114TH CONGRESS
1ST SESSION

S. _____

To provide assistance and support to the Commonwealth of Puerto Rico.

IN THE SENATE OF THE UNITED STATES

Mr. HATCH (for himself, Ms. MURKOWSKI, and Mr. GRASSLEY) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To provide assistance and support to the Commonwealth of Puerto Rico.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Puerto Rico Assistance Act of 2015''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title.

TITLE I—TAXES

Sec. 101. Temporary employee payroll tax cut for residents of United States possessions.

TITLE II—PUBLIC PENSIONS

Sec. 201. Study of Puerto Rico public pension debt.
Sec. 202. Reporting requirements generally applicable to State and local government pension plans.
Sec. 203. Annuity accumulation retirement plans of employees of State and local governments.

TITLE III—PUERTO RICO FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY

Sec. 301. Purposes.
Sec. 302. Definitions.

Subtitle A—Establishment and Organization of Authority

Sec. 311. Commonwealth Financial Responsibility and Management Assistance Authority.
Sec. 312. Executive Director and staff.
Sec. 313. Powers of Authority.
Sec. 314. Exemption from liability for claims.
Sec. 315. Treatment of actions.
Sec. 316. Funding for operation of Authority.
Sec. 317. Suspension of activities.
Sec. 318. Application of laws of Commonwealth to Authority.

Subtitle B—Responsibilities of Authority

PART I—Control Period

Sec. 321. Early opt-in authority.
Sec. 322. Certifications by Authority.
Sec. 323. Financial plan and budget for public corporations during control period.
Sec. 324. Financial plan and budget for the Commonwealth during a control period.
Sec. 325. Review to ensure compliance.
Sec. 326. Restrictions on borrowing.
Sec. 327. Finding of noncompliance.
Sec. 328. Recommendations regarding financial stability and management responsibility.

PART II—Issuance of Bonds

Sec. 331. Authority to issue bonds.
Sec. 332. Pledge of security interest in revenues of Commonwealth government.
Sec. 333. Establishment of debt service reserve fund.
Sec. 334. Other requirements for issuance of bonds.
Sec. 335. No full faith and credit of the United States.

PART III—Other Duties of Authority

Sec. 341. Duties of Authority during year other than control year.
Sec. 342. General assistance in achieving financial stability and management efficiency.
Sec. 343. Obtaining reports.
Sec. 344. Reports and comments.

Subtitle C—Chief Financial Officer

Sec. 351. Establishment of office.
Sec. 352. Appointment; removal.
Sec. 353. Functions of Chief Financial Officer.

Subtitle D—Effect

Sec. 361. Effect.
Sec. 362. Preemption.

TITLE IV—ADDITIONAL REPORTS AND STUDIES

Sec. 401. Report on exclusion of territories from exchanges.
Sec. 402. Study of Puerto Rico public pension debt.
Sec. 403. Health and human services report.

TITLE V—TRANSITION ASSISTANCE

Sec. 501. Assistance by the authority, if necessary, to assist transition to stability.
Sec. 502. Offset for transition assistance and Prevention and Public health fund.

TITLE VI—TECHNICAL ASSISTANCE

Sec. 601. Technical assistance to improve accounting, disclosure, and economic measurement practices in the territories.

TITLE I—TAXES

SEC. 101. TEMPORARY EMPLOYEE PAYROLL TAX CUT FOR RESIDENTS OF UNITED STATES POSSESSIONS.

(a) IN GENERAL.—Notwithstanding any other provision of law, in the case of a qualified resident of a United States possession—

(1) there shall be allowed a credit against the tax imposed by section 1401(a) of the Internal Revenue Code of 1986 for any taxable year which begins in the payroll tax holiday period an amount equal to 3.1 percent of the lesser of—

(A) the self-employment income (as defined in section 1402(b) of such Code) derived from

sources within a United States possession (as determined under section 937(b) of such Code) for the taxable year, or

(B) the net earnings from self-employment (as defined in section 1402(a) such Code) for the taxable year, and

(2) with respect to remuneration received during the payroll tax holiday period for services performed as an employee within a United States possession (except amounts received for services performed as an employee of the United States or any agency thereof), the rate of tax under 3101(a) of such Code shall be 3.1 percent (including for purposes of determining the applicable percentage under sections 3201(a) and 3211(a)(1) of such Code).

(b) SPECIAL RULES.—

(1) APPLICATION OF RULE FOR SPECIAL REFUNDS.—In the case of an qualified resident of a United States possession to whom subsection (a)(2) applies, the first sentence of section 6413(c)(1) of the Internal Revenue Code of 1986 shall be applied by substituting for ''exceeds the tax with respect to the amount of such wages received in such year which is equal to such contribution and benefit base'' the following: ''exceeds the sum of—

"(1) 3.1 percent of the lesser of—

"(A) the wages received in such year to which section 101(a)(2) of the Puerto Rico Assistance Act of 2015 applies, or

"(B) the contribution and benefit base, plus

"(2) 6.2 percent of the lesser of—

"(A) the wages received in such year to which such section does not apply, or

"(B) the contribution and benefits base reduced (but not below zero) by the amount of wages taken into account under paragraph (1).".

(2) EMPLOYER LIABILITY.—An employer who receives an attestation from an employee, in such form and manner as directed by the Secretary of the Treasury (or the Secretary's delegate), that such employee is a qualified resident of a United States possession shall not be liable under section 3102 or 3202 of the Internal Revenue Code of 1986 for any failure to collect taxes in excess of the rate which applies under this section unless a reasonable person would determine that such attestation is not true and correct.

(3) DE MINIMIS SERVICES.—For purposes of subsection (a)(2), services performed as an employee outside of a United States possession shall not be taken into account if such services are de minimis.

(c) DEFINITIONS.—

(1) QUALIFIED RESIDENT.—The term ''qualified resident'' means, with respect to any calendar year, any individual—

(A) who was present in a United States possession for at least 183 days during the preceding calendar year, and

(B) who, as of the first day of the calendar year, does not have a tax home (determined under the principles of section 911(d)(3) of the Internal Revenue Code of 1986 without regard to the second sentence thereof) outside of a United States possession and does not have a closer connection (determined under the principles of section 7701(b)(3)(B)(ii) of such Code) to the United States or a foreign country than to a United States possession.

For purposes of subparagraph (A), the determination of whether a person is present for any day shall be made under the principles of section 7701(b) of such Code.

(2) UNITED STATES POSSESSION.—The term ''United States possession'' means Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands.

(3) PAYROLL TAX HOLIDAY PERIOD.—The term ''payroll tax holiday period'' means the period beginning after December 31, 2015, and ending before January 1, 2021.

(d) REDUCED RATE FOR 2020.—In the case of the period beginning after December 31, 2019, and ending before January 1, 2021, this section shall be applied—

(1) by substituting ''1.55 percent'' for ''3.1 percent'' in subsection (a)(1), and

(2) by substituting ''4.65 percent'' for ''3.1 percent'' each place it appears in subsections (a)(2) and (b).

(e) EMPLOYER NOTIFICATION.—The Secretary of the Treasury shall notify employers of the payroll tax holiday period in any manner the Secretary deems appropriate.

(f) TRANSFERS OF FUNDS.—

(1) TRANSFERS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—There are hereby appropriated to the Federal Old-Age and Survivors Trust Fund and the Federal Disability Insurance Trust Fund established under section 201

of the Social Security Act (42 U.S.C. 401) amounts equal to the reduction in revenues to the Treasury by reason of the application of subsection (a). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had such amendments not been enacted.

(2) TRANSFERS TO SOCIAL SECURITY EQUIVALENT BENEFIT ACCOUNT.—There are hereby appropriated to the Social Security Equivalent Benefit Account established under section 15A(a) of the Railroad Retirement Act of 1974 (45 U.S.C. 231n-1(a)) amounts equal to the reduction in revenues to the Treasury by reason of the application of subsection (a)(2). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Account had such amendments not been enacted.

(3) COORDINATION WITH OTHER LAWS.—For purposes of applying any provision of law other than the provisions of the Internal Revenue Code of 1986,

the rate of tax in effect under section 3101(a) of such Code shall be determined without regard to the reduction in such rate under this section.

TITLE II—PUBLIC PENSIONS

SEC. 201. STUDY OF PUERTO RICO PUBLIC PENSION DEBT.

(a) IN GENERAL.—Not later than 6 months after the establishment of the Puerto Rico Financial Responsibility and Management Assistance Authority under title III of this Act, the Joint Board for the Enrollment of Actuaries established under section 3041 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1241) shall report to such Authority and the Office of Domestic Finance of the Department of the Treasury on the following with respect to the Puerto Rico public pension plans:

(1) Recommendations on actions that would be necessary to ensure that such plans can be sustainably maintained and funded by the government of Puerto Rico for the next 20 years.

(2) Whether a freeze of future benefit accruals under such plans is necessary or advisable.

(3) The extent to which benefit reductions, such as have been made in previous municipal bankruptcy proceedings, would be necessary or advisable to attain sustainability for such plans or create parity with payment reductions applicable to retired indi-

viduals who are, directly or indirectly, Puerto Rico bondholders.

The Joint Board may, in its discretion, seek assistance from the Advisory Committee on Actuarial Examinations of the Joint Board, and may expand the size of such committee as appropriate to accomplish the requirements of this subsection in a timely manner.

(b) PUERTO RICO PUBLIC PENSION PLAN.—For purposes of this section, the term ''Puerto Rico public pension plan'' means any of the following maintained by the government of Puerto Rico:

(1) The Employees Retirement System (ERS).

(2) The Teachers Retirement System (TRS).

(3) The Judiciary Retirement System (JRS).

SEC. 202. REPORTING REQUIREMENTS GENERALLY APPLICABLE TO STATE AND LOCAL GOVERNMENT PENSION PLANS.

(a) IN GENERAL.—The plan sponsor of a State or local government employee pension benefit plan shall file with the Secretary of the Treasury, in such form and manner as shall be prescribed by such Secretary, a report for each plan year beginning on or after January 1, 2017, setting forth the following information with respect to the plan, as determined by the plan sponsor as of the end of such plan year:

(1) A schedule of funding status, which shall include a statement as to the current liability of the plan, the amount of plan assets available to meet that liability, the amount of the net unfunded liability (if any), and the funding percentage of the plan.

(2) A schedule of contributions by the plan sponsor and each contributing employer for the plan year, indicating which are or are not taken into account under paragraph (1).

(3) Alternative projections which shall be specified in regulations of the Secretary for each of the next 20 plan years following the plan year relating to the amount of annual contributions, the fair market value of plan assets, current liability, the funding percentage, and such other matters as the Secretary may specify in such regulations, together with a statement of the assumptions and methods used in connection with such projections, including assumptions related to funding policy, plan changes, future workforce projections, future investment returns, and such other matters as the Secretary may specify in such regulations. The Secretary shall specify in such regulations the projection assumptions and methods to be used as necessary to achieve comparability across plans.

(4) A statement of the actuarial assumptions used for the plan year, including the rate of return on investment of plan assets and assumptions as to such other matters as the Secretary may prescribe by regulation.

(5) A statement of the number of participants who are each of the following—

(A) those who are retired or separated from service and are receiving benefits;

(B) those who are retired or separated and are entitled to future benefits; and

(C) those who are active under the plan.

(6) A statement of the plan's investment returns, including the rate of return, for the plan year and the 5 preceding plan years.

(7) A statement of the degree to which, and manner in which, the plan sponsor expects to eliminate any unfunded current liability that may exist for the plan year and the extent to which the plan sponsor has followed the plan's funding policy for each of the preceding 5 plan years. The Secretary shall prescribe by regulation the specific criteria to be used for meeting the requirements of this paragraph.

(8) A statement of the amount of pension obligation bonds outstanding.

(b) TIMING OF REPORT.—The plan sponsor of a State or local government employee pension benefit plan shall make the filing required under subsection (a) for each plan year not later than 210 days after the end of such plan year (or within such time as may be required by regulations prescribed by the Secretary in order to reduce duplicative filing).

(c) ADDITIONAL REPORTING REQUIREMENTS.—

(1) SUPPLEMENTARY REPORTS.—In any case in which, in determining the information filed in the annual report for a plan year under subsection (a)—

(A) the value of plan assets is determined using a standard other than fair market value, or

(B) the interest rate or rates used to determine the value of liabilities or as the discount value for liabilities are not the interest rates described in paragraph (3),

the plan sponsor shall include in the annual report filed for such plan year pursuant to subsection (a) the supplementary report for such plan year described in paragraph (2).

(2) USE OF PRESCRIBED VALUATION METHOD AND INTEREST RATES.—A supplementary report filed for a plan year pursuant to this subsection shall include the information specified as required in the annual report under paragraphs (1), (3), (6), and (7) of subsection (a), determined as of the end of such plan year by valuing plan assets at fair market value and by using the interest rates described in paragraph (3) to value liabilities and as the discount value for liabilities.

(3) INTEREST RATES BASED ON U.S. TREASURY OBLIGATION YIELD CURVE RATE.—

(A) IN GENERAL.—The interest rates described in this paragraph are—

(i) in the case of benefits reasonably determined to be payable during the 5-year period beginning on the first day of the plan year, the first segment rate with respect to the applicable month,

(ii) in the case of benefits reasonably determined to be payable during the 15-year period beginning at the end of the period described in clause (i), the second segment rate with respect to the applicable month, and

(iii) in the case of benefits reasonably determined to be payable after the period described in clause (ii), the third segment rate with respect to the applicable month.

(B) SEGMENT RATES.—For purposes of this paragraph—

(i) FIRST SEGMENT RATE.—The term ''first segment rate'' means, with respect to any month, the single rate of interest which shall be determined by the Secretary for such month on the basis of the U.S. Treasury obligation yield curve for such month, taking into account only that portion of such yield curve which is based on obligations maturing during the 5-year period commencing with such month.

(ii) SECOND SEGMENT RATE.—The term ''second segment rate'' means, with respect to any month, the single rate of interest which shall be determined by the Secretary for such month on the basis of the U.S. Treasury obligation yield curve for such month, taking into account only that portion of such yield curve which is based on obligations maturing during the

15-year period beginning at the end of the period described in clause (i).

(iii) THIRD SEGMENT RATE.—The term ''third segment rate'' means, with respect to any month, the single rate of interest which shall be determined by the Secretary for such month on the basis of the U.S. Treasury obligation yield curve for such month, taking into account only that portion of such yield curve which is based on obligations maturing during periods beginning after the period described in clause (ii).

(C) U.S. TREASURY OBLIGATION YIELD CURVE.—For purposes of this paragraph, the term ''U.S. Treasury obligation yield curve'' means, with respect to any month, a yield curve which shall be prescribed by the Secretary for such month and which reflects the average, for the 24-month period ending with the month preceding such month, of monthly yields on interest-bearing obligations of the United States.

(d) DEFINITIONS.—For purposes of this section—

(1) STATE OR LOCAL GOVERNMENT EMPLOYEE PENSION BENEFIT PLAN.—Except as provided in

section 203, the terms ''State or local government employee pension benefit plan'' and ''plan'' mean any plan, fund, or program, other than a defined contribution plan (within the meaning of section 414(i) of the Internal Revenue Code of 1986), which was heretofore or is hereafter established or maintained, in whole or in part, by a State, a political subdivision of a State, or any agency or instrumentality of a State or political subdivision of a State, to the extent that by its express terms or as a result of surrounding circumstances such plan, fund, or program—

(A) provides retirement income to employees, or

(B) results in a deferral of income by employees for periods extending to the termination of covered employment or beyond, regardless of the method of calculating the contributions made to the plan, the method of calculating the benefits under the plan, or the method of distributing benefits from the plan.

(2) FUNDING PERCENTAGE.—The term ''funding percentage'' for a plan year means the ratio (expressed as a percentage) which—

(A) the value of plan assets as of the end of the plan year bears to

(B) the current liability of the plan for the plan year.

(3) CURRENT LIABILITY.—The term ''current liability'' of a plan for a plan year means the present value of all benefits accrued or earned under the plan as of the end of the plan year.

(4) PLAN SPONSOR.—The term ''plan sponsor'' means, in connection with a State or local government employee pension benefit plan, the State, political subdivision of a State, or agency or instrumentality of a State or a political subdivision of a State which establishes or maintains the plan.

(5) CONTRIBUTING EMPLOYER.—The term ''contributing employer'' means any employer that contributes to or participates in a plan on behalf of its employees (including a plan sponsor that contributes to the plan).

(6) PARTICIPANT.—

(A) IN GENERAL.—The term ''participant'' means, in connection with a State or local government employee pension benefit plan, an individual—

(i) who is an employee or former employee of a State, political subdivision of a State, or agency or instrumentality of a State or a political subdivision of a State which is the plan sponsor of such plan, and

(ii) who is or may become eligible to receive a benefit of any type from such plan or whose beneficiaries may be eligible to receive any such benefit.

(B) BENEFICIARY.—The term ''beneficiary'' means a person designated by a participant, or by the terms of the plan, who is or may become entitled to a benefit thereunder.

(7) PLAN YEAR.—The term ''plan year'' means, in connection with a plan, the calendar or fiscal year on which the records of the plan are kept.

(8) STATE.—The term ''State'' includes any State of the United States, the District of Columbia, and any possession or territory of the United States, including a possession described in section 7701(d) of the Internal Revenue Code of 1986.

(9) FAIR MARKET VALUE.—The term ''fair market value'' has the meaning given such term under section 430(g)(3)(A) of the Internal Revenue

Code of 1986 (without regard to section 430(g)(3)(B) thereof).

(10) OTHER TERMS.—Any other term used in this section which is also used in the Internal Revenue Code of 1986 shall have the same meaning as when used in such Code.

(e) MODEL REPORTING STATEMENT.—The Secretary shall develop model reporting statements for purposes of subsections (a) and (c). Plan sponsors of State or local government employee pension plans may elect, in such form and manner as shall be prescribed by the Secretary, to utilize the applicable model reporting statement for purposes of complying with requirements of such subsections.

(f) TRANSPARENCY OF INFORMATION FILED.—The Secretary shall create and maintain a public website, with searchable capabilities, for purposes of posting the information received by the Secretary pursuant to subsections (a) and (c). Any such information received by the Secretary (including any updates to such information received by the Secretary) shall be posted on the website not later than 60 days after receipt and shall not be treated as return information for purposes of the Internal Revenue Code of 1986.

SEC. 203. ANNUITY ACCUMULATION RETIREMENT PLANS OF EMPLOYEES OF STATE AND LOCAL GOVERNMENTS.

(a) IN GENERAL.—Part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after subpart E the following new subpart:

"Subpart F—Annuity Accumulation Retirement Plans for State and Local Government Employees.

"Sec. 420A. Annuity accumulation retirement plans.

"SEC. 420A. ANNUITY ACCUMULATION RETIREMENT PLANS.

"(a) ANNUITY ACCUMULATION RETIREMENT PLANS.—For purposes of this subpart—

"(1) IN GENERAL.—The term 'annuity accumulation retirement plan' means a State or local governmental retirement plan—

"(A) which provides for the purchase, not less frequently than annually, of a qualified individual deferred fixed income annuity contract for each participant which provides benefits based solely on the contributions by an employer to an annuity provider and the actuarial assumptions specified in the annuity contract, and

"(B) which provides that—

"(i) no contributions may be made under the plan other than contributions described in subsection (c),

"(ii) contributions pursuant to the plan on behalf of any eligible employee for any plan year, whether made annually or more frequently, are required to be paid not later than 90 days after the close of the plan year to an annuity provider to purchase a qualified individual deferred fixed income annuity contract for the employee, and

"(iii) no benefits are provided by the employer under the plan other than the purchase of qualified individual deferred fixed income annuity contracts for eligible employees.

Subject to the provisions of subsection (d)(3), nothing in subparagraph (B)(iii) shall prohibit an employer from establishing or maintaining a defined contribution plan or defined benefit plan or providing any form of employee welfare benefit separately from the plan.

"(2) PLAN STRUCTURE.—A plan will not be treated as an annuity accumulation retirement plan unless—

"(A) except as provided in subsection (e)(1), benefits under the plan are limited to a monthly payment for the life of the participant, commencing at the applicable age under subsection (b)(1)(B), as provided under the qualified individual deferred fixed income annuity contract purchased with the employer contributions described in subsection (c) and issued to the participant, and

"(B) the plan does not accumulate assets in trust or otherwise, and the employer has no ownership interest in any qualified individual deferred fixed income annuity contract issued to a participant.

"(3) REQUIREMENTS FOR ANNUITY CONTRACT PURCHASING PROCESS.—

"(A) IN GENERAL.—A plan will not be treated as an annuity accumulation retirement plan unless the plan provides that individual deferred fixed income annuity contracts will be purchased through a process by which, with re-

spect to each purchase under paragraph (1)(A), the plan administrator—

"(i) obtains competitive bids, not less frequently than every 5 years, pursuant to a formal, public procurement process authorized under State law which requires institutional pricing on a group contract basis from multiple annuity providers verified by the applicable State insurance regulator as properly licensed to meet the specifications in the procurement request, and

"(ii) selects 1 or more annuity providers pursuant to a process that includes an objective, thorough, and analytical search to identify and select providers and the evaluation of an annuity provider's claims paying ability and creditworthiness.

"(B) PROHIBITION ON PROVIDING BENEFIT IN EXCHANGE FOR SELECTION.—An annuity provider shall not be treated as meeting the competitive bid requirements of subparagraph (A)(i) if such provider, or any related party to (within the meaning of such term as applied by the State guaranty association) or

agent of such provider, on their own or on another's behalf, provides anything of value to any employee of a State or local government entity, or agency or instrumentality thereof, or to a plan administrator, in connection with the bidding process or the annuity purchase process described in subparagraph (A).

''(C) COMPLIANCE SAFE HARBOR.—A plan shall be deemed to meet the requirements of subparagraph (A) if the plan administrator obtains a determination in writing from the Office of Domestic Finance, Department of the Treasury, that such plan meets such requirements. Authority to issue such a determination shall not be delegated to any entity outside of the Office of Domestic Finance.

''(4) GENERAL EXEMPTION FROM PENSION PLAN REQUIREMENTS.—Notwithstanding any other provision of this subchapter—

''(A) except as provided in this section, no requirement of this subchapter otherwise applicable to a State or local governmental retirement plan shall apply to an annuity accumulation retirement plan, and

"(B) for purposes of this title other than any such requirements, an annuity accumulation retirement plan shall be treated as a defined benefit plan which meets the requirements of section 401(a).

"(b) QUALIFIED INDIVIDUAL DEFERRED FIXED INCOME ANNUITY CONTRACT.—For purposes of this subpart, the term 'qualified individual deferred fixed income annuity contract' means, with respect to an employee for any plan year, an annuity contract issued by an annuity provider—

"(1) which is—

"(A) an individual annuity contract, or

"(B) an individual certificate of benefits issued to the employee under a group annuity contract,

"(2) except as provided in subsection (e), under the terms of which—

"(A) the monthly annuity payments during the period described in subparagraph (B) are in equal installments and are fixed at the time of purchase, and

"(B) the entire interest of the employee in the contract will be distributed in the form of

monthly annuity payments under a single life annuity, beginning on the later of—

"(i) the date the employee attains age—

"(I) 50 (or a later date specified by the State), in the case of a public safety employee, and

"(II) 62 (or a later date specified by the State), in the case of any other employee, or

"(ii) in the case of a contract purchased after the date the employee attains such age, the 1st day of the 1st calendar year beginning after the calendar year in which such contract was purchased,

"(3) the purchase price of which is equal to the contributions described in subsection (c) with respect to the employee for the plan year in which it is purchased,

"(4) under which the employee's rights are nonforfeitable,

"(5) under which no loan may be made with respect to any portion of any interest in the contract, and

"(6) except as provided in subsection (e)(2), no portion of any interest in the contract may be assigned, alienated, or pledged as collateral.

In the case of a certificate described in paragraph (1)(B), any reference in this section (other than paragraph (1)) to an annuity contract shall be treated as a reference to the portion of the group annuity contract to which such certificate relates.

"(c) CONTRIBUTION REQUIREMENTS AND LIMITATIONS.—For purposes of subsection (a)(1)(B)—

"(1) IN GENERAL.—The plan must provide that the only contributions which may be made pursuant to the plan for any plan year are nonelective contributions (within the meaning of section 401(k)(11)(B)(ii)) made by the employer for the purchase of qualified individual deferred fixed income annuity contracts which are—

"(A) made on behalf of each eligible employee for the plan year, and

"(B) equal to a percentage of the employee's compensation which (except as provided in this paragraph) is determined not later than the start of the plan year.

An employer shall not be treated as failing to meet the requirements of this paragraph merely because

the plan allows the employer to elect to reduce the percentage under subparagraph (B), or not to make any contributions pursuant to the plan, for any period for all employees, and the employer so elects not later than the start of the plan year.

"(2) LIMITS BASED ON COMPENSATION.—

"(A) LIMITATION.—

"(i) IN GENERAL.—The compensation taken into account under paragraph (1)(B) with respect to an employee for any year shall not exceed the limitation in effect for such year under section 401(a)(17).

"(ii) COMPENSATION.—For purposes of this subparagraph, the term 'compensation' means includible compensation as defined in section 403(b)(3), including any amount paid by an employer on behalf of the employee for a qualified deferred fixed income annuity contract.

"(B) PERCENTAGE LIMITATION.—

"(i) IN GENERAL.—The percentage under paragraph (1)(B) for any period shall not exceed—

"(I) 30 percent in the case of a public safety employee, or

"(II) 20 percent in the case of any other employee.

"(ii) ELECTION OF HIGHER PERCENTAGE FOR CERTAIN EMPLOYEES.—A plan may elect to provide a higher percentage under paragraph (1)(B) than that specified under clause (i)—

"(I) in the case of any of the first 10 plan years after adoption of the plan, for all employees who have attained age 40 before the beginning of such plan year, and

"(II) in the case of any subsequent plan year, for all employees who have attained age 50 (age 40 in the case of a public safety employee) before the beginning of such plan year,

except that in no case may such percentage exceed 25 percent (35 percent in the case of a public safety employee).

"(C) AGGREGATION RULE.—All plans of an employer treated as a single plan for purposes of section 415 shall be treated as a single plan for purposes of this paragraph.

"(d) TAX TREATMENT OF ANNUITY ACCUMULATION RETIREMENT PLANS.—

"(1) TAXATION OF ELIGIBLE EMPLOYEE.—The amount actually paid to a distributee under a qualified individual deferred fixed income annuity contract shall be taxable to the distributee under section 72.

"(2) TREATMENT OF EMPLOYER CONTRIBUTIONS.—Contributions made by an employer for the purchase of a qualified individual deferred fixed income annuity contract under an annuity accumulation retirement plan shall be excluded from the gross income of the employee.

"(3) INCLUSION IN INCOME OF EXCESS CONTRIBUTIONS OR CONTRIBUTIONS FOR PARTICIPANTS IN ANOTHER DEFINED BENEFIT PLAN OF AN EMPLOYER.—

"(A) EXCESS CONTRIBUTIONS.—Except as provided in subparagraph (B), if—

"(i) contributions are made for any plan year by an employer on behalf of an employee in excess of the limit determined after application of subsection (c)(2), the employee shall include in gross income an amount equal to such excess, or

"(ii) an employee for whom such contributions are made for any plan year accrues benefits (for any period of service for which such contributions were made) under any other defined benefit plan of the employer which is not an annuity accumulation retirement plan, the employee shall include in gross income an amount equal to such contributions.

"(B) EXCEPTION FOR PREMIUMS REFUNDED.—Subparagraph (A) shall not apply with respect to contributions on behalf of an employee for any plan year if, not later than 6 months after the last day of the plan year, the contributions described in subparagraph (A) used to purchase a qualified individual deferred fixed income annuity contract for the employee are refunded to the employer.

"(C) TAXABLE YEAR OF INCLUSION.—Any amount under subparagraph (A) shall be includible in gross income of the employee for the taxable year which includes the date which is 6 months after the last day of the plan year.

"(D) INVESTMENT IN THE CONTRACT.—Any amount included in gross income shall not

be treated as investment in the contract for purposes of section 72.

''(e) SPECIAL RULES.—

''(1) EMPLOYER OPTION TO PROVIDE ALTERNATIVE BENEFIT FORMS.—At the option of an employer, a qualified individual deferred fixed income annuity contract may provide 1 or more of the following optional benefits:

''(A) Distribution under a joint and survivor annuity.

''(B) An annual adjustment in the amount of benefit payments based on a fixed percentage not to exceed 3 percent.

''(C) A 10-year period certain and life payment option.

If an employer provides for 1 or more of such optional benefits, the contract shall provide that an employee may elect any of the options provided at the time payments commence under the contract.

''(2) CERTAIN JUDGMENTS AND SETTLEMENTS.—Paragraphs (2)(B) and (5) of subsection (b) shall not apply to any offset of an employee's benefits payable under an annuity contract—

''(A) pursuant to—

"(i) the enforcement of a levy under section 6331 or the collection by the United States of a judgment resulting from an unpaid tax assessment, or

"(ii) the enforcement of a fine imposed as part of a criminal sentence under subchapter C of chapter 227 of title 18, United States Code, or an order of restitution made pursuant to such title, or

"(B) to the extent required under any State tax, criminal, or domestic relations law.

"(f) DEFINITIONS.—For purposes of this section—

"(1) STATE OR LOCAL GOVERNMENTAL RETIREMENT PLAN.—The term 'State or local governmental retirement plan' means a governmental plan providing for the deferral of compensation which is established and maintained for its employees by a State, a political subdivision of a State, or an agency or instrumentality of any such entity. The term 'State' includes any possession or territory of the United States, including a possession described in section 7701(d).

"(2) GENERAL DEFINITIONS.—

"(A) ELIGIBLE EMPLOYEE.—The term 'eligible employee' means, with respect to any

State or local governmental retirement plan, any officer or employee (other than a contractor) eligible to participate in the plan.

''(B) ANNUITY PROVIDER.—The term 'annuity provider' means any company which is licensed to do business as a life insurance company under the laws of the State in which a qualified individual deferred fixed income annuity contract to which this subchapter applies is to be issued.

''(C) PUBLIC SAFETY EMPLOYEE.—The term 'public safety employee' means any employee of a State or political subdivision of a State who provides police protection, firefighting services, or emergency medical services for any area within the jurisdiction of such State or political subdivision.''.

(b) FICA EXEMPTION.—Paragraph (5) of section 3121(a) of the Internal Revenue Code of 1986 is amended by striking ''or'' at the end of subparagraph (H), by striking the semicolon at the end of subparagraph (I) and inserting '', or'', and by adding at the end the following new subparagraph:

''(J) under an annuity accumulation retirement plan for the purchase of annuity contracts under section 420A;''.

(c) INCLUSION OF AMOUNT FOR THE PURCHASE OF ANNUITY CONTRACTS ON W–2.—Subsection (a) of section 6051 of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of paragraph (13), by striking the period at the end of paragraph (14)(B) and inserting '', and'', and by inserting after paragraph (14) the following new paragraph:

''(15) the total amount contributed under an annuity accumulation retirement plan for the purchase of annuity contracts under section 420A.''.

(d) CLERICAL AMENDMENT.—The table of subparts for part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to subpart E the following new item:

''SUBPART F—ANNUITY ACCUMULATION RETIREMENT PLANS FOR STATE AND LOCAL GOVERNMENT EMPLOYEES''.

(e) EFFECTIVE DATE.—Except as provided in subsection (b), the amendments made by this section shall apply to years beginning after December 31, 2015.

TITLE III—PUERTO RICO FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY

SEC. 301. PURPOSES.

(a) PURPOSES.—The purposes of this title are—

(1) to eliminate budget deficits and cash shortages of Puerto Rico through visionary financial planning, sound budgeting, accurate revenue forecasts, and careful spending;

(2) to ensure the most efficient and effective delivery of services, including public safety services, by the Commonwealth government during a period of fiscal emergency;

(3) to conduct necessary investigations and studies to determine the fiscal status and operational efficiency of the Commonwealth government;

(4) to assist the Commonwealth government in—

(A) restructuring the organization and workforce of the Commonwealth government to ensure that the residents of Puerto Rico are served by a government that is efficient and effective;

(B) ensuring the appropriate and efficient delivery of services; and

(C) modernizing the budget, accounting, personnel, procurement, information technology, and management systems to ensure the maximum financial and performance accountability of the Commonwealth government and officers and employees of the Commonwealth government;

(5) to enhance the access of the Commonwealth government to the capital markets;

(6) to ensure the continued orderly payment of the debt service obligations of the Commonwealth government;

(7) to ensure the long-term financial, fiscal, and economic vitality and operational efficiency of Puerto Rico; and

(8) to provide for the review of the financial impact of activities of the Commonwealth government before the activities are implemented or submitted for congressional review.

SEC. 302. DEFINITIONS.

In this title:

(1) AUTHORITY.—The term ''Authority'' means the Puerto Rico Financial Responsibility and Man-

agement Assistance Authority established by section 311(a).

(2) CHIEF FINANCIAL OFFICER.—The term ''Chief Financial Officer'' means the Chief Financial Officer of Puerto Rico appointed under section 352(a).

(3) COMMONWEALTH.—The term ''Commonwealth'' means the Commonwealth of Puerto Rico.

(4) COMMONWEALTH GOVERNMENT.—

(A) IN GENERAL.—The term ''Commonwealth government'' means—

(i) the government of the Commonwealth (including any department, agency, or instrumentality of the government of the Commonwealth);

(ii) an independent agency of the Commonwealth or any other agency, board, or commission established by the Governor or the Legislative Assembly;

(iii) the courts of the Commonwealth;

(iv) the Legislative Assembly; and

(v) any other agency, public authority, pension fund, or public benefit corporation established by the Commonwealth that has the authority to receive amounts directly or

indirectly from the Commonwealth (other than amounts received from the sale of goods, the provision of services, or the loaning of funds to the Commonwealth).

(B) EXCLUSION.—The term ''Commonwealth government'' does not include the Authority.

(5) CONTROL PERIOD.—The term ''control period'' means—

(A) in the case of a public corporation, a control period for the public corporation initiated under section 322(a)(2); and

(B) in the case of the Commonwealth government, a control period for the Commonwealth government initiated under section 322(b)(2).

(6) CONTROL YEAR.—The term ''control year'' means any fiscal year for which a financial plan and budget for a public corporation or the Commonwealth government approved by the Authority under section 323 or 324 is in effect

(7) EMERGENCY MANAGER.—The term ''emergency manager'' means an emergency manager for a public corporation appointed under section 322(a)(5)(A).

(8) FINANCIAL PLAN AND BUDGET.—The term ''financial plan and budget'' means—

(A) in the case of a public corporation, a financial plan and budget developed for the public corporation under section 323; and

(B) in the case of the Commonwealth government—

(i) a financial plan and budget for the Commonwealth government developed under section 324; and

(ii) a budget of the Commonwealth government for any fiscal year that is subject to a financial plan and budget described in clause (i).

(9) GOVERNOR.—The term ''Governor'' means the Governor of the Commonwealth.

(10) LEGISLATIVE ASSEMBLY.—The term ''Legislative Assembly'' means the Legislative Assembly of Puerto Rico.

(11) PUBLIC CORPORATION.—

(A) IN GENERAL.—The term ''public corporation'' means an entity created by Commonwealth law as a public corporation.

(B) INCLUSIONS.—The term ''public corporation'' includes—

(i) the Aqueduct and Sewer Authority;

(ii) the Convention Center District Authority;

(iii) the Electric Power Authority;

(iv) the Highway and Transportation Authority;

(v) the Housing Finance Authority;

(vi) the Industrial Development Company;

(vii) the Infrastructure Financing Authority;

(viii) the Port of the Americas Authority;

(ix) the Ports Authority;

(x) the Public Buildings Authority;

(xi) the Public Finance Corporation;

(xii) the Sales Taxes Financing Corporation; and

(xiii) the University of Puerto Rico.

(12) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

Subtitle A—Establishment and Organization of Authority

SEC. 311. COMMONWEALTH FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY.

(a) ESTABLISHMENT.—Pursuant to Article IV, section 3, clause 2 of the Constitution of the United States, the Puerto Rico Financial Responsibility and Management Assistance Authority is established in accordance with this section.

(b) MEMBERSHIP.—

(1) IN GENERAL.—The Authority shall consist of—

(A) the Secretary; and

(B) 5 additional members who—

(i) meet the qualifications described in subsection (c); and

(ii) are appointed by the President, in consultation with the committees and individuals described in paragraph (3).

(2) AUTHORIZED ACTIONS.—Beginning on the date on which the President has appointed at least 3 members to the Authority, the Authority may take any action authorized by this title.

(3) CONSULTATION REQUIRED.—The President shall appoint the members of the Authority after consultation with—

(A) the Committee on Energy and Natural Resources of the Senate;

(B) the Committee on Natural Resources of the House of Representatives;

(C) the Resident Commissioner of the Commonwealth; and

(D) the Governor.

(4) CHAIRPERSON.—The Secretary shall serve as chairperson of the Authority.

(5) TERMS OF SERVICE.—

(A) INITIAL APPOINTMENT; DESIGNATION.—Each member appointed to the Authority shall be—

(i) appointed for an initial term of 2 years; and

(ii) designated into 3 tiers, consisting of not more than—

(I) 1 member to serve in tier I;

(II) 2 members to serve in tier II; and

(III) 2 members to serve in tier III.

(B) SUBSEQUENT APPOINTMENTS.—For the term immediately following the initial term under subparagraph (A)(i), a member of the Authority may be reappointed, or a new member named, for a term of—

(i) for the member serving in tier I—

(I) 1 additional term of not more than 1 year; and

(II) such subsequent terms of not more than 3 years as the President determines to be appropriate;

(ii) for a member serving in tier II—

(I) 1 additional term of not more than 2 years; and

(II) such subsequent terms of not more than 3 years as the President determines to be appropriate; and

(iii) for a member serving in tier III—

(I) 1 additional term of 3 years; and

(II) such subsequent terms of not more than 3 years as the President determines to be appropriate.

(C) REMOVAL.—The President may remove a member of the Authority only for cause.

(6) VOTING.—In voting on any matter in carrying out this title—

(A) the chairperson of the Authority shall have 2 votes; and

(B) each other member of the Authority shall have 1 vote.

(7) CITIZENSHIP; RESIDENCE.—

(A) CITIZENSHIP.—Each member of the Authority shall be a United States citizen.

(B) RESIDENCE.—Of the members of the Authority described in paragraph (1)(B)—

(i) 3 shall maintain a primary residence in the Commonwealth; and

(ii) 2 shall not be residents of the Commonwealth.

(c) QUALIFICATIONS FOR MEMBERSHIP.—An individual meets the qualifications for membership on the Authority if the individual—

(1) has knowledge and expertise in finance, management, and the organization or operation of business or government;

(2) complies with Federal conflict of interest requirements of section 208 of title 18, United States Code;

(3) is not, and has not been for a period of not less than 5 years before the date of appointment, an officer or employee of—

(A) the Commonwealth; or

(B) any public corporation; and

(4)(A) does not provide goods or services to the Commonwealth; and

(B) is not the spouse, parent, child, or sibling of an individual who provides goods or services to the Commonwealth.

(d) NO COMPENSATION FOR SERVICE.—A member of the Authority—

(1) shall serve without pay; but

(2) may receive reimbursement for any reasonable and necessary expenses incurred by reason of service on the Authority.

(e) ADOPTION OF BYLAWS FOR CONDUCTING BUSINESS OF AUTHORITY.—

(1) IN GENERAL.—As soon as practicable after the date of appointment of the members to the Authority, the Authority shall adopt bylaws, rules, and procedures governing the activities of the Authority

under this title, including procedures for hiring experts and consultants.

(2) SUBMISSION.—The bylaws, rules, and procedures adopted under paragraph (1) shall—

(A) be public documents; and

(B) be submitted by the Authority, on adoption, to each of—

(i) the Governor;

(ii) the Legislative Assembly;

(iii) the President; and

(iv) Congress.

(3) CERTAIN ACTIVITIES REQUIRING APPROVAL OF MAJORITY OF MEMBERS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), under the bylaws adopted under paragraph (1), the Authority may conduct operations in accordance with any procedures that the Authority considers appropriate.

(B) AFFIRMATIVE VOTE REQUIRED.—Notwithstanding subparagraph (A), an affirmative vote of a majority of the members of the Authority shall be required for the Authority—

(i) to approve or disapprove a financial plan and budget under section 323 or 324;

(ii) to implement recommendations on financial stability and management responsibility under section 328;

(iii) to issue new bonds, notes, or other obligations under section 331; and

(iv) to allocate resources under title V.

(4) ADOPTION OF RULES AND REGULATIONS OF COMMONWEALTH.—The Authority may incorporate in the bylaws, rules, and procedures adopted under paragraph (1) any rules and regulations of the Commonwealth government that the Authority considers to be appropriate to enable the Authority to carry out activities under this title with the maximum degree of independence practicable.

SEC. 312. EXECUTIVE DIRECTOR AND STAFF.

(a) EXECUTIVE DIRECTOR.—

(1) APPOINTMENT.—The chairperson of the Authority, with the consent of the Authority, shall appoint an Executive Director for the Authority.

(2) COMPENSATION.—

(A) IN GENERAL.—Subject to subparagraph (B), the Executive Director shall be paid at a rate determined by the Authority.

(B) RATE OF PAY.—The rate of pay for the Executive Director under subparagraph (A)

may not exceed the basic pay payable for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

(b) STAFF.—With the approval of the chairperson, the Executive Director may appoint and fix the pay of additional personnel as the Executive Director considers appropriate, subject to the condition that no individual appointed by the Executive Director may be paid at a rate that exceeds the rate of pay for the Executive Director.

(c) INAPPLICABILITY OF CERTAIN EMPLOYMENT AND PROCUREMENT LAWS.—

(1) CIVIL SERVICE LAWS.—The Executive Director and staff of the Authority—

(A) may be appointed without regard to the provisions of title 5, United States Code, governing appointments in the competitive service; and

(B) may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification and General Schedule pay rates.

(2) COMMONWEALTH EMPLOYMENT AND PROCUREMENT LAWS.—

(A) EMPLOYMENT LAWS.—The Executive Director and staff of the Authority may be appointed and paid without regard to the provisions of the Puerto Rico Code governing appointments and salaries.

(B) PROCUREMENT LAWS.—The provisions of the Puerto Rico Code governing procurement shall not apply to the Authority.

(d) STAFF OF FEDERAL AGENCIES.—On the request of the chairperson, the head of any Federal or Commonwealth government department or agency may detail to the Authority, on a reimbursable or nonreimbursable basis, any of the personnel of the department or agency to assist the Authority in carrying out the duties of the Authority under this title.

SEC. 313. POWERS OF AUTHORITY.

(a) IN GENERAL.—The Authority may, for the purpose of carrying out this title—

(1) hold hearings;

(2) sit and act at such times and places as the Authority considers appropriate;

(3) take testimony;

(4) receive evidence;

(5) administer oaths or affirmations to witnesses appearing before the Authority; and

(6) provide assistance and recommendations regarding financial stability and management responsibility to the Commonwealth government for the purposes of this title.

(b) POWERS OF MEMBERS AND AGENTS.—Any member or agent of the Authority may, if authorized by the Authority, take any action that the Authority is authorized to take under this section.

(c) OBTAINING OFFICIAL DATA.—

(1) FEDERAL GOVERNMENT.—Notwithstanding sections 552 and 552b of title 5, United States Code, the Authority may secure directly from any Federal department or agency information necessary to enable the Authority to carry out this title, with the approval of the head of the applicable Federal department or agency.

(2) COMMONWEALTH GOVERNMENT.—

(A) IN GENERAL.—Notwithstanding any other provision of law, the Authority shall have the right to secure copies of any records, documents, information, or data from any entity of the Commonwealth government necessary to enable the Authority to carry out the responsibilities of the Authority under this title.

(B) ACCESS.—At the request of the Authority, the Authority shall be granted direct access to any information systems, records, documents, information, or data described in subparagraph (A) that would enable the Authority to carry out the responsibilities of the Authority under this title.

(C) PROVISION BY HEADS OF ENTITIES.—The head of the department or agency of the Commonwealth government responsible for the information shall provide the Authority with any information and assistance (including granting the Authority direct access to automated or other information systems) as the Authority may require under this paragraph.

(d) GIFTS, BEQUESTS, AND DEVISES.—

(1) IN GENERAL.—The Authority may accept, use, and dispose of gifts, bequests, or devises of services and real and personal property for the purpose of aiding or facilitating the work of the Authority.

(2) USE.—Any gifts, bequests, or devises of money accepted by the Authority, and any proceeds from sales of other property received as gifts, bequests, or devises by the Authority, shall—

(A) be deposited in an account established by the Authority; and

(B) be available for disbursement on order of the chairperson of the Authority.

(e) SUBPOENA POWER.—

(1) IN GENERAL.—The chairperson of the Authority may issue subpoenas requiring the attendance and testimony of witnesses and the production of any evidence relating to any matter under investigation by the Authority.

(2) SCOPE.—The attendance of witnesses and the production of evidence may be required by the Authority—

(A) from any place within the United States; and

(B) at any designated place of hearing within the United States.

(3) FAILURE TO OBEY A SUBPOENA.—

(A) APPLICATION TO UNITED STATES DISTRICT COURT.—If a person refuses to obey a subpoena issued under paragraph (1), the Authority may apply to a United States district court for an order requiring the person to appear before the Authority to give testimony or

produce evidence relating to the matter under investigation.

(B) JUDICIAL DISTRICT.—An application may be made under subparagraph (A) in—

(i) the judicial district in which the hearing is conducted; or

(ii) the judicial district in which the person subject to the subpoena is found, resides, or transacts business.

(C) CONTEMPT.—The United States district court may treat as civil contempt any failure to obey the order of a court under this paragraph.

(4) SERVICE OF SUBPOENAS.—The Authority shall serve subpoenas under this subsection in the manner provided for subpoenas issued by United States district court under the Federal Rules of Civil Procedure for the United States district courts.

(5) SERVICE OF PROCESS.—All service of process of any court to which application is made under paragraph (2) may be served in the judicial district in which the person required to be served resides or may be found.

(f) ADMINISTRATIVE SUPPORT SERVICES.—On the request of the Authority, the Administrator of General

Services may provide to the Authority, on a reimbursable basis, the administrative support services necessary for the Authority to carry out the responsibilities of the Authority under this title.

(g) AUTHORITY TO ENTER INTO CONTRACTS.—The Executive Director of the Authority may enter into any contract that the Executive Director considers appropriate (subject to the approval of the chairperson of the Authority) to carry out the responsibilities of the Authority under this title.

(h) CIVIL ACTIONS TO ENFORCE POWERS.—The Authority may seek judicial enforcement of the authority to carry out the responsibilities of the Authority under this title.

(i) PENALTIES.—

(1) ACTS PROHIBITED.—Any officer or employee of the Commonwealth government shall be guilty of a misdemeanor if the officer or employee—

(A)(i) takes any action in violation of any valid order of the Authority; or

(ii) fails or refuses to take any action required by an order described in clause (i); or

(B)(i) knowingly and willfully prepares, presents, or certifies any information (including any projections or estimates) or report for the

Authority or any of the agents of the Board that is false or misleading; or

(ii) on learning that any information described in clause (i) is false or misleading, fails to immediately advise the Authority or agents of the Board in writing of the discovery.

(2) ADMINISTRATIVE DISCIPLINE.—In addition to any other applicable penalty, any officer or employee of the Commonwealth government who knowingly and willfully violates paragraph (1) shall be subject to appropriate administrative discipline, including, as appropriate—

(A) suspension from duty without pay; or

(B) removal from office by order of the Governor or Authority.

(3) REPORT BY GOVERNOR ON DISCIPLINARY ACTIONS TAKEN.—In the case of a violation of paragraph (1) by an officer or employee of the Commonwealth government, the Governor shall immediately submit to the Authority a report that—

(A) describes all pertinent facts; and

(B) includes a statement of the action taken relating to the violation.

SEC. 314. EXEMPTION FROM LIABILITY FOR CLAIMS.

The Authority (including the members of the Authority) may not be liable for any obligation of or claim against the Commonwealth resulting from actions taken to carry out this title.

SEC. 315. TREATMENT OF ACTIONS.

(a) JURISDICTION ESTABLISHED.—Except as provided in section 313(e)(3), any action against the Authority or any action otherwise arising out of this title, in whole or in part, shall be brought in the United States District Court for the District of Puerto Rico.

(b) APPEAL.—

(1) COURT OF APPEALS.—Notwithstanding any other provision of law, any order of the United States District Court for the District of Puerto Rico that is issued pursuant to an action brought under subsection (a) shall be reviewable only pursuant to a notice of appeal to the United States Court of Appeals for the First Circuit.

(2) SUPREME COURT.—Notwithstanding any other provision of law, review by the Supreme Court of a decision of the Court of Appeals that is issued under paragraph (1) may be available only if the petition for review is filed by the date that is 10 days after the date of entry of the decision of the Court of Appeals.

(c) TIMING OF RELIEF.—No order of any court granting declaratory or injunctive relief against the Authority (including relief permitting or requiring the obligation, borrowing, or expenditure of funds) shall take effect during—

(1) the pendency of the action before the court;

(2) the period during which appeal may be taken; or

(3) if appeal is taken, the period before the court has entered a final order disposing of the action.

(d) EXPEDITED CONSIDERATION.—It shall be the duty of the United States District Court for the District of Puerto Rico, the United States Court of Appeals for the First Circuit, and the Supreme Court to advance on the docket, and to expedite to the greatest extent practicable, the disposition of any action brought under subsection (a).

SEC. 316. FUNDING FOR OPERATION OF AUTHORITY.

(a) ANNUAL BUDGETING PROCESS.—

(1) SUBMISSION OF BUDGET.—The Authority shall submit to the Secretary for inclusion in the annual budget of the President a proposed budget for the Authority for each fiscal year.

(2) CONTENTS OF BUDGET.—A budget submitted under paragraph (1) shall describe—

(A) expenditures of the Authority by category, including expenditures for staff of the Authority;

(B) services of personnel and other services provided by or on behalf of the Authority for which the Authority made no reimbursement; and

(C) any gifts or bequests made to the authority during the previous fiscal year.

(3) APPROPRIATIONS REQUIRED.—For fiscal year 2016 and each fiscal year thereafter, an amount may be obligated or expended by the Authority for a fiscal year only if the amount has been approved by an Act of Congress.

(b) SPECIAL RULE FOR FUNDING OF OPERATIONS DURING FISCAL YEAR 2015.—As soon as practicable after the date of appointment of the members of the Authority, the Authority shall submit to the Governor and the President, for submission to Congress—

(1) a request for reprogramming of funds under the budget account for the Department of the Treasury; and

(2) a description of anticipated expenditures of the Authority for fiscal year 2015.

SEC. 317. SUSPENSION OF ACTIVITIES.

The Authority shall suspend any activities carried out under this title, and the terms of the members of the Authority shall expire, on the date that is 3 years after the date on which the Authority certifies that all control periods initiated under section 322 have terminated.

SEC. 318. APPLICATION OF LAWS OF COMMONWEALTH TO AUTHORITY.

(a) NO CONTROL, SUPERVISION, OVERSIGHT, OR REVIEW BY GOVERNOR OR LEGISLATIVE ASSEMBLY.—The Governor and the Legislative Assembly may not exercise any control, supervision, oversight, or review over the Authority or any activities of the Authority.

(b) AUTHORITY NOT SUBJECT TO REPRESENTATION BY SECRETARY OF JUSTICE.—In any action brought by, or on behalf of, the Authority, and in any action brought against the Authority—

(1) the Authority shall be represented by such counsel as the Authority may select; but

(2) in no case may the Authority be represented by the Secretary of Justice of the Commonwealth.

Subtitle B—Responsibilities of Authority

PART I—CONTROL PERIOD

SEC. 321. EARLY OPT-IN AUTHORITY.

Notwithstanding the timeframes provided in subsections (a)(1) and (b)(1) of section 322, the Authority may carry out this title beginning on the date on which the Legislative Assembly enacts a resolution supporting the actions of the Authority authorized by section 322.

SEC. 322. CERTIFICATIONS BY AUTHORITY.

(a) PUBLIC CORPORATIONS.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act and annually thereafter, the Authority shall certify whether any public corporation—

(A) does not have sufficient revenue to meet the debt obligations of the public corporation;

(B) has defaulted with respect to any loan, bond, note, or other form of borrowing;

(C) is unable to meet the payroll of the public corporation for any pay period;

(D) has a cash deficit at the end of any quarter of the fiscal year equal to or greater than the difference between—

(i) the estimated revenues of the public corporation during the remainder of the fiscal year; and

(ii) the estimated expenditures of the public corporation (including repayments of temporary borrowing) during the remainder of the fiscal year; and

(E) fails to make any required payments relating to pensions and benefits for current and former employees of the public corporation.

(2) BUDGET CONTROL.—If the Authority certifies that a public corporation is unable to meet any of the requirements under paragraph (1), a control period shall be initiated for the public corporation in accordance with section 323.

(3) TERMINATION.—A control period for a public corporation initiated under this subsection terminates on the date on which the Authority certifies that—

(A) the public corporation has adequate access to short-term and long-term credit markets at reasonable interest rates to meet the borrowing needs of the public corporation; and

(B) for 2 consecutive years after the initiation of a control period, the expenditures made

by the public corporation during each fiscal year did not exceed the revenues of the public corporation during that year, as determined in accordance with generally accepted accounting principles.

(4) CONSULTATION REQUIRED.—In making a certification under this subsection, the Authority shall consult with the Government Development Bank of Puerto Rico.

(5) EMERGENCY MANAGER.—

(A) IN GENERAL.—If, during a control period for a public corporation, the Authority certifies that over the course of 2 consecutive quarters the expenditures made by a public corporation exceed the revenues of that public corporation in violation of the financial plan and budget required under section 323, the Authority may appoint an emergency manager for the public corporation.

(B) AUTHORITY.—

(i) AUTHORITY OF BOARD OF DIRECTORS AND OFFICERS.—The emergency manager shall exercise all authorities previously exercised by the board of directors and officers of the public corporation

under the charter, bylaws, or organic statute of the public corporation or the applicable laws of the Commonwealth.

(ii) ADDITIONAL AUTHORITY.—

(I) IN GENERAL.—In addition to the authority under clause (i), the emergency manager may propose increases in, decreases in, or other changes to any rates, fees, taxes, or other charges that the public corporation has the power to impose on people or property within the Commonwealth.

(II) REQUIRED DEMONSTRATION.—An increase, decrease, or change proposed under subclause (I) shall be accompanied by a demonstration of the reasonable necessity of the increase, decrease, or change to maintain—

(aa) the operation, property, physical plant and equipment, or financial condition of the public corporation; or

(bb) the ability of the public corporation to obtain unsecured credit on the capital markets at a reasonable interest rate.

(III) REVIEW.—

(aa) IN GENERAL.—An increase, decrease, or change proposed under subclause (I) shall be subject to review by any commission, authority, agency, or governmental body with authority to review the rates, fees, taxes, or other charges imposed by the public corporation.

(bb) DEEMED APPROVAL.—If a commission, authority, agency, or governmental body fails to approve and implement or disapprove the proposed increase, decrease, or change by the date that is 120 days after the date on which the increase, decrease, or change is submitted to the commission, authority, agency, or governmental body, the proposed

increase, decrease, or change shall be deemed approved by the commission, authority, agency, or governmental body.

(C) SALARY.—The public corporation shall be responsible for paying the salary and any other compensation of the emergency manager.

(b) COMMONWEALTH GOVERNMENT.—

(1) IN GENERAL.—Not later than 2 years after the date of enactment of this Act and annually thereafter, the Authority shall certify whether the Commonwealth government—

(A) does not have sufficient revenue to meet debt obligations of the Commonwealth government;

(B) has defaulted with respect to any loan, bond, note, or other form of borrowing;

(C) is unable to meet the payroll of the Commonwealth government for any pay period;

(D) has a cash deficit at the end of any quarter of the fiscal year equal to or greater than the difference between—

(i) the estimated revenues of the Commonwealth government during the remainder of the fiscal year; and

(ii) the estimated expenditures of the Commonwealth government (including repayments of temporary borrowing) during the remainder of the fiscal year; and

(E) fails to make any required payments relating to pensions and benefits for current and former employees of the Commonwealth government.

(2) BUDGET CONTROL.—If the Authority certifies that the Commonwealth government is unable to meet any of the requirements under paragraph (1), a control period for the Commonwealth government is initiated in accordance with section 324.

(3) TERMINATION.—A control period for the Commonwealth government initiated under this subsection terminates on the date on which the Authority certifies that—

(A) the Commonwealth government has adequate access to short-term and long-term credit markets at reasonable interest rates to meet the borrowing needs of the Commonwealth government; and

(B) for 4 consecutive years after the initiation of a control period for the Commonwealth government, the expenditures made by the

Commonwealth government during each fiscal year did not exceed the revenues of the Commonwealth government during that year, as determined in accordance with the generally accepted accounting principles contained in the comprehensive annual financial report for the Commonwealth.

(4) REQUIRED CONSULTATION.—In making a certification under this subsection, the Authority shall consult with the Government Development Bank of Puerto Rico.

SEC. 323. FINANCIAL PLAN AND BUDGET FOR PUBLIC CORPORATIONS DURING CONTROL PERIOD.

(a) DEVELOPMENT; CONTENTS.—

(1) IN GENERAL.—For each fiscal year for which a public corporation is in a control period under section 322(a), the Governor or the emergency manager (as applicable) shall develop and submit to the Authority a financial plan and budget for the public corporation in accordance with this section.

(2) CONTENTS.—

(A) IN GENERAL.—A financial plan and budget for the public corporation for a fiscal year shall specify the budgets for the public corporation for the applicable fiscal year and the

subsequent 3 fiscal years (including the projected revenues and expenditures of each fund of the public corporation for those fiscal years), in accordance with the requirements described in subparagraph (B).

(B) REQUIREMENTS.—The financial plan and budget shall—

(i) meet the standards described in paragraph (3) to promote the financial stability of the public corporation;

(ii) provide for estimates of revenues and expenditures on a modified accrual basis;

(iii)(I) describe lump-sum expenditures by department, by object class;

(II) describe capital expenditures (together with a schedule of projected capital commitments of the public corporation and proposed sources of funding);

(III) contain estimates of short-term and long-term debt, whether outstanding or anticipated to be issued; and

(IV) contain cash flow forecasts for each fund of the public corporation, at

such intervals as the Authority may require;

(iv) include a statement describing methods of estimations and significant assumptions; and

(v) include such other provisions, and meet such other criteria, as the Authority considers to be appropriate to meet the purposes of this title, including provisions relating to—

(I) changes in personnel policies and levels for each department of the public corporation;

(II) changes in the structure and organization of the public corporation; and

(III) management initiatives to promote—

(aa) productivity;

(bb) improvement in the delivery of services; or

(cc) cost savings.

(3) STANDARDS TO PROMOTE FINANCIAL STABILITY.—

(A) IN GENERAL.—The standards to promote the financial stability of the public corporation applicable to the financial plan and budget for a fiscal year are as follows:

(i) In the case of the financial plan and budget for the first fiscal year of a control period, the expenditures of the public corporation may not exceed the revenues of the public corporation for that fiscal year.

(ii) During each of the 5 subsequent fiscal years, the public corporation shall make continuous, substantial progress toward equalizing the expenditures and revenues of the public corporation for those fiscal years in equal annual installments, to the maximum extent practicable.

(iii) The public corporation shall provide for the orderly liquidation of the cumulative fund balance deficit of the public corporation, as evidenced by financial statements prepared in accordance with generally accepted accounting principles.

(iv) If funds in any account of the public corporation that are dedicated for

specific purposes have been withdrawn from that account for any other purpose, the public corporation shall fully restore the funds to the account.

(v) The financial plan and budget shall ensure the continuing long-term financial stability of the public corporation, as indicated by factors including—

(I) access to short-term and long-term capital markets;

(II) the efficient management of the public corporation workforce; and

(III) the effective provision of services by the public corporation.

(B) APPLICATION OF SOUND BUDGETARY PRACTICES; ASSUMPTIONS BASED ON CURRENT LAW.—In meeting the standards described in subparagraph (A) with respect to a financial plan and budget for a fiscal year, the public corporation shall—

(i) apply sound budgetary practices, including—

(I) reducing costs and other expenditures;

(II) improving productivity;

(III) increasing revenues; or

(IV) any combination of those practices; and

(ii) base estimates of revenues and expenditures on Federal law, as in effect at the time of preparation of the financial plan and budget.

(b) SUBMISSION, REVIEW, AND APPROVAL.—

(1) SUBMISSION.—Not later than February 1 of each fiscal year preceding a fiscal year during which a public corporation is in a control period under section 322(a), the Governor or emergency manager (as applicable) shall submit to the Authority and the Legislative Assembly a financial plan and budget for the public corporation for that following fiscal year, as developed in accordance with this subsection.

(2) REVIEW BY AUTHORITY.—On receipt of a financial plan and budget for a fiscal year under paragraph (1), the Authority—

(A) shall promptly review the financial plan and budget; and

(B) in conducting the review, may request any additional information the Authority con-

siders to be necessary and appropriate to carry out this part.

(3) ACTION ON APPROVAL.—

(A) CERTIFICATION TO GOVERNOR.—

(i) IN GENERAL.—If the Authority determines that the financial plan and budget for a fiscal year submitted under paragraph (1) meets the applicable requirements of this section—

(I) the Authority shall—

(aa) approve the financial plan and budget; and

(bb) submit a notice certifying that approval to—

(AA) the emergency manager (as applicable);

(BB) the Governor;

(CC) the Legislative Assembly;

(DD) the President; and

(EE) Congress; and

(II) the Governor or the emergency manager (as applicable) shall promptly submit the financial plan

and budget to the Legislative Assembly.

(ii) DEEMED APPROVAL.—

(I) IN GENERAL.—If the Authority has not provided to the emergency manager (as applicable), the Governor, the Legislative Assembly, and Congress a notice certifying approval under clause (i)(I)(bb) or a statement of disapproval under paragraph (4)(A)(ii) by the date that is 30 days after the date on which the Authority receives the financial plan and budget under paragraph (1), the Authority shall be deemed to have—

(aa) approved the financial plan and budget; and

(bb) submitted a notice certifying approval described in clause (i)(I)(bb) to—

(AA) the emergency manager (as applicable);

(BB) the Governor;

(CC) the Legislative Assembly;

(DD) the President; and

(EE) Congress.

(II) EXPLANATION OF FAILURE TO RESPOND.—If subclause (I) applies with respect to a financial plan and budget, the Authority shall submit to the emergency manager (as applicable), the Governor, the Legislative Assembly, the President, and Congress an explanation for the failure of the Authority to submit a notice certifying approval or a statement of disapproval during the 30-day period described in that subclause.

(B) ADOPTION BY LEGISLATIVE ASSEMBLY.—Not later than 30 days after the date of receipt of the financial plan and budget for a fiscal year from the Governor or the emergency manager (as applicable) under subparagraph (A)(i)(II), the Legislative Assembly shall—

(i) by Act, adopt the financial plan and budget, which shall serve as the adoption of the budget of the public corporation for the fiscal year; and

(ii) submit the financial plan and budget to—

(I) the emergency manager (as applicable);

(II) the Governor; and

(III) the Authority.

(4) ACTION ON DISAPPROVAL.—

(A) IN GENERAL.—If the Authority determines that the financial plan and budget for a fiscal year submitted under paragraph (1) does not meet the applicable requirements under this section, the Authority shall—

(i) disapprove the financial plan and budget; and

(ii) submit to the emergency manager (as applicable), the Governor, and the Legislative Assembly a statement containing—

(I) the reasons for the disapproval;

(II) a description of the amount of any shortfall in the budget or financial plan; and

(III) any recommendations for revisions to the budget the Authority considers to be appropriate to ensure

that the financial plan and budget meets the applicable requirements under this section.

(B) REVISED FINANCIAL PLAN AND BUDGET.—

(i) IN GENERAL.—Not later than 15 days after the date of receipt of a statement from the Authority under subparagraph (A)(ii), the Governor or the emergency manager (as applicable) shall promptly submit to the Authority and the Legislative Assembly a revised financial plan and budget for the applicable fiscal year that addresses the reasons of the Authority for disapproval.

(ii) APPROVAL.—If the Authority determines that the revised financial plan and budget for a fiscal year submitted by the Governor or the emergency manager (as applicable) under clause (i) meets the applicable requirements under this section—

(I) the Authority shall—

(aa) approve the financial plan and budget; and

(bb) submit a notice certifying that approval to—

(AA) the emergency manager (as applicable);

(BB) the Governor;

(CC) the Legislative Assembly;

(DD) the President; and

(EE) Congress; and

(II) the Governor or the emergency manager (as applicable) shall promptly submit the financial plan and budget to the Legislative Assembly.

(iii) DISAPPROVAL.—

(I) IN GENERAL.—If the Authority determines that the revised financial plan and budget for a fiscal year submitted by the Governor or the emergency manager (as applicable) under clause (i) does not meet the applicable requirements under this section, the Authority shall—

(aa) disapprove the financial plan and budget;

(bb) submit to the Governor, the emergency manager (as applicable), the Legislative Assembly, the President, and Congress a statement containing the reasons for the disapproval; and

(cc)(AA) recommend a financial plan and budget for the public corporation that meets the applicable requirements under this section; and

(BB) submit the financial plan and budget to the Governor, the emergency manager (as applicable), and the Legislative Assembly.

(II) SUBMISSION OF REJECTED FINANCIAL PLAN AND BUDGET.—The Governor or the emergency manager (as applicable) shall promptly submit to the Legislative Assembly a revised financial plan and budget disapproved by the Authority under this clause.

(iv) DEEMED APPROVAL.—

(I) IN GENERAL.—If the Authority has not provided to the Governor, the Legislative Assembly, and Congress a notice certifying approval under clause (ii)(I)(bb) or a statement of disapproval under clause (iii)(I)(bb) by the date that is 15 days after the date on which the Authority receives the revised financial plan and budget submitted by the Governor or the emergency manager (as applicable) under clause (i), the Authority shall be deemed to have—

(aa) approved the revised financial plan and budget; and

(bb) submitted a notice certifying approval described in clause (ii)(I)(bb) to—

(AA) the emergency manager (as applicable);

(BB) the Governor;

(CC) the Legislative Assembly;

(DD) the President; and

(EE) Congress.

(II) EXPLANATION OF FAILURE TO RESPOND.—If subclause (I) applies with respect to a financial plan and budget, the Authority shall submit to the Governor, the emergency manager (as applicable), the Legislative Assembly, the President, and Congress an explanation for the failure of the Authority to submit a notice certifying approval or a statement of disapproval during the 15-day period described in that subclause.

(C) ACTION BY LEGISLATIVE ASSEMBLY.—

(i) IN GENERAL.—Not later than 30 days after the date of receipt of an approved revised financial plan and budget of the Governor or the emergency manager (as applicable) for a fiscal year under subparagraph (B)(ii) or, in the case of a financial plan and budget disapproved by the Authority, the financial plan and budget recommended by the Authority under

subparagraph (B)(iii)(I)(cc), the Legislative Assembly shall—

(I) by Act, adopt the financial plan and budget, which shall serve as the adoption of the budget of the public corporation for the fiscal year; and

(II) submit the financial plan and budget to—

(aa) the emergency manager (as applicable);

(bb) the Governor; and

(cc) the Authority.

(5) REVISIONS TO FINANCIAL PLAN AND BUDGET.—

(A) ACTION BY GOVERNOR.—The Governor or the emergency manager (as applicable) may submit to the Authority proposed revisions to the financial plan and budget for a control year at any time during the control year.

(B) PROCEDURE.—Except as provided in subparagraph (C), the procedures described in paragraphs (2), (3), and (4) shall apply with respect to a proposed revision to a financial plan and budget in the same manner as those proce-

dures apply with respect to the original financial plan and budget.

(C) EXCEPTION FOR REVISIONS NOT AFFECTING APPROPRIATIONS.—To the extent that a proposed revision to a financial plan and budget adopted by the Legislative Assembly pursuant to this section does not increase the amount of spending with respect to any account of the public corporation, the revision shall take effect on the date of approval by the Authority of the revision, subject to review by Congress.

SEC. 324. FINANCIAL PLAN AND BUDGET FOR THE COMMONWEALTH DURING A CONTROL PERIOD.

(a) FINANCIAL PLAN AND BUDGET REQUIRED; CONTENTS.—

(1) IN GENERAL.—For each fiscal year for which the Commonwealth government is in a control period under section 322(b), the Governor shall develop and submit to the Authority a financial plan and budget for the Commonwealth in accordance with this section.

(2) CONTENTS.—

(A) IN GENERAL.—A financial plan and budget for the Commonwealth for a fiscal year shall specify the budgets for the Commonwealth

government for the applicable fiscal year and the subsequent 3 fiscal years (including the projected revenues and expenditures of each fund of the Commonwealth government for those fiscal years), in accordance with the requirements described in subparagraph (B).

(B) REQUIREMENTS.—The financial plan and budget shall—

(i) meet the standards described in paragraph (3) to promote the financial stability of the Commonwealth government;

(ii) provide for estimates of revenues and expenditures on a modified accrual basis;

(iii)(I) describe lump-sum expenditures by department, by object class;

(II) describe capital expenditures (together with a schedule of projected capital commitments of the Commonwealth government and proposed sources of funding);

(III) contain estimates of short-term and long-term debt, whether outstanding or anticipated to be issued; and

(IV) contain cash flow forecasts for each fund of the Commonwealth govern-

ment, at such intervals as the Authority may require;

(iv) include a statement describing methods of estimations and significant assumptions; and

(v) include such other provisions, and meet such other criteria, as the Authority considers to be appropriate to meet the purposes of this title, including provisions relating to—

(I) changes in personnel policies and levels for each department or agency of the Commonwealth government;

(II) changes in the structure and organization of the Commonwealth government; and

(III) management initiatives to promote—

(aa) productivity;

(bb) improvement in the delivery of services; or

(cc) cost savings.

(3) STANDARDS TO PROMOTE FINANCIAL STABILITY.—

(A) IN GENERAL.—The standards to promote the financial stability of the Commonwealth government applicable to the financial plan and budget for a fiscal year are as follows:

(i) In the case of the financial plan and budget for the first fiscal year of a control period, the expenditures of the Commonwealth government for the fiscal year may not exceed the revenues of the Commonwealth government for that fiscal year.

(ii) During each of 5 subsequent fiscal years, the Commonwealth government shall make continuous, substantial progress toward equalizing the expenditures and revenues of the Commonwealth government for those fiscal years in equal annual installments, to the maximum extent practicable.

(iii) The Commonwealth government shall provide for the orderly liquidation of the cumulative fund balance deficit of the government, as evidenced by financial statements prepared in accordance with generally accepted accounting principles.

(iv) If funds in any account of the Commonwealth government that are dedicated for specific purposes have been withdrawn from that account for any other purpose, the Commonwealth government shall fully restore the funds to the account.

(v) The financial plan and budget shall ensure the continuing long-term financial stability of the Commonwealth government, as indicated by factors including—

(I) access to short-term and long-term capital markets;

(II) the efficient management of the Commonwealth government workforce; and

(III) the effective provision of services by the Commonwealth government.

(B) APPLICATION OF SOUND BUDGETARY PRACTICES; ASSUMPTIONS BASED ON CURRENT LAW.—In meeting the standards described in subparagraph (A) with respect to a financial plan and budget for a fiscal year, the Commonwealth government shall—

(i) apply sound budgetary practices, including—

(I) reducing costs and other expenditures;

(II) improving productivity;

(III) increasing revenues; or

(IV) any combination of those practices; and

(ii) base estimates of revenues and expenditures on Federal law, as in effect at the time of preparation of the financial plan and budget.

(b) SUBMISSION, REVIEW, AND APPROVAL.—

(1) IN GENERAL.—Not later than February 1 of each fiscal year preceding a fiscal year during which the Commonwealth government is in a control period under section 322(b), the Governor shall submit to the Authority and the Legislative Assembly a financial plan and budget for that following fiscal year, as developed in accordance with this section.

(2) REVIEW BY AUTHORITY.—On receipt of a financial plan and budget for a fiscal year from the Governor under paragraph (1), the Authority—

(A) shall promptly review the financial plan and budget; and

(B) in conducting the review, may request any additional information the Authority considers to be necessary and appropriate to carry out this part.

(3) ACTION ON APPROVAL.—

(A) CERTIFICATION TO GOVERNOR.—

(i) IN GENERAL.—If the Authority determines that the financial plan and budget for a fiscal year submitted by the Governor under paragraph (1) meets the applicable requirements of this section—

(I) the Authority shall—

(aa) approve the financial plan and budget; and

(bb) submit a notice certifying that approval to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress; and

(II) the Governor shall promptly submit the financial plan and budget to the Legislative Assembly.

(ii) DEEMED APPROVAL.—

(I) IN GENERAL.—If the Authority has not provided to the Governor, the Legislative Assembly, and Congress a notice certifying approval under clause (i)(I)(bb) or a statement of disapproval under paragraph (4)(A)(ii) by the date that is 30 days after the date on which the Authority receives the financial plan and budget from the Governor under paragraph (1), the Authority shall be deemed to have—

(aa) approved the financial plan and budget; and

(bb) submitted a notice certifying approval described in clause (i)(I)(bb) to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress.

(II) EXPLANATION OF FAILURE TO RESPOND.—If subclause (I) applies with respect to a financial plan

and budget, the Authority shall submit to the Governor, the Legislative Assembly, the President, and Congress an explanation for the failure of the Authority to submit a notice certifying approval or a statement of disapproval during the 30-day period described in that subclause.

(B) ADOPTION BY LEGISLATIVE ASSEMBLY.—Not later than 30 days after the date of receipt of the financial plan and budget for a fiscal year from the Governor under subparagraph (A)(i)(II), the Legislative Assembly shall—

(i) by Act, adopt the financial plan and budget, which shall serve as the adoption of the budget of the Commonwealth government for the fiscal year; and

(ii) submit the financial plan and budget to—

(I) the Governor; and

(II) the Authority.

(C) REVIEW OF LEGISLATIVE ASSEMBLY FINANCIAL PLAN AND BUDGET.—On receipt of the financial plan and budget for a fiscal year

from the Legislative Assembly under subparagraph (B), and taking into account any items or provisions disapproved by the Governor or disapproved by the Governor and reenacted by the Legislative Assembly, the Authority—

(i) shall promptly review the financial plan and budget; and

(ii) in conducting the review, may request any additional information the Authority considers to be necessary and appropriate to carry out this part.

(D) RESULTS OF AUTHORITY REVIEW.—

(i) APPROVAL.—If the Authority determines that the financial plan and budget for the fiscal year submitted by the Legislative Assembly under subparagraph (B)(ii) meets the applicable requirements under this section—

(I) the Authority shall—

(aa) approve the financial plan and budget; and

(bb) submit a notice certifying the approval to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress; and

(II) the Legislative Assembly shall promptly submit the financial plan and budget to the Governor for transmission to the President and Congress.

(ii) DISAPPROVAL.—If the Authority determines that the financial plan and budget for a fiscal year submitted by the Legislative Assembly under subparagraph (B)(ii) does not meet the applicable requirements under this section, the Authority shall—

(I) disapprove the financial plan and budget; and

(II) submit to the Governor, the Legislative Assembly, the President, and Congress a statement containing—

(aa) the reasons for the disapproval;

(bb) a description of the amount of any shortfall in the budget or financial plan; and

(cc) any recommendations for revisions to the budget the Authority considers to be appropriate to ensure that the budget is consistent with the financial plan and budget.

(iii) DEEMED APPROVAL.—

(I) IN GENERAL.—If the Authority has not submitted to the Governor, the Legislative Assembly, the President, and Congress a notice certifying approval under clause (i)(I)(bb) or a statement of disapproval under clause (ii)(II) by the date that is 15 days after the date on which the Authority receives the financial plan and budget from the Legislative Assembly under subparagraph (B)(ii), the Authority shall be deemed to have—

(aa) approved the financial plan and budget; and

(bb) submitted a notice certifying approval described in clause (i)(I)(bb) to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress.

(II) EXPLANATION OF FAILURE TO RESPOND.—If subclause (I) applies with respect to a financial plan and budget, the Authority shall submit to the Governor, the Legislative Assembly, the President, and Congress an explanation for the failure of the Authority to submit a notice certifying approval or a statement of disapproval during the 15-day period described in that subclause.

(E) AUTHORITY REVIEW OF REVISED FINANCIAL PLAN AND BUDGET.—

(i) IN GENERAL.—Not later than 15 days after the date of receipt of a statement from the Authority under subpara-

graph (D)(ii)(II), the Legislative Assembly shall—

(I) promptly, by Act, adopt a revised financial plan and budget for the applicable fiscal year that addresses the reasons for disapproval cited in the statement; and

(II) submit the revised financial plan and budget to—

(aa) the Governor; and

(bb) the Authority.

(ii) APPROVAL.—If, after reviewing the revised financial plan and budget for a fiscal year submitted by the Legislative Assembly under clause (i) in accordance with the procedures described in this subsection, the Authority determines that the revised financial plan and budget meets the applicable requirements under this section—

(I) the Authority shall—

(aa) approve the financial plan and budget; and

(bb) submit a notice certifying that approval to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress; and

(II) the Legislative Assembly shall promptly submit the financial plan and budget to the Governor for transmission to the President and Congress.

(iii) DISAPPROVAL.—

(I) IN GENERAL.—If, after reviewing the revised financial plan and budget for a fiscal year submitted by the Legislative Assembly under clause (i) in accordance with the procedures described in this paragraph, the Authority determines that the revised financial plan and budget does not meet the applicable requirements under this section, the Authority shall—

(aa) disapprove the financial plan and budget;

(bb) submit to the Governor, the Legislative Assembly, the

President, and Congress a statement containing—

(AA) the reasons for the disapproval; and

(BB) a description of the amount of any shortfall in the budget or financial plan; and

(cc)(AA) recommend a financial plan and budget for the Commonwealth government that meets the applicable requirements under this section; and

(BB) submit that financial plan and budget to the Governor, the Legislative Assembly, the President, and Congress.

(II) SUBMISSION OF REJECTED FINANCIAL PLAN AND BUDGET.—The Legislative Assembly shall promptly submit to the Governor for transmission to the President and Congress a revised financial plan and budget disapproved by the Authority under this clause.

(iv) DEEMED APPROVAL.—

(I) IN GENERAL.—If the Authority has not provided to the Governor, the Legislative Assembly, and Congress a notice certifying approval under clause (ii)(I)(bb) or a statement of disapproval under clause (iii)(I)(bb) by the date that is 15 days after the date on which the Authority receives the revised financial plan and budget submitted by the Legislative Assembly under clause (i), the Authority shall be deemed to have—

(aa) approved the financial plan and budget; and

(bb) submitted a notice certifying approval described in clause (ii)(I)(bb) to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress.

(II) EXPLANATION OF FAILURE TO RESPOND.—If subclause (I) ap-

plies with respect to a financial plan and budget, the Authority shall submit to the Governor, the Legislative Assembly, the President, and Congress an explanation for the failure of the Authority to submit a notice certifying approval or a statement of disapproval during the 15-day period described in that subclause.

(F) DEADLINE FOR TRANSMISSION BY AUTHORITY.—Notwithstanding any other provision of this subsection, not later than June 15 of each fiscal year preceding a fiscal year that is a control year, the Authority shall submit to Congress—

(i) as applicable, a notice certifying the approval by the Authority of—

(I) the initial financial plan and budget of the Legislative Assembly for that following fiscal year under subparagraph (D)(i); or

(II) the revised financial plan and budget of the Legislative Assembly for that following fiscal year under subparagraph (E)(ii); or

(ii) an approved and recommended financial plan and budget of the Authority for the Commonwealth government for that following fiscal year under subparagraph (E)(iii).

(4) ACTION ON DISAPPROVAL.—

(A) IN GENERAL.—If the Authority determines that the financial plan and budget for a fiscal year submitted by the Governor under paragraph (1) does not meet the applicable requirements under this section, the Authority shall—

(i) disapprove the financial plan and budget; and

(ii) submit to the Governor and the Legislative Assembly a statement containing—

(I) the reasons for the disapproval;

(II) a description of the amount of any shortfall in the budget or financial plan; and

(III) any recommendations for revisions to the budget the Authority considers to be appropriate to ensure

that the financial plan and budget meets the applicable requirements under this section.

(B) REVISED FINANCIAL PLAN AND BUDGET.—

(i) IN GENERAL.—Not later than 15 days after the date of receipt of a statement from the Authority under subparagraph (A)(ii), the Governor shall promptly submit to the Authority and the Legislative Assembly a revised financial plan and budget for the applicable fiscal year that addresses the reasons of the Authority for disapproval.

(ii) APPROVAL.—If the Authority determines that the revised financial plan and budget for a fiscal year submitted by the Governor under clause (i) meets the applicable requirements under this section—

(I) the Authority shall—

(aa) approve the financial plan and budget; and

(bb) submit a notice certifying that approval to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress; and

(II) the Governor shall promptly submit the financial plan and budget to the Legislative Assembly.

(iii) DISAPPROVAL.—

(I) IN GENERAL.—If the Authority determines that the revised financial plan and budget for a fiscal year submitted by the Governor under clause (i) does not meet the applicable requirements under this section, the Authority shall—

(aa) disapprove the financial plan and budget;

(bb) submit to the Governor, the Legislative Assembly, the President, and Congress a statement containing the reasons for the disapproval; and

(cc)(AA) recommend a financial plan and budget for the

Commonwealth government that meets the applicable requirements under this section; and

(BB) submit the financial plan and budget to the Governor and the Legislative Assembly.

(II) SUBMISSION OF REJECTED FINANCIAL PLAN AND BUDGET.—The Governor shall promptly submit to the Legislative Assembly a revised financial plan and budget disapproved by the Authority under this clause.

(iv) DEEMED APPROVAL.—

(I) IN GENERAL.—If the Authority has not provided to the Governor, the Legislative Assembly, and Congress a notice certifying approval under clause (ii)(I)(bb) or a statement of disapproval under clause (iii)(I)(bb) by the date that is 15 days after the date on which the Authority receives the revised financial plan and budget submitted by the Governor under clause (i), the Authority shall be deemed to have—

(aa) approved the revised financial plan and budget; and

(bb) submitted a notice certifying approval described in clause (ii)(I)(bb) to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress.

(II) EXPLANATION OF FAILURE TO RESPOND.—If subclause (I) applies with respect to a financial plan and budget, the Authority shall submit to the Governor, the Legislative Assembly, the President, and Congress an explanation for the failure of the Authority to submit a notice certifying approval or a statement of disapproval during the 15-day period described in that subclause.

(C) ACTION BY LEGISLATIVE ASSEMBLY.—

(i) IN GENERAL.—Not later than 30 days after the date of receipt of an approved revised financial plan and budget of

the Governor for a fiscal year under subparagraph (B)(ii) or, in the case of a financial plan and budget disapproved by the Authority, the financial plan and budget recommended by the Authority under subparagraph (B)(iii)(I)(cc), the Legislative Assembly shall—

(I) by Act, adopt the financial plan and budget, which shall serve as the adoption of the budget of the Commonwealth government for the fiscal year; and

(II) submit the financial plan and budget to—

(aa) the Governor; and

(bb) the Authority.

(ii) REVIEW BY AUTHORITY.—A financial plan and budget submitted by the Legislative Assembly under clause (i) shall be subject to review by the Authority and revision by the Legislative Assembly in the same manner as the financial plan and budget submitted by the Legislative Assembly after an approved preliminary financial plan and budget of the Governor

under subparagraphs (C) through (F) of paragraphs (3).

(5) REVISIONS TO FINANCIAL PLAN AND BUDGET.—

(A) ACTION BY GOVERNOR.—The Governor may submit to the Authority proposed revisions to the financial plan and budget for a control year at any time during the control year.

(B) PROCEDURE.—Except as provided in subparagraph (C), the procedures described in paragraphs (2), (3), and (4) shall apply with respect to a proposed revision to a financial plan and budget in the same manner as those procedures apply with respect to the original financial plan and budget, except that the reference contained in paragraph (3)(A)(ii) to a 30-day period shall be considered to be a 20-day period.

(C) EXCEPTION FOR REVISIONS NOT AFFECTING APPROPRIATIONS.—To the extent that a proposed revision to a financial plan and budget adopted by the Legislative Assembly pursuant to this section does not increase the amount of spending with respect to any account of the Commonwealth government, the revision

shall take effect on the date of approval by the Authority of the revision, subject to review by Congress.

SEC. 325. REVIEW TO ENSURE COMPLIANCE.

(a) LEGISLATIVE ASSEMBLY ACTS.—

(1) IN GENERAL.—Not later than December 31 of each control year, the Legislative Assembly shall submit to the Authority—

(A) a copy of each Act that, during the control year, was—

(i) passed by the Legislative Assembly and signed by the Governor;

(ii) vetoed by the Governor and repassed by ⅔ of the members of each of the Senate and House of Representatives of the Legislative Assembly; or

(iii) passed by the Legislative Assembly and allowed to become effective without the signature of the Governor; and

(B) an estimate of the costs of carrying out the Act.

(2) PROMPT REVIEW.—On receipt from the Legislative Assembly of an Act under paragraph (1), the Authority shall promptly review the Act to determine whether the Act is consistent with—

(A) the applicable financial plan and budget approved under section 323 or 324 for the control year; and

(B) the estimate of the costs of carrying out the Act under paragraph (1)(B).

(3) ACTIONS BY AUTHORITY.—

(A) APPROVAL.—Except as provided in subparagraph (C), if the Authority determines that an Act described in this subsection is consistent with the applicable financial plan and budget—

(i) the Authority shall submit to the Legislative Assembly a notice of the approval; and

(ii) the Legislative Assembly shall submit to Congress a copy of the Act for review.

(B) FINDING OF INCONSISTENCY.—Except as provided in subparagraph (C), if the Authority determines that an Act described in this subsection is significantly inconsistent with the applicable financial plan and budget, the Authority shall—

(i) notify the Legislative Assembly of the finding;

(ii) provide the Legislative Assembly with an explanation of the reasons for the finding; and

(iii) to the extent the Authority considers to be appropriate, provide to the Legislative Assembly recommendations for modifications to the Act.

(C) EXCEPTION FOR EMERGENCIES.—Subparagraphs (A) and (B) shall not apply with respect to any Act that the Legislative Assembly determines should take effect immediately due to an emergency circumstance.

(4) EFFECT OF FINDING.—If the Authority makes a finding under paragraph (3)(B), the Legislative Assembly may not submit to Congress the Act for review.

(5) DEEMED APPROVAL.—

(A) IN GENERAL.—Subject to subparagraph (B), if the Authority fails to notify the Legislative Assembly of an approval or disapproval of an Act described in this subsection by the date that is 7 days after the date on which the Legislative Assembly submits the Act to the Authority, the Authority shall be deemed

to have approved the Act in accordance with paragraph (3)(A).

(B) EXTENSION.—The Authority may elect to extend the deadline described in subparagraph (A) to a period of not longer than 14 days, subject to the condition that the Authority shall notify the Legislative Assembly and the Governor of the election.

(6) PRELIMINARY REVIEW OF PROPOSED ACTS.—

(A) IN GENERAL.—Subject to subparagraph (B), at the request of the Legislative Assembly, the Authority may conduct a preliminary review of proposed legislation pending before the Legislative Assembly to determine whether the legislation as proposed would be consistent with the applicable financial plan and budget approved under section 323 or 324.

(B) TREATMENT.—A preliminary review under subparagraph (A) shall not be binding on the Authority in reviewing any Act subsequently submitted under this subsection.

(b) EFFECT ON CONTRACTS AND LEASES.—

(1) MANDATORY PRIOR APPROVAL.—

(A) IN GENERAL.—In the case of a contract or lease described in subparagraph (B) that is proposed to be entered into by the Commonwealth government during a control year, the Governor (or other appropriate officer or agent of the Commonwealth government)—

(i) shall submit to the Authority the proposed contract or lease for review and approval; and

(ii) may not enter into the contract or lease unless the Authority determines that the proposed contract or lease is consistent with the financial plan and budget for the control year.

(B) CONTRACTS AND LEASES DESCRIBED.—A contract or lease referred to in subparagraph (A) is—

(i) a labor contract entered into through collective bargaining; or

(ii) such other type of contract or lease as the Authority may specify for purposes of this subparagraph.

(2) REVIEW AFTER EXECUTION.—

(A) IN GENERAL.—In addition to the prior approval of certain contracts and leases under

paragraph (1), the Authority may require the Governor (or other appropriate officer or agent of the Commonwealth government) to submit to the Authority—

(i) any other contract (including a contract to carry out a grant) or lease entered into by the Commonwealth government during a control year that is executed after the date on which the Authority has approved the financial plan and budget for the control year under section 323 or 324; or

(ii) any proposal of the Commonwealth government to renew, extend, or modify a contract or lease during a control year that is made after the date on which the Authority has approved that financial plan and budget.

(B) ACTION BY AUTHORITY.—The Authority shall review each contract or lease submitted under subparagraph (A) to determine whether the contract or lease is consistent with the financial plan and budget for the applicable control year.

(C) ACTION BY GOVERNOR.—If the Authority determines under subparagraph (B) that a contract or lease is not consistent with the applicable financial plan and budget, to ensure that the contract or lease will be consistent with the financial plan and budget, the Governor shall—

(i) take such action pursuant to the authority of the Governor to revise the contract or lease; or

(ii) submit a proposed revision to the financial plan and budget in accordance with section 323(b)(5) or 324(b)(5).

(3) CONTRACTS SUBJECT TO LEGISLATIVE ASSEMBLY APPROVAL.—In the case of a contract or lease that is required to be submitted to the Authority under this subsection and is subject to approval by the Legislative Assembly under the laws of the Commonwealth, the Governor shall submit the contract or lease to the Authority only after the Legislative Assembly has approved the contract or lease.

(c) RESTRICTIONS ON REPROGRAMMING OF AMOUNTS.—

(1) SUBMISSIONS OF REQUESTS TO AUTHORITY.—If the Governor submits to the Legislative As-

sembly a request for the reprogramming of any amounts provided in a budget for a fiscal year that occurs during a control year after the date on which the budget is adopted by the Legislative Assembly—

(A) the Governor shall submit the request to the Authority; and

(B) the Authority shall—

(i) analyze the effect of the proposed reprogramming on the financial plan and budget for the fiscal year; and

(ii) submit the analysis to the Legislative Assembly by not later than 15 days after the date of receipt of the request.

(2) NO ACTION PERMITTED.—The Legislative Assembly may not adopt a reprogramming during a fiscal year that occurs during a control year, and no officer or employee of the Commonwealth government may carry out any reprogramming during such a year, until the Authority has provided to the Legislative Assembly an analysis of a request for the reprogramming in accordance with paragraph (1).

SEC. 326. RESTRICTIONS ON BORROWING.

(a) IN GENERAL.—The Commonwealth government may not borrow money during a control year, unless the Authority provides to the Governor a certification that

both the receipt of funds through that borrowing and the repayment of obligations incurred through the borrowing are consistent with the financial plan and budget for the control year.

(b) REVISIONS TO FINANCIAL PLAN AND BUDGET.—If the Authority determines that a borrowing proposed to be carried out by the Commonwealth government under subsection (a) is not consistent with the financial plan and budget, the Governor may submit to the Authority a proposed revision to the financial plan and budget in accordance with section 324(b)(5) to ensure that the borrowing is consistent with the revised financial plan and budget.

(c) BORROWING DESCRIBED.—This subsection shall apply with respect to any borrowing carried out by the Commonwealth government, including—

(1) borrowing through the issuance of bonds;

(2) the exercise of authority to obtain funds from the United States Treasury; or

(3) any other means.

SEC. 327. FINDING OF NONCOMPLIANCE.

(a) SUBMISSION OF REPORTS.—On initiation of a control period under section 322(b), the Governor shall submit to the Authority a report that—

(1) describes the actual revenues obtained and expenditures made by the Commonwealth govern-

ment during the preceding quarter, as compared to cash flows during that quarter; and

(2) compares those actual revenues, expenditures, and cash flows with the most recent projections for those items.

(b) DEMAND FOR ADDITIONAL INFORMATION.—If the Authority determines, based on reports submitted by the Governor under subsection (a), independent audits, or such other information as the Authority may obtain, that the revenues or expenditures of the Commonwealth government during a control year are not consistent with the financial plan and budget for the year, the Authority shall require the Governor to provide such additional information as the Authority determines to be necessary to explain the inconsistency.

(c) CERTIFICATION OF VARIANCE.—

(1) IN GENERAL.—After requiring the Governor to provide additional information under subsection (b), the Authority shall certify to the Legislative Assembly, the President, the Secretary, and Congress that the Commonwealth government is at variance with the financial plan and budget, unless—

(A) the Authority determines to be reasonable and appropriate, taking into account the terms of the financial plan and budget—

(i) an explanation for the inconsistency based on the additional information; or

(ii) a remedial action (including revising the financial plan and budget pursuant to section 324(b)(5)) implemented by the Commonwealth government to correct the inconsistency; and

(B) the Governor agrees to submit the reports described in subsection (a) on a monthly basis for such period as the Authority may require.

(2) INCONSISTENCIES ATTRIBUTABLE TO ACTS OF CONGRESS.—

(A) DETERMINATION BY AUTHORITY.—If the Authority determines that the revenues or expenditures of the Commonwealth government during a control year are not consistent with the financial plan and budget for the year as approved by the Authority under section 324 as a result of the terms and conditions of the budget of the Commonwealth government for the control year or as a result of any law enacted by Congress that affects the Common-

wealth, the Authority shall submit to the Governor a notification of the determination.

(B) CERTIFICATION.—In the case of an inconsistency described in subparagraph (A), the Authority shall certify to the Legislative Assembly, the President, the Secretary, and Congress that the Commonwealth government is at variance with the financial plan and budget unless the Commonwealth government adopts or implements a remedial action (including revising the financial plan and budget pursuant to section 324(b)(5)) to correct the inconsistency that the Authority finds reasonable and appropriate, taking into account the terms of the financial plan and budget.

(d) EFFECT OF CERTIFICATION.—If the Authority certifies to the Secretary that a variance exists—

(1) the Authority may withhold any funds deposited in an account of the Authority which would otherwise be expended on behalf of the Commonwealth government; and

(2) the Secretary shall withhold funds otherwise payable to the Commonwealth under such Federal programs as the Authority may specify (other than funds dedicated to making entitlement or benefit

payments to individuals), in such amounts and in accordance with such other conditions as the Authority may specify.

SEC. 328. RECOMMENDATIONS REGARDING FINANCIAL STABILITY AND MANAGEMENT RESPONSIBILITY.

(a) IN GENERAL.—The Authority may at any time submit recommendations to the Governor, the Legislative Assembly, the President, and Congress regarding actions the Commonwealth government or the Federal Government may take to ensure compliance by the Commonwealth government with a financial plan and budget, or to otherwise promote the financial stability, management responsibility, and service delivery efficiency of the Commonwealth government, including recommendations relating to—

(1) the management of the financial affairs of the Commonwealth government, including cash forecasting, information technology, placing controls on expenditures for personnel, reducing benefit costs, reforming procurement practices, and placing other controls on expenditures;

(2) the structural relationship of departments, agencies, and independent agencies within the Commonwealth government;

(3)(A) the modification of existing revenue structures; or

(B) the establishment of additional revenue structures;

(4) the establishment of alternatives for meeting obligations to pay for the pensions of former Commonwealth government employees;

(5) modifications or transfers of the types of services that are the responsibility of, and are delivered by, the Commonwealth government;

(6) modifications of the types of services that are delivered by entities other than the Commonwealth government under alternative service delivery mechanisms (including privatization and commercialization);

(7) the effects of Commonwealth laws and court orders on the operations of the Commonwealth government;

(8) the establishment of a personnel system for employees of the Commonwealth government that is based on employee performance standards; and

(9) the improvement of personnel training and proficiency, the adjustment of staffing levels, and the improvement of training and performance of management and supervisory personnel.

(b) RESPONSE TO RECOMMENDATIONS.—

(1) IN GENERAL.—In the case of any recommendations submitted under subsection (a) during a control year that are within the authority of the Commonwealth government to adopt, not later than 90 days after the date of receipt of the recommendations, the Governor or the Legislative Assembly (whichever has the authority to adopt the recommendation) shall submit to the Authority, the President, and Congress a notification describing whether the Commonwealth government will adopt the recommendations.

(2) IMPLEMENTATION PLAN REQUIRED.—If the Governor or the Legislative Assembly (as applicable) notifies the Authority and Congress under paragraph (1) that the Commonwealth government will adopt a recommendation submitted under subsection (a), the Governor or the Legislative Assembly shall include in the statement a written plan to implement the recommendation that includes—

(A) specific performance measures to determine the extent to which the Commonwealth government has adopted the recommendation; and

(B) a schedule for auditing compliance by the Commonwealth government with the plan.

(3) RECOMMENDATIONS NOT ADOPTED.—If the Governor or the Legislative Assembly (as applicable) notifies the Authority, the President, and Congress under paragraph (1) that the Commonwealth government will not adopt a recommendation submitted under subsection (a) that the Commonwealth government has authority to adopt, the Governor or the Legislative Assembly shall include in the statement an explanation for the rejection of the recommendation.

(c) IMPLEMENTATION OF REJECTED RECOMMENDATIONS.—

(1) IN GENERAL.—If the Governor or the Legislative Assembly (as applicable) notifies the Authority, the President, and Congress under subsection (b)(1) that the Commonwealth government will not adopt a recommendation submitted under subsection (a) that the Commonwealth government has authority to adopt, the Authority, by a majority vote of the members of the Authority, may take such action concerning the recommendation as the Authority determines to be appropriate, after consultation with—

(A) the Committee on Energy and Natural Resources of the Senate; and

(B) the Committee on Natural Resources of the House of Representatives.

(2) EFFECTIVE DATE.—This subsection shall apply with respect to recommendations of the Authority made after the date that is 180 days after the date of enactment of this Act.

PART II—ISSUANCE OF BONDS

SEC. 331. AUTHORITY TO ISSUE BONDS.

(a) IN GENERAL.—

(1) REQUEST OF GOVERNOR.—Subject to the requirements of this part, the Authority may at the request of the Governor and pursuant to an Act of the Legislative Assembly, issue bonds, notes, or other obligations to borrow funds for the use of the Commonwealth government, in such amounts and in such manner as the Authority considers appropriate.

(2) SPECIAL RULE FOR INSTRUMENTALITIES WITH INDEPENDENT BORROWING AUTHORITY.—In the case of an agency or instrumentality of the Commonwealth government that has the authority to issue bonds, notes, or obligations to borrow funds without the enactment of an Act of the Legislative Assembly, the Authority may issue bonds, notes, or

other obligations to borrow funds for the use or functions of the agency or instrumentality at the request of the head of the agency or instrumentality.

(b) DEPOSIT OF FUNDS OBTAINED THROUGH BORROWING WITH AUTHORITY.—

(1) IN GENERAL.—Any amounts obtained by the Commonwealth government through borrowing by the Authority pursuant to this part shall be deposited in an escrow account held by the Authority.

(2) ALLOCATION.—The Authority shall make available to the Commonwealth government funds from the escrow account in such amounts and at such times as the Authority considers appropriate, consistent with the specified purposes of the funds and the applicable financial plan and budget.

(c) USES OF FUNDS OBTAINED THROUGH BONDS.—Any amounts obtained through the issuance of bonds, notes, or other obligations pursuant to this part may be used for—

(1) any purpose (consistent with the applicable financial plan and budget) under part I for which the Commonwealth government may use borrowed funds; and

(2) any other purpose that the Authority considers appropriate.

SEC. 332. PLEDGE OF SECURITY INTEREST IN REVENUES OF COMMONWEALTH GOVERNMENT.

(a) IN GENERAL.—The Authority may pledge or grant a security interest in revenues to individuals or entities purchasing bonds, notes, or other obligations issued pursuant to this part.

(b) DEDICATION OF REVENUE STREAM FROM COMMONWEALTH GOVERNMENT.—The Authority shall require the Governor—

(1) to pledge or direct to the Authority any taxes or other revenues otherwise payable to the Commonwealth government that are not otherwise pledged or committed, including payments from the Federal Government, for purposes of securing repayment of bonds, notes, or other obligations issued under this part; and

(2) to transfer to the Authority the proceeds of any tax levied for purposes of securing any bonds, notes, or other obligations issued under this part immediately on collection of the proceeds.

SEC. 333. ESTABLISHMENT OF DEBT SERVICE RESERVE FUND.

(a) IN GENERAL.—As a condition for the issuance of bonds, notes, or other obligations pursuant to this part, the Authority shall establish a debt service reserve fund, which shall be a trust fund held for the benefit and secu-

rity of the obligees of the Authority whose bonds, notes, or other obligations are secured by the debt service reserve fund, consisting of such funds as the Authority may make available for the debt service reserve fund.

(b) REQUIREMENTS.—

(1) USES OF FUNDS.—Amounts in a debt service reserve fund established under subsection (a) may be used only for—

(A) the payment of the principal of bonds secured in whole or in part by the debt service reserve fund;

(B) the purchase or redemption of the bonds;

(C) the payment of interest on the bonds; or

(D) the payment of any redemption premium required to be paid when the bonds and notes are redeemed prior to maturity.

(2) RESTRICTIONS ON WITHDRAWALS.—

(A) IN GENERAL.—There may not be withdrawn from the debt service reserve fund an amount that would reduce the amount of the debt service reserve fund to less than the minimum reserve fund requirement established for the debt service reserve fund in the resolution

of the Authority establishing the fund, except for withdrawals for—

(i) the purpose of making payments of principal, interest, redemption premiums, and sinking fund payments, if any, with respect to the bonds for the payment of which other amounts of the Authority are not available; and

(ii) the purpose of funding the operations of the Authority for a fiscal year (in such amounts and under such conditions as are established under the budget of the Authority for the fiscal year under section 316(a)).

(B) USE OF EXCESS FUNDS.—Nothing in subparagraph (A) prohibits the Authority from transferring to other funds or accounts of the Authority any income or interest earned by, or increments to, the debt service reserve fund due to the investment of funds in the debt service reserve fund (to the extent the transfer does not reduce the amount of the debt service reserve fund below the minimum reserve fund requirement established for the debt service reserve fund) for such purposes as the Authority

considers to be appropriate to promote the financial stability and management efficiency of the Commonwealth government.

SEC. 334. OTHER REQUIREMENTS FOR ISSUANCE OF BONDS.

The Authority may not issue bonds, notes, or other obligations pursuant to this part that are secured in whole or in part by a debt service reserve fund established under section 333 if issuance of the bonds would cause the amount in the debt service reserve fund to fall below the minimum reserve requirement for the debt service reserve fund, unless the Authority, on issuance of the bonds, deposits in the debt service reserve fund an amount (from the proceeds of the bonds to be issued or from other sources) that, when added to the amount already in the debt service reserve fund, would cause the total amount in the debt service reserve fund to equal or exceed the minimum reserve fund requirement established by the Authority on the date of the establishment of the debt service reserve fund.

SEC. 335. NO FULL FAITH AND CREDIT OF THE UNITED STATES.

(a) IN GENERAL.—The full faith and credit of the United States is not pledged for the payment of any prin-

cipal of or interest on any bond, note, or other obligation issued by the Authority pursuant to this part.

(b) RESPONSIBILITY OR LIABILITY OF THE UNITED STATES.—The United States is not responsible or liable for the payment of any principal of or interest on any bond, note, or other obligation issued by the Authority pursuant to this part.

PART III—OTHER DUTIES OF AUTHORITY

SEC. 341. DUTIES OF AUTHORITY DURING YEAR OTHER THAN CONTROL YEAR.

(a) IN GENERAL.—During the period beginning on the termination of a control period under subsection (a)(3) or (b)(3) of section 322 and ending with the suspension of activities of the Authority under section 317, the Authority shall—

(1) review the budgets of the Commonwealth government adopted by the Legislative Assembly for each fiscal year occurring during the period;

(2) at such time as the Authority considers appropriate prepare and submit to the Governor, the Legislative Assembly, the President, and Congress a report analyzing the budget;

(3)(A) monitor the financial status of the Commonwealth government or a public corporation; and

(B) if the Authority determines that a risk to the financial status of the Commonwealth government or a public corporation exists and that a control period needs to be implemented with respect to the Commonwealth government or a public corporation in accordance with section 322, submit to the Governor, the Legislative Assembly, the President, and Congress a report describing the determination; and

(4) carry out activities under part II with respect to bonds, notes, or other obligations of the Authority outstanding during the period.

(b) REQUIRING GOVERNOR TO SUBMIT BUDGETS TO AUTHORITY.—With respect to the budget for each fiscal year during the period described in subsection (a), on the date on which the Governor submits the budget of the Commonwealth government adopted by the Legislative Assembly to the President in accordance with this title, the Governor shall transmit the budget to the Authority.

SEC. 342. GENERAL ASSISTANCE IN ACHIEVING FINANCIAL STABILITY AND MANAGEMENT EFFICIENCY.

In addition to any other actions described in this subtitle, the Authority may undertake cooperative efforts to assist the Commonwealth government in achieving financial stability and management efficiency, including—

(1) assisting the Commonwealth government in avoiding defaults, eliminating and liquidating deficits, maintaining sound budgetary practices, and avoiding interruptions in the delivery of services;

(2) assisting the Commonwealth government in improving—

(A) the delivery of government services;

(B) the training and effectiveness of personnel of the Commonwealth government; and

(C) the efficiency of management and supervision; and

(3) making recommendations to the President for submission to Congress on changes to this title or other Federal laws or other actions of the Federal Government that would assist the Commonwealth government in complying with an approved financial plan and budget.

SEC. 343. OBTAINING REPORTS.

The Authority may require the Governor, the Legislative Assembly, and the Inspector General of Puerto Rico to prepare and submit any reports that the Authority considers appropriate to assist the Authority in carrying out the responsibilities of the Authority under this subtitle, including submitting copies of any reports regarding revenues, expenditures, budgets, costs, plans, operations, esti-

mates, and other financial or budgetary matters of the Commonwealth government.

SEC. 344. REPORTS AND COMMENTS.

(a) ANNUAL REPORTS TO CONGRESS.—Not later than 30 days after the last day of each fiscal year that is a control year, the Authority shall submit to Congress a report that describes—

(1) the progress made by the Commonwealth government and public corporations in meeting the objectives of this title during the fiscal year;

(2) the assistance provided by the Authority to the Commonwealth government and public corporations in meeting the purposes of this title for the fiscal year; and

(3) any other activities of the Authority during the fiscal year.

(b) REVIEW AND ANALYSIS OF PERFORMANCE AND FINANCIAL ACCOUNTABILITY REPORTS.—The Authority shall—

(1) review each report prepared and submitted by the Governor under this title; and

(2) submit to Congress a report that analyzes the completeness and accuracy of each report.

(c) COMMENTS REGARDING ACTIVITIES OF COMMONWEALTH GOVERNMENT.—At any time during a control

year, the Authority may submit to Congress a report that describes any action taken by the Commonwealth government (or any failure to act by the Commonwealth government) that the Authority determines would—

(1) adversely affect the ability of the Commonwealth government to comply with an approved financial plan and budget; or

(2) have a significant adverse impact on the best interests of the Commonwealth.

(d) REPORTS ON EFFECT OF FEDERAL LAWS ON COMMONWEALTH GOVERNMENT.—At any time during any year, the Authority may submit to the Governor, the Legislative Assembly, the President, and Congress a report that describes—

(1) the effect of laws enacted by Congress on the financial plan and budget for the year; and

(2) the financial stability and management efficiency of the Commonwealth government in general.

(e) MAKING REPORTS PUBLICLY AVAILABLE.—The Authority shall make any report submitted under this section available to the public, except to the extent that the Authority determines that the report contains confidential material.

Subtitle C—Chief Financial Officer

SEC. 351. ESTABLISHMENT OF OFFICE.

(a) IN GENERAL.—There is established within the executive branch of the Commonwealth government an Office of the Chief Financial Officer of Puerto Rico, which shall be headed by the Chief Financial Officer of Puerto Rico.

(b) TRANSFER OF GOVERNMENT DEVELOPMENT BANK FUNCTIONS AND PERSONNEL.—Effective with the appointment of the first Chief Financial Officer under section 352, the functions and personnel of the Government Development Bank are transferred to the Office.

(c) PRESIDENT OF GOVERNMENT DEVELOPMENT BANK.—With respect to the Government Development Bank—

(1) the Chief Financial Officer shall appoint the President of the Government Development Bank, subject to the approval of the Governor; and

(2) the Chief Financial Officer may remove the President of the Government Development Bank for cause, after consultation with the Governor.

SEC. 352. APPOINTMENT; REMOVAL.

(a) APPOINTMENT.—

(1) CONTROL YEAR.—

(A) IN GENERAL.—During a control year initiated under section 322(b), the Chief Financial Officer shall be appointed by the Governor in accordance with this paragraph.

(B) RECOMMENDATIONS.—Prior to the appointment of the Chief Financial Officer, the Authority may submit recommendations for the appointment to the Governor.

(C) NOMINATION.—In consultation with the Authority and the Legislative Assembly, the Governor shall nominate an individual for appointment and notify the Legislative Assembly of the nomination.

(D) NOTIFICATION.—After the expiration of the 7-day period beginning on the date on which the Governor notifies the Legislative Assembly of the nomination under subparagraph (B), the Governor shall notify the Authority of the nomination.

(E) EFFECTIVENESS.—The nomination shall be effective subject to approval by a majority vote of the Authority.

(2) OTHER YEARS.—

(A) IN GENERAL.—During a year other than a control year initiated under section

322(b), the Chief Financial Officer shall be appointed by the Governor with the advice and consent of the Legislative Assembly.

(B) RECOMMENDATIONS.—Prior to appointment under subparagraph (A), the Authority may submit recommendations for the appointment.

(b) REMOVAL.—

(1) CONTROL YEAR.—During a control year initiated under section 322(b), the Chief Financial Officer may be removed for cause by the Authority or by the Governor with the approval of the Authority.

(2) OTHER YEARS.—During a year other than a control year initiated under section 322(b), the Chief Financial Officer shall serve at the pleasure of the Governor, except that the Chief Financial Officer may only be removed for cause.

(c) SALARY.—The Chief Financial Officer shall be paid at an annual rate determined by the Governor, except that the rate may not exceed the rate of basic pay payable for level IV of the Executive Schedule, as described in section 5315 of title 5, United States Code.

SEC. 353. FUNCTIONS OF CHIEF FINANCIAL OFFICER.

(a) FUNCTIONS DURING CONTROL YEAR.—During a control year initiated under section 322(b), the Chief Financial Officer shall have the following duties:

(1) Preparing the financial plan and budget for the use of the Governor.

(2) Preparing the budgets of the Commonwealth for the year for the use of the Governor.

(3) Ensuring that all financial information presented by the Governor is presented in a manner consistent with applicable law.

(4) Implementing appropriate procedures and instituting such programs, systems, and personnel policies within the authority of the Chief Financial Officer, to ensure that budget, accounting, and personnel control systems and structures are synchronized for budgeting and control purposes on a continuing basis.

(5) With the approval of the Authority, preparing and submitting to the Governor and the Legislative Assembly—

(A) annual estimates of all revenues of the Commonwealth government (without regard to the source of the revenues), including proposed revenues, which shall be binding on the Governor and the Legislative Assembly for purposes

of preparing and submitting the budget of the Commonwealth government for the year, except that the Governor and the Legislative Assembly may prepare the budget based on estimates of revenues that are lower than those prepared by the Chief Financial Officer; and

(B) quarterly re-estimates of the revenues of the Commonwealth government during the year.

(6) Supervising and assuming responsibility for financial transactions to ensure—

(A) adequate control of revenues and resources; and

(B) that appropriations are not exceeded.

(7) Maintaining systems of accounting and internal control designed to provide—

(A) full disclosure of the financial impact of the activities of the Commonwealth government;

(B) adequate financial information needed by the Commonwealth government for management purposes;

(C) effective control over, and accountability for, all funds, property, and other assets of the Commonwealth government; and

(D) reliable accounting results to serve as the basis for preparing and supporting agency budget requests and controlling the execution of the budget.

(8) Submitting to the Legislative Assembly a financial statement of the Commonwealth government, containing such details and at such times as the Legislative Assembly may specify.

(9) Supervising and assuming responsibility for the levying and collection of all taxes, special assessments, licensing fees, and other revenues of the Commonwealth government (as may be required by law), and receiving all amounts paid to the Commonwealth government from any source (including the Authority).

(10) Maintaining custody of all public funds belonging to or under the control of the Commonwealth government (or any department or agency of the Commonwealth government), and depositing all amounts paid in such depositories and under such terms and conditions as may be designated by the Legislative Assembly or the Authority.

(11)(A) Maintaining custody of all investment and invested funds of the Commonwealth govern-

ment or in possession of the Commonwealth government in a fiduciary capacity.

(B) Maintaining the safekeeping of all bonds and notes of the Commonwealth government and the receipt and delivery of Commonwealth government bonds and notes for transfer, registration, or exchange.

(12)(A) Apportioning the total of all appropriations and funds made available during the year for obligation so as to prevent obligation or expenditure in a manner that would result in a deficiency or a need for supplemental appropriations during the year.

(B) With respect to appropriations and funds available for an indefinite period and all authorizations to create obligations by contract in advance of appropriations, apportioning the total of those appropriations, funds, or authorizations in the most effective and economical manner.

(13) Certifying all contracts (whether directly or through delegation) prior to execution as to the availability of funds to meet the obligations expected to be incurred by the Commonwealth government under the contracts during the year.

(14) Prescribing the forms of receipts, vouchers, bills, and claims to be used by all agencies, offices, and instrumentalities of the Commonwealth government.

(15) Certifying and approving prior to payment all bills, invoices, payrolls, and other evidences of claims, demands, or charges against the Commonwealth government, and determining the regularity, legality, and correctness of those bills, invoices, payrolls, claims, demands, or charges.

(16) In coordination with the Inspector General of Puerto Rico, performing internal audits of accounts and operations and records of the Commonwealth government, including the examination of any accounts or records of financial transactions, giving due consideration to the effectiveness of accounting systems, internal control, and related administrative practices of the departments and agencies of the Commonwealth government.

(b) FUNCTIONS DURING ALL YEARS.—At all times, the Chief Financial Officer shall have the following duties:

(1) Administering all borrowing programs of the Commonwealth government for the issuance of long-term and short-term indebtedness.

(2) Administering the cash management program of the Commonwealth government, including the investment of surplus funds in governmental and nongovernmental interest-bearing securities and accounts.

(3) Administering the centralized Commonwealth government payroll and retirement systems.

(4) Governing the accounting policies and systems applicable to the Commonwealth government.

(5) Preparing appropriate annual, quarterly, and monthly financial reports of the accounting and financial operations of the Commonwealth government.

(6) Not later than 120 days after the end of each fiscal year, preparing the complete financial statement and report on the activities of the Commonwealth government for the ending fiscal year, for the use of the Governor.

(c) REPORTS.—

(1) IN GENERAL.—At all times, the Chief Financial Officer shall be responsible for reporting revenues received by the Commonwealth government, including preparing, not later than 60 days after the last day of the applicable quarter or year, quarterly

and annual reports concerning the cash position of the Commonwealth government.

(2) REQUIREMENTS.—Reports described in paragraph (1) shall include the following:

(A)(i) Comparative reports of revenue and other receipts by source, including tax, nontax, and Federal revenues, grants and reimbursements, capital program loans, and advances.

(ii) Each source shall be broken down into specific components.

(B)(i) Statements of the cash flow of the Commonwealth government for the preceding quarter or year, including receipts, disbursements, net changes in cash inclusive of the beginning balance, cash and investment, and the ending balance, inclusive of cash and investment.

(ii) Statements under clause (i) shall reflect the actual, planned, better, or worse dollar amounts and the percentage change with respect to the current quarter, year-to-date, and fiscal year.

(C) Quarterly cash flow forecast for the quarter or year involved, reflecting receipts, disbursements, net change in cash inclusive of the

beginning balance, cash and investment, and the ending balance, inclusive of cash and investment with respect to the actual dollar amounts for the quarter or year, and projected dollar amounts for each of the 3 succeeding quarters.

(D) Monthly reports reflecting a detailed summary analysis of all Commonwealth government investments, including—

(i) the total of long-term and short-term investments;

(ii) a detailed summary analysis of investments by type and amount, including purchases, sales (maturities), and interest;

(iii) an analysis of investment portfolio mix by type and amount, including liquidity, quality, and risk of each security, and similar information;

(iv) an analysis of investment strategy, including—

(I) near-term strategic plans and projects of investment activity;

(II) forecasts of future investment strategies based on anticipated market conditions; and

(III) similar information; and

(v) an analysis of cash utilization, including—

(I) comparisons of budgeted percentages of total cash to be invested with actual percentages of cash invested and the dollar amounts;

(II) comparisons of the next return on invested cash expressed in percentages (yield) with comparable market indicators and established Commonwealth government yield objectives; and

(III) comparisons of estimated dollar return against actual dollar yield.

(E)(i) Monthly reports reflecting a detailed summary analysis of long-term and short-term borrowings inclusive of debt in the current fiscal year and the amount of debt for each succeeding fiscal year, not to exceed 5 years.

(ii) All reports described in clause (i) shall reflect—

(I) the amount of debt outstanding by type of instrument;

(II) the amount of authorized and unissued debt, including availability of short-term lines of credit, United States Treasury borrowings, and similar information;

(III) a maturity schedule of the debt;

(IV) the rate of interest payable on the debt; and

(V) the amount of debt service requirements and related debt service reserves.

Subtitle D—Effect

SEC. 361. EFFECT.

Nothing in this title—

(1) relieves any obligations existing as of the date of enactment of this Act of the Commonwealth government to repay any individual or entity from whom the Commonwealth government has borrowed funds, whether through the issuance of bonds or otherwise;

(2) limits the authority of Congress to exercise authority over the Commonwealth pursuant to Article IV, section 3, clause 2 of the Constitution of the United States; or

(3) impairs the right of residents of the Commonwealth to express the preference of the residents regarding whether—

(A) to maintain the territorial status of the Commonwealth in existence as of the date of enactment of this Act; or

(B) to establish a permanent nonterritorial status with the United States.

SEC. 362. PREEMPTION.

This title preempts all Federal, State, and local laws relating to the Commonwealth, any public corporation, or any process for establishing or reviewing rates, fees, taxes, or other charges.

TITLE IV—ADDITIONAL REPORTS AND STUDIES

SEC. 401. REPORT ON EXCLUSION OF TERRITORIES FROM EXCHANGES.

(a) IN GENERAL.—Not later than February 1, 2017, the Secretary of Health and Human Services, in consultation with the Joint Committee on Taxation, shall submit to Congress a report that describes the impact on each territory of the exclusion of such territories from the provisions of part 2 of subtitle D of title I of the Patient Protection and Affordable Care Act (42 U.S.C. 18031 et seq.).

(b) INFORMATION IN REPORT.—The report submitted under subsection (a) shall include the following:

(1) With respect to health insurance coverage, an estimate of the total number of uninsured and underinsured individuals residing in each territory.

(2) A description of the number of health insurance issuers in each territory and the health insurance plans offered by such issuers offer.

(3) An estimate of the amount of Federal income taxes that are currently paid in each territory and an estimate of the amount that those taxes would be, in aggregate per territory, if the Federal income tax system applied to the territory.

(4) An estimate of the Federal income taxes that would be paid, in the aggregate per territory, if individuals residing in each territory paid the average per capita Federal income tax share devoted to Federal health funding that is paid by residents in the 50 States and the District of Columbia.

SEC. 402. STUDY OF PUERTO RICO PUBLIC PENSION DEBT.

Not later than 6 months after the establishment of the Puerto Rico Financial Responsibility and Management Assistance Authority under title III of this Act, the Joint Board for the Enrollment of Actuaries established under section 3041 of the Employee Retirement Income Security

Act of 1974 (29 U.S.C. 1241) shall report to such Authority and the Office of Domestic Finance of the Department of the Treasury on the following with respect to the Puerto Rico public pension plans:

(1) Recommendations on actions that would be necessary to ensure that such plans can be sustainably maintained and funded by the government of Puerto Rico for the next 20 years.

(2) The feasibility of an assumption by the Department of the Treasury of the assets and unfunded liabilities of such plans, individually or collectively, in a manner substantially similar to the actions taken with respect to the District Retirement Fund under the District of Columbia Retirement Protection Act of 1997.

(3) Whether a freeze of future benefit accruals under such plans is necessary or advisable.

(4) The extent to which benefit reductions, such as have been made in previous municipal bankruptcy proceedings, would be necessary or advisable to attain sustainability for such plans or create parity with payment reductions applicable to retired individuals who are, directly or indirectly, Puerto Rico bondholders.

SEC. 403. HEALTH AND HUMAN SERVICES REPORT.

(a) IN GENERAL.—Not later than 90 days after the date of enactment of this Act, the Secretary of Health and Human Services shall submit to the Committee on Finance and the Committee on Energy and Natural Resources of the Senate, the Committee on Ways and Means and the Committee on Natural Resources of the House of Representatives, and to the Resident Commissioner of the Commonwealth, recommendations that specify the manner in which the Federal Government should more equitably allocate resources across the territories—

(1) without—

(A) adding to the Federal debt; or

(B) significantly decreasing the solvency of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund under section 201 of the Social Security Act (42 U.S.C. 401), the Federal Hospital Insurance Trust Fund under section 1817 of such Act (42 U.S.C. 1395i), and the Federal Supplementary Medical Insurance Trust Fund under section 1841 of such Act (42 U.S.C. 1395t); and

(2) to promote—

(A) horizontal equity across territories; and

(B) inter-temporal horizontal equity across States and territories to account for relative Federal income tax burdens and needs.

(b) ESTIMATE OF EFFECTS.—Not later than 90 days after the date on which the recommendations are submitted under subsection (a), the Office of the Actuary of the Centers for Medicare & Medicaid Services shall provide to the Secretary of Health and Human Services and to the Committee on Finance and the Committee on Energy and Natural Resources of the Senate and the Committee on Ways and Means and the Committee on Natural Resources of the House of Representatives an estimate of the effects that such recommendations would have on the Federal Hospital Insurance Trust Fund under section 1817 of the Social Security Act (42 U.S.C. 1395i).

(c) ECONOMIC IMPACT ANALYSIS.—Not later than 90 days after the date on which the recommendations are submitted under subsection (a), the Office of the Actuary of the Centers for Medicare & Medicaid Services shall provide to the Secretary of Health and Human Services, the Committee on Finance and the Committee on Energy and Natural Resources of the Senate, the Committee on Ways and Means and the Committee on Natural Resources of the House of Representatives, and to the Resident Commissioner of the Commonwealth an economic impact anal-

ysis of the benefits and costs of such recommendations, including an executive summary detailing the results of the analysis in non-technical terminology.

(d) FINAL REPORT.—Not later than 90 days after the date on which the estimate and analysis are provided under subsections (b) and (c), the Secretary of Health and Human Services, acting through the Medicare Payment Advisory Commission and the Medicaid and CHIP Access Commission, shall review such estimates and analyses and provide to the Committee on Finance and the Committee on Energy and Natural Resources of the Senate, the Committee on Ways and Means and the Committee on Natural Resources of the House of Representatives, and to the Resident Commissioner of the Commonwealth a report containing a final assessment and recommendations based on such estimates and analyses to provide equitable treatment to territories and do so in a fiscally responsible way, both intra- and inter-temporally.

TITLE V—TRANSITION ASSISTANCE

SEC. 501. ASSISTANCE BY THE AUTHORITY, IF NECESSARY, TO ASSIST TRANSITION TO STABILITY.

(a) APPROPRIATION.—There is authorized to be appropriated, and there is appropriated, $3,000,000,000.

Such amount shall remain available through fiscal year 2016.

(b) USE OF FUNDS.—Amount appropriated under subsection (a) may be used by the Authority to provide resources, if the Authority determines it to be necessary, to assist the transition of the Commonwealth to financial, fiscal, economic, and health care stability.

(c) REASONS FOR USE OF FUNDS.—If the Authority provides funds to the Commonwealth under subsection (b), the Authority shall, not later than 30 days prior to allocating such funds, submit a report concerning the reasons for the use of such funds, including the perceived need for transition assistance and empirical analysis verifying such need, to—

(1) the Committee on Finance and the Committee on Energy and Natural Resources of the Senate;

(2) the Committee on Ways and Means and the Committee on Natural Resources of the House of Representatives;

(3) the Resident Commissioner of the Commonwealth; and

(4) the Governor.

(d) AUDIT.—The Comptroller General shall—

(1) conduct an audit of the use of funds provided to Puerto Rico under subsection (b); and

(2) when practicable, submit to the appropriate committees of Congress a report detailing the expenditures under this section and the purpose of such expenditures.

SEC. 502. OFFSET FOR TRANSITION ASSISTANCE AND PREVENTION AND PUBLIC HEALTH FUND.

(a) IN GENERAL.—Subsection (b) of section 4002 of the Patient Protection and Affordable Care Act (42 U.S.C. 300u–11) is amended—

(1) in paragraph (2), by striking ''2017'' and inserting ''2015''; and

(2) by striking paragraphs (3) through (5).

(b) RESCISSION OF UNOBLIGATED FUNDS.—Of the funds made available by such section 4002, the unobligated balance is rescinded.

TITLE VI—TECHNICAL ASSISTANCE

SEC. 601. TECHNICAL ASSISTANCE TO IMPROVE ACCOUNTING, DISCLOSURE, AND ECONOMIC MEASUREMENT PRACTICES IN THE TERRITORIES.

(a) IN GENERAL.—The Secretary of the Treasury (referred to in this section as the ''Secretary'') shall provide technical assistance to the territories of the United

States (including the Commonwealth of Puerto Rico) to provide for improved accounting and disclosure practices in the applicable territory.

(b) INCLUSIONS.—In providing technical assistance under subsection (a), the Secretary, in consultation with any appropriate economic measurement agency and economic statistical agency of the Federal Government and the Federal Reserve Bank of New York, may provide assistance relating to—

(1) information technology upgrades;

(2) improving economic forecasting capabilities;

(3) improving and expanding economic indicators for the territory in order to bring the indicators into line with the indicators regularly used to track regional conditions in the United States;

(4) budgeting, cash management, and spending controls; and

(5) ensuring that agencies in the territory use financial systems that are compatible with the systems of other agencies of the territory to provide for consistent, timely financial reporting and visibility into expenses.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are nec-

essary to carry out this section for the period of fiscal years 2016 through 2019.