS: Counsel, what
- 9 if we don't think it's an all or nothing
- 10 division when you look at the responsibilities
- of the Board?
- I mean, certainly much of it has to do
- with territorial issues, but you can certainly
- 14 appreciate congressmen viewing this obviously as
- 15 something with nationwide significance.
- So, to some extent, it's dealing with
- 17 territorial issues. To some extent, it's
- dealing with issues of broader national
- 19 significance.
- 20 What happens to your case in that
- 21 instance?
- 22 MR. VERRILLI: I think it's -- I think
- the answer is the same, because what matters is
- the power that Congress chose to invoke and the
- 25 way in which Congress chose to act.

Τ	And what Congress did here was tell
2	the Board the way to address this problem is by
3	acting in the interests of Puerto Rico. And
4	then it also insulated the Board from federal
5	control through the for cause standard.
6	JUSTICE SOTOMAYOR: May I ask you, if
7	we had the original act setting up the U.S.
8	Attorney for Puerto Rico and Congress changed
9	only one label of the three Palmore factors,
10	same factual situation as exists now, except
11	that it says we're doing it under the
12	territorial clause.
13	You're suggesting that that's enough
14	reason for why
15	MR. VERRILLI: Absolutely
16	JUSTICE SOTOMAYOR: our
17	MR. VERRILLI: absolutely not, Your
18	Honor. And that's why the third factor in
19	Palmore is the critical one. You have to look
20	at the nature of the authority that the office
21	is executing.
22	JUSTICE SOTOMAYOR: All right.
23	MR. VERRILLI: And they
24	JUSTICE SOTOMAYOR: Now let me ask you
25	how you can label this a territorial officer as

- 1 opposed to a federal officer handling federal
- 2 issues -- a federal mandate when none of the
- 3 people of Puerto Rico have voted in any way to
- 4 -- on any of the directives that this agent has
- 5 received?
- 6 MR. VERRILLI: I -- I understand that
- 7 point, Your Honor. But, again, I don't think
- 8 that has anything to do with the Appointments
- 9 Clause.
- There is no doubt under this Court's
- 11 precedence, starting two centuries ago, and as
- 12 recently as Sanchez Valle, that the Congress has
- 13 reserved authority to act at the territorial
- 14 level and to change the structure of --
- 15 JUSTICE SOTOMAYOR: Certainly.
- 16 There's no question.
- 17 MR. VERRILLI: -- territorial
- 18 government and to change the substance.
- 19 JUSTICE SOTOMAYOR: There's no fight
- 20 -- there's no fight there. The issue is where
- 21 do you draw a line between what's a federal
- 22 officer and what's a territorial officer.
- MR. VERRILLI: And I think --
- 24 JUSTICE SOTOMAYOR: And the issue has
- to be that when Congress chooses, it's

- 1 Congress's choice.
- 2 If the territory chooses, if it elects
- 3 a governor, if it elects legislature, if it
- 4 elects its own Attorney General, that those are
- 5 officers that Puerto Rico have selected.
- 6 But, if the federal government is
- 7 making the selection and imposing it on a
- 8 territory, it has to be a federal officer.
- 9 MR. VERRILLI: I -- that's -- I -- I
- 10 -- I think that's just not right on numerous
- 11 levels, Your Honor, and --
- 12 JUSTICE SOTOMAYOR: No, it's too
- 13 simplistic for you.
- 14 (Laughter.)
- MR. VERRILLI: No, no, no, no. The
- 16 main --
- 17 JUSTICE SOTOMAYOR: That's -- that's
- 18 the problem that everybody --
- 19 MR. VERRILLI: -- one of the main
- 20 reasons which it's not right, I think, is that
- 21 it's not consistent with the history of this
- 22 country.
- 23 And if you start with the mayor of
- 24 Washington in 1802 -- now, admittedly, it's the
- 25 Enclave Clause, not the Territories Clause, but

1 the Court has said that there are provisions 2 that should be read in the same way -- if -- if you start with that, the mayor of Washington was 3 appointed -- was -- Congress created the 4 5 position of mayor of Washington under a statute. 6 JUSTICE KAVANAUGH: That -- that's one -- I mean, that's one example. But the other 7 8 side says the historical practice is otherwise 9 overwhelming in -- up until about the 1950s, of 10 saying that territorial officers had to be appointed by the President with the advice and 11 12 consent of the Senate. So how do we deal with that historical 13 14 practice? You do have the mayor example, so 15 it's not uniform. But how do we deal with that historical practice? 16 17 MR. VERRILLI: Two points. First on 18 the mayor. I think the mayor of Washington is 19 an extremely significant historical marker because, after all, the Presidents who made 20 21 those appointments every year during that period 22 were Jefferson and Madison, and if they had 23 thought that their -- that the Appointments 24 Clause applied in a situation like that --25 JUSTICE KAVANAUGH: I -- I --

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1
                MR. VERRILLI: -- certainly, we would
      have heard about that.
 2
                JUSTICE KAVANAUGH: -- I agree with
 3
 4
      you -- I agree with you --
 5
                MR. VERRILLI: And now we're --
6
                JUSTICE KAVANAUGH: -- it's important,
      but assume the history is still --
7
8
                MR. VERRILLI: But -- but with
9
      respect -- the history they have essentially is
10
      that territorial governors up until the 1950s
      were appointed with advice and consent. But --
11
12
                JUSTICE KAVANAUGH: And judges.
13
                MR. VERRILLI: And territorial judges.
14
      But I actually think that -- let's go right to
15
      the judges point because I think that actually
      proves our position and not theirs, because even
16
17
      though territorial judges were always nominated
18
      by the President, confirmed by the Senate, this
19
      Court held starting in Cantor and then also in
20
      Englebrecht and McAllister that they weren't
21
      judicial officers of the United States, despite
22
      the fact that the President nominated them and
23
      the Senate confirmed them.
24
                And then, to reinforce that, there
25
      have been three times in the country's history
```

- 1 where a question arose about whether a
- 2 territorial judge could be impeached by
- 3 Congress.
- 4 And in each of those three instances,
- 5 the political branches concluded that a
- 6 territorial judge could not be impeached because
- 7 a territorial judge was not a civil officer of
- 8 the United States but only an officer of the
- 9 territory exercising territorial power.
- Now, with respect to the governors, of
- 11 course, you know, the -- the Appointments Clause
- is not an either/or proposition. If it applies
- 13 to the governors as principal officers, it
- applies to the people the governor appoints as
- 15 inferior officers.
- 16 But starting with the Northwest
- 17 Ordinance and continuing throughout the
- 18 country's history, inferior officers have been
- 19 appointed in manners that don't comply with the
- 20 Appointments Clause.
- 21 JUSTICE KAGAN: Does it just -- does
- 22 it strike you as a little strange, Mr. Verrilli,
- 23 to use the history in this kind of case so
- 24 extensively? I mean, first, it's a little bit
- 25 all over the map and you each have your

- 1 historical examples to point to.
- But, second, the position of
- 3 territories currently is so different from the
- 4 position of territories throughout much or most
- 5 of our history.
- 6 So I -- I guess it seems to me more
- 7 natural, rather than to look to, you know, what
- 8 the Northwest Ordinance did, is -- is simply to
- 9 use a kind of functional test and say are these
- 10 people doing the sorts of things that would be
- done by state officials in states, or are they
- doing the sorts of things that would be done by
- 13 federal officials?
- MR. VERRILLI: So two things. First,
- 15 respectfully, we think, in interpreting the
- 16 meaning of the phrase "officer of the United
- 17 States," which is the job that has to be done in
- 18 this case, the history is very, very relevant.
- But, second, even if one takes a
- 20 functional analysis, I think the right way to
- 21 look at the functional analysis is to look at
- 22 the -- what the Board is actually charged with
- doing.
- 24 And what the Board is actually charged
- with doing is acting in the shoes of the

- 1 government of Puerto Rico in the restructuring
- 2 proceedings and acting as an independent entity
- 3 insulated from political pressure within the
- 4 budgeting proceedings, but -- but constrained by
- 5 statute to act on behalf of, in the interests
- of, for the territory. So --
- 7 CHIEF JUSTICE ROBERTS: Well --
- 8 MR. VERRILLI: -- if you're going to
- 9 use a functional approach, they're very much
- 10 like a state government, not a federal overlord.
- 11 And I think this would actually be
- 12 kind of a crazy system if what you wanted to do
- was create a federal overlord to say: You're a
- 14 federal overlord. Take the national interests
- into account, but, when you actually administer
- 16 the -- the authority you have, you have to only
- 17 focus --
- 18 JUSTICE SOTOMAYOR: What do we do
- 19 about the brief --
- 20 MR. VERRILLI: -- on territorial
- 21 interests.
- 22 JUSTICE SOTOMAYOR: -- what do we do
- 23 about the brief of at least there's one amicus
- that suggests that in one of the litigations
- that's ongoing, with respect to PROMESA, that

- 1 there's all sorts of evidence that the Board is
- 2 taking directives from federal officials?
- 3 MR. VERRILLI: So I -- you know, that
- 4 brief, you know, respectfully, Your Honor, I --
- 5 I think that shows the perils of relying on an
- 6 amicus brief that relies on extra-record
- 7 information.
- 8 The vast majority of those -- of the
- 9 -- the documents there have not been disclosed.
- 10 But, if I may talk about them, because I've been
- 11 asked about them, the -- the vast
- majority of those are communications from
- 13 federal government officials to the Board in the
- wake of the disasters and the hurricanes saying
- we need information about what's going on on the
- 16 ground here.
- 17 And so it was -- it was informational,
- 18 the overwhelming majority of them. Now they did
- 19 find one communication from a Senate staffer, I
- 20 think, or a House staffer, I think a Senate
- 21 staffer, saying we want you to resolve Issue X
- 22 this way. Again, I've got to be outside the
- 23 record to -- to answer that. But, basically,
- the Board told them to pound sand. And so I
- don't think there's any merit to it whatsoever.

Τ	CHIEF JUSTICE ROBERTS: Thank you,
2	counsel.
3	General Wall.
4	ORAL ARGUMENT OF JEFFREY B. WALL ON
5	BEHALF OF THE UNITED STATES
6	MR. WALL: Mr. Chief Justice, and may
7	it please the Court:
8	We know that Congress expressly
9	invoked its authority over the territories and
LO	placed the Board within the Puerto Rican
L1	government. So the real question here is, was
L2	that choice constitutional under Article IV?
L3	It was.
L4	The Board budgets and restructures
L5	debt only for Puerto Rico. It acts in the
L6	territory under a territory-specific statute.
L7	In our view, Mr. Chief Justice, the
L8	Board's focus is exclusively local, but, at a
L9	minimum, it's primarily local, which is the
20	appropriate test under Palmore.
21	Justice Kagan, Congress could have
22	legislated directly. It could have put this in
23	the Treasury Department. If it hadn't otherwise
24	specified, the powers would have gone to the
25	assembly and the governor with respect to

- 1 restructuring the debt and representing the
- 2 Commonwealth in these Title III proceedings.
- 3 It didn't want that. It wanted new
- 4 and independent territorial officers on the
- 5 ground in Puerto Rico to resolve the fiscal
- 6 crisis as it had with the D.C. Control Board 20
- 7 years earlier. That's a re --
- 8 JUSTICE GINSBURG: And what was the
- 9 position the government took, the D.C. Control
- 10 Board?
- 11 MR. WALL: So they point to a D.C.
- 12 Circuit brief in the second set of proceedings.
- We said in that brief, after this Court had held
- it's exercising federal power with respect to
- 15 federal property, we said, sure, it's federal,
- 16 but I -- I'd urge the Court to look at the
- 17 brief.
- We said if it had been acting with
- 19 respect to D.C., it would have been different
- 20 because that would have been local power. I
- 21 think the same is true with respect to the
- 22 territories. We drew a distinction in that very
- 23 brief between federal power over federal
- 24 property and local power with respect to the
- 25 District or, here, the territories.

1 So I think our position has been 2 entirely consistent. As early as 18 --JUSTICE SOTOMAYOR: I don't see how. 3 I mean, you say federal power over federal 4 5 property. But that's what the Territory Clause, 6 read your way, would say, that Puerto Rico is 7 federal property. You can't have it both ways. 8 MR. WALL: So I --9 JUSTICE SOTOMAYOR: Your -- you have 10 to be disposing of federal control over federal property, because that's what a territory is. 11 12 MR. WALL: So I -- I don't think so, 13 Justice Sotomayor, but I don't know that much 14 turns on that here. Article IV says both 15 property and the territory. And this Court's cases have treated them differently. So there 16 17 it was Dulles and Reagan National airports. 18 Those have a different status under the 19 Constitution from the territories. 20 But I think my point was just that where Congress is acting with respect to 21 22 something federal, it's exercising national 23 legislative power and it's creating national 24 executive offices. That's not what it's doing 25 here.

- 1 It put a Board inside the Puerto Rican 2 government. Now, yes, it wanted it independent from other Puerto Rican actors that it thought 3 had played a role in this debt crisis. 4 5 that's a very different thing from putting it in 6 the federal government and exercising federal power. It was reorganizing the Puerto Rican 7 government. That is a quintessential exercise 8 9 of Article IV power. 10 And I don't think, by the way, Justice 11 Kagan and Kavanaugh, that the history is a wash. 12 It's not just the early Washington mayors. 13 Territorial judges were federally appointed, 14 never treated as federal officers. Early 15 territorial upper houses, the -- the D.C. Control Board. D.C. judges, to this day, are 16 17 appointed by the President and confirmed by the
- 20 a guaranteed salary.

Senate. They've never been treated as federal

They do not have lifetime tenure and

**.** 

officers.

- 21 Federal appointment has never been the
- 22 hallmark of whether you are federal or
- 23 territorial. The hallmark has always been, as
- 24 Mr. Verrilli said, what kind of power are you
- 25 exercising?

18

1 JUSTICE BREYER: Well, that's a 2 question I -- I mean, you're representing the federal government. If you lost, would they 3 appoint the same people? 4 5 MR. WALL: The President has nominated 6 the same people. 7 JUSTICE BREYER: Okay. Now, if that's so and if you lose, but if we were to follow 8 Judge Terrea and say the de facto officer 9 10 doctrine, what difference would it make? MR. WALL: So there are two separate 11 12 things with respect to the -- to the remedy, 13 Justice Breyer. If the Court agrees with us on 14 the de facto officer doctrine, that takes care of the Board's acts running up through the 15 Court's decision. 16 Going forward, I think all the parties 17 18 now agree we still need a stay of the mandate 19 because you'd have to give Congress the 20 opportunity to confirm a new Board. Otherwise, 21 the Board would shut down over night. You 22 wouldn't have a Board. 23 JUSTICE BREYER: Yeah. 24 MR. WALL: So you've got to give the 25 Senate time to act. Right? And then that new

1 Board would pick up where the old Board left off. 2 JUSTICE BREYER: But they would be the 3 same people. And so what you're talking about 4 5 is a delay of possibly days while the Senate 6 gets its act together to confirm the people that they already recommended to the President with 7 8 one exception. I mean, are we talking -- is 9 that what we're talking about? 10 You win, and there's no delay; you 11 lose, assuming Judge Terrea's right, and there's 12 a slight delay? That's what this case is about? 13 MR. WALL: Well, I --14 JUSTICE BREYER: On that assumption? MR. WALL: I hope we're not in a world 15 where we lose, and I would love to tell you that 16 17 it won't be a big deal in that world, but it's 18 going to be a little more complicated that. 19 They're almost certain to argue that 20 the nominations have expired and that even though the Senate has confirmed people before to 21 22 expired terms, it can't do that here. Even if 23 we win that argument and even if the Senate 24 committee reports them out and even if the 25 Senate gets them through the floor during the

- 1 period of the stay and we get a new Board, then
- they're going to argue that Board has to ratify
- 3 everything that was done during the period of
- 4 the stay, and they're going to challenge that
- 5 ratification, and, of course, that ratification
- 6 will extend backward in time, further and
- 7 further, depending on what you do with the de
- 8 facto officer doctrine.
- 9 JUSTICE SOTOMAYOR: The -- the
- 10 big question on --
- MR. WALL: So, I mean, we're
- 12 litigating for years on that view. It's just a
- 13 question of how much we're going to have to
- 14 litigate with them if we -- if -- if the Court
- decides we're wrong on the merits.
- JUSTICE SOTOMAYOR: Mr. -- Mr. Wall,
- do you have to still litigate that here? You're
- 18 making an assumption that the de facto doctrine
- 19 does go as far as you say, which is to deprive a
- winning party of no remedy whatsoever.
- 21 MR. WALL: That's not true. They will
- 22 get prospective remedy as all of the litigants
- 23 did in the de facto officer cases, including
- 24 Buckley. It -- the second this Court's stay
- 25 expires, the Board can no longer act with

- 1 respect to Aurelius, Assured, UTIER, or anybody
- 2 else.
- What the de facto officer doctrine
- 4 says is, even though you get meaningful
- 5 prospective relief, we don't invalidate
- 6 everything done moving backward in time that the
- 7 officers are alleged to have done while
- 8 invalidly appointed.
- 9 And so -- and I think that's critical
- 10 here because the Board's been acting for three
- 11 years. We have, you know, nearly 100 adversary
- 12 proceedings, hundreds of thousands of claims,
- 13 hundreds of millions of dollars collected or
- 14 paid out, 12 billion dollars in bonds issued in
- the COFINA Title III proceeding that have been
- 16 traded on the secondary -- on the market
- 17 something like 85,000 times.
- 18 I mean, I have no idea how one unwinds
- 19 this, and I don't think that -- that Aurelius
- 20 and UTIER have given any real way to do it. And
- 21 that's exactly what the de facto officer
- 22 doctrine is for. We don't wipe everything out
- 23 in the past.
- 24 But I do want to say that I don't
- 25 think we get to that. I don't think the merits

- 1 here are -- are close. Congress did its
- 2 homework. It invoked Article IV. It told us
- 3 where it was putting it --
- 4 JUSTICE KAVANAUGH: I thought your
- 5 argument would be that if you lost, there would
- 6 also be a lot of legal ramifications in terms of
- 7 calling into question the status of elected
- 8 governors, judges, territorial judges, and the
- 9 like. Is that not the case?
- 10 MR. WALL: Well, I think it depends on
- 11 which of their four or maybe five tests you
- 12 pick. They start with Buckley. If they're
- 13 serious about that, which has significant
- authority under federal law, that's the D.C.
- 15 mayor, city council, the Guam and Virgin Island
- 16 governors, and all territorial legislators and
- judges. All of that authority flows directly
- 18 from federal law, whether an organic act or the
- 19 D.C. Home Rule Act.
- 20 So then they tweak Buckley to say:
- 21 Well, not if you're elected. And then I say:
- 22 Well, but you still don't solve D.C. judges,
- 23 territorial judges, Washington mayors, early
- territorial upper houses, or the D.C. Control
- 25 Board.

1 And then they say: Well, it's 2 executing federal law, maybe it's a special law, maybe it's federal objectives, maybe it's 3 4 federal removal and there's a hodgepodge of other factors thrown in there. 5 6 If the Court accepts those, notwithstanding that there are historical 7 8 counter-examples to every one of those tests, 9 then I suppose you could try to carve out the 10 test in just the way as to pick this up. But I don't think there's any principled way to do it. 11 12 All of the federal authority that these territorial officers and D.C. officers exercise 13 14 flows from federal law. 15 And if you take their test seriously, yes, Justice Kavanaugh, it will threaten to 16 undermine, indeed I think it would condemn in 17 18 its entirety, home rule. 19 I mean -- and -- and that just points 20 out -- I mean, there's both an upper-level and a lower-level disruption here. The lower-level 21 22 disruption is undoing three years of what the 23 Board has done to try to stabilize the condition 24 in Puerto Rico. 25 The upper-level disruption is every

- 1 test they've got runs smack dab into history,
- 2 and every test they've got would federalize some
- 3 number of officers who have always been thought
- 4 of as territorial or local, whether in D.C. or
- 5 in the territories.
- 6 And like I say, I mean, from 1802 to
- 7 now, I mean, if -- if -- if Mr. Olson is serious
- 8 that significant authority under federal law
- 9 makes you a federal officer, well, then, so too
- 10 the D.C. judges who --
- 11 JUSTICE SOTOMAYOR: That's assuming
- 12 that the immediate -- that you're looking at the
- 13 ultimate source, which is a double jeopardy
- 14 idea. And our -- and our opinion in Sanchez
- 15 Valle made it very clear that it was limited to
- 16 that. A much different result if you limit it
- 17 to what's the immediate source.
- 18 MR. WALL: Oh, yes, I don't disagree
- 19 that that's kind of an -- an ad hoc limitation
- 20 that they've thrown on to try to avoid the
- 21 consequences of their view. But just to refine
- 22 what you said a little bit, Justice Sotomayor,
- 23 what -- what I took Justice Kagan's opinion to
- 24 be saying in Sanchez Valle is, look, there are
- other ways you could have defined sovereignty or

- 1 you could have looked at sovereignty, but, if
- 2 we're looking at source of authority, the source
- 3 of authority here flows from federal law.
- Well, their test is a source test.
- 5 Their test is Buckley. Did you get significant
- 6 authority from federal law? So maybe there are
- 7 other tests they could have tried to come up
- 8 with, but theirs is a source test.
- 9 JUSTICE SOTOMAYOR: But you could say
- 10 that about the states. The Constitution is the
- 11 source of their power because the compact with
- 12 the United States -- with -- their very
- 13 existence is dependent on that. But we don't
- define what a state act is or a federal act by
- 15 their original source.
- MR. WALL: Oh, well --
- 17 JUSTICE SOTOMAYOR: We define it by
- 18 who passed the law, the state or the federal
- 19 government.
- MR. WALL: Well, except that under
- 21 their test, and I think under Sanchez Valle,
- 22 you've got to look at where that power flowed
- 23 from, where did you get that authority. And
- 24 they keep saying authority under federal law.
- Okay, well, if that's your test, all of that

- 1 authority, whether with respect to D.C. or the
- 2 territories, flows from federal law.
- And, of course, the problem with the
- 4 test, Justice Sotomayor, is Buckley is a
- 5 significance test. It takes an officer who's
- 6 got concededly federal power and says how
- 7 significant is their power? Are they an
- 8 employee or are they an officer? It's not
- 9 designed to answer the predicate question of,
- 10 well, are they exercising federal power or
- 11 territorial power?
- 12 That's the question that Palmore gets
- 13 at. Is it a D.C. court or is it an Article III
- 14 court? And the only way you know that is by
- 15 asking two questions: One, did Congress invoke
- 16 Article I or did it invoke Article IV? And
- 17 then, two --
- JUSTICE SOTOMAYOR: I've not even --
- 19 MR. WALL: -- did it do anything under
- 20 Article I or Article IV that --
- 21 JUSTICE SOTOMAYOR: Why do you bother
- 22 with the third? If you give the first --
- assuming that, as your adversary said, if
- 24 Congress -- all it has to do is wave a magic
- 25 wand, Article IV, and that that gives

- 1 permission? Obviously not.
- 2 MR. WALL: Oh, it's still got to be --
- 3 it's got -- first, you've got to ask where it
- 4 was trying to put the office. That's the first
- 5 step. And then you've got to ask whether it had
- 6 the constitutional power to do that thing. Did
- 7 it do something under Article I or under Article
- 8 IV that it couldn't do?
- 9 And the very first sentence of the
- 10 court of appeals discussion is no one here has
- 11 claimed that anything in PROMESA extends beyond
- 12 Congress's reach under Article IV.
- 13 And that's true. There's not a word
- in these briefs from Aurelius or UTIER claiming
- 15 that there is any power vested in the Board that
- is not among Congress's plenary power under
- 17 Article IV. That's the end of the analysis, I
- 18 think, correctly understood.
- 19 What was Congress doing? It was
- 20 putting it in the territorial government. Did
- 21 it give it any power it didn't have under
- 22 Article IV? They haven't claimed that it did.
- 23 That under Palmore, I think, is the
- 24 end of the analysis. Congress invoked its
- 25 plenary power. It didn't do anything Article IV

- 1 didn't give it the power to do.
- 2 JUSTICE KAGAN: And, Mr. Wall, what is
- 3 your answer to the question that Justice
- 4 Sotomayor started off with about the difference
- 5 between these Board members and a U.S. attorney?
- 6 MR. WALL: It's the same one that
- 7 Mr. Verrilli gave, which is where you have
- 8 executive officers who are acting under statutes
- 9 of nationwide application, we think that that's
- 10 best understood to be exercising federal --
- 11 JUSTICE KAGAN: How about --
- MR. WALL: -- executive power.
- 13 JUSTICE KAGAN: -- if PROMESA had,
- instead of setting it up the way it did, had
- 15 just -- had amended Chapter 9 of the federal
- 16 bankruptcy laws and said Puerto Rico
- instrumentalities get to use Chapter 9 the way
- 18 everybody else does, then creates the Board to
- 19 do that.
- MR. WALL: Yeah, I --
- JUSTICE KAGAN: What -- what of that?
- 22 MR. WALL: I -- I don't think the form
- of that matters. You're asking the same two
- 24 questions.
- JUSTICE KAGAN: Because there, there

- 1 is a -- I -- I guess what I was suggesting was
- 2 that on -- on that there would be a uniform
- 3 national law.
- 4 MR. WALL: Oh, I -- I think you'd have
- 5 to ask the same two questions. Was Congress
- 6 doing that under the bankruptcy clause in
- 7 Article I or doing it under the Territory Clause
- 8 in Article IV to just create or extend those
- 9 laws to the territory?
- 10 And then did it do -- did it put any
- 11 powers in that office that it couldn't have
- 12 under Article IV. So I think it'd be the same
- answer if, when extending the bankruptcy
- 14 statute, it had said we're extending a similar
- 15 system to Puerto Rico. We're invoking Article
- 16 IV. We are creating this new board to oversee
- these new bankruptcy proceedings. And we are
- 18 putting that in the Puerto Rican government.
- 19 JUSTICE KAGAN: Well, then it doesn't
- 20 seem to have much to do with whether the law is
- 21 nationwide or not, because my hypothetical was
- 22 nationwide law, and you're saying it wouldn't
- 23 matter because Congress said it was using
- 24 Article IV.
- 25 But it's got to be more than --

- 1 MR. WALL: So --
- JUSTICE KAGAN: -- what Congress said,
- 3 right?
- 4 MR. WALL: -- so I -- I think that is
- 5 pressing at exactly the tough question, which
- 6 I'm going to say fortunately is not presented
- 7 here, because it's a territory-specific statute
- 8 and it's only acting in the territory.
- 9 But Palmore does say primarily local.
- 10 And it's a little tough to figure out exactly
- 11 what it means.
- 12 It seems to think that, if you're
- doing the D.C. code most of the time, rather
- than federal statutes most of the time,
- adjudicating, you're local, which seems to point
- 16 up that you can do a little bit of the
- 17 nationwide thing without converting into a
- 18 federal officer.
- 19 And we know that's true of territorial
- 20 judges. That's the best historical example.
- 21 They were hearing matters in the territory, but
- they were adjudicating them under federal law.
- 23 So I think that you're asking a really
- tough question about, well, what does local
- 25 mean? Does it mean you're doing only the local

- 1 matters, or does it go to the geographic scope
- of the statute under which you act?
- I think it's tough. Palmore seems to
- 4 indicate the scope of the statute might matter.
- 5 History seems to indicate it might not if what
- 6 you're doing is local. And, again, all I can
- 7 say is I think this is the easy case because
- 8 here we --
- 9 JUSTICE KAGAN: Although this case --
- 10 MR. WALL: -- check both boxes.
- 11 JUSTICE KAGAN: -- isn't all that
- 12 different from my hypothetical, right, because
- 13 essentially what PROMESA does is it replicates
- 14 all the procedures of Chapter 9. I mean, it's
- 15 not coming up with a new thing.
- MR. WALL: I mean, it -- it's similar
- in most respects, but I actually don't think
- 18 that changes the analysis.
- I mean, when the Detroit mayor walks
- in under Chapter 9 and files for municipal
- 21 bankruptcy, we don't think that simply because
- 22 he has invoked some power granted to him by
- 23 federal law that he becomes a federal officer.
- I mean, here, the Board basically
- 25 represents the Commonwealth. It's almost like

- 1 the debtor. All it does is, if the Commonwealth
- 2 says restructure our debt, it walks in and files
- 3 the petition in federal court.
- 4 It then basically represents the
- 5 debtor, not different from any other state or
- 6 municipality, tries to work out the claims with
- 7 the creditor, and then ultimately Judge Swain
- 8 has to sort out the plan and confirm something
- 9 in the bankruptcy.
- 10 So I don't think in that respect it's
- 11 acting any differently from any state or
- 12 locality that declares under Chapter 9. It's
- 13 still -- under Palmore, it's still focused on
- 14 local matters.
- 15 Everything the Board is doing, it's
- doing in Puerto Rico, which is why I don't think
- they've tried to claim, look, you needed any
- 18 Article I power. All you needed was Article IV.
- 19 JUSTICE KAVANAUGH: Suppose Congress
- 20 invokes Article IV and puts it in the
- 21 territorial government, as it's done here, but
- 22 assigns some matters that -- to pick up on
- 23 Justice Kagan's questions -- are more national
- 24 than local.
- Is the remedy for that problem to say

- 1 that that officer can't perform the more
- 2 national duties, or is the remedy for that to
- 3 say that the -- the office is invalid because
- 4 it's appointed in violation of the Appointments
- 5 Clause?
- 6 MR. WALL: Well, first, Justice
- 7 Kavanaugh, I don't want to -- to grant that that
- 8 office would be unconstitutional. It's
- 9 pressing. It's a tough question Justice Kagan
- 10 was getting at. So what does Palmore mean by
- 11 primarily?
- 12 It seems to leave some room to do
- 13 nationwide or federal things as long as you are
- 14 focused on the territory.
- But if you assume that it's got to be
- 16 exclusive -- a test that I think we meet here --
- 17 I think it's a hard question what the remedy
- would be.
- I think you'd still have the de facto
- 20 officer potentially going --
- 21 JUSTICE KAVANAUGH: Well, I'm asking a
- 22 --
- MR. WALL: -- outside --
- 24 JUSTICE KAVANAUGH: -- different
- 25 question.

1 MR. WALL: -- unless it's an 2 adjudicator. JUSTICE KAVANAUGH: Wouldn't --3 4 wouldn't the officer still be a valid territorial officer but perhaps exercising some 5 6 duties that he or she cannot exercise? 7 MR. WALL: I think that's a potential 8 remedy. We haven't looked at that here. We haven't briefed it. I do think that it kind of 9 10 -- it highlights the oddity of the other side's 11 claim. 12 It's not as if they're pointing to 13 some federal power provision that --14 JUSTICE KAVANAUGH: Well, I think it 15 highlights the difficulty, as Justice Kagan said, at the primarily local, because the word 16 17 "primarily," you were very careful in your brief 18 to have that each time you articulate the test. 19 And I'm not sure how we're supposed to 20 figure that out. 21 MR. WALL: Justice Kavanaugh, I think 22 you need it there. We've known since Cantor in 23 1826 that territorial judges are not federal 24 officers. And yet they are adjudicating cases 25 under federal law. They had general federal

- 1 jurisdiction, just like state courts. It -- it
- 2 was exclusive until 1875.
- 3 So I think you've got to have some
- 4 primary test in there. I think you're going to
- 5 have difficult cases at the margins. And all I
- 6 can fall back on is this is not a difficult case
- 7 because, here, there's nothing in PROMESA that
- 8 needed to be an exercise of Article I. By its
- 9 terms, it is limited to the territory.
- 10 It's not as if they can point you to
- 11 some federal provisions of PROMESA that grant
- 12 the federal power that you could just excise.
- 13 It says represent the Commonwealth in the
- 14 following ways. And -- and I do -- I do -- and
- 15 I think this is the best way to capture it.
- 16 Congress could have given these powers
- 17 to the governor and the legislature. They'd
- 18 already -- they already had many of them. They
- 19 could adjust debt. They could propose budgets
- 20 and fiscal plans. The governor otherwise would
- 21 have represented the Commonwealth in the Title
- 22 III proceedings.
- 23 If they had created the Title III
- 24 proceeding but not otherwise specified that the
- 25 Board would play a role, and the governor had

- filed this petition, I don't think anyone
- 2 believes that would have converted the governor
- 3 into a federal officer, any more than the mayor
- 4 of Detroit or anybody else.
- 5 To say just a quick word on the -- on
- 6 the -- on the remedy. As we tried to say, I
- 7 think there are two things at play, the de facto
- 8 officer doctrine, to ensure you have not applied
- 9 it to adjudicators, that's Ryder, but you have
- 10 more than a dozen cases applying it to
- 11 legislative and executive bodies, that's
- 12 Buckley.
- This is an executive body that's not
- 14 doing adjudication. Right? So I think it falls
- 15 squarely within that -- it -- that set of cases.
- 16 And, indeed, I think it's sort of the classic
- 17 case for that, given the immense reliance
- interests that have been built up on the Board
- 19 over the next three years, going forward,
- 20 everybody agrees we need a stay in order to
- 21 confirm a new Board, if you decide we're wrong
- 22 on the merits. I think the right model there is
- 23 Northern Pipeline. That was six months. Same
- 24 thing here.
- 25 You've got to get them out of

- 1 committee. You've got to get them through the
- 2 floor. They're going to have to do some amount
- of ratification. And then they're going to have
- 4 to act going forward.
- At a minimum, though, I'd say we need
- 6 three months with the ability to come back and
- 7 report progress just like what we did in the
- 8 First Circuit, because we've got to allow
- 9 Congress and then the Board some time to -- to
- 10 act.
- If the Board is shut down in Puerto
- 12 Rico, I do think it imperils a process on which
- we have made really substantial gains in the
- last three years in trying to stabilize the
- island's finances. And I can't stress to the
- 16 Court how important it is that the Board be
- 17 allowed to continue to do that work.
- 18 Thank you.
- 19 CHIEF JUSTICE ROBERTS: Thank you,
- 20 General.
- 21 Mr. Olson.
- 22 ORAL ARGUMENT OF THEODORE B. OLSON
- ON BEHALF OF AURELIUS INVESTMENT, LLC, ET AL.
- MR. OLSON: Thank you, Mr. Chief
- 25 Justice, and may it please the Court:

1	In Federalist 48, James Madison
2	anticipated what Congress attempted to do with
3	the PROMESA oversight board, masking under
4	complicated and indirect measures its
5	encroachment on coordinate departments. Drawing
6	all power into its impetuous vortex, he urged
7	all precautions against the enterprising
8	ambition of this department.
9	PROMESA was a response to a national
10	financial crisis affecting millions of American
11	citizens, including 3 million citizens, American
12	citizens, in Puerto Rico.
13	The PROMESA Board is appointed,
14	supervised, and removable by the President of
15	the United States, reports regularly on its
16	budget and decisions to federal officials, and
17	makes recommendations it's required to do so
18	under the statute for changes in PROMESA and
19	other federal laws other federal laws.
20	It presides over the largest municipal
21	bankruptcy proceeding in United States history,
22	managing over 100 billion dollars in
23	indebtedness, 165,000 claims, including over 200
24	claw-back actions, lawsuits against major
25	financial institutions, in a proceeding in an

- 1 Article III district court designated by the
- 2 Chief Justice of the United States.
- 3 The Board was effectively chosen --
- 4 these are the words of the congressional
- 5 committee -- effectively chosen by members of
- 6 Congress, all without the advice and consent of
- 7 the Senate.
- 8 The Appointments Clause is central to
- 9 the separation of powers, without which, in the
- 10 words of the framers, we have the very
- 11 definition of tyranny. It was a response to the
- 12 most insidious and powerful weapon of
- 13 18th-century despots.
- 14 JUSTICE KAVANAUGH: If the Board were
- 15 elected, would it be constitutional?
- MR. OLSON: No, it would not be
- 17 constitutional because -- how -- and -- and --
- JUSTICE KAVANAUGH: Doesn't that mean
- 19 the Puerto Rico governor election is
- 20 unconstitutional as well then?
- MR. OLSON: No, because the Puerto
- 22 Rican authorities that are given to the Puerto
- 23 Rican governor and under the Puerto Rican
- legislature are primarily local activities. I
- just described what the PROMESA's Board powers

- 1 are. They are national in scope. They bring
- 2 cases in federal court against U.S. citizens.
- 3 They conduct an extensive investigation of the
- 4 oversight -- over the underwriting practices,
- 5 the bond rating situation with respect to
- 6 this --
- 7 JUSTICE GINSBURG: All on behalf of
- 8 Puerto Rico and its people and its agencies.
- 9 The Board is instructed to act not on behalf of
- 10 the United States but on behalf of Puerto Rico
- in pressing these claims?
- MR. OLSON: Justice Ginsburg, it is
- 13 not on behalf of Puerto Rico. It is not an
- 14 internal Puerto Rican operation. It is an
- 15 oversight board.
- This Board has the power to prescribe
- 17 a budget for Puerto Rico. It has the power to
- 18 veto decisions of the governor of Puerto Rico
- 19 and the legislature of Puerto Rico. It has the
- 20 power and has sued the governor of Puerto Rico
- 21 and government -- Puerto Rican officials. It's
- 22 called an oversight board because it is not
- 23 internal to Puerto Rico. It --
- 24 CHIEF JUSTICE ROBERTS: Well, but its
- 25 oversight concerns -- every sentence you just

- 1 said there, it's of Puerto Rico, of Puerto Rico.
- 2 Its focus is on Puerto Rico.
- 3 Yes, the activities, as things in any
- 4 of the territories often do, has broader impact.
- 5 I get -- I'll get back to the question I asked
- 6 your friend, Mr. Verrilli.
- 7 What if we -- I mean, I think it's
- 8 very artificial to look at this and say, is this
- 9 local or is this national? It obviously is some
- of each, or even the local aspects certainly
- 11 have national implications.
- So, again, I mean, where -- where do
- 13 we -- I know what your answer is, but you could
- 14 explain it. What do you do with -- what -- what
- do I do if I view it as some of each?
- MR. OLSON: Well, it is overwhelmingly
- a federal problem dealing with a federal issue.
- 18 In the -- in the Limtiaco case just in 2007,
- 19 with an issue involving insolvency or potential
- 20 insolvency of Guam, this Court said this is not
- 21 a local problem. This is the -- the insolvency
- of a territory is a national -- is a national
- 23 issue. It's a federal issue.
- 24 The concern of the United States --
- 25 this is in a sense a little bit like the Lebron

- 1 case or other cases where this Court has said
- 2 the Congress is dealing with a significant
- 3 federal problem. It has come up with a federal
- 4 solution and has given this Board powers over
- 5 citizens all over the United States.
- 6 JUSTICE KAVANAUGH: But I think the
- 7 response on the other side is that they've taken
- 8 some of the powers and responsibilities that
- 9 belonged to the governor and to the legislature
- and given them to the Board, and the governor,
- 11 as you acknowledged, is elected, not appointed
- 12 consistent with the Appointments Clause.
- So is that wrong that they've taken
- 14 the powers from the governor and legislature and
- 15 given them to the Board?
- 16 MR. OLSON: They've taken all of the
- 17 powers with respect to the financial situation
- in Puerto Rico and given it to the
- 19 federal-created Board, which is appointed by the
- 20 President, removable by the President, and has
- 21 supervisorial authorities under the -- the very
- 22 statute --
- JUSTICE GORSUCH: But, Mr. Olson, I --
- 24 I think the question is --
- JUSTICE ALITO: Mr. Olson --

1 JUSTICE GORSUCH: -- if, but for this 2 statute --JUSTICE KAVANAUGH: Right. 3 4 JUSTICE GORSUCH: -- who would -- who 5 would be doing these activities? And if it 6 would be the governor of Puerto Rico --7 MR. OLSON: The governor --8 JUSTICE GORSUCH: -- then doesn't that 9 tell us something? 10 MR. OLSON: The governor of Puerto 11 Rico does not have the power to do these 12 activities. JUSTICE GORSUCH: I understand that. 13 14 But for this statute, who would? Wouldn't it be 15 the governor? That's what --16 MR. OLSON: No. 17 JUSTICE GORSUCH: -- that's what your 18 colleagues --19 MR. OLSON: But for the statute, this 20 authority to do --21 JUSTICE GORSUCH: That's what your 22 colleagues suggest. 23 MR. OLSON: Well --JUSTICE GORSUCH: And is -- if that's 24 25 erroneous, could you direct us to what -- who

- 1 would do it but for the statute?
- 2 MR. OLSON: The statute was created
- 3 because the -- the governor of Puerto Rico --
- 4 and there was no authority for officials in
- 5 Puerto Rico to do these responsibilities, to
- 6 bring these actions -- these actions against
- 7 financial institutions in the mainland, to bring
- 8 -- to overturn the budget, to do these various
- 9 things, to bring suit against the governor
- 10 himself.
- JUSTICE BREYER: Why couldn't they?
- 12 Why couldn't they? They'd pass a law, a Puerto
- Rican law, which would give them authority to do
- 14 it.
- MR. OLSON: They -- they would not
- 16 have the power to have the reach that this
- 17 PROMESA --
- 18 JUSTICE BREYER: What? Give me an
- 19 example. I mean, if the legislature and
- 20 governor wanted to do it, they would pass a law.
- 21 They would represent Puerto Rico in the
- 22 bankruptcy proceeding.
- MR. OLSON: Well --
- 24 JUSTICE BREYER: They would -- they
- would take care of the problem.

1 MR. OLSON: That case was before this 2 Court just a couple of years ago. JUSTICE BREYER: Right. 3 MR. OLSON: The -- the case involving 4 5 whether or not Puerto Rico could use the 6 bankruptcy statutes to do --7 JUSTICE BREYER: No, no, no, I'm 8 saying we set up a -- what I think you're being 9 asked by several of us is: Look at all the 10 powers that the -- that the Board has. Aren't they powers that the Puerto Rican government 11 12 could exercise if it had the legislative and 13 gubernatorial will? MR. OLSON: I submit --14 15 JUSTICE BREYER: Which one couldn't it? 16 17 MR. OLSON: I think virtually all of them, Justice Breyer. This is a long statute 18 19 prescribing an enormous range of powers, given the ability to overturn decisions of the 20 governor, to reverse --21 22 JUSTICE BREYER: You know, I 23 understand that, but I don't want to repeat my 24 question. You see what my question was? 25 MR. OLSON: I do see what your --

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                JUSTICE SOTOMAYOR: Mr. Olson, I think
 2
      the basic question, if I can simplify it, I
 3
      believe, is couldn't the governor of Puerto Rico
 4
      and the legislature have created their own
5
      fiscal rescue plan? Yes. Correct?
6
                MR. OLSON: No, I don't believe so. I
7
      think --
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                JUSTICE SOTOMAYOR: Why?
9
                MR. OLSON: -- that was the case that
10
      would give the authority to adjust debts, to
      accommodate the various different creditors,
11
12
      to -- to --
13
                JUSTICE SOTOMAYOR: Oh, you're talking
      about -- we are -- okay. I guess your intention
14
      is that without PROMESA, the bankruptcy law
15
      wouldn't have changed to permit Puerto Rico --
16
17
                MR. OLSON: It -- it would --
18
                JUSTICE SOTOMAYOR: -- to file --
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               MR. OLSON: -- it would not.
20
                JUSTICE SOTOMAYOR: -- its action --
                MR. OLSON: And this statute --
21
22
                JUSTICE SOTOMAYOR: -- so --
23
                MR. OLSON: -- went far beyond the
24
      bankruptcy powers. The powers that are given to
25
      this Board are vastly greater than powers that
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1 are available on the --2 JUSTICE ALITO: Mr. Olson --3 JUSTICE SOTOMAYOR: So what you're basically saying is, without this federal law 4 creating the structure, the structure itself 5 6 couldn't exist under existing law? 7 MR. OLSON: That's correct. 8 CHIEF JUSTICE ROBERTS: Justice Alito. 9 JUSTICE SOTOMAYOR: So the legislature 10 couldn't do it? 11 MR. OLSON: That's correct. 12 JUSTICE ALITO: Mr. Olson, are you and 13 your client here just to defend the integrity of 14 the Constitution, or would one be excessively cynical to think that something else is involved 15 here involving money? And, if so, what is it? 16 17 What did the Board do that hurt your client? 18 MR. OLSON: Well, with -- my -- aside 19 from the constitutional right to an officer --20 JUSTICE ALITO: Well, I mean, are you -- are you and Aurelius here just as -- as amici 21 to defend the Constitution, or do you have some 22 23 kind of a concrete grievance? 24 MR. OLSON: The process is not 25 complete, Justice Alito. The process is

- 1 ongoing. My client is being subjected to a
- 2 process that is governed by officials that were
- 3 appointed in violation of the separation of
- 4 powers.
- 5 So that sense, it isn't complete. We
- 6 can't describe the degree to which someone might
- 7 have been hurt. But the Court's -- this Court's
- 8 said over and over again that it's fundamental
- 9 that an officer of the United States must be
- 10 appointed pursuant to the Appointments Clause.
- 11 That is fundamental to the separation of powers,
- 12 which is fundamental to the Constitution --
- JUSTICE ALITO: I mean, you don't have
- to answer this if you don't want to, but there
- is no money issue involved here?
- 16 (Laughter.)
- 17 MR. OLSON: Of course, there -- of
- 18 course, there --
- 19 JUSTICE ALITO: Well, what is it?
- MR. OLSON: There's over --
- 21 JUSTICE ALITO: I'd just like to know
- 22 what -- this is a real case. I'd like to know
- what's really going on here.
- MR. OLSON: Well, there's -- there's
- over 100 billion dollars of indebtedness being

- 1 adjudicated in various procedures, a lot of
- 2 which is --
- JUSTICE ALITO: Right, and your client
- 4 wants more of it and somebody else you think is
- 5 getting too much. So what is it exactly? If
- 6 you want to answer. If not --
- 7 MR. OLSON: We can't -- we can't
- 8 possibly answer that. There are these
- 9 extraordinarily large claims which the governor
- 10 -- which the agencies of Puerto Rico have
- 11 defaulted on, have not been able to pay these
- 12 claims.
- So, yes, you're right. Of course, it
- involves a lot of money. And the money is in a
- process that's being adjudicated by a federal
- district judge appointed by the Chief Justice of
- 17 the United States.
- 18 JUSTICE GINSBURG: Didn't your client
- 19 acquiesce in some settlement?
- 20 MR. OLSON: There was a settlement of
- 21 one small piece of it that was -- that had
- 22 nothing to do with -- at no time did my clients
- 23 relinquish their constitutional claims or recede
- 24 from them in any way.
- 25 There was a small settlement with

1 respect to a taxing authority where the sales 2 tax went into an agency. And that part of it has been resolved. And we've agreed not to 3 4 challenge -- my clients have agreed not to 5 challenge that settlement in any way. 6 So that's a bit of a --JUSTICE KAGAN: Mr. Olson --7 8 JUSTICE GINSBURG: But this one you 9 have agreed to challenge, and why, you are 10 challenging? 11 MR. OLSON: Pardon? 12 JUSTICE GINSBURG: What is the 13 difference between what you agreed to and you're 14 not challenging and now what you're challenging? 15 MR. OLSON: What we're challenging is the remaining part of the procedure, which is 16 the giant part of it. This is a small piece of 17 18 it that was settled in some way and -- and there 19 was really basically no choice because the Board 20 was ongoing and a settlement was reached with respect to a small segment of the resources. 21 22 But in no way did my clients 23 relinquish its constitutional rights to an 24 appointment under the Appointments Clause. 25 JUSTICE KAGAN: Mr. Olson --

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                JUSTICE BREYER: I see that, and I
 2
      wanted to ask you a question --
                JUSTICE GINSBURG: One thing -- there
 3
 4
      was one thing that --
                JUSTICE BREYER: -- that I think you
 5
6
      may --
7
                CHIEF JUSTICE ROBERTS: I'm sorry.
8
      Justice Ginsburg?
9
                JUSTICE GINSBURG: -- that -- that
10
      confuses me about your presentation, because you
      start out very strongly that the evil here is
11
12
      Congress aggrandizing itself, Congress
13
      aggrandizing itself at the executive's expense.
14
                How about the member of the Board
15
      that's appointed by the President alone? There
      can't be any question of Congress aggrandizing
16
17
      itself. Congress has given the President alone
18
      that authority.
19
                So would it be unconstitutional in
20
      your view if all of the members were appointed
      by the President and not subject to the advice
21
22
      and consent?
23
                I don't get how that --
24
                MR. OLSON: They would -- they --
25
      these are principal officers of the United
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- 1 States, not inferior officers. Therefore,
- 2 principal officers under the Constitution must
- 3 be appointed, nominated by the President --
- 4 JUSTICE GINSBURG: But what does that
- 5 have to do with Congress aggrandizing itself at
- 6 the executive's expense?
- 7 MR. OLSON: Well, the -- the -- they
- 8 -- the President appointed one without advice
- 9 and consent of the Senate. That violates the
- 10 Appointments Clause. The other were pursuant to
- 11 lists --
- JUSTICE GINSBURG: How about the D.C.
- Control Board, where they're all appointed --
- MR. OLSON: Well, there's --
- 15 JUSTICE GINSBURG: -- by the
- 16 President?
- 17 MR. OLSON: -- that has never been
- 18 adjudicated. The government itself in
- 19 connection with the D.C. Control Board took the
- 20 position in an Office of Legal Counsel opinion
- 21 that that was a federal agency.
- There has never been a resolution of
- 23 that. The D.C. Control Board has vastly more
- limited powers with respect to local matters.
- 25 And our -- our opponents bring up and

- 1 rely on the Palmore case, which had nothing to
- do with the Appointments Clause. It wasn't an
- 3 adjudication or wasn't --
- 4 JUSTICE KAVANAUGH: They bring up --
- 5 MR. OLSON: -- a discussion of --
- 6 JUSTICE KAVANAUGH: Excuse me. They
- 7 bring up home rule more generally. And that's
- 8 of serious concern here, is if you were to
- 9 prevail here, what would that do for home rule
- and the territories with elected governors?
- 11 What would it do for the District of Columbia
- 12 with the elected mayor, city council, the
- judges' appointments?
- How, if you were to prevail here,
- 15 would the line be drawn so that it does not
- 16 affect home rule?
- 17 MR. OLSON: It would not affect home
- 18 rule at all. Now people might make the argument
- 19 that PROMESA itself affected in some way because
- 20 it took over the responsibility of the -- of the
- 21 Puerto Rican officials to set financial
- 22 conditions, establish a budget -- budget, and
- 23 all of those things.
- 24 But the outcome in favor of my clients
- in this case would simply mean that the same

- 1 officials would be appointed pursuant to the
- 2 Constitution. It wouldn't change home rule.
- 3 All of the cases that we've relied upon --
- 4 JUSTICE KAVANAUGH: But wouldn't it
- 5 require that similar officials -- maybe I'm not
- 6 understanding -- in the territories who exercise
- 7 territorial power, but also affect national
- 8 power?
- 9 MR. OLSON: What -- what -- I think
- 10 the issue might be primarily federal power or
- 11 versus primarily local.
- 12 The Palmore case itself, which our
- opponents rely on repeatedly, says in that
- opinion those were primarily or exclusively or
- 15 largely -- there are various different
- 16 adjectives used in that opinion -- local D.C.
- 17 criminal proceedings, criminal law under the
- 18 laws of the District of Columbia.
- 19 And this Court has repeatedly likened
- 20 the power that can be exercised in the
- 21 territories under the territorial clause or
- 22 under the clause that gives power over the
- 23 District of Columbia local territorial matters,
- 24 the type of authority that may be given by a
- 25 state to a local municipality.

- 1 JUSTICE GINSBURG: Congress enacts the 2 D.C. code, right? The D.C. code is enacted by 3 Congress? MR. OLSON: Yes, although -- well, 4 5 there is -- it's changed over time. But -- but 6 at -- at a certain point in time, yes. But --7 but the fact is that there is a difference 8 between primarily local authority, and that's 9 discussed in the -- in the Palmore case. 10 reason that those --11 JUSTICE KAGAN: So -- so that does 12 sound like the test that is being used by Mr. Verrilli and Mr. Wall. I mean, they've said 13 14 that your test is kind of malleable. 15 And I guess what I'd like, what is 16 your test? 17 MR. OLSON: The test -- my test is this Court's test, which was articulated in the
- 18
- 19 Buckley case, again in the -- in the --
- 20 JUSTICE KAGAN: But you know what --
- what struck me --21
- 22 OLSON: -- in the Lucia case.
- 23 JUSTICE KAGAN: -- what struck me when
- 24 I read that, when I read your brief, the Buckley
- 25 test is significant authority pursuant to the

- 1 laws of the United States. I guess what struck
- 2 me was that in many -- on many occasions you
- 3 modified that test in your brief.
- 4 You said significant federal authority
- 5 pursuant to the laws of the United States. And
- 6 when you do that, it strikes me that you're
- 7 coming actually pretty close, I mean, and if you
- 8 agree on a test, that seems not a bad thing. It
- 9 seems as though, when you say significant
- 10 federal authority, you're coming pretty close to
- 11 what Mr. Wall and Mr. Verrilli have proposed.
- 12 MR. OLSON: Well, we looked at each of
- 13 the cases that are cited both in our briefs and
- our opponents' briefs, including the United
- 15 States' briefs.
- 16 The -- it is -- it is -- and it's the
- 17 test of this Court, not just in the Buckley
- 18 case, but as -- as recently -- as recently as a
- 19 couple years ago in the Lucia case. It's the
- 20 same case.
- 21 JUSTICE KAGAN: Right, but always --
- 22 always to distinguish between officers and
- 23 employees. And what I'm suggesting is that when
- 24 you apply it to this situation, your own briefs
- 25 modify the test by talking about federal

- 1 authority and implicitly comparing federal
- 2 authority to local authority.
- MR. OLSON: And we acknowledge that,
- 4 that with respect to the test that this Court
- 5 articulated, repeatedly, Lucia was just the last
- 6 time it did, that authority under the laws of
- 7 the United States has always accepted the -- the
- 8 purely local authority that's been exercised in
- 9 the territories.
- 10 JUSTICE KAVANAUGH: So if it's --
- 11 MR. OLSON: There's also exceptions
- for transitional governments. The Philippines,
- 13 for example. There was a local government and
- 14 then it was replaced --
- JUSTICE GORSUCH: Mr. Olson, I'm --
- 16 I'm confused. I honestly don't understand what
- 17 the difference between your test and the
- 18 government's test is in this case.
- 19 If you could articulate that in a few
- 20 sentences, I'd be grateful.
- MR. OLSON: The test is --
- 22 JUSTICE GORSUCH: The difference
- 23 between the two tests.
- MR. OLSON: Well, the difference
- 25 between the two is that we believe, and what --

- 1 what this Court has taught us, that if you're
- 2 exercising significant authority under the laws
- 3 of the United States, the laws enacted by
- 4 Congress with respect to the government, affairs
- of the federal government, as opposed to purely
- 6 local municipal, the -- the speed limits, the
- 7 zoning --
- 8 JUSTICE GORSUCH: I understand -- I
- 9 understand the test. My question is, what's the
- difference between that and the question asking
- 11 whether the individual or the Board is acting
- 12 primarily locally or primarily nationally?
- MR. OLSON: It --
- 14 JUSTICE GORSUCH: What's the
- 15 difference? What's the delta?
- MR. OLSON: The -- the delta is, is
- 17 something that is a municipal matter, is it --
- 18 have to do with local affairs, speed limits,
- 19 zoning, and things of that nature, as opposed to
- 20 federal statutes that deal with a national
- 21 crisis.
- 22 This was a national crisis, a national
- 23 --
- JUSTICE GORSUCH: Could I rephrase
- 25 that as asking whether the Board was acting

1 primarily locally or primarily nationally? MR. OLSON: It is -- the Board is 2 acting primarily nationally. 3 4 JUSTICE GORSUCH: Okay. So we do 5 agree on a test then? 6 MR. OLSON: Pardon me? JUSTICE GORSUCH: So then we do agree 7 8 on the test, right, whether the Board was acting 9 primarily locally or primarily nationally? 10 MR. OLSON: Well, that part of it, 11 yes. 12 JUSTICE GORSUCH: Okay. MR. OLSON: Because those -- what this 13 14 Court has said repeatedly is that, where there 15 is local municipal authority, Congress has the power under Article IV to give government and --16 17 and regulate the affairs in municipalities. 18 JUSTICE KAVANAUGH: So if it's 19 primarily --JUSTICE SOTOMAYOR: Mr. Olson --20 21 MR. OLSON: As --22 JUSTICE SOTOMAYOR: -- I don't want 23 you to ignore the de facto officer. But just to 24 finish this, there's this nuance between you and

your adversaries on are you dealing primarily

- 1 with a local matter?
- 2 And they would say dealing with a
- 3 budget, dealing with running the government,
- 4 that's all local.
- 5 You are attempting to say something
- 6 different, but I'm not sure what that difference
- 7 is, because, when they use the words primarily
- 8 local matters, that's the way I understand them
- 9 to be using it.
- 10 MR. OLSON: The -- the test --
- JUSTICE SOTOMAYOR: They -- they can
- obviously correct me if I'm wrong.
- MR. OLSON: Well --
- JUSTICE SOTOMAYOR: But they're saying
- this Board is dealing with primarily local
- 16 matters because it's dealing primarily with a
- 17 budget and with --
- MR. OLSON: And that's not --
- 19 JUSTICE SOTOMAYOR: That -- that --
- 20 that's -- okay.
- 21 MR. OLSON: With all due respect, you
- 22 cannot say that at the same time that you've
- 23 read the PROMESA statute itself. And this Court
- 24 --
- JUSTICE SOTOMAYOR: Well, I -- I've

- 1 read it, but that doesn't mean I know what
- 2 you're referring to.
- 3 Could you succinctly make the -- the
- 4 difference between how you view primarily
- 5 dealing with --
- 6 MR. OLSON: Well --
- 7 JUSTICE SOTOMAYOR: -- in your way and
- 8 the way the other side does?
- 9 MR. OLSON: -- the insolvency of a
- 10 territory of the United States is not a local
- 11 matter. That's what this Court said in the
- 12 Limtiaco case in 2007. The -- and -- and that's
- 13 what Congress was saying when it was dealing
- 14 with the enactment of this statute.
- We have a fiscal catastrophe, a
- 16 humanitarian crisis involving millions of
- 17 citizens, 3 million American citizens in Puerto
- 18 Rico, but citizens all over the United States
- who are owed money by the government of Puerto
- 20 Rico or agencies of the government of Puerto --
- JUSTICE SOTOMAYOR: So, Mr. Olson --
- 22 MR. OLSON: -- Rico.
- 23 CHIEF JUSTICE ROBERTS: Counsel, it's
- 24 just then -- it -- it's just a question of size.
- I mean, if the same thing, we're talking about

- 1 not Puerto Rico, but Ponce -- see, I don't know
- 2 the pronunciation -- Puerto Rico, your position
- 3 would be different? Or a county in Puerto Rico?
- 4 MR. OLSON: I think that it's possible
- 5 that you could find a fiscal insolvency
- 6 situation of a small enough unit of a -- of a
- 7 portion of Puerto Rico where you wouldn't be
- 8 talking about this, but Guam, which is what this
- 9 Court talked about in that case, Limtiaco case,
- was 1/400th the size of Puerto Rico, involving
- 11 that tiny fraction of the significance of Puerto
- 12 Rico.
- We're talking here about not just the
- 14 size but the dimension of the problem, the
- 15 number of citizens that are involved, the number
- of creditors' claims, over 200 claw-back claims
- 17 against financial institutions throughout the
- 18 United States that are being pursued in federal
- 19 court.
- 20 This is a --
- 21 JUSTICE KAGAN: So would it be right
- 22 to say, Mr. Olson, that you view this statute as
- essentially a statute about debt restructuring?
- 24 I mean, it has other aspects and the Board does
- other things and oversees Puerto Rican budgets

- 1 going forward, but you're saying that what we
- 2 should do is look at the statute and say it's
- 3 about restructuring a bankrupt territory's debt
- 4 and that that has to be viewed as national? Is
- 5 that the theory?
- 6 MR. OLSON: Well, that is part of the
- 7 theory. And as -- as the United States
- 8 repeatedly said with respect to, in the Freytag
- 9 case, the deputy solicitor general was asked a
- 10 question about what if the governor of Puerto
- 11 Rico was appointed by Congress or a federal
- official? And the response from the federal
- government was that would invoke in every case
- 14 the Appointments Clause.
- 15 CHIEF JUSTICE ROBERTS: Did that
- 16 deputy solicitor general prevail on that
- 17 position?
- 18 (Laughter.)
- 19 MR. OLSON: That deputy solicitor
- 20 general made a beautiful argument, Mr. Chief
- 21 Justice.
- 22 (Laughter.)
- MR. OLSON: And -- and fortunately for
- 24 him --
- 25 CHIEF JUSTICE ROBERTS: A beautiful

- 1 losing argument.
- 2 MR. OLSON: -- the Court did not
- 3 decide that precise case. But that -- but that
- 4 argument that was made is the same argument that
- 5 the United States has made in 22 OLC in 1978,
- 6 when it was talking about Guam, in 31 OLC in the
- 7 brief in the Hechinger case, which was the
- 8 follow-on to the Metropolitan Washington
- 9 Authority's case, that was a very, very
- 10 important case.
- 11 JUSTICE KAVANAUGH: If we conclude
- that the powers and duties here are primarily
- 13 local -- and I know you disagree -- but, if we
- 14 conclude that, do you lose?
- MR. OLSON: The -- I suspect that if
- 16 there's -- if there's an agency in Puerto Rico
- that's dealing with purely local problems, like
- 18 the --
- JUSTICE KAVANAUGH: You keep --
- 20 MR. OLSON: -- like the article --
- 21 JUSTICE KAVANAUGH: -- you keep saying
- 22 -- I'm sorry to interrupt. You keep saying
- 23 "purely local."
- MR. OLSON: Well, primarily, I'll --
- JUSTICE KAVANAUGH: Okay.

1 MR. OLSON: -- accept that, primarily. 2 JUSTICE KAVANAUGH: There's a big difference between --3 MR. OLSON: Well, there's a big -- it 4 5 may be a big difference and it may be important 6 in this case. Palmore case was talking about relative -- it wasn't purely local, but it was 7 8 primarily local. The Court used exclusively, but I think the Court meant in the Palmore case 9 10 those courts that were dealing with problems in the District of Columbia involving District of 11 12 Columbia criminal laws. 13 So if your -- the focus is on that, of 14 course, there are state officials that can 15 enforce federal law. That's always been the case from the beginning of the Constitution. 16 17 it is primarily what's being involved here. 18 This is the -- the Congressional 19 Budget Office itself looked at this particular statute and said this is a federal office. 20 21 Lebron case that looked at Amtrak --22 JUSTICE KAVANAUGH: Can I just try the 23 question again? If we conclude it's primarily 24 local, do you have an alternative argument or do 25 you lose?

1 MR. OLSON: Well, I don't -- I don't -- I think that it can't conceivably be thought 2 of as primarily local given the scope of the 3 authority, but I'm imagining a hypothetical 4 5 situation where you might have a small unit of 6 -- of government, a subdivision of Puerto Rico that was purely a municipal problem, yes, that 7 8 could be a -- that could not invoke the 9 Appointments Clause, but --10 JUSTICE SOTOMAYOR: Mr. Olson, don't lose the de facto officer argument. 11 12 MR. OLSON: Yes. The de facto -- this Court decided 24 years ago unanimously, in an 13 14 opinion by -- written by the then Chief Justice, 15 that when there is a decision, a challenge, a 16 timely challenge to an Appointments Clause 17 violation, one who makes -- to use the words of 18 that Court -- one who makes a timely challenge 19 to the constitutional validity of the 20 appointment of an officer who adjudicates his case and, legislative or adjudicative -- these 21 22 are Article I issues, so there really isn't any 23 difference there -- is entitled to a decision on 24 the merits and whatever relief may be 25 appropriate.

1	I heard the government say just a few
2	minutes ago that we've done all these things,
3	we've made all those decisions, so put the
4	Constitution aside, let us continue to do it.
5	Let us have the fruits of the decisions that we
6	made with unconstitutional officers who could
7	never have even filed
8	JUSTICE SOTOMAYOR: I think that they
9	are making a distinction between adjudicatory
LO	and legislative decisions.
L1	MR. OLSON: I don't think that
L2	JUSTICE SOTOMAYOR: They seem to be
L3	saying that when it comes to legislative
L4	officers, that we have applied the de facto
L5	officer status. In more recent times, you're
L6	absolutely right, with adjudicatory officers, we
L7	have said no, you have to give people a new
L8	hearing.
L9	So deal with that distinction
20	MR. OLSON: Well
21	JUSTICE SOTOMAYOR: and deal with
22	why that's wrong.
23	MR. OLSON: I don't think that
24	there is a valid distinction in in a vacuum
25	hetween an adjudicatory process. Look at the

- 1 Lucia case, was an Administrative Law Judge that
- 2 was exercising what the Court perceived as
- 3 partially adjudicative problems, but also
- 4 conducting Article I activities, enforcing the
- 5 laws of the United States.
- 6 And this agency has that same
- 7 authority. It overlaps both.
- 8 JUSTICE GINSBURG: But the Ryder case,
- 9 on which you placed such reliance, it -- it was
- 10 qualified. It said the defendant could object
- 11 to the mode of appointment of a judge who
- 12 adjudicates his case. And this Board is not
- 13 adjudicating any cases. The -- the federal
- 14 district court is.
- 15 MR. OLSON: Justice Ginsburg, I would
- 16 submit that the -- this Board is both
- adjudicating and enforcing the laws in the same
- sense, and has many of the same powers that the
- 19 administrative law judge had in the Lucia case,
- and so that that distinction simply doesn't hold
- 21 up.
- JUSTICE GINSBURG: It was acting on
- 23 behalf of the debtor agency in Puerto Rico.
- 24 They -- it's acting as a kind of a petitioner.
- 25 It's not an adjudicator.

1 MR. OLSON: That's one of the -- one 2 small part of what PROMESA does. That has to do with 165,000 claims. It doesn't have to do with 3 overturning the -- the budget, changing the 4 financial structure of Puerto Rico, suing in --5 6 in federal courts citizens of the United States outside of Puerto Rico in connection with 7 8 financial claims, claw-back claims, they call them in the financial insolvency concept. 9 10 If one were to look at all of the authorities, and I was -- have to finish with 11 12 the point that these officials are appointed by the President of the United States, an officer 13 14 of the United States, removable by the 15 President, and that what this Court said in the Bowsher case, that means that that's the 16 17 official that they must fear and therefore obey, 18 and is supervised in Section 2148, 2121, 2127, 19 2143. These are reports, recommendations, 20 responsibilities that the oversight board must 21 22 constantly give to officials of the United 23 States and, therefore, supervision. 24 CHIEF JUSTICE ROBERTS: Thank you, 25 counsel.

1	Ms. Mendez-Colberg.
2	ORAL ARGUMENT OF JESSICA E.
3	MENDEZ-COLBERG ON BEHALF OF UTIER
4	MS. MENDEZ-COLBERG: Mr. Chief
5	Justice, and may it please the Court:
6	I would like to address the issue of
7	the Insular Cases, the remedy, and also some of
8	the questions the questions of the Court.
9	If we stand in front of this building,
10	we will see the words "equal justice under law."
11	The Insular Cases stretch that tenet into its
12	breaking point. The court-made doctrine of
13	territorial incorporation means that when my
14	client, and even myself, return to Puerto Rico,
15	we will have a lesser set of constitutional
16	rights than what we have standing here today.
17	On the other hand, the First Circuit
18	decided that my clients suffered a
19	constitutional injury, but still they were left
20	without a remedy. Equal justice under law
21	should mean the same thing here in D.C. than in
22	Puerto Rico.
23	It should reject ideas grounded on
24	class it should reject classifications
25	grounded in ideas of alien races and savage

- 1 people. It should also mean that when there is
- 2 a constitutional injury, justice requires a
- 3 remedy.
- 4 Now, in this case, the -- the First
- 5 Circuit stated correctly that the Insular Cases
- 6 hover like a dark cloud over this case. And it
- 7 is true, because the opposing parties have been
- 8 relying on the Insular Cases since the beginning
- 9 of the proceedings to establish that even the
- 10 structural provisions of the Constitution don't
- 11 apply to the people of Puerto Rico because --
- 12 JUSTICE BREYER: I think here --
- 13 CHIEF JUSTICE ROBERTS: I understood
- 14 --
- JUSTICE BREYER: -- everybody was --
- 16 everybody was agreeing that the Article I --
- 17 Article II does apply. And so whether you have
- 18 the Insular Cases or not, and I agree they're a
- 19 dark cloud, but the -- the -- it doesn't
- 20 matter here because the provision of the
- 21 Constitution does apply.
- 22 And I thought what was more, which
- 23 I've been trying to work out, and you may have
- looked into this, is what about the Federal
- 25 Relations Act?

1 You see, if -- if, in fact, you -- you would be the one who might have thought of this. 2 But it does give these powers to deal, and the 3 deal is the legislature of Puerto Rico and the 4 5 governor do this. But there was a reservation. 6 There was a reservation for the indebtedness. And that reservation was eventually 7 8 repealed in '61. And when it was repealed, the 9 legislature passed a -- they passed a 10 constitutional amendment in Puerto Rico promising that they would pay creditors and that 11 12 they had some priorities and so forth. Now is that relevant? I've begun to 13 14 think that the partnership, the Estado Libre 15 Asociado, is -- is -- is more served by considering this a local law than considering it 16 a federal law, because if a -- if it's a federal 17 18 law, it really is hard to reconcile with the 19 FRA, but not so hard if it's a local law. Have you thought about it at all? 20 you haven't thought of it, forget it. 21 22 (Laughter.) 23 JUSTICE BREYER: I'm just -- I'm --I'm -- I'm -- I'm -- I have a tough problem in 24 my mind on that. And if you have thought of it, 25

- 1 I'd appreciate what you think.
- MS. MENDEZ-COLBERG: Well, Your Honor,
- 3 we would forget about it, but the problem here
- 4 is that, actually, what Congress did was to,
- 5 yes, say that this -- that this are territorial
- 6 officers, but it actually gave this -- the
- 7 oversight board powers that are not necessarily
- 8 what power -- what the powers of a -- of a
- 9 territorial officer are considered to be.
- 10 They -- the oversight board has the
- 11 authority, and as Mr. Olson mentioned, has the
- 12 authority to file this bankruptcy proceedings,
- which is a federal power, on behalf of the
- 14 government.
- But, also, we see that they have the
- 16 authority to impair contracts -- which is
- 17 something that wasn't mentioned before -- impair
- 18 contracts even outside of the -- of the scope of
- 19 the bankruptcy proceedings, which is in the
- 20 Title II -- II of PROMESA.
- 21 If the Board understands that a
- 22 contract may -- that the government -- by the
- 23 government of Puerto Rico with other parties is
- inconsistent with the provisions of PROMESA, it
- 25 can -- it can -- it can even prevent the

- 1 execution of those -- of those contracts.
- 2 So that is a very significant power
- 3 among the other powers that the oversight board
- 4 has that not even the -- the government, the
- 5 local government of Puerto Rico, has.
- 6 Now I do want to -- to -- to
- 7 stress on the issue of the Insular Cases,
- 8 because it is important for the people of Puerto
- 9 Rico and for my clients. This is a -- a
- doctrine that has been, well, 118 years, that it
- 11 -- that has been -- that has been good law.
- 12 And, here, I want to stress that it is
- 13 a -- it is a matter of overruling the Insular
- 14 Cases, and the Doctrine of Territorial
- 15 Incorporation, it is a matter of constitutional
- and law, but also a matter of who the United
- 17 States is as a nation.
- 18 CHIEF JUSTICE ROBERTS: Well, but
- 19 Justice -- as Justice Breyer has pointed out,
- 20 none of the other parties rely on the Insular
- 21 Cases in any way. So it would be very unusual
- for us to address them in this case, wouldn't
- 23 it?
- MS. MENDEZ-COLBERG: Well, Your Honor,
- 25 they relied on the Insular Cases since the

- 1 beginning of the proceedings. Actually, the --
- 2 the unsecured creditor -- creditors are still
- 3 relying on the Insular Cases at this point.
- 4 Now it is very convenient for the
- 5 other parties to not -- to rely on the Insular
- 6 Cases in the lower courts, where there is no
- 7 authority to overrule those cases, but that --
- 8 but then when we come before this Court to say
- 9 that they are not relevant.
- 10 Still, as I -- as I was about to
- 11 mention, the Insular Cases comply with all of
- 12 the factors that this -- that this Court
- 13 established in -- in Janus, especially the
- quality of the reasoning, because it is based
- 15 purely on racial considerations, to say that
- some provisions of the Constitution don't apply
- 17 to the unincorporated territories because they
- 18 are of a different race. That's the -- that's
- 19 the root of that doctrine.
- Now, here --
- 21 CHIEF JUSTICE ROBERTS: I thought the
- 22 argument was that the Appointments Clause does
- 23 apply to Puerto Rico, and the question is simply
- 24 whether it's implicated on these particular
- 25 facts with respect to this particular agency?

1 MS. MENDEZ-COLBERG: Yes, Your Honor. 2 CHIEF JUSTICE ROBERTS: So I -- I guess, again, I just don't see the pertinence of 3 the -- of the Insular Cases. 4 MS. MENDEZ-COLBERG: Well, as I -- as 5 6 I mentioned, and also -- also, last term, this Court went ahead and overruled the Korematsu 7 8 case. In the Trump versus Hawaii case, the 9 Court said that the case had nothing to do with 10 the Trump versus Hawaii case. But still it was 11 a morally repugnant doctrine that was purely on 12 the basis -- considering the basis of race, and, 13 therefore, it was overruled. 14 The same here with the Insular Cases. 15 And I cannot stress enough that the parties have relied on the Insular Cases in this -- in this 16 17 case. That is why it's the -- the perfect 18 opportunity to address them. 19 Now --20 JUSTICE KAVANAUGH: Can I ask you a question about the duties of the Board? If the 21 22 duties of the Board and responsibilities are 23 considered primarily local -- I'll ask the same 24 question I asked Mr. Olson -- do you lose or do 25 you have an alternative argument?

- 1 MS. MENDEZ-COLBERG: Your Honor, I --
- 2 I don't think that we -- that the -- the -- the
- 3 authority of the Board can -- can be
- 4 considered purely local.
- 5 JUSTICE KAVANAUGH: I understand that.
- 6 But, if -- if we conclude otherwise, is there an
- 7 alternative argument, or is that the end of the
- 8 case?
- 9 MS. MENDEZ-COLBERG: Well, I -- I
- 10 believe that there is the example of -- of D.C.
- judges who were still considered to be officers
- of the United States in the -- in the Weiss
- 13 case. So there is -- there are a couple other
- 14 examples that this Court could -- could take.
- 15 Now I would like --
- JUSTICE GINSBURG: Which D.C. -- which
- 17 D.C. judges are you talking about? I thought
- 18 the judges of the D.C. Superior Court and of the
- 19 D.C. Court of Appeals are not -- are not federal
- 20 judges.
- 21 MS. MENDEZ-COLBERG: Well, Your Honor,
- 22 I'm -- I'm talking about the -- the Weiss case.
- 23 And -- but still the -- the -- the issue
- of -- of the purely local affairs of -- of -- of
- 25 the oversight board cannot stand if we look at

- 1 the -- the authority that it was vested on these
- 2 officers through PROMESA.
- Now I would like to address the remedy
- 4 because I think that it is very important for --
- 5 for us to address that.
- 6 My friends on the other side have
- 7 mentioned the consequences of -- of this -- of
- 8 this case in terms of millions of dollars. But
- 9 they have forgot about the impact to the people.
- 10 What the -- what the opposing parties
- 11 are asking this Court to validate through the de
- 12 facto officer doctrine is a certification of the
- 13 fiscal plan, which is not subject to judicial
- 14 review, that imposes austerity measures on the
- 15 people that has impaired contractual
- obligations, including the collective bargaining
- 17 agreement of my clients, stripping them of -- of
- 18 workers' rights like salaries, overpaying --
- 19 overpayment, and -- and medical -- medical
- 20 benefits.
- 21 But also we are talking about
- agreements with bondholders, with Dapapa, which
- is the UTIER's employers, that provides for the
- 24 payment of the bond -- of the bonds ahead of the
- 25 salaries, ahead of the -- of the contributions

- 1 to the retirement system, and that it threatens
- 2 the mere -- the mere feasibility of such an
- 3 instrumentality.
- We are talking about 7,000 labor
- 5 claims that were stayed because of the Title III
- 6 proceedings, proceedings that were filed at the
- 7 sole discretion of the oversight board, and that
- 8 were -- that were left without a remedy.
- 9 So -- and -- and like I
- 10 mentioned, the -- the budgets that establish the
- 11 policy for the government of Puerto Rico, that
- 12 it is done at the sole discretion of the
- oversight board because we cannot say that the
- 14 government of Puerto Rico has participation.
- The -- if -- if the Board --
- 16 CHIEF JUSTICE ROBERTS: You can finish
- 17 your sentence.
- MS. MENDEZ-COLBERG: Yes, thank you.
- 19 If the Board understands that the --
- 20 that the fiscal plan, which is the blueprint for
- 21 all of these proceedings, or the budgets, are
- inconsistent with PROMESA, the Board can
- 23 substitute for its own at its sole discretion.
- Thank you.
- 25 CHIEF JUSTICE ROBERTS: Thank you,

- 1 counsel.
- Three minutes, Mr. Verrilli.
- 3 REBUTTAL ARGUMENT OF DONALD B.
- 4 VERRILLI, JR., ON BEHALF OF THE FINANCIAL
- 5 OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
- 6 MR. VERRILLI: Thank you, Mr. Chief
- 7 Justice.
- I want to make one overarching point
- 9 on the merits and one point on remedy. On the
- 10 merits, I want to go at the sum of each
- 11 question.
- 12 I think, if you think the sum of each,
- 13 I don't think you can resolve it based on
- 14 effects. I mean, if you think about it, the
- 15 effects we're talking about here are not the
- 16 Board's actions. It was the issuance of the
- bonds and then the default by the government of
- 18 Puerto Rico, the elected representatives of
- 19 Puerto Rico. So, if its effect is then they're
- 20 officers of the United States, that can't be
- 21 right and it's just not an administrable test.
- 22 It can't be whether they are enforcing federal
- 23 law.
- 24 Mr. Olson raised the Limtiaco case.
- 25 That case proves our point. The statute he's

- 1 talking about in that case requiring fiscal
- 2 solvency was enforced by the governor and the
- 3 legislature, who are not appointed in conformity
- 4 with the Appointments Clause but elected. So,
- if he's right about that, Guam's government is
- 6 unconstitutional. And it also would mean that
- 7 the D.C. government, from the -- from the
- 8 beginning until home rule, was unconstitutional
- 9 because they were enforcing federal statutes.
- 10 So that can't be right.
- It can't be based on the source of
- 12 authority. They're really not arguing that
- anymore. And even if you wanted to accept the
- intermediate authority point, you -- and try to
- carve out Puerto Rico that way, you can't save
- 16 Guam, you can't save the Virgin Islands, you
- 17 can't save home rule in D.C. You basically blow
- 18 everything else up if you adopt that standard,
- 19 which is why they don't really advocate for it.
- 20 So really it needs to be our test.
- Our test is one that's faithful to the
- text, it's faithful to the history, it rests on
- 23 principle, it avoids threats to home rule, and
- it's administrable. Maybe there are going to be
- 25 hard questions on the margin and we discussed

- 1 those today. This is not a hard case. This is
- 2 exclusively territorial authority.
- Now, on remedy, I think Mr. Olson's
- 4 answer to Justice Alito's question tells you all
- 5 you need to know about what's going to happen
- 6 next. They brought this suit because they want
- 7 a different Board. They're perfectly entitled
- 8 to do that. They've every right to do that.
- 9 But that's what they want because they don't
- 10 like the way this Board is working out the debt
- 11 problems.
- 12 And so what you can be sure of, if
- we're in the remedies phase and I hope that we
- 14 are not, but what you can be sure of if we are
- is that they are going to fight ratification by
- 16 the Board tooth and nail for years and years and
- do everything possible to keep this thing in a
- 18 situation in which they -- they -- they have the
- 19 hope to get a different Board that will
- 20 accomplish their objectives.
- 21 So that's what will happen if we go
- 22 down that path. And I would strongly urge the
- 23 Court not to do that. If you do reach the
- 24 remedial issue, then I think the de facto
- officer doctrine, a perfectly reasonable

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1
      judgment, but more fundamentally, there is no
 2
      reason to reach the remedial issue --
                JUSTICE KAGAN: Mr. -- Mr. Verrilli --
 3
 4
                MR. VERRILLI: -- to support as --
 5
                JUSTICE KAGAN: -- let --
6
                MR. VERRILLI: -- constitutional --
                JUSTICE KAGAN: -- let's say it is
 7
8
      your test. But let's also say that the crux of
9
      this statute -- there are some other things in
10
      it, but the crux of the statute is that it sets
11
      up a scheme for restructuring the debt of a
12
      bankrupt territory and -- on -- with the
13
      backdrop that that could not have been done
14
      under pre-PROMESA federal law by local officials
15
      themselves. Why is it primarily local?
16
                MR. VERRILLI: May I answer, Mr. Chief
      Justice?
17
18
                CHIEF JUSTICE ROBERTS: Yes.
19
                MR. VERRILLI: Two things. First, you
      wouldn't think that the mayor of Detroit was
20
21
      converted into a federal official because he
22
      took Detroit into bankruptcy under Chapter 9.
23
      He's still exercising his local power.
24
      with the Board.
25
                And, second, again, the question I
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	CHILIT HAS CO DC WHOSE THECTES IS IS CHE
2	Board advancing in that process? It's the
3	court, the Article III court, that engages in
4	the broad adjustment of interests here to
5	achieve a a nationwide result.
6	The Board's job, as the statute
7	expressly says, is to act on behalf of the
8	people of Puerto Rico and the government of
9	Puerto Rico as its representative. It's an
LO	advocate for Puerto Rico, and that's why it's
L1	territorial authority. Thank you.
L2	CHIEF JUSTICE ROBERTS: Thank you,
L3	counsel. The case is submitted.
L4	(Whereupon, at 11:27 a.m., the case
L5	was submitted.)
L6	
L7	
L8	
L9	
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