

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.<sup>1</sup>

HON. THOMAS RIVERA-SCHATZ (in his official  
capacity and on behalf of the Senate of Puerto Rico), and  
HON. CARLOS J. MÉNDEZ-NÚÑEZ (in his official  
capacity and on behalf of the House of Representatives of  
Puerto Rico),

Plaintiffs,

v.

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO, JOSÉ  
B. CARRIÓN III, ANDREW G. BIGGS, CARLOS M.  
GARCÍA, ARTHUR J. GONZÁLEZ, JOSÉ R.  
GONZÁLEZ, ANA J. MATOSANTOS, DAVID A.  
SKEEL, JR., and NATALIE A. JARESKO  
(in their official capacities),

Defendants.

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

Adv. Pro. No. 18-\_\_\_\_\_-LTS

**LEGISLATIVE ASSEMBLY OF THE COMMONWEALTH OF PUERTO RICO'S  
ADVERSARY COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF**

<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Hon. Thomas Rivera-Schatz, in his official capacity as President of the Senate of Puerto Rico and on behalf of the Senate of Puerto Rico, and Hon. Carlos J. Méndez-Núñez, in his official capacity as Speaker of the House of Representatives of Puerto Rico and on behalf of the House of Representatives (collectively, the “Plaintiffs”), hereby bring the instant “Legislative Assembly Of The Commonwealth Of Puerto Rico’s Adversary Complaint For Declaratory And Injunctive Relief” against Defendants (i) the Financial Oversight and Management Board for Puerto Rico (the “FOMB”), (ii) each of its members, and (iii) its Executive Director (collectively, the “Defendants”), solely in their official capacities, who allege as follows:

## I. INTRODUCTION

1. At issue in this action for declaratory and injunctive relief is the FOMB’s unlawful usurpation of the Legislative Assembly’s legislative power. At stake though, is the Commonwealth’s republican form of government, which the U.S. Supreme Court defined as “the right of the people to choose their own officers for governmental administration, and pass their own laws in virtue of the legislative power reposed in representative bodies, whose legitimate acts may be said to be those of the people themselves,” *Puerto Rico v. Sánchez-Valle*, 136 S. Ct. 1863, 1881, 195 L. Ed. 2d 179 (2016) (citation omitted).

2. Pursuant to the Puerto Rico Constitution, the Legislative Assembly (of which the Senate and the House of Representatives are a part of) is vested with the legislative power. *See*, Puerto Rico Const. Art. III, § 1. Such power is “nearly, if not quite, as extensive as those exercised by the state legislatures.” *See, Franklin California Tax-Free Tr. v. Puerto Rico*, 805 F.3d 322, 352 (1st Cir. 2015), aff’d, 136 S. Ct. 1938, 195 L. Ed. 2d 298 (2016) (quoting, *People of Puerto Rico v. E. Sugar Assocs.*, 156 F.2d 316, 321 (1st Cir.1946)).

3. The Legislative Assembly's constitutional legislative power includes, among other things, the authority to set forth the Commonwealth's public policy of any law regarding employees in the private or public sector. Contrary to what the FOMB might believe, there is no provision in the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA") that allows the FOMB to strip the Legislative Assembly and such authority, and P.R. Laws Ann. tit. 29, §§ 185a *et seq.*, ("Law 80"), which prohibits wrongful discharges of private sector employees, is one such law.<sup>2</sup>

4. Nor does PROMESA allow the FOMB to impose its public policy recommendations upon the Legislative Assembly. According to PROMESA, the purpose of the FOMB is to "provide a method for a covered territory to achieve fiscal responsibility and access to the capital markets." *See*, PROMESA § 101(a); 48 U.S.C. § 2121(a). To achieve the FOMB's purpose, Congress provided it with certain limited powers, which include, *inter alia*, approving annual fiscal plans developed by the Governor of Puerto Rico and annual budgets submitted by the Governor of Puerto Rico to the Puerto Rico Legislature. *See*, PROMESA §§ 201, 202; 48 U.S.C. §§ 2121(b)(1), 2142. And, of particular relevance here, Congress provided the FOMB with the additional power to

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<sup>2</sup> Law 80, enacted in 1976, is applicable only to private sector employees and "imposes a monetary penalty on employers who dismiss employees without just cause. In this way, Law 80 modifies the concept of at-will employment, which traditionally permits the employment relationship to be severed at any time, and for any reason." *Otero-Burgos v. Inter Am. Univ.*, 558 F.3d 1, 7 (1st Cir. 2009) (citations omitted). "[A] terminated at-will employee is typically not entitled to compensation." *Id.* Law 80, however, "changes this situation for those employees to whom it applies." *Id.*

As explained by the First Circuit in *Otero-Burgos*:

"By its terms, Law 80 offers relief for "[e]very employee in commerce, industry, or any other business or work place ... in which he/she works for compensation of any kind, contracted without a fixed term, who is discharged from his/her employment without just cause." P.R. Laws Ann. tit. 29, § 185a. "A discharge made by mere whim or fancy of the employer or without cause related to the proper and normal operation of the establishment shall not be considered as a discharge for [just] cause." *Id.* at § 185b. In such cases, the law requires the employer to pay the discharged employee a form of severance pay known as a "mesada," which is calculated using a formula provided by the statute. *Id.* at § 185a. If an employee is terminated for a reason that constitutes "just cause" under the statute, the employer will not be liable under Law 80. *See* P.R. Laws. Ann. tit. 29, §§ 185a, b." *Id.*, at 7-8.

submit non-binding “recommendations to the Governor or the Legislature on actions the territorial government may take to ensure compliance with the Fiscal Plan, or to otherwise promote the financial stability, economic growth, management responsibility, and service delivery efficiency of the territorial government[.]” *See*, PROMESA §205(a); 48 U.S.C.A. § 2145(a).

5. On April 24, 2018, the FOMB submitted a draft bill to the Legislative Assembly which, among other things, proposed repealing Law 80. This was, quite simply, a public policy recommendation under § 205(a) of PROMESA. Notwithstanding the non-binding nature of this recommendation, the Legislative Assembly accommodated the FOMB’s recommendation, and the Senate of Puerto Rico approved Senate Bill 1011, which repealed Law 80 in its entirety prospectively, rather than retroactively.<sup>3</sup>

6. Displeased with the Senate’s version of Senate Bill 1011, the FOMB sent a letter to the President of the House of Representative’s Government Affairs Committee evaluating Senate Bill 1011, warning that if the Legislative Assembly did not approve a bill repealing Law 80 retroactively, it would face cuts in its operational budget.<sup>4</sup> The House of Representatives then approved its version of Senate Bill 1011, which also repealed Law 80 prospectively.<sup>5</sup> The Senate, however, did not concur with the amendments made by the House of Representatives to Senate Bill 1011 when the bill was sent to a conference committee. Thus, the bill to repeal Law 80 was not approved by the Legislative Assembly.

7. In Senate Bill 1011, the Legislative Assembly exercised its constitutional prerogative and power to legislate, and furthered the public policy goal of balancing the need to promote new job creation and increase labor force participation, as set forth in the May 30, 2018 Fiscal Plan, while

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<sup>3</sup> *See*, Exhibit 1, Senate Bill 1011 as approved by the Senate of Puerto Rico.

<sup>4</sup> *See*, Exhibit 2, Letter dated June 4, 2018, signed by defendant Natalie A. Jaresko.

<sup>5</sup> *See*, Exhibit 3, Senate Bill 1011 as approved by the House of Representatives.



protecting the rights of employees to which Law 80 currently applied. And by repealing Law 80 prospectively, the Legislative Assembly accommodated the FOMB's recommendation under § 205 of PROMESA that Puerto Rico be transformed to an at-will employment jurisdiction which the FOMB touted, was the "single most important reform for long-term economic well-being in Puerto Rico."<sup>6</sup>

8. Senate Bill 1011 was also consistent with the May 30, 2018 Fiscal Plan because repealing Law 80 – retroactively or prospectively – had no economic impact on the FY 2019 budget, according to the FOMB's own economic forecasts.<sup>7</sup> According to the FOMB's own financial and economic studies, converting Puerto Rico into an at-will labor market would increase economic growth by the year 2023 by attracting new investment.

"By putting the Puerto Rico labor market on a competitive footing with other U.S. jurisdictions, this will make the investment environment in Puerto Rico more competitive with those same U.S. jurisdictions. It is from the increased investment that the demand for labor will find its biggest boost and begin a virtuous cycle of investment, employment, growth and further investment. By focusing on changing Puerto Rico's labor environment, new investors will be attracted to Puerto Rico given the confidence in a strong labor market that has flexible rules. By getting firms to invest, economic growth will be enabled.

[...]

Human capital and workforce reforms will improve workforce participation, well-being and self-sufficiency of welfare recipients, and preparedness of adults and youth for a long and fulfilling career, resulting in a cumulative GNP impact of 0.80% by FY2023. The impact is enhanced in the long-term as K-12 education reforms begin adding an additional 0.01% GNP impact per year, resulting in an additional 0.16% uptick by FY2048."

*See*, Exhibit 5, Memorandum: Labor Reform as a Catalyst for Growth at p. 22, 29.

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<sup>6</sup> *See*, Exhibit 4, May 30, 2018 Revised Fiscal Plan, p. 35.

<sup>7</sup> *See*, Exhibit 5 Memorandum: Labor Reform as a Catalyst for Growth, p. 12-13; Exhibit 6, June 29, 2018 Revised Fiscal Plan, p. 34-36.

9. However, the FOMB rejected Senate Bill 1011, and then improperly refused to certify the Commonwealth budget approved by the Legislative Assembly for the sole reason it did not approve a bill repealing Law 80 in the way and manner the FOMB wanted.<sup>8</sup> Additionally, the FOMB imposed several punitive measures, which included reducing the Legislative Assembly's operational budget by approximately 20%. In doing so, the FOMB exceeded its authority under PROMESA, and usurped the Legislative Assembly's exclusive legislative power.

10. Contrary to what the FOMB believes, Congress did not transform the Commonwealth's Legislative Assembly into a rubber stamp for the FOMB, and the FOMB cannot bypass the limits to its authority imposed by Congress through strong-arm tactics. Congress did not do away with the Commonwealth's republican form of government when it enacted PROMESA. Indeed, PROMESA explicitly provides that "subject to Title I and Title II of this Act," PROMESA "does not limit or impair the power of [Puerto Rico] to control, by legislation or otherwise, [Puerto Rico] or any territorial instrumentality thereof in the exercise of political or governmental powers of [Puerto Rico] or [its] territorial instrumentality, including expenditures for such exercise . . . ." PROMESA § 303; 48 U.S.C. § 2163.

11. In drafting PROMESA, Congress intended that the FOMB "will provide guardrails for the Puerto Rico government, but will not supplant or replace [Puerto Rico's] elected leaders, who will retain primary control over budgeting and fiscal policymaking." *See*, H.R. Report No. 114-602, at p. 112 (2016). As explained by this Court, "Congress did not grant the FOMB the power to supplant, bypass, or replace the Commonwealth's elected leaders and their appointees in the exercise of their managerial duties whenever the Oversight Board might deem such a change

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<sup>8</sup> *See*, Exhibit 7, Letter dated June 29, 2018, signed by defendant Natalie A. Jaresko.

expedient.” *See, In re Fin. Oversight & Mgmt. Bd. for Puerto Rico*, 583 B.R. 626, 634 (D.P.R. 2017).

12. In refusing to certify the Legislative Assembly’s budget signed by the Governor of Puerto Rico and retaliating against the Legislative Assembly by cutting its budget by 20%, all because it did not approve a bill repealing Law 80 the way the FOMB wanted, the FOMB unlawfully encroached upon the Legislative Assembly’s exclusive legislative power under the Puerto Rico Constitution. Not only does the Legislative Assembly have a financial stake in the outcome of this case, but it also has a vested interest in making sure that the legislative power conferred by the Puerto Rico Constitution to the Legislative Assembly be respected and upheld.

13. For the reasons detailed below, the Court should grant the relief requested herein, which includes: (i) declaring that the FOMB overreached its powers by demanding that the Legislative Assembly approve a bill repealing Law 80 retroactively as a condition for the approval of the Commonwealth’s Budget; (ii) issuing an injunction prohibiting the defendants from implementing the FOMB’s 2018-2019 budget; and (iii) ordering the FOMB to certify as compliant the 2018-2019 budget approved by the Legislative Assembly on June 30, 2018.

## **II. JURISDICTION AND VENUE**

14. This Court has federal question jurisdiction under 28 U.S.C. § 1332 because the action arises under PROMESA, a federal statute. In addition, PROMESA section 106(a) vests federal courts with exclusive jurisdiction to hear disputes against the Oversight Board, or any action otherwise arising out of PROMESA. *See* 48 U.S.C. § 2126(a). This Court also has jurisdiction over this matter pursuant to PROMESA section 306(a)(2) because this action relates to the Commonwealth’s PROMESA Title III case, which has the principal purpose of adjusting the financial liabilities of the Commonwealth, *see* 48 U.S.C. § 2166(a)(2), and

because any plan of adjustment in the Commonwealth's Title III case must be consistent with a certified fiscal plan, *see* PROMESA § 314(b)(7); 48 U.S.C. § 2174(b)(7).

15. This Court has personal jurisdiction over the FOMB and its members because it is an entity within the Government, which maintains an office in Puerto Rico. This Court also has personal jurisdiction over the FOMB and its members under section 306(c) of PROMESA.

16. Venue is proper in this District under PROMESA sections 106(a) and 307, and 28 U.S.C. § 1391. *See* 48 U.S.C. §§ 2126(a), 2167.

17. This is an appropriate action for declaratory and injunctive relief under the federal Declaratory Judgment Act, 28 U.S.C. § 2201 and 2202. Declaratory relief is proper here because there exists an actual, justiciable controversy between the parties concerning the Oversight Board's efforts to usurp the legislative power conferred upon the Legislative Assembly by the Constitution of Puerto Rico.

### **III. PARTIES**

18. Plaintiff Thomas Rivera-Schatz is a Senator of the Commonwealth of Puerto Rico and the President of the Senate of Puerto Rico. He is authorized to bring this action on behalf of the Senate of Puerto Rico pursuant to Rule 6 (p) of the Regulation of the Senate of Puerto Rico.

19. Plaintiff Carlos J. Méndez-Núñez is a Representative of the House of Representatives of Puerto Rico and the Speaker of the House of Representatives of Puerto Rico. He is authorized to bring this action on behalf of the House of Representatives of Puerto Rico pursuant to Rule 5.2 (p) of the Regulation of the House of Representatives of Puerto Rico.

20. Defendant FOMB is an entity within the Government that Congress created under PROMESA. *See* PROMESA § 101(b)(1), (c)(1); 48 U.S.C. § 2121(b)(1), (c)(1). Under

PROMESA, the FOMB maintains an office in Puerto Rico. The Plaintiffs do not seek damages with respect to the FOMB.

21. Defendant José B. Carrión III (the “FOMB’s Chairman”) is the Chairman of the FOMB. The FOMB’s Chairman participated in the FOMB’s certification of the fiscal plans and the FOMB’s budget. The FOMB Chairman is empowered, together with the FOMB Board Members and the FOMB Executive Director, to oversee and monitor the implementation of the FOMB’s Fiscal Plans and Budget. The Plaintiffs sue the FOMB’s Chairman, and any successors thereto, solely in their official capacities. The Plaintiffs do not seek damages with respect to the FOMB’s Chairman.

22. Defendants Andrew G. Biggs, Carlos M. García, Arthur J. González, José R. González, Ana J. Matosantos, David A. Skeel, Jr. (collectively, the “FOMB Members”) are members of the FOMB. The FOMB Members participated in the FOMB’s certification of the FOMB Fiscal Plans and Budget. The FOMB Members are each empowered, together with the FOMB Chairman and FOMB Executive Director, to oversee and monitor the implementation of the FOMB Fiscal Plans and Budget. The Plaintiffs sue the FOMB Members, and any successors thereto, solely in their official capacities. The Plaintiffs do not seek damages with respect to the FOMB Members.

23. Defendant Natalie A. Jaresko (the “FOMB Executive Director”) is the Executive Director of the FOMB. The FOMB Executive Director participated in the FOMB’s certification of the FOMB Fiscal Plans and Budget. The FOMB Executive Director is empowered, together with the FOMB Chairman and FOMB Members, to oversee and monitor the implementation of the FOMB Fiscal Plans and Budget. The Plaintiffs sue the FOMB Executive Director, and any successors thereto, solely in their official capacities. The Plaintiffs do not seek damages with respect to the FOMB Executive Director.

#### IV. FACTS

**i. PROMESA did not strip the Legislative Assembly of its legislative power.**

24. In June 2016, Congress enacted the PROMESA statute to deal with Puerto Rico's financial crisis. According to PROMESA, the purpose of the FOMB is to "provide a method for [Puerto Rico] to achieve fiscal responsibility and access to the capital markets." *See*, PROMESA § 101(a); 48 U.S.C. § 2121(a).

25. To achieve this purpose, Congress provided the FOMB with certain limited powers, which include the authority to approve annual fiscal plans developed by the Governor of Puerto Rico, (*See*, PROMESA § 201; 48 U.S.C. § 2121(b)(1), and annual budgets submitted by the Governor of Puerto Rico to the Puerto Rico Legislature (*See*, PROMESA §202; 48 U.S.C. §2142).

26. Under Section 204 of PROMESA, Congress provided the FOMB with an additional, limited power to review the impact that Commonwealth laws will have "on revenues and expenditures" 48 U.S.C.A. § 2144 (a) states:

(a) Submission of legislative acts to Oversight Board

(1) Submission of acts

Except to the extent that the Oversight Board may provide otherwise in its bylaws, rules, and procedures, not later than 7 business days after a territorial government duly enacts any law during any fiscal year in which the Oversight Board is in operation, the Governor shall submit the law to the Oversight Board.

[...]

(5) Failure to comply

If the territorial government fails to comply with a direction given by the Oversight Board under paragraph (4) with respect to a law, the Oversight Board may take such actions as it considers necessary, consistent with this chapter, to ensure that the enactment or enforcement of the law will not adversely affect the territorial government's compliance with the Fiscal Plan, including preventing the enforcement or application of the law.

27. As stated in House Report 114-602:

This section imposes a requirement that the Legislature of a territorial government provide a cost estimate with each duly enacted law, as well as a certification by the Legislature that such law is consistent with the Fiscal Plan. If the law is significantly inconsistent with the Fiscal Plan, or does not have a cost estimate associated with it, then the Oversight Board is granted the authority to ‘take such actions as it considers necessary,’ including preventing enforcement of such laws.

*See*, H.R. Rep. No. 114-602, at p. 46 (2016).

28. In drafting Section 204 of PROMESA, Congress did not provide the FOMB with the authority to unilaterally nullify legislative acts or enacted laws, in contrast to Public Law 104-8, which created the oversight board for the District of Columbia. *See*, H.R. Rep. No. 114-602, at p. 111 (2016) (“[PROMESA] establishes a board that is robust but reasonable. Its powers are far less potent than the powers the Congress conferred upon the board that it established for the District of Columbia in Public Law 104-8 ....”); *Id.* at 113 (“An earlier version of PROMESA ... required the oversight board to review every legislative act enacted by the Puerto Rico government and to make a determination—in the board’s sole discretion—about whether each act was consistent with the certified fiscal plan .... [I]f the board determined that the act was significantly inconsistent with the fiscal plan, the board was required to declare the act “null and void.” This was essentially the procedure in place for the District of Columbia under Public Law 104–8 ....”) In contrast to Public Law 104-8, PROMESA requires an interactive process between the FOMB, the Governor and the Puerto Rico Legislature before the FOMB “may take such actions as it considers necessary, . . . to ensure that the enactment or enforcement of the law will not adversely affect the territorial government’s compliance with the Fiscal Plan, including preventing the enforcement or application of the law.” *Id.*, § 2144(a)(5). To trigger this enforcement provision, however, the law must be “significantly inconsistent with the Fiscal Plan ...” *Id.*, § 2144(a)(4)(B).

29. Importantly, the FOMB’s power under §204(a) is limited to laws enacted “during any fiscal year in which the Oversight Board is in operation[.]” *Id.*, § 2144(a)(1). That is, to laws enacted *after*, rather than *before* the FOMB became operational. Had Congress intended to grant the FOMB the power to “prevent the enforcement or application” of Commonwealth laws existing prior to the FOMB becoming operational, it would have said so plainly when it enacted PROMESA. Thus, Congress clearly did not provide the FOMB with boundless authority to invalidate Commonwealth laws, since there is no other provision allowing the FOMB to “prevent the enforcement or application” of Commonwealth laws that are inconsistent with a Fiscal Plan other than section § 204(a) of PROMESA.

30. Congress also provided the FOMB with the power to submit “recommendations to the Governor or the Legislature on actions the territorial government may take to ensure compliance with the Fiscal Plan, or to otherwise promote the financial stability, economic growth, management responsibility, and service delivery efficiency of the territorial government[.]” *See*, PROMESA §205(a); 48 U.S.C.A. § 2145(a). The only consequence the Legislature or Governor face for not adopting a recommendation is that “the Governor or the Legislature” submit a statement with “explanations for the rejection of the recommendations . . . to the President and Congress.” *See*, § 205(b)(3); 48 U.S.C.A. § 2145(b)(3). Importantly, PROMESA does not allow the FOMB to impose any punitive measure against any component of the government of Puerto Rico for not adopting a recommendation submitted by the FOMB under § 205 of PROMESA, which, as explained below, is precisely what the FOMB did here.

31. Although the FOMB may, under § 201(b) require that a Fiscal Plan “provide for capital expenditures and investments necessary to promote economic growth” neither “capital expenditures” nor the term “investment” is defined in PROMESA. To be sure, repealing a labor



law such as Law 80 cannot be reasonably construed to encompass a “capital expenditure” or an “investment,” as such terms are commonly used. *See, Atl. Fish Spotters Ass'n v. Evans*, 321 F.3d 220, 224 (1st Cir. 2003) (“In discerning Congress's intent from the statute itself, we attribute to words that are not specially defined in the text their ordinary usage, albeit with the commonsense understanding that meaning can only be ascribed to language when it is taken in context.”) (citing *Riva v. Commonwealth of Mass.*, 61 F.3d 1003, 1007 (1st Cir.1995)).

32. Clearly, repealing Law 80 is a policy measure contemplated under § 205 of PROMESA. Interpreting the provisions of § 201 that would render § 205 unnecessary would violate another basic canon of statutory construction. *See, TRW Inc. v. Andrews*, 534 U.S. 19, 31, 122 S. Ct. 441, 449, 151 L. Ed. 2d 339 (2001) (“It is a cardinal principle of statutory construction that a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.”) (citations and quotation marks omitted); Accord, *Yershov v. Gannett Satellite Info. Network, Inc.*, 820 F.3d 482, 487 (1st Cir. 2016).

33. Finally, this Court recently outlined the limits of the FOMB’s powers. (“Congress did not grant the [Oversight Board] the power to supplant, bypass, or replace the Commonwealth’s elected leaders and their appointees in the exercise of their managerial duties whenever the Oversight Board might deem such a change expedient.”); *See, In re Fin. Oversight & Mgmt. Bd. for Puerto Rico*, 583 B.R. 626, 634 (D.P.R. 2017) (“Although the [Board’s] fiscal plan and budgeting powers give it a strong and substantially determinative voice in overall strategy regarding the Commonwealth’s revenues, expenses, and general direction for responsible management, they do not imply that the [Board’s] role includes . . . direct executive authority over implementation of those plans or budgets.”); *Id.*, at 636 (“PROMESA requires a debtor to work alongside the [Board] and divides the debtor’s authority by putting key restructuring tools in the hands of the [Board],

while preserving the elected government's operational control and voice in management and strategic decisions. . . . PROMESA leaves the elected government in place and does not suspend it in favor of direct management by the [Board].”).

34. A very significant final observation of this Court in that case was that:

“[T]he structure established by Titles I and II, alongside the reservation of territorial power in section 303, requires the FOMB and the territorial government to work together to establish a fiscally responsible path forward that is acceptable to the FOMB. Congress might have chosen to make the FOMB's job easier in the short term by granting it direct control and disabling the Commonwealth government's ability to dissent, but it did not do so. Congress deliberately divided responsibility and authority between the two.

Id., p. 636.

35. Similar to 83 B.R. 626, which involved an effort by the FOMB to assume control of the Puerto Rico Power Authority's affairs, at issue in the instant adversary complaint is the FOMB attributing to itself powers it does not have under PROMESA. This time around, however, rather than trying to assume control over a public corporation, the FOMB is attempting to circumvent the limits to its powers by forcing the Legislative Assembly to legislate in the way and manner the FOMB saw fit. As shown below, the FOMB refused to certify a valid budget approved by the Legislative Assembly when it did not pass a bill repealing Law 80 - a recommendation under § 205 of PROMESA.

- ii. **The FOMB demands that the Legislative Assembly approve a bill repealing Law 80 as a condition for the approval of the Commonwealth's budget, and then retaliates after the Legislative Assembly did not repeal Law 80 in the way and manner in which the FOMB dictated.**

36. On April 24, 2018 the FOMB submitted to the Legislative Assembly a labor reform draft bill that included repealing Law 80.<sup>9</sup> The FOMB's draft bill also included (i) amendments to Article 2 of Law No. 180-1998, to increase the minimum wage by \$0.25 cents for certain

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<sup>9</sup> See, Exhibit 8, FOMB's Labor Reform Draft Bill.

individuals; (ii) a repeal of the Christmas bonus law for employees in the private sector effective September 30, 2018; (iii) amendments aimed to reduce the amount of paid vacation days and the amount of sick leave; and (iv) restrict claims under the local whistleblower statute to employment law violations, reducing the statute of limitations for such claims from three years (3) to one (1) year, and eliminate treble damages.<sup>10</sup>

37. The proposed legislation in the FOMB's labor reform draft bill stemmed from a Fiscal Plan issued on April 19, 2018 (the "April 2018 Fiscal Plan").<sup>11</sup> Under the section titled "Structural reform initiatives to change labor conditions" the April 2018 Fiscal Plan states, in relevant part, that:

"To reduce the cost to hire and encourage job creation, including movement of informal jobs to the formal economy, Puerto Rico must become an employment at-will jurisdiction, reduce mandated paid leave (including sick leave and vacation pay) by 50%, and make the Christmas Bonus voluntary for employers.

At-will employment (in place by January 1, 2019): 49 out of 50 U.S. states are employment-at will jurisdictions, giving employers the flexibility to dismiss an employee without having to first prove just cause. Matching this policy will lower the cost and risk of hiring in Puerto Rico.

Reduction of mandated paid leave, including sick leave and vacation pay (effective immediately): Most U.S. states do not mandate any vacation or sick leave. The Government shall halve mandated vacation and sick leave, resulting in 14 days per year of vacation and sick leave in a move to align worker protections with typical mainland labor policies. Paid maternity leave under current law will be retained. No mandated Christmas bonuses (eliminated by January 1, 2019): The current requirement to pay an annual Christmas bonus to employees must be eliminated. Employers may continue to pay bonuses on a voluntary basis, as is the case on the mainland."<sup>12</sup>

38. The April 2018 Fiscal Plan further states that "[t]he New Fiscal Plan is built on the assumption that, by no later than May 31, 2018, the Legislative Assembly of Puerto Rico will pass

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<sup>10</sup> *Id.*, p. 4-8.

<sup>11</sup> *See*, Exhibit 9, April 2018 Fiscal Plan.

<sup>12</sup> *Id.*, p. 38-39

the Labor Reform Package and present it to the Governor of Puerto Rico for his signature (the “Condition”).”<sup>13</sup> The “Labor Reform Package” was defined in the April 2018 Fiscal Plan as “all bills, whether new Commonwealth legislation or amendments to existing Commonwealth legislation, that are necessary and proper to effectuate the Labor Reform Agenda.”<sup>14</sup>

39. On April 24, 2018, the FOMB submitted a letter to the Governor and the Puerto Rico Legislative Assembly pursuant to § 202(b) of PROMESA with a forecast of revenues for fiscal year 2019 totaling \$8,529 million in General Fund Revenue.<sup>15</sup>

40. The FOMB’s labor reform draft bill was introduced in the Senate of Puerto Rico as Senate Bill 919, and referred to the Senate’s Committee on Federal, Political and Economic Relations (the “Senate Committee”).

41. The Senate Committee immediately scheduled public hearings on the FOMB’s labor reform draft bill (Senate Bill 919), and invited the FOMB’s Chairman, Mr. José Carrión III to speak in support of it. Mr. Carrión III, however, informed the Senate Committee that he could not attend.<sup>16</sup> On April 30, 2018, the Senate Committee again invited the FOMB’s Chairman to speak in support of Senate Bill No. 919, but Mr. Carrión III declined once again, citing § 108 of PROMESA as the reason for declining the Committee’s invitation.<sup>17</sup>

42. Public hearings regarding the draft bill were held nonetheless on May 9, 2018 and May 15, 2018. The Senate Committee also requested the FOMB to provide the supporting the economic

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<sup>13</sup> *Id.*, p. 42.

<sup>14</sup> *Ibid.*

<sup>15</sup> *See*, Exhibit 10, Letter dated April 24, 2018, signed by defendant José B. Carrión III, Appendix A; *See*, 48 U.S.C.A. § 2142(b) (“The Oversight Board shall submit to the Governor and Legislature a forecast of revenues for the period covered by the Budgets by the time specified in the notice delivered under subsection (a), for use by the Governor in developing the Budget under subsection (c).”)

<sup>16</sup> *See*, Exhibit 11, Letter to defendant Carrión III, dated April 26, 2018; Exhibit 12, Letter dated April 27, 2018, signed by defendant Carrión III.

<sup>17</sup> *See*, Exhibit 13, Letter to defendant Carrión III, dated April 30, 2018; Exhibit 14, Letter dated May 4, 2018, signed by defendant Carrión III.

data for the reforms provided in Senate Bill No. 919.<sup>18</sup> In response, on May 28, 2018 (just three days shy of the May 31, 2018 deadline for the “the Legislative Assembly of Puerto Rico [to] pass the Labor Reform Package and present it to the Governor of Puerto Rico for his signature” set in the April 2018 Fiscal Plan) the FOMB forwarded the Senate Committee a memorandum titled “Labor Reform as a Catalyst for Growth” attached to several exhibits.<sup>19</sup>

43. On May 30, 2018, the FOMB published a revised Fiscal Plan (the “May 2018 Fiscal Plan”).<sup>20</sup> Chapter 7 of the May 2018 Fiscal Plan maintained the requirement that Puerto Rico become an at-will employment jurisdiction effective January 1, 2019, but omitted the additional reforms of the “Labor Reform Package” outlined in the April 2018 Fiscal Plan, to wit: (i) making the payment of the Christmas bonus for employees in the private sector voluntary instead of mandatory, (ii) reducing the amount of paid vacation and sick leave, and (iii) restricting the retaliation provisions of the local whistleblower statute, Act No. 115-1991.<sup>21</sup>

44. Repealing Law 80, according to the May 2018 Fiscal Plan, was needed to “improve job creation” and “increase labor force participation,” and was the “single most important reform for long-term economic well-being in Puerto Rico.”<sup>22</sup>

45. Repealing Law 80, however, failed to generate any additional revenue for Fiscal Year 2019 according to the May 2018 Fiscal Plan, nor would it create any immediate economic growth.<sup>23</sup>

46. On May 30, 2018 the FOMB published in its website a document containing an alleged “understanding” (the “May 30, 2018 Understanding”) supposedly reached between the Governor and the FOMB, regarding the structural reforms and fiscal measures to be implemented as a

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<sup>18</sup> See, Exhibit 15, Letter to defendant Carrión III, dated May 9, 2018.

<sup>19</sup> See, Exhibit 5 Memorandum: Labor Reform as a Catalyst for Growth.

<sup>20</sup> See, Exhibit 4, May 30, 2018 Revised Fiscal Plan.

<sup>21</sup> *Id.*, p. 35-36.

<sup>22</sup> *Id.*, p. 34-35.

<sup>23</sup> *Id.*, p. 34-35.

condition for the approval of the Commonwealth's budget for fiscal year 2018-2019. The understanding, included, *inter alia*:

“The Legislature shall introduce and the Governor shall sign a bill that repeals Act No. 80 of May 30, 1976 (the “Bill”) on or before June 27, 2018, which shall become effective on or before January 1, 2019. The Bill shall be presented to the FOMB prior to its introduction in the Legislature so that the FOMB can confirm that it is consistent with the fiscal plan. The Bill cannot increase the mandatory benefits for private sector employees (e.g., no increase in vacation days, sick days, sick leave, mandated paid leave, Christmas bonus, or minimum wage) or otherwise undermine the goals or intent of the labor reform as provided in Chapter 7 of the New Fiscal Plan. The Bill shall state that, for the avoidance of doubt, an employee hired for an indefinite period of time does not have a cause of action against their employer merely for the employer's termination of the employment relation.”<sup>24</sup>

47. On May 30, 2018, after extensive hearings, and despite economic studies to the contrary, Senate Bill 1011 passed in the Senate of Puerto Rico. The final version of Senate Bill 1011 repealed Law 80 prospectively, rather than retroactively as demanded by the FOMB. Senate Bill 1011 as approved by the Senate of Puerto Rico provided that new employees hired after the Governor signed the bill would not be protected by Law 80.<sup>25</sup>

48. Meanwhile, the Committee on Government Affairs of the House of Representatives of Puerto Rico (the “House Committee”) was evaluating Senate Bill 1011 and House Bill 1634, which also repealed Law 80. On June 4, 2018, the President of the House Government Affairs Committee, Hon. Jorge Navarro, forwarded a letter to the FOMB requesting what would be the effect on the Fiscal Plan and the Budget if the May 30, 2018 Understanding reached between the Governor and the FOMB was not complied with, or the House of Representatives passed Senate Bill 1011 (which repealed Law 80 prospectively).<sup>26</sup>

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<sup>24</sup> See, Exhibit 16, Alleged Understanding between FOMB and Governor, p. 1.

<sup>25</sup> See, Exhibit 1, Senate Bill 1011 as approved by the Senate of Puerto Rico, p. 6-7.

<sup>26</sup> See, Exhibit 17, Letter to defendant Natalie A. Jaresko, dated June 4, 2018

49. The FOMB responded by rejecting the manner in which Senate Bill 1011 repealed Law 80 prospectively, without providing a reasoned explanation. Specifically, on June 4, 2018, the FOMB responded that “at a minimum, the Oversight Board would revert to the Fiscal Plan as certified by the Oversight Board on April 19, 2018 (the “April 2018 Fiscal Plan”), and would submit a budget to the Governor and Legislature that is consistent with that Fiscal Plan.”<sup>27</sup>

50. The FOMB’s letter specified that “if the Government of Puerto Rico fails to comply exactly with the understanding reached with the Oversight Board concerning the repeal of Law 80, the Oversight Board will amend the Fiscal Plan and Budget to

[i] Eliminate the annual appropriation for the Christmas bonus for public sector employees

[ii] Eliminate the annual appropriation of \$25 million for student scholarships at the University of Puerto Rico

[iii] Eliminate the annual appropriation of \$50 million for economic development initiatives for municipalities

[iv] Eliminate the multiyear fund of \$345 million for various economic development and reform implementation initiatives as requested by the Government of Puerto Rico

[v] Maintain the elimination of the Christmas bonus for both public sector and private sector employees as well as the reduction in sick days and paid leave for private sector employees, as required by the labor reform outlined in the April 19 Fiscal Plan to facilitate investment and job creation in Puerto Rico[; and]

**[vi] Maintain the cuts to the budgets of the Legislature and Judiciary as outlined in the April 19 Fiscal Plan”<sup>28</sup>**

51. On June 6, 2018, the FOMB forwarded the Puerto Rico Legislative Assembly a document titled “Unanimous Written Consent Approving Submission of Commonwealth’s Fiscal Year 2019

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<sup>27</sup> See, Exhibit 3, Letter dated June 4, 2018 signed by defendant Natalie A. Jaresko.

<sup>28</sup> *Id.*, p. 1-2 (Emphasis ours).

Budget to the Legislature” attached to a draft of the Joint Budgetary Resolutions totaling \$8,749,318,000.00 to be allocated from the General Fund of the State Treasury.<sup>29</sup>

52. On June 14, 2018, the Puerto Rico House of Representatives passed Senate Bill 1011 with amendments. The final version of Senate Bill 1011, as approved by the House of Representatives, repealed Law 80 prospectively,<sup>30</sup> but the amendments included by the House version of the Senate’s bill were not approved by the Senate. In the end, the Legislative Assembly could not agree to repeal Law 80 retroactively, as demanded by the FOMB.

53. On June 29, 2018 – a day before the conclusion of the legislative session pursuant to the Puerto Rico Constitution – the FOMB submitted a letter to the Puerto Rico Legislature and the Governor, stating that the FOMB would follow through with the cost-cutting measures listed in its June 4, 2018 letter sent to the House Government Affairs Committee because the Legislative Assembly did not approve a bill repealing Law 80:

“[W]e now know that the Government of Puerto Rico will not implement the New Fiscal Plan in full because the Legislature did not comply with the April 19, 2018 version of the New Fiscal Plan or with the May 30, 2018 version of the New Fiscal Plan. The Legislature failed to pass the most important component of the Labor Reform Package – the repeal of Law 80 and turning Puerto Rico into an at-will employment jurisdiction – as required by the New Fiscal Plan. Accordingly, the Oversight Board will follow through on the commitment that it made in its letter, dated June 4, 2018, to Representative Jorge Navarro Suárez, who had asked the Oversight Board what would happen if the Legislature did not comply with the New Fiscal Plan.”<sup>31</sup>

54. The cost-cutting measures included, among others, “[r]ight sizing measures will be reinstated for the Legislature and Judiciary.”<sup>32</sup>

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<sup>29</sup> See, Exhibit 18, FOMB’s Unanimous Written Consent of June 6, 2018.

<sup>30</sup> See, Exhibit 3, Senate Bill 1011 as approved by the House of Representatives.

<sup>31</sup> See, Exhibit 7, Letter dated June 29, 2018 signed by defendant Natalie A. Jaresko.

<sup>32</sup> *Id.*, p. 2.



55. On June 30, 2018, the Legislative Assembly approved a budget totaling \$8,708,623,000.00 to be allocated from the General Fund of the State Treasury (the “2018-2019 Legislative Assembly Budget”), which the Governor signed.<sup>33</sup>

56. On June 30, 2018, the FOMB refused to certify the 2018-2019 Legislative Assembly Budget, and approved its own budget (the “2018-2019 FOMB Budget”), with \$8,757,524,000.00 to be allocated from the General Fund of the State Treasury.<sup>34</sup> That is, \$48,901,000.00 more than the 2018-2019 Legislative Assembly Budget.

57. Although more funds were allocated in the 2018-2019 FOMB Budget as compared to the 2018-2019 Legislative Assembly Budget, the 2018-2019 FOMB Budget contained severe budget cuts to the Senate and House of Representatives of Puerto Rico of approximately 20% compared to the 2018-2019 Legislative Assembly Budget. Specifically, the FOMB reduced the Senate’s operational budget by \$8,741,000.00 and the House of Representatives operational budget by \$10,242,000.00.<sup>35</sup>

58. The FOMB clearly acted beyond its authority by rejecting the Legislative Assembly’s budget because of its refusal to repeal Law 80 retroactively – a matter within the exclusive purview of the Legislative Assembly. Repealing Law 80 was a “recommendation” under § 205 of PROMESA, since it was geared to “promote the . . . economic growth . . . of the territorial government ...[.]” *See*, PROMESA §205(a). And despite the fact that nothing in PROMESA authorizes the FOMB to require that the Legislative Assembly adopt a recommendation under § 205, the Legislative Assembly accommodated the FOMB through Senate Bill 1011.

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<sup>33</sup> *See*, Exhibit 20, 2018-2019 Legislative Assembly Budget Certification.

<sup>34</sup> *See*, Exhibit 21, Excerpt of 2018-2019 FOMB Budget, sum total of amount allocated from the General Fund of the State Treasury in Joint Resolutions at p. 46 (\$6,991,155,000), 119 (\$1,766,369,000).

<sup>35</sup> *See*, Exhibit 20, 2018-2019 Legislative Assembly Budget Certification.

59. By doing so, the Legislative Assembly exercised its legislative power, and balanced the public policy goal recommended by the FOMB in the May 2018 Fiscal Plan of promoting new job creation and increase labor force participation, while protecting the rights of employees to which Law 80 currently applied. To this date, the FOMB has failed to adequately explain how repealing Law 80 would promote economic growth and increase job participation, nor has it explained how or why repealing Law 80 prospectively would not promote the same economic growth claimed by the FOMB.

60. As noted before, the purpose of repealing Law 80, according to the May 30, 2018 Fiscal Plan, was to create new jobs and increase labor force participation. *See*, Exhibit 4, p. 39 (“To reduce the cost to hire and encourage faster job creation, including movement of informal jobs to the formal economy, Puerto Rico must become an employment at-will jurisdiction...”) Moreover, the FOMB’s “Labor Reform Agenda” in the April 2018 Fiscal Plan, which included fully repealing Law 80, failed to generate a single dollar of additional revenue in Fiscal Year 2019.<sup>36</sup> Likewise, the May 2018 Fiscal Plan, which also included repealing Law 80, also failed to generate a single dollar of additional revenue in Fiscal Year 2019.<sup>37</sup> In short, Senate Bill 1011 met the reasons advanced by the FOMB, and there was no rational reason for the FOMB’s insistence on repealing Law 80 retroactively.

**iii. FOMB’s actions constitute an usurpation of the Legislative Assembly’s powers.**

61. As previously discussed, PROMESA does not deprive the Commonwealth’s elected Government the power to control its political and governmental functions, except as limited by Titles I and II of PROMESA.

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<sup>36</sup> *See*; Exhibit 5 Memorandum: Labor Reform as a Catalyst for Growth, p. 12-13; Exhibit 9, April 2018 Fiscal Plan, p. 33.

<sup>37</sup> *See*, Exhibit 4, May 2018 Revised Fiscal Plan, p. 34-35.

62. Titles I and II provide that upon FOMB's certification of a fiscal plan and budgets, it has certain powers to oversee and enforce compliance with such fiscal plans and budgets. Notwithstanding, the Government retains its political, governmental, and operational powers.

63. Under PROMESA section 205(a), the Government can reject FOMB's recommendations. FOMB's powers cannot infringe on the Commonwealth's political or governmental powers.

64. FOMB's role is to provide oversight to help Puerto Rico achieve these goals, but governing the Commonwealth is left to Puerto Rico's elected Government. PROMESA § 303; 48 U.S.C. § 2163.

65. The FOMB doesn't even have the power to impose penalties on Commonwealth officers or employees. PROMESA leaves that to the Governor, reflecting respect for Puerto Rico's sovereignty. PROMESA § 104(1); 48 U.S.C. § 2124(1). The Oversight Board cannot even remove Government employees from office. *See* S.B. 2318, § 313(i)(2)(B).

66. PROMESA prohibits the FOMB from interfering with the elected Government's actions to "implement territorial laws, **which are consistent with a certified Fiscal Plan**, that execute Federal requirements and standards." PROMESA § 204(d)(3); 48 U.S.C. § 2144(d)(3). (Emphasis ours.)

67. FOMB's sole remedy where the Government declines to adopt a recommendation is the requirement that the Government explain its decision to the U.S. President, Speaker of the House, and Majority Leader of the U.S. Senate. *See* PROMESA § 205(b)(3); 48 U.S.C. § 2145(b)(3).

68. PROMESA's reservation of political and governmental powers to the elected Government is evinced, for example, in the Congress' rejection of Senate Bill 2381, dated December 9, 2015, which would have granted FOMB the power to impose the recommendation of the Government over its opposition.

69. Therefore, FOMB cannot control the Commonwealth absent a specific authorization in Title I or II. Nothing in Title III gives FOMB the power to control the Commonwealth's political or governmental operations.

70. PROMESA does not empower the FOMB to sweep the elected government aside. PROMESA leaves the elected government in place and does not suspend it in favor of direct management by the FOMB.

71. Despite the fact that the Legislative Assembly approved a valid budget, consistent with the fiscal plan, due to the Legislative Assembly's disapproval of the bill repealing Law 80 in the way and manner the FOMB wanted, FOMB refused to certify the Commonwealth's budget approved by the Legislative Assembly, and retaliated against it by imposing punitive measures in reducing the Legislative Assembly's operational budget. It's important to highlight that the Legislative Assembly's budget was lower than the FOMB's own approved budget. The FOMB's retaliation constitutes an impermissible imposition of penalties or sanctions against the Commonwealth and/or its officers or employees, which PROMESA does not allow, and in contravention to Puerto Rico's sovereignty.

72. The FOMB's acts constitutes an usurpation of the Legislative Assembly's exclusive legislative power and, furthermore, an effort to supplant, bypass, or replace the Commonwealth's elected leaders.

73. Therefore, FOMB has unlawfully encroached upon the Legislative Assembly's exclusive legislative power under the Puerto Rico Constitution, and in contravention of the limited powers delegated by Congress to the FOMB.

74. The FOMB's retaliation and punitive measures against the Legislative Assembly, including the delegated power to the People of Puerto Rico of self-government are null, void and/or unconstitutional.

75. The Constitution of Puerto Rico, as approved by Congress, provides in its foreword that the democratic system is fundamental for the life of the Puerto Rican community. It is understood that a democratic system is one in which the will of the people is the source of the political power, where the political power is subordinate to the rights of men and women and where the free participation of the citizen in collective decisions is assured.

## V. COUNT I

### **DECLARATORY JUDGMENT THAT THE OVERSIGHT BOARD OVERREACHED ITS POWERS BY DEMANDING THAT THE LEGISLATIVE ASSEMBLY APPROVE A BILL REPEALING LAW 80 RETROACTIVELY AS A CONDITION FOR THE APPROVAL OF THE COMMONWEALTH'S BUDGET**

76. Plaintiffs repeat and incorporate by reference the previous allegations as if fully set forth herein.

77. PROMESA does not allow the FOMB to bypass or usurp the Legislative Assembly's legislative power, and set forth the Commonwealth's public policy behind legislation affecting the rights of employees in Puerto Rico.

78. The FOMB exceeded its authority when it tried to force the Legislative Assembly to pass a bill retroactively repealing Law 80 as a condition to approve the Commonwealth's budget. When the Legislative Assembly refused to abdicate its legislative power, the FOMB punished it by imposing severe cuts in its operational budget, and also imposed severe limitations on the Government of Puerto Rico's authority under PROMESA to govern on matters of public policy.

79. Plaintiffs are therefore entitled to a judicial declaration under 28 U.S.C. § 2201, as well as further relief under 28 U.S.C. § 2202, that the rejected policy recommendations in the Fiscal Plan

are non-binding recommendations, and that the Legislative Assembly cannot be compelled to implement any of those policies, and the FOMB may not take any actions to force compliance with such recommendations.

80. Moreover, by forcing the Legislative Assembly to advance the FOMB's agenda, and punishing the government by not approving the 2018-2019 Legislative Assembly Budget when its coercive tactics failed, the FOMB exceeded its statutory authority under PROMESA.

81. Since the FOMB refused to certify the 2018-2019 Legislative Assembly Budget, and imposed the 2018-2019 FOMB Budget by violating PROMESA in exceeding its authority, plaintiffs are entitled to a judicial declaration that the 2018-2019 FOMB Budget is null and void, and reinstating the 2018-2019 Legislative Assembly Budget duly approved by the Legislative Assembly and signed by the Governor of Puerto Rico.

## VI. COUNT II

### **INJUNCTION PROHIBITING THE DEFENDANTS FROM IMPLEMENTING THE FOMB'S 2018-2019 BUDGET AND INJUNCTION DIRECTING THE FOMB TO CERTIFY AS COMPLIANT THE 2018-2019 BUDGET APPROVED BY THE LEGISLATIVE ASSEMBLY**

82. Plaintiffs repeat and incorporate by reference the previous allegations as if fully set forth herein.

83. As noted before, the FOMB submitted a draft bill to the Legislative Assembly which, among other things, proposed repealing Law 80. This was a public policy recommendation under § 205(a) of PROMESA, and no way related to "achieve fiscal responsibility and access to the capital markets." *See*, PROMESA § 201(b)(1)(J). Notwithstanding the non-binding nature of this recommendation, the Senate accommodated the FOMB's recommendation, and approved Senate Bill 1011. Unhappy with the Senate's action, the FOMB threatened to cut the Legislative Assembly's budget, among other retaliatory measures, if it did not repeal Law 80 retroactively. As

a result, the House of Representatives then approved another version of Senate Bill 1011, which also repealed Law 80.

84. In Senate Bill 1011, the Legislative Assembly exercised its constitutional prerogative and power to legislate, and balanced the need to promote new job creation and increase labor force participation, as set forth in the April and May 2018 Fiscal Plans, with protecting the rights of employees to which Law 80 currently applied.

85. By repealing Law 80 prospectively, the Legislative Assembly accommodated the FOMB's recommendation under § 205 of PROMESA, that Puerto Rico be transformed to an at-will employment jurisdiction which the FOMB touted, as the "single most important reform for long-term economic well-being in Puerto Rico." Senate Bill 1011 was also consistent with the April 2018 and May 2018 Fiscal Plans because repealing Law 80 had no economic or budgetary impact on the FY 2019 budget, according to the FOMB.

86. However, the FOMB rejected Senate Bill 1011, and then unlawfully refused to certify the Commonwealth budget approved by the Legislative Assembly for the sole reason it did not approve a bill repealing Law 80 the way and manner the FOMB dictated. Moreover, the FOMB reduced the Legislative Assembly's operational budget by approximately 20%.

87. Specifically, the FOMB reduced the Senate's operational budget by \$8,741,000 and the House of Representatives' operational budget by \$10,242,000.

88. The FOMB's refusal to certify the 2018-2019 Legislative Assembly Budget, and imposition of its own budget, the 2018-2019 FOMB Budget, all because the Legislative Assembly did not approve the repeal of Law 80, are beyond the powers granted to it under PROMESA.

89. Plaintiffs therefore seek equitable relief in the form of an injunction prohibiting the defendants from implementing and enforcing the 2018-2019 FOMB Budget, and reinstatement of

the 2018-2019 Legislative Assembly Budget. Additionally, the plaintiffs request that, to the extent they seek a preliminary injunction, such preliminary injunction against the defendants be converted to a permanent injunction upon the Court's determination of this matter on the merits.

90. The plaintiffs will likely succeed on the merits of their claims or, alternatively, have raised sufficiently serious questions going to the merits. The FOMB clearly overreached when it refused to certify the 2018-2019 Legislative Assembly Budget for the sole reason the Legislative Assembly did not approve a bill retroactively repealing Law 80, a matter that, as explained before, falls under § 205 of PROMESA. Without the requested injunctions, moreover, plaintiffs would be irreparably harmed because the implementation of the 2018-2019 FOMB Budget would prevent them from freely exercising the legislative power conferred by the Puerto Rico Constitution.

91. Therefore, the plaintiffs are entitled to equitable relief in the form of an injunction prohibiting the defendants from implementing and enforcing the 2018-2019 FOMB Budget and to prevent the FOMB from exceeding its powers under PROMESA § 202 of PROMESA.

92. Plaintiffs are also entitled to equitable relief in the form of an injunction directing the FOMB to certify as compliant the 2018-2019 Legislative Assembly Budget.

## **VII. PRAYER FOR RELIEF**

**WHEREFORE** the plaintiffs pray that judgment be entered for them and against the defendants as follows:

- i. Declaring that the FOMB lacked the authority to demand that the Legislative Assembly approve a bill repealing Law 80 as a condition for the approval of the Commonwealth's Budget;
- ii. Declaring that, the rejected policy recommendations in the Fiscal Plan are non-binding recommendations, and that the Legislative Assembly is not obligated to implement any of



those policies, and the FOMB may not take any actions to force compliance with such recommendations;

- iii. Declaring that, by forcing the Legislative Assembly to advance its own agenda, and punishing the government by not approving the 2018-2019 Legislative Assembly Budget when its strong-arm tactics failed, the FOMB exceeded its statutory authority under PROMESA;
- iv. Declaring that, the 2018-2019 FOMB Budget is null and void, and
- v. Declaring that the 2018-2019 Legislative Assembly Budget duly approved by the Legislative Assembly and signed by the Governor of Puerto Rico shall be reinstated.
- vi. Enjoining the defendants from implementing the FOMB's 2018-2019 Budget;
- vii. Ordering the defendants to certify the 2018-2019 Legislative Assembly Budget; and
- viii. Granting such other and further relief as the Court deems just and proper.

Respectfully submitted, on July 9, 2018 by,

*Attorneys for the Hon. Thomas Rivera-Schatz in his official capacity as President of the Senate of Puerto Rico and on behalf of the Senate of Puerto Rico*

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DPR MODIFIED PROMESA B1040 (FORM 1040) (05/17)

<b>PROMESA COVER SHEET</b> (Instructions on Reverse)		<b>CASE NUMBER</b> (Court Use Only)	
<b>PLAINTIFFS (DEBTOR, if Title III Petition; ISSUER, if Title VI Application)</b> HON. THOMAS RIVERA-SCHATZ (in his official capacity and on behalf of the Senate of Puerto Rico)		<b>DEFENDANTS</b> The Financial Oversight and Management Board for Puerto Rico, José B. Carrión III, Andrew G. Biggs, Carlos M. García, Arthur J. González, José R. González, Ana J. Matosantos, David A. Skeel, Jr.,	
<b>ATTORNEYS</b> (Firm Name, Address, and Telephone No.) Aldarondo & López Bras, PSC ALB Plaza, #16, Rd. 199 Suite 400, Guaynabo, PR		<b>ATTORNEYS (If Known)</b> Proskaver Rose, LLP Eleven Times Square, New York, New York 10036-8299 Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak, Maja	
<b>PARTY (Check One Box Only)</b> <input type="checkbox"/> Debtor <input type="checkbox"/> Creditor <input type="checkbox"/> Trustee <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input checked="" type="checkbox"/> Other		<b>PARTY (Check One Box Only)</b> <input type="checkbox"/> Debtor <input type="checkbox"/> Creditor <input type="checkbox"/> Trustee <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input checked="" type="checkbox"/> Other	
<b>CAUSE OF ACTION</b> (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED)  Contested matter as to FOMB approval of its own budget over the one approved by The Puerto Rico Legislative Assembly.			
<b>NATURE OF SUIT</b>			
<input type="checkbox"/> PROMESA Title III Petition <input type="checkbox"/> PROMESA Title VI Application for Approval of Modifications <input type="checkbox"/> Other Federal Question <input type="checkbox"/> Adversary Proceeding <input type="checkbox"/> Demand \$ _____  If Adversary Proceeding is checked, number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc., below:			
<b>FRBP 7001(1) – Recovery of Money/Property</b> <input type="checkbox"/> 11-Recovery of money/property - §542 turnover of property <input type="checkbox"/> 12-Recovery of money/property - §547 preference <input type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer <input type="checkbox"/> 14-Recovery of money/property – other		<b>FRBP 7001(7) – Injunctive Relief</b> <input type="checkbox"/> 71-Injunctive relief - imposition of stay <input checked="" type="checkbox"/> 72-Injunctive relief - other	
<b>FRBP 7001(2) - Validity, Priority or Extent of Lien</b> <input type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property		<b>FRBP 7001(8) Subordination of Claim or Interest</b> <input type="checkbox"/> 81-Subordination of claim or interest	
<b>FRBP 7001(5) – Revocation of Confirmation</b> <input type="checkbox"/> 51-Revocation of confirmation		<b>FRBP 7001(9) Declaratory Judgment</b> <input checked="" type="checkbox"/> 91-Declaratory judgment	
		<b>FRBP 7001(10) Determination of Removed Action</b> <input type="checkbox"/> 01-Determination of removed claim or cause	
		<b>Other</b> <input type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)	
<b>TITLE III CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES</b>			
NAME OF DEBTOR Commonwealth of PR		CASE NO. 17-3283 (LTS)	
DISTRICT IN WHICH CASE IS PENDING Puerto Rico		DIVISION OFFICE	NAME OF JUDGE Hon. Laura Taylor Swain

DPR MODIFIED PROMESA B1040 (FORM 1040) (05/17)

RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF	DEFENDANT	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH CASE IS PENDING	DIVISION OFFICE	NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF)		
DATE <i>July 9<sup>th</sup>, 2018</i>	PRINT NAME OF ATTORNEY (OR PLAINTIFF) <i>Ireln M. Castro Ortiz - PMC</i>	

THIS FORM IS TO BE USED EXCLUSIVELY FOR FILINGS RELATING TO THE PUERTO RICO OVERSIGHT MANAGEMENT AND ECONOMIC STABILITY ACT (PROMESA). FOR ADMINISTRATION PURPOSES **ONLY**, THE PUBLIC DOCKETS FOR PROMESA PROCEEDINGS UNDER TITLE III AND ADVERSARY PROCEEDINGS WILL BE MAINTAINED ON THE CASE MANAGEMENT/ELECTRONIC CASE FILING (CM/ECF) SYSTEM OF THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF PUERTO RICO. THESE CASES ARE UNDER THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF PUERTO RICO.

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.<sup>1</sup>

HON. THOMAS RIVERA-SCHATZ (in his official  
capacity and on behalf of the Senate of Puerto Rico), and  
HON. CARLOS J. MÉNDEZ-NÚÑEZ (in his official  
capacity and on behalf of the House of Representatives  
of Puerto Rico),

Plaintiffs,

v.

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO, JOSÉ  
B. CARRIÓN III, ANDREW G. BIGGS, CARLOS M.  
GARCÍA, ARTHUR J. GONZÁLEZ, JOSÉ R.  
GONZÁLEZ, ANA J. MATOSANTOS, DAVID A.  
SKEEL, JR., and NATALIE A. JARESKO  
(in their official capacities),

Defendants.

PROMESA  
Title III

No. 17 BK 3283-LTS

(Jointly Administered)

Adv. Pro. No. 18-\_\_\_\_\_-LTS

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<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

**EXHIBIT LIST**

Exhibit 1	Senate Bill 1011 as approved by the Senate of Puerto Rico
Exhibit 2	Letter dated June 4, 2018 signed by defendant Natalie A. Jaresko
Exhibit 3	Senate Bill 1011 as approved by the House of Representatives
Exhibit 4	May 2018 Revised Fiscal Plan
Exhibit 5	Memorandum: Labor Reform as a Catalyst for Growth
Exhibit 6	June 29, 2018 Revised Fiscal Plan
Exhibit 7	Letter dated June 29, 2018, signed by defendant Natalie A. Jaresko
Exhibit 8	FOMB's Labor Reform Draft Bill
Exhibit 9	April 2018 Fiscal Plan
Exhibit 10	Letter dated April 24, 2018, signed by defendant José B. Carrión III
Exhibit 11	Letter to defendant Carrión III, dated April 26, 2018
Exhibit 12	Letter dated April 27, 2018, signed by defendant Carrión III
Exhibit 13	Letter to defendant Carrión III, dated April 30, 2018
Exhibit 14	Letter dated May 4, 2018, signed by defendant Carrión III
Exhibit 15	Letter to defendant Carrión III, dated May 9, 2018
Exhibit 16	Alleged Understanding between FOMB and Governor
Exhibit 17	Letter to defendant Natalie A. Jaresko, dated June 4, 2018
Exhibit 18	FOMB's Unanimous Written Consent of June 6, 2018
Exhibit 19	FY 19 General Fund Budgetary Resolutions June 6, 2018
Exhibit 20	2018-2019 Legislative Assembly Budget Certification
Exhibit 21	Excerpt of 2018-2019 FOMB Budget

[CERTIFIED TRANSLATION]

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APPROVED TEXT IN FINAL VOT BY THE SENATE  
(MAY 30, 2018)

A-77

GOVERNMENT OF PUERTO RICO

18<sup>TH</sup> Legislative  
Assembly

3<sup>rd</sup> Ordinary  
Session

## SENATE OF PUERTO RICO

### S.B. 1011

May 29, 2018

Introduced by Messrs. Rivera Schatz, Seilhamer Rodríguez, Ríos Santiago, Martínez Santiago, Berdiel River, Correa River,; Cruz Santiago; Mrs. Laboy Alvarado; Messrs. Laureano Correa, Muñiz Cortés, Nazario Quiñones, Neumann Zayas; Mrs. Nolasco Santiago, Padilla Alvelo, Peña Ramírez; Messrs. Pérez Rosa, Rodríguez Mateo, Romero Lugo, Roque Gracia; Mrs. Vázquez Nieves, and Vanegas Brown

Referred to the Federal, Political, and Economics Relations Commission

#### ACT

To limit the application of Act No. 80 of May 30, 1976, as amended, exclusively for the employees tha hae said protections and guarantees at the time of passing the instant Act; for purposes of giving compliance to those agreements reached by the Government and the Financial Oversight Board; to protect the Christmas bonus of public and private employees; maintaining unaltered vacation and sick leave the employee from the private sector has; reaffirm the public policy of the Government of Puerto Rico on the permanency of all those labor rights established in the Constitution of Puerto Rico and those applicable state and federal laws; provide what is relevant to those exiting claims of unfair termination; and for other related purposes.

#### PRELIMINARY RECITALS

Currently, Puerto Rico is going through a historically unprecedented fiscal crisis. In part, said crisis was caused by the absence of controls on spending, sustainable development measures,

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and management information systems that promote clarity and transparency in the governmental endeavors.

This crisis has hit Puerto Rican families very hard and has caused that thousands of Puerto Ricans abandon the Island seeking better opportunities. Thus, the population reduction that is consequence of this becomes one of the challenges to go into recovery.

The erred policies of the past, together with the limitations of our territorial and colonial status, lead the Congress of the United States to promulgate the Act called Puerto Rico Oversight, Management, and Economic Stability Act, known as PROMESA, Pub. L. 114-187. Said Act established a Financial Oversight and Administration Board (heron the “Oversight Board”) and parameters for the fiscal planning actions, budgetary actions, and to restructure debts, among others.

In February 28, 2017, the Governor filed a complete broad, real Fiscal Plan, which was also sensitive to the needs of our People and of the most vulnerable. In March 13, 2017, the Oversight Board accepted and certified our Fiscal Plan, which avoided the termination of public employees and the exit of patients from the Government Health Program, among other social and economic hardships.

For fiscal year 2017-2018, the Government filed and the Legislative Assembly passed a responsible budget, which complied with the austerity policies necessary to tend to the fiscal crisis,



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while defending the most vulnerable, like our retirees, whose pensions were ensured in the general budget. Notwithstanding, said budget was modified by the Oversight Board.

In September 2017, Puerto Rico experienced the force of two atmospheric events that changed our daily life affecting all sectors of our society. The devastation caused by the impacts of hurricane Irma and María has caused that the economic crisis that affects our Island worsens even more and has brought greater fiscal challenges for municipalities and the central Government. These atmospheric events affected the functioning of the Government and caused severe damages to the infrastructure of the Island, including buildings, the power system, and telecommunications. According to current estimates, hurricane María caused approximately \$100,000 billion in damages and it is projected will cause a real reduction in the NGP of 13.2% this fiscal year.

After the passing of the hurricanes, the Oversight Board requested from the Government a new draft of the Fiscal Plan that would take into consideration the new reality in Puerto Rico after the devastation of the atmospheric event. In January 24, 2018, the Government delivered the Revised Fiscal Plan with the goal of having it evaluated and certified by the Oversight Board in order to reestablish economic feasibility in Puerto Rico.

Although the Revised Fiscal Plan reflected the reality of Puerto Rico after the passing and included a real and fair basis to reach fiscal balance, the management of the debt, and the revitalization of the economy in Puerto Rico, in February 5, 2018, the Oversight Board rejected the document. Although the Oversight Board acknowledged that the Fiscal Plan proposed by the Government included important and necessary proposals to move Puerto Rico toward fiscal

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sustainability and growth, the entity created by PROMESA requested changes that would affect the most vulnerable, as well as reduce the pensions of our retirees, eliminate the Christmas bonus of public and private employees, and reduce vacation and sick leave days in the private sector.

That same day, the Governor and the Legislative Assembly opposed said changes, because they would irremediably affect the People. These changes caused the uncertainty of our people when recognizing that these changes established by the Oversight Board would be reflected in budgetary cuts and/or would end up in courts at the mercy of the determination of a Federal Court.

In April 19, 2018, the Oversight Board certified their own fiscal plan including these measures which the elected Government opposed.

With the passing of this Act, we ensure the continuity of the Christmas Bonus for public and private employees, we protect the labor rights of workers while an environment is created that encourages the creation of more jobs. With this bill, the causes for termination of employment will be those that arise from prospectively from the employment contract, including the collective bargaining agreement contracts negotiated by unions, as it occurs in virtually all the jurisdictions of the Nation.

Notwithstanding, the aforementioned does not alter the prohibition for illegal terminations. Employees will continue being protected from discriminatory terminations, violations of the terms of the collective bargaining agreements, harassment, and protections against retaliation, among

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others. In addition, minimum wage and the Christmas bonus will remain unaltered, and also other special laws that are not modified by this Act.

Other laws that protect our workers will not be affected, such as: Act No. 100 of June 30, 1959, as amended that protect employees against discrimination due to race, color, gender, sexual orientation, gender identity, social or national origin, social condition, political affiliation, or political or religious ideas, or due to being a victim or perceived as a victim of domestic violence, sexual aggression or stalking, or due to being military, or ex-military, serve or having served in the United States Armed Forces, or due to being a veteran; Act No. 379 of May 15, 1948, as amended, which provides for the rest day from the work schedule; Act 180-1998, as amended, on Minimum Wage, Vacation and Sick leave; Act No. 148 of June 30, 1969, which grants private employees the Christmas Bonus; Act 427-2000 that provides for the breastfeeding period and protects the rights of breastfeeding mothers; Act No. 45 of April 18, 1935, as amended, which provides for the Compensation for Accidents at Work; Act No. 139 of June 26, 1968, which provides for Temporary Disability Benefits; Act 16-2017 Equal Salary; Act No. 3 of March 13, 1942, as amended, which protects Worker Mothers; Act No. 17 of April 22, 1988, as amended, which prohibits Sexual Harassment; Act 24-2002 which establishes a Sports Leave; Act 27-2005 on Nursing Minimum Wage; Act No. 44 of July 2, 1985, as amended, which prohibits discrimination against Disabled Persons; Act No. 69 of July 6, 1985, as amended, which protects against discrimination due to Gender; Act No. 112 of July 13, 1985, as amended, which regulates the contracting of minors; Act 115-1991, which protects an employee against retaliation from the employer; Act No. 122 of July 12, 1986, as amended, which protects employees called to serve as witnesses; Act 161-2002, for Job Development; Act No. 230 of May 12, 1942, as amended, which provides regulation for the employment of minors; Act No. 130 of May 8, 1945, as amended,

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which recognizes the rights of employees to organize; Act 281-2003, which protects employees called to serve as jurors, among other laws and regulations that protect our workers.

No other local or federal law or regulation that protects the rights of employees will be affected.

**DECREED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:**

Article 1.- Act No. 80 of May 30, 1976, as amended, will remain in effect in order to protect all employees and employers that, at the time this Act passes, are protected by all its provisions. All natural person or legal entity that can claim rights or remedies under this Article, will maintain those unaltered.

Article 2.- New status of the Law.

Beginning on the passing of the instant Law, all new hire employee and all employer who hires new employees will not be subject to the provisions of Act 80 form May 30, 1976, as amended. Notwithstanding, any employee who is terminated from their job will continue being protected by all the other causes of action that arise from the Constitution of the United States, the Constitution of Puerto Rico, and the applicable state or federal laws and regulations.

For purposes of this Article the term “employee” will mean all natural persons who works for an employer and receives compensation for services. It does not include independent contractors and government or municipal employees. The term “employer” means any natural person or legal entity who employees or allows any employee to work through compensation. It does not include the Government of Puerto Rico, its three branches, its departments, agencies,

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instrumentalities, public corporations, and also municipal governments, their instrumentalities, or municipal corporations.

Article 3.- Reaffirmation of public policy.

With this Act the Legislative Assembly is only eliminating the cause of action for unfair termination prospectively. Thus, we reaffirm the unaltered application of those labor rights established and legislated prior to this Act. No employer can not comply with any of these labor rights that we reaffirm today.

Article 4.- Transitory provisions.

The provisions of this Act and its effect will not apply to those persons whose job has terminated prior to said Act being in effect. The provisions of Act No. 80 of May 30, 1976, as amended, and the statute of limitations in it provided, will continue applying to all unfair separation from employment carried out prior to this Act being in effect. Therefore, no employer can use the application of the instant Act as subterfuge, with the goal of affecting acquired rights of employees protected by Act 80, supra, prior to instant Act being in effect. The courts will be obligated to apply the provisions of Act No. 80, supra, in all pending proceedings and the causes of action that included prior to this Act coming into effect.

Article 5.- Effect

This Act will begin to govern immediately.

TEXTO APROBADO EN VOTACION FINAL POR EL SENADO  
(30 DE MAYO DE 2018)

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A-77

GOBIERNO DE PUERTO RICO

18<sup>va.</sup> Asamblea  
Legislativa

3<sup>ra.</sup> Sesión  
Ordinaria

SENADO DE PUERTO RICO

**P. del S. 1011**

29 de mayo de 2018

Presentado por los señores *Rivera Schatz, Seilhamer Rodríguez, Ríos Santiago, Martínez Santiago, Berdiel River, Correa River,; Cruz Santiago*; la señora *Laboy Alvarado*; los señores *Laureano Correa, Muñiz Cortés, Nazario Quiñones, Neumann Zayas*; las señoras *Nolasco Santiago, Padilla Alvelo, Peña Ramírez*; los señores *Pérez Rosa, Rodríguez Mateo, Romero Lugo, Roque Gracia*; las señoras *Vázquez Nieves y Venegas Brown*

*Referido a la Comisión de Relaciones Federales, Políticas y Económicas*

**LEY**

Para limitar la aplicación de la Ley Núm. 80 de 30 de mayo de 1976, según enmendada, exclusivamente a los empleados que tienen dichas protecciones y garantías al momento de aprobar la presente Ley; a los fines de dar cumplimiento a aquellos acuerdos llegados por el Gobierno y la Junta de Supervisión Fiscal; para proteger el bono de navidad de los empleados públicos y privados; mantener inalterados los días de vacaciones y enfermedad con los que cuenta un empleado del sector privado; reafirmar la política pública del Gobierno de Puerto Rico sobre la permanencia de todos aquellos derechos laborales establecidos en la Constitución de Puerto Rico y aquellas leyes estatales y federales aplicables; disponer lo relativo a aquellas reclamaciones de despido injustificado existentes; y para otros fines relacionados.

**EXPOSICIÓN DE MOTIVOS**

Al presente, Puerto Rico atraviesa una crisis fiscal sin precedentes históricos. En parte, dicha crisis fue causada por la ausencia de controles sobre el gasto, medidas de desarrollo sustentable y sistemas de información gerencial que promuevan claridad y transparencia en la gestión gubernamental.

Esta crisis ha golpeado muy fuerte a las familias puertorriqueñas y ha provocado que miles de puertorriqueños abandonen la isla buscando mejores oportunidades. La consecuente reducción poblacional se convierte en uno de los retos para encaminarnos hacia la recuperación.

Las políticas erradas del pasado, junto a las limitaciones de nuestro estatus territorial y colonial, llevaron al Congreso de los Estados Unidos a promulgar la ley denominada *Puerto Rico Oversight, Management, and Economic Stability Act*, conocida como PROMESA (por sus siglas en inglés), Pub. L. 114-187. Dicha Ley estableció una Junta de Supervisión y Administración Financiera (en adelante “Junta de Supervisión”) y parámetros para las acciones de planificación fiscal, las acciones presupuestarias, y para las reestructuraciones de deuda, entre otras.

El 28 de febrero de 2017, el Gobernador presentó un Plan Fiscal completo, abarcador, real y, a la misma vez, sensible a las necesidades de nuestro pueblo y de los más vulnerables. El 13 de marzo de 2017, la Junta de Supervisión aceptó y certificó nuestro Plan Fiscal que evitó el despido de empleados públicos y la salida de pacientes del Programa de Salud del Gobierno, entre otros males sociales y económicos.

Para el año fiscal 2017-2018, el Gobernador presentó y la Asamblea Legislativa aprobó un presupuesto responsable, que cumplía con las políticas de austeridad necesarias para atender la crisis fiscal, mientras defendía a los más vulnerables como a nuestros retirados, cuyas pensiones fueron aseguradas en el presupuesto general. No obstante, dicho presupuesto fue modificado por la Junta de Supervisión.

En septiembre de 2017, Puerto Rico experimentó la fuerza de dos fenómenos atmosféricos que cambiaron nuestra vida cotidiana afectando a todos los sectores de nuestra sociedad. La devastación causada por el paso de los huracanes Irma y María ha ocasionado que la crisis económica que afecta a la isla empeore aún más y ha traído mayores retos fiscales para los municipios y el Gobierno central. Estos fenómenos atmosféricos afectaron el funcionamiento del Gobierno y causaron severos daños a la infraestructura de la isla, incluyendo edificios, el sistema eléctrico y las

telecomunicaciones. Según estimados corrientes, el huracán María provocó aproximadamente \$100,000 millones en daños y se proyecta causará un descenso real en el PNB de 13.2% este año fiscal.

Tras el paso de los huracanes, la Junta de Supervisión solicitó al Gobierno un nuevo borrador de Plan Fiscal que tomara en consideración el nuevo panorama en Puerto Rico tras la devastación del fenómeno atmosférico. El 24 de enero de 2018, el Gobierno entregó el Plan Fiscal Revisado con el fin de que la Junta de Supervisión lo evaluara y certificara en vías de reestablecer la viabilidad económica de Puerto Rico.

A pesar de que el Plan Fiscal Revisado reflejaba la realidad de Puerto Rico con posterioridad al paso de los huracanes e incluía una base real y justa para alcanzar el balance fiscal, el manejo de la deuda y la revitalización de la economía de Puerto Rico, el 5 de febrero de 2018, la Junta de Supervisión rechazó el documento. Aunque la Junta de Supervisión reconoció que el Plan Fiscal propuesto por el Gobierno incluyó propuestas importantes y necesarias para mover a Puerto Rico hacia la sostenibilidad fiscal y el crecimiento, el ente creado por PROMESA solicitó cambios que afectarían a los más vulnerables, como reducir las pensiones de nuestros retirados, eliminar el bono de navidad de los empleados públicos y privados y reducir los días de vacaciones y enfermedad en el sector privado.

Ese mismo día, el Gobernador y la Asamblea Legislativa se opusieron a dichos cambios porque afectarían irremediabilmente al pueblo. Esos cambios provocaron la incertidumbre de nuestra gente al reconocer que estos cambios establecidos por la Junta de Supervisión se reflejarían en recortes presupuestarios y/o terminarían en los tribunales a merced de la determinación de un tribunal federal.

El 19 de abril de 2018, la Junta de Supervisión certificó su propio plan fiscal reflejando estas medidas a las que el Gobierno electo se opuso.

Con la aprobación de esta Ley, aseguramos la continuidad del Bono de Navidad de los empleados públicos y privados, protegemos los derechos laborales de los



trabajadores mientras se crea un ambiente que fomente la creación de más empleos. Con esta medida, las causas de terminación de un empleo serán las que surjan del contrato de empleo prospectivamente, incluyendo los contratos de negociación colectiva negociados por uniones como ocurre en virtualmente todas las jurisdicciones de la Nación.

No obstante, lo anterior en nada altera la prohibición por despidos de naturaleza ilegal. Los empleados seguirán estando protegidos de despidos discriminatorios, violaciones a los términos de los convenios colectivos, hostigamiento, y protecciones contra represalias, entre otros. Además, se mantendrá inalterado el salario mínimo y el bono de navidad, entre otras leyes especiales que no se ven modificadas por esta Ley.

No se afectarán otras leyes que protegen a nuestros trabajadores como: Ley Núm. 100 de 30 de junio de 1959, según enmendada, que protege a los empleados contra el discrimen por razón de raza, color, sexo, orientación sexual, identidad de género, origen social o nacional, condición social, afiliación política, o ideas políticas o religiosas, o por ser víctima o ser percibida como víctima de violencia doméstica, agresión sexual o acecho, o por ser militar, ex militar, servir o haber servido en las Fuerzas Armadas de los Estados Unidos o por ostentar la condición de veterano; la Ley Núm. 379 de 15 de mayo de 1948, según enmendada, que dispone sobre la Jornada de Trabajo; la Ley Núm. 289 de 9 de abril de 1946, según enmendada, que dispone sobre el día de descanso de jornada; la Ley 180-1998, según enmendada, de Salario Mínimo, Vacaciones y Enfermedad; la Ley Núm. 148 del 30 de junio de 1969, que otorga a los empleados privados el Bono de Navidad; la Ley 427-2000 que dispone el período de lactancia y protege los derechos de las madres lactantes; la Ley Núm. 74 de 21 de junio de 1956, según enmendada, Ley de Seguridad en el Empleo; la Ley Núm. 45 de 18 de abril de 1935, según enmendada, que provee para la Compensación por Accidentes del Trabajo; la Ley Núm. 139 de 26 de junio de 1968, que dispone Beneficios por Incapacidad Temporal; la Ley 16-2017 de Igualdad Salarial; la Ley Núm. 3 de 13 de marzo de 1942, según enmendada, que protege a las Madres Obreras; la Ley Núm. 17 de 22 de abril de

1988, según enmendada, que prohíbe el Hostigamiento Sexual; la Ley 24 -2002 que establece una Licencia Deportiva; la Ley 27-2005 sobre Salario Mínimo de Enfermería; la Ley Núm. 44 de 2 de julio de 1985, según enmendada, que prohíbe el discrimen contra Personas Impedidas; la Ley Núm. 69 de 6 de julio de 1985, según enmendada, que protege contra el discrimen por Razón de Sexo; la Ley Núm. 112 de 13 de julio de 1985, según enmendada, que regula la contratación de menores; la Ley 115-1991, que protege al empleado contra las represalias por parte de su patrono; la Ley Núm. 122 de 12 de julio de 1986, según enmendada, que protege a empleados llamados a servir como testigos; Ley 161-2002, para el Fomento de Empleos; Ley Núm. 230 de 12 de mayo de 1942, según enmendada que dispone regulación para el empleo de menores; la Ley Núm. 130 de 8 de mayo de 1945, según enmendada, que reconoce los derechos de los empleados a organizarse; la Ley 281-2003, que protege a los empleados llamados a servir como jurado, entre otras leyes y regulaciones que protegen a nuestro trabajador.

Tampoco se afectará ninguna otra ley o regulación, local o federal, que protejan los derechos de los empleados.

**DECRÉTASE POR LA ASAMBLEA LEGISLATIVA DE PUERTO RICO:**

1 Artículo 1.- La Ley Núm. 80 de 30 de mayo de 1976, según enmendada,  
2 permanecerá vigente a los fines de proteger a todos los empleados y los patronos que, al  
3 momento de la aprobación de esta Ley, están protegidos por todas sus disposiciones.  
4 Toda persona natural o jurídica que pueda reclamar derechos o remedios al amparo de  
5 este Artículo, mantendrá esos derechos inalterados.

6 Artículo 2.- Nuevo estado de Derecho.

7 A partir de la aprobación de la presente Ley, todo empleado de nuevo  
8 reclutamiento y todo patrono que reclute a nuevos empleados no estarán sujetos a las  
9 disposiciones de la Ley 80 de 30 de mayo de 1976, según enmendada. No obstante, todo

1 empleado despedido de su empleo continuará protegido por todas las demás causas de  
2 acción que surjan de la Constitución de los Estados Unidos, la Constitución de Puerto  
3 Rico y de las leyes y reglamentos estatales o federales aplicables.

4 Para fines de este Artículo el término “empleado” significará toda persona  
5 natural que trabaje para un patrono y que reciba compensación por sus servicios. No  
6 incluye a contratistas independientes y tampoco a empleados gubernamentales o  
7 municipales. El término “patrono” significará toda persona natural o jurídica que  
8 emplee o permita trabajar a cualquier empleado mediante compensación. No incluye al  
9 Gobierno de Puerto Rico, sus tres ramas, sus departamentos, agencias,  
10 instrumentalidades, corporaciones públicas, y tampoco a los gobiernos municipales, sus  
11 instrumentalidades o corporaciones municipales.

12 Artículo 3.- Reafirmación de la política pública.

13 Con esta Ley la Asamblea Legislativa únicamente está eliminando la causa de  
14 acción por despido injustificado prospectivamente. A tales efectos, reafirmamos la  
15 aplicación inalterada de todos aquellos derechos laborales establecidos y legislados con  
16 anterioridad a esta Ley. Ningún patrono podrá incumplir con ninguno de estos  
17 derechos laborales que hoy reafirmamos.

18 Artículo 4.- Disposiciones transitorias.

19 Las disposiciones de esta Ley y sus efectos no serán de aplicación a aquellas  
20 personas cuyo empleo haya terminado previo a la vigencia de la misma. Las  
21 disposiciones de la Ley Núm. 80 de 30 de mayo de 1976, según enmendada, y el término  
22 prescriptivo allí dispuesto, continuarán siendo de aplicación a toda separación

1 injustificada de empleo realizada previo a la vigencia de esta Ley. Por tanto, ningún  
2 patrono podrá utilizar como subterfugio la aplicación de la presente Ley, con el fin de  
3 afectar derechos adquiridos por los empleados cobijados por la Ley 80, *supra*, previo a la  
4 vigencia de la presente Ley. Los tribunales vendrán obligados a aplicar las disposiciones  
5 de la Ley Núm. 80, *supra*, en todo procedimiento pendiente y a las causas de acción que  
6 se configuren antes de la vigencia de esta Ley.

7 Artículo 5.-Vigencia.

8 Esta Ley comenzará a regir inmediatamente.

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO**



*José B. Carrión III*  
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*Andrew G. Biggs*  
*Carlos M. García*  
*Arthur J. González*  
*José R. González*  
*Ana J. Matosantos*  
*David A. Skeel, Jr.*

*Natalie A. Jaresko*  
Executive Director

BY ELECTRONIC MAIL

June 4, 2018

Honorable Jorge Navarro Suárez  
President of the Government Commission  
Puerto Rico House of Representatives  
The Capitol  
San Juan, Puerto Rico 00902

Dear Representative Navarro Suárez:

The Oversight Board is in receipt of a written request to state what would be the effect on the Fiscal Plan and Budget for the Commonwealth should the Government of Puerto Rico not comply exactly with the understanding reached with the Oversight Board concerning the repeal of Law 80.

To answer your question directly, at a minimum, the Oversight Board would revert to the Fiscal Plan as certified by the Oversight Board on April 19, 2018 (the “April 19 Fiscal Plan”), and would submit a budget to the Governor and Legislature that is consistent with that Fiscal Plan.

Specifically, if the Government of Puerto Rico fails to comply exactly with the understanding reached with the Oversight Board concerning the repeal of Law 80, the Oversight Board will amend the Fiscal Plan and Budget to:

- Eliminate the annual appropriation for the Christmas bonus for public sector employees
- Eliminate the annual appropriation of \$25 million for student scholarships at the University of Puerto Rico
- Eliminate the annual appropriation of \$50 million for economic development initiatives for municipalities
- Eliminate the multiyear fund of \$345 million for various economic development and reform implementation initiatives as requested by the Government of Puerto Rico

- Maintain the elimination of the Christmas bonus for both public sector and private sector employees as well as the reduction in sick days and paid leave for private sector employees, as required by the labor reform outlined in the April 19 Fiscal Plan to facilitate investment and job creation in Puerto Rico
- Maintain the cuts to the budgets of the Legislature and Judiciary as outlined in the April 19 Fiscal Plan

Nevertheless, the reduced funding for municipalities, the University of Puerto Rico, and economic growth, as well as the elimination of Christmas bonuses, would just be the immediate next step. That is because Puerto Rico currently enjoys a respite from paying its debt service due to the Title III automatic stay and the expectation that we will restructure our debts on a timely basis. However, the automatic stay is temporary, not permanent, and Puerto Rico must demonstrate that it is taking the necessary steps to make a fair and sustainable debt restructuring possible while it benefits from the automatic stay. The most critical step at this juncture is repealing Law 80, so that Puerto Rico can enjoy a growing economy with a stronger tax base for the benefit of the Commonwealth's people, businesses, and creditors. Failure to do so will lead to an untenable situation – continued economic decline, a shrinking tax base, and no realistic path to a debt restructuring to put Title III behind us. Please refer to Exhibit 21 of the Fiscal Plan certified on May 30, 2018 to see the macroeconomic impact of failing to adopt labor reform.

The understanding reached with the Oversight Board concerning the repeal of Law 80 for all employees, present and future, will assist the Oversight Board and Government of Puerto Rico in effectively implementing the Fiscal Plan without having to waste time and resources on costly litigation regarding the implementation and enforcement of certain fiscal and economic initiatives as required by PROMESA.

We trust that this letter adequately answers your question but if not, please do not hesitate to contact us for further information or clarification.

Sincerely,



Natalie A. Jaresko

Andrew G. Biggs  
José B. Carrión  
Carlos M. García  
Arthur J. González  
José R. González  
Ana J. Matosantos  
David A. Skeel, Jr.

CC: Ricardo A. Rosselló Nevares  
Christian Sobrino Vega  
Carlos J. Méndez Núñez  
Thomas Rivera Schatz

[CERTIFIED TRANSLATION]

I, Carlos Laó Dávila, a Federally certified interpreter, number 03-052,  
hereby certify that the attached document is a  
true and exact translation of the original certified or translated by me

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PROCESS & RECORDS PR SENATE

ELECTRONIC DRAFT  
APPROVED TEXT IN FINAL VOT BY THE SENATE  
(MAY 30, 2018)

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A-77

GOVERNMENT OF PUERTO RICO

18<sup>TH</sup> Legislative  
Assembly  
E/I

**FINAL TEXT APPROVED  
BY THE HOUSE**

3<sup>rd</sup> Ordinary  
Session

**SENATE OF PUERTO RICO**

**ENROLL**

**S.B. 1011**

**ENROLL**

May 29, 2018

Introduced by Messrs. Rivera Schatz, Seilhamer Rodríguez, Ríos Santiago, Martínez Santiago, Berdiel River, Correa River,; Cruz Santiago; Mrs. Laboy Alvarado; Messrs. Laureano Correa, Muñoz Cortés, Nazario Quiñones, Neumann Zayas; Mrs. Nolasco Santiago, Padilla Alvelo, Peña Ramírez; Messrs. Pérez Rosa, Rodríguez Mateo, Romero Lugo, Roque Gracia; Mrs. Vázquez Nieves, and Vanegas Brown

Referred to the Federal, Political, and Economics Relations Commission

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**ACT**

To limit the application of Act No. 80 of May 30, 1976, as amended, exclusively for the employees that have said protections and guarantees at the time of passing the instant Act; for purposes of giving compliance to those agreements reached by the Government and the Financial Oversight Board; to protect the Christmas bonus of public and private employees; maintaining unaltered vacation and sick leave the employee from the private sector has; reaffirm the public policy of the Government of Puerto Rico on the permanency of all those labor rights established in the Constitution of Puerto Rico and those applicable state and federal laws; provide what is relevant to those exiting claims of unfair termination; and for other related purposes.

**PRELIMINARY RECITALS**

Currently, Puerto Rico is going through a historically unprecedented fiscal crisis. In part, said crisis was caused by the absence of controls on spending, sustainable development measures, and management information systems that promote clarity and transparency in the governmental endeavors.

This crisis has hit Puerto Rican families very hard and has caused that thousands of Puerto Ricans abandon the Island seeking better opportunities. Thus, the population reduction that is consequence of this becomes one of the challenges to go into recovery.

The erred policies of the past, together with the limitations of our territorial and colonial status, lead the Congress of the United States to promulgate the Act called Puerto Rico Oversight, Management, and Economic Stability Act, known as PROMESA, Pub. L. 114-187. Said Act established a Financial Oversight and Administration Board (heron the "Oversight Board") and parameters for the fiscal planning actions, budgetary actions, and to restructure debts, among others.

In February 28, 2017, the Governor filed a complete broad, real Fiscal Plan, which was also sensitive to the needs of our People and of the most vulnerable. In March 13, 2017, the Oversight Board accepted and certified our Fiscal Plan, which avoided the termination of public employees and the exit of patients from the Government Health Program, among other social and economic hardships.

For fiscal year 2017-2018, the Government filed and the Legislative Assembly passed a responsible budget, which complied with the austerity policies necessary to tend to the fiscal crisis, while defending the most vulnerable, like our retirees, whose pensions where ensured in the general budget. Notwithstanding, said budget was modified by the Oversight Board.

In September 2017, Puerto Rico experienced the force of two atmospheric events that changed our daily life affecting all sectors of our society. The devastation caused by the impacts of hurricane Irma and María has caused that the economic crisis that affects our Island worsens even more and has brought greater fiscal challenges for municipalities and the central Government. These atmospheric events affected the functioning of the Government and caused severe damages to the infrastructure of the Island, including buildings, the power system, and telecommunications. According to current estimates, hurricane María

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caused approximately \$100,000 billion in damages and it is projected will cause a real reduction in the NGP of 13.2% this fiscal year.

After the passing of the hurricanes, the Oversight Board requested from the Government a new draft of the Fiscal Plan that would take into consideration the new reality in Puerto Rico after the devastation of the atmospheric event. In January 24, 2018, the Government delivered the Revised Fiscal Plan with the goal of having it evaluated and certified by the Oversight Board in order to reestablish economic feasibility in Puerto Rico.

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Although the Revised Fiscal Plan reflected the reality of Puerto Rico after the passing and included a real and fair basis to reach fiscal balance, the management of the debt, and the revitalization of the economy in Puerto Rico, in February 5, 2018, the Oversight Board rejected the document. Although the Oversight Board acknowledged that the Fiscal Plan proposed by the Government included important and necessary proposals to move Puerto Rico toward fiscal sustainability and growth, the entity created by PROMESA requested changes that would affect the most vulnerable, as well as reduce the pensions of our retirees, eliminate the Christmas bonus of public and private employees, and reduce vacation and sick leave days in the private sector.

That same day, the Governor and the Legislative Assembly opposed said changes, because they would irreducibly affect the People. These changes caused the uncertainty of our people when recognizing that these changes established by the Oversight Board would be reflected in budgetary cuts and/or would end up in courts at the mercy of the determination of a Federal Court.

In April 19, 2018, the Oversight Board certified their own fiscal plan including these measures which the elected Government opposed.

With the passing of this Act, we ensure the continuity of the Christmas Bonus for public and private employees, we protect the labor rights of workers while an environment is created that encourages the creation of more jobs. With this bill, the causes for termination of employment will be those that arise from prospectively from the employment contract, including the collective bargaining agreement contracts negotiated by unions, as it occurs in virtually all the jurisdictions of the Nation.

Notwithstanding, the aforementioned does not alter the prohibition for illegal terminations. Employees will continue being protected from discriminatory terminations, violations of the terms of the collective bargaining agreements, harassment, and protections against retaliation, among others. In addition, minimum wage and the Christmas bonus will remain unaltered, and also other special laws that are not modified by this Act.

Other laws that protect our workers will not be affected, such as: Act No. 100 of June 30, 1959, as amended that protect employees against discrimination due to race, color, gender, sexual orientation, gender identity, social or national origin, social condition, political affiliation, or political or religious ideas, or due to being a victim or perceived as a victim of domestic violence, sexual aggression or stalking, or due to being military, or ex-military, serve or having served in the United States Armed Forces, or due to being a veteran; Act No. 379 of May 15, 1948, as amended, which provides for the rest day from the work schedule; Act 180-1998, as amended, on Minimum Wage, Vacation and Sick leave; Act No. 148 of June 30, 1969, which grants private employees the Christmas Bonus; Act 427-2000 that provides for the breastfeeding period and protects the rights of breastfeeding mothers; Act No. 45 of April 18, 1935, as amended, which provides for the Compensation for Accidents at Work; Act No. 139 of June 26, 1968, which provides for Temporary Disability Benefits; Act 16-2017 Equal Salary; Act No. 3 of March 13, 1942, as amended, which protects Worker Mothers; Act No. 17 of April 22, 1988, as amended, which prohibits Sexual Harassment; Act 24-2002 which establishes a Sports Leave; Act 27-2005 on Nursing Minimum Wage; Act No. 44 of July 2, 1985, as amended, which prohibits discrimination against Disabled Persons; Act No. 69 of July 6, 1985, as amended, which protects against discrimination due to Gender; Act No. 112 of July 13, 1985, as

amended, which regulates the contracting of minors; Act 115-1991, which protects an employee against retaliation from the employer; Act No. 122 of July 12, 1986, as amended, which protects employees called to serve as witnesses; Act 161-2002, for Job Development; Act No. 230 of May 12, 1942, as amended, which provides regulation for the employment of minors; Act No. 130 of May 8, 1945, as amended, which recognizes the rights of employees to organize; Act 281-2003, which protects employees called to serve as jurors, among other laws and regulations that protect our workers.

No other local or federal law or regulation that protects the rights of employees will be affected. In addition, a fund is created to compensate the employee affected by the modifications contained in this Act to turn Puerto Rico in an at will jurisdiction as 49 of the 50 states of the Nation.

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#### **DECREED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO**

~~Article 1. Act No. 80 of May 30, 1976, as amended, will remain in effect in order to protect all the employees and employers that, at the time this Act passes, will be protected by all their provisions. Any natural person or legal entity that can claim rights or remedies under this Article, will maintain those rights unaltered.~~

#### Article 1.-Title

This Act will be known and can be cited as “Compensation Fund for Unfair Termination and Reinsertion to the Work Environment.”

Article 2. ~~New status of the Law.~~ New status of the Law and Declaration on Public Policy

Public Policy.

It is the public policy of the Government of Puerto Rico to strengthen the private sector of our economy and encourage its maximum development. To achieve these purposes, we need to increase capital investment in our industries, encourage the development of a vigorous service industry, and a vibrant exchange of assets. In addition, we need to encourage the creation of well remunerated jobs and that the total amount of work positions available is increased in the private sector. All of the above, together with a state public policy directed to encourage entrepreneurship, and the creation of business opportunities will allow Puerto Rico to insert itself with good footing in the modernity of the XXI Century. To achieve this, we need to restate how employment contracts are terminated in our archipelago and to achieve a government assistance so that those who lose their job will have a real second opportunity to develop their talents and abilities, while they achieve the support their families need, as well as the development of personal capital. The specific objective of this Act is an will be to promote a mechanism of social justice and economic development that, at the same time, will allow the reinvestment of our resources in the workforce. We reaffirm the unaltered application of all those labor rights established and legislated prior to this Act. No employer can not comply with the labor rights that we reaffirm today, pursuant to current laws in effect.

This Act is also passed to ensure the allocation of twenty-five million dollars (\$25,000,000.00) for scholarships for students of the University of Puerto Rico, the allocation of fifty million dollars (\$50,000,000.00) annually for economic development of municipalities, as well as the allocation of three hundred forty-five million dollars (\$345,000,000.00) in a multiannual fund of five (5) years duration, which amount includes one hundred million dollars (\$100,000,000.00) of the Compensation Fund created by this Act, for several bills on economic

development and for the implementation of reforms as requested by the Government of Puerto Rico to the Financial Oversight Board.

Beginning on January 1, 2019 ~~the passing of the instant Act, an employee in an indefinite term will not have a cause of action against their employer merely because the employer terminates the employment relationship, beyond the assistance contained in this Act and its exceptions for the applicable period any new hire employee and all employers who hire new employees are not subject to the provisions of Act 80 of May 30, 1976, as amended.~~ Notwithstanding, any employee terminated from his job will continue protected by all the other causes of action that arise from the Constitution of the United States, the Constitution of Puerto Rico, and the applicable state or federal laws and regulations.

[Illegible markings] For purposes of this Article the term “employee” means any natural person who works for an employer and who receives compensation for their services. It does not include an independent contractor, and also government or municipal employees. The term “employer” means any natural person or legal entity who employs or allows to work any employees through compensation. It does not include the Government of Puerto Rico, its three branches, its departments, agencies, instrumentalities, public corporations, and also municipal governments, their instrumentalities, or municipal corporations.

With this Act, the Legislative Assembly is solely eliminating the cause of action against the employer for unfair termination under Act No. 80, supra. Thus, we reaffirm the unaltered

application of all those labor rights established and legislated prior to this Act. No employer can not comply with any of these labor rights that we reaffirm today.

~~Article 3. Reaffirming of public policy.~~

~~With this Act, the Legislative Assembly is solely eliminating the cause of action for unfair termination prospectively. Thus, we reaffirm the unaltered application of all those labor rights established and legislated prior to this Act. No employer can not comply with any of these labor rights that today we reaffirm.~~

~~Article 4. Transitory provisions.~~

~~The provisions of this Act and its effects will not be applied to those persons whose job has terminated prior to effect of this Act. The provisions of Act No. 80 of May 30, 1976, as amended, and the statute of limitations therein provided, will continue being the application of all unfair separation from employment carried out prior to the effect of this Act. Thus, no employer can use the application of the instant Act as subterfuge, with the purpose of affecting the acquired rights of employees protected by Act 80, supra, prior to the effect of the instant Act. The courts will be obligated to apply the provisions of Act No. 80, supra, in all the proceedings pending and whose cause of action is presented prior to the effect of this Act.~~

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Article 3- Creation of the Fund.

The "Compensation Fund for Unfair Termination and Reinsertion to the Work Environment (hereon "Compensation Fund") is created up to one hundred billion dollars (\$100,000,000.00). This Compensation Fund will be funded from special allocations from the

Government of Puerto Rico, as provided below, for the workers terminated by the employer at will or by one of the caused detailed below. The Compensation Fund will be available for those persons whose employment has ended in or before January 1, 2021 if the employee has been 15 years or less in the job from which he is terminated. Regarding employees who have more than 15 years at the job from which they have been terminated, what is provided in Article 12 of this Act will apply.

Article 4.- Allocations from the Government of Puerto Rico.

The Government will allocate in the budget corresponding to fiscal year 2018-2019 an amount of twenty million dollars (\$25,000,000.00) for the Compensation Fund. The remaining amount of up to seven- five million dollars (\$75,000,000.00) will be made through additional allocations to be consigned in the budget of the Government of Puerto Rico for fiscal years 2019-2020 and 2020-2021.

The Compensation Fund will be a transitory measure and will begin on January 1, 2019 and end on January 1, 2021. This money will be redistributed among the reinvestment amounts in economic development and infrastructure included in the Amended Fiscal Plan of May 30, 2018.

Article 5. Management and composition of the Compensation Fund for Unfair Termination and Reinsertion to the Work Environment

The Compensation Fund will be managed by the Human Resources and Labor Department, pursuant to the provisions of this Act and the regulations adopted for said purpose.

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Article 6.- Use of the Compensation Fund

The disbursements allowed on the Compensation Fund will begin to occur beginning on January 1, 2019 for employees terminated with less than fifteen (15) years counted consecutively in their employment pursuant to Article 10 of this Act.

The fund will be used solely for:

- a) Provide direct compensation to the terminated worker and their family, for a maximum total of five thousand dollars (\$5,000.00) notwithstanding any other right or benefit corresponding as displaced worker; and
- b) Provide a voucher or tax credit, or a combination of these, of four thousand five hundred dollars (\$4,500.00) to the contracting employer to subsidize their salary in the first year of a new job, and thus strengthen and accelerate their efforts to search for a job.

Article 7.- Purpose of the Compensation

The payments from the Compensation Fund provided by this Act will be made up to a maximum total of five thousand dollars (\$5,000.00) per person, and will be done monthly by the Human Resources and Labor Department, these being equal to the compensation per hour worked immediately prior to the termination and while the worker remains unemployed. The voucher or credit stated above shall be delivered by the Human Resources and Labor Department to the displaced worker eligible and protected by this Act no later than twenty (20) calendar days, counted from the date in which he complies with the submittal of the certifications provided in this Act. Said voucher or credit will be delivered by the employee to his new employer when beginning the new job.



Notwithstanding the aforementioned, only one compensation can be claimed per person for the duration period of the instant Act, be it the direct compensation to the terminated employee or for the subsidy of his salary in the first year of the new job.

Article 8.- Requirements for eligibility

To be able to be eligible for the Compensation Fund assistance, the employee shall must have an eligible job with a date prior to the passing of this Act and having been terminated during the period of effectiveness of the Compensation Fund under the cases numbered in Article 10 of this Act.

Article 9. Rights of the Employee

The provisions of this Act in nothing will impede, or can be interpreted in the sense of impeding that each worker can request the benefits of any other law, state or federal, or impede the filing of complaints or administrative claims product of discriminatory or criminal actions by the employer. This Act will not impede that any person can receive social and economic assistance benefits by the Government of Puerto Rico.

Article 10.- Illegible Cases

For purposes of the Compensation Fund of this Act, a worker can benefit from it: (1) is the termination occurs by the exclusive will of the employer without there being fault from the worker; or (2) if the termination responds to:

- a) Total, temporary, or partial closing of the employer operations.

- b) The technological changes or reorganization, as well as style, design, or nature of the product that is produced or managed by the establishment and the changes in services rendered to the public.
- c) Employment layoffs are necessary due to a reduction in the production, sales, or earnings volume anticipated or that prevail when the termination occurs or with the purpose of increasing competitiveness or productivity of the establishment.

Article 11.- Obligation of the employers and criminal sanctions.

Each employer will have the obligation to cooperate with the Labor Department to put in effect the provisions of the instant act and any applicable regulations. If there is a non-compliance of this obligation, the employer will have to reimburse any expense incurred charged to the Compensation Fund.

Each employer will have the obligation to reimburse the Compensation Fund the following portion of each voucher that is obtained as a product of a previously displaced worker contracted by an employer who received the worker according to the employment times, if the employer terminates the previously displaced employee, the following is established:

- a. 0 to 3 months of employment- eighty percent (80%) reimbursement
- b. 4 to 6 months of employment-sixty percent (60%) reimbursement
- c. 7 to 9 months of employment- forty percent (40%) reimbursement
- d. 10 to 12 months of employment- twenty percent (20%) reimbursement

The Human Resources and Labor Department will establish through regulation the proceeding for the monies return.

Any employer or employee who, on purpose, attempts to defraud or commits fraud to benefit in bad faith of the provisions of this Act will incur in a misdemeanor and if convicted will have to make restitution in four (4) times the amount disbursed by the Government. In case of the employers, this provision will apply even if a associated entity is used or any corporate subterfuge to attempt to defraud or commit the fraud.

Article 12.- Transitory Provisions

[Illegible markings] Beginning on January 1, 2019, the provisions of this Act cannot be applied to those persons whose employment has terminated in or prior to June 30, 2021 if the employee has 15 years or more in the job form which he is terminated, consecutively with the same employer. Only in these cases, the provisions of Act No. 80 from May 30, 1976, as amended, and the statute of limitations therein provided, will continue being applicable to all unjustified separations in those circumstances and terms. Therefore, no employer can use the application of the instant Act as subterfuge, with the goal of affecting the employees protected by Act No. 80, supra, pursuant to this article. The courts and administrative forums will be obligated to apply the provisions of Act No. 80, supra, in all the proceedings pending and the causes of action that are presented in the term and only in the cases described in this article.

Article 13. Regulations.

The Human Resources and Labor Department will establish through regulations the administrative norms that are deemed necessary in order to comply with the purposes of this Act, in a term no greater than thirty (30) calendar days, counted from the passing of this Act. The Treasury Department will issue the administrative norms necessary to comply with the purposes

of this Act, in a term no greater than thirty (30) days, counted beginning on the approval of this Act.

None of the norms or regulations passed due to the instant Act will have to comply with the provisions of Act 38-2017, known as the "Uniform Administrative Proceedings Act of Puerto Rico."

Article 14. Classification of the Fund

This Special Fund cannot be used for the payment of any government obligation, its municipalities, public corporations, except as stated in the instant Act.

Article 15. Treasury Department Deposits

The Secretary of the Department of the Treasury is ordered to make the necessary deposits to comply with the purpose of this Act pursuant to the following:

- a. In the case of the initial deposit, it will be done in a period that will not exceed the thirty (30) natural days, counted beginning on the passing of this Act.
- b. In the case of the subsequent deposits, they will be made in a period that does not exceed the thirty (30) natural days, counted from the moment the general budget of the fiscal year in question comes in effect.

Article 16.- Remainder of the fund.

When finalizing natural year 2020, any monies left of the Compensation Fund will be distributed to the University of Puerto Rico to its scholarship program. Said remainder will have to be transferred to the University of Puerto Rico in or before February 1, 2021.

Article 17.- Supremacy Clause

The provisions of this Act will prevail over any other provision of any other law that contains opposite provisions. All the laws of the Government of Puerto Rico will have to be interpreted to harmonize their sense, with the public policy that is established in the instant Act and with its specific objective to provide for displaced workers and their families.

Article 18.- Severability

If any part of this Act is declared unconstitutional by a court with jurisdiction and competence, none of the other parts of this Act not included in said declaration will be invalidated or declared null and will maintain all its force and effect.

Article 19.- Duration

This Act will begin to govern immediately after its passing. Notwithstanding, all the provisions of this Act will remain without effect if the Financial Oversight Board does not comply with assigning in the next budgets the amounts agreed with the Government of Puerto Rico: the funds for the payment of the Christmas Bonus of public employees; the twenty-five million dollars fund (\$25,000,000.00) for scholarships for University of Puerto Rico students; the allocation of fifty million dollars (\$50,000,000.00) annually for the economic development of municipalities; and the allocation of three hundred forty-five million dollars (\$345,000,000.00) in a multiannual fund of a duration of five (5) years.

ENTIRILLADO ELECTRÓNICO  
TEXTO APROBADO EN VOTACION FINAL POR EL SENADO  
(30 DE MAYO DE 2018)

A-77

GOBIERNO DE PUERTO RICO

18<sup>va.</sup> Asamblea  
Legislativa

TEXTO DE APROBACION  
FINAL POR LA CÁMARA

3<sup>ra.</sup> Sesión  
Ordinaria

JUN 14 2018

E/I

SENADO DE PUERTO RICO

ENROL ESE

P. del S. 1011

ENROL ESE

29 de mayo de 2018

Presentado por los señores *Rivera Schatz, Seilhamer Rodríguez, Ríos Santiago, Martínez Santiago, Berdiel Rivera, Correa Rivera; Cruz Santiago*; la señora *Laboy Alvarado*; los señores *Laureano Correa, Muñiz Cortés, Nazario Quiñones, Neumann Zayas*; las señoras *Nolasco Santiago, Padilla Alvelo, Peña Ramírez*; los señores *Pérez Rosa, Rodríguez Mateo, Romero Lugo, Roque Gracia*; las señoras *Vázquez Nieves y Venegas Brown*

*Referido a la Comisión de Relaciones Federales, Políticas y Económicas*

LEY

Para limitar la aplicación de la Ley Núm. 80 de 30 de mayo de 1976, según enmendada, ~~exclusivamente a los empleados que tienen dichas protecciones y garantías al momento de aprobar la presente Ley~~; a los fines de dar cumplimiento a aquellos acuerdos llegados por el Gobierno y la Junta de Supervisión Fiscal; para proteger el bono de navidad de los empleados públicos y privados; mantener inalterados los días de vacaciones y enfermedad con los que cuenta un empleado del sector privado; reafirmar la política pública del Gobierno de Puerto Rico sobre la permanencia de todos aquellos derechos laborales establecidos en la Constitución de Puerto Rico y aquellas leyes estatales y federales aplicables; disponer lo relativo a aquellas reclamaciones de despido injustificado existentes; crear la Ley del "Fondo de Compensación por Despido Injustificado y Reingreso al Ámbito Laboral"; establecer la creación de dicho fondo, así como las aportaciones que lo nutrirán; disponer sobre su administración y uso; establecer la fecha de vigencia del fondo; disponer obligaciones de patronos y sanciones penales; y para otros fines relacionados.

EXPOSICIÓN DE MOTIVOS

Al presente, Puerto Rico atraviesa una crisis fiscal sin precedentes históricos. En parte, dicha crisis fue causada por la ausencia de controles sobre el gasto, medidas de desarrollo sustentable y sistemas de información gerencial que promuevan claridad y transparencia en la gestión gubernamental.

Esta crisis ha golpeado muy fuerte a las familias puertorriqueñas y ha provocado que miles de puertorriqueños abandonen la isla buscando mejores oportunidades. La consecuente reducción poblacional se convierte en uno de los retos para encaminarnos hacia la recuperación.

Las políticas erradas del pasado, junto a las limitaciones de nuestro estatus territorial y colonial, llevaron al Congreso de los Estados Unidos a promulgar la ley denominada *Puerto Rico Oversight, Management, and Economic Stability Act*, conocida como PROMESA (por sus siglas en inglés), Pub. L. 114-187. Dicha Ley estableció una Junta de Supervisión y Administración Financiera (en adelante "Junta de Supervisión") y parámetros para las acciones de planificación fiscal, las acciones presupuestarias, y para las reestructuraciones de deuda, entre otras.

El 28 de febrero de 2017, el Gobernador presentó un Plan Fiscal completo, abarcador, real y, a la misma vez, sensible a las necesidades de nuestro pueblo y de los más vulnerables. El 13 de marzo de 2017, la Junta de Supervisión aceptó y certificó nuestro Plan Fiscal que evitó el despido de empleados públicos y la salida de pacientes del Programa de Salud del Gobierno, entre otros males sociales y económicos.

Para el año fiscal 2017-2018, el Gobernador presentó y la Asamblea Legislativa aprobó un presupuesto responsable, que cumplía con las políticas de austeridad necesarias para atender la crisis fiscal, mientras defendía a los más vulnerables como a nuestros retirados, cuyas pensiones fueron aseguradas en el presupuesto general. No obstante, dicho presupuesto fue modificado por la Junta de Supervisión.

En septiembre de 2017, Puerto Rico experimentó la fuerza de dos fenómenos atmosféricos que cambiaron nuestra vida cotidiana afectando a todos los sectores de

nuestra sociedad. La devastación causada por el paso de los huracanes Irma y María ha ocasionado que la crisis económica que afecta a la isla empeore aún más y ha traído mayores retos fiscales para los municipios y el Gobierno central. Estos fenómenos atmosféricos afectaron el funcionamiento del Gobierno y causaron severos daños a la infraestructura de la isla, incluyendo edificios, el sistema eléctrico y las telecomunicaciones. Según estimados corrientes, el huracán María provocó aproximadamente \$100,000 millones en daños y se proyecta causará un descenso real en el PNB de 13.2% este año fiscal.

Tras el paso de los huracanes, la Junta de Supervisión solicitó al Gobierno un nuevo borrador de Plan Fiscal que tomara en consideración el nuevo panorama en Puerto Rico tras la devastación del fenómeno atmosférico. El 24 de enero de 2018, el Gobierno entregó el Plan Fiscal Revisado con el fin de que la Junta de Supervisión lo evaluara y certificara en vías de reestablecer la viabilidad económica de Puerto Rico.

A pesar de que el Plan Fiscal Revisado reflejaba la realidad de Puerto Rico con posterioridad al paso de los huracanes e incluía una base real y justa para alcanzar el balance fiscal, el manejo de la deuda y la revitalización de la economía de Puerto Rico, el 5 de febrero de 2018, la Junta de Supervisión rechazó el documento. Aunque la Junta de Supervisión reconoció que el Plan Fiscal propuesto por el Gobierno incluyó propuestas importantes y necesarias para mover a Puerto Rico hacia la sostenibilidad fiscal y el crecimiento, el ente creado por PROMESA solicitó cambios que afectarían a los más vulnerables, como reducir las pensiones de nuestros retirados, eliminar el bono de navidad de los empleados públicos y privados y reducir los días de vacaciones y enfermedad en el sector privado.


Ese mismo día, el Gobernador y la Asamblea Legislativa se opusieron a dichos cambios porque afectarían irremediabilmente al pueblo. Esos cambios provocaron la incertidumbre de nuestra gente al reconocer que estos cambios establecidos por la Junta de Supervisión se reflejarían en recortes presupuestarios y/o terminarían en los tribunales a merced de la determinación de un tribunal federal.



El 19 de abril de 2018, la Junta de Supervisión certificó su propio plan fiscal reflejando estas medidas a las que el Gobierno electo se opuso.

Con la aprobación de esta Ley, aseguramos la continuidad del Bono de Navidad de los empleados públicos y privados, protegemos los derechos laborales de los trabajadores mientras se crea un ambiente que fomente la creación de más empleos. Con esta medida, las causas de terminación de un empleo serán las que surjan del contrato de empleo—prospectivamente, incluyendo los contratos de negociación colectiva negociados por uniones como ocurre en virtualmente todas las jurisdicciones de la Nación.

No obstante, lo anterior en nada altera la prohibición por despidos de naturaleza ilegal. Los empleados seguirán estando protegidos de despidos discriminatorios, violaciones a los términos de los convenios colectivos, hostigamiento, y protecciones contra represalias, entre otros. Además, se mantendrá inalterado el salario mínimo y el bono de navidad, entre otras leyes especiales que no se ven modificadas por esta Ley.



No se afectarán otras leyes que protegen a nuestros trabajadores como: Ley Núm. 100 de 30 de junio de 1959, según enmendada, que protege a los empleados contra el discrimen por razón de raza, color, sexo, orientación sexual, identidad de género, origen social o nacional, condición social, afiliación política, o ideas políticas o religiosas, o por ser víctima o ser percibida como víctima de violencia doméstica, agresión sexual o acecho, o por ser militar, ex militar, servir o haber servido en las Fuerzas Armadas de los Estados Unidos o por ostentar la condición de veterano; la Ley Núm. 379 de 15 de mayo de 1948, según enmendada, que dispone sobre la Jornada de Trabajo; la Ley Núm. 289 de 9 de abril de 1946, según enmendada, que dispone sobre el día de descanso de jornada; la Ley 180-1998, según enmendada, de Salario Mínimo, Vacaciones y Enfermedad; la Ley Núm. 148 del 30 de junio de 1969, que otorga a los empleados privados el Bono de Navidad; la Ley 427-2000 que dispone el período de lactancia y protege los derechos de las madres lactantes; la Ley Núm. 74 de 21 de junio de 1956, según enmendada, Ley de Seguridad en el Empleo; la Ley Núm. 45 de 18 de abril de

1935, según enmendada, que provee para la Compensación por Accidentes del Trabajo; la Ley Núm. 139 de 26 de junio de 1968, que dispone Beneficios por Incapacidad Temporal; la Ley 16-2017 de Igualdad Salarial; la Ley Núm. 3 de 13 de marzo de 1942, según enmendada, que protege a las Madres Obreras; la Ley Núm. 17 de 22 de abril de 1988, según enmendada, que prohíbe el Hostigamiento Sexual; la Ley 24 -2002 que establece una Licencia Deportiva; la Ley 27-2005 sobre Salario Mínimo de Enfermería; la Ley Núm. 44 de 2 de julio de 1985, según enmendada, que prohíbe el discrimen contra Personas Impedidas; la Ley Núm. 69 de 6 de julio de 1985, según enmendada, que protege contra el discrimen por Razón de Sexo; la Ley Núm. 112 de 13 de julio de 1985, según enmendada, que regula la contratación de menores; la Ley 115-1991, que protege al empleado contra las represalias por parte de su patrono; la Ley Núm. 122 de 12 de julio de 1986, según enmendada, que protege a empleados llamados a servir como testigos; Ley 161-2002, para el Fomento de Empleos; Ley Núm. 230 de 12 de mayo de 1942, según enmendada que dispone regulación para el empleo de menores; la Ley Núm. 130 de 8 de mayo de 1945, según enmendada, que reconoce los derechos de los empleados a organizarse; la Ley 281-2003, que protege a los empleados llamados a servir como jurado, entre otras leyes y regulaciones que protegen a nuestro trabajador.

Tampoco se afectará ninguna otra ley o regulación, local o federal, que protejan los derechos de los empleados. Además, se crea un fondo para compensar al empleado afectado por las modificaciones contenidas en esta Ley para convertir a Puerto Rico en una jurisdicción de empleo a voluntad como 49 de los 50 estados de la Nación.

**DECRÉTASE POR LA ASAMBLEA LEGISLATIVA DE PUERTO RICO:**

1 ~~Artículo 1. La Ley Núm. 80 de 30 de mayo de 1976, según enmendada,~~  
2 ~~permanecerá vigente a los fines de proteger a todos los empleados y los patronos que, al~~  
3 ~~momento de la aprobación de esta Ley, están protegidos por todas sus disposiciones.~~  
4 ~~Toda persona natural o jurídica que pueda reclamar derechos o remedios al amparo de~~  
5 ~~este Artículo, mantendrá esos derechos inalterados.~~

1 Artículo 1.-Título.

2 Esta Ley se conocerá y podrá ser citada como "Fondo de Compensación por Despido  
3 Injustificado y Reingreso al Ámbito Laboral".

4 Artículo 2.-Nuevo estado de Derecho. Nuevo estado de Derecho y Declaración de  
5 Política Pública.

6 Es la política pública del Gobierno de Puerto Rico fortalecer el sector privado de nuestra  
7 economía y fomentar su máximo desarrollo. Para lograr estos propósitos necesitamos aumentar  
8 la inversión de capital en nuestras industrias, fomentar el desarrollo de una vigorosa industria de  
9 servicios y un vibrante intercambio de bienes. Además, necesitamos fomentar la creación de  
10 empleos bien remunerados y que se aumente la cantidad total de plazas de trabajo disponibles en  
11 el sector privado. Todo lo anterior, en conjunto con una política pública estatal dirigida a  
12 fomentar el emprendimiento y creación de oportunidades de negocios permitirán a Puerto Rico  
13 insertarse con pie firme en la modernidad del Siglo XXI. Para lograr esto, necesitamos  
14 reformular cómo se terminan los contratos de empleo en nuestro archipiélago y lograr una ayuda  
15 gubernamental para que aquellos que pierdan su empleo tengan una verdadera segunda  
16 oportunidad de desarrollar sus talentos y habilidades, mientras logran el sustento que sus  
17 familias necesitan, así como el desarrollo de capital personal. El objetivo específico de esta Ley es  
18 y será promover un mecanismo de justicia social y de desarrollo económico que, a la misma vez,  
19 permita la reinversión de nuestros recursos en la fuerza trabajadora. Reafirmamos la aplicación  
20 inalterada de todos aquellos derechos laborales establecidos y legislados con anterioridad a esta  
21 Ley. Ningún patrono podrá incumplir con los derechos laborales que hoy reafirmamos, de  
22 conformidad con el ordenamiento jurídico vigente.

1 Esta Ley también se aprueba para garantizar la asignación de veinticinco millones dólares  
2 (\$25,000,000) para becas a estudiantes de la Universidad de Puerto Rico, la asignación de  
3 ciencuenta millones de dólares (\$50,000,000) anuales para desarrollo económico de los  
4 municipios, así como la asignación de trescientos cuarenta y cinco millones de dólares  
5 (\$345,000,000) en un fondo multianual de cinco (5) años de vigencia, cual cantidad incluye cien  
6 millones de dólares (\$100,000,000) del Fondo de Compensación creado por esta Ley, para varias  
7 medidas de desarrollo económico y para la implementación de reformas según solicitado por el  
8 Gobierno de Puerto Rico a la Junta de Supervisión Fiscal.

9 A partir del 1 de enero de 2019 ~~la aprobación de la presente Ley, un empleado a~~  
10 término indefinido no tendrá una causa de acción en contra de su patrono meramente porque el  
11 patrono de por terminada la relación de empleo, más allá de la asistencia contenida en esta Ley y  
12 sus excepciones por el periodo aplicable. ~~todo empleado de nuevo reclutamiento y todo~~  
13 ~~patrono que reclute a nuevos empleados no estarán sujetos a las disposiciones de la Ley~~  
14 ~~80 de 30 de mayo de 1976, según enmendada.~~ No obstante, todo empleado despedido  
15 de su empleo continuará protegido por todas las demás causas de acción que surjan de  
16 la Constitución de los Estados Unidos, la Constitución de Puerto Rico y de las leyes y  
17 reglamentos estatales o federales aplicables.

18 Para fines de este Artículo el término "empleado" significará toda persona  
19 natural que trabaje para un patrono y que reciba compensación por sus servicios. No  
20 incluye a contratistas independientes y tampoco a empleados gubernamentales o  
21 municipales. El término "patrono" significará toda persona natural o jurídica que  
22 emplee o permita trabajar a cualquier empleado mediante compensación. No incluye al

1 Gobierno de Puerto Rico, sus tres ramas, sus departamentos, agencias,  
2 instrumentalidades, corporaciones públicas, y tampoco a los gobiernos municipales, sus  
3 instrumentalidades o corporaciones municipales.

4 Con esta Ley, la Asamblea Legislativa únicamente está eliminando la causa de acción  
5 contra el patrono por despido injustificado al amparo de la Ley Núm. 80, supra. A tales efectos,  
6 reafirmamos la aplicación inalterada de todos aquellos derechos laborales establecidos y legislados  
7 con anterioridad a esta Ley. Ningún patrono podrá incumplir con ninguno de estos derechos  
8 laborales que hoy reafirmamos.

9 ~~Artículo 3. Reafirmación de la política pública.~~

10 ~~Con esta Ley, la Asamblea Legislativa únicamente está eliminando la causa de~~  
11 ~~acción por despido injustificado prospectivamente. A tales efectos, reafirmamos la~~  
12 ~~aplicación inalterada de todos aquellos derechos laborales establecidos y legislados con~~  
13 ~~anterioridad a esta Ley. Ningún patrono podrá incumplir con ninguno de estos~~  
14 ~~derechos laborales que hoy reafirmamos.~~

15 ~~Artículo 4. Disposiciones transitorias.~~

16 ~~Las disposiciones de esta Ley y sus efectos no serán de aplicación a aquellas~~  
17 ~~personas cuyo empleo haya terminado previo a la vigencia de la misma. Las~~  
18 ~~disposiciones de la Ley Núm. 80 de 30 de mayo de 1976, según enmendada, y el término~~  
19 ~~prescriptivo allí dispuesto, continuarán siendo de aplicación a toda separación~~  
20 ~~injustificada de empleo realizada previo a la vigencia de esta Ley. Por tanto, ningún~~  
21 ~~patrono podrá utilizar como subterfugio la aplicación de la presente Ley, con el fin de~~  
22 ~~afectar derechos adquiridos por los empleados cobijados por la Ley 80, supra, previo a la~~

1 ~~vigencia de la presente Ley. Los tribunales vendrán obligados a aplicar las disposiciones~~  
2 ~~de la Ley Núm. 80, supra, en todo procedimiento pendiente y a las causas de acción que~~  
3 ~~se configuren antes de la vigencia de esta Ley.~~

4 Artículo 3- Creación del Fondo.

5 Se crea el "Fondo de Compensación por Despido Injustificado y Reingreso al Ámbito Laboral  
6 (en adelante "Fondo de Compensación") de hasta cien millones de dólares (\$100,000,000). Este  
7 Fondo de Compensación se nutrirá de aportaciones especiales del Gobierno de Puerto Rico, según  
8 se dispone más adelante, para los trabajadores despedidos a voluntad del patrono o por una de las  
9 causas adelante detalladas. El Fondo de Compensación estará disponible para aquellas personas  
10 cuyo empleo haya terminado en o antes del 1 de enero de 2021 si el empleado tiene 15 años o  
11 menos en el empleo del cual es despedido. En cuanto a los empleados que tengan más de 15 años  
12 en el empleo de cual es despedido, será de aplicación lo dispuesto en el Artículo 12 de esta Ley.

13 Artículo 4.- Aportación del Gobierno de Puerto Rico.

14 El Gobierno asignará en el presupuesto correspondiente al año fiscal 2018-19 una cantidad  
15 de veinticinco millones de dólares (\$25,000,000) para el Fondo de Compensación. La cantidad  
16 restante de hasta setenta y cinco millones de dólares (\$75,000,000) se hará mediante asignaciones  
17 adicionales a consignarse en el presupuesto del Gobierno de Puerto Rico para los años fiscales  
18 2019-2020 y 2020-2021.

19 El Fondo de Compensación será una medida transitoria y comenzará el 1 de enero de 2019 y  
20 finalizará el 1 de enero de 2021. Este dinero será redistribuido de las partidas de reinversión en  
21 desarrollo económico e infraestructura incluidas en el Plan Fiscal Enmendado de 30 de mayo de  
22 2018.



1 Artículo 5. Administración y composición del Fondo de Compensación por Despido  
2 Injustificado y Reingreso al Ámbito Laboral

3 El Fondo de Compensación será administrado por el Departamento del Trabajo y Recursos  
4 Humanos, de conformidad con las disposiciones de esta Ley y la reglamentación que se adopte  
5 para tales fines.

6 Artículo 6.-Uso del Fondo de Compensación

7 Los desembolsos permitidos sobre el Fondo de Compensación comenzarán a ocurrir a partir  
8 del 1 de enero de 2019 para empleados despedidos con menos de quince (15) años contados de  
9 forma consecutiva en su empleo de conformidad con el Artículo 10 de esta Ley.

10 El fondo será usado únicamente para:

11 a) Proveer una compensación directa al trabajador despedido y a su familia, por un máximo  
12 total de cinco mil dólares (\$5,000) independientemente de cualquier otro derecho o  
13 beneficio que le corresponda como trabajador desplazado; y

14 b) Proveer un vale, "voucher" o crédito contributivo, o una combinación de éstos, de cuatro  
15 mil quinientos dólares (\$4,500.00) al patrono contratante para subsidiar su salario en el  
16 primer año de un nuevo empleo, y así fortalecer y acelerar sus gestiones en la búsqueda de  
17 trabajo.

18 Artículo 7.- Propósitos de la Compensación

19 Los pagos del Fondo de Compensación provistos por esta Ley se harán hasta un máximo total  
20 de cinco mil dólares (\$5,000.00), por persona, y se realizarán mensualmente por parte del  
21 Departamento del Trabajo y Recursos Humanos, equivalente los mismos a la compensación por  
22 hora trabajada inmediatamente antes del despido y mientras el trabajador permanezca

1 desempleado. El vale, "voucher" o crédito antes dispuesto deberá ser entregado por el  
2 Departamento del Trabajo y Recursos Humanos al trabajador desplazado elegible y protegido por  
3 esta Ley no más tarde de los veinte (20) días calendario, contados a partir de la fecha en que éste  
4 cumpla con la presentación de las certificaciones dispuestas en esta Ley. Dicho vale, "voucher" o  
5 crédito será entregado por el empleado a su nuevo patrono al comenzar su nuevo empleo.

6 No obstante lo anterior, solo podrá reclamarse una compensación por persona por el periodo  
7 de vigencia de la presente Ley, ya sea bajo la compensación directa al empleado despedido o para  
8 el subsidio de su salario en el primer año de su nuevo trabajo.

9 Artículo 8.- Requisitos de elegibilidad

10 Para poder ser elegible para la asistencia del Fondo de Compensación, el empleado deberá  
11 tener un empleo elegible con fecha anterior a la aprobación de esta Ley y haber sido despedido  
12 durante el periodo de vigencia del Fondo de Compensación bajo los casos enumerados en el

13 Artículo 10 de esta Ley.

14 Artículo 9. Derechos de los Empleados.

15 Las disposiciones de esta ley en nada impedirán, ni podrán ser interpretadas en el sentido de  
16 impedir que cada trabajador pueda solicitar los beneficios de cualquier otra ley, estatal o federal,  
17 ni impedirán la presentación de pleitos o reclamaciones administrativas producto de actuaciones  
18 discriminatorias o criminales por parte de los patronos. Esta Ley no impedirá que persona alguna  
19 pueda recibir los beneficios de asistencia social y económica por parte del Gobierno de Puerto  
20 Rico.

21 Artículo 10.- Casos de elegibilidad.



1 Para propósitos del Fondo de Compensación de esta Ley, un trabajador podrá beneficiarse del  
2 mismo: (1) si el despido ocurre por voluntad exclusiva del patrono sin mediar culpa del  
3 trabajador; o (2) si el despido responde a:

4 a) Cierre total, temporero o parcial de las operaciones del patrono.

5 b) Los cambios tecnológicos o de reorganización, así como los de estilo, de diseño o de  
6 naturaleza del producto que se produce o maneja por el establecimiento y los cambios en  
7 los servicios rendidos al público.

8 c) Reducciones en empleo que se hacen necesarias debido a una reducción en el volumen de  
9 producción, ventas o ganancias, anticipadas o que prevalecen al ocurrir el despido o con el  
10 propósito de aumentar la competitividad o productividad del establecimiento.

11 Artículo 11.-Obligación de los patronos y sanciones penales.

12 Todo patrono tendrá la obligación de cooperar con el Departamento del Trabajo para poner en  
13 vigor las disposiciones de la presente Ley y cualquier reglamento aplicable. De incumplir esta  
14 obligación, el patrono tendrá que reembolsar cualquier gasto incurrido con cargo al Fondo de  
15 Compensación.

16 Cada patrono contratante tendrá la obligación de reembolsar al Fondo de Compensación la  
17 siguiente porción de cada vale o "voucher" que se obtenga producto de un trabajador  
18 anteriormente desplazado contratado por un patrono que recibió el mismo de acuerdo a los  
19 tiempos de empleo, si despidiera el empleado anteriormente desplazado, según se establece a  
20 continuación:

21 a. 0 a 3 meses de empleo- ochenta por ciento (80%) de reembolso

22 b. 4 a 6 meses de empleo- sesenta por ciento (60%) de reembolso

1 c. 7 a 9 meses de empleo- cuarenta por ciento (40%) de reembolso

2 d. 10 a 12 meses de empleo- veinte por ciento (20%) de reembolso.

3 El Departamento del Trabajo y Recursos Humanos establecerá por reglamento el  
4 procedimiento para la devolución del dinero.

5 Cualquier patrono o empleado que, a propósito, intente defraudar o cometa fraude para  
6 beneficiarse de mala fe de las disposiciones de esta Ley incurrirá en delito menos grave y convicto  
7 que fuere tendrá que restituir cuatro (4) veces la cantidad desembolsada por el Gobierno. En el  
8 caso de los patronos, esta disposición aplicará aún si se utiliza una entidad relacionada o  
9 cualquier subterfugio corporativo para intentar defraudar o cometer el fraude.

10 Artículo 12.- Disposiciones Transitorias

11 A partir del 1 de enero de 2019, las disposiciones de esta Ley no serán de aplicación a  
12 aquellas personas cuyo empleo haya terminado en o antes del 30 de junio de 2021 si el empleado  
13 tiene 15 años o más en el empleo del cual es despedido, de forma consecutiva con el mismo  
14 patrono. Solo en estos casos, las disposiciones de la Ley Núm. 80 de 30 de mayo de 1976, según  
15 enmendada, y el término prescriptivo allí dispuesto, continuarán siendo de aplicación a toda  
16 separación injustificada en esas circunstancias y término. Por tanto, ningún patrono podrá  
17 utilizar como subterfugio la aplicación de la presente Ley, con el fin de afectar a los empleados  
18 cobijados por la Ley Núm. 80, supra, de conformidad con este artículo. Los tribunales y foros  
19 administrativos vendrán obligados a aplicar las disposiciones de la Ley Núm. 80, supra, en todo  
20 procedimiento pendiente y a las causas de acción que se configuren en el término y solo en los  
21 casos descritos en este artículo.

22 Artículo 13. Reglamentación.

1 El Departamento del Trabajo y Recursos Humanos establecerá por reglamento las normas  
2 administrativas que entienda necesarias para poder cumplir con los propósitos de esta ley, en un  
3 término no mayor de treinta (30) días calendario, contados a partir de la aprobación de esta Ley.  
4 El Departamento de Hacienda emitirá las normas administrativas necesarias para poder cumplir  
5 con los propósitos de esta Ley, en un término no mayor de treinta (30) días, contados a partir de  
6 la aprobación de esta Ley.

7 Ninguna de las normas o reglas aprobadas en virtud de la presente Ley tendrán que cumplir  
8 con las disposiciones de la Ley 38-2017, conocida como "Ley de Procedimiento Administrativo  
9 Uniforme de Puerto Rico."

10 Artículo 14. Clasificación del Fondo.

11 Este Fondo Especial no podrá ser usado para el pago de ninguna obligación del gobierno, sus  
12 municipios, corporaciones públicas, excepto según se dispone en la presente Ley.

13 Artículo 15. Depósitos por parte del Departamento de Hacienda

14 Se ordena al secretario del Departamento de Hacienda a realizar los depósitos necesarios para  
15 cumplir con los propósitos de esta Ley de conformidad con lo siguiente:

- 16 a. En el caso del depósito inicial, se hará en un periodo que no excederá los treinta (30) días  
17 naturales, contados a partir de la aprobación de esta Ley  
18 b. En el caso de depósitos subsiguientes, serán hechos en un periodo que no excederá los  
19 treinta (30) días naturales, contados a partir de la entrada en vigor del presupuesto  
20 general del año fiscal en que se trate.

21 Artículo 16.-Sobrante del fondo.

1 Al finalizar el año natural 2020, cualquier dinero sobrante del Fondo de Compensación será  
2 distribuido a la Universidad de Puerto Rico para su programa de becas. Dicho sobrante tendrá  
3 que ser transferido a la Universidad de Puerto Rico en o antes del 1 de febrero de 2021.

4 Artículo 17.-Cláusula de Supremacía.

5 Las disposiciones de esta Ley prevalecerán sobre cualquier disposición de otra ley que  
6 contenga disposiciones en contrario. Todas las leyes del Gobierno de Puerto Rico tendrán que ser  
7 interpretadas para armonizar sus sentidos, con la política pública que establece la presente y con  
8 su objetivo específico de proveer para trabajadores desplazados y sus familias.

9 Artículo 18.- Separabilidad.

10 Si cualquier parte de esta ley es declarada inconstitucional por un tribunal con jurisdicción y  
11 competencia, ninguna de las demás partes de esta ley no comprendidas en tal declaración será  
12 invalidada o declarada nula, y mantendrá toda su fuerza y vigencia.

13 Artículo 5-19.-Vigencia.

14 Esta Ley comenzará a regir inmediatamente después de su aprobación. No obstante,  
15 todas las disposiciones de esta Ley quedarán sin efecto si la Junta de Supervisión Fiscal incumple  
16 con asignar en los próximos presupuestos las partidas acordadas con el Gobierno de Puerto Rico:  
17 los fondos para el pago del bono de Navidad de los empleados públicos; el fondo de veinticinco  
18 millones de dólares (\$25,000,000) para becas a estudiantes de la Universidad de Puerto Rico; la  
19 asignación de cincuenta millones de dólares (\$50,000,000) anuales para desarrollo económico de  
20 los municipios; y la asignación de trescientos cuarenta y cinco millones de dólares  
21 (\$345,000,000) en un fondo multianual de cinco (5) años de vigencia.

## **New Fiscal Plan for Puerto Rico**

# Restoring Growth and Prosperity

**As Certified by The Financial Oversight and  
Management Board for Puerto Rico**

May 30, 2018

## PART III: Restoring growth to the Island

A sustainable fiscal and economic turnaround depends entirely on comprehensive structural reforms to the economy of Puerto Rico. Only such reforms can drive growth in the economy, reversing the negative trend growth over the last 10 years and enabling the Island to become a vibrant and productive economy going forward. To reverse the negative economic trends, the Government must pursue reforms in the following areas:

**Human capital and workforce reforms** will improve job creation, workforce participation, and the well-being and self-sufficiency of welfare recipients, including a repeal of Law 80 and introducing at-will employment consistent with mainland U.S. policies, resulting in a cumulative GNP impact of 0.80% by FY2023. The impact is enhanced in the long-term as K-12 education reforms begin adding an additional 0.01% GNP impact per year, resulting in an additional 0.16% uptick by FY2048 that continues growing in outer years (to 0.28% by FY2060).

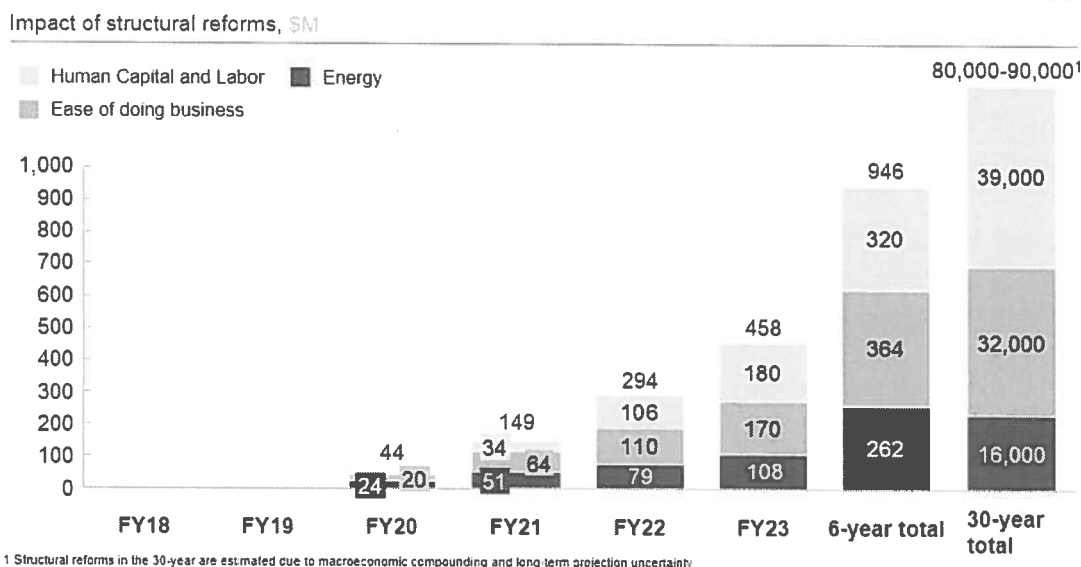
**Ease of doing business reforms** will improve conditions for economic activity and job creation, trading across borders, employment opportunities, and business vitality, resulting in a cumulative GNP impact of 0.65% by FY2023.

**Power sector reforms** will improve availability and affordability of energy for families and businesses, resulting in 0.30% cumulative GNP impact by FY2023.

**Infrastructure reform and capital investment** will improve the flow of goods, services, information, and people across the Island. It has not been scored to provide a specific GNP uptick, yet undoubtedly contributes a consequential uptick in the Island's long-term development.

**If implemented immediately, the structural reforms are projected to result in a sustained 1.75% annual real GNP growth by FY2023.** As shown below (**Exhibit 28**), these reforms equal approximately \$80-90 billion in increased Commonwealth revenues over 30 years. In the long term, **education reforms are projected to add an additional cumulative 0.16% to GNP growth, making total impact 1.91% by FY2048 and 2.01% by FY2058.** The reforms are crucial to placing Puerto Rico on a path to long-term structural sustainability.

EXHIBIT 28: IMPACT OF STRUCTURAL REFORMS OVER 30 YEARS



## Chapter 7. HUMAN CAPITAL & LABOR REFORM

### 7.1 Current state of human capital and labor and welfare laws

Puerto Rico faces immense challenges with formal labor force participation and preparedness. The Island’s formal labor force participation rate is only ~40%, far from the U.S. mainland average (63%) or even the lowest-ranked U.S. state (West Virginia, 53%), and well below other Caribbean islands. In fact, according to World Bank data, Puerto Rico’s formal labor force participation rate is currently 7<sup>th</sup> lowest in the world and has never ranked higher than the bottom 20.<sup>32</sup> Puerto Rico’s youth unemployment rate is 23.8%, almost double the world average (13.8%) and more than double the U.S. average (10%).<sup>33</sup> Low labor force participation in Puerto Rico is a function of neither Hurricane Maria nor the economic downturn that began in 2006; rather, low rates of employment are a long-term structural problem that can be addressed only through significant changes to public policy.

Unless Puerto Rico substantially increases its labor force participation and employment, incomes will always fall far below mainland states and outmigration will continue to draw Puerto Ricans away from the island of their birth. However, if Puerto Rico improves labor market flexibility through repealing restrictive laws like Law 80 and creating labor conditions more similar to those on the mainland, it will lead to increased labor force participation rates. If Puerto Rico’s labor force participation rate grew to match even to that of the lowest U.S. state, incomes would rise, poverty would decline, and the budgetary deficit would improve. **While many other reforms are important to making these improvements, increasing labor force participation may be the single most important reform for long-term economic well-being in Puerto Rico.**

<sup>32</sup> Puerto Rico ranking has never surpassed 215<sup>th</sup> out of the 232 countries, states, and territories tracked by The World Bank Group since The World Bank Group began collecting data in 1990

<sup>33</sup> The World Bank Group, 2017, via International Labour Organization, ILOSTAT database. Data retrieved in March 2017. <https://data.worldbank.org/indicator/SI.UEM.1524.ZS>



### 7.1.1 Labor laws

Puerto Rico's historically low levels of formal labor force participation cannot be attributed to any single factor, but a range of public policies have served to reduce employment on the Island.

Perhaps the biggest barrier to hiring in Puerto Rico is its lack of "at-will employment," which would make it easier for employers to dismiss unsatisfactory employees. While there are variations in labor laws among the 50 mainland states, 49 of them adopt some form of at-will employment. In Puerto Rico, Law 80 was passed in 1976 requiring employers to first prove "just cause" before dismissing employees. Law 80's "just cause" requirement applies to any employees hired for an indeterminate period of time, as well as any employee with a tenure longer than twelve months. In addition, Law 80 mandates significant severance pay: 3 months' base wages, plus two weeks' additional wages for every year of the outgoing employee's tenure. The need to establish just cause can be costly for employers because it typically leads to litigation, and many employers simply pay severance pay to an unsatisfactory employee to avoid a court dispute. Labor flexibility-reducing legislation like Law 80 can also have the additional effect of skewing investment to capital rather than labor, reducing the positive impact of any surplus on the labor market.

While some employees benefit from Puerto Rico's lack of at-will employment, this policy makes it more costly and risky not only to dismiss, but also to hire, an employee. There is evidence that such job protections lower employment opportunities. For example, studies have found that laws preventing unfair dismissal caused reductions in employment, particularly in labor-intensive industries;<sup>34</sup> and in U.S. states, a recent study found that expanding unfair dismissal protections caused employers to shift away from using less-skilled workers and toward greater use of capital investments and more-skilled labor. When Colombia reduced the cost of dismissing workers, unemployment fell and the size of the informal labor force declined.<sup>35</sup> In a 2003 book on labor laws in Latin America and the Caribbean, Nobel Prize-winning economist James Heckman concluded that

"mandated benefits reduce employment and... job security regulations have a substantial impact on the distribution of employment and on turnover rates. The most adverse impact of regulation is on youth, marginal workers, and unskilled workers. Insiders and entrenched workers gain from regulation but outsiders suffer. As a consequence, job security regulations promote inequality among demographic groups."

The Government has recently made strides to improve labor market conditions with the Labor and Flexibility Act (Act 4-2017) in January 2017, which added flexibility to overtime regulations and increased work requirements to become eligible for Christmas Bonus and severance pay, among other reforms. However, the Island still is not an employment at-will jurisdiction, imposing costs and regulatory burdens that reduce employment, wages and economic opportunity.

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<sup>34</sup> RAND Corporation, 1992

<sup>35</sup> Kugler (2004). See Dertouzos, James N., and Lynn A. Karoly. "Labor market responses to employer liability." Rand Corporation, 1992; Autor, David H., William R. Kerr, and Adriana D. Kugler. "Does Employment Protection Reduce Productivity? Evidence from U.S. States." *The Economic Journal* (2007): F189-F217; Heckman, James. *Law and employment: Lessons from Latin America and the Caribbean*. No. w10129. National Bureau of Economic Research, 2003; Kugler, Adriana D. "The effect of job security regulations on labor market flexibility. Evidence from the Colombian Labor Market Reform." In *Law and Employment: Lessons from Latin America and the Caribbean*, pp. 183-228. University of Chicago Press, 2004



### 7.1.2 Welfare policies

In addition to the Island's labor laws, Puerto Rico residents may also face disincentives to participate in the formal labor market due to rules attached to various welfare benefits, including the Nutritional Assistance Program (PAN), Mi Salud (Medicaid), Section 8 public housing, TANF, WIC, and other programs.

These benefits are sometimes stereotyped with a claim that "welfare pays more than work." While this may be true in isolated cases, the broader problem occurs when welfare beneficiaries work in the formal sector and receive earnings, which triggers a reduction in their benefits. The phase-out of government transfer benefits as earned income increases acts as a tax to disincentivize formal employment, as effective hourly wage (income received by working minus the loss of benefits) can be substantially lower than the formal hourly wage received. For many citizens, working in the informal sector and collecting transfer benefits can often result in higher effective income than working in the formal sector.

While transfer benefits in Puerto Rico are not more generous than on the mainland in dollar terms, they *are* more generous relative to generally lower earnings on the Island. When benefits are phased out as a beneficiary works, loss of benefits may be larger relative to earnings than for a mainland worker. This can serve as a greater disincentive to work than on the mainland.

It is difficult to quantify how large such disincentive effects may be due to limitations on the data available. Different individuals entitled to different sets of benefits are thus faced with various incentives that inform the ways they engage with the labor market. It is reasonable to conclude that for many welfare beneficiaries, formal sector work may sometimes do little to increase household incomes.

For individuals receiving food stamps, Mi Salud, TANF and public housing, it often makes little financial sense to work at the minimum wage in the formal sector. For a full-time minimum wage worker the loss of benefits will offset most or all income received from work, leaving the household no better off.<sup>36</sup>

Though few Puerto Rico residents receive all these benefits,<sup>37</sup> even receipt of a single type of benefits can alter incentives to engage in the formal workforce. For instance, a single mother with two children and annual income below \$4,900 is eligible to receive approximately \$4,229 in annual PAN ("food stamp") benefits. But should that individual work 35 hours per week at the minimum wage, her annual earnings of \$12,180 would cause her to lose eligibility for food stamps. Net of taxes on her earnings, working full-time would increase her household's annual income by only \$7,002, equivalent to an hourly wage of only \$3.86. Under those conditions, some individuals may choose not to work in the formal labor market.

Even when TANF and Section 8 housing benefits are excluded, monthly income paid to a minimum wage worker with two children is only \$329 greater than what he or she could receive from government benefits.<sup>38</sup> In this example, effective hourly pay (the amount received

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<sup>36</sup> Burtless, Gary, and Orlando Sotomayor. "Labor supply and public transfers." In *The Economy of Puerto Rico: Restoring Growth* (2006): 82-151

<sup>37</sup> See Héctor R. Cordero-Guzmán, "The production and reproduction of poverty in Puerto Rico," in Nazario, Carmen R., ed. *Poverty in Puerto Rico: A Socioeconomic and Demographic Analysis with Data from the Puerto Rico Community Survey* (2014). Inter American University of Puerto Rico, Metro Campus, 2016. Cordero. Notes that the number of TANF beneficiaries in Puerto Rico is relatively modest and many, due to age or disability, are unlikely to work under any conditions

<sup>38</sup> Advantage Business Consulting. "Beneficios de las Personas Elegibles al TANF vs. Escenario de Salario Mínimo Federal." Prepared for the Universidad Interamericana, May 2015

from working more than what the individual could receive from government benefits without working) is only about \$2.35.

Mainland states face many of these same incentive issues, which they address in two ways. First, residents of mainland states are eligible for the Federal Earned Income Tax Credit (EITC), which provides a partial refund against Federal income taxes for eligible low-income workers. Many states supplement the Federal EITC to increase benefits to recipients. By increasing the reward to work, the EITC has been shown to increase labor force participation.<sup>39</sup> However, because Puerto Rico residents do not pay Federal income taxes they are not currently eligible for the Federal EITC.

Likewise, the Federal Government requires that food stamp programs on the mainland (Supplemental Nutrition Assistance Program, "SNAP") contain a work requirement. In general, working-age SNAP beneficiaries on the mainland must register for work, cannot turn down a job if offered, and may be required by the state to attend education or work training classes. In addition, Federal law requires that non-disabled adults without dependents must work, attend education, or volunteer at least 20 hours per week to maintain eligibility for benefits.

Puerto Rico's labor and welfare laws may help explain why, despite the Island's natural beauty, attractions and ease of access from the U.S. market, employment in tourism-related industries is low. According to the Federal Bureau of Labor Statistics (BLS), Puerto Rico employs only 80,000 individuals in the leisure and hospitality industries – 10,000 fewer tourism-related jobs than the state of Nebraska, which both lacks Puerto Rico's natural assets and has an overall population over one-third smaller than Puerto Rico.

### 7.1.3 Workforce preparedness

Finally, Puerto Rico's potential workforce is also not well prepared to fill jobs currently needed by the economy. Poor skill development is largely driven by low educational quality and attainment. Around 20% of Puerto Rico's working age population has less than a high school diploma (compared to U.S. average of under 12%), and about 30% of that same population have a college degree, which is about 3% below the mainland average.<sup>40</sup> Meanwhile, Puerto Rico's public schools are underperforming. PRDE K-12 schools have shown declining performance over the past two decades. Today a quarter of students do not graduate high school at all,<sup>41</sup> while the remainder graduate below basic proficiency levels: in standardized tests, only about half perform at a basic level in Spanish,<sup>42</sup> 35% perform at a basic level in Mathematics, 35% perform at a basic level in English and 43% at a basic level in Science.<sup>43</sup> Of the 71 countries measured through OECD PISA scores, Puerto Rico scored 57th in reading (U.S. 24th), 63rd in science (U.S. 25th), and 65th in math (U.S. 40th).<sup>44</sup> These challenges

<sup>39</sup> See Eissa, Nada, and Jeffrey B. Liebman. "Labor supply response to the earned income tax credit." *The Quarterly Journal of Economics* 111, no. 2 (1996): 605-637

<sup>40</sup> Federal Reserve Bank of New York, "An Update on the Competitiveness of Puerto Rico's Economy." July 31, 2014. <https://www.newyorkfed.org/medialibrary/media/outreach-and-education/puerto-rico/2014/Puerto-Rico-Report-2014.pdf>

<sup>41</sup> Puerto Rico Department of Education Consolidated State Plan (ESSA), 2017; <https://www2.ed.gov/admins/lead/account/stateplan17/prconsolidatedstateplanfinal.pdf>

<sup>42</sup> As of ESSA Consolidated State Plan 2017

<sup>43</sup> "Basic level" is defined by National Assessment of Education Progress test administrator as "partial mastery of prerequisite knowledge and skills that are fundamental for proficient work at each grade" and is the bottom of three levels of achievement with the other levels being "proficient" and "advanced." Source: "Medición y Evaluación para la Transformación Académica de Puerto Rico (META-PR) 2015-2016 School Year," PRDE (2016)

<sup>44</sup> Programme for International Student Assessment (PISA) 2015 Assessment and Analytical Framework, The Organization for Economic Co-operation and Development, August 31, 2017

contribute to Puerto Rico's rate of youth unemployment, which is more than double the rate in the U.S. mainland.<sup>45</sup>

Puerto Rico has therefore not solved the supply or demand side issues with its labor market – creating huge barriers to economic growth and sustainability for the Island.

## 7.2 Future vision for the Puerto Rican labor market

Changes to labor and welfare laws are controversial. It is difficult to ask Puerto Rican residents to give up benefits and job protections when, through the economic downturn and then Hurricane Maria, they already have lost so much. Nevertheless, dramatic changes to Puerto Rico's labor market policies are necessary to provide opportunity for a greater standard of living at home, reversing the Island's history of high poverty, constrained budgets, and pressure for young Puerto Ricans to leave their home for the mainland.

The New Fiscal Plan builds upon policies proposed by Governor Rosselló in the Government's Draft Fiscal Plan Submission in March 2018, but which includes several substantial adjustments.

To ensure Puerto Rico can provide opportunities for its people for years to come, structural reforms must make it easier to hire, encourage workforce participation, and enhance student outcomes and workforce development opportunities to ensure a pipeline of prepared and appropriately-skilled individuals. The Government should aim to **increase the labor force participation rate to 47% and reduce the youth unemployment rate to 20.2% by FY2023**. In both cases, these results would roughly halve the current gap between Puerto Rico and the lowest U.S. state (West Virginia).

By achieving these goals, the Government should increase household incomes, cut the poverty rate and reduce incentives to emigrate to the mainland. Moreover, successful labor market reforms are projected to approximately \$39 billion in additional revenues by FY2048 and over ~\$320 million from FY2018-FY2023.<sup>46</sup>

## 7.3 Structural reform initiatives to change labor conditions

Labor market reforms will increase the availability of jobs while increasing incentives and preparedness to work. To accomplish this broad-based reform, the Government must repeal Law 80, enact welfare reform measures including an earned income tax credit (EITC) for low-income workers and a work requirement for able-bodied PAN beneficiaries, and implement programs to develop critical skills in the workforce and improve employment readiness for jobseekers and students.

### 7.3.1 Instituting at-will employment

To reduce the cost to hire and encourage faster job creation, including movement of informal jobs to the formal economy, Puerto Rico must become an employment at-will jurisdiction by repealing Law 80 of May 30, 1976 (the "Bill") on or before June 27, 2018, which shall become effective on or before January 1, 2019. The Bill shall state that, for the avoidance of doubt, an employee hired for an indefinite period does not have a cause of action against their employer merely for the employer's termination of the employment relation. The Bill shall not increase

<sup>45</sup> The World Bank Group, via International Labour Organization, ILOSTAT database. Data retrieved in March 2017. <https://data.worldbank.org/indicator/SU.UEM.1524.ZS>. <https://data.worldbank.org/indicator/SU.UEM.1524.ZS>

<sup>46</sup> Government proposed labor reform package creates 0.4% GNP growth total beginning in FY2021. Comprehensive labor reform as described in this Fiscal Plan is projected to result in total 0.8% GNP growth by FY2022

the mandatory benefits for private sector employees or otherwise undermine the goals or intent of the labor reform as provided herein. Unlike Act 4, to achieve the growth projected by this New Fiscal Plan, the above proposals must apply to all workers, current and future hires, equally. These programs should reduce friction in the labor market and reduce the cost of hiring workers in Puerto Rico, both stimulating local businesses and potentially attracting additional investment from the mainland into the Puerto Rican labor market.

### *7.3.2 Welfare structure reforms*

To implement the labor reform package, address labor market challenges and encourage residents to participate in the formal labor market, the Government must launch an Earned Income Tax Credit (EITC) program by January of 2019, raising pay for formal laborers. The Government also must institute a work requirement for the Nutrition Assistance Program (PAN) by July 1, 2018, with no transition period (e.g., full requirements regarding work will begin in July).

#### **Earned Income Tax Credit (EITC)**

The EITC is a benefit for working people with low to moderate income. To qualify, people must meet certain requirements and file a tax return, even if they do not owe any tax. The EITC reduces the amount of taxes owed and may result in a cash refund if the benefit is higher than owed taxes.

Since welfare reform in 1996, the EITC has become the cornerstone of anti-poverty policy in the United States. It has refocused the U.S. safety net on working families, dramatically increasing employment among single women with children and removing more children from poverty than any other program. In the U.S., this translates to approximately 6.5 million people (half of whom are children) lifted out of poverty. Further, the EITC improves employment rates (a \$1,000 increase in EITC benefit has been tied to a 7.3 percent increase in employment)<sup>47</sup> and provides increased opportunities for individuals to invest in their own futures with education, training, childcare, or other costs that improve longer-term outlook. It has proven a powerful incentive to transition into the formal labor force and file taxes.

From 2006 to 2014, Puerto Rico had a Worker's Tax Credit, which was later discontinued due to its ineffective application and as a cost saving measure. This prior Work Credit applied to 45% of all tax filers at a cost of \$152 million in its last year of implementation. It was smaller than Federal EITC programs (\$150-450 versus ~\$2,000 average credit), and did not eliminate high implicit tax rates on low-income employees or do enough to incentivize formal employment.<sup>48</sup>

In Puerto Rico, implementation of the new EITC should be similar to the Federal EITC but adjusted to the relative wages of the Island. Eligible recipients should receive credits according to their marital, family, and earned income. As earnings increase, the benefit should increase up to a specified cap; at the cap, it would plateau and eventually decrease at the phase-out income level until it reaches \$0 (**Exhibit 29**), resulting in an average benefit of \$525.30 per individual per year. This structure diminishes the "benefits cliff" many face as their earned income increases, rewarding citizens who participate in the formal economy.

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<sup>47</sup> Hoynes and Patel 2015, <http://www.taxpolicycenter.org/briefing-book/how-does-eitc-affect-poor-families>

<sup>48</sup> New York Federal Reserve Bank, 2014



**EXHIBIT 29 EITC BENEFIT FORMULA**

EITC Benefit Formula. \$

- Benefits begin with the first dollar of reported income. As income increases, **benefits also increase at the phase-in rate** (different depending on household size), **up to the maximum credit**
- When income **reaches the phase-in cap, the benefit increase ceases**. Benefits remain constant at income levels that fall between the phase-in cap and phase-out start
- When income **reaches the phase-out start, benefits begin decreasing at the phase-in rate** for each additional dollar earned, **until income reaches the income cap** (at which point benefits are \$0)

Number of Children	Phase-in rate, %	Phase-in cap, \$	Phase-out start, \$	Individual/ Single in-come cap, \$	Married income cap, \$	Maximum Credit, \$
0	5.00%	6,000	18,000	20,500	21,750	300
1	7.50%	12,000	13,000	20,500	24,250	900
2	10.00%	15,000	16,000	28,500	34,750	1,500
3 or more	12.50%	16,000	17,000	33,500	42,000	2,000

For example, a single mother with two children working at minimum wage for 35 hours per week earns approximately \$12,180 annually. With EITC, she can qualify for up to \$1,500 in additional take-home pay per year, effectively raising the minimum wage by more than 12%.

The EITC program would cost approximately \$200 million per year, but the program will raise formal labor force participation significantly, providing a positive return on the investment. The EITC must be implemented no later than FY2019.

**PAN Work requirement**

While PAN, Puerto Rico’s largest welfare program, is similar to the mainland SNAP, it is funded and administered separately and does not include a work requirement. As part of the labor reform package that the Oversight Board projects will create substantial growth over the next 30 years, the New Fiscal Plan requires that the Government institute work requirements to qualify for PAN benefits.

Starting in July 2019, able-bodied participants aged 18-59 will be subject to a work requirement; Puerto Rico must complete its application for the program by July 2018. Like mainland SNAP, in full implementation this work requirement must become effective after the individual has collected PAN benefits for three months. The work requirement may be satisfied with 80 hours per month of paid work, volunteer work, and/or qualified training and education. General exceptions would include those under age 18 or over age 60, parents with dependents under age 18, as well as those who are medically certified as physically or mentally unfit for employment. Children, even if their parents do not work, will continue to receive the benefit.

Any program savings derived from the PAN work requirement must be redistributed to working beneficiaries, effectively increasing take-home pay for workers. The increased worker benefit shall take place through an expansion of the Earned Income Disregard, which will increase the amount of earned income eligible recipients can exclude in calculating the amount of benefits they can claim. For example, a family of four currently receiving PAN will lose the benefit after exceeding a maximum annual income of \$5,904. By creating a sliding scale after this amount, or allowing families to exclude a certain amount of earned income from this

calculation, Puerto Rico can ensure no one is disadvantaged by seeking work in the formal economy and that no families lose benefits prematurely.

The increase in PAN benefits for workers combined with the EITC would improve conditions for low-income workers in the formal economy and reduce poverty.

### *7.3.3 Workforce development programs*

Labor and welfare reforms should increase supply and demand for jobs; to fully close the gap and implement the labor reform package, however, the Government must launch specific efforts to ensure that its future workforce is prepared with critical skills.

#### **Workforce Innovation and Opportunity Act (WIOA)**

First, the Government must update the WIOA State Plan to focus its programs and incentives on high-priority sectors and capabilities (e.g., aerospace, software development, and creative services). WIOA is the primary way in which the Federal Government invests in adult education and workforce development, and it is designed to help jobseekers access employment, education, and support services to succeed in the labor market, and to match employers with the skilled workers they need. The Government must broaden the list of core industries that qualify under WIOA, and focus on high impact economic sectors to provide a skilled workforce that meets the needs of employers in each specific region. It shall integrate this WIOA program with the broader promotional efforts of the Department of Economic Development and Commerce (DDEC). For example, an MOE Agreement with the Puerto Rico Department of Labor and Human Resources shall establish an apprenticeship program aiming to impact innovative industries and post-Maria labor market needs.

#### **Youth development initiatives**

In addition to WIOA, the Government should help develop critical skills in the workforce through multiple proposed initiatives, including:

- **Youth development:** Investment in STEM through targeted teacher professional development and related programs; apprenticeship programs through partnership with universities and local businesses; opportunities for work-based learning and business programs; occupational opportunities and certification programs
- **Higher education:** Curriculum development grants and scholarships for UPR students focused on high-impact sectors, e.g., the IT industry and Computer Science.
- **Current labor market:** Apprenticeship Programs through collaboration with the private sector; training & certification programs focused on the areas of reconstruction efforts; creation of a job council to coordinate development and employment opportunities for youth and the unemployed

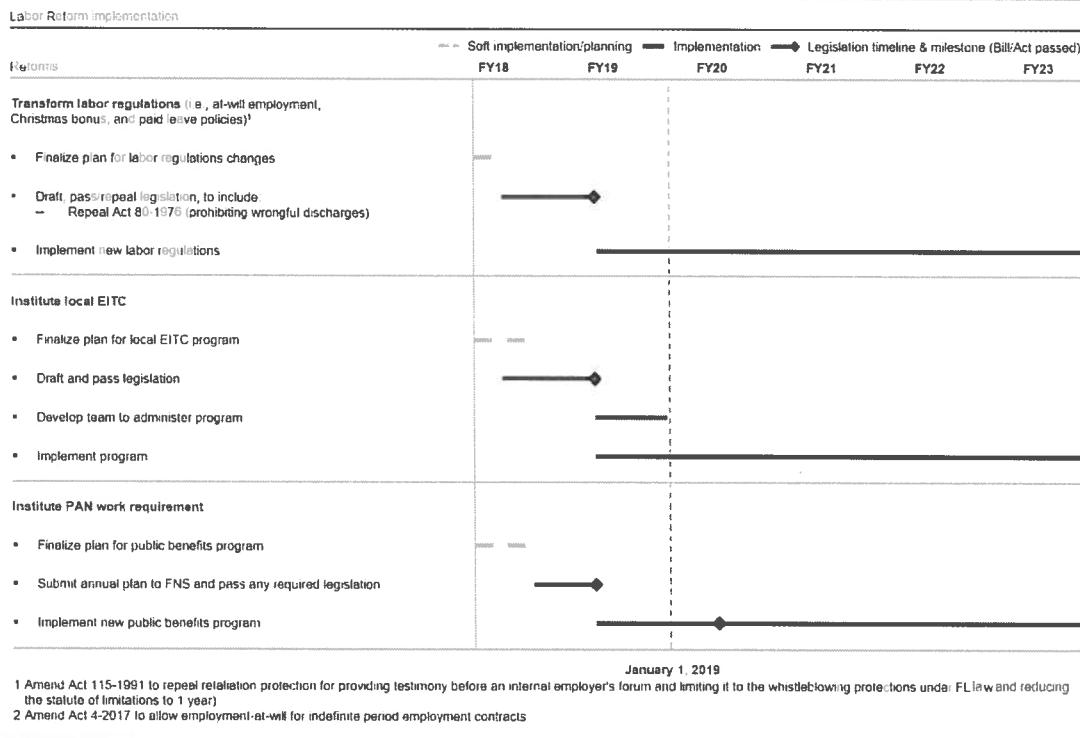
By pursuing aggressive reforms to incentivize job creation and formal labor market participation, and to improve the overall quality of human capital in Puerto Rico, the Government will fundamentally transform the Island's labor market for the better.

## **7.4 Implementation and enforcement of human capital and labor reform**

The New Fiscal Plan is built on the assumption that, by no later than June 27, 2018, the Bill shall have been adopted by the Legislative Assembly and signed into law by the Governor of Puerto Rico.

It also requires that proposed PAN work requirements must be included in the new PAN annual plan submitted July 1, 2018 to Food and Nutritional Services, and by July 1, 2019, that full requirements will take effect, subjecting beneficiaries to the work requirement after 3 months of benefit collection. A qualified third-party analytical firm retained by the Government and acceptable to the FOMB must validate that these work requirements are being fully implemented. This third party will share equal information about its work with both the Government and FOMB.

**EXHIBIT 30: LABOR REFORM IMPLEMENTATION TIMELINE**



## Chapter 8. EASE OF DOING BUSINESS REFORM

### 8.1 Current state of business regulation and investment attraction

One of the strongest means of increasing economic growth is by reducing a variety of inefficiencies related to building, expanding and attracting businesses. Easier-to-navigate regulations, less complex and faster permitting processes, and other legal and regulatory changes can encourage new businesses to hire employees and invest in growth. To quantify a jurisdiction's overall effectiveness in this regard, the World Bank created the Doing Business Index, which ranks 190 countries and entities worldwide on several core indicators. Countries and territories that have been able to meaningfully improve their ranking have shown real growth. For example, when the Republic of Georgia improved its ranking from #98 in 2006 to #8 by 2014, output per capita increased by 66% and business density tripled. Meanwhile, ease of doing business remains an area in which Puerto Rico has much room for improvement.



## MEMORANDUM

### LABOR REFORM AS A CATALYST FOR GROWTH

#### **I. Introduction**

Puerto Rico faces tremendous challenges. The economy has been shrinking for more than ten years and the Government has amassed over \$70 billion in outstanding debt liabilities and over \$50 billion in unfunded pensions liabilities. Hurricanes Irma and Maria made the situation even more unbearable.

As the Executive Summary of the New Fiscal Plan for the Commonwealth of Puerto Rico (the “New Fiscal Plan”) outlines, the people of Puerto Rico need and deserve plentiful good jobs, a dynamic and prosperous economy, affordable and reliable electricity, and an efficient and responsive public sector—but have been deprived of such for more than a decade. Instead, since 2005, the number of people living under the poverty level has increased, the economy has shrunk, electricity has remained expensive and unreliable, labor market regulations have remained burdensome—hindering job creation for the people—and the public sector has provided declining levels of service at a high cost to citizens. These problems predate Hurricanes Irma and Maria and will continue to plague Puerto Rico long after it recovers from the storms unless the necessary actions are taken.

The Island faces immense challenges with labor force participation and preparedness.<sup>1</sup> As exemplified on (**Exhibit 1**), the Island’s formal labor force participation rate is only ~40%, far from the U.S. mainland average (63%) or even the lowest-ranked U.S. state (West Virginia, 53%), and well below other Caribbean islands. In fact, according to World Bank data, Puerto Rico’s labor force participation rate is currently 7<sup>th</sup> lowest in the world and has never ranked higher than the bottom 20 out of more than 200 countries and territories surveyed.<sup>2</sup> Moreover, Puerto Rico’s youth

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<sup>1</sup> It is tempting to conclude that, due to Puerto Rico’s large informal labor market, the true labor force participation rate is far higher than the official statistics that policymakers rely upon. However, research by Maria Enchautegui (University of Puerto Rico) and Richard Freeman (Harvard University) concludes that this is unlikely to be the case. Many individuals who participate in the informal labor market are likely described in household surveys as self-employed, and the self-employed are included when those survey data are used to calculate the labor force participation rate. For this reason, as well as based upon a survey conducted among male Puerto Rico residents, Enchautegui and Freeman conclude that the official labor force participation rate understates the true labor force participation rate by only a few percentage points. Enchautegui, Maria, and Richard B. Freeman. “*Why don’t more Puerto Rican men work? The rich uncle (Sam) hypothesis.*” Working paper No. w11751. National Bureau of Economic Research, 2005.

<sup>2</sup> Puerto Rico ranking has never surpassed 215th out of the 232 countries, states, and territories tracked by The World Bank Group since The World Bank Group began collecting data in 1990.





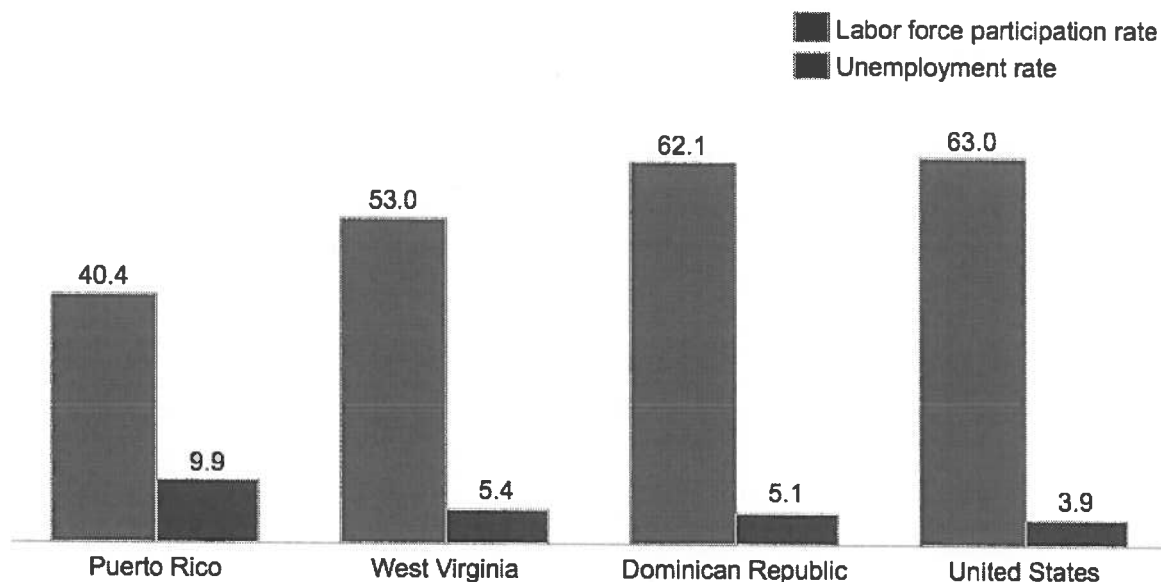
**Memorandum: Labor Reform as a Catalyst for Growth**

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unemployment rate is 23.8%, almost double the world average (13.8%) and more than double the U.S. average (10%).<sup>3</sup>

**Exhibit 1: Labor Force Participation and Unemployment Rates<sup>4</sup>**

Labor force participation rate and unemployment rates, %



Low labor force participation in Puerto Rico is a function neither of Hurricane Maria nor the economic downturn that began in 2006. The Statement of Motives of Act No. 4 of 2017 indicates that as of October 2016, the labor participation rate of Puerto Rico was at 39.8%, while it was at 62.8% for the United States. The reality in the Island contrasted dramatically with that prevailing in 1950, when the labor participation rate of Puerto Rico was 57.9% and that of the United States was 60%. Low rates of employment are a long-term structural problem that can be addressed only through significant changes to public policy. The PROMESA legislation expressed Congress’s opinion that “any durable solution for Puerto Rico’s fiscal and economic crisis should include permanent, pro-growth fiscal reforms...” The labor and welfare reforms discussed herein form part of that commitment to fulfill the stated goals of PROMESA.

Low rates of employment contribute to Puerto Rico’s low incomes and its high rate of poverty. As the studies and analyses provided below demonstrate, were Puerto Rico to increase its labor force

<sup>3</sup> The World Bank Group, 2017, via International Labour Organization, ILOSTAT database. Data retrieved in March 2017. <https://data.worldbank.org/indicator/SL.UEM.1524.ZS>.

<sup>4</sup> “Dominican Republic Unemployment Rate,” Trading Economics, [www.tradingeconomics.com/dominican-republic/unemployment-rate](http://www.tradingeconomics.com/dominican-republic/unemployment-rate); “Unemployment Rates for States,” U.S. Bureau of Labor Statistics, U.S. Bureau of Labor Statistics, [www.bls.gov/web/laus/laumstrk.htm](http://www.bls.gov/web/laus/laumstrk.htm); “United States Unemployment,” Trading Economics, [www.tradingeconomics.com/united-states/unemployment-rate](http://www.tradingeconomics.com/united-states/unemployment-rate).



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participation rate even to that of the lowest mainland state – West Virginia – household incomes would rise significantly, poverty would fall and many of the government’s budget problems would be addressed. Approximately 60% of the gap in median household incomes in Puerto Rico and the poorest mainland state, Mississippi, is accounted for by Puerto Rico’s far lower labor force participation rate.<sup>5</sup>

Since 2000, about 600,000 Puerto Ricans have relocated to the state of Florida, many in search of employment opportunities.<sup>6</sup> Florida is an at-will employment state and does not require employers to provide any paid vacation or sick days or Christmas bonus.<sup>7</sup>

About one-quarter of Puerto Ricans work informally. The informal labor market, which is far larger in Puerto Rico than anywhere in the rest of the United States, is driven in part by labor laws which make it uneconomical to hire employees with full benefits and job protections.<sup>8</sup> The informal economy diminishes Puerto Rico’s tax base, from which the Government funds public services. More importantly, employees in the informal sector currently do not have access to legal employment rights and to Social Security for the future.

Unless Puerto Rico substantially increases its labor force participation and employment, incomes will always fall far below mainland states and outmigration will continue to draw Puerto Ricans away from the island of their birth. **While many other reforms are integral to making these improvements, increasing labor force participation may be the single most important objective for long-term economic well-being in Puerto Rico.**

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<sup>5</sup> Calculated using Mississippi’s (the poorest mainland state) labor force participation rate of 55.6% and Puerto Rico’s labor force participation rate of 40%; and MS’s median household income of \$39,218 and PR’s of \$19,606. By multiplying PR’s median household income by 55.6/40, the product is \$27,252, leaving a cap of only \$11,966.

<sup>6</sup> Rayer, Stefan and Ying Wang, “*Growth Of The Puerto Rican Population In Florida And On The U.S. Mainland,*” University of Florida, Bureau of Economic and Business Research, February 9, 2018. <https://www.bebr.ufl.edu/population/website-article/growth-puerto-rican-population-florida-and-us-mainland>.

<sup>7</sup> “The 2017 Florida Statutes,” Florida Legislature. [http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&URL=0400-0499/0448/0448PartIContentsIndex.html&StatuteYear=2017&Title=-%3E2017-%3EChapter%20448-%3EPart%20I](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=0400-0499/0448/0448PartIContentsIndex.html&StatuteYear=2017&Title=-%3E2017-%3EChapter%20448-%3EPart%20I); “Florida Leave Laws,” Employment Law Handbook. <https://www.employmentlawhandbook.com/leave-laws/state-leave-laws/florida/>.

<sup>8</sup> Estimates of the size of the informal economy are 15-20% of GNP, correlating to \$10-14 billion, pre-Maria. Rates derived from “Congressional Task Force on Economic Growth in Puerto Rico,” U.S. Congress, December 20, 2016. <https://www.finance.senate.gov/imo/media/doc/Bipartisan%20Congressional%20Task%20Force%20on%20Economic%20Growth%20in%20Puerto%20Rico%20Releases%20Final%20Report.pdf>, p. 11; GNP is FY2016 projected (\$70.1B) from “Statistical Appendix of the Economic Report for the Governor and Legislative Assembly,” Government Development Bank for Puerto Rico, 2018. <http://www.gdb.pr.gov/economy/statistical-appendix.html>.



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**The manner in which labor regulations are structured – and the costs and risks they impose as part of normal business transactions – harms Puerto Rico’s ability to create good-paying jobs in the private sector. These costs and risk reduce the economic growth and future revenues projected in the New Fiscal Plan. Therefore, fostering a regulatory environment conducive to increasing labor participation rates is essential to fulfilling fiscal projections.** More importantly, higher employment levels and better-paying jobs are crucial to transforming Puerto Rico’s economy from one that trends downward to one that has a brighter future.

On April 19, 2018, pursuant to 201(e)(2) of PROMESA, the Oversight Board voted to certify the fiscal plan for the Commonwealth of Puerto Rico, pursuant to Section 201(d)(2) of PROMESA (the “New Fiscal Plan”). On April 24, 2018, pursuant to Section 201(e)(2) of PROMESA, the Oversight Board delivered to the Government of Puerto Rico, a compliance certification for the New Fiscal Plan as well as copy of the New Fiscal Plan.

An integral component of the New Fiscal Plan is the adoption of certain limited changes to Puerto Rico’s labor laws, the establishment of a local Earned Income Tax Credit (EITC), and the creation of certain work requirements and work bonuses for the participants in the Nutritional Assistance Program (PAN).

On May 21, 2018, the Board agreed to focus labor reform on transforming Puerto Rico into an “employment-at-will” jurisdiction, the establishment of a local Earned Income Tax Credit (EITC), and the creation of certain work requirements and work bonuses for the participants in the Nutritional Assistance Program (PAN). The adoption of these limited labor market reforms is projected to generate \$319 million in additional revenues collected by the Government of Puerto Rico over the five-year period covered by the Plan. Moreover, by implementing labor reform, Puerto Rico will have access to reinvest over \$700 million to promote further economic development and reduce the risk of reform implementation by investing in infrastructure projects and recovery, digital reform, implementation of ease of doing business reforms, and procurement reform. In addition, given the ongoing recovery after hurricanes, this reinvestment will include a Municipality Recovery Fund and into the UPR’s needs-based scholarship fund. This reinvestment, along with the PAN work requirement and EITC, will bolster employment as well as ensure that those entering the workforce are more prepared to earn higher wages.

The Oversight Board’s economist has scored the monetary value of the overall Labor Reform Package contained in the New Fiscal Plan at one (1) full percentage point of permanent growth, about half of which would come from the labor supply side through the EITC and limited work-requirement for PAN, and half from the labor demand side. Consistent with the Italian experience and the IMF study noted below, it was estimated that about 0.30% points would come from easing employment protection (*i.e.*, implementing an “employment-at-will” regime) and 0.20% points from eliminating benefit requirements, such as generous paid vacation, as exemplified in (**Exhibit 2**). However, given the New Fiscal Plan accommodation agreed to with the Governor, the scoring of the labor reform package presently envisions a 0.80 percentage point of permanent growth

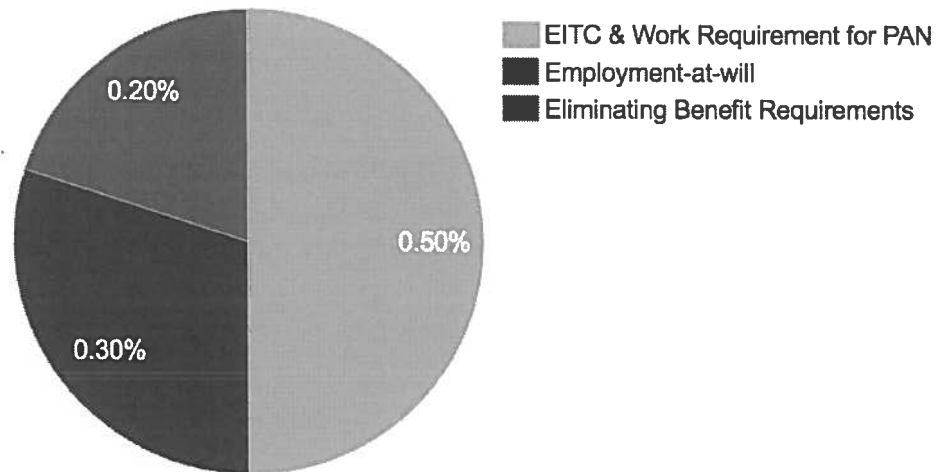


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considering the focus of the labor reform is on the EITC and the work requirement for PAN (0.50%) and employment at will (0.30%).<sup>9</sup>

**Exhibit 2: Estimated Incremental GNP Growth from Labor Reforms**

Estimated Incremental GNP Growth from Labor Reforms, %



**The Oversight Board believes the measures required in the Labor Package of the New Fiscal Plan will improve the vibrancy of the local labor market; make Puerto Rico more competitive and attractive for job-creating investments; promote more hiring within the formal economy; and produce more revenue to the government.**

***None* of the provisions of the labor reform place workers in Puerto Rico at a disadvantage in comparison to workers on the mainland. *None* of the provisions of the labor reform strip workers in Puerto Rico of rights enjoyed by workers on the U.S. mainland. *None* of the provisions create incentives for workers to abandon the island seeking greater protections under state laws- since no state grants protections beyond what is contemplated by the labor reform.**

The reforms contained in the New Fiscal Plan have been used effectively to turn around economies in many countries. They provide a realistic and achievable blueprint for success, with proven methods for growth, restoring business confidence, improving competitiveness, ending the debt crisis, and attracting the investment needed to transform the Island. This roadmap for recovery will produce more jobs, better living conditions and improve educational and healthcare outcomes for Puerto Rico's residents.

<sup>9</sup> Wolfe, Andrew, "Derivation of 0.3%-point increase in growth from the implementation of "employment-at-will""



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The analyses, data, and studies included in this memorandum intend to provide information supporting the adoption of human capital and labor reforms for the benefit of the people of Puerto Rico. **Given the recent accommodation to the New Fiscal Plan, the numbers reflected in this memorandum will be conformed to reflect final technical adjustments in the recertification of the New Fiscal Plan.**

## II. Employment Laws Matter

Puerto Rico's historically low levels of formal labor force participation cannot be attributed to any single factor, but a range of public policies have served to reduce employment on the Island. Puerto Rico has by far the most generous mandated employer benefits in the U.S., which increase the cost of hiring employees. Unlike Puerto Rico, no mainland state mandates any paid vacation and few mandate even a modest amount of sick leave. No state requires employers to pay a Christmas bonus. Thus, it can be more expensive to employ a low-wage worker in Puerto Rico than on the mainland, making Puerto Rico less competitive in labor-intensive sectors such as tourism.

Economists have documented that when employers are required to provide an employee benefit, those employers will tend to recoup the costs of those benefits by reducing the wages paid to employees.<sup>10</sup> When employers are prevented from reducing wages to offset costs of mandated benefits, as may be the case with a minimum wage worker, they may choose to reduce the number of workers they hire. Thus, it is reasonable to assume that Puerto Rico's high levels of mandated employer-paid benefits reduce both wages and employment relative to a scenario in which such benefits were not required.

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<sup>10</sup> This has been shown to be true with employer-paid Social Security taxes, health coverage, maternity leave, and other benefits. For instance, the Congressional Budget Office and the Social Security Administration both assume that an increase in Social Security payroll taxes levied on employers would result in a roughly dollar-for-dollar reduction in employee wages. Likewise, when the Affordable Care Act ("Obamacare") was projected to reduce the rate of growth of employer health care costs, the Social Security and Medicare Trustees assumed that this would be reflected in increased wages paid to employees. Gruber and Krueger (1991) found that employer costs for workers compensation insurance are largely shifted to employees via lower wages. Gruber (1994) found that when employers were required to provide maternity health benefits to employees, wages for employees declined by a similar amount. Prada et al (2017) found that when Chile required employers to provide free child care, wages for women declined by 9 to 20 percent. Kolstad and Kowalski (2016) found that when Massachusetts required employers to provide health insurance, wages for employees declined by an amount similar to the health premiums paid by employers. (Gruber, Jonathan, and Alan B. Krueger. "The incidence of mandated employer-provided insurance: Lessons from workers' compensation insurance." *Tax Policy and the Economy* 5 (1991): 111-143. Gruber, Jonathan. "The incidence of mandated maternity benefits," *The American Economic Review* (1994): 622-641. Prada, Mária F., Graciana Rucci, and Sergio S. Urzúa. *The effect of mandated child care on female wages in Chile*. No. w21080. National Bureau of Economic Research, 2015. Kolstad, Jonathan T., and Amanda E. Kowalski. "Mandate-based health reform and the labor market: Evidence from the Massachusetts reform." *Journal of Health Economics* 47 (2016): 81-106.)





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Likewise, there is evidence that employer benefit costs can increase the size of the informal labor market, where income is not reported, and such benefits need not be provided.<sup>11</sup> About one quarter of Puerto Rican workers participate in the informal economy according to Estudios Técnicos, substantially higher than any mainland state.<sup>12</sup> The informal economy is detrimental to the Island because it diminishes Puerto Rico's tax base, from which the Government funds public services. And more importantly, those working in the informal sector currently do not have access to certain legal, financial, and labor rights and to Social Security for the future.

Puerto Rico law imposes upon an employer costly mandatory employer-provided benefits that are not comparable to those prevailing in other jurisdictions under the U.S. flag. These compulsory benefits effectively increase labor costs. Moreover, the compulsory vacation and sick leave benefits constitute payments for time not worked. In addition to these above market "labor cost" factors, Puerto Rico lacks "at-will employment," which would permit employers to manage their business and make non-discriminatory personnel decisions without being exposed to substantial monetary risks. While there are variations in labor laws among the 50 mainland states, 49 of them follow the "at-will employment" legal rule (**Exhibit 3**). This rule avoids court's "second guessing" the validity of legitimate and non-discriminatory discharge decisions. The only state that has departed from this regime is Montana, and that statute was enacted to *reduce* the monetary exposure Montana state courts had imposed in wrongful discharge claims.

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<sup>11</sup> Kugler et al (2017) found that a reduction in employer payroll taxes in Colombia reduced the size of the country's informal labor market. Kugler, Adriana, Maurice Kugler, and Luis Omar Herrera Prada. "Do payroll tax breaks stimulate formality? Evidence from Colombia's reform." No. w23308. National Bureau of Economic Research, 2017

<sup>12</sup> Estudios Técnicos, Inc, "The Informal Economy in Puerto Rico," August 9, 2012



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**Exhibit 3: Employment-at-will in the U.S. States and Puerto Rico**

State/Territory	Employment-at-will	State/Territory	Employment-at-will
Alaska	YES	Nevada	YES
Arizona	YES	New Hampshire	YES
Arkansas	YES	New Jersey	YES
California	YES	New Mexico	YES
Colorado	YES	New York	YES
Connecticut	YES	North Carolina	YES
Delaware	YES	North Dakota	YES
Florida	YES	Ohio	YES
Georgia	YES	Oklahoma	YES
Hawaii	YES	Oregon	YES
Idaho	YES	Pennsylvania	YES
Illinois	YES	Rhode Island	YES
Indiana	YES	South Carolina	YES
Iowa	YES	South Dakota	YES
Kansas	YES	Tennessee	YES
Kentucky	YES	Texas	YES
Louisiana	YES	Utah	YES
Maine	YES	Vermont	YES
Maryland	YES	Virginia	YES
Massachusetts	YES	Washington	YES
Michigan	YES	West Virginia	YES
Minnesota	YES	Wisconsin	YES
Mississippi	YES	Wyoming	YES
Missouri	YES	District of Columbia	YES
Montana	NO	Puerto Rico	NO
Nebraska	YES		

The impact of Puerto Rico’s labor regulatory regime on future private sector economic growth has already been recognized by the Government of Puerto Rico with the enactment last year of the *Labor Transformation and Flexibility Act*, Law No. 4-2017. The *Statement of Intent* of Law No. 4 sets forth significant labor economic findings which justified the modification of several employment laws.

The extensive legislative findings contained in Law No. 4’s *Statement of Intent*, coupled with the detailed Senate and the House of Representative’s *Committee Reports*, unambiguously recognize the burden of certain Puerto Rico employment laws on efficient labor markets and job destructive effects of several of these laws. The present Administration’s “Government Plan” also recognized the interrelation between Puerto Rico’s low employment levels and its labor regulatory structure. All of these are in line with prior observations made by local and internationally recognized economists regarding the adverse impact of various Puerto Rico labor laws.<sup>13</sup>

<sup>13</sup> Law No. 4’s *Statement of Intent*, expressly cites Dr. James Tobin (Nobel Prize in Economics, 1981); Dr. Anne Krueger (former first deputy managing director of the International Monetary Fund); Dr. Elías R. Gutiérrez and economist Gustavo Vélez.



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The Government of Puerto Rico has recently made strides to improve labor market conditions with the *Labor Transformation and Flexibility Act* (Act 4-2017) in January 2017. Notwithstanding such reforms, Puerto Rico's labor laws remain by far the most burdensome in the U.S.

The question presented is *not* whether the level and structure of Puerto Rico's mandatory benefit and discharge laws adversely impact the island job creation ability. Rather, the question is whether the Law No. 4 implemented a sufficient degree of labor reform to achieve its stated objective of transforming Puerto Rico into "an attractive jurisdiction to establish business and create job opportunities; to foster growth in the level of jobs in the private sector; and to offer new job opportunities to unemployed people." *Statement of Intent*, p.3. **The Oversight Board's estimation is that Law No. 4 did not implement the extent of labor reform required to alter the existing structural obstacles to job creation and retention. Accordingly, additional actions are necessary if Puerto Rico intends to compete with other jurisdictions within the United States to attract job-creating investments.**

Notwithstanding Law No. 4's reforms, Puerto Rico's labor laws remain by far the most burdensome in the U.S. The Island still requires yearly Christmas bonuses of \$600 (or \$300 for small employers); typically mandates up to 27 days of paid leave per year;<sup>14</sup> and exposes employers to substantial severance payouts, therefore imposing costs and regulatory burdens that reduce employment, wages and economic opportunity.

After little over a year of the approval of the *Labor Transformation and Flexibility Law*, a review of the impact of that legislation shows there is a need to make deeper structural reforms, in order to make Puerto Rico as attractive a location to create jobs as the continental states. In the Oversight Board's estimation, there is a reasonable basis to conclude that Puerto Rico's wrongful discharge statute, coupled with other mandatory benefit legislation that imposes labor costs beyond competitive levels, adversely impacts job growth and the Government's future revenue projections.

The Oversight Board invites the Puerto Rico Legislature to recognize that the private sector labor relations regime in the continental states has remained consistent on the principle that, except for reasons prohibited by law, hiring and employment tenure should be free from government control through dismissal laws. The *Employment-At-Will* system has been widely examined. At-will employment ensures that the employment tenure is based on productivity and good conduct and prevents any undue government intrusion in essential business decisions.

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<sup>14</sup> Puerto Rico maintains a complex regimen of mandatory decrees that dictate different vacation and sick leave accrual rates, some of which establish up to 18 vacation and 18 sick leave days per year. In 1995 a law was passed to cap vacation and sick leave accrual rates at 15 and 12 days, respectively, but employees hired before August 1, 1995 were grandfathered if they previously were entitled to higher rates. Most employees in Puerto Rico are covered by mandatory decrees that grant 15 vacation and 12 sick leave days per year.





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**III. “Back to Work” Welfare Policies**

In addition to the Island’s labor laws, Puerto Rico residents may also face disincentives to participate in the formal labor market due to rules attached to various welfare benefits, including the Nutritional Assistance Program (PAN), Mi Salud (Medicaid), Section 8 public housing, TANF, WIC, and other programs.

These benefits are sometimes stereotyped with a claim that “welfare pays more than work.” But the issue is really that working in the formal sector can cause punitive reductions in the transfer benefits the household would receive were it not to work in the formal sector. The problem occurs because when welfare beneficiaries work in the formal sector and receive earnings, this triggers a reduction in their benefits. The phase-out of government transfer benefits as earned income increases acts as a tax to disincentivize formal employment, as effective hourly wage (income received by working minus the loss of benefits) can be substantially lower than the formal hourly wage received.

In a 2015 report, the Congressional Budget Office noted that

The effective marginal tax rate is the percentage of an additional dollar of earnings that is unavailable to an individual because it is paid in taxes *or offset by reduced benefits from government programs*. That rate affects people’s incentives to work. In particular, when marginal tax rates are high, people tend to respond to the smaller financial gain from employment by working fewer hours, altering the intensity of their work, or not working at all.<sup>15</sup>

This is precisely the problem faced in Puerto Rico, but it is very likely to be worse on the Island than in mainland states.

While transfer benefits in Puerto Rico are not more generous than on the mainland in dollar terms, they *are* more generous relative to the wages generally available for individuals currently receiving transfer benefits. For instance, monthly food stamp benefit levels are similar in Puerto Rico and mainland, but the market wages available to a food stamp beneficiary in Puerto Rico are substantially lower. Thus, the trade-off between work and welfare in Puerto Rico is not as attractive as on the mainland. Thus, the effective marginal tax rate on low-income Puerto Rico residents from entering the workforce is likely to be higher, perhaps substantially so, than on the mainland.

It is difficult to quantify how large such disincentive effects may be due to limitations on the data available. Different individuals entitled to different sets of benefits face different incentives should they work. Still, it is reasonable to conclude that for many welfare beneficiaries, formal sector work may sometimes do little to increase household incomes.

For individuals receiving food stamps, Mi Salud, TANF and public housing, it often makes little financial sense to work at the minimum wage in the formal sector. For a full-time minimum wage

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<sup>15</sup> Congressional Budget Office. “Effective Marginal Tax Rates for Low- and Moderate-Income Workers in 2016.” November 19, 2015.



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worker the loss of benefits will offset most or all income received from work, leaving the household no better off.<sup>16</sup> Add in the complications and costs for those with children to be working outside the home and the incentives for breadwinning family members to work in the informal sector only become magnified.

Though few Puerto Rico residents receive all these benefits,<sup>17</sup> even receipt of a single type of benefit can alter incentives to engage in the formal workforce. For instance, a single mother with two children and annual income below \$4,900 is eligible to receive approximately \$4,229 in annual PAN ("food stamp") benefits. But should that individual work 35 hours per week at the minimum wage, her annual earnings of \$12,180 would cause her to lose eligibility for food stamps. Net of taxes on her earnings, working full-time would increase her household's annual income by only \$7,002, equivalent to an hourly wage of only \$3.86. Under those conditions, some individuals may choose not to work in the formal labor market, especially if they have to pay for child care

Even when TANF and Section 8 housing benefits are excluded, monthly income paid to a minimum wage worker with two children is only \$329 greater than what he or she could receive from government benefits.<sup>18</sup> In this example, effective hourly pay (the amount received from working more than what the individual could receive from government benefits without working) is only about \$2.35.

Mainland states face many of these same incentive problems, which they address in two ways. First, residents of mainland states are eligible for the Federal Earned Income Tax Credit (EITC), which provides a partial refund against Federal income taxes for eligible low-income workers. Many states supplement the Federal EITC to increase net incomes to individuals who work. By increasing the reward to work, the EITC has been shown to increase labor force participation.<sup>19</sup> However, because Puerto Rico residents do not pay Federal income taxes they are not currently eligible for the Federal EITC.

Likewise, the Federal Government requires that food stamp programs on the mainland (Supplemental Nutrition Assistance Program, "SNAP") contain a work requirement. In general, working-age SNAP beneficiaries on the mainland must register for work, cannot turn down a job if offered, and may be required by the state to attend education or work training classes. In addition, Federal law requires that non-disabled adults without dependents must work, attend education, or

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<sup>16</sup> Burtless, Gary, and Orlando Sotomayor. "Labor supply and public transfers," in *The Economy of Puerto Rico: Restoring Growth* (2006): 82-151.

<sup>17</sup> See Héctor R. Cordero-Guzmán, "The Production and Reproduction of Poverty in Puerto Rico," in Nazario, Carmen R., ed. *Poverty in Puerto Rico: A Socioeconomic and Demographic Analysis with Data from the Puerto Rico Community Survey* (2014). Inter American University of Puerto Rico, Metro Campus, 2016. Cordero. Notes that the number of TANF beneficiaries in Puerto Rico is relatively modest and many, due to age or disability, are unlikely to work under any conditions

<sup>18</sup> Advantage Business Consulting. "Beneficios de las Personas Elegibles al TANF vs. Escenario de Salario Mínimo Federal." Prepared for the Universidad Interamericana, May 2015

<sup>19</sup> See Eissa, Nada, and Jeffrey B. Liebman. "Labor supply response to the earned income tax credit." *The Quarterly Journal of Economics* 111, no. 2 (1996): 605-637



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volunteer at least 20 hours per week to maintain eligibility for benefits. Federal law requires that individuals who fail to satisfy these work requirements lose benefits for at least one month for the first instance, three months for the second instance and six months for the third violation. States are allowed to set more stringent penalties, up to and including permanent disqualification from benefit receipt. Roughly half the states adopt the federal penalties for violating work requirements and half have stronger penalties.

Puerto Rico's labor and welfare laws may help explain why, despite the Island's natural beauty, attractions and ease of access from the U.S. market, employment in tourism-related industries is low. According to the U.S. Bureau of Labor Statistics (BLS), Puerto Rico employs only 80,000 individuals in the leisure and hospitality industries – 10,000 fewer tourism-related jobs than the state of Nebraska, which lacks Puerto Rico's natural assets and has an overall population over one-third smaller than Puerto Rico.

But there is a positive aspect to these findings. **If Puerto Rico's labor and welfare policies contribute to low levels of employment, low incomes and high poverty rates, then adopting pro-employment policies can increase job availability and incomes in Puerto Rico.** The Board does not claim that labor and welfare reform by itself will fix all of Puerto Rico's myriad economic problems, and even less so that a single aspect of labor and welfare reform is a cure-all. But without higher labor force participation Puerto Rico is not a viable economic entity; its ability to service its debt and return to capital markets will be reduced, poverty will remain high and outmigration will continue to shrink the Island's population.

#### **IV. Future Vision for the Puerto Rico Labor Market**

Changes to labor and welfare laws are controversial and can be disruptive. Nevertheless, dramatic changes to Puerto Rico's labor market policies are necessary to provide opportunity for a greater standard of living at home, reversing the Island's history of high poverty, constrained budgets, and pressure for young Puerto Ricans to leave their home for the mainland.

To ensure Puerto Rico can provide opportunities for its people for years to come, structural reforms must make it easier to hire, encourage workforce participation, and enhance student outcomes and workforce development opportunities to ensure a pipeline of prepared and appropriately-skilled individuals.

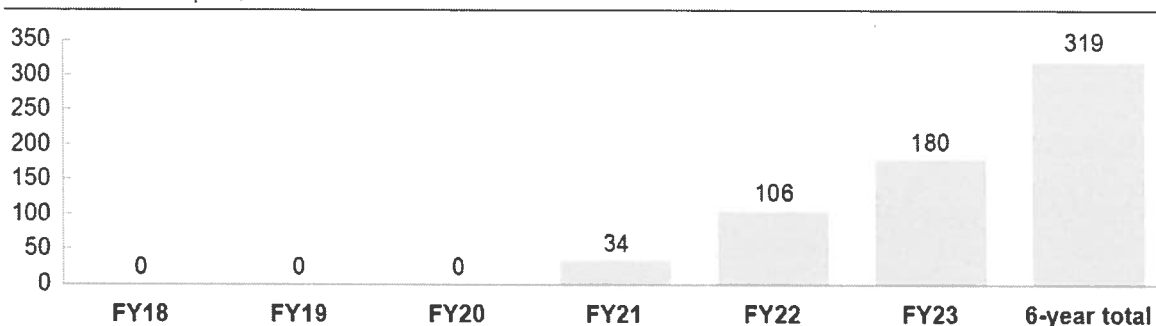
If Puerto Rico were to aim to increase the labor force participation rate to 47% and reduce the youth unemployment rate to 20.2% by FY2023, Puerto Rico would close roughly half the current gap between Puerto Rico and the lowest U.S. state (West Virginia). By achieving these goals, the Government can increase household incomes, cut the poverty rate and reduce incentives to emigrate to the mainland. Moreover, successful labor market reforms are projected to yield approximately **\$39 billion in additional revenues by FY2048 and over ~\$319 million from FY2018-23 (Exhibit 4).**



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**Exhibit 4: Labor Reform Surplus in the New Fiscal Plan Period**

Labor Reform Surplus, \$M



**V. Structural Reform Initiatives to Change Labor Conditions**

Labor market reforms will increase the availability of jobs while increasing incentives and preparedness to work. To accomplish this broad-based reform, the Government must implement flexible labor regulations, reform welfare including an EITC for low-income workers and a work requirement for able-bodied PAN beneficiaries, and implement programs to develop critical skills in the workforce.

**a. Flexible labor regulations by becoming an employment “at-will” jurisdiction**

Puerto Rico lacks “at-will employment.” This is the regime that applies to job termination decisions in 49 mainland states. At-will employment regimes reduce the risks and operational costs when an employer needs to dismiss an employee for reasons of performance, conduct or workforce reduction.

While some employees benefit from Puerto Rico’s lack of at-will employment, excessive employment protections make it more costly and risky to hire an employee. There is significant research backing this conclusion.

Both Puerto Rico and the U.S. Virgin Islands maintain wrongful discharge laws and both jurisdictions maintain unemployment levels that consistently exceed double the national unemployment rates. And Puerto Rico law is far more burdensome than U.S.V.I. law since it does not exempt small employers and it regulates dismissals resulting from workforce reductions due to economic hardship or the cessation of business operations.<sup>20</sup>

Puerto Rico’s Law No. 80 *does not* prohibit any type of discharge. However, it is based on the premise that, even when a discharge decision is not motivated by illegal reasons, the government should be able to “second guess” an employer’s managerial decision to terminate the employment of a worker for reasons of unsatisfactory conduct, substandard performance or lack of competence. Moreover, when due to periodic economic cycles the employer needs to reduce the size of its workforce, Law

<sup>20</sup> 24 V.I.C. §76(c).



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No. 80 dictates the manner in which an employer must select who should be laid off and who should be retained. This government intervention in important business decisions is accomplished through the imposition of steep monetary penalties.

Puerto Rico's Wrongful Discharge Law has an adverse effect on an employer's ability to operate efficiently. The law imposes significant costs, in terms of the monetary amount imposed as a severance payment, as well as litigation costs, in the event that non-payment of the severance is challenged in court. Ultimately, even when the "just cause" for termination is litigated, the uncertainty of the outcome in court tends to result in discharge payments and the imposition of attorney's fees.

In short, in Puerto Rico, every employment termination decision exposes a business to significant costs. And since an employer cannot know ahead-of-time which employees may in the future be dismissed, every hiring decision carries risks. Substantial research show that firms take those risks into account when hiring employees and react in ways that harm unemployed or less-skilled workers who most need jobs.

For over four decades the potential monetary exposure in wrongful discharge claims was the payment of one month's salary or less. This began to change in 1976, with the enactment of Law No. 80, which added one (1) week's salary per year of service to the severance payment. More significantly, Law No. 80 limited the reasons to justify a discharge without having to incur in the severance payment. Over the years, the monetary amount of the severance payment has increased. In the year 2005 the severance payment increased dramatically, as follows:

- During the first five (5) years of service: 2 month's salary, plus 1 weeks' salary for each year of service;
- From five (5), but less than fifteen (15) years of service: 3 month's salary, plus 2 weeks' salary for each year of service; and
- Fifteen (15) or more years of service: 6 months' salary, plus 3 weeks' salary for each year of service.

With the approval of *Labor Transformation and Flexibility Act* the Government of Puerto Rico recognized that the third tier of the severance formula (15 or more years of service) had a chilling effect on an employer's ability to operate its business and, therefore, was detrimental to Puerto Rico's competitiveness. Accordingly, a uniform severance payment was established, based on the *second tier* of the prior formula and subject to a cap of nine (9) month's salary. However, the Legislature limited this new severance formula to only employees hired *after* January 26, 2017.

If the new Law No. 80 compensation structure was deemed a better balance, it should have applied to all employees.

Further, by maintaining the prior compensation formula for employees hired before January 26, 2017, during the first five years of service new employees have *higher* severance payments. Accordingly, during the first years after the approval of Law No. 4, a discharge of a new employee entails a greater cost than the discharge of an employee hired shortly before the enactment of Law No. 4.





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Upon further review of the Law No. 4 amendments to Law No. 80, the Oversight Board finds they are insufficient to remedy the statute's adverse effect on the ability to do business and hire employees in Puerto Rico. The Oversight Board is confident that from a micro and macroeconomic perspective, the adoption of an "at-will" employment regime is the most efficient manner to address job termination decisions. By taking such legislative action businesses and employees in Puerto Rico would be subject to the same labor market rules that are applicable to their counterparts in the mainland states. Notwithstanding this change, employees in Puerto Rico will continue protected by multiple anti-discrimination laws, as are employees on the mainland.

Adopting in Puerto Rico the "at-will" employment regime that prevails in the U.S. mainland will assist in reducing long term unemployment in the private sector and increase the hiring of workers as permanent, rather than temporary employees. Moreover, adoption of this regime should assist in attracting job-creating investments.<sup>21</sup> This, in turn, will increase revenues to the Government.

This is not the first-time changes to the severance regime has been recommended. During recent years the adverse economic impact of Puerto Rico's general dismissal law has been subject to scrutiny. The Krueger Report, which was commissioned by the Government of Puerto Rico, recommended that Puerto Rico regulate discharge decisions with rules more similar to those prevailing in the U.S. mainland.<sup>22</sup> Subsequently, the *Working Group for the Fiscal and Economic Recovery of Puerto Rico Pursuant to Executive Order 2015-022*, recommended that Law No. 80 apply only to "non-exempt" employees and that the maximum compensation be limited to six (6) month's salary.<sup>23</sup>

While some employees benefit from Puerto Rico's lack of at-will employment, excessive employment protections make it more costly and risky not only to dismiss, but also to hire, an employee. There is evidence that such job protection laws lower employment opportunities.

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<sup>21</sup> R. Di Tella & R. MacCulloch, *The Consequences of Labor Market Flexibility: Panel Evidence Based on Survey Data*, 49-5 *European Economic Review*, 1225-59 (2005); B.S. Javorcik & M. Spatareanu, *Do Foreign Investors Care About Labor Market Regulations?*, World Bank Policy Research Working Paper 3275, April 2004; H. Parcon, *Labor Market Flexibility as a Determinant of FDI Inflows*, Department of Economics, University of Hawaii- Working Paper No.08-07 (2008); J. Mogab, R. Kishan, D.E. Vacaflores, *Labor Market Rigidity And Foreign Direct Investment: The Case Of Europe*, *Applied Econometrics and International Development*, Vol. 13-1 (2013); Bellak, C. and M. Leibrecht (2009), 'Does the impact of employment protection legislation on FDI differ by skill-intensity of sectors? An empirical investigation', GEP Discussion Paper 2009/21; W. W. Olney, *A Race to the Bottom? Employment Protection and Foreign Direct Investment*, *Journal of International Economics*, 91-2 (2013) pp. 191-203; Görg, Holger, "Fancy a Stay at the 'Hotel California'? Foreign Direct Investment, Taxation and Firing Costs" (December 2002). IZA Discussion Paper No. 665.

<sup>22</sup> Puerto Rico – A Way Forward (June 29, 2015). *Id.*, at 6, 18.

<sup>23</sup> Puerto Rico Fiscal and Economic Growth Plan (September 9, 2015), at 22.



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For example, studies have found that laws restricting an employer's ability to dismiss or imposing significant severance costs have the effect of reducing employment levels or increasing long term unemployment, particularly in labor-intensive industries.<sup>24</sup>

In U.S. states, a study found that expanding unfair dismissal protections caused employers to shift away from using less-skilled workers and toward greater use of capital investments and more-skilled labor.<sup>25</sup> Simply, the risks and costs related to dismissal decisions tend to chill an employer's inclination to hire new employees, particularly younger employees.<sup>26</sup> This results in higher periods of unemployment for those members of the workforce who are not employed.<sup>27</sup>

Other research finds that when firms cannot easily dismiss unsatisfactory employees, they will not hire employees who do not already have a job- as unemployed workers are seen as a greater risk.<sup>28</sup> Still other research concludes that stronger employment protections cause businesses to favor more educated employees, who are seen as less risky to hire than less educated workers.<sup>29</sup>

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<sup>24</sup> RAND Corporation, 1992; H. Feldmann, "Labor Market Regulation and Labor Market Performance: Evidence Based on Surveys among Senior Business Executives." *Kyklos*, 56 (4), pp. 509-539 (2003); Verkerke, J., 2014. *What we know (and don't know) about employment protection law*, in Shishido, Z. (ed.) *Enterprise Law: Contracts, Markets, and Laws in the US and Japan*; Timothy Besley, Robin Burgess; *Can Labor Regulation Hinder Economic Performance? Evidence from India*, *The Quarterly Journal of Economics*, Volume 119, Issue 1, 1 February 2004, Pages 91-134.

<sup>25</sup> Dertouzos, J. & Karoly, L. A. 1993. *Employment Effects of Worker protection: Evidence from the United States*, in: Buechtemann, C. F. (ed.) *Employment Security and Labor Market Behavior: Interdisciplinary Approaches and International Evidence*.

<sup>26</sup> Scarpetta, S., 1996. *Assessing the role of labour market policies and institutional settings on unemployment: a cross-country study*. *OECD Economic Studies* 26 (1), 43-98.; Christensen, Darin & Wibbels, E., *Labor Standards, Labor Endowments, and the Evolution of Inequality*, *International Studies Quarterly*, Volume 58, Issue 2, 1 June 2014, Pages 362-379; Boeri, T. & Ours, Jan va. *The Economics of Imperfect Labor Markets*, Second Edition, sec. 10.3 (2013).

<sup>27</sup> Holt, Harlan and Hendrickson, Joshua R., *Turning Pink Slips into Red Tape: The Unintended Effects of Employment Protection Legislation* (July 26, 2016), *Contemporary Economic Policy*; Elmeskov, J., Martin, J. P. & Scarpetta, S. 1998. *Key lessons for labour market reforms: Evidence from OECD countries' experiences*. *Swedish Economic Policy Review*, 5 (2), 205-52; Emerson, M., 1988. *Regulation or deregulation of the labour market: policy regimes for the recruitment and dismissal of employees in the industrialised countries*. *European Economic Review* 32 (4), 775-817; Hopenhayn, H. & Rogerson, R. 1993. *Job turnover and policy evaluation: A general equilibrium analysis*. *Journal of Political Economy*, 101 (5), 915-38; Rafael Di Tella and Robert MacCulloch, *The Consequences of Labor Market Flexibility: Panel Evidence Based on Survey Data*, 49-5 *European Economic Review*, 1225-59 (2005).

<sup>28</sup> Kugler, Adriana D., and Gilles Saint-Paul. "How do firing costs affect worker flows in a world with adverse selection?" *Journal of Labor Economics* 22, no. 3 (2004): 553-584.

<sup>29</sup> Daniel, K. and Siebert, W.S., 2005. *Does employment protection reduce the demand for unskilled labour?*. *International Economic Journal*, 19(2), pp.197-222.



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Moreover, there is significant evidence that employers, in order to avoid risks and costs related to dismissals laws, will increase outsourcing or utilization of temporary employees.<sup>30</sup>

Excessive employment protections may also reduce the productivity of businesses. A 2017 study of firms in Sweden found that smaller businesses that were exempt from a 2001 employment protection law were 2 to 7 percent more productive than firms that were subject to laws similar to Puerto Rico's Law 80.<sup>31</sup>

Di Tella and MacCulloch surveyed entrepreneurs from twenty-one OECD (Organization for Economic Cooperation and Development) countries, asking them to assess the impact of their countries' laws on their hiring and dismissal practices. This study found evidence that the increased flexibility in the rules applicable to employer authority in the hiring and firing process increases *both* employment levels and labor participation rates, even in periods of recession. The study also found evidence that greater flexibility in the hiring and firing stages leads to lower unemployment rates. Providing a conservative estimate, they concluded that if France were to make its labor employment rules as flexible as those in the U.S., its employment rate would increase 1.6 percentage points, or 14% of the employment gap between the two countries.<sup>32</sup>

Other studies sponsored by the OECD have documented that excessive employment protections increase the rate and duration of unemployment and reduce rates of employment.<sup>33</sup> A second study examining 73 developed and developing countries found that protectionist labor regulations increase unemployment.<sup>34</sup> For example, the study suggests that if Italy (a country with extensive labor protectionist regulations) adopted the labor regulations of the U.S., the unemployment rate

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<sup>30</sup> James A. Schmitz, Jr., Lee E. Ohanian, Alvaro Riascos, Harold L. Cole, *Latin America in the Rearview Mirror*, Journal of Monetary Economics (Vol. 52, No. 1, January 2005, pp. 69-107); Autor, David, H. "Outsourcing at will: Unjust dismissal doctrine and the growth of temporary help employment." Working Paper No. w7557. National Bureau of Economic Research, 2000.

<sup>31</sup> Bjuggren, Carl Magnus. "Employment Protection and Labor Productivity." *Journal of Public Economics* (2017).

<sup>32</sup> R. Di Tella & R. MacCulloch, *The Consequences of Labor Market Flexibility: Panel Evidence Based on Survey Data*, 49-5 *European Economic Review*, 1225-59 (2005).

<sup>33</sup> See, O. Blanchard & J. Wolfers, *The Role of Shocks and Institutions in the Rise of European Unemployment: The Aggregate Evidence*, 110 *Economic Journal* C1-C33 (2000); J. C. Botero, S. Djankov, R. La Porta, F. Lopez-de-Silanes & A. Shleifer, *The Regulation of Labor*, 119 *Quarterly Journal of Economics* 1339 (2004); Di Tella & McCulloch, *supra*, (2005); H. Feldmann, *Labor Market Regulation and Labor Market Performance: Evidence Based on Surveys among Senior Business Executives*, 56-4 *Kyklos* (2003); K. Fialová & O. Schneider, *Labour Market Institutions and their Effect on Labour Market Performance in the New EU Member Countries*, 47-3 *Eastern European Economic Review* 57 (2009); Heckman & Pages-Serra, *The Cost of Job Security Regulation: Evidence from Latin American Labor Markets*, NBER Working Paper No. w7773 (2000); y S. Nickell *Unemployment and Labor Market Rigidities: Europe versus North America*, 11-3 *Journal of Economic Perspectives* 55 (1997).

<sup>34</sup> H. Feldmann, *The Unemployment Effects of Labor Regulation around the World*, 37-1 *Journal of Comparative Economics* 76 (2009).





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in Italy for the population in general would be reduced by 2.3% (and for young people, unemployment would be reduced by 5.6%). One of the reasons for this is that the rigidity of labor regulations negatively impacts domestic and foreign investments.

When Colombia reduced the cost of dismissing workers, unemployment fell, and the size of the informal labor force declined.<sup>35</sup> In a 2004 book on labor laws in Latin America and the Caribbean, Nobel Prize-winning economist James Heckman concluded that

“mandated benefits reduce employment and... job security regulations have a substantial impact on the distribution of employment and on turnover rates. The most adverse impact of regulation is on youth, marginal workers, and unskilled workers. Insiders and entrenched workers gain from regulation but outsiders suffer. As a consequence, job security regulations promote inequality among demographic groups.”<sup>36</sup>

This review of the literature should make clear the costs that are imposed on residents of Puerto Rico by policies that, while well-intentioned, increase the costs and risks of hiring employees. The repeal of Law No. 80 will facilitate the entry of young or unemployed workers into active employment.

Properly implemented, a more open labor market can help attract new investors to Puerto Rico. Substantial research shows that multinational companies are increasingly taking labor laws into consideration when making business location decisions. Jurisdictions with lesser risks and costs are more attractive for job creating investors.<sup>37</sup>

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<sup>35</sup> Kugler (2004). See Dertouzos, James N., and Lynn A. Karoly. “*Labor market responses to employer liability.*” Rand Corporation, 1992; Autor, David H., William R. Kerr, and Adriana D. Kugler. “*Does Employment Protection Reduce Productivity? Evidence from U.S. States.*” The Economic Journal (2007): F189-F217; Heckman, James. Law and employment: Lessons from Latin America and the Caribbean. No. w10129. National Bureau of Economic Research, 2003; Kugler, Adriana D. “*The effect of job security regulations on labor market flexibility. Evidence from the Colombian Labor Market Reform.*” in Law and Employment: Lessons from Latin America and the Caribbean, pp. 183-228. University of Chicago Press, 2004

<sup>36</sup> Heckman, J. & Pages, C., 2004. *Law and enforcement: Lessons from Latin America and the Caribbean*, edited by James Heckman and Carmen Pages, University of Chicago Press. See also, Heckman, J. & Pages Serra, C., 2000. *On the cost of job security regulation: Evidence from Latin American Labor Markets*. *Economía*, 1 (1), 147.

<sup>37</sup> B.S. Javorcik & M. Spatareanu, *Do Foreign Investors Care About Labor Market Regulations?*, World Bank Policy Research Working Paper 3275, April 2004; Nicoletti, G., S. Golub, D. Hajkova, D. Mirza, G. and K. Yoo (2003). *The Influence of Policies on Trade and Foreign Direct Investment*, OECD Economic Studies, No. 36; .H. Parcon, *Labor Market Flexibility as a Determinant of FDI Inflows*, Department of Economics, University of Hawaii- Working Paper No.08-07 (2008); J. Mogab, R. Kishan, D.E. Vacaflares, *Labor Market Rigidity And Foreign Direct Investment: The Case Of Europe*, Applied Econometrics and International Development, Vol. 13-1 (2013); Bellak, C. and M. Leibrecht (2009), ‘*Does the impact of employment protection legislation on FDI differ by skill-intensity of sectors? An empirical investigation*’, GEP Discussion Paper 2009/21; W. W. Olney, *A Race to the Bottom? Employment Protection and Foreign Direct Investment*, Journal of International Economics, 91-2 (2013) pp. 191–203; Kandilov, Ivan T. & Senses, Mine Zeynep, *The*



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- b. The basis for the labor reform's projected impact is supported by case studies across a wide range of countries where similar reforms were successful in increasing growth.**

Labor market reforms taken in individual European countries have made the labor market more flexible, increased labor supply, and led to a long-run additional 3.5% annual growth in peripheral European countries, where economies are most similar to Puerto Rico. When excluding reforms not as relevant to Puerto Rican labor reform identified in the New Fiscal Plan, such as unemployment insurance and pension reform, the case studies still support an estimation of an additional 1.4% growth over the long-run, and key to the issue at hand is the finding that just the elimination of employment protection itself accounted for 0.5% of permanent growth.<sup>38</sup>

– For the EITC, in a study by the Central Bank of Malta (a country that is small and tied intimately to a very large neighbor in the EU, very much like the case of Puerto Rico), the EITC and welfare reform were linked to overall growth through increasing female labor force participation rates, which were found to result in an increase in growth of 0.8% per year.

– Spain's 2012 labor reform law, enacted in response to the recession, loosened many of Spain's restrictive employment protection policies, pushing it down below the OECD labor stringency average and potentially creating a 0.25% annual increase in business sector productivity, or 0.15% annual increase in GDP.<sup>39</sup>

– Estonia implemented reforms to ease hiring and dismissal procedures, as well as to allow the use of fixed-term contracts in all cases. These contracts are very similar to at-will employment. The reforms also cut severance payments. Estonia's unemployment rate fell 5.5 percentage points from 19.8% to 13.3% between 2008 and 2011.<sup>40</sup>

– Influenced by the financial crisis, total employment in Portugal fell by 15% over 2008 to 2013. In response, Portugal made a series of structural reforms to reduce excessive employment protections. These included reducing severance pay and relaxing the definition of fair dismissal, but there is still more to be done to bring Portugal closer to the OECD average. The OECD estimates that new labor reforms have already begun contributing to increased labor productivity,

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*Effects of Wrongful Discharge Protection on Foreign Multinationals: Evidence from Transaction-Level Data*, Canadian Journal of Economics/Revue canadienne d'économie, Vol. 49, Issue 1, pp. 111-146, 2016.

<sup>38</sup> Derek Anderson et al, "Assessing the gains from structural reforms for jobs and growth," International Monetary Fund.  
<https://www.imf.org/external/np/seminars/eng/2014/EURbook/pdf/7.pdf>

<sup>39</sup> The 2012 Labour Market Reform in Spain: A Preliminary Assessment, OECD, December 2013.  
<https://www.oecd.org/els/emp/SpainLabourMarketReform-Report.pdf>

<sup>40</sup> Brixiova, Zuzana and Balázs Égert, "Labour Market Reforms and Outcomes in Estonia," William Davidson Institute, University of Michigan, February 2012.  
<https://deepblue.lib.umich.edu/bitstream/handle/2027.42/133043/wp1027.pdf?sequence=1>. Pp. 2-4.



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and could lead to a 0.5% increase in GDP by 2020.<sup>41</sup> Portuguese employment rates have also been growing stronger than forecasted.

– Comprehensive labor market reforms in Italy 2014 are expected to result in 0.6% GDP growth within 5 years, and 1.2% growth within 10 years. Reforms to trigger this growth include loosening employment protections, expanding active labor market policies, and increasing female workforce participation. These reforms will create an estimated 150,000 jobs in 5 years and 270,000 jobs in 10 years.<sup>42</sup>

– Slovenia introduced reforms in 2013 to make the labor market more flexible and to increase employment opportunities for younger workers. The OECD expects these reforms to boost Slovenian GDP by 0.2% in the first five years and by 0.3% in the first 10 years.<sup>43</sup>

– In Peru, a 10% increase in costs associated with employee dismissal reduced long-run employment rates by 11% between 1987 and 1990. The use of severance payments was also found to have a negative effect on employment levels.<sup>44</sup>

– The *Pacta por Mexico* introduced labor reforms alongside education, healthcare, and judiciary reforms. The OECD estimates that employment protection initiatives specifically will have contributed to about an 0.05% increase in GDP over 5 years.<sup>45</sup>

– Colombia reduced its employer payroll taxes, effectively making workers less expensive, and saw a decrease in the size of its informal labor market.<sup>46</sup>

– A 2017 survey of prominent economists regarding France’s labor laws – which are similar to those in Puerto Rico in mandating generous paid leave and strong employment protections –

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<sup>41</sup> “Labour Market Reforms in Portugal 2011-2015: A Preliminary Assessment.” OECD.  
<http://www.oecd.org/employment/emp/Labour-market-reforms-in-Portugal-2011-2015-preliminary-assessment.pdf>. P. 9.

<sup>42</sup> “Italy Structural Reforms: Impact on Growth and Employment,” OCED, February 2015.  
<http://www.oecd.org/italy/structural-reforms-in-italy-impact-on-growth-and-employment.pdf>

<sup>43</sup> “Slovenia: The Growth Effects of Structural Reform,” OECD, May 2015.  
<https://www.oecd.org/slovenia/slovenia-growth-effects-of-structural-reform-EN.pdf>

<sup>44</sup> Coudouel, Aline and Pierella Paci, “Selected Labor Market Reforms,” Analyzing the Distributional Impact of Reforms. Hosted by the World Bank.  
[http://siteresources.worldbank.org/INTPSIA/Resources/490023-1120845825946/3622-03\\_Ch03.pdf](http://siteresources.worldbank.org/INTPSIA/Resources/490023-1120845825946/3622-03_Ch03.pdf)

<sup>45</sup> *Towards a Stronger and More Inclusive Mexico: An Assessment of Recent Policy Reforms*, OCED, December 12, 2017. [https://www.oecd-ilibrary.org/economics/towards-a-stronger-and-more-inclusive-mexico\\_9789264189553-en](https://www.oecd-ilibrary.org/economics/towards-a-stronger-and-more-inclusive-mexico_9789264189553-en)

<sup>46</sup> Kugler et al (2017) found that a reduction in employer payroll taxes in Colombia reduced the size of the country’s informal labor market. Kugler, Adriana, Maurice Kugler, and Luis Omar Herrera Prada. “Do payroll tax breaks stimulate formality? Evidence from Colombia’s reform.” No. w23308. National Bureau of Economic Research, 2017



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found two-thirds believe that reducing these labor laws would improve the country's economy and reduce the unemployment rate. Less than 5% of the economists surveyed disagreed.<sup>47</sup>

– In India, a 2004 study found that states with strict labor laws experienced lower manufacturing growth by around 23% to 24%; while states with more flexible legislation experienced increases by a similar amount.<sup>48</sup>

The reforms aimed at flexible labor regulations are expected to be successful in Puerto Rico due to key characteristics of the Island's economy that overlap with selected case studies. While there are numerous case studies that clearly demonstrate the positive effects of labor reform, the specific case studies used to support the transformational nature of these reforms in Puerto Rico were conducted in countries with key similarities to Puerto Rico.

- **Currency union:** Case studies utilized to reach impact estimates for labor reform were all derived from countries within currency unions. As a result, none had the ability to enact monetary policy that would bolster the impact of labor reforms, and they were still quite effective. Similarly, Puerto Rico's monetary policies are driven by the U.S. Federal Reserve.
- **Large informal economy:** In the periphery of the European Union, multiple countries such as Greece and Spain have informal economies that represent 20 - 30% of GDP. Thus, in both cases, moving firms and workers into the formal economy contributes toward the positive economic and fiscal impact of labor reforms. Reducing the size of informal economy also has a critical impact of increasing upward mobility and skill acquisition for low-wage workers in Puerto Rico.
- **Ease of capital flow:** Puerto Rico's unique status as a U.S. territory significantly eases the flow of capital and business from the mainland United States. As a result, a more flexible labor market offers the opportunity for Puerto Rico to attract firms from the mainland to open or expand operations on the Island. For example, France, which can attract investments from across Europe through its membership in the EU, saw a major spike in interest from business executives looking to invest in the country after President Macron successfully implemented labor reform. 60% of executives saw the country as an attractive place for companies in 2017, nearly triple the 2014 figure of 23%.
- **Large short-term stimulus:** Over the next 10 years, the Fiscal Plan projects over \$60 billion of disaster related funding to rebuild Puerto Rico. This funding is expected to produce an increase in demand, despite the long-term recession of Puerto Rico's economy. As a result, Puerto Rico will find itself at an opportune time to carry out such reforms (as opposed to countries that enacted labor reforms during major economic downturns, such as Greece and Spain). The reforms should have a synergistic impact to the additional

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<sup>47</sup> *IGM Forum: France's Labor Market*, Chicago Booth, May 17, 2017.  
<http://www.igmchicago.org/surveys/frances-labor-market>

<sup>48</sup> Besley, Timothy and Burgess, Robin, "Can Labor Regulation Hinder Economic Performance? Evidence from India," *Quarterly Journal of Economics*, Volume 119, Issue 1, 1 February 2004, Pages 91-134.





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stimulus and provide a sound basis for future investors to come to Puerto Rico to establish new businesses and hire workers. Change – even if necessary – can be disruptive, which is why it is best done during a time when the economy is expected to improve.

**c. Law No. 80 is part of the problem; not the only problem.**

**The repeal of Law No. 80 will not by itself cure the economic woes of the island. While significant, it is only one of the components of a Labor Reform Package that Puerto Rico needs to address. The change in the regime that regulates discharge decisions is part of a strategy to attract job creating investments to the Island. Moreover, the economic literature is clear--rules like Law No. 80 skew investments to capital-intensive operations and reduce in relative terms the demand for labor, which means Puerto Rico will continue its pattern of fewer employment opportunities.**

Puerto Rico needs to get the economy moving today. This will require hiring people at the lower end of the wage spectrum and getting them out of the informal economy and into formal jobs. This requires the effective implementation of the entire package of labor reform. Adopting the “at will” employment regime that has supported the substantially more successful economies of mainland states, is a necessary foundation to moving forward.

Much of the questioning in the public discourse has been around how the structural reforms, in particular labor, will positively impact Puerto Rico’s residents. The reality is that a single reform, in isolation from the rest, is not likely to impact growth substantially. Rather, it is the whole program and package of structural reforms that truly change the competitiveness of an economy. Puerto Rico, now more than ever, needs to focus on transforming the economy into one that is competitive.

**By putting the Puerto Rico labor market on a competitive footing with other U.S. jurisdictions, this will make the investment environment in Puerto Rico more competitive with those same U.S. jurisdictions. It is from the increased investment that the demand for labor will find its biggest boost and begin a virtuous cycle of investment, employment, growth and further investment. By focusing on changing Puerto Rico’s labor environment, new investors will be attracted to Puerto Rico given the confidence in a strong labor market that has flexible rules. By getting firms to invest, economic growth will be enabled.**

**d. Many employment protection laws will continue to apply**

Adopting the “at-will” employment regime will not diminish labor standards for workers in Puerto Rico. Moreover, they will continue to be protected by a very broad scope of antidiscrimination laws. Remedies under these laws are typically greater than the relief under Law No. 80. Excluding all applicable federal laws, Puerto Rico law will continue to prohibit the discharge of an employee for the following reasons:

- Because of age, race, color, sex (gender), sexual orientation, gender identity, social origin or condition, national origin, political or religious beliefs or affiliation, disability, marriage to an employee of the employer, being a victim or being perceived as a victim of domestic violence, sexual aggression or stalking,



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present or prior military service, or veteran status.<sup>49</sup>

- Retaliation for having opposed sexual harassment in the workplace; having filed a complaint, testified or collaborated or participated in any manner in an investigation, proceeding or hearing in connection with a sexual harassment complaint.<sup>50</sup>
- For providing or intending to provide verbal or written testimony or information to an administrative, judicial, or legislative body in Puerto Rico, or in accordance with the employer's established internal procedures or before an employer's representative with authority, provided the expressions are nondefamatory and do not disclose legally protected confidential or privileged information.<sup>51</sup>
- For having (a) disclosed his/her salary to other employees or asked other employees about their compensation; (b) objected to any practice prohibited by Puerto Rico's Equal Pay Act (PREPA); (c) submitted a grievance or complaint regarding PREPA rights in any forum, or (d) offered or tried to offer, verbally or in writing, any testimony or information in an investigatory procedure against the employer regarding PREPA violations.<sup>52</sup>
- Dismissal, without just cause, of a pregnant employee.<sup>53</sup>
- For refusing to enter an alternate weekly work schedule agreement (which includes compressed workweeks) or for requesting the modification of the schedule, number of hours, or place of work as authorized under Puerto Rico's

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<sup>49</sup> Art. 1, Law No. 100 of June 30, 1959, as amended (Law No. 100), P.R. LAWS ANN. tit. 29, §146 (double damages and reinstatement); Art. 21, Law No. 69 of July 6, 1985, P.R. LAWS ANN. tit. 29, §1341 (double damages and reinstatement); Art. 13, Law No. 44 of July 2, 1985, as amended, P.R. LAWS ANN. tit. 1, §511 (double damages and reinstatement). A specific sexual harassment statute also provides a double damages remedy, which would be applicable in cases of sexual harassment discrimination, retaliation, or dismissals. *See* Art. 3 & 11, Law No. 17 of April 22, 1988, P.R. LAWS ANN. tit. 29, §§155b & 155j (double damages and reinstatement).

<sup>50</sup> Law No. 17 of April 22, 1988, P.R. LAWS ANN. tit. 29, §§155a *et seq.* (2017) (double damages and reinstatement).

<sup>51</sup> Law No. 115 of Dec. 20, 1991. P.R. LAWS ANN. tit. 29, §§194–194b (2016) (double damages and reinstatement). Article 2 of Law No. 80 has been amended on several occasions to provide a reinstatement and back pay remedy for wrongful discharges based on the same reasons. P.R. LAWS ANN. tit. 29, §185b (2016).

<sup>52</sup> Law No. 16-2017. P.R. LAWS ANN. tit. 29, §254 (2017).

<sup>53</sup> Art. 4, Law No. 3 of March 13, 1942, as amended, P.R. LAWS ANN. tit. 29, §469 (2017) (double damages and reinstatement).



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overtime law.<sup>54</sup>

- Dismiss an employee working for the employer before the effective date of the “*Labor Transformation and Flexibility Act*” in or to hire a new employee at the lower vacation leave monthly accrual rates authorized for new hires.<sup>55</sup>
- Failing to reinstate, without just cause, a female employee returning from the statutory leave provided for maternity rest or after receiving a minor in her home for adoption.<sup>56</sup>
- For participating or having participated in jury duty or failing to reinstate an employee upon conclusion of such jury duty.<sup>57</sup>
- For providing or intending to provide verbal or written testimony or information to an administrative, judicial, or legislative body in Puerto Rico, provided the expressions are non-defamatory and does not disclose legally protected confidential or privileged information.<sup>58</sup>
- For refusing to lift objects that exceeds maximum weight limits established by law or regulation.<sup>59</sup>
- For refusing to grant payroll deduction authorization to support charitable institutions and/or community schools.<sup>60</sup>
- Interference with any military leave, discharge or failing to reinstate former

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<sup>54</sup> Law No. 4-2017, Art. 3.8, amending the second paragraph of Art. 14 and renumbering same as Art. 10 of Law No. 379 of May 15, 1948, as amended. P.R. LAWS ANN. tit. 29, §282 (2017) (potential double damages and reinstatement).

<sup>55</sup> Law No. 4-2017, Art. 3.18, amending subparagraph (b) of Article 5 of Law 180-1998, as amended. P.R. LAWS ANN. tit. 29, §250c(b) (2017) (double damages).

<sup>56</sup> Art. 2 and 4, Law No. 3 of March 13, 1942, as amended, P.R. LAWS ANN. tit. 29, §§467 and 469 (2017) (double damages and reinstatement).

<sup>57</sup> Law No. 87 of June 26, 1964, as amended, P.R. LAWS ANN. tit. 29, §152 (2017) (double damages and reinstatement); Art. 7 and 13, Law No. 281 of September 27, 2003, P.R. LAWS ANN. tit. 34, §§1735e and 1735k (2017) (double damages and reinstatement).

<sup>58</sup> Law No. 115 of December 20, 1991. P.R. LAWS ANN. tit. 29, §§194–194b (2017) (double damages and reinstatement). Article 2 of Law No. 80 has been amended on several occasions to provide a reinstatement and back pay remedy for wrongful discharges based on the same reasons. P.R. LAWS ANN. tit. 29, §185b (2017).

<sup>59</sup> Art. 3-A, Law No. 49 of May 22, 1968, as amended, P.R. LAWS ANN. tit. 29, §355a (2017) (double damages and reinstatement).

<sup>60</sup> Art. 5(j)(5) of Law No. 17 of April 17, 1931, as amended. P.R. LAWS ANN. tit. 29, §175(j)(5) (2017) (double damages).



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employee upon conclusion of the military duty.<sup>61</sup>

- Dismissing or refusing to reinstate an athlete or trainer certified by the Puerto Rico Olympic Committee as athletes or trainers participating in certain sports events that require leaves of absence.<sup>62</sup>
- For filing a complaint against the employer under the Puerto Rico Occupational Safety and Health Act (PROSHA), having caused an investigation, testifying or intending to testify regarding matters covered under the act or failing to reinstate the employee after participating in a required medical examination.<sup>63</sup>
- Dismissing an employee, without just cause, while legally protected leaves for work-related and non-work-related disabilities under the workers compensation and non-occupational disability programs, as well as refusing to reinstate the employee after being released from treatment in accordance with the provisions of such laws.<sup>64</sup>

**e. Welfare Structure Reforms**

To implement the labor reform package, address labor market challenges and encourage residents to participate in the formal labor market, the Government must launch an Earned Income Tax Credit (EITC) program by January of 2019. The Government also must institute a work requirement for the Nutrition Assistance Program (PAN).

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<sup>61</sup> Art.4(f)(1) and Art. 9, Law No. 203 of December 14, 2007, as amended, P.R. LAWS ANN. tit. 29, §§737(f)(1) and 742 (2017) (triple damages and reinstatement); Art. 233, Law No. 62 of June 23, 1969, as amended, P.R. LAWS ANN. tit. 25, §2085 (2017) (back pay and reinstatement).

<sup>62</sup> Art. 5, Law No. 24 of January 5, 2002, P.R. LAWS ANN. tit. 15, §1111 (2017) (double damages and reinstatement).

<sup>63</sup> Art. 10(d) and Art. 29, Law No. 16 of August 5, 1975, as amended, P.R. LAWS ANN. tit. 29, §§361i(d) and 361aa (2017) (back pay, reinstatement, and other injunctive relief).

<sup>64</sup> Art. 5-A, Law No. 45 of April 18, 1935, as amended, P.R. LAWS ANN. tit. 11, §7 (2017) (damages and reinstatement); Art. 3(q), Law No. 139 of June 26, 1968, as amended, P.R. LAWS ANN. tit. 11, §203(q) (2017) (damages and reinstatement). A worker who regularly drives a motor vehicle to perform his job duties is exempt from Law No. 139, but receives similar reinstatement protections for disability absences under Article 16 of Law No. 428 of May 15, 1950, P.R. LAWS ANN. tit. 29, §693a (2017) (damages and reinstatement). If a person is unable to work due to an accident suffered while legally driving a motor vehicle on the public highways, similar job reinstatement protections are also available in accordance with another statute. Art. 4, Law No. 138 of June 26, 1968, as amended, P.R. LAWS ANN. tit. 9, §2054 (2017) (damages and reinstatement).





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**Earned Income Tax Credit (EITC)**

The EITC is a benefit for working people with low-to-moderate income. To qualify, people must meet certain requirements and file a tax return, even if they do not owe any tax. The EITC reduces the amount of taxes owed and may result in a cash refund if the benefit is higher than owed taxes.

Since welfare reform in 1996, the EITC has become the cornerstone of anti-poverty policy in the U.S. It has refocused the U.S. safety net on working families, dramatically increasing employment among single women with children and removing more children from poverty than any other program. In the U.S., this translates to approximately 6.5 million people (half of whom are children) lifted out of poverty. Further, the EITC improves employment rates (a \$1,000 increase in EITC benefit has been tied to a 7.3 percent increase in employment)<sup>65</sup> and provides increased opportunities for individuals to invest in their own futures with education, training, childcare, or other costs that improve longer-term outlook. It has proven a powerful incentive to transition into the formal labor force and file taxes.

From 2006 to 2014, Puerto Rico had a Worker's Tax Credit, which was later discontinued due to its ineffective application and as a cost-saving measure. This prior Work Credit applied to 45% of all tax filers at a cost of \$152 million in its last year of implementation. It was smaller than Federal EITC programs (\$150-450 versus ~\$2,000 average credit) and did not eliminate high implicit tax rates on low-income employees or do enough to incentivize formal employment.<sup>66</sup>

In Puerto Rico, implementation of the new EITC should be similar to the Federal EITC but adjusted to the relative wages of the Island. Eligible recipients should receive credits according to their marital, family, and earned income. As earnings increase, the benefit should increase up to a specified cap; at the cap, it would plateau and eventually decrease at the phase-out income level until it reaches \$0 (**Exhibit 5**), resulting in an average benefit of \$525.30 per individual per year. This structure diminishes the "benefits cliff" that many face as their earned income increases, rewarding citizens who participate in the formal economy.

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<sup>65</sup> Hoynes and Patel 2015, <http://www.taxpolicycenter.org/briefing-book/how-does-eitc-affect-poor-families>

<sup>66</sup> New York Federal Reserve Bank, 2014



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**Exhibit 5: EITC Benefit Formula**

EITC Benefit Formula, \$

- Benefits begin with the first dollar of reported income. As income increases, **benefits also increase at the phase-in rate** (different depending on household size), **up to the maximum credit**
- When income **reaches the phase-in cap**, the **benefit increase ceases**. Benefits remain constant at income levels that fall between the phase-in cap and phase-out start
- When income **reaches the phase-out start**, **benefits begin decreasing at the phase-in rate** for each additional dollar earned, **until income reaches the income cap** (at which point benefits are \$0)

Number of Children	Phase-in rate, %	Phase-in cap, \$	Phase-out start, \$	Individual/ Single income cap, \$	Married income cap, \$	Maximum Credit, \$
0	5.00%	6,000	18,000	20,500	21,750	300
1	7.50%	12,000	13,000	20,500	24,250	900
2	10.00%	15,000	16,000	28,500	34,750	1,500
3 or more	12.50%	16,000	17,000	33,500	42,000	2,000

For example, a single mother with two children working at minimum wage for 35 hours per week earns approximately \$12,180 annually. With EITC, she can qualify for up to \$1,500 in additional take-home pay per year, effectively raising the minimum wage by more than 12%.

The EITC program would cost approximately \$200 million per year, but the program will raise formal labor force participation significantly, providing a positive return on the investment. The EITC must be implemented no later than FY2019.

**PAN Work Requirement**

While PAN, Puerto Rico’s largest welfare program, is similar to the mainland SNAP, it is funded and administered separately and unlike the mainland program PAN does not include a work requirement. As part of the labor reform package that the Oversight Board projects will create substantial growth over the next 30 years, the New Fiscal Plan requires that the Government institute work requirements to qualify for PAN benefits.

In FY2019, able-bodied participants aged 18-59 will be subject to a work requirement (children, even if their parents do not work, will continue to receive the benefit). Like mainland SNAP, in full implementation this work requirement must become effective after the individual has collected PAN benefits for three months. General exceptions would include those under age 18 or over the age of 60, parents with dependents under age 18, as well as those who are medically certified as physically or mentally unfit for employment. Paid work, voluntary work, training and education, and job searching (under the time limit) must qualify as work.

Any program savings derived from the PAN work requirement must be redistributed to working beneficiaries, effectively increasing take-home pay for workers. The increased worker benefit shall



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take place through an expansion of the Earned Income Disregard, which will increase the amount of earned income eligible recipients can exclude in calculating the amount of benefits they can claim. For example, a family of four currently receiving PAN will lose the benefit after exceeding a maximum annual income of \$5,904. By creating a sliding scale after this amount or allowing families to exclude a certain amount of earned income from this calculation, Puerto Rico can ensure no one is disadvantaged by seeking work in the formal economy and that no families lose benefits prematurely.

The increase in PAN benefits for workers combined with the EITC would improve conditions for low-income workers in the formal economy and reduce poverty.

The proposed PAN work requirements must be included in the new PAN annual plan submitted July 1, 2018 to Food and Nutritional Services. It will be phased in over two years. Beginning in FY2019, beneficiaries will be subject to the work requirement after 6 months of benefits. By FY2020, the full requirements will take effect, subjecting beneficiaries to the work requirement after 3 months of benefit collection.

**Workforce Development Programs**

Labor and welfare reforms should increase supply and demand for jobs; to fully close the gap and implement the labor reform package, however, the Government must launch specific efforts to ensure that its future workforce is prepared with critical skills.

**Workforce Innovation and Opportunity Act (WIOA)**

First, the Government must update the WIOA State Plan to focus its programs and incentives on high-priority sectors and capabilities. WIOA is the primary way in which the Federal Government invests in adult education and workforce development, and it is designed to help jobseekers access employment, education, and support services to succeed in the labor market, and to match employers with the skilled workers they need.

The Government must broaden the list of core industries that qualify under WIOA and focus on high impact economic sectors to provide a skilled workforce that meets the needs of employers in each specific region. It needs to integrate this WIOA program with the broader promotional efforts of the Department of Economic Development and Commerce (DDEC). For example, a MOE Agreement with the Puerto Rico Department of Labor and Human Resources must establish an apprenticeship program aiming to impact innovative industries and post-Maria labor market needs.

**Youth Development Initiatives**

In addition to WIOA, the Government should help develop critical skills in the workforce through multiple proposed initiatives, including:

**Youth development:** Investment in STEM through targeted teacher professional development and related programs; apprenticeship programs through partnership with universities and local businesses; opportunities for work-based learning and business programs; occupational



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opportunities and certification programs (funded through reinvestment in additional surplus achieved through comprehensive labor reform).

**Higher education:** Curriculum development grants and scholarships for UPR students focused on high-impact sectors, e.g., the IT industry and Computer Science.

**Current labor market:** Apprenticeship Programs through collaboration with the private sector; training & certification programs focused on the areas of reconstruction efforts; creation of a job council to coordinate development and employment opportunities for youth and the unemployed.

By pursuing aggressive reforms to incentivize job creation and formal labor market participation, and to improve the overall quality of human capital in Puerto Rico, the Government will fundamentally transform the Island's labor market for the better.

## **VI. Comprehensive Set of Structural Reforms**

As previously mentioned, a single reform, in isolation from the rest, is not likely to impact growth substantially. Rather, it is the whole program and package of structural reforms that truly change the competitiveness of an economy. Puerto Rico, now more than ever, needs to focus on transforming the economy into one that is competitive. A sustainable fiscal and economic turnaround depends entirely on comprehensive structural reforms to the economy of Puerto Rico. Only such reforms can drive growth in the economy, reversing the negative trend growth over the last 10 years and enabling the Island to become a vibrant and productive economy going forward. To reverse the negative economic trends, reforms should be undertaken in the following areas:

**Human capital and workforce reforms** will improve workforce participation, well-being and self-sufficiency of welfare recipients, and preparedness of adults and youth for a long and fulfilling career, resulting in a cumulative GNP impact of 0.80% by FY2023. The impact is enhanced in the long-term as K-12 education reforms begin adding an additional 0.01% GNP impact per year, resulting in an additional 0.16% uptick by FY2048.

**Ease of doing business reforms** will improve conditions for economic activity and job creation, employment opportunities, and business vitality, resulting in cumulative GNP impact of 0.65% by FY2023.

**Power sector reforms** will improve availability and affordability of energy for families and businesses, resulting in 0.30% cumulative GNP impact by FY2023.

**Infrastructure reform and capital investment** will improve the flow of goods, services, and people across the Island. It has not been scored to provide a specific GNP uptick, yet is undoubtedly a consequential uptick in the Island's long-term development.

The timing and impact of structural reforms are based on work done by the IMF on similar reforms implemented in Europe, utilities reform in Latin America, and broadly accepted metrics for measuring improvement in the World Bank's Ease of Doing Business Rankings.

Structural reform benchmarks broadly come from nations or jurisdictions without monetary policy options, like Puerto Rico. Examples used include Eurozone nations, U.S. states, or countries that



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had currencies pegged to the United States Dollar – and therefore lack monetary flexibility as does Puerto Rico. If implemented effectively, labor, energy, and doing business, reforms are projected to increase GNP by 1.75% by FY2023. K-12 education reforms add an additional 0.01% annual impact beginning in FY2033, resulting in total GNP increase of 1.91% by FY2048 (**Exhibit 6**).

**Exhibit 6: Macroeconomic Impact of Structural Reforms**



➤ By FY2048, K-12 Education reforms add an additional 0.16% cumulative impact, resulting in 1.91% annual impact on GNP.

As shown below (**Exhibit 7**), these reforms equal approximately \$80-90 billion in increased Commonwealth revenues over 30 years. The reforms are crucial to placing Puerto Rico on a path to long-term structural sustainability.

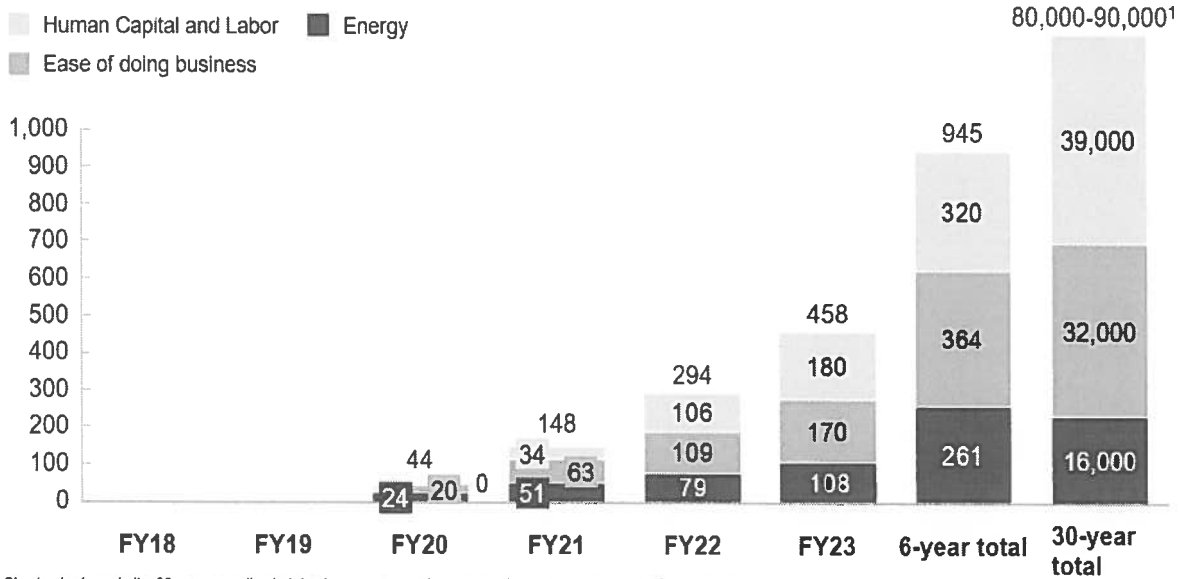


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**Exhibit 7: Impact of Structural Reforms Over 30 Years**

Impact of structural reforms, \$M



<sup>1</sup> Structural reforms in the 30-year are estimated due to macroeconomic compounding and long-term projection uncertainty

The entire package of structural reforms presents a transformational path for Puerto Rico, in which the long-term trend of decline turns into growth. However, without such structural reforms, there would be deficits by FY2032 (**Exhibit 8**). Similarly, this path ensures that the 1.91% impact from structural reforms by FY2023 will allow Puerto Rico to grow consistently thereafter; the path shown without the implementation of the reforms does not allow Puerto Rico to grow in the future (**Exhibit 9**). It is the full implementation of these reforms – human capital and labor, energy, and ease of doing business– that will allow the Island to achieve a sustainable economic future.



## **New Fiscal Plan for Puerto Rico**

# Restoring Growth and Prosperity

**As Certified by The Financial Oversight and  
Management Board for Puerto Rico**

June 29, 2018



## PART III: Restoring growth to the Island

A sustainable fiscal and economic turnaround depends entirely on comprehensive structural reforms to the economy of Puerto Rico. Only such reforms can drive growth in the economy, reversing the negative trend growth over the last 10 years and enabling the Island to become a vibrant and productive economy going forward. To reverse the negative economic trends, the Government must pursue reforms in the following areas:

**Human capital and welfare reforms** will improve job creation, workforce participation, and the well-being and self-sufficiency of welfare recipients, , resulting in a cumulative GNP impact of 0.30% by FY2023. The impact is enhanced in the long-term as K-12 education reforms begin adding an additional 0.01% GNP impact per year, resulting in an additional 0.16% uptick by FY2048 that continues growing in outer years (to 0.28% by FY2060).

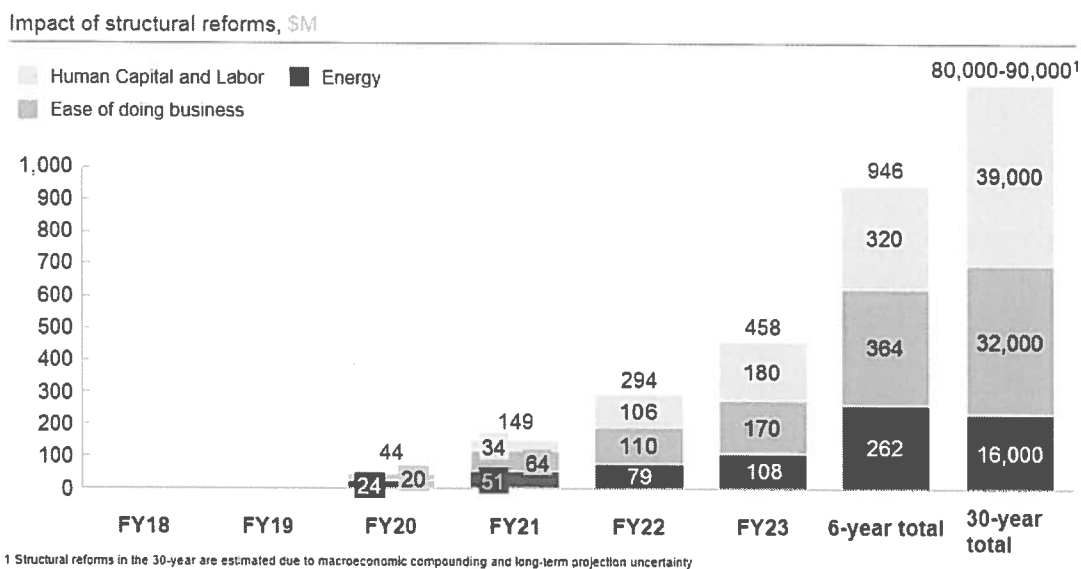
**Ease of doing business reforms** will improve conditions for economic activity and job creation, trading across borders, employment opportunities, and business vitality, resulting in a cumulative GNP impact of 0.65% by FY2023.

**Power sector reforms** will improve availability and affordability of energy for families and businesses, resulting in 0.30% cumulative GNP impact by FY2023.

**Infrastructure reform and capital investment** will improve the flow of goods, services, information, and people across the Island. It has not been scored to provide a specific GNP uptick, yet undoubtedly contributes a consequential uptick in the Island's long-term development.

**If implemented immediately, the structural reforms are projected to result in a sustained 1.25% annual real GNP growth by FY2023.** As shown below (**Exhibit 28**), these reforms equal approximately \$50 billion in increased Commonwealth revenues over 30 years (and over \$100 billion over 40 years). In the long term, **education reforms are projected to add an additional cumulative 0.26% to GNP growth, making total impact 1.41% by FY2048 and 1.51% by FY2058.** The reforms are crucial to placing Puerto Rico on a path to long-term structural sustainability.

EXHIBIT 28: IMPACT OF STRUCTURAL REFORMS OVER 30 YEARS



## Chapter 7. HUMAN CAPITAL & LABOR REFORM

### 7.1 Current state of human capital and labor and welfare laws

Puerto Rico faces immense challenges with formal labor force participation and preparedness. The Island’s formal labor force participation rate is only ~40%, far from the U.S. mainland average (63%) or even the lowest-ranked U.S. state (West Virginia, 53%), and well below other Caribbean islands. In fact, according to World Bank data, Puerto Rico’s formal labor force participation rate is currently 7<sup>th</sup> lowest in the world and has never ranked higher than the bottom 20.<sup>32</sup> Puerto Rico’s youth unemployment rate is 23.8%, almost double the world average (13.8%) and more than double the U.S. average (10%).<sup>33</sup> Low labor force participation in Puerto Rico is a function of neither Hurricane Maria nor the economic downturn that began in 2006; rather, low rates of employment are a long-term structural problem that can be addressed only through significant changes to public policy.

Unless Puerto Rico substantially increases its labor force participation and employment, incomes will always fall far below mainland states and outmigration will continue to draw Puerto Ricans away from the island of their birth. However, if Puerto Rico improves labor market flexibility through repealing restrictive laws like Law 80 and creating labor conditions more similar to those on the mainland, it will lead to increased labor force participation rates. If Puerto Rico’s labor force participation rate grew to match even to that of the lowest U.S. state, incomes would rise, poverty would decline, and the budgetary deficit would improve. **While many other reforms are important to making these improvements, increasing labor force participation may be the single most important reform for long-term economic well-being in Puerto Rico.**

<sup>32</sup> Puerto Rico ranking has never surpassed 215<sup>th</sup> out of the 232 countries, states, and territories tracked by The World Bank Group since The World Bank Group began collecting data in 1990

<sup>33</sup> The World Bank Group, 2017, via International Labour Organization, ILOSTAT database. Data retrieved in March 2017. <https://data.worldbank.org/indicator/SL.UEM.1524.ZS>

### 7.1.1 Labor laws

Puerto Rico's historically low levels of formal labor force participation cannot be attributed to any single factor, but a range of public policies have served to reduce employment on the Island.

Perhaps the biggest barrier to hiring in Puerto Rico is its lack of "at-will employment," which would make it easier for employers to dismiss unsatisfactory employees. While there are variations in labor laws among the 50 mainland states, 49 of them adopt some form of at-will employment. In Puerto Rico, Law 80 was passed in 1976 requiring employers to first prove "just cause" before dismissing employees. Law 80's "just cause" requirement applies to any employees hired for an indeterminate period of time, as well as any employee with a tenure longer than twelve months. In addition, Law 80 mandates significant severance pay: 3 months' base wages, plus two weeks' additional wages for every year of the outgoing employee's tenure. The need to establish just cause can be costly for employers because it typically leads to litigation, and many employers simply pay severance pay to an unsatisfactory employee to avoid a court dispute. Labor flexibility-reducing legislation like Law 80 can also have the additional effect of skewing investment to capital rather than labor, reducing the positive impact of any surplus on the labor market.

While some employees benefit from Puerto Rico's lack of at-will employment, this policy makes it more costly and risky not only to dismiss, but also to hire, an employee. There is evidence that such job protections lower employment opportunities. For example, studies have found that laws preventing unfair dismissal caused reductions in employment, particularly in labor-intensive industries;<sup>34</sup> and in U.S. states, a recent study found that expanding unfair dismissal protections caused employers to shift away from using less-skilled workers and toward greater use of capital investments and more-skilled labor. When Colombia reduced the cost of dismissing workers, unemployment fell and the size of the informal labor force declined.<sup>35</sup> In a 2003 book on labor laws in Latin America and the Caribbean, Nobel Prize-winning economist James Heckman concluded that

*"mandated benefits reduce employment and... job security regulations have a substantial impact on the distribution of employment and on turnover rates. The most adverse impact of regulation is on youth, marginal workers, and unskilled workers. Insiders and entrenched workers gain from regulation but outsiders suffer. As a consequence, job security regulations promote inequality among demographic groups."*

The Government has recently made strides to improve labor market conditions with the Labor and Flexibility Act (Act 4-2017) in January 2017, which added flexibility to overtime regulations and increased work requirements to become eligible for Christmas Bonus and severance pay, among other reforms. However, the Island still is not an employment at-will jurisdiction, imposing costs and regulatory burdens that reduce employment, wages and economic opportunity.

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<sup>34</sup> RAND Corporation, 1992

<sup>35</sup> Kugler (2004). See Dertouzos, James N., and Lynn A. Karoly. "Labor market responses to employer liability." Rand Corporation, 1992; Autor, David H., William R. Kerr, and Adriana D. Kugler. "Does Employment Protection Reduce Productivity? Evidence from U.S. States." *The Economic Journal* (2007): F189-F217; Heckman, James. *Law and employment: Lessons from Latin America and the Caribbean*. No. w10129. National Bureau of Economic Research, 2003; Kugler, Adriana D. "The effect of job security regulations on labor market flexibility. Evidence from the Colombian Labor Market Reform." In *Law and Employment: Lessons from Latin America and the Caribbean*, pp. 183-228. University of Chicago Press, 2004

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**BY ELECTRONIC MAIL**

June 29, 2018

The Honorable Ricardo A. Rosselló Nevares  
Governor of Puerto Rico

The Honorable Thomas Rivera Schatz  
President of the Senate of Puerto Rico

The Honorable Carlos J. Méndez Núñez  
Speaker of the House of Representatives of Puerto Rico

Dear Governor Rosselló Nevares, President Rivera Schatz, and Speaker Méndez Núñez:

The New Fiscal Plan for the Commonwealth of Puerto Rico, as certified on April 19, 2018 and recertified on May 30, 2018 (the “New Fiscal Plan”), chartered a path forward for overcoming the numerous and entrenched challenges that Puerto Rico has faced for decades, challenges that have become all the more pressing in light of the devastation wrought by Hurricanes Maria and Irma. The New Fiscal Plan provided a blueprint of the structural reforms and fiscal measures that, if implemented, would give Puerto Ricans what they need and deserve – a growing economy with more and better jobs, resilient infrastructure, and an effective and efficient public sector. Full implementation also would have put Puerto Rico on the path to meeting the objectives laid out in PROMESA: achieving fiscal responsibility and balance, regaining access to the capital markets, and restoring economic opportunity for the Island.

Unfortunately, we now know that the Government of Puerto Rico will not implement the New Fiscal Plan in full because the Legislature did not comply with the April 19, 2018 version of the New Fiscal Plan or with the May 30, 2018 version of the New Fiscal Plan. The Legislature failed to pass the most important component of the Labor Reform Package — the repeal of Law 80 and turning Puerto Rico into an at-will employment jurisdiction — as required by the New Fiscal Plan. Accordingly, the Oversight Board will follow through on the commitment that it made in its letter, dated June 4, 2018, to Representative Jorge Navarro Suárez, who had asked the Oversight Board what would happen if the Legislature did not comply with the New Fiscal Plan.

Hon. Ricardo A. Rosselló Nevares  
Hon. Thomas Rivera Schatz  
Hon. Carlos J. Méndez Núñez  
June 29, 2018  
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### **Changes to the Commonwealth Fiscal Plan**

Today, June 29, 2018, the Oversight Board intends to certify a revised version of the New Fiscal Plan to reflect the following changes relative to the April 19 and May 30, 2018 versions of the New Fiscal Plan:

- 1) *Macroeconomic adjustments*: Because Law 80 was not repealed, the macroeconomic impact of labor reform is limited to the implementation of the Earned Income Tax Credit and welfare to work, which leads to a score of 0.30% growth. The “Trading Across Borders” structural reform in the May 30, 2018 version of the New Fiscal Plan will remain and is scored at 0.15% growth.
- 2) *Revenue forecast*: The revenue forecast for the General Fund, as submitted to the Government on May 31, 2018, will be amended to \$8,458M General Fund and \$20,355M consolidated.
- 3) *Accommodation spending*: Because Law 80 was not repealed, the accommodation agreed to with the Government is reversed, which means eliminating: \$345M in spending categories across the fiscal plan period; the annual \$50M municipal fund; the annual \$25M UPR scholarship fund; and the public-sector Christmas bonus across all government employees starting in FY19.
- 4) *Reinstating rightsizing*: Right-sizing measures will be reinstated for the Legislature and the Judiciary.
- 5) *Focus on anti-corruption, anti-fraud, and transparency efforts*: In line with the Governor’s priorities, the Oversight Board will remove the right-sizing targets for the Office of the Comptroller and the Office of Government Ethics, thus leaving the budgets for these two offices unaltered from FY18.
- 6) *Remove tax law initiatives*: Because the Legislature did not pass by the end of the legislation session the tax law initiatives described in the New Fiscal Plan, they will be removed.
- 7) *UPR independently-managed scholarship fund*: As stated in the April 19, 2018 version of the New Fiscal Plan, an independently managed UPR scholarship will be established and funded from the right-sizing savings achieved from the Legislature, Judiciary, AAFAF, and FOMB.
- 8) *Adjustments based on lower FY19 budget submissions*: The Governor’s budgets submitted on June 1, 2018 and June 22, 2018 allocated less money to certain agencies than the New Fiscal Plan had projected. For those agencies, the budget will be adjusted to match the Governor’s submission.



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- 9) *Starting in FY19, include police under age 40 in the Social Security Program:* As requested by the Governor, we will be moving forward enrollment of police under the age of 40 in Social Security beginning in FY19 instead of FY20, once necessary changes to their pension programs have been implemented.
- 10) *Technical adjustments based on new information:* Various adjustments will be made to align with new factual information from the Government or the federal government, including information identified through working with the Government in the budget submission process. Examples include insurance premium costs, rent expense, and Law 70 expenses.

### **Changes to the Instrumentalities Fiscal Plans**

- 1) PREPA: The New Fiscal Plan that the Oversight Board intends to certify on June 29, 2018 will have changes that have macroeconomic implications, which will need to be reflected in a revised fiscal plan for PREPA. Because PREPA must have a budget certified before July 1, 2018, and given that PREPA requires several days to run the macroeconomic changes through its model before a new fiscal plan or budget can be created, the Oversight Board intends to certify a FY19 budget for PREPA by June 30, 2018 that is compliant with the fiscal plan for PREPA that was certified on April 19, 2018. The Oversight Board is aware that the macroeconomics for the April 19, 2018 fiscal plan for PREPA will not be aligned with those for the New Fiscal Plan that the Oversight Board intends to certify on June 29, 2018. As soon as PREPA can generate a new fiscal plan and budget to reflect these macroeconomic changes, but no later than July 12, 2018, the Oversight Board will revise the fiscal plan and budget for PREPA to remedy this inconsistency. Accordingly, the Oversight Board intends for the FY19 budget for PREPA that it certifies by June 30, 2018 to serve solely as an interim, operating budget, that will be applicable for no more than the first two weeks of FY19.
- 2) PRASA: The New Fiscal Plan that the Oversight Board intends to certify on June 29, 2018 will have changes that have macroeconomic implications, which will need to be reflected in a revised fiscal plan for PRASA. Because PRASA must have a budget certified before July 1, 2018, and given that PRASA requires several days to run the macroeconomic changes through its model before a new fiscal plan or budget can be created, the Oversight Board intends to certify a FY19 budget for PRASA by June 30, 2018 that is compliant with the fiscal plan for PRASA that was certified on April 19, 2018. The Oversight Board is aware that the macroeconomics for the April 19, 2018 fiscal plan for PRASA will not be aligned with those for the New Fiscal Plan that the Oversight Board intends to certify on June 29, 2018. As soon as PRASA can generate a new fiscal plan and budget to reflect these macroeconomic changes, but no later than July 12, 2018, the Oversight Board will revise the fiscal plan and budget for PRASA to remedy this inconsistency. Accordingly,

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the Oversight Board intends for the FY19 budget for PRASA that it certifies by June 30, 2018 to serve solely as an interim, operating budget, that will be applicable for no more than the first two weeks of FY19.

## Conclusion

We understand that the Legislature intends to submit its version of the budget for the Commonwealth by June 30, 2018, as is its right under Commonwealth law. The Oversight Board will review that budget for compliance against the New Fiscal Plan, as described in this letter, which the Oversight Board intends to certify on June 29, 2018. Should the Oversight Board determine, in its sole discretion, that the budget that the Legislature submits on June 30, 2018 is not compliant with the New Fiscal Plan, as certified on June 29, 2018, the Oversight Board will certify its own budget on June 30, 2018.

Sincerely,



Natalie A. Jaresko

José B. Carrión  
Andrew G. Biggs  
Carlos M. García  
Arthur J. González  
José R. González  
Ana J. Matosantos  
David A. Skeel, Jr.

CC: Christian Sobrino Vega  
Gerardo Portela Franco  
Raul Maldonado Gautier  
Jose I. Marrero Rosado



GOVERNMENT OF PUERTO RICO

18th Legislative Assembly

3d Ordinary Session

\_\_\_\_ **Bill**

\_\_ APRIL, 2017

Submitted by \_\_\_\_\_

Referred to \_\_\_\_\_

**LAW**

To enact the “*Labor Reform Law of 2018*”, in order to amend Article 2 of Law No. 180-1998, as amended; repeal Law No. 148 of June 30, 1969, as amended; repeal any mandatory decree approved before the effective date of this law; repeal Article 5; amend Article 6(a) and renumber it as Article 5; renumber Article 7 as Article 6; renumber Article 8 as Article 7; renumber Article 9 as Article 8; renumber Article 10 as Article 9; renumber Article 11 as Article 10; renumber Article 12 as Article 11; renumber Article 13 as Article 12 of Law No. 180-1998; repeal Law No. 80 of May 30, 1976, as amended; amend Articles 2(a) and 2(b) of Law No. 115-1991, as amended; and for other related purposes.

STATEMENT OF INTENT

By approving the *Transformation and Flexibility Law*, Law No. 4-2017, this Administration acknowledged the urgent need to establish a clear and consistent public policy, aimed at transforming Puerto Rico into an attractive jurisdiction to establish businesses that create employment opportunities; to foster employment growth in the private sector; and to move more individuals from the informal to the formal labor market. In order to attain these objectives, we made a commitment to institute a series of structural measures to improve existing labor rules. This new vision of flexible employment regulations, as well as other measures, will allow businesses to grow and prosper resulting in increased and improved employment opportunities for our residents.

The Statement of Intent of the *Transformation and Flexibility Law* describes the reasons why changes in labor regulations are essential to transform Puerto Rico into a more competitive and attractive jurisdiction in order to entice and retain the type of investment that will create employment in our island.

By increasing the employment participation rate in Puerto Rico, the income of our labor force will increase, poverty levels will decrease, and government revenues will increase. Unless Puerto Rico's employment participation rate is substantially increased, the income of our people will always remain significantly below the income prevailing in the continental states and Puerto Ricans will continue to seek employment elsewhere and leave Puerto Rico.

On April 19, 2018, the Financial Oversight and Management Board for Puerto Rico, created under the Puerto Rico Oversight, Management and Economic Stability Act of 2016 ("PROMESA"), certified a fiscal plan for the Government of Puerto Rico that covers fiscal year 2018 through fiscal year 2023 (the "New Fiscal Plan"). An integral component of the New Fiscal Plan is the adoption of certain reforms related to our labor laws, the establishment of a local Earned Income Tax Credit (EITC), and the creation of certain work requirements and work bonuses for the participants in the Nutritional Assistance Program (PAN). The New Fiscal Plan projects that the adoption of the certain reforms related to our labor laws would generate a positive impact of \$330 million in additional revenues collected by the government over the period covered by the New Fiscal Plan. Pursuant to the New Fiscal Plan, these projected revenue increases are conditioned on the enactment of these certain labor law reforms no later than May 31, 2018. Consequently, the implementation of said labor law reforms shall have an immediate impact on the economy's growth, thus improving government finances and the government's ability to appropriate such funds for essential healthcare and higher education programs.

After little over a year of the approval of the *Transformation and Flexibility Law*, a review of the impact of said legislation shows the need to make deeper structural measures in order to have our current regulatory system resemble the regulatory system prevailing in the continental states.

The time has come to acknowledge that Puerto Rico's competitiveness has been undermined by the cumulative effect of decades of employment legislation that is significantly different from the regulatory system prevailing in the continental states. Improving our competitiveness and ability to attract and retain more and better jobs is urgent for the island's wellbeing.

There is reasonable basis to conclude that imposing mandatory fringe benefits without considering the productivity of the employee or the situation of the entity paying the benefits stifles salaries; reduces personnel recruitment and negatively impacts a country's employment levels. Relaxing the economic burden of such fringe

benefits translates into increased compensation, increased production and allows benefits to be granted according to the particular circumstances of each business. This is precisely the approach followed in the regulatory systems prevailing in the jurisdictions to which thousands of Puerto Ricans migrate every year.

On the other hand, it must be recognized that the labor regime applicable in the continental states to the private sector has remained consistent on the principle that, except for reasons prohibited by law, the hiring and employment tenure should not be subject to government control through employment termination laws. The *Employment-At-Will* system has been widely examined. Such system ensures that employment is based on productivity and good conduct and prevents any undue government intervention in critical business decisions.

The prevailing experience in the continental states clearly shows that the existence of an “at will” employment rule does not produce employer conduct that is detrimental to the wellbeing of the workers. However, the existence of legislation such as Law No. 80 of May 30, 1976, as amended, in fact increases the economic risks faced by the employers for every dismissal decision taken. The evidence available fails to support the conclusion that the repeal of Law No. 80 and the establishment of the regulatory system prevailing in the states will result in a deterioration of local working conditions. On the other hand, keeping Law No. 80 in effect will maintain Puerto Rico as a less attractive jurisdiction, restrict employers in a very important aspect of the management of their businesses and continue to reduce employment opportunities.

Consistent with the new labor policy that supports the *Transformation and Flexibility Law*, these measures continue the process of adjusting some aspects of our employment laws in order to stimulate economic growth and create more employment opportunities.

*IT IS DECREED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:*

- 1 Chapter I. Title.-
- 2 Article 1.1- This Law shall be named “Labor Reform Law of 2018.”
- 3 Chapter II. Minimum Wage-
- 4 Article 2.1- Article 2 of Law No. 180-1998, as amended, is amended to read as
- 5 follows:
- 6 “Article 2.-

1           The federal minimum wage set by the Fair Labor Standards Act, approved  
2           by the United States Congress on June 25, 1938, as amended, or as subsequently  
3           amended, shall automatically apply to the Puerto Rico workers covered by said  
4           federal law.

5           *Notwithstanding, effective January first of the year following the effective date of*  
6           *the repeal of Law No. 148 of June 30, 1969, as amended, the employer covered by this law*  
7           *shall pay any employee of twenty-five (25) years of age or more a minimum wage of no*  
8           *less than seven dollars and fifty cents (\$7.50) per hour, unless the applicable federal*  
9           *minimum wage is higher or the employee is totally or partially exempt from the federal*  
10          *minimum wage provisions.*

11          *Subject to the conditions and limitations of this Article, the minimum wage for the*  
12          *covered employees shall increase to seven dollars and seventy five cents (\$7.75 ) once the*  
13          *labor participation rate in Puerto Rico exceeds forty five percent (45%); to eight dollars*  
14          *(\$8.00) once the labor participation rate in Puerto Rico exceeds fifty percent (50%); and*  
15          *to eight dollars and twenty-five cents (\$8.25) once the labor participation rate in Puerto*  
16          *Rico exceeds fifty five percent (55%). For purposes of this Article, the annual*  
17          *determination published by the U.S. Bureau of Labor Statistics shall be used to determine*  
18          *the labor participation rate in Puerto Rico, and the increase of the minimum wage shall*  
19          *be effective after ninety (90) days of its publication.*

20          *The small and medium-sized employers ("PyMEs"), as defined by Law No.*  
21          *120-2014, shall be subject only to the applicable federal minimum wage and not to the*  
22          *increases provided by this Article.*

1           When applying the federal minimum wage, the provisions of federal laws  
2           and regulations in connection with the manner in which the minimum wage is  
3           paid, the definition of working hours, employees and positions which are  
4           exempt of the minimum wage, and the definition of hours or time worked shall  
5           be adopted.

6                                   Chapter III. Voluntary Christmas Bonus.-

7           Article 3.1- Law No. 148 of June 30, 1969, as amended, is repealed effective  
8           September 30, 2018. Notwithstanding, the rights, obligations and limitations provided  
9           by said law shall apply to the bonus for year 2018.

10                                   Chapter IV. Vacation and Sick Leave.-

11           Article 4.1- Any mandatory decree approved before the effective date of this Law  
12           is repealed.

13           Article 4.2- Article 5 of Law No. 180-1998, as amended, is repealed.

14           Article 4.3- Article 6(a) and Article 5 of Law 180-1998, as amended, are amended  
15           and renumbered, respectively, to read as follows:

16           “Article 5.-Provisions on Vacation and Sick Leave.-

17                   (a) All employees shall be entitled to a minimum accrual of vacation  
18                   and sick leave by working at least one hundred and thirty (130) hours a month.

19                   The minimum monthly accrual for vacation leave *and sick leave* shall be a  
20                   *proportional amount of seven (7) days per year for each benefit. [it shall be half (1/2) a*  
21                   **day during the first year of service; three fourths (3/4) of a day after the first**

1 year of service until five (5) years of service; one (1) day after five (5) years of  
2 service until fifteen (15) years of service; and one and one fourth (1 1/4) of a day  
3 after completing fifteen (15) years of service. The monthly minimum accrual  
4 for sick leave shall be of one (1) day per month.]

5 Notwithstanding, in the case of employers who are residents of Puerto  
6 Rico with an amount of employees not exceeding twelve (12), the minimum  
7 monthly accrual for vacation leave shall be of half (1/2) a day per month. This  
8 exception is available to the employer while its amount of employee remains at  
9 twelve (12) or less, and shall cease on the calendar year following the year in  
10 which the employer's payroll is in excess of twelve (12) for twenty-six (26) weeks  
11 or more in each of two (2) consecutive calendar years. [The minimum monthly  
12 accrual for sick leave for the employees of these employers shall be of one (1)  
13 day for each month.]

14 The use of vacation and sick leave shall be considered time worked for  
15 purposes of accrual of said benefits.

16 Article 4.4- Article 7 of Law 180-1998, as amended, is renumbered as Article 6.

17 Article 4.5- Article 8 of Law 180-1998, as amended, is renumbered as Article 7.

18 Article 4.6- Article 9 of Law 180-1998, as amended, is renumbered as Article 8.

19 Article 4.7- Article 10 of Law 180-1998, as amended, is renumbered as Article 9.

20 Article 4.8- Article 11 of Law 180-1998, as amended, is renumbered as Article 10.

21 Article 4.9- Article 12 of Law 180-1998, as amended, is renumbered as Article 11.

22 Article 4.10- Article 13 of Law 180-1998, as amended, is renumbered as Article 12.

1 Chapter V. Employment at Will.-

2 Article 5.1- Law No. 80 of May 30, 1976, as amended, is repealed effective January 1,  
3 2019. Notwithstanding, the rights, obligations and limitations under said law shall  
4 continue to apply for dismissals occurring before the effective date of its repeal.

5 Article 5.2- The repeal of Law No. 80 of May 30, 1976, as amended, shall not affect  
6 any rights to which the employee was entitled before the approval of this law; to obtain  
7 a relief for damages from tortious actions by the employer unrelated to the mere  
8 termination of employment or the employment contract; to any additional relief  
9 provided by special laws and those granted for a dismissal with the main purpose and  
10 intent to violate clear public policy by the State or any applicable constitutional right of  
11 the employee. By repealing Law No. 80 of May 30, 1976, as amended, a legal standard  
12 is established allowing the employee or the employer to terminate at will, without  
13 incurring is civil liability, any employment contract of indefinite duration.

14 Chapter VI. Retaliation.-

15 Article 6.1- Articles 2(a) and 2(b) of Law No. 115-1991, as amended, are amended to  
16 read as follows:

17 "Article 2. —

18 (a) No employer shall dismiss, threat or discriminate against an employee in  
19 relation to the terms, conditions, compensation, location, benefits or privileges of  
20 employment because the employee offers or attempts to offer, verbally or in  
21 writing, any testimony, statement or information before a legislative,  
22 administrative or judicial forum in Puerto Rico, as well as testimony, statements



1 or information offered or attempt to offer, through internal proceedings  
2 established by the company, or before any employee or representative in a  
3 position of authority, *alleging the employer violated any employment law*, provided  
4 such statements are not difamatory in nature and do not disclose privileged  
5 information as defined by law.

6 (b) Any person alleging a violation of this law may file a civil action against the  
7 employer within **[three (3) years]** *one (1) year* from the date in which the violation  
8 occurred, to request compensation for real damages suffered, and mental  
9 anguish, reinstatement to the employment, back pay, benefits and attorneys' fees.

10 **[The employer's liability in connection with the damages and the back pay**  
11 **shall be double the amount awarded for the violation of the provisions of this**  
12 **law.]** *The employer's liability in connection with the violations of this law shall be*  
13 *determined on the basis of the provisions of Articles 6.1 and 6.2 of Law No. 4-2017.*

#### 14 **Chapter VII. Final Provisions.-**

##### 15 **Article 7.1.- Severability.-**

16 If any clause, paragraph, subparagraph, sentence, word, letter, article, provision,  
17 section, subsection, title, chapter, subchapter, heading or part of this law is annulled or  
18 declared unconstitutional, the resolution, ruling or judgment issued to that effect shall  
19 not affect, prejudice or invalidate the remaining parts of this law. The effect of such a  
20 judgment shall be limited to the clause, paragraph, subparagraph, sentence, word,  
21 letter, article, provision, section, subsection, title, chapter, subchapter, heading or part of  
22 the same that is annulled or declared unconstitutional. If the application to a person or

1 circumstance of any clause, paragraph, subparagraph, sentence, word, letter, article,  
2 provision, section, subsection, title, chapter, subchapter, heading or part of this law is  
3 invalidated or declared unconstitutional, the resolution, ruling or judgment issued to  
4 that effect shall not affect or invalidate the application of the remainder of this law to  
5 those persons or circumstances to which it may be validly applied. It is the express and  
6 unequivocal will of this Legislative Assembly that the courts enforce its provisions and  
7 that this law be applied as widely as possible, even if some of its parts are declared  
8 ineffective, null, invalid, prejudicial or unconstitutional, or even if its application to any  
9 person or circumstances is declared ineffective, invalid or unconstitutional. The  
10 Legislative Assembly would have approved this law regardless of the severability  
11 determination that a court may issue.

12 Article 7.2.- Effective date.-

13 This law shall be effective immediately after its approval.

**New Fiscal Plan for Puerto Rico**

Restoring Growth  
and Prosperity

**As Certified by The Financial Oversight and  
Management Board for Puerto Rico**

April 19, 2018

## PART III: Restoring growth to the Island

A sustainable fiscal and economic turnaround depends entirely on comprehensive structural reforms to the economy of Puerto Rico. Only such reforms can drive growth in the economy, reversing the negative trend growth over the last 10 years and enabling the Island to become a vibrant and productive economy going forward. To reverse the negative economic trends, the Government must pursue reforms in the following areas:

**Human capital and workforce reforms** will improve workforce participation, well-being and self-sufficiency of welfare recipients, and preparedness of adults and youth for a long and fulfilling career, resulting in a cumulative GNP impact of 1.00% by FY2023. The impact is enhanced in the long-term as K-12 education reforms begin adding an additional 0.01% GNP impact per year, resulting in an additional 0.16% uptick by FY2048 that continues growing in outer years (to 0.28% by FY2060).

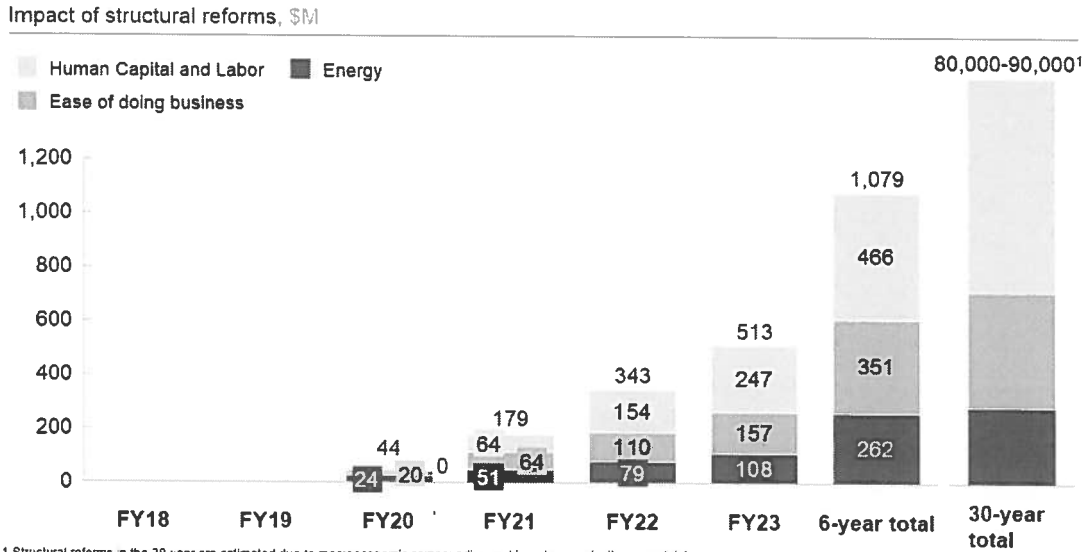
**Ease of doing business reforms** will improve conditions for economic activity and job creation, employment opportunities, and business vitality, resulting in cumulative GNP impact of 0.5% by FY2023.

**Power sector reforms** will improve availability and affordability of energy for families and businesses, resulting in 0.30% cumulative GNP impact by FY2023.

**Infrastructure reform and capital investment** will improve the flow of goods, services, and people across the Island. It has not been scored to provide a specific GNP uptick, yet is undoubtedly a consequential uptick in the Island's long-term development.

**If implemented immediately, the structural reforms are projected to result in a sustained 1.80% annual real GNP growth by FY2023.** As shown below (**Exhibit 28**), these reforms equal approximately \$80-90 billion in increased Commonwealth revenues over 30 years. In the long term, **education reforms are projected to add an additional cumulative 0.16% to GNP growth, making total impact 1.96% by FY2048.** The reforms are crucial to placing Puerto Rico on a path to long-term structural sustainability.

EXHIBIT 28: IMPACT OF STRUCTURAL REFORMS OVER 30 YEARS



## Chapter 7. HUMAN CAPITAL & LABOR REFORM

### 7.1 Current state of labor / welfare laws and human capital

Puerto Rico faces immense challenges with formal labor force participation and preparedness. The Island's formal labor force participation rate is only ~40%, far from the U.S. mainland average (63%) or even the lowest-ranked U.S. state (West Virginia, 53%), and well below other Caribbean islands. In fact, according to World Bank data, Puerto Rico's formal labor force participation rate is currently 7<sup>th</sup> lowest in the world and has never ranked higher than the bottom 20.<sup>30</sup> Puerto Rico's youth unemployment rate is 23.8%, almost double the world average (13.8%) and more than double the U.S. average (10%).<sup>31</sup> Low labor force participation in Puerto Rico is a function of neither Hurricane Maria nor the economic downturn that began in 2006; rather, low rates of employment are a long-term structural problem that can be addressed only through significant changes to public policy.

Unless Puerto Rico substantially increases its labor force participation and employment, incomes will always fall far below mainland states and outmigration will continue to draw Puerto Ricans away from the island of their birth. However, if Puerto Rico increased its labor force participation rate even to that of the lowest U.S. state, incomes would rise, poverty would decline, and the budgetary deficit would improve. **While many other reforms are important to making these improvements, increasing labor force participation may be the single most important reform for long-term economic well-being in Puerto Rico.**

#### 7.1.1 Labor laws

Puerto Rico's historically low levels of formal labor force participation cannot be attributed to any single factor, but a range of public policies have served to reduce employment on the Island. Puerto Rico has by far the most generous mandated employer benefits in the U.S., which increase the cost of hiring employees. Unlike Puerto Rico, no mainland states mandate any paid vacation and few mandate even a modest amount of sick leave. No state requires employers to pay a Christmas bonus. Thus, it can be more expensive to employ a low-wage worker in Puerto Rico than on the mainland, making Puerto Rico less competitive in labor-intensive sectors such as tourism.

Economists have documented that when employers are required to provide an employee benefit, those employers will tend to recoup the costs of those benefits by reducing the wages paid to employees.<sup>32</sup> When employers are prevented from reducing wages to offset costs of

<sup>30</sup> Puerto Rico ranking has never surpassed 215<sup>th</sup> out of the 232 countries, states, and territories tracked by The World Bank Group since The World Bank Group began collecting data in 1990

<sup>31</sup> The World Bank Group, 2017, via International Labour Organization, ILOSTAT database. Data retrieved in March 2017. <https://data.worldbank.org/indicator/SL.UEM.1524.ZS>

<sup>32</sup> This has been shown to be true with employer-paid Social Security taxes, health coverage, maternity leave, and other benefits. For instance, the Congressional Budget Office and the Social Security Administration both assume that an increase in Social Security payroll taxes levied on employers would result in a roughly dollar-for-dollar reduction in employee wages. Likewise, when the Affordable Care Act ("Obamacare") was projected to reduce the rate of growth of employer health care costs, the Social Security and Medicare Trustees assumed that this would be reflected in increased wages paid to employees. Gruber and Krueger (1991) found that employer costs for workers compensation insurance are largely shifted to employees via lower wages. Gruber (1994) found that when employers were required to provide maternity health benefits to employees, wages for employees declined by a similar amount. Prada et al (2017) found that when Chile required employers to provide free child care, wages for women declined by 9 to 20 percent. Kolstad and Kowalski (2016) found that when Massachusetts required employers to provide health insurance, wages for employees declined by an amount similar to the health premiums paid by employers. (Gruber, Jonathan, and Alan B. Krueger. "The incidence of mandated employer-provided insurance: Lessons from workers' compensation insurance." *Tax policy and the economy* 5 (1991): 111-143. Gruber, Jonathan. "The incidence of mandated maternity benefits." *The American economic*

mandated benefits, as may be the case with a minimum wage worker, they may choose to reduce the number of workers they hire. Thus, it is reasonable to assume that Puerto Rico's high levels of mandated employer-paid benefits reduce both wages and employment relative to a scenario in which such benefits were not required.

Likewise, there is evidence that employer benefit costs can increase the size of the informal labor market, where income is not reported and such benefits need not be provided.<sup>33</sup> About one quarter of Puerto Rican workers participate in the informal economy according to Estudios Técnicos, substantially higher than any mainland state.<sup>34</sup>

In addition to costly mandatory employer-provided benefits, Puerto Rico lacks "at-will employment," which would make it easier for employers to dismiss unsatisfactory employees. While there are variations in labor laws among the 50 mainland states, 49 of them adopt some form of at-will employment. In Puerto Rico, employers generally must first prove "just cause" before dismissing employees. This can produce litigation, and many employers simply pay severance pay to an unsatisfactory employee to avoid a court dispute.

While some employees benefit from Puerto Rico's lack of at-will employment, this policy makes it more costly and risky not only to dismiss, but also to hire, an employee. There is evidence that such job protections lower employment opportunities. For example, studies have found that laws preventing unfair dismissal caused reductions in employment, particularly in labor-intensive industries;<sup>35</sup> and in U.S. states, a recent study found that expanding unfair dismissal protections caused employers to shift away from using less-skilled workers and toward greater use of capital investments and more-skilled labor. When Colombia reduced the cost of dismissing workers, unemployment fell and the size of the informal labor force declined.<sup>36</sup> In a 2003 book on labor laws in Latin America and the Caribbean, Nobel Prize-winning economist James Heckman concluded that

"mandated benefits reduce employment and... job security regulations have a substantial impact on the distribution of employment and on turnover rates. The most adverse impact of regulation is on youth, marginal workers, and unskilled workers. Insiders and entrenched workers gain from regulation but outsiders suffer. As a consequence, job security regulations promote inequality among demographic groups."

The Government has recently made strides to improve labor market conditions with the Labor and Flexibility Act (Act 4-2017) in January 2017, which added flexibility to overtime regulations and increased work requirements to become eligible for Christmas Bonus and severance pay, among other reforms. Notwithstanding such reforms, Puerto Rico's labor laws remain by far the most burdensome in the U.S. The Island still requires a Christmas bonus and severance payouts, mandates 27 days of paid leave per year, and is not an employment at-

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review (1994): 622-641. Prada, María F., Graciana Rucci, and Sergio S. Urzúa. The effect of mandated child care on female wages in Chile. No. w21080. National Bureau of Economic Research, 2015. Kolstad, Jonathan T., and Amanda E. Kowalski. "Mandate-based health reform and the labor market: Evidence from the Massachusetts reform." *Journal of health economics* 47 (2016): 81-106.)

33 Kugler et al (2017) found that a reduction in employer payroll taxes in Colombia reduced the size of the country's informal labor market. Kugler, Adriana, Maurice Kugler, and Luis Omar Herrera Prada. "Do payroll tax breaks stimulate formality? Evidence from Colombia's reform." No. w23308. National Bureau of Economic Research, 2017

34 Estudios Técnicos, Inc, "The Informal Economy in Puerto Rico," August 9, 2012

35 RAND Corporation, 1992

36 Kugler (2004). See Dertouzos, James N., and Lynn A. Karoly. "Labor market responses to employer liability." Rand Corporation, 1992; Autor, David H., William R. Kerr, and Adriana D. Kugler. "Does Employment Protection Reduce Productivity? Evidence from U.S. States." *The Economic Journal* (2007): F189-F217; Heckman, James. Law and employment: Lessons from Latin America and the Caribbean. No. w10129. National Bureau of Economic Research, 2003; Kugler, Adriana D. "The effect of job security regulations on labor market flexibility. Evidence from the Colombian Labor Market Reform." In *Law and Employment: Lessons from Latin America and the Caribbean*, pp. 183-228. University of Chicago Press, 2004



will jurisdiction, imposing costs and regulatory burdens that reduce employment, wages and economic opportunity.

### 7.1.2 Welfare policies

In addition to the Island's labor laws, Puerto Rico residents may also face disincentives to participate in the formal labor market due to rules attached to various welfare benefits, including the Nutritional Assistance Program (PAN), Mi Salud (Medicaid), Section 8 public housing, TANF, WIC, and other programs.

These benefits are sometimes stereotyped with a claim that "welfare pays more than work." While this may be true in isolated cases, the broader problem occurs when welfare beneficiaries work in the formal sector and receive earnings, which triggers a reduction in their benefits. The phase-out of government transfer benefits as earned income increases acts as a tax to disincentivize formal employment, as effective hourly wage (income received by working minus the loss of benefits) can be substantially lower than the formal hourly wage received. For many citizens, working in the informal sector and collecting transfer benefits can often result in higher effective income than working in the formal sector.

While transfer benefits in Puerto Rico are not more generous than on the mainland in dollar terms, they *are* more generous relative to generally lower earnings on the Island. When benefits are phased out as a beneficiary works, loss of benefits may be larger relative to earnings than for a mainland worker. This can serve as a greater disincentive to work than on the mainland.

It is difficult to quantify how large such disincentive effects may be due to limitations on the data available. Different individuals entitled to different sets of benefits are thus faced with different incentives should they work. It is reasonable to conclude that for many welfare beneficiaries, formal sector work may sometimes do little to increase household incomes.

For individuals receiving food stamps, Mi Salud, TANF and public housing, it often makes little financial sense to work at the minimum wage in the formal sector. For a full-time minimum wage worker the loss of benefits will offset most or all income received from work, leaving the household no better off.<sup>37</sup>

Though few Puerto Rico residents receive all these benefits,<sup>38</sup> even receipt of a single type of benefits can alter incentives to engage in the formal workforce. For instance, a single mother with two children and annual income below \$4,900 is eligible to receive approximately \$4,229 in annual PAN ("food stamp") benefits. But should that individual work 35 hours per week at the minimum wage, her annual earnings of \$12,180 would cause her to lose eligibility for food stamps. Net of taxes on her earnings, working full-time would increase her household's annual income by only \$7,002, equivalent to an hourly wage of only \$3.86. Under those conditions, some individuals may choose not to work in the formal labor market.

Even when TANF and Section 8 housing benefits are excluded, monthly income paid to a minimum wage worker with two children is only \$329 greater than what he or she could

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<sup>37</sup> Burtless, Gary, and Orlando Sotomayor. "Labor supply and public transfers." In *The Economy of Puerto Rico: Restoring Growth* (2006): 82-151

<sup>38</sup> See Héctor R. Cordero-Guzmán, "The production and reproduction of poverty in Puerto Rico," in Nazario, Carmen R., ed. *Poverty in Puerto Rico: A Socioeconomic and Demographic Analysis with Data from the Puerto Rico Community Survey* (2014). Inter American University of Puerto Rico, Metro Campus, 2016. Cordero. Notes that the number of TANF beneficiaries in Puerto Rico is relatively modest and many, due to age or disability, are unlikely to work under any conditions



receive from government benefits.<sup>39</sup> In this example, effective hourly pay (the amount received from working more than what the individual could receive from government benefits without working) is only about \$2.35.

Mainland states face many of these same incentive issues, which they address in two ways. First, residents of mainland states are eligible for the Federal Earned Income Tax Credit (EITC), which provides a partial refund against Federal income taxes for eligible low-income workers. Many states supplement the Federal EITC to increase benefits to recipients. By increasing the reward to work, the EITC has been shown to increase labor force participation.<sup>40</sup> However, because Puerto Rico residents do not pay Federal income taxes they are not currently eligible for the Federal EITC.

Likewise, the Federal Government requires that food stamp programs on the mainland (Supplemental Nutrition Assistance Program, "SNAP") contain a work requirement. In general, working-age SNAP beneficiaries on the mainland must register for work, cannot turn down a job if offered, and may be required by the state to attend education or work training classes. In addition, Federal law requires that non-disabled adults without dependents must work, attend education, or volunteer at least 20 hours per week to maintain eligibility for benefits.

Puerto Rico's labor and welfare laws may help explain why, despite the Island's natural beauty, attractions and ease of access from the U.S. market, employment in tourism-related industries is low. According to the Federal Bureau of Labor Statistics (BLS), Puerto Rico employs only 80,000 individuals in the leisure and hospitality industries – 10,000 fewer tourism-related jobs than the state of Nebraska, which both lacks Puerto Rico's natural assets and has an overall population over one-third smaller than Puerto Rico.

### *7.1.3 Workforce preparedness*

Finally, Puerto Rico's potential workforce is also not well prepared to fill jobs currently needed by the economy, according to a report by the Federal Reserve Bank of New York.<sup>41</sup> For example, reconstruction efforts in the wake of Maria rely heavily on external contractors from the mainland U.S., as the skills needed are not readily available on the Island. Puerto Rico currently does not ensure proper skill development for youth and adults to fill high-demand roles based on current economic needs.

Puerto Rico has therefore not solved the supply or demand side issues with its labor market – a huge barrier to economic growth and sustainability for the Island.

## **7.2 Future vision for the Puerto Rican labor market**

Changes to labor and welfare laws are controversial. It is difficult to ask Puerto Rican residents to give up benefits and job protections when, through the economic downturn and then Hurricane Maria, they already have lost so much. Nevertheless, dramatic changes to Puerto Rico's labor market policies are necessary to provide opportunity for a greater standard of living at home, reversing the Island's history of high poverty, constrained budgets, and pressure for young Puerto Ricans to leave their home for the mainland.

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<sup>39</sup> Advantage Business Consulting. "Beneficios de las Personas Elegibles al TANF vs. Escenario de Salario Mínimo Federal." Prepared for the Universidad Interamericana, May 2015

<sup>40</sup> See Eissa, Nada, and Jeffrey B. Liebman. "Labor supply response to the earned income tax credit." *The Quarterly Journal of Economics* 111, no. 2 (1996): 605-637

<sup>41</sup> Federal Reserve Bank of New York, "An Update on the Competitiveness of Puerto Rico's Economy." July 31, 2014. <https://www.newyorkfed.org/medialibrary/media/outreach-and-education/puerto-rico/2014/Puerto-Rico-Report-2014.pdf>

The New Fiscal Plan builds upon policies proposed by Governor Rosselló in the Government's Draft Fiscal Plan Submission in March 2018, but with several substantial adjustments.

To ensure Puerto Rico can provide opportunities for its people for years to come, structural reforms must make it easier to hire, encourage workforce participation, and enhance student outcomes and workforce development opportunities to ensure a pipeline of prepared and appropriately-skilled individuals. The Government should aim to **increase the labor force participation rate to 47% and reduce the youth unemployment rate to 20.2% by FY2023**. In both cases, these results would roughly halve the current gap between Puerto Rico and the lowest U.S. state (West Virginia).

By achieving these goals, the Government should increase household incomes, cut the poverty rate and reduce incentives to emigrate to the mainland. Moreover, successful labor market reforms are projected to approximately \$50 billion in additional revenues by FY2048 and over ~\$460 million from FY2018-23, which is an approximately \$330 million increase in surplus over the limited labor reform package proposed by the Rosselló Administration.<sup>42</sup> Therefore, by implementing the labor market reforms contained in the New Fiscal Plan, the Government of Puerto Rico will be able to reinvest over the next three years into the well-being of the people of Puerto Rico through improved healthcare outcomes and investment in education and youth workforce development programs (*discussed in Chapter 11*) to drive growth.

### 7.3 Structural reform initiatives to change labor conditions

Labor market reforms will increase the availability of jobs while increasing incentives and preparedness to work. To accomplish this broad-based reform, the Government must implement flexible labor regulations, reform welfare including an earned income tax credit (EITC) for low-income workers and a work requirement for able-bodied PAN beneficiaries, and implement programs to develop critical skills in the workforce.

#### 7.3.1 Flexible labor regulations

To reduce the cost to hire and encourage job creation, including movement of informal jobs to the formal economy, Puerto Rico must become an employment at-will jurisdiction, reduce mandated paid leave (including sick leave and vacation pay) by 50%, and make the Christmas Bonus voluntary for employers.

- **At-will employment (in place by January 1, 2019):** 49 out of 50 U.S. states are employment-at will jurisdictions, giving employers the flexibility to dismiss an employee without having to first prove just cause. Matching this policy will lower the cost and risk of hiring in Puerto Rico.
- **Reduction of mandated paid leave, including sick leave and vacation pay (effective immediately):** Most U.S. states do not mandate any vacation or sick leave. The Government shall halve mandated vacation and sick leave, resulting in 14 days per year of vacation and sick leave in a move to align worker protections with typical mainland labor policies. Paid maternity leave under current law will be retained.
- **No mandated Christmas bonuses (eliminated by January 1, 2019):** The current requirement to pay an annual Christmas bonus to employees must be eliminated. Employers may continue to pay bonuses on a voluntary basis, as is the case on the mainland.

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<sup>42</sup> Government proposed labor reform package creates 0.25% GNP growth total beginning in FY2021. Comprehensive labor reform as described in this Fiscal Plan is projected to result in total 1.0% GNP growth by FY2022

Unlike Act 4, in order to achieve the growth projected by this New Fiscal Plan, the above proposals must apply to all workers, current and future hires, equally. These programs should reduce friction in the labor market and reduce the cost of hiring workers in Puerto Rico.

### *7.3.2 Minimum wage increase*

To offset some of the reduced protections and compensation for employees in Puerto Rico, these reforms can be accompanied by a modest increase in the minimum wage for workers 25 and over. Under the proposal, the minimum wage would increase by \$0.25 per hour, effective as soon as the Christmas bonus is made voluntary. Workers under age 25 would remain at the Federal minimum wage of \$7.25 to increase opportunities for youth to gain valuable experience and skills in the workforce and avoid worsening the high youth unemployment rate. Small employers as defined by Act 120-2014 are also exempt from the increase.

Additional increases in minimum wage should be implemented under the following conditions:

- For all workers 25 years old and over, an additional \$0.25 per hour if Puerto Rico's labor participation rate exceeds 45% as measured by BLS;
- For all workers 25 years old and over, an additional \$0.25 per hour if Puerto Rico's labor participation rate exceeds 50% as measured by BLS; and
- For all workers 25 years old and over, an additional \$0.25 per hour if Puerto Rico's labor participation rate exceeds 55% as measured by BLS.

This timeline and conditions ensures that minimum wage increases occur at a pace and under conditions in which a higher minimum wage will not adversely affect job opportunities for lower-income workers.

### *7.3.3 Welfare structure reforms*

To implement the labor reform package, address labor market challenges and encourage residents to participate in the formal labor market, the Government must launch an Earned Income Tax Credit (EITC) program by January of 2019, raising pay for formal laborers. The Government also must institute a work requirement for the Nutrition Assistance Program (PAN) by July 1, 2018, with no transition period (e.g., full requirements regarding work will begin in July).

#### **Earned Income Tax Credit (EITC)**

The EITC is a benefit for working people with low to moderate income. To qualify, people must meet certain requirements and file a tax return, even if they do not owe any tax. The EITC reduces the amount of taxes owed and may result in a cash refund if the benefit is higher than owed taxes.

Since welfare reform in 1996, the EITC has become the cornerstone of anti-poverty policy in the United States. It has refocused the U.S. safety net on working families, dramatically increasing employment among single women with children and removing more children from poverty than any other program. In the U.S., this translates to approximately 6.5 million people (half of whom are children) lifted out of poverty. Further, the EITC improves employment rates (a \$1,000 increase in EITC benefit has been tied to a 7.3 percent increase in employment)<sup>43</sup> and provides increased opportunities for individuals to invest in their own

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<sup>43</sup> Hoynes and Patel 2015, <http://www.taxpolicycenter.org/briefing-book/how-does-eitc-affect-poor-families>

futures with education, training, childcare, or other costs that improve longer-term outlook. It has proven a powerful incentive to transition into the formal labor force and file taxes.

From 2006 to 2014, Puerto Rico had a Worker’s Tax Credit, which was later discontinued due to its ineffective application and as a cost saving measure. This prior Work Credit applied to 45% of all tax filers at a cost of \$152 million in its last year of implementation. It was smaller than Federal EITC programs (\$150-450 versus ~\$2,000 average credit), and did not eliminate high implicit tax rates on low-income employees or do enough to incentivize formal employment.<sup>44</sup>

In Puerto Rico, implementation of the new EITC should be similar to the Federal EITC but adjusted to the relative wages of the Island. Eligible recipients should receive credits according to their marital, family, and earned income. As earnings increase, the benefit should increase up to a specified cap; at the cap, it would plateau and eventually decrease at the phase-out income level until it reaches \$0 (**Exhibit 29**), resulting in an average benefit of \$525.30 per individual per year. This structure diminishes the “benefits cliff” many face as their earned income increases, rewarding citizens who participate in the formal economy.

**EXHIBIT 29 EITC BENEFIT FORMULA**

EITC Benefit Formula, \$

- Benefits begin with the first dollar of reported income. As income increases, **benefits also increase at the phase-in rate** (different depending on household size), **up to the maximum credit**
- When income reaches the phase-in cap, the benefit increase ceases. Benefits remain constant at income levels that fall between the phase-in cap and phase-out start
- When income reaches the phase-out start, **benefits begin decreasing at the phase-in rate** for each additional dollar earned, **until income reaches the income cap** (at which point benefits are \$0)

Number of Children	Phase-in rate, %	Phase-in cap, \$	Phase-out start, \$	Individual/ Single income cap, \$	Married income cap, \$	Maximum Credit, \$
0	5.00%	6,000	18,000	20,500	21,750	300
1	7.50%	12,000	13,000	20,500	24,250	900
2	10.00%	15,000	16,000	28,500	34,750	1,500
3 or more	12.50%	16,000	17,000	33,500	42,000	2,000

For example, a single mother with two children working at minimum wage for 35 hours per week earns approximately \$12,180 annually. With EITC, she can qualify for up to \$1,500 in additional take-home pay per year, effectively raising the minimum wage by more than 12%.

The EITC program would cost approximately \$200 million per year, but the program will raise formal labor force participation significantly, providing a positive return on the investment. The EITC must be implemented no later than FY2019.

**PAN Work requirement**

While PAN, Puerto Rico’s largest welfare program, is similar to the mainland SNAP, it is funded and administered separately and does not include a work requirement. As part of the labor reform package that the Oversight Board projects will create substantial growth over the

<sup>44</sup> New York Federal Reserve Bank, 2014

next 30 years, the New Fiscal Plan requires that the Government institute work requirements to qualify for PAN benefits.

In FY2019, able-bodied participants aged 18-59 will be subject to a work requirement (children, even if their parents do not work, will continue to receive the benefit). Like mainland SNAP, in full implementation this work requirement must become effective after the individual has collected PAN benefits for three months. General exceptions would include those under age 18 or over the age of 60, parents with dependents under age 18, as well as those who are medically certified as physically or mentally unfit for employment. Paid work, voluntary work, training and education, and job searching (under the time limit) must qualify as work.

Any program savings derived from the PAN work requirement must be redistributed to working beneficiaries, effectively increasing take-home pay for workers. The increased worker benefit shall take place through an expansion of the Earned Income Disregard, which will increase the amount of earned income eligible recipients can exclude in calculating the amount of benefits they can claim. For example, a family of four currently receiving PAN will lose the benefit after exceeding a maximum annual income of \$5,904. By creating a sliding scale after this amount, or allowing families to exclude a certain amount of earned income from this calculation, Puerto Rico can ensure no one is disadvantaged by seeking work in the formal economy and that no families lose benefits prematurely.

The increase in PAN benefits for workers combined with the EITC and modest minimum wage increases would improve conditions for low-income workers in the formal economy and reduce poverty.

The proposed PAN work requirements must be included in the new PAN annual plan submitted July 1, 2018 to Food and Nutritional Services. It will be phased in over two years. Beginning in FY2019, beneficiaries will be subject to the work requirement after 6 months of benefits. By FY2020, the full requirements will take effect, subjecting beneficiaries to the work requirement after 3 months of benefit collection.

#### *7.3.4 Workforce development programs*

Labor and welfare reforms should increase supply and demand for jobs; to fully close the gap and implement the labor reform package, however, the Government must launch specific efforts to ensure that its future workforce is prepared with critical skills.

#### **Workforce Innovation and Opportunity Act (WIOA)**

First, the Government must update the WIOA State Plan to focus its programs and incentives on high-priority sectors and capabilities (e.g., aerospace, software development, and creative services). WIOA is the primary way in which the Federal Government invests in adult education and workforce development, and it is designed to help jobseekers access employment, education, and support services to succeed in the labor market, and to match employers with the skilled workers they need. The Government must broaden the list of core industries that qualify under WIOA, and focus on high impact economic sectors to provide a skilled workforce that meets the needs of employers in each specific region. It shall integrate this WIOA program with the broader promotional efforts of the Department of Economic Development and Commerce (DDEC). For example, an MOE Agreement with the Puerto Rico Department of Labor and Human Resources shall establish an apprenticeship program aiming to impact innovative industries and post-Maria labor market needs.

#### **Youth development initiatives**



In addition to WIOA, the Government should help develop critical skills in the workforce through multiple proposed initiatives, including:

- **Youth development:** Investment in STEM through targeted teacher professional development and related programs; apprenticeship programs through partnership with universities and local businesses; opportunities for work-based learning and business programs; occupational opportunities and certification programs (funded through reinvestment in additional surplus achieved through comprehensive labor reform)
- **Higher education:** Curriculum development grants and scholarships for UPR students focused on high-impact sectors, e.g., the IT industry and Computer Science.
- **Current labor market:** Apprenticeship Programs through collaboration with the private sector; training & certification programs focused on the areas of reconstruction efforts; creation of a job council to coordinate development and employment opportunities for youth and the unemployed

By pursuing aggressive reforms to incentivize job creation and formal labor market participation, and to improve the overall quality of human capital in Puerto Rico, the Government will fundamentally transform the Island's labor market for the better.

#### 7.4 Implementation and enforcement of human capital and labor reform

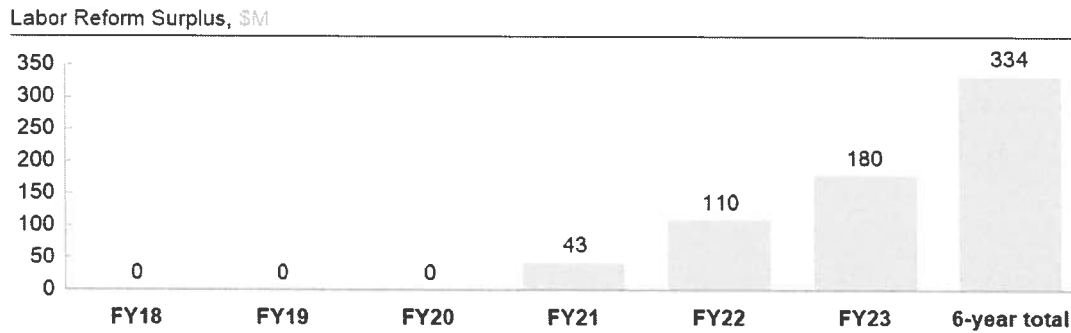
The New Fiscal Plan is built on the assumption that, by no later than May 31, 2018, the Legislative Assembly of Puerto Rico will pass the Labor Reform Package and present it to the Governor of Puerto Rico for his signature (the "Condition").

The Labor Reform Package is defined as all bills, whether new Commonwealth legislation or amendments to existing Commonwealth legislation, that are necessary and proper to effectuate the Labor Reform Agenda. The Labor Reform Agenda is defined as the following policies and reforms:

- Institution of at-will employment (effective by January 1st, 2019)
- Reduction of mandated paid leave, including 50% reduction in sick leave and vacation pay (effective immediately)
- Shift of Christmas bonus from mandatory to voluntary status (by January 1st, 2019)
- Earned Income Tax Credit (starting July 1st, 2018)
- Increase minimum wage for workers 25 and over by \$0.25 per hour (effective with Christmas Bonus elimination)
- PAN work requirement and work bonus (effective by January 1<sup>st</sup>, 2019)

The Labor Reform Agenda is projected to generate short-term revenue of ~\$460 million through FY2023. This represents an approximately \$330 million increase in revenues over the labor reform package initially proposed by the Government over the period covered by the New Fiscal Plan (the "Labor Reform Surplus;" **Exhibit 30**). In the long term, the Labor Reform Agenda will drive substantial economic growth and ~\$50 billion in surplus.

EXHIBIT 30: LABOR REFORM SURPLUS FOR REINVESTMENT



If the Condition is met, the Labor Reform Surplus shall be used to fund initiatives led by the Government to reinvest in the people of Puerto Rico that improve the Island’s health outcomes and provide the education and workforce development some Puerto Ricans will need to be prepared for newly created jobs (*see Chapter 11 for more details*):

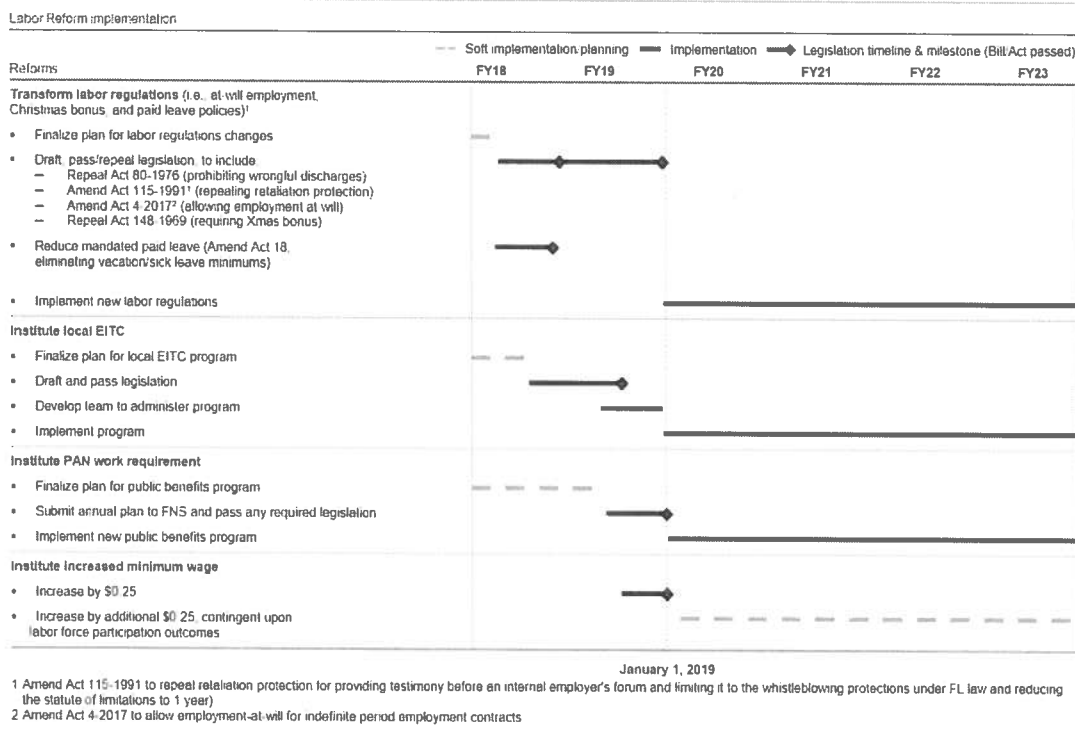
- Reinvestment in ensuring success of healthcare reforms totaling \$353M
- Reinvestment in K-12 education and human capital development programs such as STEM grants and K-12 STEM training, totaling \$160M

While reinvestment will total over \$500 million over three years, due to macroeconomic trends and Federal funds flows affecting reinvestment and measures, these funds spent will decrease the total 6-year surplus by only ~\$330 million (equivalent to the Labor Reform Surplus). The reinvestments are crucial to the overall success of structural reforms and create long-term economic growth in the economy.

If, for any reason, the Oversight Board determines in its sole discretion that the Condition has not been met, and the Oversight Board has not determined in its sole discretion to modify the Condition (the “Consequence”), then the Labor Reform Surplus will not be available and these reinvestment opportunities will not be made.



EXHIBIT 31: LABOR REFORM IMPLEMENTATION TIMELINE



## Chapter 8. EASE OF DOING BUSINESS REFORM

### 8.1 Current state of business regulation and investment attraction

One of the strongest means of increasing economic growth is through improving the ease of starting and expanding a business. A commerce environment with easier-to-navigate regulations, permits, and other legal requirements is friendlier to new businesses that can provide jobs, tax revenue, and economic stimulus. To quantify a jurisdiction's overall effectiveness at maintaining the optimal level of business regulation, the World Bank created the Doing Business Index, which ranks 190 countries and entities worldwide on several core indicators. Countries and territories that have been able to meaningfully improve their ranking have shown real growth. For example, when the Republic of Georgia improved its ranking from #98 in 2006 to #8 by 2014, output per capita increased by 66% and business density tripled. Meanwhile, ease of doing business remains an area in which Puerto Rico has much room for improvement.

In the 2018 Ease of Doing Business Report, Puerto Rico was ranked 64<sup>th</sup>. This represents a 9-point decline from 2017 and is 58 spots lower than the U.S., which ranks 6<sup>th</sup> overall. There are some areas of strength: Puerto Rico placed 6<sup>th</sup> for Getting Credit and 9<sup>th</sup> for Resolving Insolvencies. It has also made recent efforts to digitize government services to improve speed and accessibility, having digitized 27% of licenses transferred to the Unified Information System (SUI, a central and digital location for applications for licenses, incentives, autonomous municipalities, etc.) as of August 2017. However, when compared to the mainland, Puerto Rico has several areas for improvement, in particular:

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO**



*José B. Carrión III*  
Chair

Members  
*Andrew G. Biggs*  
*Carlos M. García*  
*Arthur J. González*  
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*Ana J. Matosantos*  
*David A. Skeel, Jr.*

*Natalie A. Jaresko*  
Executive Director

**BY ELECTRONIC MAIL**

April 24, 2018

The Honorable Ricardo A. Rosselló Nevares  
Governor of Puerto Rico  
La Fortaleza  
PO Box 9020082  
San Juan, PR 00902-0082

The Honorable Thomas Rivera Schatz  
President of the Senate of Puerto Rico

The Honorable Carlos J. Méndez Núñez  
Speaker of the House of Representatives of Puerto Rico

Dear Governor Rosselló Nevares, Senator Rivera Schatz, and Speaker Méndez Núñez:

By this letter, pursuant to PROMESA § 202(a), the Financial Oversight and Management Board for Puerto Rico (the “FOMB”) sets the following deadlines for subsequent steps in route to the adoption of the fiscal year 2019 budget for the Commonwealth:

1. May 4, 2018: Pursuant to PROMESA § 202(c), Governor to provide proposed budgets and supporting details including a detailed reconciliation between budget and Fiscal Plan, as well as budget to actual templates, including key performance indicators, for reporting post-certification. The Government is expected to ensure all Fiscal Plan attributes, including reserves, revenue and expenses measures are incorporated into Milestone 4 deliverables. Note also that total expenditures should be consistent with the certified Fiscal Plan submitted and approved.
2. On or about May 10, 2018: Pursuant to PROMESA § 202(c)(1)(A) and 202(c)(1)(B), FOMB to approve Governor’s proposed budget or to notify Governor of violations and provide descriptions of any necessary corrective action. (i) If FOMB approved the proposed budget, FOMB shall submit the budget to the Legislature. (ii) If FOMB notified

April 24, 2018

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the Governor of violations, the Governor may submit a revised budget to FOMB on or before May 15, 2018.

3. May 22, 2018: Pursuant to PROMESA § 202(c)(2), (i) If the Governor timely submitted a revised budget to FOMB, FOMB may approve the Governor's revised budget or submit its own compliant budget to the Governor and the Legislature. (ii) If the Governor fails to submit a revised compliant budget, FOMB shall develop and submit to the Governor and the Legislature a revised compliant budget.
4. June 18, 2018: Pursuant to PROMESA § 202(d)(1), the Legislature must submit its adopted budget to FOMB on or before this date.
5. On or before June 22, 2018: Pursuant to PROMESA § 202(d)(1)(A) and 202(d)(1)(B), if the Legislature timely submitted its adopted budget to FOMB, the FOMB shall approve it or notify the Legislature of its violations and provide descriptions of any necessary corrective action.
6. June 26, 2018: Pursuant to PROMESA § 202(d)(2), if FOMB notified the Legislature of violations and corrective actions, the Legislature shall submit a revised budget to FOMB on or before June 26, 2018.
7. June 29, 2018: (i) Pursuant to PROMESA § 202(e), if FOMB approved the Legislature's adopted budget, FOMB shall issue a compliance certification to the Governor and Legislature for such budget. (ii) If the Legislature submits a revised, compliant budget to FOMB, FOMB shall approve it and issue a compliance certification to the Governor and Legislature. (iii) If the Legislature fails to submit a revised, compliant budget to FOMB, FOMB shall submit its own compliant budget to the Governor and Legislature and that budget, pursuant to PROMESA § 202(e)(3), shall be (a) deemed to be approved by the Governor and Legislature, (b) deemed to be subject to a compliance certification issued by the FOMB to the Governor and Legislature, and (c) in full force and effect beginning the first day of the fiscal year.
8. Any time through June 29, 2018: Pursuant to PROMESA § 202(f), if the Governor, Legislature, and FOMB each certify that a jointly developed budget reflects a consensus among them, then such budget shall serve as the budget for the Commonwealth for fiscal year 2019.

Finally, pursuant to PROMESA § 202(b), FOMB provides the attached forecast of revenues for fiscal year 2019 for use by the Governor in developing the budget, including the following:

Appendix A – Consolidated revenue (including detailed General Fund Revenue by type)

Appendix B – Other funds revenues by agency


Appendix C – Federal funds revenue

April 24, 2018  
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All submissions required herein shall be sent to the following email address:  
[CWbudget@promesa.gov](mailto:CWbudget@promesa.gov).

We look forward to working with you throughout the budget approval process.

Sincerely,



José B. Carrión  
Chair

Andrew G. Biggs  
Carlos M. García  
Arthur J. González  
José R. González  
Ana J. Matosantos  
David A. Skeel, Jr.

CC: Christian Sobrino Vega  
Natalie A. Jaresko  
Jose Marrero  
Gerardo Portela

**Appendix A: Consolidated Revenue**

Fiscal Year Ending June 30 (\$ in Millions)				
<b>General Fund Revenues</b>	<b>FY19 FP</b>	<b>Adj.</b>	<b>FY19 Budget</b>	
Individual Income Taxes	\$1,921	(219)	\$1,702	A
Corporate Income Taxes	1,440	166	1,606	B
Non-Resident Withholdings	539	--	539	
Alcoholic Beverage Tax	271	--	271	
Cigarettes Excise Tax	134	49	184	C
Motor Vehicles Excise Tax	336	--	336	
Excise Tax on Rum Cover Over	205	75	280	D
Other General Fund Revenue	321	--	321	
SUT Collections (excl. COFINA & FAM)	1,551	(70)	1,482	E
Act 154 Collections	1,683	--	1,683	
PREPA Loan Interest Revenue Repayment	15	--	15	
Gaming Fees	--	44	44	F
Medical Marijuana	--	12	12	G
Licenses & Other Fees	--	55	55	H
<b>Total General Fund Revenue</b>	<b>\$8,415</b>	<b>\$114</b>	<b>\$8,529</b>	
Total Independently Forecasted Component Units	1,527	(215)	1,312	I
Additional SUT (COFINA & FAM)	900	(900)	--	I
Third party ASES receipts (rebates and municipal contributions)	352	--	352	
Other Tax Revenues	2,336	(1,844)	493	I
Other Non-Tax Revenues	539	349	888	I
<b>Total Other Funds Revenue</b>	<b>\$5,654</b>	<b>(\$2,610)</b>	<b>\$3,045</b>	
<b>Measures</b>	<b>\$321</b>	<b>(\$321)</b>	<b>--</b>	J
Federal Transfers to Central Government	4,258	--	4,258	
Federal Transfers - Medicaid	2,619	--	2,619	
Federal Transfers to Independent Component Units	169	2	171	K
Federal / FEMA Disaster Relief Funding for Reconstruction	--	2,274	2,274	L
<b>Total Federal Funds</b>	<b>\$7,045</b>	<b>\$2,277</b>	<b>\$9,322</b>	
Elimination of Intergovernmental Revenues	--	(78)	(78)	M
<b>Total Consolidated Revenue (including measures)</b>	<b>\$21,436</b>	<b>(\$619)</b>	<b>\$20,817</b>	

**Notes to Explain Adjustments in Appendix A:**

- Note A: Calculated as \$19m from tax compliance improvements, plus \$223m in revenues from the limitation of certain tax deductions and exemptions (e.g. mortgage interest deduction, personal exemptions, elimination of cafeteria plans, and pension plan tax changes, etc.) and higher withholding at source collections, minus \$204m for Earned Income Tax Credit ("EITC"), minus \$257m in individual taxes reductions from reduction in marginal tax rates. Total individual and corporate income tax collections are net of an estimated \$456m in individual and corporate income tax refunds (same as FY2018). It is expected that the tax refunds and EITC will be reported on the forthcoming annual tax expenditure report ("TER").
- Note B: Calculated as \$14m from tax compliance improvements, plus higher withholding at source collections of \$217m, minus \$65m in reduced corporate taxes (from reduction in marginal tax rates).
- Note C: Higher tobacco product excise tax measure of \$49m related to legislation in 2017.
- Note D: Calculated as an additional \$47m by reducing Act 178-2010 incentive payments to rum producers, plus \$8m from reduced allocations to the Puerto Rico rum program, plus \$20m from the retention of rum cover over funds at the \$13.25 per proof gallon rate that will no longer be paid to rum producers.
- Note E: Calculated as \$25m from improved Sale and Use Tax ("SUT") tax compliance, plus \$4m SUT implementation adjustment, minus \$19m reduction in B2B tax collections from the reduction in B2B tax rate, minus \$79m reduction in SUT on prepared foods paid via electronic means.
- Note F: Related to Act 108 – 2017 to increase licenses and fees while improving enforcement of illegal machines.
- Note G: This is the sales and use tax collections related to the medical marijuana legislation (Act 42 – 2017). Further, the Treasury issued Administrative Determination 17-06 (the "AD 17-06") to provide guidelines on the related sales and use tax.
- Note H: 2017 legislation enabled fee increases for charges for services, fines; insurance; licenses; permits; rent; royalties; stamps; and other misc.

Note I: See Appendix B.

Note J: Revenue measures are removed here because they are distributed above. For clarity, revenue measures total \$114m in the general fund net of \$204m that is reduced because of the inclusion of the EITC cost. Note that the remaining \$3 million in measures (out of \$321m in total) is allocated to independently forecasted component units (see Note A and Note F in Appendix B). A break-down of the total measures is shown below:

\$24.5	SUT compliance improvements
\$12.0	SUT on Medical Marijuana
\$19.2	Individual compliance improvements
\$14.4	Corporate compliance improvements
\$49.5	Cigarette excise tax
\$44.3	Gaming Fees
\$55.2	Licenses and other fees
\$3.4	Airbnb excise tax
<u>\$98.4</u>	Tax reform
\$320.8	Total Measures

Note K: Captures federal funds at Agricultural Enterprises Development Administration (“ADEA”).

Note L: Includes estimated general government portion of total disaster aid as described in the new fiscal plan.

Note M: Intergovernmental eliminations relate to adjustments to Administration of Medical Services of Puerto Rico (“ASEM”) and Public Building Authority (“PBA”) in the independently forecast component unit section.



### Appendix B: Other Funds Revenue

Note: Other Funds Revenue for the purpose of the table above is defined as the consolidation of Ingresos Propios, Other Income and Special Revenue Funds (i.e. all funds outside of the General Revenue Fund and Federal Funds).

Fiscal Year Ending June 30 (\$ in Millions)				
<b>Independently Forecasted Component Units</b>	<b>FY19 FP</b>	<b>Adj.</b>	<b>FY19 Budget</b>	
State Insurance Funds Corporation (CFSE / SIFC)	620	--	620	
Puerto Rico Tourism Company	339	(228)	110	A
Housing Financing Authority (HFA)	97	(63)	34	B
Agricultural Enterprises Development Administration (ADEA)	107	(2)	105	C
Administration of Medical Services of Puerto Rico (ASEM)	30	66	96	D
Public Building Authority (PBA)	1	13	14	E
Puerto Rico Ports Authority	88	--	88	
Fiscal Agency and Financial Advisory Authority (AAFAP)	0	--	0	
Cardiovascular Center of Puerto Rico and the Caribbean	78	--	78	
Integrated Transportation Authority (PRITA)	53	--	53	
PR Convention Center District Authority (PRCCDA)	33	0	34	F
Industrial Development Corporation (PRIDCO)	65	--	65	
Net Income of Select Component Units	15	--	15	
<b>Total Independently Forecasted Component Units</b>	<b>1,527</b>	<b>(215)</b>	<b>1,312</b>	
<b>Additional SUT (COFINA &amp; FAM)</b>				
Fondo de Administración Municipal (FAM)	117	(117)	--	G
COFINA	783	(783)	--	H
<b>Total Additional SUT (COFINA &amp; FAM)</b>	<b>900</b>	<b>(900)</b>	<b>--</b>	
<b>Third Party ASES revenues</b>	<b>352</b>	<b>--</b>	<b>352</b>	
<b>Other Tax Revenues</b>				
FEDE Portion of Corp Income Taxes and Non-Resident Withholdin	53	--	53	
Excise Taxes on Off-Shore Shipments Rum	190	--	190	
Cigarette Excise Taxes	23	(22)	1	I
Petroleum Products (Crudita) Excise Tax - AFI	179	(179)	--	I
Petroleum Products (Crudita) Excise Tax - HTA	291	(111)	179	I
Gas Oil and Diesel Excise Taxes	13	(13)	--	I
Gasoline Excise Tax Revenue	139	(139)	--	I
Vehicle License Fees	84	(84)	--	I
9-1-1 Fund (Enterprise Fund)	22	--	22	
Lottery Funds (Enterprise Fund)	933	(933)	--	G
Unemployment Fund (Enterprise Fund)	248	(248)	--	G
Other Special Revenue Fund Tax Revenues	48	--	48	
CRIM Property Tax Inflows	115	(115)	--	
<b>Total Other Tax Revenues</b>	<b>2,336</b>	<b>(1,844)</b>	<b>493</b>	
<b>Other Non-Tax Revenues</b>				
Special Revenue Funds	529	--	529	
Pension Pay go - municipal, PRASA, and other	--	349	349	J
Pension Pay go Asset Sales	10	--	10	
<b>Total Other Non-Tax Revenues</b>	<b>539</b>	<b>349</b>	<b>888</b>	
<b>Total Other Funds</b>	<b>5,654</b>	<b>(2,610)</b>	<b>3,045</b>	

Notes to Explain Adjustments in Appendix B:

- Note A: Calculation includes additional \$3m in revenue from higher Airbnb tax collections measures, minus \$201m in distributions to entities outside of the tourism company (including Convention Center (\$4m), hotels (\$118m), University of Puerto Rico (“UPR” - \$59m), the general fund (“GF” (\$20m) which has already been captured in the general fund section)), minus \$30m in convention center debt reserve (which are used pursuant to the fiscal plan). Notes that the tourism company has their own treasury and these revenues do not flow through the Treasury Single Account (“TSA”) at Hacienda.
- Note B: Revenues are reduced by the estimated balance sheet related receipts; the estimated balance sheet related receipts include principal repayments of construction & mortgage loans of \$45m and proceeds from investment redemption of \$18m. These are not income statement related items.
- Note C: Reduced by Women, Infants, and Children (“WIC” – which are Federal Funds) because these funds are captured in the Federal Funds revenue section.
- Note D: Includes gross-up of income for services provided to other governmental entities (excludes direct GF appropriations).
- Note E: Includes rent for services provided to other governmental entities (excludes GF appropriations).
- Note F: Includes \$171k in revenue related to the Airbnb measure.
- Note G: These revenues are not available for general budgeting purposes. Fondo de Administración Municipal (“FAM”) flows directly to the municipalities.
- Note H: Pledged Sales Tax Based Amounts (“PSTBA”) flow directly to the Corporación del Fondo de Interés Apremiante (“COFINA”) trustee.
- Note I: These revenues are available for use pursuant to the fiscal plan.
- Note J: These are payments from municipalities, Puerto Rico Aqueducts and Sewers Authority (“PRASA”), and certain other public corporations outside of the Commonwealth that make Pension PayGo payments for their Employees Retirement System (“ERS”) retirees.

**Appendix C: Federal Funds Revenue**

<b>Fiscal Year Ending June 30 (\$ in Millions)</b>			
<b>Federal Transfers for Commonwealth Entities</b>	<b>FY19 FP</b>	<b>Adj.</b>	<b>FY19 Budget</b>
Administration of Socioeconomic Development of the Family (ADSF)	2,077	--	2,077
Department of Education	936	--	936
Health Department	382	--	382
Public Housing Administration (PHA)	258	--	258
Administration for the Care and Integral Development of Children (ACUDEN)	111	--	111
Department of Housing	69	--	69
Vocational Rehabilitation Administration	66	--	66
Department of Economic Development and Trade (DEDC)	61	--	61
Administration of Families and Children (ADFAN)	60	--	60
Mental Health and Addiction Services Administration (ASSMCA)	36	--	36
General Court of Justice	35	--	35
National Guard Trust	26	--	26
Department of Labor And Human Resources	26	--	26
Office of The Advocate for the Elderly	19	--	19
Administration for Child Support	18	--	18
Secretariat of the Department of the Family	16	--	16
Transit Safety Authority (TSA)	12	--	12
Natural Resources Management	11	--	11
Environmental Quality Board (EQB)	9	--	9
Emergency and Disaster Management Agency	5	--	5
State Office for Public Energy Policy	4	--	4
Puerto Rico Police Department	3	--	3
Office of the Women's Advocate	3	--	3
Department of Planning	3	--	3
Correction Administration	2	--	2
Office of the Governor	2	--	2
Defendant of Persons with Disabilities of the Commonwealth of PR	1	--	1
Department of Agriculture	1	--	1
Fire Department of Puerto Rico	1	--	1
Public Service Commission	1	--	1
Institute of Puerto Rican Culture	1	--	1
State Office of Historical Conservation	1	--	1
Office of the Commissioner of Municipal Affairs	1	--	1
General Court of Justice	1	--	1
Transportation and Public Works	0	--	0
Institute of Statistics	0	--	0
<b>Total Federal Transfers for Central Government</b>	<b>4,258</b>	<b>--</b>	<b>4,258</b>
<b>Federal Transfers - Medicaid (ASES)</b>	<b>2,619</b>	<b>--</b>	<b>2,619</b>
<b>Federal Transfers to Independent Component Units</b>			
Housing Finance Authority (HFA)	159	--	159
Agricultural Enterprises Development Administration (ADEA)	-	2	2
Transportation Authority (PRITA)	10	--	10
<b>Total Federal Transfers to Independent Component Units</b>	<b>169</b>	<b>2</b>	<b>171</b>
<b>Federal / FEMA Disaster Relief Funding for Reconstruction</b>	<b>-</b>	<b>2,274</b>	<b>2,274</b>
<b>Total Consolidated Federal Funds</b>	<b>7,045</b>	<b>2,277</b>	<b>9,322</b>

**Notes to Explain Adjustments in Appendix C:**

Note A: Reduced by WIC (Federal Funds) because these funds are captured in the Federal Funds revenue section.

Note B: Includes estimated general government portion of total disaster aid as described in the new fiscal plan.

[CERTIFIED TRANSLATION]

I, Carlos Laó Dávila, a Federally certified interpreter, number 03-052,  
hereby certify that the attached document is a true and exact translation of the original certified or translated by me



**SENATE**  
HOPE AND PROGRESS

Federal, Political, and Economic Relations Commission  
Hon. Thomas Rivera Schatz, President

April 26, 2018

Mr. José B. Carrión III  
President  
Oversight Board  
For Puerto Rico  
268 Muñoz Rivera Ave.  
World Plaza, Suite 1107  
San Juan, PR 00918

Dear Mister Carrión:

The Federal, Political, and Economic Relations Commission of the Senate of Puerto Rico, has before its consideration S.B. 919, which reads as follows:

**“To establish the “Labor Reform Act of 2018”, to amend Article 2, of Act No. 180-1998, as amended; repeal Act No. 148 of June 30, 1969, as amended; repeal of all mandatory decree passed before the effect of this Act; repeal Article 5; amend part (a) of Article 6 and renumber it as Article 5; renumber Article 7 as Article 6; renumber Article 8 as Article 7; renumber Article 9 as Article 8; renumber Article 10 as Article 9; renumber Article 11 as Article 10; renumber Article 12 as Article 11; renumber Article 13 as Article 12 of Act No. 180-1998; repeal Act No. 80 of May 30, 1976, as amended; amend parts (a) and (b) of Article 2 of Act No. 115-1991, as amended; and for other related matters.”**

For the consideration of this bill, the Commission summons you to appear to a public hearing, which will be held next Tuesday, May 1, 2018, at 11:00 in the morning in the Leopoldo Figueroa Room. We request you bring with you, an explanatory brief in original with twenty (20) copies.

It is a requirement of the Senate of Puerto Rico, that all the Legislative Commissions have a digital file of all the explanatory brief before its consideration. We request that you deliver to us a digital copy of it no later than 5:00 pm on Monday, April 30, 2018. It shall be sent to the following e-mail addresses: [jmartinez@senado.pr.gov](mailto:jmartinez@senado.pr.gov), [bmcollazo@senado.pr.gov](mailto:bmcollazo@senado.pr.gov).

With nothing more to add,

Sincerely

  
Thomas Rivera Schatz

4/27/2018 [hw] 10:27 am [hw]



**SENADO**  
ESPERANZA Y PROGRESO

*Comisión sobre Relaciones Federales, Políticas y Económicas*

*Hon. Thomas Rivera Schatz, Presidente*

26 de abril de 2018

Sr. José B. Carrión III  
Presidente  
Junta de Supervisión y  
Administración para Puerto Rico  
268 Ave. Muñoz Rivera  
World Plaza, Suite 1107  
San Juan, PR 00918

Estimado señor Carrión:

La Comisión sobre Relaciones Federales, Políticas y Económicas del Senado de Puerto Rico, tiene ante su consideración el P. del S. 919, que lee como sigue:

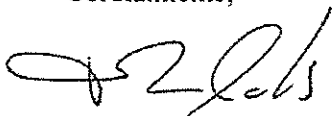
**“Para establecer la “Ley de Reforma Laboral de 2018,” a los fines de enmendar el Artículo 2 de la Ley Núm. 180-1998, según enmendada; derogar la Ley Núm. 148 de 30 de junio de 1969, según enmendada; derogar todo decreto mandatorio aprobado antes de la vigencia de esta ley; derogar el Artículo 5; enmendar el inciso (a) del Artículo 6 y renumerarlo como Artículo 5; renumerar el Artículo 7 como Artículo 6; renumerar el Artículo 8 como Artículo 7; renumerar el Artículo 9 como Artículo 8; renumerar el Artículo 10 como Artículo 9; renumerar el Artículo 11 como Artículo 10; renumerar el Artículo 12 como Artículo 11; renumerar el Artículo 13 como Artículo 12 de la Ley Núm. 180-1998; derogar la Ley Núm. 80 de 30 de mayo de 1976, según enmendada; enmendar los incisos (a) y (b) del Artículo 2 de la Ley Núm. 115-1991, según enmendada; y para otros fines relacionados.”**


Para la consideración de esta medida, la Comisión le cita a comparecer a una vista pública, la cual se llevará a cabo el próximo martes, 1 de mayo de 2018, a las 11:00 de la mañana en el Salón Leopoldo Figueroa. Le solicitamos traer consigo, un memorial explicativo en original con veinte (20) copias.

Es requisito del Senado de Puerto Rico, que todas las Comisiones Legislativas tengan un archivo digital de todos los memoriales explicativos ante su consideración. Le requerimos nos facilite copia digitalizada del mismo no más tarde de las 5:00 pm del lunes, 30 de abril de 2018. La misma deberá ser enviada a las siguientes direcciones de correo electrónico: [jmartinez@senado.pr.gov](mailto:jmartinez@senado.pr.gov), [bmcollazo@senado.pr.gov](mailto:bmcollazo@senado.pr.gov).

Sin otro particular quedo.

Cordialmente,

  
Thomas Rivera Schatz

 Harry Aponte  
21/4/2018  
10:27 am

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO**



*José B. Carrión III*  
Chair

Members

*Andrew G. Biggs*  
*Carlos M. García*  
*Arthur J. González*  
*José R. González*  
*Ana J. Matosantos*  
*David A. Skeel, Jr.*

*Natalie A. Jaresko*  
Executive Director

**BY ELECTRONIC MAIL**

April 27, 2018

The Honorable Thomas Rivera Schatz  
President  
Senate of Puerto Rico  
El Capitolio  
P.O. Box 9023431  
San Juan, Puerto Rico 00902-3431

Dear Senator Rivera Schatz,

This is in response to your letter of April 26<sup>th</sup> 2018, in which you request that I appear before the Senate Committee on Federal, Political, and Economic Affairs, at a hearing on May 1<sup>st</sup>, 2018, concerning the labor law legislation required by the certified Commonwealth Fiscal Plan.

The Oversight Board hopes that serious consideration be given to the draft bill we provided the Governor and the Legislature to comply with the Fiscal Plan. In that same spirit, although I am unable to attend the Committee's hearing, the Board is willing to provide any and all information, as well as background materials, necessary to further inform your consideration of the bill. Our Members, executive staff and consultants will be available to meet with you and members of the Committee, as well as its staff, if it becomes necessary.

In accordance with PROMESA, the "purpose of the Oversight Board is to provide a method for a covered territory to achieve fiscal responsibility and access to capital markets". The certified Fiscal Plan was developed, after months of collaborative work with the Government of Puerto Rico, to achieve those goals. We are hopeful that the Puerto Rico Legislature can work with the Government to implement the necessary fiscal and structural reforms to right Puerto Rico's economic path.

Sincerely,

Jose B. Carrión III

Andrew G. Biggs  
Carlos M. García  
Arthur J. González  
José R. González  
Ana J. Matosantos  
David A. Skeel, Jr.

CC: Christian Sobrino Vega  
Natalie A. Jaresko



[CERTIFIED TRANSLATION]

I, Carlos Laó Dávila, a Federally certified interpreter, number 03-052, hereby certify that the attached document is a true and exact translation of the original certified or translated by me



SENATE  
HOPE AND PROGRESS

Federal, Political, and Economic Relations Commission  
Hon. Thomas Rivera Schatz, President

April 30, 2018

Mr. José B. Carrión III  
President  
Financial Oversight  
& Administration Board  
For Puerto Rico  
268 Muñoz Rivera Ave.  
World Plaza, Suite 1107  
San Juan, PR 00918

Dear Mister Carrión:

The Federal, Political, and Economic Relations Commission of the Senate of Puerto Rico, has before its consideration S.B. 919, which reads as follows:

**“To establish the “Labor Reform Act of 2018”, to amend Article 2, of Act No. 180-1998, as amended; repeal Act No. 148 of June 30, 1969, as amended; repeal of all mandatory decree passed before the effect of this Act; repeal Article 5; amend part (a) of Article 6 and renumber it as Article 5; renumber Article 7 as Article 6; renumber Article 8 as Article 7; renumber Article 9 as Article 8; renumber Article 10 as Article 9; renumber Article 11 as Article 10; renumber Article 12 as Article 11; renumber Article 13 as Article 12 of Act No. 180-1998; repeal Act No. 80 of May 30, 1976, as amended; amend parts (a) and (b) of Article 2 of Act No. 115-1991, as amended; and for other related matters.”**

Given the Importance of this bill drafted by the Financial Oversight & Management Board for Puerto Rico, the Commission summoned you to appear to a public hearing, tomorrow Tuesday, May 1, 2018, at 11: in the morning in the Leopoldo Figueroa Room. However, this past Friday, April 27, 2018, we received a call from you excusing yourself from the hearing, since you could not appear on the day it was scheduled.

It is important for the Senate and for the People of Puerto Rico, that you as President of the Financial Oversight & Administration Board for Puerto Rico, explain to us the benefits of your project. Thus, we request you state three (3) dates you are available, of any day of the week, in which you can appear before this Commission, in a Public Hearing.

With nothing more to add.  
Sincerely,

Thomas Rivera Schatz



Received by

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Signature  
\_\_\_\_\_  
April/ 30/ 18  
\_\_\_\_\_  
Date



**SENADO**  
ESPERANZA Y PROGRESO

Comisión sobre Relaciones Federales, Políticas y Económicas

Hon. Thomas Rivera Schatz, Presidente

30 de abril de 2018

Sr. José B. Carrión III  
Presidente  
Junta de Supervisión y  
Administración Financiera para Puerto Rico  
268 Ave. Muñoz Rivera  
World Plaza, Suite 1107  
San Juan, PR 00918

Estimado señor Carrión:

La Comisión sobre Relaciones Federales, Políticas y Económicas del Senado de Puerto Rico, tiene ante su consideración el P. del S. 919, que lee como sigue:

**“Para establecer la *“Ley de Reforma Laboral de 2018,”* a los fines de enmendar el Artículo 2 de la Ley Núm. 180-1998, según enmendada; derogar la Ley Núm. 148 de 30 de junio de 1969, según enmendada; derogar todo decreto mandatorio aprobado antes de la vigencia de esta ley; derogar el Artículo 5; enmendar el inciso (a) del Artículo 6 y reenumerarlo como Artículo 5; reenumerar el Artículo 7 como Artículo 6; reenumerar el Artículo 8 como Artículo 7; reenumerar el Artículo 9 como Artículo 8; reenumerar el Artículo 10 como Artículo 9; reenumerar el Artículo 11 como Artículo 10; reenumerar el Artículo 12 como Artículo 11; reenumerar el Artículo 13 como Artículo 12 de la Ley Núm. 180-1998; derogar la Ley Núm. 80 de 30 de mayo de 1976, según enmendada; enmendar los incisos (a) y (b) del Artículo 2 de la Ley Núm. 115-1991, según enmendada; y para otros fines relacionados.”**

Dado a la importancia de esta medida redactada por la Junta de Supervisión y Administración Financiera para Puerto Rico, la Comisión le citó a comparecer a una vista pública, mañana martes, 1 de mayo de 2018, a las 11:00 de la mañana en el Salón Leopoldo Figueroa. Sin embargo, el pasado viernes, 27 de abril de 2018, recibimos una carta de su parte excusándose de la vista, ya que no podía comparecer el día para la cual fue señalada.

Es importante para el Senado y para el pueblo de Puerto Rico, que usted como Presidente de la Junta de Supervisión y Administración Financiera para Puerto Rico, nos explique de las bondades de su proyecto. Es por esto que, le solicitamos nos indique tres (3) fechas hábiles, de cualquier día de la semana, en la que pueda comparecer ante ésta Comisión, en Vista Pública.

Sin otro particular quedo.

Cordialmente,

Thomas Rivera Schatz



Recibido por

letra de molde

firma

30 / Abril / 18

fecha

[CERTIFIED TRANSLATION]

I, Carlos Laó Dávila, a Federally certified interpreter, number 03-052, hereby certify that the attached document is a true and exact translation of the original certified or translated by me

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO**



*José B. Carrión III*  
Chair

Members

- Andrew G. Biggs*
- Carlos M. García*
- Arthur J. González*
- José R. González*
- Ana J. Matosantos*
- David A. Skeel, Jr.*

*Natalie A. Jaresko*  
Executive Director

May 4, 2018

**BY E-MAIL**

Honorable Thomas Rivera Schatz  
President  
Senate of Puerto Rico

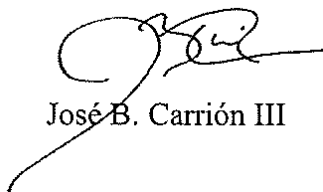
Dear Mister President:

I acknowledge receipt of your April 30, letter of the current year. As you know, the labor reform required by the new Fiscal Plan for Puerto Rico certified by the Financial Supervision Board is a fundamental element to promote the economic growth projected by the plan. Puerto Rico needs these reforms to break the vicious cycle of a recession and lack of competitiveness that has affected our people for too many years.

We acknowledge that the Fiscal Plan contains measures that are difficult but necessary if we wish to stimulate the economic development and the creation of jobs in Puerto Rico. The alternative is that our people have to continue immigrating in search of better job opportunities in Florida, Texas, and other states; jurisdictions, it needs to be pointed out, that have a labor structure that is very similar to the one required to the Fiscal Plan.

Although pursuant to Section 108 of PROMESA we cannot answer your summons, count on our collaboration. Specifically, we maintain our offer to help you, your colleagues, and work team to better understand the macroeconomic projections of the Fiscal Plan, for which we gladly can coordinate work sessions to show you the econometric models to develop the Fiscal Plan.

Sincerely,

  
José B. Carrión III

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO**



*José B. Carrión III*  
Chair

Members

*Andrew G. Biggs*  
*Carlos M. García*  
*Arthur J. González*  
*José R. González*  
*Ana J. Matosantos*  
*David A. Steel, Jr.*

*Natalie A. Jaresko*  
Executive Director

4 de mayo de 2018

**POR CORREO ELECTRÓNICO**

Honorable Thomas Rivera Schatz  
Presidente  
Senado de Puerto Rico

Estimado señor Presidente:

Acuso recibo de su carta del 30 de abril del corriente. Como usted sabe, la reforma laboral requerida por el nuevo Plan Fiscal para Puerto Rico certificado por la Junta de Supervisión Fiscal es un elemento fundamental para promover el crecimiento económico proyectado por el plan. Puerto Rico necesita estas reformas para romper el ciclo vicioso de contracción económica y falta de competitividad que ha afectado a nuestro pueblo por demasiados años.

Reconocemos que el Plan Fiscal contiene medidas difíciles pero necesarias si deseamos estimular el desarrollo económico y la creación de empleos en Puerto Rico. La alternativa es que nuestra gente tenga que seguir emigrando en busca de mejores oportunidades de empleo en la Florida, Texas y otros estados; jurisdicciones, valga señalar, que tienen un régimen laboral muy similar al requerido por el Plan Fiscal.

Aunque conforme a la Sección 108 de PROMESA no podemos responder a su citación, cuento con nuestra colaboración. Específicamente, mantenemos nuestro ofrecimiento de ayudar a que usted, sus colegas y equipo de trabajo puedan entender mejor las proyecciones macroeconómicas del Plan Fiscal, por lo que con gusto podemos coordinar sesiones de trabajo para mostrarles los modelos econométricos utilizados para desarrollar el Plan Fiscal.

Cordialmente,

A handwritten signature in black ink, appearing to be "JBC", written over a horizontal line.

José B. Carrión III

[CERTIFIED TRANSLATION]

I, Carlos Laó Dávila, a Federally certified interpreter, number 03-052,  
hereby certify that the attached document is a true and exact translation of the original certified or translated by me



**SENATE**  
HOPE AND PROGRESS

Federal, Political, and Economic Relations Commission  
Hon. Thomas Rivera Schatz, President

May 9, 2018

Mr. José B. Carrión III  
President  
Financial Oversight  
& Administration Board  
For Puerto Rico  
268 Muñoz Rivera Ave.  
World Plaza, Suite 1107  
San Juan, PR 00918

Dear Mister Carrión:

This past April 26, 2018, upon request of the Financial Oversight and Administration Board for Puerto Rico, we filed in the Senate of Puerto Rico, Senate Bill 919, "Labor Reform Act of 2018."

Just as every legislative bill, it will follow the ordinary legislative process. It will be analyzed with responsibility and evaluating the recommendations of those persons with knowledge in the matter and who have studied the economic system of Puerto Rico for years.

The Financial Oversight Board, has filed this proposal in a vacuum. We summon you to appear before the Federal, Social, and Economic Relations Commission of the Senate with the goal of you stating to us and evidence the need to pass the Labor Reform. Due to your refusal to appear before the Senate, I reiterate that the People of Puerto Rico have a right to know the analysis performed, the studies, and the empirical data that is the basis of the economic projections established by the Board, with the passing of said bill.

Thus, we request that in a term of no more than five (5) days, counted from the receipt of this communication, you send us the documents that support the economic projections of the aforementioned bill.

With nothing more to add.

Thomas Rivera Schatz



**SENADO**  
ESPERANZA Y PROGRESO

*Comisión sobre Relaciones Federales, Políticas y Económicas*

*Hon. Thomas Rivera Schatz, Presidente*

9 de mayo de 2018

Sr. José B. Carrión III  
Presidente  
Junta de Supervisión y  
Administración para Puerto Rico  
268 Ave. Muñoz Rivera  
World Plaza, Suite 1107  
San Juan, PR 00918

Estimado señor Carrión:

El pasado 26 de abril de 2018, a petición de la Junta de Supervisión Fiscal y Administración Financiera para Puerto Rico, radicamos en el Senado de Puerto Rico, el Proyecto del Senado 919, "Ley de Reforma Laboral de 2018".

Como toda pieza legislativa, seguirá el trámite legislativo ordinario. Se analizará con responsabilidad y evaluando las recomendaciones de aquellas personas entendidas en la materia y que por años han estudiado el sistema económico de Puerto Rico.

La Junta de Supervisión Fiscal, ha presentado esta propuesta en el vacío. Le citamos a comparecer ante la Comisión de Relaciones Federales, Sociales y Económica del Senado con el fin de que nos expresara y nos evidenciara la necesidad de aprobar la Reforma Laboral. Ante su negativa de comparecer ante el Senado, reitero que el pueblo de Puerto Rico tiene derecho a conocer el análisis realizado, los estudios y la data empírica que fundamenta las proyecciones económicas establecidas por la Junta, con la aprobación de dicha medida.

A esos fines, le solicitamos que en un término no mayor de cinco (5) días, contados a partir del recibo de esta comunicación, nos remita los documentos que sustenten las proyecciones económicas de la medida en referencia.

Sin otro particular quedo.

Cordialmente,

A handwritten signature in black ink, appearing to read "T. Rivera Schatz".

Thomas Rivera Schatz

## Structural Reforms

(1) The Legislature shall introduce and the Governor shall sign a bill that repeals Act No. 80 of May 30, 1976 (the “Bill”) on or before June 27, 2018, which shall become effective on or before January 1, 2019. The Bill shall be presented to the FOMB prior to its introduction in the Legislature so that the FOMB can confirm that it is consistent with the fiscal plan. The Bill cannot increase the mandatory benefits for private sector employees (e.g., no increase in vacation days, sick days, sick leave, mandated paid leave, Christmas bonus, or minimum wage) or otherwise undermine the goals or intent of the labor reform as provided in Chapter 7 of the New Fiscal Plan. The Bill shall state that, for the avoidance of doubt, an employee hired for an indefinite period of time does not have a cause of action against their employer merely for the employer’s termination of the employment relation.

(2) As provided in Chapter 7 of the New Fiscal Plan, PAN participants that are able-bodied and aged 18-59 must be subject to a work requirement which must become effective after the individual has collected PAN benefits for three months. The work requirement may be satisfied with 80 hours per month of paid work, volunteer work, and/or qualified training and education. The only exceptions to this work requirement are those under the age of 18, over the age of 60, those with dependents under the age of 18, and those who are certified by a medical doctor as physically or mentally unfit for any employment. Moreover, a qualified third-party analytical firm retained by the Government and acceptable to the FOMB must validate that these requirements are being fully implemented. This third party will share equal information about its work with both the Government and FOMB.

(3) In addition to the Ease of Doing Business reforms provided in Chapter 8 of the New Fiscal Plan, the Government will also take targeted steps to improve Puerto Rico’s ranking in the “Trading Across Borders” indicator by FY2023, with the goal of closing the gap with the mainland U.S. by at least 50% from its 2018 ranking, i.e., move from 64 to at least 50.

Fiscal Measures (consistent with PROMESA, all will be revisited annually to confirm compliance with the then-applicable fiscal plan)

(1) Reinvestment as provided in Chapter 11 of the New Fiscal Plan will be undone (but for the education-specific reinvestment in teacher salaries and new textbooks). In its place, the Government may spend up to a total of \$345 million over FY2019-2023 in reform implementation and economic development initiatives in the following categories/agencies: Digital Reform (CIO/PRITS), Procurement (Office of CFO), Ease of Doing Business (DDEC), CRRO, P3, and Infrastructure projects (PRIFA/Fortaleza). The Government must provide specific dollar amounts for each category/agency for each year of FY2019-2023 by May 25, 2018.

(2) Agency efficiencies as provided in Chapter 13 of the New Fiscal Plan will be modified such that the rightsizing applied to the Legislature and Federal Affairs Office and Resident Commissioner are undone throughout FY2019-2023 and the rightsizing applied to the Judiciary is reduced by half each year throughout FY2019-2023. The elimination of the Christmas bonus



for public employees will be undone through FY2019-2023. The Government will consider renaming the Christmas bonus to remove the word “bonus” and replace with the word “stipend”.

(3) Reductions in subsidies and appropriations as provided in Chapter 17 of the New Fiscal Plan will be modified such that a municipality economic development fund will be created and funded with \$50 million per year through FY2019-2023 and UPR will receive an additional \$25 million per year throughout FY2019-2023, provided that the additional funds that UPR receives must be allocated for means-tested scholarships for students.

(4) Tax law initiatives as provided in Chapter 15 of the New Fiscal Plan will be modified such that the enforcement language in 15.4.3 is removed. The requirement that any tax reform remain revenue neutral, however, is unchanged.

(5) The Government may allocate to UPR up to an additional \$40 million per year throughout FY2019-2023, provided that the additional funds that UPR receives must be allocated for means-tested scholarships for students, and provided further that any additional money allocated to UPR pursuant to this subsection reduces dollar-for-dollar the amount the Government spends over FY2019-2023 in reform implementation and economic development initiatives (which is currently a total of \$345 million) or comes from the rightsizing savings applied to the Judiciary (which is currently a total of \$80 million).

[CERTIFIED TRANSLATION]

I, Carlos Laó Dávila, a Federally certified interpreter, number 03-052, hereby certify that the attached document is a true and exact translation of the original certified or translated by me



**Jorge Navarro Suárez**  
Representative District 5  
GOVERNMENT COMMISSION  
President

[Seal House of Representatives]

June 4, 2018

**Mrs. Natalie Jaresko**

Executive Director  
Oversight and Administration Board for Puerto Rico  
PO Box 192018  
San Juan PR 00919-2018

Dear Mrs. Jaresko:

Warm greetings.

The Government Commission is performing an evaluation and analysis on **H.B. 1634** and **S.B. 1011**. These bills have the purpose of repealing Act No. 80 of May 30, 1976, as amended; in order to comply with those agreements reached by the Government and the Oversight Board; to protect the Christmas bonus of public and private employees; maintain unaltered the vacation and sick leave of private sector employees; reaffirm the public policy of the Government of Puerto Rico on permanency of all those labor rights established in the Constitution of Puerto Rico and the applicable state and state and federal laws; provide for the existing claims on unfair termination and other related matters.

Last week, the passing of **S.B. 1011** by Senate of Puerto Rico, with its amendments, was discussed in the media. These amendments intend for the provisions of Act No. 80, supra, remain in effect for employers and employees protected until said bill is passed. Given that we have before our consideration two proposals with the same purpose but with different scope we have the obligation to go before you to clarify several questions regarding the matter.

Thus, we request provide us comments regarding the following questions:

- If the understanding with the Government of Puerto Rico is not complied with of repealing Act No. 80 of May 30, 1976, as amended, or if the Senate version is passed, as amended. What would be the effect on the Fiscal Plan and the budget to be certified by the Financial Oversight Board?

[CERTIFIED TRANSLATION]

I, Carlos Laó Dávila, a Federally certified interpreter, number 03-052, hereby certify that the attached document is a true and exact translation of the original certified or translated by me



**Jorge Navarro Suárez**  
Representative District 5  
GOVERNMENT COMMISSION  
President

[Seal House of Representatives]

To provide the information you are granted a term of five (5) working days. It is necessary to have this information in our office in or prior to Monday, June 11, 2018. If you have any questions or need additional information, you may contact the number indicated at the footer of the letter.

I thank you for your prompt attention to this matter, I remain.

[Illegible signature]

Jorge Navarro Suárez  
President  
Government Commission

JNS/tmrs  
Attachments



**Jorge Navarro Suárez**  
Representante Distrito 5  
COMISIÓN DE GOBIERNO  
Presidente

4 de junio de 2018

**Sra. Natalie Jaresko**

Directora Ejecutiva

Junta de Supervisión y Administración Financiera para Puerto Rico

PO Box 192018

San Juan PR 00919-2018

Estimada señora Jaresko:

Reciba un cordial saludo.

La Comisión de Gobierno se encuentra realizando la evaluación y análisis sobre el **P. de la C. 1634** y el **P. del S. 1011**. Estos proyectos tienen el propósito de derogar la Ley Núm. 80 de 30 de mayo de 1976, según enmendada; a los fines de dar cumplimiento a aquellos acuerdos llegados por el Gobierno y la Junta de Supervisión Fiscal; para proteger el bono de navidad de los empleados públicos y privados; mantener inalterados los días de vacaciones y enfermedad con los que cuenta un empleado del sector privado; reafirmar la política pública del Gobierno de Puerto Rico sobre la permanencia de todos aquellos derechos laborales establecidos en la Constitución de Puerto Rico y aquellas leyes estatales y federales aplicables; disponer lo relativo a aquellas reclamaciones de despido injustificado existentes y para otros fines relacionados.

La semana pasada fue reseñado en los medios de comunicación la aprobación por parte del Senado de Puerto Rico del **P. del S. 1011** con enmiendas. Estas enmiendas pretenden que las disposiciones de la Ley Núm. 80, *supra*, permanezcan vigentes para los patronos y empleados protegidos hasta el día de la aprobación del proyecto de ley. Dado que tenemos ante nuestra consideración dos propuestas con el mismo propósito pero con alcance distinto no vemos en la obligación de acudir a usted para aclarar varias dudas al respecto.

Es por ello, que solicitamos emita sus comentarios sobre las siguientes interrogantes:

- De no cumplirse con el entendido con el Gobierno de Puerto Rico de derogar la Ley Núm. 80 de 30 de mayo de 1976, según enmendada, o de aprobarse la versión del Senado, según enmendada. ¿Cuál sería el efecto en el Plan Fiscal y en los presupuesto a certificarse por la Junta de Supervisión Fiscal?



**Jorge Navarro Suárez**

Representante Distrito 5  
COMISIÓN DE GOBIERNO  
Presidente

Para suministrar la información se le concede un término de cinco (5) días laborables. Es necesario tener esta información en nuestra oficina en o antes del lunes, 11 de junio de 2018. De tener alguna duda o necesitar información adicional, puede comunicarse a los números mencionados al pie de la misma.

Agradeciendo su pronta atención a este asunto, quedo.



Jorge Navarro Suárez  
Presidente  
Comisión de Gobierno

JNS/ tmrs  
Anejos



**UNANIMOUS WRITTEN CONSENT APPROVING SUBMISSION OF  
COMMONWEALTH'S FISCAL YEAR 2019 BUDGET TO THE LEGISLATURE**

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (the "Board"); and

WHEREAS section 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of a budget for the Commonwealth of Puerto Rico, providing that (i) the Governor must submit a proposed budget to the Board; (ii) the Board must review the proposed budget and determine, in the Board's sole discretion, either that the proposed budget complies with the applicable fiscal plan or that it does not, in which case the Board must issue a notice of violation and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed budget; and (iv) if the Governor fails timely to submit a proposed budget that the Board determines in its sole discretion is a compliant budget, the Board shall develop and submit to the Governor and the Legislature its own compliant budget; and

WHEREAS, on April 19, 2018, the Board certified the fiscal plan for the Commonwealth of Puerto Rico as developed by the Board; and

WHEREAS, on May 4, 2018, the Governor submitted a proposed budget for the Commonwealth for fiscal year 2019; and

WHEREAS the Board and its advisors held extensive discussions with the Governor's representatives about the proposed budget; and

WHEREAS, after substantial deliberations, on May 10, 2018, the Board sent a notice of violation pursuant to PROMESA § 202(c)(1)(B) to the Governor for the Governor's proposed budget for the Commonwealth for fiscal year 2019 as submitted on May 4, 2018; and

WHEREAS, on May 18, 2018, the Governor submitted a revised proposed budget for the Commonwealth for fiscal year 2019; and

WHEREAS the Board and its advisors held extensive discussions with the Governor's representatives about the revised proposed budget; and

WHEREAS, on May 30, 2018, the Board approved certain revisions to the previously certified fiscal plan for the Commonwealth and re-certified the fiscal plan as so revised; and

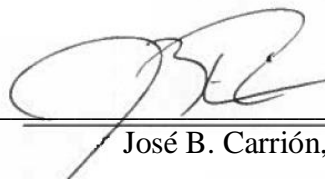
WHEREAS, on June 1, 2018, the Government submitted to the Board the draft resolutions for the General Fund and Special Appropriations for the Commonwealth's fiscal year 2019 budget (collectively, the "Budget Resolutions"); and

WHEREAS, after substantial deliberations, the Board determined that the Budget Resolutions do not reflect a compliant budget as required by PROMESA § 202(c)(2) and has developed a revised compliant budget which is attached hereto as exhibit 1, in accordance with PROMESA § 202(c)(2) (the "Revised Compliant Budget");

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board submits the Revised Compliant Budget as required by PROMESA § 202(c)(2) to the Governor and the Legislature.




Dated: June 5, 2018



\_\_\_\_\_  
José B. Carrión, Chair

Dated: June 5, 2018



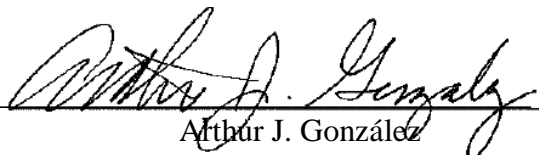
\_\_\_\_\_  
Andrew G. Biggs

Dated: June 5, 2018



\_\_\_\_\_  
Carlos M. García

Dated: June 5, 2018



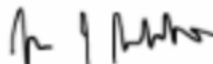
\_\_\_\_\_  
Arthur J. González

Dated: June 5, 2018



\_\_\_\_\_  
José R. González

Dated: June 5, 2018



\_\_\_\_\_  
Ana J. Matosantos

Dated: June 5, 2018



\_\_\_\_\_  
David A. Skeel, Jr.

A- \_\_\_\_

The GOVERNMENT OF PUERTO RICO

18<sup>th</sup> Legislative Assembly  
Session

3rd Ordinary

House of Representatives

R. C. of C. \_\_\_\_\_

\_\_\_\_ June 2018

Joint Resolution

To allocate the amount of six billion nine hundred and eighteen million four hundred and forty thousand (\$6,918,440,000), under the General Fund of the State Treasury, for regular operating costs of the programs and agencies that make up the Executive Branch and the programs that make up the Judicial Branch and the Legislative Branch during the fiscal year ending 30 June 2019, the following amounts or any portions of those amounts that are necessary.

*Be IT RESOLVED BY THE LEGISLATURE OF PUERTO RICO:*

Section 1.- The sum of six billion nine hundred and eighteen million four hundred and forty thousand (\$6,918,440,000), is assigned to the General Fund of the State Treasury, for regular operating expenses of the programs and agencies of the Executive Branch and the programs that make up the Judicial Branch and the Legislative Branch during the fiscal year ending 30 June 2019, the following amounts or any portions of those amounts that are necessary, for the purposes that are outlined below:

1	1	Puerto Rico Federal Affairs Administration (PRFAA)	
2	A	Payroll and related costs	\$1,421,000
3	B	Operating Expenses	\$1,518,000
4	C	Payments to PREPA	\$3,000
5	D	Pay As You Go	\$332,000
6	E	Operating costs of the Puerto Rico Resident Commissioner	\$308,000
7		Subtotal	\$3,582,000
8			
9	2	Administration for Socioeconomic Development of the Family	
10	A	Payroll and related costs	\$31,497,000
11	B	Annuity Employees Act 70	\$501,000
12	C	Operating Expenses	\$25,899,000
13	D	Payment of fidelity bonds	\$9,000
14	E	Pay As You Go	\$27,892,000
15	F	For the Program of Rehabilitation Economic and Social Commission for	
16		Families in Extreme Poverty	\$350,000
17		Subtotal	\$86,148,000
18			
19	3	Family and Children Administration	
20	A	Payroll and related costs	\$58,003,000
21	B	Annuity Employees Act 70	\$985,000
22	C	Operating Expenses	\$111,172,000

1	D	Payment of fidelity bonds	\$155,000
2	E	Payments to PRASA	\$32,000
3	F	Payment of rent to the Public Buildings Authority	\$38,000
4	G	Pay As You Go	\$13,916,000
5	H	For centers of care for senior citizens	\$1,000,000
6		Subtotal	\$185,301,000
7			
8	4	Natural Resource Management Administration	
9	A	Payroll and related costs	\$24,982,000
10	B	Annuity Employees Act 70	\$1,568,000
11	C	Operating Expenses	\$823,000
12	D	Payment of fidelity bonds	\$3,389,000
13	E	Payments to PRASA	\$11,000
14	F	Payment of rent to the Public Buildings Authority	\$88,000
15	G	Pay As You Go	\$6,612,000
16		Subtotal	\$37,473,000
17			
18	5	Vocational Rehabilitation Administration	
19	A	Payroll and related costs	\$952,000
20	B	Annuity Employees Act 70	\$598,000
21	C	Operating Expenses	\$12,856,000
22	D	Payment of fidelity bonds	\$307,000

1	E	Payments to PREPA	\$176,000
2	F	Payments to PRASA	\$59,000
3	G	Payment of rent to the Public Buildings Authority	\$139,000
4	H	Pay As You Go	\$8,129,000
5		Subtotal	\$23,216,000
6			
7	6	Puerto Rico Health Insurance Administration	
8	A	Annuity Employees Act 70	\$313,000
9	B	Payment of Health Insurance Premiums	\$14,886,000
10		Subtotal	\$15,199,000
11			
12	7	Mental Health and Drug Addiction Services Administration	
13	A	Payroll and related costs	\$27,501,000
14	B	Annuity Employees Act 70	\$1,860,000
15	C	Operating Expenses	\$35,735,000
16	D	Payment of fidelity bonds	\$501,000
17	E	Payments to PREPA	\$3,535,000
18	F	Payments to PRASA	\$1,756,000
19	G	Pay As You Go	\$24,638,000
20		Subtotal	\$95,526,000
21			
22	8	General Services Administration	

1	A	Pay As You Go	\$5,988,000
2		Subtotal	\$5,988,000
3			
4	9	Medical Service Administration of Puerto Rico	
5	A	Payroll and related costs	\$20,090,000
6	B	Operating Expenses	\$28,386,000
7	C	Pay As You Go	\$25,724,000
8		Subtotal	\$74,200,000
9			
10	10	Administration for the Horse Racing Sport and Industry	
11	A	Payroll and related costs	\$1,037,000
12	B	Annuity Employees Act 70	\$75,000
13	C	Operating Expenses	\$273,000
14	D	Payment of fidelity bonds	\$6,000
15	E	Payments to PREPA	\$47,000
16	F	Pay As You Go	\$909,000
17		Subtotal	\$2,347,000
18			
19	11	Government Employees and Judiciary Retirement System Administration	
20	A	Pay As You Go	\$8,525,000
21		Subtotal	\$8,525,000
22			

1	12	Administration for the Childhood Care and Integral Development	
2	A	Payroll and related costs	\$3,108,000
3	B	Annuity Employees Act 70	\$333,000
4	C	Operating Expenses	\$1,463,000
5	D	Payment of fidelity bonds	\$8,000
6	E	Payments to PREPA	\$276,000
7	F	Payments to PRASA	\$32,000
8	G	Payment of rent to the Public Buildings Authority	\$241,000
9	H	Pay As You Go	\$1,676,000
10		Subtotal	\$7,137,000
11			
12	13	Agricultural Enterprises Development Administration (ADEA)	
13	A	Payroll and related costs	\$1,114,000
14	B	Annuity Employees Act 70	\$1,623,000
15	C	Operating Expenses	\$10,835,000
16	D	Payments to PREPA	\$212,000
17	E	Payments to PRASA	\$151,000
18	F	Payment of rent to the Public Buildings Authority	\$14,000
19	G	Pay As You Go	\$7,208,000
20		Subtotal	\$21,157,000
21			
22	14	Child Support Office	



1	A	Payroll and related costs	\$6,781,000
2	B	Annuity Employees Act 70	\$254,000
3	C	Operating Expenses	\$2,603,000
4	D	Payment of fidelity bonds	\$25,000
5	E	Payments to PREPA	\$74,000
6	F	Pay As You Go	\$1,806,000
7		Subtotal	\$11,543,000
8			
9	15	Fiscal Agency & Financial Advisory Authority	
10	A	Payroll and related costs	\$7,986,000
11	B	Operating Expenses	\$67,063,000
12	C	Payment of rent to the Public Buildings Authority	\$562,000
13		Subtotal	\$75,611,000
14			
15	16	Legislative Assembly of the Commonwealth	
16	A	House of Representatives	\$45,470,000
17	B	Senate of Puerto Rico	\$38,805,000
18	C	Joint Activities	\$20,593,000
19		Subtotal	\$104,868,000
20			
21	17	Assignments under the custody of the Office of Management and Budget	
22	A	For operating expenses of the Office of the Inspector General	\$4,000,000

1	B	To compensate for judgments against the State	\$16,000,000
2	C	For the development and investment in Public-private partnerships, the	
3		Central Office recovery and reconstruction and other related expenses	\$20,000,000
4	D	Subsidized municipal consortia	\$1,500,000
5	E	For the acquisition of technology licensing Centralized For Entities	
6		Non-governmental organizations. (Microsoft)	\$22,000,000
7	F	For the acquisition of Oracle technology licensing	\$11,400,000
8	G	Social security reserve	\$14,000,000
9	H	For expenses of school transportation provided through governmental	
10		and/or municipal entity	\$6,000,000
11	I	Police salary reserve	\$37,349,000
12	J	Teacher's salary investment reserve	\$6,605,000
13		Subtotal	\$138,854,000
14			
15	18	Assignments under the custody of the Department of the Treasury	
16	A	Title III (legal costs)	\$271,200,000
17	B	Pay As You Go	\$236,342,000
18		Subtotal	\$507,542,000
19			
20	19	Culebra Conservation and Development Authority	
21	A	Payroll and related costs	\$133,000
22	B	Annuity Employees Act 70	\$11,000

1	C	Operating Expenses	\$73,000
2	D	Payments to PRASA	\$5,000
3	E	Pay As You Go	\$19,000
4		Subtotal	\$241,000
5			
6	20	The Solid Waste Authority	
7	A	Payroll and related costs	\$1,537,000
8	B	Annuity Employees Act 70	\$362,000
9	C	Payments to PREPA	\$1,581,000
10	D	Payments to PRASA	\$183,000
11	E	Pay As You Go	\$353,000
12		Subtotal	\$4,016,000
13			
14	21	Puerto Rico Public Private Partnership Authority	
15	A	Payroll and related costs	\$1,333,000
16	B	Operating Expenses	\$8,887,000
17		Subtotal	\$10,220,000
18			
19	22	Puerto Rico Infrastructure Financing Authority	
20	A	Payroll and related costs	\$1,620,000
21	B	Annuity Employees Act 70	\$43,000
22	C	Operating Expenses	\$12,749,000

1		Subtotal	\$14,412,000
2			
3	23	The Puerto Rico Housing Finance Corporation	
4	A	Payroll and related costs	\$3,220,000
5	B	Operating Expenses	\$1,452,000
6		Subtotal	\$4,672,000
7			
8	24	Puerto Rico Integrated Transit Authority (PRITA)	
9	A	Payroll and related costs	\$13,049,000
10	B	Annuity Employees Act 70	\$832,000
11	C	Operating Expenses	\$4,960,000
12	D	Pay As You Go	\$12,027,000
13		Subtotal	\$30,868,000
14			
15	25	The Port of the Americas Authority	
16	A	Payroll and related costs	\$41,000
17	B	Operating Expenses	\$196,000
18		Subtotal	\$237,000
19			
20	26	Local Redevelopment Authority of the Lands and Facilities of Naval Station Roosevelt	
21		Roads	
22	A	Payroll and related costs	\$554,000

1	B	Operating Expenses	\$989,000
2		Subtotal	\$1,543,000
3			
4	27	Model Forest Of Puerto Rico	
5	A	Payroll and related costs	\$54,000
6	B	Operating Expenses	\$147,000
7		Subtotal	\$201,000
8			
9	28	University of Puerto Rico Comprehensive Cancer Center	
10	A	Payroll and related costs	\$4,497,000
11	B	For the operation and operating expenses of the Comprehensive Cancer	
12		Center, including its Research and Development Building, Radiotherapy	
13		Center, and Tertiary Care Hospital	\$8,003,000
14		Subtotal	\$12,500,000
15			
16	29	Center for Research, Education and Services Medical Care and Diabetes	
17	A	Payroll and related costs	\$361,000
18		Subtotal	\$361,000
19			
20	30	Public Service Commission	
21	A	Payroll and related costs	\$2,333,000
22	B	Annuity Employees Act 70	\$49,000

1	C	Operating Expenses	\$432,000
2	D	Payment of fidelity bonds	\$8,000
3	E	Pay As You Go	\$123,000
4		Subtotal	\$2,945,000
5			
6	31	Commonwealth Elections Commission	
7	A	Payroll and related costs	\$19,225,000
8	B	Annuity Employees Act 70	\$35,000
9	C	Operating Expenses	\$5,079,000
10	D	Payment of fidelity bonds	\$86,000
11	E	Payments to PREPA	\$2,263,000
12	F	Payments to PRASA	\$141,000
13	G	Payment of rent to the Public Buildings Authority	\$1,149,000
14	H	Pay As You Go	\$4,128,000
15		Subtotal	\$32,106,000
16			
17	32	Civil Rights Commission	
18	A	Payroll and related costs	\$503,000
19	B	Operating Expenses	\$355,000
20	C	Pay As You Go	\$30,000
21		Subtotal	\$888,000
22			

1	33	Cooperative Development Commission of Puerto Rico	
2	A	Payroll and related costs	\$1,127,000
3	B	Operating Expenses	\$337,000
4	C	Payment of fidelity bonds	\$19,000
5	D	Payments to PRASA	\$2,000
6	E	Payment of rent to the Public Buildings Authority	\$42,000
7		Subtotal	\$1,527,000
8			
9	34	Commission of Investigation, Processing and Appeals Board	
10	A	Payroll and related costs	\$323,000
11	B	Operating Expenses	\$33,000
12	C	Payment of fidelity bonds	\$6,000
13	D	Pay As You Go	\$131,000
14		Subtotal	\$493,000
15			
16	35	Public Service Commission	
17	A	Payroll and related costs	\$3,363,000
18	B	Annuity Employees Act 70	\$345,000
19	C	Operating Expenses	\$1,222,000
20	D	Payment of fidelity bonds	\$29,000
21	E	Payments to PREPA	\$141,000
22	F	Payments to PRASA	\$1,000



1	G	Pay As You Go	\$5,190,000
2		Subtotal	\$10,291,000
3			
4	36	Puerto Rico Traffic Safety Commission	
5	A	Pay As You Go	\$800,000
6		Subtotal	\$800,000
7			
8	37	Company for the Integral Development of the "Península de Cantera	
9	A	Payroll and related costs	\$255,000
10	B	Operating Expenses	\$135,000
11		Subtotal	\$390,000
12			
13	38	Puerto Rico Council on Education	
14	A	Payroll and related costs	\$1,550,000
15	B	Annuity Employees Act 70	\$91,000
16	C	Operating Expenses	\$99,000
17	D	Payment of fidelity bonds	\$19,000
18	E	Pay As You Go	\$124,000
19		Subtotal	\$1,883,000
20			
21	39	Puerto Rico Public Broadcasting Corporation	
22	A	Payroll and related costs	\$4,596,000

1	B	Annuity Employees Act 70	\$312,000
2	C	Operating Expenses	\$768,000
3	D	Payments to PREPA	\$886,000
4	E	Payments to PRASA	\$36,000
5	F	Pay As You Go	\$1,150,000
6		Subtotal	\$7,748,000
7			
8	40	Musical Arts Corporation	
9	A	Payroll and related costs	\$3,750,000
10	B	Annuity Employees Act 70	\$48,000
11	C	Operating Expenses	\$873,000
12	D	Payment of fidelity bonds	\$54,000
13	E	Payment of rent to the Public Buildings Authority	\$219,000
14	F	Pay As You Go	\$383,000
15	G	To provide financial support for the Symphony Orchestra Of Puerto Rico	
16		and the Youth Symphonic Orchestra	\$720,000
17	H	For operating expenses of the Theater Opera Inc.	\$43,000
18	I	To provide financial support for the Musical Arts	\$118,000
19		Subtotal	\$6,208,000
20			
21	41	Fine Arts Center Corporation	
22	A	Payroll and related costs	\$1,113,000

1	B	Annuity Employees Act 70	\$159,000
2	C	Operating Expenses	\$798,000
3	D	Payments to PREPA	\$668,000
4	E	Payments to PRASA	\$70,000
5	F	Pay As You Go	\$286,000
6		Subtotal	\$3,094,000
7			
8	42	Puerto Rico Regional Center Corporation.	
9	A	Operating Expenses	\$1,000
10		Subtotal	\$1,000
11			
12	43	Puerto Rico Conservatory of Music Corporation	
13	A	Payroll and related costs	\$3,207,000
14	B	Annuity Employees Act 70	\$16,000
15	C	Operating Expenses	\$170,000
16	D	Payments to PREPA	\$546,000
17	E	Payments to PRASA	\$24,000
18	F	Pay As You Go	\$329,000
19		Subtotal	\$4,292,000
20			
21	44	Puerto Rico School of Plastic Arts	
22	A	Payroll and related costs	\$1,759,000

1	B	Annuity Employees Act 70	\$73,000
2	C	Operating Expenses	\$12,000
3	D	Payment of fidelity bonds	\$39,000
4	E	Payments to PREPA	\$45,000
5	F	Pay As You Go	\$447,000
6		Subtotal	\$2,375,000
7			
8	45	Corporation for the "Caño Martin Peña" Enlace Project	
9	A	Payroll and related costs	\$832,000
10	B	Operating Expenses	\$5,082,000
11	C	Payments to PREPA	\$26,000
12	D	For federal matching funds	\$5,000,000
13		Subtotal	\$10,940,000
14			
15	46	Office for People with Disabilities	
16	A	Payroll and related costs	\$1,077,000
17	B	Annuity Employees Act 70	\$93,000
18	C	Operating Expenses	\$102,000
19	D	Payment of fidelity bonds	\$12,000
20	E	Payment of rent to the Public Buildings Authority	\$50,000
21	F	Pay As You Go	\$257,000
22		Subtotal	\$1,591,000

1			
2	47	Puerto Rico Department of Agriculture	
3		A Payroll and related costs	\$8,010,000
4		B Annuity Employees Act 70	\$619,000
5		C Operating Expenses	\$418,000
6		D Payment of fidelity bonds	\$90,000
7		E Payments to PREPA	\$391,000
8		F Payments to PRASA	\$6,000
9		G Payment of rent to the Public Buildings Authority	\$371,000
10		H Pay As You Go	\$10,639,000
11		Subtotal	\$20,544,000
12			
13	48	Puerto Rico Department of Consumer Affairs	
14		A Payroll and related costs	\$5,158,000
15		B Annuity Employees Act 70	\$264,000
16		C Payment of rent to the Public Buildings Authority	\$703,000
17		D Pay As You Go	\$5,318,000
18		Subtotal	\$11,443,000
19			
20	49	Department of Correction and Rehabilitation	
21		A Payroll and related costs	\$245,962,000
22		B Annuity Employees Act 70	\$6,611,000

1	C	Operating Expenses	\$55,503,000
2	D	Payment of fidelity bonds	\$3,146,000
3	E	Payments to PREPA	\$15,494,000
4	F	Payments to PRASA	\$15,683,000
5	G	Payment of rent to the Public Buildings Authority	\$3,250,000
6	H	Pay As You Go	\$33,824,000
7		Subtotal	\$379,473,000
8			
9	50	Department of Economic Development and Commerce of Puerto Rico	
10	A	Payroll and related costs	\$801,000
11	B	Annuity Employees Act 70	\$115,000
12	C	Operating Expenses	\$94,000
13		Subtotal	\$1,010,000
14			
15	51	Department of Education	
16	A	Payroll and related costs	\$1,035,333,000
17	B	Payroll and related cost - salary increase for teachers	\$23,819,000
18	C	Payroll and related cost - salary increase for directors	\$23,973,000
19	D	Annuity Employees Act 70	\$4,759,000
20	E	Operating Expenses	\$284,220,000
21	F	Payment of fidelity bonds	\$5,336,000
22	G	Payments to PREPA	\$34,896,000

1	H	Payments to PRASA	\$12,060,000
2	I	Payment of rent to the Public Buildings Authority	\$74,817,000
3	J	Pay As You Go	\$1,014,420,000
4	K	To cover the costs of operation of San Gabriel Inc. School, specializing in	
5		children with hearing problems	\$450,000
6	L	For municipal agreements for maintenance program for public	
7		schools administered by the OMEP	\$7,200,000
8	M	For the Project C.A.S.A.	\$5,000,000
9	N	For the Alliance for Alternative Education Program	\$10,000,000
10		Subtotal	\$2,536,283,000
11			
12	52	Puerto Rico Department of State	
13	A	Payroll and related costs	\$2,811,000
14	B	Annuity Employees Act 70	\$106,000
15	C	Operating Expenses	\$1,255,000
16	D	Payment of fidelity bonds	\$52,000
17	E	Payments to PREPA	\$31,000
18	F	Payments to PRASA	\$28,000
19	G	Payment of rent to the Public Buildings Authority	\$120,000
20	H	Pay As You Go	\$2,287,000
21	I	Integrated Services Center	\$1,000,000
22		Subtotal	\$7,690,000



1			
2	53	Puerto Rico Department of the Treasury	
3	A	Payroll and related costs	\$75,013,000
4	B	Annuity Employees Act 70	\$4,227,000
5	C	Operating Expenses	\$51,623,000
6	D	Payment of fidelity bonds	\$687,000
7	E	Payments to PREPA	\$2,002,000
8	F	Payments to PRASA	\$281,000
9	G	Payment of rent to the Public Buildings Authority	\$6,190,000
10	H	Pay as You Go	\$46,317,000
11	I	To be transferred to the Society for Legal Assistance to cover operating	
12		expenses	\$9,800,000
13	J	To be transferred to the Community Legal Office, Inc. to cover	
14		operating expenses	\$486,000
15	K	To be transferred to Legal Services of Puerto Rico, Inc. to cover	
16		operating expenses	\$4,460,000
17	L	To be transferred to Pro-Bono, Inc. to cover operating expenses	\$405,000
18		Subtotal	201,491,000
19			
20	54	Puerto Rico Department of Justice	
21	A	Payroll and related costs	\$80,330,000
22	B	Annuity Employees Act 70	\$1,157,000

1	C	Operating Expenses	\$4,443,000
2	D	Payment of fidelity bonds	\$261,000
3	E	Payments to PREPA	\$3,357,000
4	F	Payments to PRASA	\$257,000
5	G	Payment of rent to the Public Buildings Authority	\$2,595,000
6	H	Pay as You Go	\$30,108,000
7	I	To cover operating expenses of specialized drug costs	\$5,670,000
8	J	For the exclusive use of the payment of expenses and fees to the	
9		lawyers appointed by the court	\$3,600,000
10		Subtotal	\$131,778,000
11			
12	55	Department of Recreation and Sports	
13	A	Payroll and related costs	\$23,956,000
14	B	Annuity Employees Act 70	\$1,811,000
15	C	Operating Expenses	\$2,883,000
16	D	Payment of fidelity bonds	\$1,393,000
17	E	Payments to PREPA	\$1,343,000
18	F	Payments to PRASA	\$469,000
19	G	Pay as You Go	\$9,306,000
20		Subtotal	\$41,161,000
21			
22	56	Puerto Rico Department of Natural and Environmental Resources	

1	A	Payroll and related costs	\$489,000
2	B	Operating Expenses	\$1,906,000
3		Subtotal	\$2,395,000
4			
5	57	Department of Health	
6	A	Payroll and related costs	\$70,545,000
7	B	Annuity Employees Act 70	\$2,462,000
8	C	Operating Expenses	\$74,013,000
9	D	Payment of fidelity bonds	\$1,317,000
10	E	Payments to PREPA	\$12,331,000
11	F	Payments to PRASA	\$2,832,000
12	G	Payment of rent to the Public Buildings Authority	\$1,446,000
13	H	Pay as You Go	\$73,040,000
14	I	For the operation of the Puerto Rico Health Information Network	\$2,200,000
15		Subtotal	\$240,186,000
16			
17	58	Department of Public Safety - Bureau of Emergency Management and Disaster	
18		Management	
19	A	Payroll and related costs	\$2,884,000
20	B	Annuity Employees Act 70	\$980,000
21	C	Operating Expenses and Diaster Mitigation	\$2,656,000
22	D	Payment of fidelity bonds	\$79,000

1	E	Payments to PREPA	\$370,000
2	F	Payments to PRASA	\$174,000
3	G	Payment of rent to the Public Buildings Authority	\$37,000
4		Subtotal	\$7,180,000
5			
6	59	Department of Public Safety - Fire Brigade of Puerto Rico	
7	A	Payroll and related costs	\$48,155,000
8	B	Annuity Employees Act 70	\$48,000
9	C	Operating Expenses	\$576,000
10	D	Payment of fidelity bonds	\$478,000
11	E	Payments to PREPA	\$284,000
12	F	Payments to PRASA	\$293,000
13	G	Payment of rent to the Public Buildings Authority	\$372,000
14	H	Pay as You Go	\$13,823,000
15		Subtotal	\$64,029,000
16			
17	60	Department of Public Safety - Emergency Medical Services of Puerto Rico	
18	A	Payroll and related costs	\$15,875,000
19	B	Operating Expenses	\$98,000
20	C	Payment of fidelity bonds	\$390,000
21	D	Payment of rent to the Public Buildings Authority	\$99,000
22	E	Pay as You Go	\$1,947,000

1		Subtotal	\$18,409,000
2			
3	61	Department of Public Safety - Bureau of Forensic Sciences Institute	
4	A	Payroll and related costs	\$9,224,000
5	B	Annuity Employees Act 70	\$388,000
6	C	Operating Expenses	\$2,198,000
7	D	Payment of fidelity bonds	\$110,000
8	E	Payments to PREPA	\$1,499,000
9	F	Payments to PRASA	\$93,000
10	G	Pay as You Go	\$1,563,000
11		Subtotal	\$15,075,000
12			
13	62	Department of Public Safety - Puerto Rico Police	
14	A	Payroll and related costs	\$549,759,000
15	B	Payroll and related cost - salary increase for police	\$18,823,000
16	C	Annuity Employees Act 70	\$29,601,000
17	D	Operating Expenses	\$45,634,000
18	E	Payment of fidelity bonds	\$3,475,000
19	F	Payments to PREPA	\$12,122,000
20	G	Payments to PRASA	\$1,342,000
21	H	Payment of rent to the Public Buildings Authority	\$13,403,000
22	I	Pay as You Go	\$182,619,000

1	J	For drug trafficking operations, including materials and related costs	\$2,250,000
2	K	For Expenses related to the police department reform and related engineering	
3		processes, including purchases, professional services, technology consulting	
4		and any other expenditures deemed useful and relevant to the reform	\$20,000,000
5		Subtotal	\$879,028,000
6			
7	63	Puerto Rico Department of Transportation and Public Works	
8	A	Payroll and related costs	\$22,712,000
9	B	Annuity Employees Act 70	\$1,243,000
10	C	Payment of fidelity bonds	\$652,000
11	D	Payments to PREPA	\$1,893,000
12	E	Payments to PRASA	\$353,000
13	F	Payment of rent to the Public Buildings Authority	\$1,455,000
14	G	Pay as You Go	\$21,166,000
15	H	For the coordination of evacuations and demolitions	\$5,000
16		Subtotal	\$49,479,000
17			
18	64	Department of Housing	
19	A	Payroll and related costs	\$10,686,000
20	B	Annuity Employees Act 70	\$673,000
21	C	Operating Expenses	\$101,000
22	D	Payments to PREPA	\$961,000

1	E	Payment of rent to the Public Buildings Authority	\$135,000
2	F	Pay as You Go	\$9,123,000
3		Subtotal	\$21,679,000
4			
5	65	Puerto Rico Department of Labor and Human Resources	
6	A	Payroll and related costs	\$4,691,000
7	B	Annuity Employees Act 70	\$718,000
8	C	Operating Expenses	\$513,000
9	D	Payment of fidelity bonds	\$675,000
10	E	Payments to PREPA	\$1,625,000
11	F	Payments to PRASA	\$232,000
12	G	Pay as You Go	\$24,845,000
13		Subtotal	\$33,299,000
14			
15	66	Puerto Rico National Guard	
16	A	Payroll and related costs	\$4,884,000
17	B	Annuity Employees Act 70	\$91,000
18	C	Operating Expenses	\$3,580,000
19	D	Payment of fidelity bonds	\$488,000
20	E	Payments to PREPA	\$1,000,000
21	F	Payments to PRASA	\$104,000
22	G	Pay as You Go	\$7,993,000



1		Subtotal	\$18,140,000
2			
3	67	Institute of Puerto Rican Culture	
4	A	Payroll and related costs	\$4,752,000
5	B	Annuity Employees Act 70	\$399,000
6	C	Operating Expenses	\$341,000
7	D	Payments to PREPA	\$1,519,000
8	E	Payments to PRASA	\$100,000
9	F	Pay as You Go	\$3,798,000
10		Subtotal	\$10,909,000
11			
12	68	Puerto Rico Institute of Statistics	
13	A	Payroll and related costs	\$548,000
14	B	Operating Expenses	\$1,173,000
15	C	Payments to PREPA	\$27,000
16	D	Payments to PRASA	\$1,000
17		Subtotal	\$1,749,000
18			
19	69	Puerto Rico Environmental Quality Board	
20	A	Payroll and related costs	\$4,275,000
21	B	Annuity Employees Act 70	\$464,000
22	C	Operating Expenses	\$971,000

1	D	Payment of fidelity bonds	\$108,000
2	E	Pay as You Go	\$6,649,000
3		Subtotal	\$12,467,000
4			
5	70	Parole Board	
6	A	Payroll and related costs	\$2,148,000
7	B	Annuity Employees Act 70	\$133,000
8	C	Operating Expenses	\$92,000
9	D	Payment of fidelity bonds	\$15,000
10	E	Pay as You Go	\$319,000
11		Subtotal	\$2,707,000
12			
13	71	Puerto Rico Planning Board	
14	A	Payroll and related costs	\$8,269,000
15	B	Annuity Employees Act 70	\$424,000
16	C	Operating Expenses	\$108,000
17	D	Payment of fidelity bonds	\$41,000
18	E	Payment of rent to the Public Buildings Authority	\$1,118,000
19	F	Pay as You Go	\$3,768,000
20		Subtotal	\$13,728,000
21			
22	72	Puerto Rico Labor Relations Board	

1	A	Payroll and related costs	\$657,000
2	B	Operating Expenses	\$11,000
3	C	Payment of fidelity bonds	\$4,000
4	D	Pay as You Go	\$325,000
5		Subtotal	\$997,000
6			
7	73	State Historic Preservation Office of Puerto Rico	
8	A	Payroll and related costs	\$944,000
9	B	Annuity Employees Act 70	\$56,000
10	C	Operating Expenses	\$2,000
11	D	Payment of fidelity bonds	\$6,000
12	E	Payments to PREPA	\$291,000
13	F	Payments to PRASA	\$36,000
14	G	Pay as You Go	\$145,000
15		Subtotal	\$1,480,000
16			
17	74	State Office of Public Policy Energy	
18	A	Payroll and related costs	\$618,000
19	B	Annuity Employees Act 70	\$16,000
20	C	Operating Expenses	\$124,000
21		Subtotal	\$758,000
22			

1	75	Puerto Rico Office of Human Resources Management and Transformation	
2	A	Payroll and related costs	\$2,971,000
3	B	Annuity Employees Act 70	\$187,000
4	C	Operating Expenses	\$326,000
5	D	Payment of fidelity bonds	\$12,000
6	E	Payments to PREPA	\$127,000
7		Subtotal	\$3,623,000
8			
9	76	Government Ethics Board	
10	A	Payroll and related costs	\$8,310,000
11	B	Annuity Employees Act 70	\$246,000
12		Subtotal	\$8,556,000
13			
14	77	Permits Management Office	
15	A	Payroll and related costs	\$4,441,000
16	B	Annuity Employees Act 70	\$538,000
17	C	Operating Expenses	\$175,000
18	D	Payment of fidelity bonds	\$11,000
19	E	Pay as You Go	\$3,156,000
20	F	Operating expenses of the Office of Surveying Puerto Rico	\$1,000,000
21		Subtotal	\$9,321,000
22			

1	78	Office of Management and Budget	
2	A	Payroll and related costs	\$14,497,000
3	B	Annuity Employees Act 70	\$350,000
4	C	Operating Expenses	\$27,558,000
5	D	Payment of fidelity bonds	\$52,000
6	E	Payments to PREPA	\$219,000
7	F	Payments to PRASA	\$35,000
8	G	Pay as You Go	\$4,779,000
9	H	For the operation and development of the services of Pr.org	\$500,000
10	I	For the Federal Opportunity Center (COF)	\$6,000,000
11	J	For the implementation and audit of the Base Zero Budgeting (PBC)	\$2,000,000
12		Subtotal	\$55,990,000
13			
14	79	Office of the Women's Advocate	
15	A	Payroll and related costs	\$1,470,000
16	B	Annuity Employees Act 70	\$12,000
17	C	Operating Expenses	\$486,000
18	D	Payment of fidelity bonds	\$5,000
19	E	Payments to PREPA	\$36,000
20		Subtotal	\$2,009,000
21			
22	80	Office of the Comptroller	

1	A	Payroll and related costs	\$34,130,000
2	B	Pay as You Go	\$2,331,000
3		Subtotal	\$36,461,000
4			
5	81	Office of the Election Comptroller	
6	A	Payroll and related costs	\$2,404,000
7	B	Operating Expenses	\$156,000
8	C	Payment of fidelity bonds	\$6,000
9	D	Payments to PREPA	\$99,000
10		Subtotal	\$2,665,000
11			
12	82	Office of Socio-economic and Community Development	
13	A	Payroll and related costs	\$2,011,000
14	B	Operating Expenses	\$25,575,000
15	C	Payment of fidelity bonds	\$12,000
16	D	Payments to PREPA	\$5,000
17	E	Payments to PRASA	\$2,000
18	F	Payment of rent to the Public Buildings Authority	\$89,000
19	G	Pay as You Go	\$2,903,000
20		Subtotal	\$30,597,000
21			
22	83	Office of the Governor	

1	A	Payroll and related costs	\$12,145,000
2	B	Annuity Employees Act 70	\$58,000
3	C	Operating Expenses	\$4,753,000
4	D	Payment of fidelity bonds	\$55,000
5	E	Payments to PREPA	\$1,041,000
6	F	Payments to PRASA	\$153,000
7	G	Pay as You Go	\$9,089,000
8		Subtotal	\$27,294,000
9			
10	84	Office of the Citizen's Ombudsman	
11	A	Payroll and related costs	\$2,184,000
12	B	Annuity Employees Act 70	\$21,000
13	C	Operating Expenses	\$737,000
14	D	Payment of fidelity bonds	\$10,000
15	E	Payments to PREPA	\$18,000
16	F	Payments to PRASA	\$1,000
17	G	Payment of rent to the Public Buildings Authority	\$47,000
18		Subtotal	\$3,018,000
19			
20	85	Office for the Patient's Advocate	
21	A	Payroll and related costs	\$1,250,000
22	B	Annuity Employees Act 70	\$45,000



1	C	Operating Expenses	\$481,000
2	D	Payment of fidelity bonds	\$4,000
3	E	Pay as You Go	\$92,000
4		Subtotal	\$1,872,000
5			
6	86	Office of the Veteran's Advocate Of Puerto Rico	
7	A	Payroll and related costs	\$744,000
8	B	Operating Expenses	\$126,000
9	C	Payment of fidelity bonds	\$53,000
10	D	Pay as You Go	\$136,000
11		Subtotal	\$1,059,000
12			
13	87	Office for the Elderly's Advocate	
14	A	Payroll and related costs	\$647,000
15	B	Operating Expenses	\$804,000
16	C	Payment of fidelity bonds	\$12,000
17	D	Pay as You Go	\$243,000
18	E	For related to the coordinated program, education, evaluation and protection	
19		for projects for the benefit of elderly people	\$387,000
20	F	For the state matching of federal funds	\$505,000
21		Subtotal	\$2,598,000
22			

1	88	Special Independent Prosecutor's Panel	
2	A	Payroll and related costs	\$840,000
3	B	Operating Expenses	\$1,735,000
4	C	Payment of fidelity bonds	\$11,000
5		Subtotal	\$2,586,000
6			
7	89	Correctional Health Services Corporation (CHSC)	
8	A	Payroll and related costs	\$19,950,000
9	B	Annuity Employees Act 70	\$577,000
10	C	Operating Expenses	\$37,583,000
11	D	Pay as You Go	\$1,367,000
12		Subtotal	\$59,477,000
13			
14	90	Secretariat of the Department of the Family	
15	A	Payroll and related costs	\$15,946,000
16	B	Annuity Employees Act 70	\$653,000
17	C	Operating Expenses	\$525,000
18	D	Payment of fidelity bonds	\$201,000
19	E	Payments to PREPA	\$3,966,000
20	F	Payments to PRASA	\$288,000
21	G	Payment of rent to the Public Buildings Authority	\$6,013,000
22	H	Pay as You Go	\$14,078,000

1	I	To cover the costs of operation of the Integrated Services Centers for	
2		minors victims of sexual assault	\$1,350,000
3		Subtotal	\$43,020,000
4			
5	91	The General Court of Justice	
6	A	To cover the costs of operation of the Judicial Branch, Law Num. 147	
7		of 18 August 1980, as amended	\$277,719,000
8	B	Pay as You Go	\$29,248,000
9		Subtotal	\$306,967,000
10			
11	92	Authority of the Port of Ponce	
12	A	Operating Expenses	\$700,000
13		Subtotal	\$700,000
14	93	University of Puerto Rico	
15	A	For Scholarship Funds	\$25,000,000
16		Subtotal	\$25,000,000
17			
18		Grand Total	\$6,918,440,000

Section 2.- The Department of the Treasury will remit to the Legislative Branch and its components, to the Judiciary, to the University of Puerto Rico, and to the non-profit entities that receive funds from this Resolution, monthly and in advance, the budgetary allotments corresponding to one twelfth of the annual allocation provided in this Joint Resolution for each entity. Such one-twelfth monthly allocation to each entity (except with respect to the Judiciary) shall be subject to the five percent (5%) withholding set forth in Section 3 below during the first three quarters of this fiscal year.

Section 3.- The Director of the Office of Management and Budget ("OMB") may authorize the disbursement of up to ninety-five percent (95%) of each appropriation provided in this Joint Resolution during the first three quarters of this fiscal year. The Director of OMB shall withhold the remaining five percent (5%) of each appropriation until after the end of the third quarter of this fiscal year. Such withheld percentage of each appropriation shall only be disbursed during the fourth quarter of this fiscal year if the first 6 months of actual revenues reported to the Oversight Board reach the Government's monthly revenue projections for that period and subject to the prior approval of the Director of OMB. If actual revenues for the first 6 months of the fiscal year fail to reach the Government's monthly revenue projections for that period, the amount of the withheld percentage of each appropriation that may be encumbered shall be reduced proportionally according to the negative budget variance between projected and actual revenues.

Section 4.- No later than 45 days after the closing of each quarter of a fiscal year, the Secretary of Treasury shall revise the projected net revenues of the General Fund for the current fiscal year (the "Quarterly Revision") and notify the revision to the Director of the OMB, the Governor and the Oversight Board. The Quarterly Revision shall project future revenues based on actual revenues, and include revisions to the assumptions used to generate the General Fund's net revenue projections.

Section 5.- All appropriations authorized in any previous fiscal year payable from the General Fund, including appropriations without a specific fiscal year, are hereby eliminated and no disbursement of public funds may be covered by such appropriations, except: (1) appropriations without a specific fiscal year to carry out permanent improvements that have been accounted for and kept on the books; and (2) the portion of the appropriations authorized for fiscal year 2018 that have been encumbered on or before June 30, 2018, which shall be kept in the books for 60 days after the termination of fiscal year 2018 and after those 60 days no amount shall be drawn against such portion for any reason. This restriction shall not apply to programs financed in whole or in part with federal funds.

Any power of OMB, AAFAP or the Department of the Treasury, including the authorities granted under Act 230-1974, as amended, known as the "Puerto Rico Government Accounting Act" ("Act 230"), to authorize the reprogramming or extension

of appropriations of prior fiscal years is hereby suspended. Notwithstanding this section, the appropriations approved in the budget certified by the Oversight Board may be modified or reprogrammed with the approval of the Oversight Board.

In conjunction with the reports that the Governor must submit to the Oversight Board no later than 15 days after the last day of each quarter of the fiscal year pursuant to section 203 of PROMESA, the Executive Director of AAFAF and the Director of the OMB will certify to the Oversight Board that no assignment of any previous fiscal year (except for allowances covered by the two exceptions authorized in the previous paragraph of this section) has been used to cover any expense.

Section 6.- The appropriation in the amount of \$14,000,000 provided in Subparagraphs 17(g) of Section 1 of this Joint Resolution (the "Social Security Reserve") shall remain unencumbered and under the custody of OMB until police officers under the age of 40 are covered by Social Security in accordance with Section 17.2.3 of the New Fiscal Plan for Puerto Rico certified by the Oversight Board, including: (i) implementation of a defined contribution retirement plan for police officers; (ii) an employee contribution of not more than 2.3% for police officers (A) under the age of 40 as of June 30, 2018 or (B) hired after such date regardless of age; and (iii) the Social Security Reserve funds are only used to cover the employer's share of the Federal Insurance Contributions Tax (FICA) that corresponds to the police officers enrolled in Social Security. When OMB determines that the aforementioned conditions are satisfied, it shall transfer the Social Security Reserve to the Department of Public Safety.

The appropriation in the amount of \$37,349,000 provided in Subparagraphs 17(i) of Section 1 of this Joint Resolution to fund the salary increase for police officers and ensure that the Department of Public Safety continues to retain police officers (the "Police Salary Reserve"), shall remain unencumbered and under the custody of OMB until the savings measures set forth in Section 12.6.2 of the New Fiscal Plan for Puerto Rico certified by the Oversight Board are satisfied. When OMB determines that the aforementioned conditions are satisfied, it shall transfer the Police Salary Reserve to the Department of Public Safety.

The appropriation in the amount of \$6,605,000 provided in Subparagraphs 17(j) of Section 1 of this Joint Resolution to fund the salary increase for teachers (the "Teacher Salary Investment Reserve") shall remain unencumbered and under the custody of OMB until the savings measures set forth in Section 12.4.3 of the New Fiscal Plan for Puerto Rico certified by the Oversight Board are satisfied. When OMB determines that the aforementioned conditions are satisfied, it shall transfer the Teacher Salary Investment Reserve to the Department of Education.

In conjunction with the reports that the Governor must submit to the Oversight Board not later than 15 days after the last day of each quarter of the fiscal year

according to Section 203 of PROMESA, the Executive Director of the Fiscal Agency and Financial Advisory Authority ("AAFAF", by its Spanish acronym) and the Director of OMB will certify to the Oversight Board that no amount of: (i) the Social Security Reserve; (ii) the Police Salary Reserve; or (iii) the Teacher Salary Investment Reserve has been used unless the Executive Director of AAFAF and the Director of OMB certify to the Oversight Board that the corresponding conditions described above have been satisfied.

Section 7.- As a rule, necessary for the responsible disbursement of budgetary allocations for operating and other expenses, during the term of this Joint Resolution, OMB may withhold from any of the allocations to the agencies of the Executive Branch the amounts necessary to pay for the pay-go contribution, unemployment insurance, or taxes withheld from their employees, when OMB determines that such a withholding is necessary to ensure compliance with these obligations by the agencies concerned. Any such amounts withheld by OMB shall solely be reprogrammed to pay the corresponding outstanding obligations related to paygo contributions, unemployment insurance, or taxes withheld from employees.

Section 8.- The public agencies and instrumentalities, public corporations, and municipalities, with the approval of the Office of Management and Budget, in accordance with current legislation, are authorized to formalize agreements with the Federal Government, other public agencies and instrumentalities, public corporations, or municipalities for the rendering of services based on contracts or the matching of municipal funds and those included in this Joint Resolution.

Section 9.- The Office of Management and Budget and the Department of the Treasury are authorized to establish the necessary mechanisms to ensure that when implementing the concept of mobility, pursuant to the provisions of Law 8-2017, as amended, known as the "Puerto Rico Human Resources Management and Transformation in the Government Act," the corresponding transfer of funds allocated to payroll and related costs of said employee are to be carried out simultaneously.

Section 10.- On or before August 1, 2018, the Government, in conjunction with the Oversight Board, will develop a work schedule for the Government to present and certify to the Oversight Board: (1) monthly reports of actual cash revenues, actual cash expenses, and cash flow for each government agency; (2) monthly and quarterly reports detailing actual versus projected budget results of each government agency based on a modified accrual basis as well; (3) monthly and quarterly reporting on central government payroll, headcount and attendance, third party accounts payable, invoice processing key performance indicators, tax credits, disaster-related funding and paygo; (4) monthly monitoring by each government agency of key performance indicators for each of the fiscal reform measures; and (5) quarterly reports on macroeconomic performance. Notwithstanding the foregoing, during the period in which the above work schedule is developed, the Government will present and certify to the Oversight Board

all reports on liquidity or expenses that it can generate based on available financial information.

The reports required under this Section are in addition to the reports that the Governor must submit to the Oversight Board under Section 203 of PROMESA.

Section 11.- If during the fiscal year the government fails to comply with the liquidity and budgetary savings measures required by the New Fiscal Plan for Puerto Rico certified by the Oversight Board, the Government shall take all necessary corrective action, including the measures provided in PROMESA sections 203 and 204

Section 12.- The Secretary of Treasury, the treasurer and Executive Directors of each agency or Public Corporation covered by the New Fiscal Plan for Puerto Rico certified by the Oversight Board, and the Director of the OMB (or their respective successors) shall be responsible for not spending or encumbering during fiscal year 2019 any amount that exceeds the appropriations authorized for such year. This prohibition applies to every appropriation set forth in this Joint Resolution, including appropriations for payroll and related costs. Any violation of this prohibition shall constitute a violation of this Joint Resolution and Act 230-1974.

Section 13.- If any clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Joint Resolution is annulled or declared unconstitutional, the resolution, decision, or judgment entered to that effect will not affect, harm, or invalidate the remainder of this Joint Resolution. The effect of such judgment will be limited to the clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part thereof that has been annulled or declared unconstitutional. If the application to a person or circumstance of any clause, paragraph, subparagraph, sentence, word, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Joint Resolution is invalidated or declared unconstitutional, the decision, opinion, or judgment entered to that effect will not affect or invalidate the application of the remainder of this Joint Resolution to those persons or circumstances in which it can validly apply. It is the express and unequivocal will of this Legislature that the courts enforce the provisions and the application of this Joint Resolution to the greatest extent possible, even if any of its parts is set aside, annulled, invalidated, prejudiced, or declared unconstitutional, or even if its application to any person or circumstance is annulled, invalidated, or declared unconstitutional. This Legislature would have approved this Joint Resolution regardless of the finding of severability that the Court may make.

Section 14.- This Joint Resolution will be known as "Joint Resolution of the General Fund Budget for Fiscal Year 2018-2019."

Section 15.- This Joint Resolution shall take effect on 1 July 2018.



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The GOVERNMENT OF PUERTO RICO

18<sup>th</sup> Legislative Assembly  
Session

3rd Ordinary

House of Representatives

R. C. of C. \_\_\_\_\_

\_\_\_\_ June 2018

Joint Resolution

To assign to public agencies and instrumentalities the amount of one billion eight hundred and thirty million eight hundred and seventy eight thousand (\$1,830,878,000), for the development of special, permanent or temporary programs or activities for Fiscal Year 2018-2019; and to authorize the transfer of funds between the agencies; to provide for the submission of a quarterly report of transfers made; to provide that the allocations included in the Budget will be the only ones in force and that no debt whatsoever will be generated by total or partial omission; to authorize contracts; to authorize donations; to order that non-profit entities file a semi-annual report on the use of the allocated funds; to authorize the retention of payments for various concepts; to authorize the creation of control mechanisms to comply with reserves in Government procurement; to authorize matching of allocated funds; and for other related purposes.

*Be IT RESOLVED BY THE LEGISLATURE OF PUERTO RICO:*

Section 1.- The sum of one billion eight hundred and thirty million eight hundred and seventy eight thousand (\$1,830,878,000), is assigned to the General Fund of the State Treasury, for regular operating expenses of the programs and agencies of the Executive Branch and the programs that make up the Judicial Branch and the Legislative Branch during the fiscal year ending 30 June 2019, the following amounts or any portions of those amounts that are necessary, for the purposes that are outlined below:

1	1	Administration for the Childhood Care and Integral Development	
2	A	For operational costs and technical support for the Multi-Sectoral	
3		Council for Early Childhood	\$150,000
4		Subtotal	\$150,000
5			
6	2	Mental Health and Drug Addiction Services Administration	
7	A	To cover the costs of operation Sor Isolina Ferre Center, Inc., Playa de	
8		Ponce, according to the provisions of the RC 183-2005	\$1,900,000
9	B	To cover the costs of operation Hogar Crea, Inc., according to the	
10		provisions of the RC 157-2005	\$1,890,000
11	C	To cover the costs of operation of the UPENS Foundation	\$950,000
12	D	To cover the costs of operation of Community Research Initiative, Inc.	\$1,440,000
13	E	To cover the costs of Teen Challenge	\$360,000
14	F	To cover the costs of operation Sor Isolina Ferre Center, Inc., Caimito,	
15		as in the RC 183-2005	\$250,000
16	G	To cover the costs of operation San Francisco Center, Ponce, in	
17		accordance In the RC 183-2005	\$200,000
18	H	To cover expenses of Hogar The Providence, Located in Old San Juan	\$25,000
19		Subtotal	\$7,015,000
20			
21	3	Agricultural Enterprises Development Administration (ADEA)	
22	A	To offer matching investment incentives in agricultural business,	

1		according to the provisions of the Law 225-1995, as amended	\$7,934,000
2	B	To grant the Christmas bonus to the Agricultural workers who are	
3		eligible, according to the provisions of the Law Num. 42 of 19 June	
4		of 1971, as amended	\$2,747,000
5	C	To reimburse farmers salary allowance given to agriculture workers	
6		according to the provisions of the Law Num. 46 of 5 August 1989,	
7		as amended	\$15,000,000
8	D	For the payment of insurance premiums, according to the provisions	
9		of the Law Num. 12 of 12 of December of 1966, as amended	\$1,500,000
10	E	For technical assistance and economic incentives Bona fide farmers	\$1,374,000
11	F	For the provision of fertilizer for Bona fide farmers	\$5,432,000
12	G	For the agricultural machinery lease incentive program	\$400,000
13	H	For the incentive of agricultural mechanization	\$400,000
14	I	For the incentive of insurance for the ranches of Farmers	\$500,000
15	J	To encourage the pineapple industry, the poultry and other projects	\$1,500,000
16	K	For the program of infrastructure improvements and reconstruction,	
17		permanent works, studies and for Matching Funds	\$5,000,000
18	L	For works and improvements to the Agricultural Schools	\$200,000
19		Subtotal	\$41,987,000
20			
21	4	Child Support Office	
22	A	For IT platform PRACES, matching Federal Funds	\$399,000

1		Subtotal	\$399,000
2			
3	5	Contributions to the Municipalities	
4	A	To comply with the contribution to the Matching Fund	\$175,784,000
5		Subtotal	\$175,784,000
6			
7	6	Legislative Assembly of the Commonwealth	
8	A	For Providing Assignments to Public, Semi-Public and Private Non-	
9		Profit Entities that, under the supervision of Government agencies,	
10		perform activities or Provide services that contribute to the	
11		development of Programs for the well-being	\$20,000,000
12	B	To cover operating costs of Pilar Barbosa program of internships in	
13		Education, according to the provisions of the Law 53-1997	\$91,000
14	C	For operating expenses of the Program Córdova Congressional	
15		Internship, according to the provisions of the RC 554-1998	\$360,000
16	D	For operating expenses of the Program Legislative Internships Ramos	
17		Commas	\$130,000
18	E	To cover the cost of the resolution on the Folders	\$1,000
19	F	To cover the membership of the Council of State governments	\$98,000
20	G	For operating costs and information system of of the office of	
21		legislative services	\$106,000
22	H	To cover the operating costs of the Commission of Community Impact	\$1,590,000

1	I	For operating expenses of the Joint Commission on Special Reports to	
2		the Comptroller	\$98,000
3	J	For the superintendence of the Capitol for the purchase of equipment	
4		and security operation of the Capitol District	\$1,112,000
5	K	To cover the costs of operation of the Joint Commission for Public	
6		Private Partnerships of the Legislative Assembly of Puerto Rico,	
7		according to the provisions of the Law 29-2009 as amended	\$222,000
8	L	For the scholarships for graduate studies in disciplines related to the	
9		protection and conservation of the environment, as established by	
10		Law 157-2007	\$6,000
11	M	For scholarships for graduate studies with specialty in special	
12		education for teachers who are certified by the Department of	
13		Education	\$6,000
14	N	For the districts maintenance and materials Capital Hill	\$1,962,000
15	O	For the operating expenses of the joint venture commission for the	
16		ongoing review and the revision of the criminal law code and for the	
17		reform of the Penal Laws	\$98,000
18	P	For operating expenses of the House of Representatives and for the	
19		fellowship program university students of communications,	
20		according to Law 5-201	\$369,000
21	Q	To cover the services of water and power capitol	\$2,382,000
22	R	For operating expenses of the Senate Puerto Rico	\$1,355,000

1	Subtotal	\$29,986,000
2		
3	7 Assignments under the custody of the Office of Management and	
4	Budget	
5	A To cover the costs for professional services contracts related to	
6	cybersecurity policies and procedures for the Government of Puerto	
7	Rico, as well monitoring	\$2,400,000
8	B For the configuration of a private data network for the Government of	
9	Puerto Rico	\$800,000
10	C To improve the Data Center Communication equipment and data	
11	backup system of OMB	\$600,000
12	D To comply with the following commitments Program:	
13	i. Single Employer	\$2,000,000
14	E To improve the procurement system for the government of Puerto	
15	Rico	\$2,000,000
16	F For the payment of the services provided through of the 330 centers, to	
17	comply with the order of the Federal Court	\$30,000,000
18	G To contribute to the Fund for Access to Justice	\$200,000
19	H To contribute the Emergency Fund created for protection under Law	
20	Num. 91 of 21 June 1966, as amended	\$15,000,000
21	I Liquidity reserve required by the Fiscal Plan	\$115,000,000
22	J To support talented students through The Kinesis Foundation of	

1	Puerto Rico	\$140,000
2	K For the Conservation and Disgitalization of Historical documents and	
3	artifacts	\$350,000
4	L To cover the operational costs of the Boys and Girls Club	\$1,242,000
5	M To comply with the agreement with the Treasury Federal Dam	
6	Cerrillos	\$7,077,000
7	N For Federal matching funds Public Assistance	\$200,000,000
8	O To pay for the PRIFAS Accounting System and costs related to the IT	
9	reform	\$50,000,000
10	P To create the Munciple Economic Development Fund	\$50,000,000
11	Q To finance programs, reforms and initiatives of economic development,	\$50,000,000
12	reconstruction and Government programs	
13	R For the implementation of Electronic Medical Records	\$2,500,000
14	S For the development of the research capabilities of the Comprehensive	
15	Cancer Center, including, but not limited to the development of basic	
16	research, clinics and epidemiological research, the recruitment of	
17	highly specialized personnel, investment in the purchase of high-tech	
18	equipment and the establishment of scientific processes of competitive	
19	research	\$10,500,000
20	T For the negotiated police "Pay Out" (payment for prior year debts)	\$122,000,000
21	U For the ASEM expense reserve	\$22,000,000
22	V For the PRASA reserve	\$23,000,000



1	W	For the state government training reserve	\$17,000,000
2		Subtotal	\$723,809,000
3			
4	8	The Puerto Rico Housing Finance Corporation	
5	A	For the program "Casa Mia"	\$4,000,000
6		Subtotal	\$4,000,000
7			
8	9	Trade & Export Company	
9	A	To encourage Creative Industries	\$600,000
10	B	For the project "Puerto Rico Emprende"	\$200,000
11	C	For the project "exportable" franchises	\$300,000
12	D	For the project "direct employment in the urban center"	\$600,000
13	E	To promote the "Microenterprise Program"	\$200,000
14		Subtotal	\$1,900,000
15			
16	10	Puerto Rico Council on Education	
17	A	For educational scholarships and grants for students at the post-	
18		secondary , technical and university levels, according to the	
19		provisions of Act 435-2004, as amended	\$7,000,000
20	B	To cover expenses related to the state authorization reciprocity	
21		agreement	\$50,000
22		Subtotal	\$7,050,000

1

2 11 Puerto Rico Conservatory of Music Corporation

3 A To finance the costs associated with the Music project 100x35 \$1,000,000

4 Subtotal \$1,000,000

5

6 12 Puerto Rico Public Broadcasting Corporation

7 A For operating costs of the production of telenovelas, miniseries or

8 single productions in Puerto Rico Public Broadcasting Corporation,

9 according to the provisions of the Act 223-2000 \$1,000,000

10 Subtotal \$1,000,000

11

12 13 Office for People with Disabilities

13 A For the educational campaign about the Charter of Rights of Persons

14 with Disabilities, according to the provisions of the Act 238-2004 \$71,000

15 Subtotal \$71,000

16

17 14 Puerto Rico Department of Agriculture

18 A To be transferred to the Office for the regulation of the Dairy Industry

19 to promote incentives to farmers, to promote stability in the price of

20 milk \$14,360,000

21 Subtotal \$14,360,000

22

1	15	Department of Correction and Rehabilitation	
2	A	For operating costs of Correctional Health Services Corporation, as	
3		required by the federal lawsuit of the Morales Feliciano	\$15,640,000
4		Subtotal	\$15,640,000
5			
6	16	Department of Economic Development and Commerce of Puerto Rico	
7	A	To Cover expenses of the programs "Iuvempleo" and "more jobs"	\$1,000,000
8	B	To comply with the granting of the Award Youth commitment",	
9		according to the provisions of Law 434-2004	\$1,000
10		Subtotal	\$1,001,000
11			
12	17	Department of Education	
13	A	To offer a free College Board test to enter Universities	\$2,300,000
14		Subtotal	\$2,300,000
15			
16	18	Puerto Rico Department of the Treasury	
17	A	For the payment of pension to Wilfredo Benitez, according to the	
18		provisions of the RC 726-1995	\$7,000
19	B	For operating expenses of the program workshop of photojournalism	
20		of the Puerto Rican Ateneo, according to the provisions of Law 276-1999,	
21		as amended	\$280,000
22	C	For the payment of global bail for the State	\$270,000

1	D	For the operation and maintenance of the real estate registry of Puerto	
2		Rico, Law 184-2014; item under the municipal revenue collection	
3		center that is located in the Department of Treasury	\$1,000,000
4	E	For Payments of operation of the Ballet concert, according to the	
5		provisions of the R.C. 107-2005	\$88,000
6	F	Reduction of Fees	\$2,000,000
7	G	To cover professional and consulting services fees related to the	
8		preparation of the annual financial statements	\$19,357,000
9		Subtotal	\$23,002,000
10			
11	19	Puerto Rico Department of Justice	
12	A	For the Institute of Training and Development of legal knowledge,	
13		according to the provisions of Law 206-2004, as amended	\$72,000
14	B	For the payment of legal professional fees, according to Law 9 of	
15		November 26, 1975	\$810,000
16		Subtotal	\$882,000
17			
18	20	Puerto Rico Department of Natural and Environmental Resources	
19	A	For the design, mitigation and works to control floods	\$480,000
20	B	For federal matching funds for the project for Flood Control of the	
21		Puerto Nuevo River	\$3,230,000
22		Subtotal	\$3,710,000

1

2 21 Department of Recreation and Sports

3 A To cover expenses related to training athletes, Law 119-2001, known

4 as the Law of the Fund and the Board for the Development of the

5 Puerto Rican High Performance Full-time Athlete \$300,000

6 Subtotal \$300,000

7

8 22 Department of Health

9 A To be transferred to the Mercedes Ruby Foundation, for the

10 acquisition of surgical materials and radiological and neurosurgical

11 equipment; provide maintenance to the team; and to provide training

12 to the staff of the Neurovascular Surgery Center of Puerto Rico and the

13 Caribbean, according to the provisions of the RC 164-2005 \$125,000

14 B For the CAP-Foundation, Pro Department of Oncological Pediatrics of

15 the Pediatric University Hospital Dr. Antonio \$200,000

16 C For operating expenses of Pediatric Hospital, for pediatric cancer

17 treatment \$2,860,000

18 D To cover the operating costs of the Program for the Prevention and

19 Monitoring of Medical Emergencies of Children, according to

20 Law 259-2000 \$60,000

21 E For operating expenses of the Foundation Modesto Gotay, according

22 to the provisions of RC 336-2000 \$125,000

1	F	For the Center of Training and Information to Parents of Children with	
2		Disabilities of Puerto Rico (APNI)	\$225,000
3	G	For the development of the public policy of the Puerto Rico	
4		government related to the people who suffer from the condition of	
5		autism, Law 318-2003	\$250,000
6	H	To carry out the National Day to be tested for Hepatitis C, in	
7		accordance with Law 42-2003	\$150,000
8	I	To contribute to the fund against Catastrophic Diseases, according	
9		to the provisions of Law 150-1996, as amended	\$8,200,000
10	J	To be transferred to the Education And Rehabilitation Society of	
11		Puerto Rico (BE), to cover operating costs	\$1,050,000
12	K	For regulating the practice of smoking in certain public and private	
13		places according to the provisions of Law 40-1993, as amended	\$12,000
14	L	For operating costs for the Alzheimer's Disease Register according	
15		to the provisions of the Act 237-1999	\$25,000
16	M	For operating expenses of the American Red Cross	\$200,000
17	N	For the aerial subsidy of the Municipality of Vieques, according to the	
18		provisions of Law Num. 44 of 17 May 1955	\$345,000
19	O	For the Puerto Rican League Against Cancer, according to the	
20		provisions of RC 68-2010	\$70,000
21	P	For the Renal Council of Puerto Rico, as In RC 204-2006	\$250,000
22	Q	For the Oncology Hospital in Ponce	\$600,000

1	R	For the well-being and integration and development of persons with	
2		autism (LawBIDA)	\$500,000
3	S	For operating costs of the Cancer Hospital	\$7,500,000
4	T	To comply with the matching for the "Program of Stepping Forward	
5		Together"	\$2,100,000
6	U	For expenses related to security and monitoring services	\$2,500,000
7	V	For programs of health services, education and well-being of	
8		young children. New and existing programs for the diagnosis and	
9		treatment of minors with development deficiencies, programs to	
10		improve the quality of training services in the care and child	
11		development centers	\$750,000
12	W	For the pediatric hospital, for the purchase of equipment and	
13		materials for patient treatment	\$700,000
14	X	To establish the Public Bank of Blood Umbilical Cord of Puerto Rico in	
15		the Center Comprehensive Cancer in collaboration and consultation	
16		with the Medical Sciences	\$210,000
17	Y	For operating expenses of the Food and Nutrition Commission	
18		according to Law 10-1999	\$60,000
19	Z	The commission for the implementation of the public policy in	
20		suicide prevention, according to the provisions of Act 227-1999, as	
21		amended	\$30,000
22	AA	For operating costs of the integrated services centers to child victims of	



1	sexual assault, according to Law 158-2013	\$1,000,000
2	BB For operating expenses of the American Cancer Society, according to	
3	the provisions in Law 135-2010	\$200,000
4	CC Matching Federal Funds, MMI, MFCO and other related expenses	\$17,111,000
5	Subtotal	\$47,408,000
6		
7	23 Institute of Puerto Rican Culture	
8	A To be transferred to the Puerto Rico Museum of Art for operating	
9	expenses and for construction	\$1,299,000
10	B For operating expenses of the Philharmonic Orchestra	\$265,000
11	C To be transferred to the Art Museum of the Americas to cover	
12	operating costs	\$156,000
13	D To be transferred to the Museum Of Contemporary Art to promote the	
14	Plastic Arts , carry out educational and cultural activities, and	
15	maintain a center of documentation on contemporary art, according to	
16	the provisions of Law 91-1994, as amended	\$346,000
17	E To cover the costs of operation. Ponce Museum of Art, Inc., according	
18	to Law 227-2000	\$866,000
19	F For operating expenses of the Luis Munoz Marin Foundation	\$437,000
20	G To cover operating costs of the Ateneo Puertorriqueño	\$147,000
21	H Museum of Art of Bayamon	\$61,000
22	Subtotal	\$3,577,000

1

2 24 Puerto Rico Environmental Quality Board

3 A To comply with the Cooperative Agreement and Special Services Fund

4 from USGS \$1,000,000

5 B For the matching of Federal Funds of the State Clean Water Revolving

6 Fund "State Revolving Fund" and for permanent improvements

7 projects \$10,980,000

8 Subtotal \$11,980,000

9

10 25 Puerto Rico Planning Board

11 A For operating expenses of the group, the advisory panel for the

12 development of the Castañer Region , according to the provisions of

13 Law 14-1996, 16 as amended \$27,000

14 B For resolution of convention delegation in relation to Civil Case

15 JAC93-0323-Municipality of Ponce \$45,000

16 C For interagency contribution according to Law 51-2003, known as

17 Law for Joint and Cooperative Agreement Special Fund for Services

18 from the US Geological Survey \$50,000

19 Subtotal \$122,000

20

21 26 Fiscal Oversight and Management Board

22 A For operating expenses of the Board \$64,750,000

1		Subtotal	\$64,750,000
2			
3	27	Puerto Rico Office of Human Resources Management and	
4		Transformation	
5	A	For the public awards of Manuel A. Perez, according to the provisions of	
6		the Law Num. 66 of 20 of June 1956, as amended	\$4,000
7		Subtotal	\$4,000
8			
9	28	Office of the Women's Advocate	
10	A	To cover expenses related to cases of domestic violence	\$1,250,000
11		Subtotal	\$1,250,000
12			
13	29	Office of Socio-economic and Community Development	
14	A	For construction and improvements, such as construction and	
15		purchase of materials for housing rehabilitation, construction or	
16		improvements to recreational and sport facilities communal service	
17		centers, segregations, pipes, work of environmental protection and	
18		renewable energy, reforestation, ornamental or landscaping, poles	
19		and street light installations and other works, and permanent	
20		improvements	\$500,000
21		Subtotal	\$500,000
22			

1	30	Permits Management Office	
2	A	For the transfer of ARPE to the Municipality of Ponce	\$216,000
3		Subtotal	\$216,000
4			
5	31	Office of the Governor	
6	A	To meet the following programmatic commitments:	
7	i.	Direct line to the Municipalities	\$1,000,000
8	ii.	Multi-stakeholder permanent dialog forum for the implementation of	
9		Law 30-2017	\$500,000
10	iii.	PR Dashboard	\$1,000,000
11	iv.	For the FEWG Office	\$4,000,000
12	v.	For the implementation of the PROJECT PRITS	\$7,000,000
13		Subtotal	\$13,500,000
14			
15	32	Office of the Veteran's Advocate Of Puerto Rico	
16	A	To subsidize the costs of services provided to our veterans in the	
17		House of the Veteran of Juana Diaz, according to Law 59-2004	\$800,000
18	B	For administration and operation of the Cemetery of Aguadilla,	
19		according to Law 106-2000	\$135,000
20	C	To monitor the operation of the Aguadilla Cemetery	\$35,000
21	D	To strengthen the support services, orientation and advice to the	
22		veterans and their relatives for the protection of their rights and	

1		benefits	\$135,000
2	E	For scholarships, 65 infantry regiment through OE-2008-056	\$276,000
3		Subtotal	\$1,381,000
4			
5	33	State Office of Public Policy Energy	
6	A	For contribution of the Government of Puerto Rico to. The Southern	
7		States Energy Board, according to Law Num. 86 of 30 May 1970,	
8		as amended	\$16,000
9	B	For contribution of the Government of Puerto Rico to the National	
10		Association of State Energy Board, according to Law Num. 86 of 30 of	
11		May 1970, as amended	\$1,000
12		Subtotal	\$17,000
13			
14	34	Secretariat of the Department of the Family	
15	A	To cover aid to natural disaster victims and other humanitarian work	
16		and operating expenses of the American Red Cross Puerto Rico	
17		Chapter, according to Law 59-2006, as amended	\$243,000
18	B	To cover expenses related to the Commission for the prevention of	
19		suicide, according to Law 227-1999	\$30,000
20	C	For family support networks and community coexistence	\$810,000
21	D	For operational costs of the Geriatric Center San Rafael, Inc., of	
22		Arecibo, according to RC 1332-2004	\$59,000

1	E	For the housekeeper program	\$990,000
2	F	For the Special Council to address the social inequality in Puerto Rico	\$12,000
3		Subtotal	\$2,144,000
4			
5	35	University of Puerto Rico	
6	A	For operating expenses of the University of Puerto Rico, according to	
7		Law Num. 2 of 20 January 1966, as Amended	\$589,910,000
8	B	For operational costs of the Center Ponce of Autism, Inc.	\$87,000
9	C	For operating expenses of the Program of the University of Puerto	
10		Rico, according to RC 1531-2004	\$855,000
11	D	For scholarships and education aid to students who qualify,	
12		according to Law 170-2002, as amended	\$9,500,000
13	E	For the Department of Surgery and/or Trauma Center of Medical	
14		Sciences	\$2,500,000
15	F	To grant scholarships to students of medicine, dentistry and veterinary	
16		medicine according to Law Num. 17 of June 5, 1948, as amended	\$500,000
17	G	For studies of brain tissues of the deceased persons diagnosed with	
18		Alzheimer's disease, according to Law 237-1999	\$50,000
19	H	For operating costs of the Integrated Services centers to Child Victims	
20		of Sexual assault-UPR, Law 158-2013	\$500,000
21	I	For operational costs of the Center of Advanced Studies for the Public	
22		Sector Emergency Medical Staff, according to Act 235-2004	\$500,000

1	J	For indigent medical services in the Medical Sciences Complex	\$1,719,000
2	K	To cover the costs of salary of residents and Internal of the Medical	
3		Sciences Campus, according to Law 299-2003, as amended, in case of	
4		an interruption of services at the University these funds will be	
5		transferred to the Department of Health	\$20,900,000
6	L	For operating costs of 24 hours of the Seismic Network Puerto Rico	
7		and the network of strong movement	\$1,662,000
8		Subtotal	\$628,683,000
9			
10		Grand Total	\$1,830,878,000

Section 2.- The Department of the Treasury will remit to the Legislative Branch and its components, to the Judiciary, to the University of Puerto Rico, and to the non-profit entities that receive funds from this Resolution, monthly and in advance, the budgetary allotments corresponding to one twelfth of the annual allocation provided in this Joint Resolution for each entity. Such one-twelfth monthly allocation to each entity (except with respect to the Judiciary) shall be subject to the five percent (5%) withholding set forth in Section 3 below during the first three quarters of this fiscal year.

Section 3.- The Director of the Office of Management and Budget ("OMB") may authorize the disbursement of up to ninety-five percent (95%) of each appropriation provided in this Joint Resolution during the first three quarters of this fiscal year. The Director of OMB shall withhold the remaining five percent (5%) of each appropriation until after the end of the third quarter of this fiscal year. Such withheld percentage of each appropriation shall only be disbursed during the fourth quarter of this fiscal year if the first 6 months of actual revenues reported to the Oversight Board reach the Government's monthly revenue projections for that period and subject to the prior approval of the Director of OMB. If actual revenues for the first 6 months of the fiscal year fail to reach the Government's monthly revenue projections for that period, the amount of the withheld percentage of each appropriation that may be encumbered shall be reduced proportionally according to the negative budget variance between projected and actual revenues.

Section 4.- No later than 45 days after the closing of each quarter of a fiscal year, the Secretary of Treasury shall revise the projected net revenues of the General Fund for the current fiscal year (the "Quarterly Revision") and notify the revision to the Director of the OMB, the Governor and the Oversight Board. The Quarterly Revision shall project future revenues based on actual revenues, and include revisions to the assumptions used to generate the General Fund's net revenue projections.

Section 5.- All appropriations authorized in any previous fiscal year payable from the General Fund, including appropriations without a specific fiscal year, are hereby eliminated and no disbursement of public funds may be covered by such appropriations, except: (1) appropriations without a specific fiscal year to carry out permanent improvements that have been accounted for and kept on the books; and (2) the portion of the appropriations authorized for fiscal year 2018 that have been encumbered on or before June 30, 2018, which shall be kept in the books for 60 days after the termination of fiscal year 2018 and after those 60 days no amount shall be drawn against such portion for any reason. This restriction shall not apply to programs financed in whole or in part with federal funds.

Any power of OMB, AAFAP or the Department of the Treasury, including the authorities granted under Act 230-1974, as amended, known as the "Puerto Rico Government Accounting Act" ("Act 230"), to authorize the reprogramming or extension



of appropriations of prior fiscal years is hereby suspended. Notwithstanding this section, the appropriations approved in the budget certified by the Oversight Board may be modified or reprogrammed with the approval of the Oversight Board.

In conjunction with the reports that the Governor must submit to the Oversight Board no later than 15 days after the last day of each quarter of the fiscal year pursuant to section 203 of PROMESA, the Executive Director of AAFAF and the Director of the OMB will certify to the Oversight Board that no assignment of any previous fiscal year (except for allowances covered by the two exceptions authorized in the previous paragraph of this section) has been used to cover any expense.

Section 6.- The emergency reserve in the amount of \$15,000,000 (the "Emergency Reserve"), and the liquidity reserve required by the New Fiscal Plan certified by the Oversight Board in the amount of \$115,000,000 (the "Fiscal Plan Reserve") in the custody of the OMB established in Subparagraphs 7(h) and (i) of Section 1 of this Joint Resolution, may not be used to cover any allocation or expense whatsoever without the approval of the Oversight Board.

In conjunction with the reports that the Governor must submit to the Oversight Board not later than 15 days after the last day of each quarter of the fiscal year according to Section 203 of PROMESA, the Executive Director of the Fiscal Agency and Financial Advisory Authority ("AAFAF", by its Spanish acronym) and the Director of OMB will certify to the Oversight Board that no amount of the: (i) Emergency Reserve or (ii) the Fiscal Plan Reserve has been used to cover any expenses, unless it has been approved by the Oversight Board.

Section 7.- As a rule, necessary for the responsible disbursement of budgetary allocations for operating and other expenses, during the term of this Joint Resolution, OMB may withhold from any of the allocations to the agencies of the Executive Branch the amounts necessary to pay for the pay-go contribution, unemployment insurance, or taxes withheld from their employees, when OMB determines that such a withholding is necessary to ensure compliance with these obligations by the agencies concerned. Any such amounts withheld by OMB shall solely be reprogrammed to pay the corresponding outstanding obligations related to paygo contributions, unemployment insurance, or taxes withheld from employees.

Section 8.- The public agencies and instrumentalities, public corporations, and municipalities, with the approval of the Office of Management and Budget, in accordance with current legislation, are authorized to formalize agreements with the Federal Government, other public agencies and instrumentalities, public corporations, or municipalities for the rendering of services based on contracts or the matching of municipal funds and those included in this Joint Resolution.

Section 9.- The Office of Management and Budget and the Department of the Treasury are authorized to establish the necessary mechanisms to ensure that when implementing the concept of mobility, pursuant to the provisions of Law 8-2017, as amended, known as the "Puerto Rico Human Resources Management and Transformation in the Government Act," the corresponding transfer of funds allocated to payroll and related costs of said employee are to be carried out simultaneously.

Section 10.- On or before August 1, 2018, the Government, in conjunction with the Oversight Board, will develop a work schedule for the Government to present and certify to the Oversight Board: (1) monthly reports of actual cash revenues, actual cash expenses, and cash flow for each government agency; (2) monthly and quarterly reports detailing actual versus projected budget results of each government agency based on a modified accrual basis as well; (3) monthly and quarterly reporting on central government payroll, headcount and attendance, third party accounts payable, invoice processing key performance indicators, tax credits, disaster-related funding and paygo; (4) monthly monitoring by each government agency of key performance indicators for each of the fiscal reform measures; and (5) quarterly reports on macroeconomic performance. Notwithstanding the foregoing, during the period in which the above work schedule is developed, the Government will present and certify to the Oversight Board all reports on liquidity or expenses that it can generate based on available financial information.

The reports required under this Section are in addition to the reports that the Governor must submit to the Oversight Board under Section 203 of PROMESA.

Section 11.- If during the fiscal year the government fails to comply with the liquidity and budgetary savings measures required by the New Fiscal Plan for Puerto Rico certified by the Oversight Board, the Government shall take all necessary corrective action, including the measures provided in PROMESA sections 203 and 204

Section 12.- The Secretary of Treasury, the treasurer and Executive Directors of each agency or Public Corporation covered by the New Fiscal Plan certified by the Oversight Board, and the Director of the OMB (or their respective successors) shall be responsible for not spending or encumbering during fiscal year 2019 any amount that exceeds the appropriations authorized for such year. This prohibition applies to every appropriation set forth in this Joint Resolution, including appropriations for payroll and related costs. Any violation of this prohibition shall constitute a violation of this Joint Resolution and Act 230-1974.

Section 13.- If any clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Joint Resolution is annulled or declared unconstitutional, the resolution, decision, or judgment entered to that effect will not affect, harm, or invalidate the remainder of this

Joint Resolution. The effect of such judgment will be limited to the clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part thereof that has been annulled or declared unconstitutional. If the application to a person or circumstance of any clause, paragraph, subparagraph, sentence, word, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Joint Resolution is invalidated or declared unconstitutional, the decision, opinion, or judgment entered to that effect will not affect or invalidate the application of the remainder of this Joint Resolution to those persons or circumstances in which it can validly apply. It is the express and unequivocal will of this Legislature that the courts enforce the provisions and the application of this Joint Resolution to the greatest extent possible, even if any of its parts is set aside, annulled, invalidated, prejudiced, or declared unconstitutional, or even if its application to any person or circumstance is annulled, invalidated, or declared unconstitutional. This Legislature would have approved this Joint Resolution regardless of the finding of severability that the Court may make.

Section 14.- This Joint Resolution will be known as "Special Appropriations Joint Resolution for Fiscal Year 2018-2019."

Section 15.- This Joint Resolution shall take effect on 1 July 2018.

GOBIERNO DE PUERTO RICO

18<sup>va</sup> Asamblea  
Legislativa

3<sup>ra</sup> Sesión  
Ordinaria

CÁMARA DE REPRESENTANTES

R. C. de la C. \_\_\_\_\_

\_\_\_ DE MAYO DE 2018

Presentada por los representantes *Méndez Núñez, Torres Zamora, Rodríguez Aguiló, Hernández Alvarado, Alonso Vega, Aponte Hernández, Banchs Alemán, Bulerín Ramos, Charbonier China, Charbonier Laureano, Del Valle Colón, Franqui Atilés, González Mercado, Lassalle Toro, Lebrón Rodríguez, Mas Rodríguez, Meléndez Ortiz, Miranda Rivera, Morales Rodríguez, Navarro Suárez, Pagán Cuadrado, Parés Otero, Peña Ramírez, Pérez Cordero, Pérez Ortiz, Quiñones Irizarry, Ramos Rivera, Rivera Guerra, Rivera Ortega, Rodríguez Hernández, Rodríguez Ruiz, Santiago Guzmán, Soto Torres y Torres González*

Referida a la Comisión de Hacienda, Presupuesto y de la Supervisión, Administración y Estabilidad Económica de Puerto Rico, "PROMESA"

**RESOLUCIÓN CONJUNTA**

Para autorizar el uso de doscientos setenta y nueve millones ochocientos cincuenta mil dólares (\$279,850,000) de los fondos cobrados por concepto del arbitrio al petróleo crudo, productos parcialmente elaborados y productos terminados derivados del petróleo y cualquier otra mezcla de hidrocarburos para ser utilizados para gastos de nómina y gastos relacionados del Departamento de Educación y del Negociado de la Policía del Departamento de Seguridad Pública durante el año fiscal que termina el 30 de junio de 2019; y para otros fines relacionados.

RESUÉLVASE POR LA ASAMBLEA LEGISLATIVA DE PUERTO RICO:

- 1 Sección 1.- No obstante cualquier otra disposición legal en contrario, por la
- 2 presente se autoriza el uso de doscientos setenta y nueve millones ochocientos
- 3 cincuenta mil dólares (\$279,850,000) del producto del arbitrio al petróleo crudo,

1 productos parcialmente elaborados y productos terminados derivados del petróleo y  
2 cualquier otra mezcla de hidrocarburos que imponen las Secciones 3020.07 y  
3 3020.07A de la Ley Núm. 1-2011, según enmendada, conocida como el “Código de  
4 Rentas Internas para un Nuevo Puerto Rico”, para cubrir gastos de nómina y otros  
5 gastos relacionados del Departamento de Educación y del Negociado de la Policía  
6 del Departamento de Seguridad Pública autorizados bajo la resolución conjunta de  
7 asignaciones para gastos ordinarios de funcionamiento del Gobierno de Puerto Rico  
8 durante el año fiscal que termina el 30 de junio de 2019.

9       Sección 2. - Esta Resolución Conjunta ha sido promulgada de acuerdo a y de  
10 conformidad con el poder de razón de estado del Gobierno de Puerto Rico. En caso  
11 de que las disposiciones de esta Resolución Conjunta estén en conflicto con las  
12 disposiciones de cualquier otra ley estatal o resolución conjunta, las disposiciones de  
13 esta Resolución Conjunta prevalecerán.

14       Sección 3.- Esta Resolución Conjunta comenzará a regir a partir del 1 de julio  
15 de 2018.



CERTIFICATION UNDER PENALTY OF PERJURY

I, *Elizabeth Stuart Villanueva*, of legal age, a citizen of the United States of America, and resident of Puerto Rico, state the following under penalty of perjury:

1. I am the Clerk of the House of Representatives of Puerto Rico.
2. Joint Resolution R.C. of C. 355, was approved by the House of Representatives on June 29, 2018.
3. Joint Resolution R.C. of C. 355, allocates the amount of six billion nine hundred fifty five million six hundred fourteen thousand dollars (\$6,955,614,000) under the General Fund of the State Treasury, for regular operating costs of the programs and agencies that make up the Executive Branch and the programs that make up the Judicial Branch and the Legislative Branch during the fiscal year ending June 30, 2019.
4. Joint Resolution R.C. of C. 353, approved by the House of Representatives on June 30, 2018 allocates the amount of one thousand seven hundred fifty-three million nine thousand dollars, (\$1,753,009,000) under the General Fund of the State Treasury for the development of special, permanent or temporary programs or activities for Fiscal Year 2018-2019.



5. Joint Resolution R.C. of C. 355 allocates to the House of Representatives of Puerto Rico, \$45,470,000 and \$38,805,000 to the Senate of Puerto Rico.

**STATEMENT UNDER PENALTY OF PERJURY AS PER 18 USCA §1746(2)**

I, *Elizabeth Stuart Villanueva*, declare under penalty of perjury that the information I have provided in this certification is true and correct. I issue these presents in my office at the Capitol, in San Juan, Puerto Rico, on the ninth (9th) day of the month of July of the year two thousand eighteen, and affix the Seal of the House of Representatives of Puerto Rico.

In San Juan, Puerto Rico, this 9 of July 2018.

  
*Elizabeth Stuart Villanueva*  
CLERK

A- \_\_\_\_

## GOBIERNO DE PUERTO RICO

18<sup>va</sup> Asamblea Legislativa

3ra Sesión Ordinaria

### Cámara de Representantes

# R. C. de la C.

30 de junio de 2018

## Resolución Conjunta

Para asignar la cantidad de seis mil millones novecientos noventa y uno millones ciento cincuenta y cinco mil dólares (\$6,991,155,000), con cargo al Fondo General del Tesoro Estatal, para gastos ordinarios de funcionamiento de los programas y agencias que componen la Rama Ejecutiva y los programas que componen la Rama Judicial y la Rama Legislativa durante el año fiscal que concluye el 30 de junio de 2019, las siguientes cantidades o la porción de las mismas fuese necesario; y para otros fines relacionados.

### *RESUÉLVASE POR LA ASAMBLEA LEGISLATIVA DE PUERTO RICO:*

Sección 1.- Se asigna la cantidad de seis mil millones novecientos noventa y uno millones ciento cincuenta y cinco mil dólares (\$6,991,155,000) al Fondo General del Tesoro Estatal para gastos ordinarios de funcionamiento de los programas y agencias de la Rama Ejecutiva y los programas que componen la Rama Judicial y la Rama Legislativa durante el año fiscal que concluye el 30 de junio de 2019, las siguientes cantidades o la porción de las mismas que fuese necesaria, para los propósitos que se detallan a continuación:



1	1	Administración de Asuntos Federales de Puerto Rico	
2	A	Nómina y Costos Relacionados	\$1,309,000
3	B	Gastos de Funcionamiento	\$1,383,000
4	C	Para Pago de Servicios Autoridad de Energía Eléctrica	\$3,000
5	D	Pay As You Go	\$332,000
6	E	Gastos de Funcionamiento de la Comisionada Residente de Puerto Rico	\$281,000
7		Subtotal	\$3,308,000
8			
9	2	Administración de Desarrollo Socioeconómico de la Familia	
10	A	Nómina y Costos Relacionados	\$29,543,000
11	B	Anualidad Empleados Ley 70	\$501,000
12	C	Gastos de Funcionamiento	\$26,159,000
13	D	Pago de Primas de Fianzas de Fidelidad	\$9,000
14	E	Pay As You Go	\$27,892,000
15	F	Para el Programa de Rehabilitación Económica y Social para Familias	
16		en Extrema Pobreza	\$350,000
17		Subtotal	\$84,454,000
18			
19	3	Administración de Familias y Niños	
20	A	Nómina y Costos Relacionados	\$65,194,000
21	B	Anualidad Empleados Ley 70	\$985,000
22	C	Gastos de Funcionamiento	\$110,547,000

1	D	Pago de Primas de Fianzas de Fidelidad	\$155,000
2	E	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$32,000
3	F	Para Pago de Renta a la Autoridad de Edificios Públicos	\$38,000
4	G	Pay As You Go	\$13,916,000
5	H	Para centros de servicios de cuidado de personas de la tercera edad	\$1,000,000
6		Subtotal	\$191,867,000
7			
8	4	Administración de Recursos Naturales	
9	A	Nómina y Costos Relacionados	\$21,528,000
10	B	Anualidad Empleados Ley 70	\$1,568,000
11	C	Gastos de Funcionamiento	\$609,000
12	D	Pago de Primas de Fianzas de Fidelidad	\$3,389,000
13	E	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$11,000
14	F	Para Pago de Renta a la Autoridad de Edificios Públicos	\$88,000
15	G	Pay As You Go	\$6,612,000
16		Subtotal	\$33,805,000
17			
18	5	Administración de Rehabilitación Vocacional	
19	A	Nómina y Costos Relacionados	\$952,000
20	B	Anualidad Empleados Ley 70	\$598,000
21	C	Gastos de Funcionamiento	\$11,827,000
22	D	Para Pago de Primas de Fianzas de Fidelidad	\$307,000

1	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$176,000
2	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$59,000
3	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$139,000
4	H	Pay As You Go	\$8,129,000
5		Subtotal	\$22,187,000
6			
7	6	Administración de Seguros de Salud de Puerto Rico (ASES)	
8	A	Anualidad Empleados Ley 70	\$313,000
9	B	Para el pago de Primas de Seguros de Salud	\$14,886,000
10		Subtotal	\$15,199,000
11			
12	7	Administración de Servicios de Salud Mental y Contra la Adicción (ASSMCA)	
13	A	Nómina y Costos Relacionados	\$22,345,000
14	B	Anualidad Empleados Ley 70	\$1,860,000
15	C	Gastos de Funcionamiento	\$32,715,000
16	D	Para Pago de Primas de Fianzas de Fidelidad	\$501,000
17	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$3,535,000
18	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$1,756,000
19	G	Pay As You Go	\$24,638,000
20	H	Para sufragar gastos de funcionamiento del Proyecto Salas Especializadas	
21		en casos de sustancias controladas Drug Courts	\$4,740,000
22		Subtotal	\$92,090,000

1			
2	8	Administración de Servicios Generales	
3	A	Pay As You Go	\$5,988,000
4		Subtotal	\$5,988,000
5			
6	9	Administración de Servicios Médicos de Puerto Rico	
7	A	Nómina y Costos Relacionados	\$54,565,000
8	B	Gastos de Funcionamiento	\$16,271,000
9	C	Pay As You Go	\$25,724,000
10		Subtotal	\$96,560,000
11			
12	10	Administración de la Industria y el Deporte Hípico	
13	A	Nómina y Costos Relacionados	\$1,000,000
14	B	Anualidad Empleados Ley 70	\$75,000
15	C	Gastos de Funcionamiento	\$238,000
16	D	Para Pago de Primas de Fianzas de Fidelidad	\$6,000
17	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$47,000
18	F	Pay As You Go	\$909,000
19		Subtotal	\$2,275,000
20			
21	11	Administración del Sistema de Retiro de Empleados del Gobierno y la Judicatura	
22	A	Pay As You Go	\$8,525,000

1		Subtotal	\$8,525,000
2			
3	12	Administración para el Cuidado y Desarrollo Integral de la Niñez (ACUDEN)	
4	A	Nómina y Costos Relacionados	\$2,436,000
5	B	Anualidad Empleados Ley 70	\$333,000
6	C	Gastos de Funcionamiento	\$6,572,000
7	D	Para Pago de Primas de Fianzas de Fidelidad	\$8,000
8	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$276,000
9	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$32,000
10	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$241,000
11	H	Pay As You Go	\$1,676,000
12		Subtotal	\$11,574,000
13			
14	13	Administración para el Desarrollo de Empresas Agropecuarias	
15	A	Nómina y Costos Relacionados	\$1,114,000
16	B	Anualidad Empleados Ley 70	\$1,623,000
17	C	Gastos de Funcionamiento	\$29,054,000
18	D	Para Pago de Servicios Autoridad de Energía Eléctrica	\$212,000
19	E	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$151,000
20	F	Para Pago de Renta a la Autoridad de Edificios Públicos	\$14,000
21	G	Pay As You Go	\$7,208,000
22		Subtotal	\$39,376,000

1			
2	14	Administración para el Sustento de Menores	
3	A	Nómina y Costos Relacionados	\$5,820,000
4	B	Anualidad Empleados Ley 70	\$254,000
5	C	Gastos de Funcionamiento	\$2,610,000
6	D	Para Pago de Primas de Fianzas de Fidelidad	\$25,000
7	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$74,000
8	F	Pay As You Go	\$1,806,000
9		Subtotal	\$10,589,000
10			
11	15	Autoridad de Asesoría Financiera y Agencia Fiscal de Puerto Rico	
12	A	Nómina y Costos Relacionados	\$7,858,000
13	B	Gastos de Funcionamiento	\$61,825,000
14	C	Para Pago de Renta a la Autoridad de Edificios Públicos	\$562,000
15		Subtotal	\$70,245,000
16			
17	16	Asamblea Legislativa	
18	A	Cámara de Representantes	\$35,228,000
19	B	Senado de Puerto Rico	\$30,064,000
20	C	Actividades Conjuntas	\$15,955,000
21		Subtotal	\$81,247,000
22			

1	17	Asignaciones bajo la custodia de la Oficina de Gerencia y Presupuesto	
2	A	Para gastos de funcionamiento de la Oficina del Inspector General	\$4,000,000
3	B	Para resarcir sentencias contra el Estado	\$16,000,000
4	C	Para el desarrollo e inversión en las Alianzas Público Privadas, la Oficina	
5		Central de Recuperación y Reconstrucción y otros gastos relacionados	\$14,263,000
6	D	Consortios Municipales Incentivados	\$1,500,000
7	E	Para adquisición de licencias tecnológicas centralizadas para entidades	
8		gubernamentales. (Microsoft)	\$22,000,000
9	F	Para la adquisición de licencias tecnológicas Oracle	\$11,400,000
10	G	Para el pago del seguro social de la Policía de Puerto Rico	\$14,000,000
11	H	Para gastos de transportación escolar brindados a través de cualquier	
12		entidad gubernamental y/o municipal	\$6,000,000
13	I	Para el pago del Fondo Rotativo Estatal	\$194,500,000
14	J	Mejores Permenentes para el Gobierno de Puerto Rico	\$110,796,000
15		Subtotal	\$394,459,000
16			
17	18	Asignaciones Bajo la Custodia de Hacienda	
18	A	Título III (gastos legales)	\$256,641,000
19	B	Pay As You Go	\$236,342,000
20	C	Para Fondo de Becas	\$34,108,000
21	D	Gastos de Funcionamiento	\$1,883,000
22		Subtotal	\$528,974,000

1			
2	19	Autoridad de Conservación y Desarrollo de Culebra	
3	A	Nómina y Costos Relacionados	\$136,000
4	B	Anualidad Empleados Ley 70	\$11,000
5	C	Gastos de Funcionamiento	\$70,000
6	D	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$5,000
7	E	Pay As You Go	\$19,000
8		Subtotal	\$241,000
9			
10	20	Autoridad de Desperdicios Sólidos	
11	A	Nómina y Costos Relacionados	\$1,004,000
12	B	Anualidad Empleados Ley 70	\$362,000
13	C	Para Pago de Servicios Autoridad de Energía Eléctrica	\$1,581,000
14	D	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$183,000
15	E	Pay As You Go	\$353,000
16		Subtotal	\$3,483,000
17			
18	21	Autoridad para las Alianzas Público Privadas	
19	A	Nómina y Costos Relacionados	\$690,000
20	B	Gastos de Funcionamiento	\$1,248,000
21	C	Gestion para las Alianzas Publico Privadas	\$4,655,000
22		Subtotal	\$6,593,000



1			
2	22	Autoridad para el Financiamiento de la Infraestructura de Puerto Rico	
3	A	Nómina y Costos Relacionados	\$1,805,000
4	B	Anualidad Empleados Ley 70	\$43,000
5	C	Gastos de Funcionamiento	\$1,496,000
6		Subtotal	\$3,344,000
7			
8	23	Autoridad para el Financiamiento de la Vivienda	
9	A	Nómina y Costos Relacionados	\$3,149,000
10	B	Gastos de Funcionamiento	\$1,628,000
11		Subtotal	\$4,777,000
12			
13	24	Autoridad de Transporte Integrado	
14	A	Nómina y Costos Relacionados	\$13,574,000
15	B	Anualidad Empleados Ley 70	\$832,000
16	C	Gastos de Funcionamiento	\$4,708,000
17	D	Pay As You Go	\$12,027,000
18		Subtotal	\$31,141,000
19			
20	25	Autoridad del Puerto de Las Américas	
21	A	Nómina y Costos Relacionados	\$43,000
22	B	Gastos de Funcionamiento	\$191,000

1		Subtotal	\$234,000
2			
3	26	Autoridad para el Redesarrollo de los Terrenos y Facilidades de la Estación	
4		Naval Roosevelt Roads	
5	A	Nómina y Costos Relacionados	\$19,000
6	B	Gastos de Funcionamiento	\$716,000
7		Subtotal	\$735,000
8			
9	27	Bosque Modelo de Puerto Rico	
10	A	Nómina y Costos Relacionados	\$54,000
11	B	Gastos de Funcionamiento	\$147,000
12		Subtotal	\$201,000
13			
14	28	Centro Comprensivo del Cáncer	
15	A	Nómina y Costos Relacionados	\$3,911,000
16	B	Para la operación y gastos de funcionamiento del Centro Comprensivo	
17		del Cáncer, incluyendo de su Edificio de Investigación y Desarrollo, Centro	
18		de Radioterapia, y Hospital de Cuidado Terciario	\$8,002,000
19		Subtotal	\$11,913,000
20			
21	29	Centro de Investigaciones, Educación y Servicios Médicos para la Diabetes	
22	A	Nómina y Costos Relacionados	\$391,000

1		Subtotal	\$391,000
2			
3	30	Comisión Apelativa del Servicio Público	
4	A	Nómina y Costos Relacionados	\$2,164,000
5	B	Anualidad Empleados Ley 70	\$49,000
6	C	Gastos de Funcionamiento	\$389,000
7	D	Para Pago de Primas de Fianzas de Fidelidad	\$8,000
8	E	Pay As You Go	\$123,000
9		Subtotal	\$2,733,000
10			
11	31	Comisión Estatal de Elecciones	
12	A	Nómina y Costos Relacionados	\$19,367,000
13	B	Anualidad Empleados Ley 70	\$35,000
14	C	Gastos de Funcionamiento	\$8,037,000
15	D	Para Pago de Primas de Fianzas de Fidelidad	\$86,000
16	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$2,263,000
17	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$141,000
18	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$1,149,000
19	H	Pay As You Go	\$4,128,000
20		Subtotal	\$35,206,000
21			
22	32	Comisión de Derechos Civiles	

1	A	Nómina y Costos Relacionados	\$490,000
2	B	Gastos de Funcionamiento	\$424,000
3	C	Pay As You Go	\$30,000
4		Subtotal	\$944,000
5			
6	33	Comisión de Desarrollo Cooperativo de Puerto Rico	
7	A	Nómina y Costos Relacionados	\$1,304,000
8	B	Gastos de Funcionamiento	\$358,000
9	C	Para Pago de Primas de Fianzas de Fidelidad	\$19,000
10	D	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$2,000
11	E	Para Pago de Renta a la Autoridad de Edificios Públicos	\$42,000
12		Subtotal	\$1,725,000
13			
14	34	Comisión de Investigación, Procesamiento y Apelación	
15	A	Nómina y Costos Relacionados	\$307,000
16	B	Gastos de Funcionamiento	\$47,000
17	C	Para Pago de Primas de Fianzas de Fidelidad	\$6,000
18	D	Pay As You Go	\$131,000
19		Subtotal	\$491,000
20			
21	35	Comisión de Servicio Público	
22	A	Nómina y Costos Relacionados	\$2,851,000

1	B	Anualidad Empleados Ley 70	\$345,000
2	C	Gastos de Funcionamiento	\$302,000
3	D	Para Pago de Primas de Fianzas de Fidelidad	\$29,000
4	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$141,000
5	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$1,000
6	G	Pay As You Go	\$5,190,000
7		Subtotal	\$8,859,000
8			
9	36	Comisión para la Seguridad en el Tránsito	
10	A	Pay As You Go	\$800,000
11		Subtotal	\$800,000
12			
13	37	Compañía para el Desarrollo Integral de la Península de Cantera	
14	A	Nómina y Costos Relacionados	\$246,000
15	B	Gastos de Funcionamiento	\$135,000
16		Subtotal	\$381,000
17			
18	38	Consejo de Educación de Puerto Rico	
19	A	Nómina y Costos Relacionados	\$1,292,000
20	B	Anualidad Empleados Ley 70	\$91,000
21	C	Gastos de Funcionamiento	\$285,000
22	D	Para Pago de Primas de Fianzas de Fidelidad	\$19,000

1	E	Pay As You Go	\$124,000
2		Subtotal	\$1,811,000
3			
4	39	Corporación de Puerto Rico para la Difusión Pública	
5	A	Nómina y Costos Relacionados	\$4,487,000
6	B	Anualidad Empleados Ley 70	\$312,000
7	C	Gastos de Funcionamiento	\$255,000
8	D	Para Pago de Servicios Autoridad de Energía Eléctrica	\$886,000
9	E	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$36,000
10	F	Pay As You Go	\$1,150,000
11		Subtotal	\$7,126,000
12			
13	40	Corporación de las Artes Musicales	
14	A	Nómina y Costos Relacionados	\$3,471,000
15	B	Anualidad Empleados Ley 70	\$48,000
16	C	Gastos de Funcionamiento	\$927,000
17	D	Para Pago de Primas de Fianzas de Fidelidad	\$54,000
18	E	Para Pago de Renta a la Autoridad de Edificios Públicos	\$219,000
19	F	Pay As You Go	\$383,000
20	G	Para brindar apoyo financiero a la Orquesta Sinfónica de Puerto Rico y	
21		Orquesta Sinfónica Juvenil	\$720,000
22	H	Para gastos de funcionamiento del Teatro Ópera Inc.	\$43,000

1	I	Para brindar apoyo financiero a las Artes Escénico Musicales	\$118,000
2		Subtotal	\$5,983,000
3			
4	41	Corporación del Centro de Bellas Artes de Puerto Rico	
5	A	Nómina y Costos Relacionados	\$827,000
6	B	Anualidad Empleados Ley 70	\$159,000
7	C	Gastos de Funcionamiento	\$1,054,000
8	D	Para Pago de Servicios Autoridad de Energía Eléctrica	\$668,000
9	E	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$70,000
10	F	Pay As You Go	\$286,000
11		Subtotal	\$3,064,000
12			
13	42	Corporación del Conservatorio de Música de Puerto Rico	
14	A	Nómina y Costos Relacionados	\$2,920,000
15	B	Anualidad Empleados Ley 70	\$16,000
16	C	Gastos de Funcionamiento	\$157,000
17	D	Para Pago de Servicios Autoridad de Energía Eléctrica	\$546,000
18	E	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$24,000
19	F	Pay As You Go	\$329,000
20		Subtotal	\$3,992,000
21			
22	43	Corporación de la Escuela de Artes Plásticas y Diseño de Puerto Rico	

1	A	Nómina y Costos Relacionados	\$1,613,000
2	B	Anualidad Empleados Ley 70	\$73,000
3	C	Gastos de Funcionamiento	\$12,000
4	D	Para Pago de Primas de Fianzas de Fidelidad	\$39,000
5	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$45,000
6	F	Pay As You Go	\$447,000
7		Subtotal	\$2,229,000
8			
9	44	Corporación del Proyecto ENLACE del Caño Martín Peña	
10	A	Nómina y Costos Relacionados	\$820,000
11	B	Gastos de Funcionamiento	\$5,083,000
12	C	Para Pago de Servicios Autoridad de Energía Eléctrica	\$26,000
13	D	Para el pareo de fondos federales	\$5,000,000
14		Subtotal	\$10,929,000
15			
16	45	Defensoría de las Personas con Impedimentos	
17	A	Nómina y Costos Relacionados	\$866,000
18	B	Anualidad Empleados Ley 70	\$93,000
19	C	Gastos de Funcionamiento	\$89,000
20	D	Para Pago de Primas de Fianzas de Fidelidad	\$12,000
21	E	Para Pago de Renta a la Autoridad de Edificios Públicos	\$50,000
22	F	Pay As You Go	\$257,000



1		Subtotal	\$1,367,000
2			
3	46	Departamento de Agricultura	
4	A	Nómina y Costos Relacionados	\$7,228,000
5	B	Anualidad Empleados Ley 70	\$619,000
6	C	Gastos de Funcionamiento	\$1,412,000
7	D	Para Pago de Primas de Fianzas de Fidelidad	\$90,000
8	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$391,000
9	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$6,000
10	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$371,000
11	H	Pay As You Go	\$10,639,000
12		Subtotal	\$20,756,000
13			
14	47	Departamento de Asuntos del Consumidor	
15	A	Nómina y Costos Relacionados	\$5,097,000
16	B	Anualidad Empleados Ley 70	\$264,000
17	C	Para Pago de Renta a la Autoridad de Edificios Públicos	\$703,000
18	D	Pay As You Go	\$5,318,000
19		Subtotal	\$11,382,000
20			
21	48	Departamento de Corrección y Rehabilitación	
22	A	Nómina y Costos Relacionados	\$253,421,000

1	B	Anualidad Empleados Ley 70	\$6,611,000
2	C	Gastos de Funcionamiento	\$41,894,000
3	D	Para Pago de Primas de Fianzas de Fidelidad	\$3,146,000
4	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$15,494,000
5	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$15,683,000
6	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$3,250,000
7	H	Pay As You Go	\$33,824,000
8		Subtotal	\$373,323,000
9			
10	49	Departamento de Desarrollo Económico y Comercio	
11	A	Nómina y Costos Relacionados	\$786,000
12	B	Anualidad Empleados Ley 70	\$115,000
13	C	Gastos de Funcionamiento	\$337,000
14		Subtotal	\$1,238,000
15			
16	50	Departamento de Educación	
17	A	Nómina y Costos Relacionados	\$949,752,000
18	B	Nómina - aumentos de sueldos de los maestros	\$23,819,000
19	C	Nómina - aumentos de sueldos de los directores	\$23,973,000
20	D	Anualidad Empleados Ley 70	\$4,759,000
21	E	Gastos de Funcionamiento	\$279,505,000
22	F	Para Pago de Primas de Fianzas de Fidelidad	\$5,336,000

1	G	Para Pago de Servicios Autoridad de Energía Eléctrica	\$34,896,000
2	H	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$12,060,000
3	I	Para Pago de Renta a la Autoridad de Edificios Públicos	\$74,817,000
4	J	Pay As You Go	\$1,014,420,000
5	K	Para sufragar gastos de funcionamiento de Colegio San Gabriel Inc.,	
6		especializado en la atención de niños con problemas de audición	\$450,000
7	L	Para los convenios municipales del Programa de Mantenimiento de	\$7,200,000
8		escuelas públicas administrados por la OMEP	
9	M	Para el Proyecto C.A.S.A.	\$5,000,000
10	N	Gastos de funcionamiento para sufragar servicios relacionados a la	
11		prestación de terapias y otros servicios a niños del programa de	
12		educación especial	\$30,000,000
13	O	Para realizar un contrato de servicios profesionales con el Programa de	
14		Escuelas de la Comunidad para el Instituto Nueva Escuela (Montessori)	\$3,500,000
15	P	Para el Programa Alianza para la Educación Alternativa	\$10,000,000
16		Subtotal	\$2,479,487,000
17			
18	51	Departamento de Estado	
19	A	Nómina y Costos Relacionados	\$2,424,000
20	B	Anualidad Empleados Ley 70	\$106,000
21	C	Gastos de Funcionamiento	\$219,000
22	D	Para Pago de Primas de Fianzas de Fidelidad	\$52,000

1	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$31,000
2	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$28,000
3	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$120,000
4	H	Pay As You Go	\$2,287,000
5	I	Centro de Servicios Integrados	\$1,000,000
6		Subtotal	\$6,267,000
7			
8	52	Departamento de Hacienda	
9	A	Nómina y Costos Relacionados	\$58,908,000
10	B	Anualidad Empleados Ley 70	\$4,227,000
11	C	Gastos de Funcionamiento	\$34,028,000
12	D	Para Pago de Primas de Fianzas de Fidelidad	\$687,000
13	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$2,002,000
14	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$281,000
15	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$6,190,000
16	H	Pay As You Go	\$46,317,000
17	I	Para ser transferidos a la Sociedad para la Asistencia Legal, para	
18		sufragar gastos de funcionamiento	\$9,800,000
19	J	Para ser transferidos a la Oficina Legal de la Comunidad, Inc. para	
20		sufragar gastos de funcionamiento	\$486,000
21	K	Para ser transferidos a Servicios Legales de Puerto Rico, Inc. para	
22		sufragar gastos de funcionamiento	\$4,460,000

1	L	Para ser transferidos a Pro-Bono, Inc. para sufragar gastos de	
2		funcionamiento	\$405,000
3		Subtotal	\$167,791,000
4			
5	53	Departamento de Justicia	
6	A	Nómina y Costos Relacionados	\$80,330,000
7	B	Anualidad Empleados Ley 70	\$1,157,000
8	C	Gastos de Funcionamiento	\$1,917,000
9	D	Para Pago de Primas de Fianzas de Fidelidad	\$261,000
10	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$3,357,000
11	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$257,000
12	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$2,595,000
13	H	Pay As You Go	\$30,108,000
14	J	Para uso exclusivo del pago de gastos y honorarios a los abogados de	
15		oficio nombrados por el Tribunal	\$3,600,000
16		Subtotal	\$123,582,000
17			
18	54	Departamento de Recreación y Deportes	
19	A	Nómina y Costos Relacionados	\$23,748,000
20	B	Anualidad Empleados Ley 70	\$1,811,000
21	C	Gastos de Funcionamiento	\$2,550,000
22	D	Para Pago de Primas de Fianzas de Fidelidad	\$1,393,000

1	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$1,343,000
2	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$469,000
3	G	Pay As You Go	\$9,306,000
4		Subtotal	\$40,620,000
5			
6	55	Departamento de Recursos Naturales y Ambientales (DRNA)	
7	A	Nómina y Costos Relacionados	\$505,000
8	B	Gastos de Funcionamiento	\$1,554,000
9		Subtotal	\$2,059,000
10			
11	56	Departamento de Salud	
12	A	Nómina y Costos Relacionados	\$70,930,000
13	B	Anualidad Empleados Ley 70	\$2,462,000
14	C	Gastos de Funcionamiento	\$71,611,000
15	D	Para Pago de Primas de Fianzas de Fidelidad	\$1,317,000
16	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$12,331,000
17	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$2,832,000
18	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$1,446,000
19	H	Pay As You Go	\$73,040,000
20	I	Para el Funcionamiento del Puerto Rico Health Information Network	\$2,200,000
21		Subtotal	\$238,169,000
22			

1	57	Departamento de Seguridad Pública - Negociado de Manejo de Emergencias y	
2		Administración de Desastres	
3	A	Nómina y Costos Relacionados	\$2,788,000
4	B	Anualidad Empleados Ley 70	\$980,000
5	C	Gastos de Funcionamiento	\$2,800,000
6	D	Para Pago de Primas de Fianzas de Fidelidad	\$79,000
7	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$370,000
8	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$174,000
9	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$37,000
10		Subtotal	\$7,228,000
11			
12	58	Departamento de Seguridad Pública - Negociado del Cuerpo de Bomberos de Pu	
13	A	Nómina y Costos Relacionados	\$47,388,000
14	B	Anualidad Empleados Ley 70	\$48,000
15	C	Gastos de Funcionamiento	\$148,000
16	D	Para Pago de Primas de Fianzas de Fidelidad	\$478,000
17	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$284,000
18	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$293,000
19	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$372,000
20	H	Pay As You Go	\$13,823,000
21		Subtotal	\$62,834,000
22			

1	59	Departamento de Seguridad Pública - Negociado del Cuerpo de Emergencias M€	
2	A	Nómina y Costos Relacionados	\$15,619,000
3	B	Gastos de Funcionamiento	\$228,000
4	C	Para Pago de Primas de Fianzas de Fidelidad	\$390,000
5	D	Para Pago de Renta a la Autoridad de Edificios Públicos	\$99,000
6	E	Pay As You Go	\$1,947,000
7		Subtotal	\$18,283,000
8			
9	60	Departamento de Seguridad Pública - Negociado de Instituto de Ciencias Forens	
10	A	Nómina y Costos Relacionados	\$9,067,000
11	B	Anualidad Empleados Ley 70	\$388,000
12	C	Gastos de Funcionamiento	\$2,083,000
13	D	Para Pago de Primas de Fianzas de Fidelidad	\$110,000
14	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$1,499,000
15	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$93,000
16	G	Pay As You Go	\$1,563,000
17		Subtotal	\$14,803,000
18			
19	61	Departamento de Seguridad Pública - Negociado de la Policía de Puerto Rico	
20	A	Nómina y Costos Relacionados	\$570,200,000
21	B	Nómina - aumentos de sueldos de los policías	\$18,823,000
22	C	Anualidad Empleados Ley 70	\$29,601,000



1	D	Gastos de Funcionamiento	\$27,445,000
2	E	Para Pago de Primas de Fianzas de Fidelidad	\$3,475,000
3	F	Para Pago de Servicios Autoridad de Energía Eléctrica	\$12,122,000
4	G	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$1,342,000
5	H	Para Pago de Renta a la Autoridad de Edificios Públicos	\$13,403,000
6	I	Pay As You Go	\$182,619,000
7	J	Para operativos de control de narcotráfico, incluyendo materiales y	
8		costos relacionados	\$2,250,000
9	K	Para los pagos de compras de helicópteros	\$6,000,000
10	L	Para gastos relacionados con la Reforma de la Policía y los procesos de	
11		reingeniería incidentales a ésta, incluyendo conceptos de compra, servicios	
12		profesionales, tecnología, consultoría y cualquier otro gasto que se estime	
13		útil y pertinente para la Reforma	\$20,000,000
14		Subtotal	\$887,280,000
15			
16	62	Departamento de Transportación y Obras Públicas (DTOP)	
17	A	Nómina y Costos Relacionados	\$18,522,000
18	B	Anualidad Empleados Ley 70	\$1,242,000
19	C	Para Pago de Primas de Fianzas de Fidelidad	\$652,000
20	D	Para Pago de Servicios Autoridad de Energía Eléctrica	\$1,893,000
21	E	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$353,000
22	F	Para Pago de Renta a la Autoridad de Edificios Públicos	\$1,455,000

1	G	Pay As You Go	\$21,166,000
2	H	Para el Centro de Coordinación de Excavaciones y Demoliciones	\$4,000
3		Subtotal	\$45,287,000
4			
5	63	Departamento de la Vivienda	
6	A	Nómina y Costos Relacionados	\$9,220,000
7	B	Anualidad Empleados Ley 70	\$673,000
8	C	Gastos de Funcionamiento	\$89,000
9	D	Para Pago de Servicios Autoridad de Energía Eléctrica	\$961,000
10	E	Para Pago de Renta a la Autoridad de Edificios Públicos	\$135,000
11	F	Pay As You Go	\$9,123,000
12		Subtotal	\$20,201,000
13			
14	64	Departamento del Trabajo y Recursos Humanos	
15	A	Nómina y Costos Relacionados	\$4,738,000
16	B	Anualidad Empleados Ley 70	\$718,000
17	C	Gastos de Funcionamiento	\$441,000
18	D	Para Pago de Primas de Fianzas de Fidelidad	\$675,000
19	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$1,625,000
20	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$232,000
21	G	Pay As You Go	\$24,845,000
22		Subtotal	\$33,274,000

1			
2	65	Guardia Nacional de Puerto Rico (GNPR)	
3	A	Nómina y Costos Relacionados	\$5,379,000
4	B	Anualidad Empleados Ley 70	\$91,000
5	C	Gastos de Funcionamiento	\$3,560,000
6	D	Para Pago de Primas de Fianzas de Fidelidad	\$488,000
7	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$1,000,000
8	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$104,000
9	G	Pay As You Go	\$7,993,000
10		Subtotal	\$18,615,000
11			
12	66	Instituto de Cultura Puertorriqueña	
13	A	Nómina y Costos Relacionados	\$4,191,000
14	B	Anualidad Empleados Ley 70	\$399,000
15	C	Gastos de Funcionamiento	\$166,000
16	D	Para Pago de Servicios Autoridad de Energía Eléctrica	\$1,519,000
17	E	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$100,000
18	F	Pay As You Go	\$3,798,000
19		Subtotal	\$10,173,000
20			
21	67	Instituto de Estadísticas de Puerto Rico	
22	A	Nómina y Costos Relacionados	\$625,000

1	B	Gastos de Funcionamiento	\$1,250,000
2	C	Para Pago de Servicios Autoridad de Energía Eléctrica	\$27,000
3	D	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$1,000
4		Subtotal	\$1,903,000
5			
6	68	Junta de Calidad Ambiental	
7	A	Nómina y Costos Relacionados	\$3,267,000
8	B	Anualidad Empleados Ley 70	\$464,000
9	C	Gastos de Funcionamiento	\$1,542,000
10	D	Para Pago de Primas de Fianzas de Fidelidad	\$108,000
11	E	Pay As You Go	\$6,649,000
12		Subtotal	\$12,030,000
13			
14	69	Junta de Libertad Bajo Palabra	
15	A	Nómina y Costos Relacionados	\$1,815,000
16	B	Anualidad Empleados Ley 70	\$133,000
17	C	Gastos de Funcionamiento	\$70,000
18	D	Para Pago de Primas de Fianzas de Fidelidad	\$15,000
19	E	Pay As You Go	\$319,000
20		Subtotal	\$2,352,000
21			
22	70	Junta de Planificación	

1	A	Nómina y Costos Relacionados	\$7,154,000
2	B	Anualidad Empleados Ley 70	\$424,000
3	C	Gastos de Funcionamiento	\$76,000
4	D	Para Pago de Primas de Fianzas de Fidelidad	\$41,000
5	E	Para Pago de Renta a la Autoridad de Edificios Públicos	\$1,118,000
6	F	Pay As You Go	\$3,768,000
7		Subtotal	\$12,581,000
8			
9	71	Junta de Relaciones del Trabajo	
10	A	Nómina y Costos Relacionados	\$608,000
11	B	Gastos de Funcionamiento	\$10,000
12	C	Para Pago de Primas de Fianzas de Fidelidad	\$4,000
13	D	Pay As You Go	\$325,000
14		Subtotal	\$947,000
15			
16	72	Oficina Estatal de Conservación Histórica	
17	A	Nómina y Costos Relacionados	\$640,000
18	B	Anualidad Empleados Ley 70	\$56,000
19	D	Para Pago de Primas de Fianzas de Fidelidad	\$6,000
20	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$291,000
21	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$36,000
22	G	Pay As You Go	\$145,000

1		Subtotal	\$1,174,000
2			
3	73	Oficina Estatal de Política Pública Energética	
4	A	Nómina y Costos Relacionados	\$568,000
5	B	Anualidad Empleados Ley 70	\$16,000
6	C	Gastos de Funcionamiento	\$105,000
7		Subtotal	\$689,000
8			
9	74	Oficina de Administración y Transformación de los Recursos Humanos del	
10		Gobierno de Puerto Rico	
11	A	Nómina y Costos Relacionados	\$1,829,000
12	B	Anualidad Empleados Ley 70	\$187,000
13	C	Gastos de Funcionamiento	\$197,000
14	D	Para Pago de Primas de Fianzas de Fidelidad	\$12,000
15	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$127,000
16		Subtotal	\$2,352,000
17			
18	75	Oficina de Ética Gubernamental	
19	A	Nómina y Costos Relacionados	\$8,705,000
20	B	Anualidad Empleados Ley 70	\$246,000
21		Subtotal	\$8,951,000
22			

1	76	Oficina de Gerencia de Permisos	
2	A	Nómina y Costos Relacionados	\$3,404,000
3	B	Anualidad Empleados Ley 70	\$538,000
4	C	Gastos de Funcionamiento	\$1,236,000
5	D	Para Pago de Primas de Fianzas de Fidelidad	\$11,000
6	E	Pay As You Go	\$3,156,000
7	F	Gastos de Funcionamiento de la Oficina de Agrimensura de Puerto Rico	\$1,000,000
8		Subtotal	\$9,345,000
9			
10	77	Oficina de Gerencia y Presupuesto	
11	A	Nómina y Costos Relacionados	\$8,785,000
12	B	Anualidad Empleados Ley 70	\$350,000
13	C	Gastos de Funcionamiento	\$618,000
14	D	Para Pago de Primas de Fianzas de Fidelidad	\$52,000
15	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$219,000
16	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$35,000
17	G	Pay As You Go	\$4,779,000
18	H	Para la operación y el desarrollo de los servicios en Línea de pr.gov	\$500,000
19	I	Para el Centro de Oportunidades Federales (COF)	\$6,000,000
20	J	Para la Implementación y Auditoría del Presupuesto Base Cero (PBC)	\$2,000,000
21		Subtotal	\$23,338,000
22			

1	78	Oficina de la Procuradora de las Mujeres	
2	A	Nómina y Costos Relacionados	\$1,337,000
3	B	Anualidad Empleados Ley 70	\$12,000
4	C	Gastos de Funcionamiento	\$745,000
5	D	Para Pago de Primas de Fianzas de Fidelidad	\$5,000
6	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$36,000
7		Subtotal	\$2,135,000
8			
9	79	Oficina del Contralor	
10	A	Nómina, y Costos Relacionados y Gastos de Funcionamiento	\$36,802,000
11	B	Pay As You Go	\$2,331,000
12		Subtotal	\$39,133,000
13			
14	80	Oficina del Contralor Electoral	
15	A	Nómina y Costos Relacionados	\$2,462,000
16	B	Gastos de Funcionamiento	\$124,000
17	C	Para Pago de Primas de Fianzas de Fidelidad	\$6,000
18	D	Para Pago de Servicios Autoridad de Energía Eléctrica	\$99,000
19		Subtotal	\$2,691,000
20			
21	81	Oficina de Desarrollo Socioeconómico y Comunitario de Puerto Rico	
22	A	Nómina y Costos Relacionados	\$1,787,000



1	B	Gastos de Funcionamiento	\$907,000
2	C	Para Pago de Primas de Fianzas de Fidelidad	\$12,000
3	D	Para Pago de Servicios Autoridad de Energía Eléctrica	\$5,000
4	E	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$2,000
5	F	Para Pago de Renta a la Autoridad de Edificios Públicos	\$89,000
6	G	Pay As You Go	\$2,903,000
7	H	Mejores Permenentes de desarrollo de asuntos comunitarios y	
8		del tercer sector	\$12,500,000
9		Subtotal	\$18,205,000
10			
11	82	Oficina del Gobernador	
12	A	Nómina y Costos Relacionados	\$10,490,000
13	B	Anualidad Empleados Ley 70	\$58,000
14	C	Gastos de Funcionamiento	\$2,702,000
15	D	Para Pago de Primas de Fianzas de Fidelidad	\$55,000
16	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$1,041,000
17	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$153,000
18	G	Pay As You Go	\$9,089,000
19		Subtotal	\$23,588,000
20			
21	83	Oficina del Procurador del Ciudadano	
22	A	Nómina y Costos Relacionados	\$2,928,000

1	B	Anualidad Empleados Ley 70	\$21,000
2	C	Gastos de Funcionamiento	\$490,000
3	D	Para Pago de Primas de Fianzas de Fidelidad	\$10,000
4	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$18,000
5	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$1,000
6	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$47,000
7		Subtotal	\$3,515,000
8			
9	84	Oficina del Procurador del Paciente	
10	A	Nómina y Costos Relacionados	\$1,150,000
11	B	Anualidad Empleados Ley 70	\$45,000
12	C	Gastos de Funcionamiento	\$456,000
13	D	Para Pago de Primas de Fianzas de Fidelidad	\$4,000
14	E	Pay As You Go	\$92,000
15		Subtotal	\$1,747,000
16			
17	85	Oficina del Procurador del Veterano de Puerto Rico	
18	A	Nómina y Costos Relacionados	\$718,000
19	B	Gastos de Funcionamiento	\$118,000
20	C	Para Pago de Primas de Fianzas de Fidelidad	\$53,000
21	D	Pay As You Go	\$136,000
22		Subtotal	\$1,025,000

1			
2	86	Oficina del Procurador de las Personas de Edad Avanzada	
3	A	Nómina y Costos Relacionados	\$464,000
4	B	Gastos de Funcionamiento	\$997,000
5	C	Para Pago de Primas de Fianzas de Fidelidad	\$12,000
6	D	Pay As You Go	\$243,000
7	E	Para nutrir el Programa de Coordinación, Educación, Evaluación y Protección	
8		para realizar proyectos en beneficio de las personas de edad avanzada	\$387,000
9	F	Para el pareo estatal de fondos federales	\$505,000
10		Subtotal	\$2,608,000
11			
12	87	Panel Sobre el Fiscal Especial Independiente	
13	A	Nómina y Costos Relacionados	\$827,000
14	B	Gastos de Funcionamiento	\$1,630,000
15	C	Para Pago de Primas de Fianzas de Fidelidad	\$11,000
16		Subtotal	\$2,468,000
17			
18	88	Salud Correccional	
19	A	Nómina y Costos Relacionados	\$19,409,000
20	B	Anualidad Empleados Ley 70	\$577,000
21	C	Gastos de Funcionamiento	\$36,519,000
22	D	Pay As You Go	\$1,367,000

1		Subtotal	\$57,872,000
2			
3	89	Secretariado del Departamento de la Familia	
4	A	Nómina y Costos Relacionados	\$13,639,000
5	B	Anualidad Empleados Ley 70	\$653,000
6	C	Gastos de Funcionamiento	\$474,000
7	D	Para Pago de Primas de Fianzas de Fidelidad	\$201,000
8	E	Para Pago de Servicios Autoridad de Energía Eléctrica	\$3,966,000
9	F	Para Pago de Servicios Autoridad de Acueductos y Alcantarillados	\$288,000
10	G	Para Pago de Renta a la Autoridad de Edificios Públicos	\$6,013,000
11	H	Pay As You Go	\$14,078,000
12	I	Para sufragar gastos de funcionamiento de los Centros de Servicios	
13		Servicios Integrados a menores víctimas de agresión sexual	\$1,350,000
14		Subtotal	\$40,662,000
15			
16	90	Tribunal General de Justicia	
17	A	Para sufragar gastos de funcionamiento de la Rama Judicial, Ley Núm.	
18		147 de 18 de agosto de 1980, según enmendada	\$264,005,000
19	B	Pay As You Go	\$29,248,000
20		Subtotal	\$293,253,000
21			
22	91	Autoridad de Edificios Públicos (AEP)	

1	A	Mejores Permenentes	\$200,000
2		Subtotal	\$200,000
3			
4	92	Administración de Vivienda Pública (AVP)	
5	A	Gastos de Funcionamiento	\$324,000
6		Subtotal	\$324,000
7			
8		Gran Total	\$6,991,155,000

Sección 2.- El Departamento de Hacienda le remitirá a la Rama Legislativa y a sus componentes, a la Judicatura, a la Universidad de Puerto Rico y a las entidades sin fines de lucro que reciben fondos de esta Resolución, mensualmente y por adelantado, las cuotas presupuestarias correspondientes a una duodécima parte de la asignación anual provista en esta Resolución Conjunta para cada una de estas entidades. Excepto en el caso de la Judicatura, durante los primeros tres trimestres de este año fiscal, la cuota presupuestaria correspondiente a una duodécima parte de la asignación para cada entidad estará sujeta a la retención del cinco por ciento (5%) establecida en la sección 3 de esta Resolución Conjunta.

Sección 3.- El Director de la Oficina de Gerencia y Presupuesto (“OGP”) podrá autorizar el desembolso de hasta un noventa y cinco por ciento (95%) de cada asignación dispuesta en esta Resolución Conjunta durante los primeros tres trimestres de este año fiscal. El Director de la OGP retendrá el restante cinco por ciento (5%) de cada asignación hasta después de culminado el tercer trimestre de este año fiscal. Dicho por ciento que se retiene de cada asignación se desembolsará durante el cuarto trimestre de este año fiscal si los ingresos reales correspondientes a los primeros seis (6) meses de ingresos reales reportados a la Junta de Supervisión y Administración Financiera establecida por PROMESA (“Junta de Supervisión”) alcanzan las proyecciones mensuales del Gobierno para ese periodo y sujeto a la aprobación previa del Director de la OGP. Si los ingresos reales correspondientes a los primeros seis (6) meses del año fiscal no alcanzan las proyecciones mensuales del Gobierno para ese periodo, el total del porcentaje retenido de cada asignación que podrá obligarse se reducirá proporcionalmente conforme a la variante presupuestaria negativa entre los ingresos proyectados y los reales.

Sección 4.- Dentro de un periodo no mayor de 45 días subsiguientes al cierre de cada trimestre del año fiscal, el Secretario de Hacienda revisará la proyección de ingresos netos del Fondo General para el año corriente (la “Revisión Trimestral”) y notificará dicha revisión al Director de la OGP, al Gobernador y a la Junta de Supervisión. La Revisión Trimestral deberá proyectar los recaudos futuros basados en los recaudos reales, e incluir revisiones de los supuestos utilizados para la formulación de los estimados de ingresos netos del Fondo General.

Sección 5.- Todas las asignaciones autorizadas en cualquier año fiscal previo con cargo al Fondo General, incluyendo las asignaciones sin año económico determinado, quedan por la presente eliminadas y ningún desembolso de fondos públicos podrá ser cubierto por dichas asignaciones, excepto: (1) las asignaciones sin año económico para llevar a cabo mejoras permanentes que hayan sido contabilizadas y llevadas en los libros; y (2) las porciones de las asignaciones autorizadas para el año fiscal 2018 que han sido obligadas en o antes del 30 de junio de 2018, y que continuarán en los libros durante 60 días después de vencido el año fiscal 2018 y no se girará contra dichas asignaciones por ningún concepto después de esos 60 días. Esta restricción sobre el uso de asignaciones autorizadas en años fiscales previos no aplicará a: (1) los programas financiados en todo o en parte por fondos federales; o (2) a órdenes de la corte de distrito con jurisdicción sobre todos los procedimientos relacionados al Título III de PROMESA.

Sección 6.- En conjunto con los informes que el Gobernador debe presentar a la Junta de Supervisión dentro de los 15 días siguientes al último día de cada trimestre del año fiscal según la Sección 203 de PROMESA, el Director Ejecutivo de la AAFAF y el Director de la OGP le certificarán a la Junta de Supervisión que no se ha utilizado asignación alguna del año fiscal anterior para cubrir gasto alguno (con excepción de las asignaciones cubiertas por las excepciones autorizadas en la Sección 5).

Sección 7.- Cualquier facultad de la OGP, la Autoridad de Asesoría Financiera y Agencia Fiscal ("AAFAF") o del Departamento de Hacienda, incluyendo las facultades otorgadas bajo la Ley Núm. 230-1974, según enmendada, conocida como la "Ley de Contabilidad del Gobierno de Puerto Rico" (la "Ley 230"), para autorizar la reprogramación o la extensión del término de asignaciones de años fiscales previos queda por la presente suspendida. No obstante esta sección, las asignaciones aprobadas en el presupuesto certificado por la Junta de Supervisión podrán ser modificadas o reprogramadas con la aprobación de la Junta de Supervisión.

Sección 8.- La asignación por la cantidad de \$ 14,000,000 dispuesta en el Subpárrafo 17(g) de la Sección 1 de esta Resolución Conjunta (la "Reserva de Seguro Social") permanecerá bajo la custodia de la OGP y no podrá ser obligada hasta que aquellos oficiales de la Policía menores de 40 años de edad ingresen al Seguro Social conforme a la Sección 16.2.3 del Nuevo Plan Fiscal para Puerto Rico del 29 de junio de 2018 certificado por la Junta de Supervisión (el "Nuevo Plan Fiscal"), incluyendo: (i) la creación de un plan de retiro de aportaciones definidas para los policías; (ii) con una aportación por parte de los participantes no mayor al 2.3% (A) para los policías con 40 años de edad o menos para el 30 de junio de 2018 o (B) contratados después de dicha fecha indistintamente de su edad; y (iii) Reserva de Seguro Social solamente será utilizada para cubrir el "*Federal Insurance Contributions Tax (FICA)*" correspondiente a los policías cubiertos por el Seguro Social. Cuando el Director de la OGP determine que se han cumplido estas condiciones, la OGP transferirá la Reserva de Seguro Social al Departamento de Seguridad Pública para que sea utilizada para este propósito.

Sección 9.- En conjunto con los informes que el Gobernador debe presentar a la Junta de Supervisión dentro de los 15 días siguientes al último día de cada trimestre del año fiscal según la Sección 203 de PROMESA, el Director Ejecutivo de la AAFAF y el Director de la OGP certificarán a la Junta de Supervisión que ninguna cantidad de la Reserva de Seguro Social ha sido utilizada para cubrir gasto alguno, excepto que Director Ejecutivo de la AAFAF y el Director de la OGP certifiquen a la Junta de Supervisión que la condiciones correspondientes descritas en la Sección 8 se han satisfecho.

Sección 10.- Como regla necesaria para el desembolso responsable de las asignaciones presupuestarias para gastos de funcionamiento y otros gastos durante el término de esta Resolución Conjunta, la OGP podrá retener de cualquiera de las asignaciones a las agencias de la Rama Ejecutiva las cantidades necesarias para el pago de aportaciones a retiro (*pay-go*

*contribution*), seguro por desempleo o contribuciones retenidas de sus empleados, si la OGP determine que dicha retención es necesaria para asegurar el cumplimiento por parte de las agencias correspondientes con estas obligaciones. Dichas cantidades retenidas por la OGP se reprogramarán solamente para el pago de las obligaciones correspondientes relacionadas a las aportaciones al retiro (*pay-go*), el seguro por desempleo o la contribución retenida a los empleados según permitido en esta Sección.

Sección 11.- Se faculta a las agencias e instrumentalidades públicas, a las corporaciones públicas y a los municipios, con previa aprobación de la OGP, conforme a la legislación vigente, a formalizar acuerdos con el gobierno federal, con otras agencias e instrumentalidades públicas, corporaciones públicas, o con los municipios para la prestación de servicios a base de contratación o de pareo de fondos municipales y los que se incluyen en esta Resolución Conjunta.

Sección 12.- Se faculta a la OGP y al Departamento de Hacienda a establecer los mecanismos necesarios para asegurarse de que al implantarse el concepto de movilidad, conforme a las disposiciones de la Ley 8-2017, según enmendada, conocida como "Ley para la Administración y Transformación de los Recursos Humanos en el Gobierno de Puerto Rico", se realice simultáneamente la correspondiente transferencia de los fondos asignados para la nómina de dicho empleado y los costos relacionados.

Sección 13.- En o antes del 31 de julio de 2018, el Gobierno, en conjunto con la Junta de Supervisión, desarrollará un itinerario de trabajo para el Gobierno presentar y certificar a la Junta de Supervisión: (1) informes mensuales de ingresos reales en efectivo, gastos reales en efectivo y flujo de efectivo para cada agencia del Gobierno; (2) informes mensuales y trimestrales en los que se detallan los resultados reales versus los proyectados de cada agencia gubernamental basado en una contabilidad modificada de ingresos y pasivos acumulados (*modified accrual basis*); (3) informes mensuales y trimestrales sobre la nómina gubernamental, total de empleados y asistencia, cuentas a pagar a terceros, indicadores clave del desempeño en el procesamiento de facturas, créditos contributivos, fondos para desastres y aportaciones a retiro; (4) monitoreo mensual de indicadores claves del desempeño de cada una de las medidas de reforma fiscal y (5) informes trimestrales sobre el desempeño macroeconómico. No obstante lo anterior, durante el periodo en el que se desarrolla el itinerario de trabajo antes indicado, el Gobierno presentará y certificará a la Junta de Supervisión Fiscal todos los informes de liquidez o gastos que pueda generar basado en la información financiera disponible. Los informes requeridos bajo esta Sección son adicionales a los informes que tiene que presentar el Gobernador a la Junta de Supervisión bajo la Sección 203 de PROMESA.

Sección 14.- En o antes del 31 de julio de 2018, el Gobernador proveerá a la Junta de Supervisión proyecciones de recaudos y gastos para cada trimestre de este año fiscal y dichas proyecciones deben ser consistentes con los gastos autorizados en esta Resolución Conjunta (la "Proyección Trimestral"). La Proyección Trimestral debe ser presentada a la Junta



de Supervisión en formato de Excel e incluir el detalle de las distribuciones por cada agencia, corporación pública, fondo, y concepto de gasto. En conjunto con el informe requerido por la sección 203 de PROMESA que el Gobernador debe proveer a más tardar 15 días después del último día de cada trimestre del año fiscal, el Gobernador proveerá un análisis de la varianza trimestral que sea consistente con el método "modified accrual accounting".

Sección 15.- Si durante el año fiscal el Gobierno incumple con las medidas de liquidez y ahorros presupuestarios que exige el Nuevo Plan Fiscal para Puerto Rico certificado por la Junta de Supervisión, el Gobierno tomará todas las acciones correctivas que sean necesarias, incluyendo las medidas dispuestas en las secciones 203 y 204 de PROMESA.

Sección 16.- El Secretario de Hacienda, el tesorero, los directores ejecutivos de cada agencia o corporación pública cubiertos por el Nuevo Plan Fiscal y el Director de la OGP (o sus respectivos sucesores) serán responsables de que durante el año fiscal 2019 no se gaste ni obligue suma alguna que exceda de las asignaciones autorizadas para dicho año. Esta prohibición aplica a todas las asignaciones establecidas en esta Resolución Conjunta, incluyendo las asignaciones para el pago de nómina y costos relacionados. Cualquier violación a esta prohibición constituirá una violación a esta Resolución Conjunta y a la Ley 230.

Sección 17.- En o antes del 31 de julio de 2018, el Director de la OGP presentará a la Junta de Supervisión una copia del presupuesto certificado por la Junta de Supervisión el formato administrado por la OGP conocido como el "Sabana File". El Sabana File estará en Excel e identificará todos los presupuestos en el sistema PRIFAS y en cualquier otro sistema de contabilidad del gobierno, incluyendo las asignaciones por agencia, corporación pública, instrumentalidad, tipo de fondo y concepto de gasto.

Sección 18.- Cualquier referencia en esta Resolución Conjunta a la AAFAF, al Departamento de Hacienda, o a la OGP, o a cualquiera de sus respetivos oficiales aplicará a cualquier sucesor de éstos.

Sección 19.- Esta Resolución Conjunta se adoptará en español y en inglés. Si en la interpretación o aplicación de esta Resolución Conjunta surgiere algún conflicto entre el texto en inglés y el texto en español, prevalecerá el texto en inglés.

Sección 20.- Si alguna cláusula, subpárrafo, oración, palabra, letra, disposición, sección, subsección, título, capítulo, subcapítulo, acápite o parte de esta Resolución Conjunta fuera anulada o declarada inconstitucional, la resolución, dictamen o sentencia a tal efecto dictada no afectará, perjudicará, ni invalidará el remanente de esta Resolución Conjunta. El efecto de dicha sentencia quedará limitado a la cláusula, párrafo, subpárrafo, oración, palabra, letra, artículo, disposición, sección, subsección, título, capítulo, subcapítulo, acápite o parte de la misma que así hubiere sido anulada o declarada inconstitucional. Si la aplicación a una persona o a una circunstancia de alguna cláusula, párrafo, subpárrafo, oración, palabra, letra, artículo,

disposición, sección, subsección, título, capítulo, subcapítulo, acápite o parte de esta Resolución Conjunta fuera invalidada o declarada inconstitucional, la resolución, dictamen o sentencia a tal efecto dictada no afectará ni invalidará la aplicación del remanente de esta Resolución Conjunta a aquellas personas o circunstancias en que se pueda aplicar válidamente. Es la voluntad expresa e inequívoca de esta Asamblea Legislativa que los tribunales hagan cumplir las disposiciones y la aplicación de esta Resolución Conjunta en la mayor medida posible, aunque se deje sin efecto, anule, invalide, perjudique o declare inconstitucional alguna de sus partes, o aunque se deje sin efecto, invalide o declare inconstitucional su aplicación a alguna persona o circunstancia. Esta Asamblea Legislativa aprobaría esta Resolución Conjunta independientemente de la determinación de separabilidad que el Tribunal pueda hacer.

Sección 21.- Esta Resolución Conjunta se conocerá como la "Resolución Conjunta del Presupuesto del Fondo General para el Año Fiscal 2018-2019."


Sección 22.- Esta Resolución Conjunta comenzará a regir el 1 de julio de 2018.



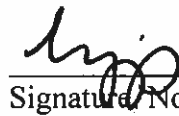


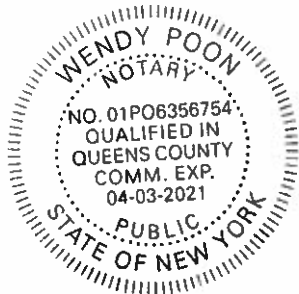
City of New York, State of New York, County of New York

I, Jordan Johnson, hereby certify that the document, “**Budget Resolution A**” is, to the best of my knowledge and belief, a true and accurate translation from Spanish into English.

  
\_\_\_\_\_  
Jordan Johnson

Sworn to before me this  
July 5, 2018

  
\_\_\_\_\_  
Signature, Notary Public



\_\_\_\_\_  
Stamp, Notary Public

A- \_\_\_\_

The GOVERNMENT OF PUERTO RICO

18<sup>th</sup> Legislative Assembly

3rd Ordinary Session

**House of Representatives**

**R. C. of C.**

June 30, 2018

**Joint Resolution**

To allocate the amount of six billion nine hundred and ninety-one million one hundred fifty-five thousand dollars (\$6,991,155,000), under the General Fund of the State Treasury, for regular operating costs of the programs and agencies that make up the Executive Branch and the programs that make up the Judicial Branch and the Legislative Branch during the fiscal year ending 30 June 2019, the following amounts or any portions of those amounts that are necessary, and for other related purposes.

*BE IT RESOLVED BY THE LEGISLATURE OF PUERTO RICO:*

Section 1.- The sum of six billion nine hundred and ninety-one million one hundred fifty-five thousand dollars (\$6,991,155,000), is assigned to the General Fund of the State Treasury, for regular operating expenses of the programs and agencies of the Executive Branch and the programs that make up the Judicial Branch and the Legislative Branch during the fiscal year ending 30 June 2019, the following amounts or any portions of those amounts that are necessary, for the purposes that are outlined below:

1	1	Puerto Rico Federal Affairs Administration (PRFAA)	
2	A	Payroll and related costs	\$1,309,000
3	B	Operating Expenses	\$1,383,000
4	C	Payments to PREPA	\$3,000
5	D	Pay As You Go	\$332,000
6	E	Operating costs of the Puerto Rico Resident Commissioner	\$281,000
7		Subtotal	\$3,308,000
8			
9	2	Administration for Socioeconomic Development of the Family	
10	A	Payroll and related costs	\$29,543,000
11	B	Annuity Employees Act 70	\$501,000
12	C	Operating Expenses	\$26,159,000
13	D	Payment of fidelity bond premiums	\$9,000
14	E	Pay As You Go	\$27,892,000
15	F	For the Program of Rehabilitation Economic and Social Commission for	
16		Families in Extreme Poverty	\$350,000
17		Subtotal	\$84,454,000
18			
	3	Family and Children Administration	
	A	Payroll and related costs	\$65,194,000
	B	Annuity Employees Act 70	\$985,000
	C	Operating Expenses	\$110,547,000

1	D	Payment of fidelity bond premiums	\$155,000
2	E	Payments to PRASA	\$32,000
3	F	Payment of rent to the Public Buildings Authority	\$38,000
4	G	Pay As You Go	\$13,916,000
5	H	For centers of care for senior citizens	\$1,000,000
6		Subtotal	\$191,867,000
7			
8	4	Natural Resource Management Administration	
9	A	Payroll and related costs	\$21,528,000
10	B	Annuity Employees Act 70	\$1,568,000
11	C	Operating Expenses	\$609,000
12	D	Payment of fidelity bond premiums	\$3,389,000
13	E	Payments to PRASA	\$11,000
14	F	Payment of rent to the Public Buildings Authority	\$88,000
15	G	Pay As You Go	\$6,612,000
16		Subtotal	\$33,805,000
17			
18	5	Vocational Rehabilitation Administration	
	A	Payroll and related costs	\$952,000
	B	Annuity Employees Act 70	\$598,000
	C	Operating Expenses	\$11,827,000
	D	Payment of fidelity bond premiums	\$307,000

1	E	Payments to PREPA	\$176,000
2	F	Payments to PRASA	\$59,000
3	G	Payment of rent to the Public Buildings Authority	\$139,000
4	H	Pay As You Go	\$8,129,000
5		Subtotal	\$22,187,000
6			
7	6	Puerto Rico Health Insurance Administration	
8	A	Annuity Employees Act 70	\$313,000
9	B	Payment of Health Insurance Premiums	\$14,886,000
10		Subtotal	\$15,199,000
11			
12	7	Mental Health and Drug Addiction Services Administration	
13	A	Payroll and related costs	\$22,345,000
14	B	Annuity Employees Act 70	\$1,860,000
15	C	Operating Expenses	\$32,715,000
16	D	Payment of fidelity bond premiums	\$501,000
17	E	Payments to PREPA	\$3,535,000
18	F	Payments to PRASA	\$1,756,000
	G	Pay As You Go	\$24,638,000
	H	Payments of operating expenses of the Specialized Rooms Project in cases of Drug Court controlled substances	\$4,740,000
		Subtotal	\$92,090,000



1			
2	8	General Services Administration	
3	A	Pay As You Go	\$5,988,000
4		Subtotal	\$5,988,000
5			
6	9	Medical Service Administration of Puerto Rico	
7	A	Payroll and related costs	\$54,565,000
8	B	Operating Expenses	\$16,271,000
9	C	Pay As You Go	\$25,724,000
10		Subtotal	\$96,560,000
11			
12	10	Administration for the Horse Racing Sport and Industry	
13	A	Payroll and related costs	\$1,000,000
14	B	Annuity Employees Act 70	\$75,000
15	C	Operating Expenses	\$238,000
16	D	Payment of fidelity bond premiums	\$6,000
17	E	Payments to PREPA	\$47,000
18	F	Pay As You Go	\$909,000
		Subtotal	\$2,275,000
	11	Government Employees and Judiciary Retirement System Administration	
	A	Pay As You Go	\$8,525,000

1		Subtotal	\$8,525,000
2			
3	12	Administration for the Childhood Care and Integral Development	
4	A	Payroll and related costs	\$2,436,000
5	B	Annuity Employees Act 70	\$333,000
6	C	Operating Expenses	\$6,572,000
7	D	Payment of fidelity bond premiums	\$8,000
8	E	Payments to PREPA	\$276,000
9	F	Payments to PRASA	\$32,000
10	G	Payment of rent to the Public Buildings Authority	\$241,000
11	H	Pay As You Go	\$1,676,000
12		Subtotal	\$11,574,000
13			
14	13	Agricultural Enterprises Development Administration (ADEA)	
15	A	Payroll and related costs	\$1,114,000
16	B	Annuity Employees Act 70	\$1,623,000
17	C	Operating Expenses	\$29,054,000
18	D	Payments to PREPA	\$212,000
	E	Payments to PRASA	\$151,000
	F	Payment of rent to the Public Buildings Authority	\$14,000
	G	Pay As You Go	\$7,208,000
		Subtotal	\$39,376,000

1			
2	14	Child Support Office	
3	A	Payroll and related costs	\$5,820,000
4	B	Annuity Employees Act 70	\$254,000
5	C	Operating Expenses	\$2,610,000
6	D	Payment of fidelity bond premiums	\$25,000
7	E	Payments to PREPA	\$74,000
8	F	Pay As You Go	\$1,806,000
9		Subtotal	\$10,589,000
10			
11	15	Fiscal Agency & Financial Advisory Authority	
12	A	Payroll and related costs	\$7,858,000
13	B	Operating Expenses	\$61,825,000
14	C	Payment of rent to the Public Buildings Authority	\$562,000
15		Subtotal	\$70,245,000
16			
17	16	Legislative Assembly of the Commonwealth	
18	A	House of Representatives	\$35,228,000
	B	Senate of Puerto Rico	\$30,064,000
	C	Joint Activities	\$15,955,000
		Subtotal	\$81,247,000

1	17	Assignments under the custody of the Office of Management and Budget	
2	A	For operating expenses of the Office of the Inspector General	\$4,000,000
3	B	To compensate for judgments against the State	\$16,000,000
4	C	For the development and investment in Public-private partnerships, the	
5		Central Office recovery and reconstruction and other related expenses	\$14,263,000
6	D	Subsidized municipal consortia	\$1,500,000
7	E	For the acquisition of technology licensing Centralized For Entities	
8		Non-governmental organizations. (Microsoft)	\$22,000,000
9	F	For the acquisition of Oracle technology licensing	\$11,400,000
10	G	Payment for Social security of the Puerto Rico Police	\$14,000,000
11	H	For expenses of school transportation provided through governmental	
12		and/or municipal entity	\$6,000,000
13	I	Payment for State Revolving Fund	\$194,500,000
14	J	Permanent Improvements for the Government of Puerto Rico	\$110,796,000
15		Subtotal	\$394,459,000
16			
17	18	Assignments under the custody of the Department of the Treasury	
18	A	Title III (legal costs)	\$256,641,000
	B	Pay As You Go	\$236,342,000
	C	For Scholarship Fund	\$34,108,000
	D	Operating Expenses	\$1,883,000
		Subtotal	\$528,974,000

1			
2	19	Culebra Conservation and Development Authority	
3	A	Payroll and related costs	\$136,000
4	B	Annuity Employees Act 70	\$11,000
5	C	Operating Expenses	\$70,000
6	D	Payments to PRASA	\$5,000
7	E	Pay As You Go	\$19,000
8		Subtotal	\$241,000
9			
10	20	The Solid Waste Authority	
11	A	Payroll and related costs	\$1,004,000
12	B	Annuity Employees Act 70	\$362,000
13	C	Payments to PREPA	\$1,581,000
14	D	Payments to PRASA	\$183,000
15	E	Pay As You Go	\$353,000
16		Subtotal	\$3,483,000
17			
18	21	Puerto Rico Public Private Partnership Authority	
	A	Payroll and related costs	\$690,000
	B	Operating Expenses	\$1,248,000
	C	Management for Public Private Partnerships	\$4,655,000
		Subtotal	\$6,593,000

1			
2	22	Puerto Rico Infrastructure Financing Authority	
3	A	Payroll and related costs	\$1,805,000
4	B	Annuity Employees Act 70	\$43,000
5	C	Operating Expenses	\$1,496,000
6		Subtotal	\$3,344,000
7			
8	23	The Housing Finance Corporation	
9	A	Payroll and related costs	\$3,149,000
10	B	Operating Expenses	\$1,628,000
11		Subtotal	\$4,777,000
12			
13	24	Integrated Transit Authority	
14	A	Payroll and related costs	\$13,574,000
15	B	Annuity Employees Act 70	\$832,000
16	C	Operating Expenses	\$4,708,000
17	D	Pay As You Go	\$12,027,000
18		Subtotal	\$31,141,000
	25	The Port of the Americas Authority	
	A	Payroll and related costs	\$43,000
	B	Operating Expenses	\$191,000

1		Subtotal	\$234,000
2			
3	26	Redevelopment Authority of the Lands and Facilities of Naval Station	
4		Roosevelt Roads	
5	A	Payroll and related costs	\$19,000
6	B	Operating Expenses	\$716,000
7		Subtotal	\$735,000
8			
9	27	Model Forest Of Puerto Rico	
10	A	Payroll and related costs	\$54,000
11	B	Operating Expenses	\$147,000
12		Subtotal	\$201,000
13			
14	28	Comprehensive Cancer Center	
15	A	Payroll and related costs	\$3,911,000
16	B	For the operation and operating expenses of the Comprehensive Cancer	
17		Center, including its Research and Development Building, Radiotherapy	
18		Center, and Tertiary Care Hospital	\$8,002,000
		Subtotal	\$11,913,000
	29	Center for Diabetes Research, Education and Medical Care Services	
	A	Payroll and related costs	\$391,000

1		Subtotal	\$391,000
2			
3	30	Public Service Commission	
4	A	Payroll and related costs	\$2,164,000
5	B	Annuity Employees Act 70	\$49,000
6	C	Operating Expenses	\$389,000
7	D	Payment of fidelity bond premiums	\$8,000
8	E	Pay As You Go	\$123,000
9		Subtotal	\$2,733,000
10			
11	31	Commonwealth Elections Commission	
12	A	Payroll and related costs	\$19,367,000
13	B	Annuity Employees Act 70	\$35,000
14	C	Operating Expenses	\$8,037,000
15	D	Payment of fidelity bond premiums	\$86,000
16	E	Payments to PREPA	\$2,263,000
17	F	Payments to PRASA	\$141,000
18	G	Payment of rent to the Public Buildings Authority	\$1,149,000
	H	Pay As You Go	\$4,128,000
		Subtotal	\$35,206,000
	32	Civil Rights Commission	



1	A	Payroll and related costs	\$490,000
2	B	Operating Expenses	\$424,000
3	C	Pay As You Go	\$30,000
4		Subtotal	\$944,000
5			
6	33	Cooperative Development Commission of Puerto Rico	
7	A	Payroll and related costs	\$1,304,000
8	B	Operating Expenses	\$358,000
9	C	Payment of fidelity bond premiums	\$19,000
10	D	Payments to PRASA	\$2,000
11	E	Payment of rent to the Public Buildings Authority	\$42,000
12		Subtotal	\$1,725,000
13			
14	34	Commission of Investigation, Processing and Appeals	
15	A	Payroll and related costs	\$307,000
16	B	Operating Expenses	\$47,000
17	C	Payment of fidelity bond premiums	\$6,000
18	D	Pay As You Go	\$131,000
		Subtotal	\$491,000
	35	Public Service Commission	
	A	Payroll and related costs	\$2,851,000

1	B	Annuity Employees Act 70	\$345,000
2	C	Operating Expenses	\$302,000
3	D	Payment of fidelity bond premiums	\$29,000
4	E	Payments to PREPA	\$141,000
5	F	Payments to PRASA	\$1,000
6	G	Pay As You Go	\$5,190,000
7		Subtotal	\$8,859,000
8			
9	36	Traffic Safety Commission	
10	A	Pay As You Go	\$800,000
11		Subtotal	\$800,000
12			
13	37	Company for the Integral Development of the Península de Cantera	
14	A	Payroll and related costs	\$246,000
15	B	Operating Expenses	\$135,000
16		Subtotal	\$381,000
17			
18	38	Puerto Rico Council on Education	
	A	Payroll and related costs	\$1,292,000
	B	Annuity Employees Act 70	\$91,000
	C	Operating Expenses	\$285,000
	D	Payment of fidelity bond premiums	\$19,000

1	E	Pay As You Go	\$124,000
2		Subtotal	\$1,811,000
3			
4	39	Puerto Rico Public Broadcasting Corporation	
5	A	Payroll and related costs	\$4,487,000
6	B	Annuity Employees Act 70	\$312,000
7	C	Operating Expenses	\$255,000
8	D	Payments to PREPA	\$886,000
9	E	Payments to PRASA	\$36,000
10	F	Pay As You Go	\$1,150,000
11		Subtotal	\$7,126,000
12			
13	40	Musical Arts Corporation	
14	A	Payroll and related costs	\$3,471,000
15	B	Annuity Employees Act 70	\$48,000
16	C	Operating Expenses	\$927,000
17	D	Payment of fidelity bond premiums	\$54,000
18	E	Payment of rent to the Public Buildings Authority	\$219,000
	F	Pay As You Go	\$383,000
	G	To provide financial support for the Symphony Orchestra Of Puerto Rico and the Youth Symphonic Orchestra	\$720,000
	H	For operating expenses of the Theater Opera Inc.	\$43,000

1	I	To provide financial support for the Musical Arts	\$118,000
2		Subtotal	\$5,983,000
3			
4	41	Fine Arts Center Corporation of Puerto Rico	
5	A	Payroll and related costs	\$827,000
6	B	Annuity Employees Act 70	\$159,000
7	C	Operating Expenses	\$1,054,000
8	D	Payments to PREPA	\$668,000
9	E	Payments to PRASA	\$70,000
10	F	Pay As You Go	\$286,000
11		Subtotal	\$3,064,000
12			
13	42	Puerto Rico Conservatory of Music Corporation	
14	A	Payroll and related costs	\$2,920,000
15	B	Annuity Employees Act 70	\$16,000
16	C	Operating Expenses	\$157,000
17	D	Payments to PREPA	\$546,000
18	E	Payments to PRASA	\$24,000
	F	Pay As You Go	\$329,000
		Subtotal	\$3,992,000
	43	Puerto Rico School of Plastic Arts and Design	

1	A	Payroll and related costs	\$1,613,000
2	B	Annuity Employees Act 70	\$73,000
3	C	Operating Expenses	\$12,000
4	D	Payment of fidelity bond premiums	\$39,000
5	E	Payments to PREPA	\$45,000
6	F	Pay As You Go	\$447,000
7		Subtotal	\$2,229,000
8			
9	44	Corporation for the "Caño Martin Peña" LINK Project	
10	A	Payroll and related costs	\$820,000
11	B	Operating Expenses	\$5,083,000
12	C	Payments to PREPA	\$26,000
13	D	For matching of federal funds	\$5,000,000
14		Subtotal	\$10,929,000
15			
16	45	Office for People with Disabilities	
17	A	Payroll and related costs	\$866,000
18	B	Annuity Employees Act 70	\$93,000
	C	Operating Expenses	\$89,000
	D	Payment of fidelity bond premiums	\$12,000
	E	Payment of rent to the Public Buildings Authority	\$50,000
	F	Pay As You Go	\$257,000

1		Subtotal	\$1,367,000
2			
3	46	Department of Agriculture	
4	A	Payroll and related costs	\$7,228,000
5	B	Annuity Employees Act 70	\$619,000
6	C	Operating Expenses	\$1,412,000
7	D	Payment of fidelity bond premiums	\$90,000
8	E	Payments to PREPA	\$391,000
9	F	Payments to PRASA	\$6,000
10	G	Payment of rent to the Public Buildings Authority	\$371,000
11	H	Pay As You Go	\$10,639,000
12		Subtotal	\$20,756,000
13			
14	47	Department of Consumer Affairs	
15	A	Payroll and related costs	\$5,097,000
16	B	Annuity Employees Act 70	\$264,000
17	C	Payment of rent to the Public Buildings Authority	\$703,000
18	D	Pay As You Go	\$5,318,000
		Subtotal	\$11,382,000
	48	Department of Correction and Rehabilitation	
	A	Payroll and related costs	\$253,421,000

1	B	Annuity Employees Act 70	\$6,611,000
2	C	Operating Expenses	\$41,894,000
3	D	Payment of fidelity bond premiums	\$3,146,000
4	E	Payments to PREPA	\$15,494,000
5	F	Payments to PRASA	\$15,683,000
6	G	Payment of rent to the Public Buildings Authority	\$3,250,000
7	H	Pay As You Go	\$33,824,000
8		Subtotal	\$373,323,000
9			
10	49	Department of Economic Development and Commerce	
11	A	Payroll and related costs	\$786,000
12	B	Annuity Employees Act 70	\$115,000
13	C	Operating Expenses	\$337,000
14		Subtotal	\$1,238,000
15			
16	50	Department of Education	
17	A	Payroll and related costs	\$949,752,000
18	B	Payroll - salary increases for teachers	\$23,819,000
	C	Payroll - salary increases for directors	\$23,973,000
	D	Annuity Employees Act 70	\$4,759,000
	E	Operating Expenses	\$279,505,000
	F	Payment of fidelity bond premiums	\$5,336,000

1	G	Payments to PREPA	\$34,896,000
2	H	Payments to PRASA	\$12,060,000
3	I	Payment of rent to the Public Buildings Authority	\$74,817,000
4	J	Pay As You Go	\$1,014,420,000
5	K	To cover the costs of operation of San Gabriel Inc. School, specializing in	
6		children with hearing problems	\$450,000
7	L	For municipal agreements for maintenance program for public	\$7,200,000
8		schools administered by the OMEP	
9	M	For the C.A.S.A. Project	\$5,000,000
10	N	Operating expenses to cover services related to the provision of	
11		therapies and other services to children in the special	
12		education program	\$30,000,000
13	O	To carry out a professional services contract with the Community Schools	\$3,500,000
14		Program for the New School Institute (Montessori)	
15	P	For the Alliance Program for Alternative Education	\$10,000,000
16		Subtotal	\$2,479,487,000
17			
18	51	Department of State	
	A	Payroll and related costs	\$2,424,000
	B	Annuity Employees Act 70	\$106,000
	C	Operating Expenses	\$219,000
	D	Payment of fidelity bond premiums	\$52,000



1	E	Payments to PREPA	\$31,000
2	F	Payments to PRASA	\$28,000
3	G	Payment of rent to the Public Buildings Authority	\$120,000
4	H	Pay As You Go	\$2,287,000
5	I	Integrated Services Center	\$1,000,000
6		Subtotal	\$6,267,000
7			
8	52	Department of the Treasury	
9	A	Payroll and related costs	\$58,908,000
10	B	Annuity Employees Act 70	\$4,227,000
11	C	Operating Expenses	\$34,028,000
12	D	Payment of fidelity bond premiums	\$687,000
13	E	Payments to PREPA	\$2,002,000
14	F	Payments to PRASA	\$281,000
15	G	Payment of rent to the Public Buildings Authority	\$6,190,000
16	H	Pay as You Go	\$46,317,000
17	I	To be transferred to the Society for Legal Assistance to cover operating	
18		expenses	\$9,800,000
	J	To be transferred to the Community Legal Office, Inc. to cover	
		operating expenses	\$486,000
	K	To be transferred to Legal Services of Puerto Rico, Inc. to cover	
		operating expenses	\$4,460,000

1	L	To be transferred to Pro-Bono, Inc. to cover operating	\$405,000
2		expenses	
3		Subtotal	\$167,791,000
4			
5	53	Department of Justice	
6	A	Payroll and related costs	\$80,330,000
7	B	Annuity Employees Act 70	\$1,157,000
8	C	Operating Expenses	\$1,917,000
9	D	Payment of fidelity bond premiums	\$261,000
10	E	Payments to PREPA	\$3,357,000
11	F	Payments to PRASA	\$257,000
12	G	Payment of rent to the Public Buildings Authority	\$2,595,000
13	H	Pay as You Go	\$30,108,000
14	J	For the exclusive use of the payment of expenses and fees to the	
15		lawyers appointed by the court	\$3,600,000
16		Subtotal	\$123,582,000
17			
18	54	Department of Recreation and Sports	
	A	Payroll and related costs	\$23,748,000
	B	Annuity Employees Act 70	\$1,811,000
	C	Operating Expenses	\$2,550,000
	D	Payment of fidelity bond premiums	\$1,393,000

1	E	Payments to PREPA	\$1,343,000
2	F	Payments to PRASA	\$469,000
3	G	Pay as You Go	\$9,306,000
4		Subtotal	\$40,620,000
5			
6	55	Department of Natural and Environmental Resources	
7	A	Payroll and related costs	\$505,000
8	B	Operating Expenses	\$1,554,000
9		Subtotal	\$2,059,000
10			
11	56	Department of Health	
12	A	Payroll and related costs	\$70,930,000
13	B	Annuity Employees Act 70	\$2,462,000
14	C	Operating Expenses	\$71,611,000
15	D	Payment of fidelity bond premiums	\$1,317,000
16	E	Payments to PREPA	\$12,331,000
17	F	Payments to PRASA	\$2,832,000
18	G	Payment of rent to the Public Buildings Authority	\$1,446,000
	H	Pay as You Go	\$73,040,000
	I	For the operation of the Puerto Rico Health Information Network	\$2,200,000
		Subtotal	\$238,169,000

1	57	Department of Public Safety - Bureau of Emergency Management and Disaster	
2		Management	
3	A	Payroll and related costs	\$2,788,000
4	B	Annuity Employees Act 70	\$980,000
5	C	Operating Expenses	\$2,800,000
6	D	Payment of fidelity bond premiums	\$79,000
7	E	Payments to PREPA	\$370,000
8	F	Payments to PRASA	\$174,000
9	G	Payment of rent to the Public Buildings Authority	\$37,000
10		Subtotal	\$7,228,000
11			
12	58	Department of Public Safety - Fire Brigade of Puerto Rico	
13	A	Payroll and related costs	\$47,388,000
14	B	Annuity Employees Act 70	\$48,000
15	C	Operating Expenses	\$148,000
16	D	Payment of fidelity bond premiums	\$478,000
17	E	Payments to PREPA	\$284,000
18	F	Payments to PRASA	\$293,000
	G	Payment of rent to the Public Buildings Authority	\$372,000
	H	Pay as You Go	\$13,823,000
		Subtotal	\$62,834,000

1	59	Department of Public Safety - Emergency Medical Services	
2	A	Payroll and related costs	\$15,619,000
3	B	Operating Expenses	\$228,000
4	C	Payment of fidelity bond premiums	\$390,000
5	D	Payment of rent to the Public Buildings Authority	\$99,000
6	E	Pay as You Go	\$1,947,000
7		Subtotal	\$18,283,000
8			
9	60	Department of Public Safety - Bureau of Forensic Sciences Institute	
10	A	Payroll and related costs	\$9,067,000
11	B	Annuity Employees Act 70	\$388,000
12	C	Operating Expenses	\$2,083,000
13	D	Payment of fidelity bond premiums	\$110,000
14	E	Payments to PREPA	\$1,499,000
15	F	Payments to PRASA	\$93,000
16	G	Pay as You Go	\$1,563,000
17		Subtotal	\$14,803,000
18			
	61	Department of Public Safety - Bureau of Puerto Rico Police	
	A	Payroll and related costs	\$570,200,000
	B	Payroll and related cost - salary increases for police	\$18,823,000
	C	Annuity Employees Act 70	\$29,601,000

1	D	Operating Expenses	\$27,445,000
2	E	Payment of fidelity bond premiums	\$3,475,000
3	F	Payments to PREPA	\$12,122,000
4	G	Payments to PRASA	\$1,342,000
5	H	Payment of rent to the Public Buildings Authority	\$13,403,000
6	I	Pay as You Go	\$182,619,000
7	J	For drug trafficking operations, including materials and	\$2,250,000
8		related costs	
9	K	Payment for helicopter purchases	\$6,000,000
10	L	For Expenses related to the police department reform and related engineering	
11		processes, including purchases, professional services, technology	
12		consulting and any other expenditures deemed useful and relevant to the	
13		reform	\$20,000,000
14		Subtotal	\$887,280,000
15			
16	62	Department of Transportation and Public Works	
17	A	Payroll and related costs	\$18,522,000
18	B	Annuity Employees Act 70	\$1,242,000
	C	Payment of fidelity bond premiums	\$652,000
	D	Payments to PREPA	\$1,893,000
	E	Payments to PRASA	\$353,000
	F	Payment of rent to the Public Buildings Authority	\$1,455,000

1	G	Pay as You Go	\$21,166,000
2	H	For the coordination of evacuations and demolitions	\$4,000
3		Subtotal	\$45,287,000
4			
5	63	Department of Housing	
6	A	Payroll and related costs	\$9,220,000
7	B	Annuity Employees Act 70	\$673,000
8	C	Operating Expenses	\$89,000
9	D	Payments to PREPA	\$961,000
10	E	Payment of rent to the Public Buildings Authority	\$135,000
11	F	Pay as You Go	\$9,123,000
12		Subtotal	\$20,201,000
13			
14	64	Department of Labor and Human Resources	
15	A	Payroll and related costs	\$4,738,000
16	B	Annuity Employees Act 70	\$718,000
17	C	Operating Expenses	\$441,000
18	D	Payment of fidelity bond premiums	\$675,000
	E	Payments to PREPA	\$1,625,000
	F	Payments to PRASA	\$232,000
	G	Pay as You Go	\$24,845,000
		Subtotal	\$33,274,000

1			
2	65	Puerto Rico National Guard	
3	A	Payroll and related costs	\$5,379,000
4	B	Annuity Employees Act 70	\$91,000
5	C	Operating Expenses	\$3,560,000
6	D	Payment of fidelity bond premiums	\$488,000
7	E	Payments to PREPA	\$1,000,000
8	F	Payments to PRASA	\$104,000
9	G	Pay as You Go	\$7,993,000
10		Subtotal	\$18,615,000
11			
12	66	Institute of Puerto Rican Culture	
13	A	Payroll and related costs	\$4,191,000
14	B	Annuity Employees Act 70	\$399,000
15	C	Operating Expenses	\$166,000
16	D	Payments to PREPA	\$1,519,000
17	E	Payments to PRASA	\$100,000
18	F	Pay as You Go	\$3,798,000
		Subtotal	\$10,173,000
	67	Puerto Rico Institute of Statistics	
	A	Payroll and related costs	\$625,000



1	B	Operating Expenses	\$1,250,000
2	C	Payments to PREPA	\$27,000
3	D	Payments to PRASA	\$1,000
4		Subtotal	\$1,903,000
5			
6	68	Environmental Quality Board	
7	A	Payroll and related costs	\$3,267,000
8	B	Annuity Employees Act 70	\$464,000
9	C	Operating Expenses	\$1,542,000
10	D	Payment of fidelity bond premiums	\$108,000
11	E	Pay as You Go	\$6,649,000
12		Subtotal	\$12,030,000
13			
14	69	Freedom of Speech Board	
15	A	Payroll and related costs	\$1,815,000
16	B	Annuity Employees Act 70	\$133,000
17	C	Operating Expenses	\$70,000
18	D	Payment of fidelity bond premiums	\$15,000
	E	Pay as You Go	\$319,000
		Subtotal	\$2,352,000
	70	Planning Board	

1	A	Payroll and related costs	\$7,154,000
2	B	Annuity Employees Act 70	\$424,000
3	C	Operating Expenses	\$76,000
4	D	Payment of fidelity bond premiums	\$41,000
5	E	Payment of rent to the Public Buildings Authority	\$1,118,000
6	F	Pay as You Go	\$3,768,000
7		Subtotal	\$12,581,000
8			
9	71	Labor Relations Board	
10	A	Payroll and related costs	\$608,000
11	B	Operating Expenses	\$10,000
12	C	Payment of fidelity bond premiums	\$4,000
13	D	Pay as You Go	\$325,000
14		Subtotal	\$947,000
15			
16	72	State Historic Preservation Office	
17	A	Payroll and related costs	\$640,000
18	B	Annuity Employees Act 70	\$56,000
	D	Payment of fidelity bond premiums	\$6,000
	E	Payments to PREPA	\$291,000
	F	Payments to PRASA	\$36,000
	G	Pay as You Go	\$145,000

1		Subtotal	\$1,174,000
2			
3	73	State Office of Public Energy Policy	
4	A	Payroll and related costs	\$568,000
5	B	Annuity Employees Act 70	\$16,000
6	C	Operating Expenses	\$105,000
7		Subtotal	\$689,000
8			
9	74	Puerto Rico Government Office of Human Resources Management and	
10		Transformation	
11	A	Payroll and related costs	\$1,829,000
12	B	Annuity Employees Act 70	\$187,000
13	C	Operating Expenses	\$197,000
14	D	Payment of fidelity bond premiums	\$12,000
15	E	Payments to PREPA	\$127,000
16		Subtotal	\$2,352,000
17			
18	75	Government Ethics Board	
	A	Payroll and related costs	\$8,705,000
	B	Annuity Employees Act 70	\$246,000
		Subtotal	\$8,951,000

1	76	Permits Management Office	
2	A	Payroll and related costs	\$3,404,000
3	B	Annuity Employees Act 70	\$538,000
4	C	Operating Expenses	\$1,236,000
5	D	Payment of fidelity bond premiums	\$11,000
6	E	Pay as You Go	\$3,156,000
7	F	Operating expenses of the Office of Surveying Puerto Rico	\$1,000,000
8		Subtotal	\$9,345,000
9			
10	77	Office of Management and Budget	
11	A	Payroll and related costs	\$8,785,000
12	B	Annuity Employees Act 70	\$350,000
13	C	Operating Expenses	\$618,000
14	D	Payment of fidelity bond premiums	\$52,000
15	E	Payments to PREPA	\$219,000
16	F	Payments to PRASA	\$35,000
17	G	Pay as You Go	\$4,779,000
18	H	For the operation and development of the online services of pr.gov	\$500,000
	I	For the Federal Opportunity Center (COF)	\$6,000,000
	J	For the implementation and audit of the Base Zero Budgeting (PBC)	\$2,000,000
		Subtotal	\$23,338,000

1	78	Office of the Women's Advocate	
2	A	Payroll and related costs	\$1,337,000
3	B	Annuity Employees Act 70	\$12,000
4	C	Operating Expenses	\$745,000
5	D	Payment of fidelity bond premiums	\$5,000
6	E	Payments to PREPA	\$36,000
7		Subtotal	\$2,135,000
8			
9	79	Office of the Comptroller	
10	A	Payroll, related costs and operating costs	\$36,802,000
11	B	Pay as You Go	\$2,331,000
12		Subtotal	\$39,133,000
13			
14	80	Office of the Election Comptroller	
15	A	Payroll and related costs	\$2,462,000
16	B	Operating Expenses	\$124,000
17	C	Payment of fidelity bond premiums	\$6,000
18	D	Payments to PREPA	\$99,000
		Subtotal	\$2,691,000
	81	Puerto Rico Office of Socio-economic and Community Development	
	A	Payroll and related costs	\$1,787,000

1	B	Operating Expenses	\$907,000
2	C	Payment of fidelity bond premiums	\$12,000
3	D	Payments to PREPA	\$5,000
4	E	Payments to PRASA	\$2,000
5	F	Payment of rent to the Public Buildings Authority	\$89,000
6	G	Pay as You Go	\$2,903,000
7	H	Permanent Improvements for the development of community affairs	\$12,500,000
8		and the third sector	
9		Subtotal	\$18,205,000
10			
11	82	Office of the Governor	
12	A	Payroll and related costs	\$10,490,000
13	B	Annuity Employees Act 70	\$58,000
14	C	Operating Expenses	\$2,702,000
15	D	Payment of fidelity bond premiums	\$55,000
16	E	Payments to PREPA	\$1,041,000
17	F	Payments to PRASA	\$153,000
18	G	Pay as You Go	\$9,089,000
		Subtotal	\$23,588,000
	83	Office of the Citizen's Ombudsman	
	A	Payroll and related costs	\$2,928,000

1	B	Annuity Employees Act 70	\$21,000
2	C	Operating Expenses	\$490,000
3	D	Payment of fidelity bond premiums	\$10,000
4	E	Payments to PREPA	\$18,000
5	F	Payments to PRASA	\$1,000
6	G	Payment of rent to the Public Buildings Authority	\$47,000
7		Subtotal	\$3,515,000
8			
9	84	Office for the Patient's Advocate	
10	A	Payroll and related costs	\$1,150,000
11	B	Annuity Employees Act 70	\$45,000
12	C	Operating Expenses	\$456,000
13	D	Payment of fidelity bond premiums	\$4,000
14	E	Pay as You Go	\$92,000
15		Subtotal	\$1,747,000
16			
17	85	Office of the Veteran's Advocate Of Puerto Rico	
18	A	Payroll and related costs	\$718,000
	B	Operating Expenses	\$118,000
	C	Payment of fidelity bond premiums	\$53,000
	D	Pay as You Go	\$136,000
		Subtotal	\$1,025,000

1			
2	86	Office for the Elderly's Advocate	
3	A	Payroll and related costs	\$464,000
4	B	Operating Expenses	\$997,000
5	C	Payment of fidelity bond premiums	\$12,000
6	D	Pay as You Go	\$243,000
7	E	To nurture the coordination, education, evaluation and protection program	
8		to carry out projects for the benefit of the elderly	\$387,000
9	F	For the state matching of federal funds	\$505,000
10		Subtotal	\$2,608,000
11			
12	87	Special Independent Prosecutor's Panel	
13	A	Payroll and related costs	\$827,000
14	B	Operating Expenses	\$1,630,000
15	C	Payment of fidelity bond premiums	\$11,000
16		Subtotal	\$2,468,000
17			
18	88	Correctional Health	
	A	Payroll and related costs	\$19,409,000
	B	Annuity Employees Act 70	\$577,000
	C	Operating Expenses	\$36,519,000
	D	Pay as You Go	\$1,367,000



1		Subtotal	\$57,872,000
2			
3	89	Secretariat of the Department of the Family	
4	A	Payroll and related costs	\$13,639,000
5	B	Annuity Employees Act 70	\$653,000
6	C	Operating Expenses	\$474,000
7	D	Payment of fidelity bond premiums	\$201,000
8	E	Payments to PREPA	\$3,966,000
9	F	Payments to PRASA	\$288,000
10	G	Payment of rent to the Public Buildings Authority	\$6,013,000
11	H	Pay as You Go	\$14,078,000
12	I	To cover the operating costs of the Integrated Services Centers for	
13		minors who are victims of sexual assault	\$1,350,000
14		Subtotal	\$40,662,000
15			
16	90	The General Court of Justice	
17	A	To cover the costs of operation of the Judicial Branch, Law Num. 147 of 18	
18		August 1980, as amended	\$264,005,000
	B	Pay as You Go	\$29,248,000
		Subtotal	\$293,253,000
	91	Authority of Public Buildings	

1	A	Permanent Improvements	\$200,000
2		Subtotal	\$200,000
3			
4	92	Management of Public Housing	\$324,000
5	A	Operating Expenses	\$324,000
6		Subtotal	
7			
8		Grand Total	\$6,991,155,000

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Section 2.- The Department of the Treasury will remit to the Legislative Branch and its components, to the Judiciary, to the University of Puerto Rico, and to the non-profit entities that receive funds from this Resolution, monthly and in advance, the budgetary allotments corresponding to one twelfth of the annual allocation provided in this Joint Resolution for each one of these entities. Such one-twelfth monthly allocation to each entity (except with respect to the Judiciary) shall be subject to the five percent (5%) withholding set forth in Section 3 below during the first three quarters of this fiscal year.

Section 3.- The Director of the Office of Management and Budget ("OMB") may authorize the disbursement of up to ninety-five percent (95%) of each appropriation provided in this Joint Resolution during the first three quarters of this fiscal year. The Director of OMB shall withhold the remaining five percent (5%) of each appropriation until after the end of the third quarter of this fiscal year. Such withheld percentage of each appropriation shall only be disbursed during the fourth quarter of this fiscal year if the first six (6) months of actual revenues reported to the Oversight and Financial Administration Board by PROMESA ("Oversight Board") reach the Government's monthly revenue projections for that period and subject to the prior approval of the Director of OMB. If actual revenues for the first six (6) months of the fiscal year fail to reach the Government's monthly revenue projections for that period, the total amount of the withheld percentage of each appropriation that may be encumbered shall be reduced proportionally according to the negative budget variance between projected and actual revenues.

Section 4.- No later than 45 days after the closing of each quarter of a fiscal year, the Secretary of Treasury shall revise the projected net revenues of the General Fund for the current fiscal year (the "Quarterly Revision") and notify the revision to the Director of the OMB, the Governor and the Oversight Board. The Quarterly Revision shall project future revenues based on actual revenues, and include revisions to the assumptions used to generate the General Fund's net revenue projections.

Section 5.- All appropriations authorized in any previous fiscal year payable from the General Fund, including appropriations without a specific fiscal year, are hereby eliminated and no disbursement of public funds may be covered by such appropriations, except: (1) appropriations without a specific fiscal year to carry out permanent improvements that have been accounted for and kept on the books; and (2) the portion of the appropriations authorized for fiscal year 2018 that have been encumbered on or before June 30, 2018, which shall be kept in the books for 60 days after the termination of fiscal year 2018 and after those 60 days no amount shall be drawn against such portion for any reason. This restriction on the use of authorized appropriations in previous fiscal years shall not apply to: (1) programs financed in whole or in part by federal funds; or (2) orders of the district court with jurisdiction over all procedures related to Title III of PROMESA.

Section 6.- In conjunction with the reports that the Governor must submit to the Oversight Board no later than 15 days after the last day of each quarter of the fiscal year pursuant to section 203 of PROMESA, the Executive Director of AAFAF and the Director of the OMB will certify to the Oversight Board that no assignment of any previous fiscal year (except for allowances covered by the exceptions authorized in Section 5) has been used to cover any expense.

Section 7.- Any power of OMB, AAFAF or the Department of the Treasury, including the authorities granted under Act 230-1974, as amended, known as the "Puerto Rico Government Accounting Act" ("Act 230"), to authorize the reprogramming or extension of appropriations of prior fiscal years is hereby suspended. Notwithstanding this section, the appropriations approved in the budget certified by the Oversight Board may be modified or reprogrammed with the approval of the Oversight Board.

Section 8.- The appropriation in the amount of \$14,000,000 provided in Subparagraphs 17(g) of Section 1 of this Joint Resolution (the "Social Security Reserve") shall remain unencumbered and under the custody of OMB until police officers under the age of 40 are covered by Social Security in accordance with Section 16.2.3 of the New Fiscal Plan for Puerto Rico dated June 2018 certified by the Oversight Board ("New Fiscal Plan"), including: (i) implementation of a defined contribution retirement plan for police officers; (ii) an employee contribution of not more than 2.3% for police officers (A) under the age of 40 as of June 30, 2018 or (B) hired after such date regardless of age; and (iii) the Social Security Reserve funds are only used to cover the employer's share of the Federal Insurance Contributions Tax (FICA) that corresponds to the police officers enrolled in Social Security. When OMB determines that the aforementioned conditions are satisfied, it shall transfer the Social Security Reserve to the Department of Public Safety.

Section 9.- In conjunction with the reports that the Governor must submit to the Oversight Board no later than 15 days after the last day of each quarter of the fiscal year pursuant to section 203 of PROMESA, the Executive Director of AAFAF and the Director of the OMB will certify to the Oversight Board that no amount of the Social Security Reserve has been used to cover any expenses, except that the Executive Director of the AAFAF and the Director of the OMB certify to the Oversight Board that the corresponding conditions described in Section 8 have been satisfied.

Section 10.- As a rule, necessary for the responsible disbursement of budgetary allocations for operating and other expenses, during the term of this Joint Resolution, OMB may withhold from any of the allocations to the agencies of the Executive Branch the amounts necessary to pay for the pay-go contribution, unemployment insurance, or taxes withheld from their employees, when OMB determines that such a withholding is necessary to ensure compliance with these obligations by the agencies concerned. Any such amounts withheld by OMB shall

solely be reprogrammed to pay the corresponding outstanding obligations related to pay-go contributions, unemployment insurance, or taxes withheld from employees as allowed in this Section.

Section 11.- The public agencies and instrumentalities, public corporations, and municipalities, with the approval of the Office of Management and Budget, in accordance with current legislation, are authorized to formalize agreements with the Federal Government, other public agencies and instrumentalities, public corporations, or municipalities for the rendering of services based on contracts or the matching of municipal funds and those included in this Joint Resolution.

Section 12.- The Office of Management and Budget and the Department of the Treasury are authorized to establish the necessary mechanisms to ensure that when implementing the concept of mobility, pursuant to the provisions of Law 8-2017, as amended, known as the "Puerto Rico Human Resources Management and Transformation in the Government Act," the corresponding transfer of funds allocated to payroll and related costs of said employee are to be carried out simultaneously.

Section 13.- On or before July 31, 2018, the Government, in conjunction with the Oversight Board, will develop a work schedule for the Government to present and certify to the Oversight Board: (1) monthly reports of actual cash revenues, actual cash expenses, and cash flow for each government agency; (2) monthly and quarterly reports detailing actual versus projected results of each government agency based on a modified accrual basis as well; (3) monthly and quarterly reporting on central government payroll, headcount and attendance, third party accounts payable, invoice processing key performance indicators, tax credits, disaster-related funding and pay-go; (4) monthly monitoring by each government agency of key performance indicators for each of the fiscal reform measures; and (5) quarterly reports on macroeconomic performance. Notwithstanding the foregoing, during the period in which the above work schedule is developed, the Government will present and certify to the Oversight Board all reports on liquidity or expenses that it can generate based on available financial information. The reports required under this Section are in addition to the reports that the Governor must submit to the Oversight Board under Section 203 of PROMESA.

Section 14.- On or before July 31, 2018, the Governor will provide the Oversight Board with collections and expenses projections for each quarter of this fiscal year and these projections must be consistent with the authorized expenditures in this Joint Resolution (the "Quarterly Projection"). The Quarterly Projection must be presented to the Oversight Board in Excel format and it must include the details of the distributions by each agency, public corporation, fund, and expense item. In conjunction with the report required by section 203 of PROMESA that the Governor must provide no later than 15 days after the last day of each quarter of the fiscal year, the Governor will provide an analysis of the quarterly variance, which is consistent

with the “modified accrual accounting” method.

Section 15.- If during the fiscal year the government fails to comply with the liquidity and budgetary savings measures required by the New Fiscal Plan for Puerto Rico certified by the Oversight Board, the Government shall take all necessary corrective action, including the measures provided in PROMESA sections 203 and 204.

Section 16.- The Secretary of Treasury, the treasurer and Executive Directors of each agency or Public Corporation covered by the New Fiscal Plan for Puerto Rico certified by the Oversight Board, and the Director of the OMB (or their respective successors) shall be responsible for not spending or encumbering during fiscal year 2019 any amount that exceeds the appropriations authorized for such year. This prohibition applies to every appropriation set forth in this Joint Resolution, including appropriations for payroll and related costs. Any violation of this prohibition shall constitute a violation of this Joint Resolution and Act 230.

Section 17.- On or before July 31, 2018, the Director of the OMB will present the Oversight Board with a copy of the budget certified by the Oversight Board the format administered by the OMB known as the “Sabana File”. The Sabana File will be in Excel and it will identify all budgets in the PRIFAS system and in any other government accounting system, including allocations by agency, public corporation, instrumentality, type of fund, and expense item.

Section 18.- Any reference in this Joint Resolution to the AAFAF, the Department of the Treasury, or the OMB, or any of its respective officials, will apply to any successor thereof.

Section 19.- This Joint Resolution will be carried out in Spanish and English. If, in the interpretation or application of this Joint Resolution, a conflict arises between the text in English and the text in Spanish, the English text shall prevail.

Section 20.- If any clause, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Joint Resolution is annulled or declared unconstitutional, the resolution, decision, or judgment entered to that effect will not affect, harm, or invalidate the remainder of this Joint Resolution. The effect of such judgment will be limited to the clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part thereof that has been annulled or declared unconstitutional. If the application to a person or circumstance of any clause, paragraph, subparagraph, sentence, word, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Joint Resolution is invalidated or declared unconstitutional, the decision, opinion, or judgment entered to that effect will not affect or invalidate the application of the remainder of this Joint Resolution to those persons or circumstances in which it can validly apply. It is the

express and unequivocal will of this Legislative Assembly that the courts enforce the provisions and the application of this Joint Resolution to the greatest extent possible, even if any of its parts is set aside, annulled, invalidated, prejudiced, or declared unconstitutional, or even if its application to any person or circumstance is annulled, invalidated, or declared unconstitutional. This Legislative Assembly would have approved this Joint Resolution regardless of the finding of severability that the Court may make.

Section 21.- This Joint Resolution will be known as the “Joint Resolution of the General Fund Budget for Fiscal Year 2018-2019”.

Section 22.- This Joint Resolution shall take effect on 1 July 2018.

# EXHIBIT 7



A- \_\_\_\_\_

## GOBIERNO DE PUERTO RICO

18<sup>va</sup> Asamblea Legislativa

3ra Sesión Ordinaria

Cámara de Representantes

R. C. de la C. \_\_\_\_\_

30 de junio de 2018

### Resolución Conjunta

Para asignar la cantidad de mil setecientos sesenta y seis millones trescientos sesenta y nueve mil dólares (\$ 1,766,369,000) a las agencias e instrumentalidades públicas, con el fin de desarrollar programas o actividades especiales, permanentes o temporeras para el Año Fiscal 2018-2019; y para autorizar la transferencia de fondos entre las agencias; disponer la presentación de un informe trimestral de las transferencias realizadas; disponer que las asignaciones incluidas en el Presupuesto serán únicamente aquellas que están en vigor y que de forma alguna no se generará deuda por omisión parcial o total; autorizar contratos; autorizar donaciones; ordenarle a las entidades sin fines de lucro a presentar informes semestrales sobre el uso de los fondos aquí asignados; autorizar la retención de pagos por varios conceptos; autorizar la creación de un mecanismo de control para cumplir con las reservas en la contratación del Gobierno; autorizar el pareo de fondos asignados; autorizar la creación de ciertas reservas presupuestarias bajo la custodia de la Oficina de Gerencia y Presupuesto; y para otros propósitos relacionados.

#### *RESUÉLVASE POR LA ASAMBLEA LEGISLATIVA DE PUERTO RICO:*

Sección 1.- Se asigna la cantidad de mil setecientos sesenta y seis millones trescientos sesenta y nueve mil dólares (\$ 1,766,369,000) al Fondo General del Tesoro Estatal, para el desarrollo de programas o actividades de carácter especial y/o gastos ordinarios de funcionamiento de los programas y agencias que componen la Rama Ejecutiva y los programas que componen la Rama Judicial y la Rama Legislativa durante el año fiscal que concluye el 30 de junio de 2019, en las siguientes cantidades o la porción de las mismas que fuese necesaria, para los propósitos que se detallan a continuación:

1	1	Administración para el Cuidado y Desarrollo Integral de la Niñez	
2		(ACUDEN)	
3	A	Para gastos operacionales y apoyo técnico al Consejo Multisectorial	
4		para la Niñez Temprana	\$150,000
5		Subtotal	\$150,000
6			
7	2	Administración de Servicios de Salud Mental y Contra la Adicción	
8		(ASSMCA)	
9	A	Para sufragar gastos de funcionamiento del Centro Sor Isolina Ferré,	
10		Inc., Playa de Ponce, según lo dispuesto en la RC 183-2005	\$1,900,000
11	B	Para sufragar gastos de funcionamiento del Hogar Crea, Inc., según lo	
12		dispuesto en la RC 157-2005	\$1,890,000
13	C	Para sufragar gastos de funcionamiento de la Fundación UPENS	\$950,000
14	D	Para sufragar gastos de funcionamiento de Iniciativa Comunitaria de	
15		Investigación, Inc.	\$1,440,000
16	E	Para sufragar gastos de Teen Challenge	\$360,000
17	F	Para sufragar gastos de funcionamiento del Centro Sor Isolina Ferré,	
18		Inc., Caimito, según lo dispuesto en la RC 183-2005	\$250,000
19	G	Para sufragar gastos de funcionamiento del Centro San Francisco,	
20		Ponce, según lo dispuesto en la RC 183-2005	\$200,000
21	H	Para sufragar gastos del Hogar La Providencia, ubicado en el Viejo	
22		San Juan	\$25,000

1	Subtotal	\$7,015,000
2		
3	3 Administración para el Desarrollo de Empresas Agropecuarias	
4	A Para ofrecer incentivos de pareo de inversiones en negocios agrícolas,	
5	según lo dispuesto en la Ley Núm. 225-1995, según enmendada	\$7,934,000
6	B Para conceder el Bono de Navidad a los trabajadores agrícolas que sean	
7	elegibles, según lo dispuesto en la Ley Núm. 42 de 19 de junio e 1971,	
8	según enmendada	\$2,747,000
9	C Para reembolsar a los agricultores el subsidio salarial que se le concede	
10	a los trabajadores agrícolas, según lo dispuesto en la Ley Núm. 46 de 5	
11	de agosto de 1989, según enmendada	\$15,000,000
12	D Para el Subsidio de Pago de Primas de Seguros, según lo dispuesto en	
13	la Ley Núm. 12 de 12 de diciembre de 1966, según enmendada	\$1,500,000
14	E Para asistencia técnica e incentivos económicos a los agricultores bona	
15	fide	\$1,374,000
16	F Para la provisión de abono para cultivo de los agricultores bona fide	\$5,432,000
17	G Para el Programa Incentivo al Arrendamiento de Maquinaria Agrícola	\$400,000
18	H Para el incentivo de Mecanización Agrícola.	\$400,000
19	I Para el incentivo de seguros para los ranchos de los agricultores	\$500,000
20	J Para incentivar la industria de la piña, la avícola y otros proyectos	\$1,500,000
21	K Para el Programa de Infraestructura, mejoras y reconstrucción,	
22	obras permanentes, estudios y para el pareo de fondos	\$5,000,000

1	L	Para obras y mejoras a las Escuelas Agrícolas	\$200,000
2		Subtotal	\$41,987,000
3			
4	4	Administración para el Sustento de Menores	
5	A	Para plataforma informática PRACES, pareo de fondos federales	\$399,000
6		Subtotal	\$399,000
7			
8	5	Aportaciones a los Municipios	
9	A	Para cumplir con la Aportación al Fondo de Equiparación	\$175,784,000
10		Subtotal	\$175,784,000
11			
12	6	Asamblea Legislativa	
13	A	Para proveer asignaciones a entidades e instituciones públicas,	
14		semipúblicas y privadas sin fines de lucro que, bajo la supervisión de	
15		agencias de gobierno, realizan actividades o prestan servicios que	
16		propendan al desarrollo de programas para el bienestar	\$20,000,000
17	B	Para sufragar gastos de funcionamiento del Programa Pilar Barbosa de	
18		Internados en Educación, según lo dispuesto en la Ley Núm. 53-1997	\$91,000
19	C	Para gastos de funcionamiento del Programa Córdova de Internados	
20		Congresionales, según lo dispuesto en la RC 554-1998	\$360,000
21	D	Para gastos de funcionamiento del Programa de Internados Legislativos	
22		Ramos Comas	\$130,000

1	E	Para cubrir los gastos de la Resolución sobre las Carpetas	\$1,000
2	F	Para sufragar la membresía del Concilio de Gobiernos Estatales	\$98,000
3	G	Para gastos de funcionamiento y sistema de información de la Oficina	
4		de Servicios Legislativos	\$106,000
5	H	Para sufragar los gastos de funcionamiento de la Comisión de	
6		Impacto Comunitario	\$1,590,000
7	I	Para gastos de funcionamiento de la Comisión Conjunta sobre Informes	
8		Especiales del Contralor	\$98,000
9	J	Para la Superintendencia del Capitolio para la compra de equipo y	
10		funcionamiento para la seguridad del Distrito Capitolino	\$1,112,000
11	K	Para sufragar gastos de funcionamiento de la Comisión Conjunta para	
12		las Alianzas Público Privadas de la Asamblea Legislativa de Puerto	
13		Rico, según lo dispuesto en la Ley Núm. 29-2009, según enmendada	\$222,000
14	L	Para becas para estudios graduados en disciplinas relacionadas con la	
15		protección y conservación del medioambiente, según lo dispuesto en la	
16		Ley Núm. 157-2007	\$6,000
17	M	Para becas para estudios graduados con especialidad en	
18		educación especial para maestros certificados por el Departamento de	
19		Educación	\$6,000
20	N	Para materiales y mantenimiento del Distrito Capitolino	\$1,962,000
21	O	Para gastos de funcionamiento de la Comisión Conjunta para la	
22		Revisión Continua del Código Penal y para la Reforma de las Leyes	

1	Penales	\$98,000
2	P Para gastos de funcionamiento de la Cámara de Representantes y para	
3	el programa de becas a estudiantes universitarios de comunicaciones,	
4	según dispuesto en la Ley Núm. 5-2016	\$369,000
5	Q Para sufragar los servicios de agua y luz del Capitolio	\$2,382,000
6	R Para gastos de funcionamiento del Senado de Puerto Rico	\$1,355,000
7	Subtotal	\$29,986,000
8		
9	7 Asignaciones bajo la custodia de la Oficina de Gerencia y Presupuesto	
10	A Para cubrir los gastos por contratos de servicios profesionales con el	
11	propósito de desarrollar las políticas y procedimientos de seguridad	
12	cibernética del Gobierno de Puerto Rico, así como el monitoreo	\$2,400,000
13	B Para la configuración de una red privada de datos para el Gobierno de	
14	Puerto Rico	\$800,000
15	C Para mejorar el Data Center, equipos de comunicación y sistema de	
16	resguardo de datos de la OGP	\$600,000
17	D Para cumplir con los siguientes Compromisos Programáticos:	
18	i. Empleador Único	\$2,000,000
19	E Para el pago de los servicios brindados a través de los Centros 330,	
20	para cumplir con la orden del Tribunal Federal	\$30,000,000
21	F Para nutrir el Fondo para el Acceso a la Justicia	\$200,000
22	G Reserva de Emergencia requerida por el Plan Fiscal	\$130,000,000

1	H	Para apoyar estudiantes talentosos mediante de la Fundación Kinesis	
2		de Puerto Rico	\$140,000
3	I	Para la conservación y digitalización de documentos y artefactos	
4		históricos	\$350,000
5	J	Para cubrir los gastos operacionales de Boys and Girls Club	\$1,242,000
6	K	Para cumplir con el acuerdo con el Tesoro Federal sobre la Represa	
7		Cerrillos (USACE)	\$7,077,000
8	L	Para el pareo de Fondos Federales - Public Assistance	\$190,000,000
9	M	Para sufragar el Sistema de Contabilidad PRIFAS y costos	
10		relacionados de esta Reforma Digital	\$50,000,000
11	N	Para la implantación del Récord Médico Electrónico	\$2,500,000
12	O	Para el pago del "Pay Out" del Negociado de la Policía de	
13		Puerto Rico (Pago de Deudas de Años Anteriores)	\$122,000,000
14	P	Para la reserva de facturación de la Autoridad de Acueductos	
15		y Alcantarillados	\$72,585,000
16		Subtotal	\$611,894,000
17			
18	8	Autoridad para el Financiamiento de la Vivienda	
19	A	Para el Programa "Casa Mía"	\$4,000,000
20		Subtotal	\$4,000,000
21			
22	9	Compañía de Comercio y Exportación	

1	A	Para fomentar Industrias Creativas	\$199,579
2	B	Para el proyecto "Puerto Rico Emprende"	\$66,526
3	C	Para el proyecto "Franquicias Exportables"	\$99,789
4	D	Para el proyecto "Empleo Directo al Centro Urbano"	\$199,579
5	E	Para fomentar el "Programa de Microempresas"	\$66,526
6		Subtotal	\$632,000
7			
8	10	Consejo de Educación de Puerto Rico	
9	A	Para becas y ayudas educativas para estudiantes de nivel	
10		postsecundario, técnico y universitario, según lo dispuesto en la	
11		Ley 435-2004, según enmendada	\$7,000,000
12	B	Para cubrir gastos relacionados al State Authorization Reciprocity	
13		Agreement	\$50,000
14		Subtotal	\$7,050,000
15			
16	11	Corporación del Conservatorio de Música de Puerto Rico	
17	A	Para financiar los gastos asociados al Proyecto de Música 100 X 35	\$612,000
18		Subtotal	\$612,000
19			
20	12	Corporación de Puerto Rico para la Difusión Pública	
21	A	Para gastos de funcionamiento de la producción de telenovelas,	
22		miniseries o unitarios en la Corporación de Puerto Rico para la	



1		Difusión Pública, según lo dispuesto en la Ley 223-2000	\$1,000,000
2		Subtotal	\$1,000,000
3			
4	13	Defensoría de las Personas con Impedimentos	
5	A	Para la campaña educativa sobre la Carta de Derechos de las Personas	
6		con Impedimentos, según lo dispuesto en la Ley Núm. 238-2004	\$71,000
7		Subtotal	\$71,000
8			
9	14	Departamento de Agricultura	
10	A	Para que se transfiera a la Oficina para la Reglamentación de la	
11		Industria Lechera para fomentar incentivos a los ganaderos, para	
12		promover la estabilidad en el precio de la leche	\$14,360,000
13		Subtotal	\$14,360,000
14			
15	15	Departamento de Corrección y Rehabilitación	
16	A	Para gastos de funcionamiento de Correctional Health Services	
17		Corporation, según requerido por la demanda federal del Caso Morales	
18		Feliciano	\$15,640,000
19	B	Para cubrir gastos relacionados a grilletes en casos de violencia	
20		doméstica	\$1,250,000
21		Subtotal	\$16,890,000
22			

1	16	Departamento de Desarrollo Económico y Comercio	
2	A	Para sufragar gastos de los Programas Juvempleo y Más Empleos	\$1,000,000
3	B	Para cumplir con la otorgación del "Premio Compromiso Juvenil",	
4		según lo dispuesto en la Ley Núm. 434-2004	\$1,000
5		Subtotal	\$1,001,000
6			
7	17	Departamento de Educación	
8	A	Para ofrecimiento gratuito de la prueba de College Board para ingresar	
9		a las universidades	\$2,300,000
10		Subtotal	\$2,300,000
11			
12	18	Departamento de Hacienda	
13	A	Para el pago de pensión vitalicia a Wilfredo Benítez, según lo dispuesto	
14		en la RC 726-1995	\$7,000
15	B	Para gastos de funcionamiento del Programa Taller de Fotoperiodismo	
16		del Ateneo Puertorriqueño, según lo dispuesto en la Ley Núm. 276-1999,	
17		según enmendada	\$280,000
18	C	Para el pago de la Fianza Global Estatal	\$270,000
19	D	Para la operación y mantenimiento del Catastro de Puerto	
20		Rico, Ley Núm. 184-2014; partida bajo el Centro de Recaudaciones de	
21		Ingresos Municipales que se consigna en el Departamento de Hacienda	\$1,000,000
22	E	Para pagos de funcionamiento de Ballet Concierto, según lo dispuesto	

1		en la R. C. 107-2005	\$88,000
2	F	Reducción de tasas	\$2,000,000
3	G	Para mejoras al sistema de contabilidad y financiero	\$25,300,000
4	H	Para cubrir los gastos por servicios profesionales y consultivos para	
5		cumplir con la preparación de los estados financieros	\$19,357,000
6		Subtotal	\$48,302,000
7			
8	19	Departamento de Justicia	
9	A	Para el Instituto de Capacitación y Desarrollo del Pensamiento Jurídico,	
10		según lo dispuesto en la Ley Núm. 206-2004, según enmendada	\$72,000
11	B	Para el pago de honorarios de representación legal a bufetes, según lo	
12		dispuesto en la Ley Núm. 9 de 26 de noviembre de 1975	\$810,000
13		Subtotal	\$882,000
14			
15	20	Departamento de Recursos Naturales y Ambientales (DRNA)	
16	A	Para diseño, mitigación y obras para el control de inundaciones	\$480,000
17	B	Para el pareo de Fondos Federales del Proyecto de Control de	
18		Inundaciones del Río Puerto Nuevo	\$3,230,000
19		Subtotal	\$3,710,000
20			
21	21	Departamento de Recreación y Deportes	
22	A	Para sufragar gastos relacionados al entrenamiento de atletas,	

1	Ley Núm. 119-2001, conocida como Ley del Fondo y la Junta para el	
2	Desarrollo del Atleta Puertorriqueño de Alto Rendimiento a Tiempo	
3	Completo	\$300,000
4	Subtotal	\$300,000
5		
6	22 Departamento de Salud	
7	A Para ser transferidos a la Fundación Mercedes Rubí, para la	
8	adquisición de materiales medicoquirúrgicos y equipos radiológicos y	
9	neuroquirúrgicos; ofrecer mantenimiento al equipo; y ofrecer	
10	adiestramientos al personal del Centro de Cirugía Neurovascular de	
11	Puerto Rico y el Caribe, según lo dispuesto en la RC 164-2005	\$125,000
12	B Para la Fundación CAP-Fundación, Pro Departamento de Pediatría	
13	Oncológica del Hospital Pediátrico Universitario Dr. Antonio Ortiz	\$200,000
14	C Para gastos de funcionamiento Hospital Pediátrico, para el tratamiento	
15	del cáncer pediátrico	\$2,860,000
16	D Para sufragar gastos de funcionamiento del Programa para la	
17	Prevención y Vigilancia de Emergencias Médicas de Niños, según lo	
18	dispuesto en la Ley Núm. 259-2000	\$60,000
19	E Para gastos de funcionamiento de la Fundación Modesto Gotay, según	
20	lo dispuesto en la RC 336-2000	\$125,000
21	F Para el Centro de Adiestramiento e información a Padres de Niños con	
22	Impedimentos de Puerto Rico (APNI)	\$225,000

1	G	Para el desarrollo de la Política Pública del Gobierno de Puerto Rico	
2		relacionada con la población que padece la Condición de Autismo,	
3		Ley Núm. 318-2003	\$250,000
4	H	Para llevar a cabo el Día Nacional para realizarse la prueba de	
5		Hepatitis C, según lo dispuesto en la Ley Núm. 42-2003	\$150,000
6	I	Para nutrir el Fondo contra Enfermedades Catastróficas, según lo	
7		dispuesto en la Ley Núm. 150-1996, según enmendada	\$8,200,000
8	J	Para gastos de funcionamiento de las Salas de Emergencia de los CDT's	\$7,550,000
9	K	Para ser transferidos a la Sociedad de Educación y Rehabilitación de	
10		Puerto Rico (SER), para sufragar gastos de funcionamiento	\$1,050,000
11	L	Para regular la práctica de fumar en determinados lugares públicos y	
12		privados, según lo dispuesto en la Ley Núm. 40-1993, según enmendada	\$12,000
13	M	Para gastos de funcionamiento para el Registro de Casos de la	
14		Enfermedad de Alzheimer, según lo dispuesto en la Ley Núm. 237-1999	\$25,000
15	N	Para gastos de funcionamiento de la Cruz Roja Americana	\$200,000
16	O	Para la subvención aérea del Municipio de Vieques, según lo dispuesto	
17		en la Ley Núm. 44 de 17 de mayo de 1955	\$345,000
18	P	Para la Liga Puertorriqueña Contra el Cáncer, según lo dispuesto	
19		en la RC 68-2010	\$70,000
20	Q	Para el Consejo Renal de Puerto Rico, según lo dispuesto en la RC 204-	
21		2006	\$250,000
22	R	Para el Hospital Oncológico de Ponce	\$600,000

1	S	Para el Programa de Bienestar e Integración y Desarrollo de Personas	
2		con Autismo (Ley BIDA)	\$500,000
3	T	Para gastos de funcionamiento del Hospital Oncológico	\$7,500,000
4	U	Para cumplir con el pareo para el Programa Avanzando	
5		Juntos	\$2,100,000
6	V	Para gastos de seguridad y servicios de vigilancia	\$2,500,000
7	W	Para programas de servicios de salud, educación y bienestar de la	
8		población de niñez temprana. Programas nuevos y existentes para el	
9		diagnóstico y tratamiento a menores con deficiencias en el desarrollo,	
10		programas para mejorar la calidad de servicios de capacitación de	
11		personal de los Centros de Cuidado y Desarrollo Infantil	\$750,000
12	X	Para el Hospital Pediátrico, para la compra de equipo y materiales	
13		para la atención del servicio directo al paciente	\$700,000
14	Y	Para establecer el Banco Público de Sangre de Cordón Umbilical de	
15		Puerto Rico en el Centro Comprensivo del Cáncer en colaboración y	
16		consulta con el Recinto de Ciencias Médicas	\$210,000
17	Z	Para gastos de funcionamiento de la Comisión de Alimentación y	
18		Nutrición, según lo dispuesto en la Ley Núm. 10-1999	\$60,000
19	AA	Para la Comisión para la Implantación de la Política Pública en	
20		la Prevención del Suicidio, según dispuesto en la Ley Núm. 227-1999,	
21		según enmendada	\$30,000
22	BB	Para gastos de funcionamiento de los Centros de Servicios Integrados	

1	a Menores Víctimas de Agresión Sexual, Ley Núm. 158-2013	\$1,000,000
2	CC Para gastos de funcionamiento de la Sociedad Americana contra el	
3	Cáncer, según lo dispuesto en la Ley Núm. 135-2010	\$200,000
4	DD Pareo Fondos Federales, MMI, MFCO y otros gastos relacionados	\$17,111,000
5	Subtotal	\$54,958,000
6		
7	23 Instituto de Cultura Puertorriqueña	
8	A Para ser transferidos al Museo de Arte de Puerto Rico para sufragar	
9	para ser transferidos al Museo de Arte de Puerto Rico para sufragar	\$1,299,000
10	B Para gastos de funcionamiento de la Orquesta Filarmónica	\$265,000
11	C Para ser transferidos al Museo de Las Américas para sufragar gastos	
12	de funcionamiento	\$156,000
13	D Para ser transferidos al Museo de Arte Contemporáneo para promover	
14	las artes plásticas, llevar a cabo actividades educativas y culturales,	
15	y mantener un Centro de Documentación sobre Arte Contemporáneo,	
16	según lo dispuesto en la Ley Núm 91-1994, según enmendada	\$346,000
17	E Para sufragar gastos de funcionamiento del Museo de Arte de Ponce,	
18	Inc., según lo dispuesto en la Ley Núm. 227-2000	\$866,000
19	F Para sufragar gastos de operación de la Fundación Luis Muñoz Marín	\$437,000
20	G Para sufragar gastos de funcionamiento del Ateneo Puertorriqueño	\$147,000
21	H Museo de Arte de Bayamón	\$61,000
22	Subtotal	\$3,577,000

1

2 24 Junta de Calidad Ambiental

3 A Para cumplir con el Acuerdo Cooperativo y Fondo Especial para

4 Servicios de USGS \$1,000,000

5 B Para el pareo de Fondos Federales del Fondo Rotativo Estatal de Agua

6 Limpia "State Revolving Fund" y el desarrollo de Proyectos de Mejoras

7 Permanentes \$10,980,000

8 Subtotal \$11,980,000

9

10 25 Junta de Planificación

11 A Para gastos de funcionamiento del Grupo Consultivo para el

12 Desarrollo de la Región de Castañer, según lo dispuesto en la Ley Núm.

13 14-1996, según enmendada \$27,000

14 B Para Resolución de Convenio Delegación Competencia Caso Civil

15 JAC93-0323-Municipio de Ponce \$45,000

16 C Para aportación interagencial, según lo dispuesto en la Ley Núm. 51-2003,

17 conocida como "Ley para el Acuerdo Cooperativo Conjunto y Fondo

18 Especial para Servicios del US Geological Survey" \$50,000

19 Subtotal \$122,000

20

21 26 Junta de Supervisión y Administración Financiera

22 A Para gastos operacionales de la Junta \$64,750,000



1		Subtotal	\$64,750,000
2			
3	27	Oficina de Administración y Transformación de los Recursos Humanos	
4		en el Gobierno de Puerto Rico	
5	A	Para los premios públicos Manuel A. Pérez, según lo dispuesto en la	
6		Ley Núm. 66 de 20 de junio de 1956, según enmendada	\$4,000
7		Subtotal	\$4,000
8			
9	28	Oficina de Desarrollo Socioeconómico y Comunitario de Puerto Rico	
10	A	Para obras y mejoras permanentes, tales como construcción y	
11		compra de materiales para rehabilitación de viviendas,	
12		construcción o mejoras a instalaciones recreativas y deportivas,	
13		centros comunales y de servicios, segregaciones, canalizaciones,	
14		labores de protección ambiental y energía renovable, reforestación,	
15		ornato o paisajismo, instalación de postes y luminarias;	
16		y otras obras y mejoras permanentes	\$500,000
17		Subtotal	\$500,000
18			
19	29	Oficina de Gerencia de Permisos	
20	A	Para el convenio de transferencia de ARPE al Municipio de Ponce	\$216,000
21		Subtotal	\$216,000
22			

1	30	Oficina del Gobernador	
2	A	Para cumplir con los siguientes Compromisos Programáticos:	
3	i.	Línea Directa a los Municipios	\$1,000,000
4	ii.	Mesa de Diálogo Multisectorial Permanente y para la implantación	
5		de la Ley Núm. 30-2017	\$500,000
6	iii.	PR Dashboard	\$750,000
7	v.	Para la implementación del Proyecto Innovation and Technology	
8		Subtotal	\$2,250,000
9			
10	31	Oficina del Procurador del Veterano de Puerto Rico	
11	A	Para subvencionar los costos de servicios domiciliarios provistos a	
12		nuestros veteranos en la Casa del Veterano de Juana Díaz, según lo	
13		dispuesto en la Ley Núm. 59-2004	\$800,000
14	B	Para administración y operación del Cementerio de Aguadilla, según lo	
15		dispuesto en la Ley Núm. 106-2000	\$135,000
16	C	Para el Monitor de la Operación del Cementerio de Aguadilla	\$35,000
17	D	Para fortalecer los servicios de asistencia, orientación y asesoría a los	
18		veteranos o familiares de éstos para la protección de sus derechos y	
19		beneficios	\$135,000
20	E	Para becas, regimiento 65 Infantería mediante OE-2008-056	\$276,000
21		Subtotal	\$1,381,000
22			

1	32	Oficina Estatal de Política Pública Energética	
2	A	Para aportación del Gobierno de Puerto Rico a la Southern States	
3		Energy Board, según lo dispuesto en la Ley Núm. 86 de 30 de mayo de	
4		1970, según enmendada	\$16,000
5	B	Para aportación del Gobierno de Puerto Rico a la National Association	
6		of State Energy Board, según lo dispuesto en la Ley Núm. 86 de 30	
7		de mayo de 1970, según enmendada	\$1,000
8		Subtotal	\$17,000
9			
10	33	Secretariado del Departamento de la Familia	
11	A	Para sufragar ayudas a víctimas de desastres naturales y otras labores	
12		humanitarias y gastos de funcionamiento de la Cruz Roja Americana	
13		Capítulo de Puerto Rico, según lo dispuesto en la Ley Núm. 59-2006,	
14		según enmendada	\$243,000
15	B	Para sufragar gastos relacionados a la Comisión para la Prevención	
16		del Suicidio, según lo dispuesto en la Ley Núm. 227-1999	\$30,000
17	C	Para redes de apoyo familiar y convivencia comunitaria	\$810,000
18	D	Para gastos de funcionamiento del Centro Geriátrico San Rafael, Inc.,	
19		de Arecibo, según lo dispuesto en la RC 1332-2004	\$59,000
20	E	Para el Programa de Ama de Llaves	\$990,000
21	F	Para el Consejo Especial para atender la desigualdad social en Puerto	
22		Rico	\$12,000

1	Subtotal	\$2,144,000
2		
3	34 Universidad de Puerto Rico	
4	A Para sufragar gastos operacionales de la Universidad de Puerto Rico,	
5	según lo dispuesto en la Ley Núm. 2 de 20 de enero de 1966, según	
6	enmendada	\$587,136,000
7	B Para gastos de funcionamiento del Centro Ponceño de Autismo, Inc.	\$87,000
8	C Para gastos de funcionamiento del Programa de Asistencia Tecnológica	
9	de Puerto Rico, según lo dispuesto en la RC 1531-2004	\$855,000
10	D Para la distribución de becas y ayudas educativas a estudiantes que	
11	cualifiquen, según lo dispuesto en la Ley Núm. 170-2002, según	
12	enmendada	\$9,500,000
13	E Para el Departamento de Cirugía y/o Centro de Trauma del Recinto	
14	de Ciencias Médicas	\$2,500,000
15	F Para conceder becas a estudiantes de medicina, odontología y medicina	
16	veterinaria según lo dispuesto en la Ley Núm. 17 del 5 de junio de	
17	1948, según enmendada	\$500,000
18	G Para realizar estudios de los tejidos cerebrales de las personas fallecidas	
19	diagnosticadas con la enfermedad de Alzheimer, según lo dispuesto en	
20	la Ley Núm. 237-1999	\$50,000
21	H Para gastos de funcionamiento de los Centros de Servicios Integrados	
22	a Menores Víctimas de Agresión Sexual-UPR, Ley Núm. 158-2013	\$500,000

1	I	Para gastos de funcionamiento del Centro de Estudios Avanzados	
2		para el Personal de Emergencias Médicas del Sector Público, según lo	
3		dispuesto en la Ley Núm. 235-2004	\$500,000
4	J	Para servicios a médico indigentes en el Recinto de Ciencias Médicas	\$1,719,000
5	K	Para sufragar los gastos de salario a residentes e internos del Recinto de	
6		Ciencias Médicas, según lo dispuesto en la Ley 299-2003, según	
7		enmendada. En caso de que exista una interrupción de servicios en la	
8		Universidad, dichos fondos serán transferidos al Departamento de	
9		Salud	\$20,900,000
10	L	Orden Ejecutiva No. 2017-021 (adiestramiento y seminarios)	\$10,000,000
11	M	Departamento de Educacion (adiestramiento para profesores y tutoria)	\$10,000,000
12	N	Para gastos de funcionamiento de 24 horas de la Red Sísmica de	
13		Puerto Rico y la Red de movimiento fuerte	\$1,662,000
14		Subtotal	\$645,909,000
15			
16	35	Centro Comprensivo del Cáncer	
17	A	Para el desarrollo de las capacidades investigativas del Centro	
18		Comprensivo del Cáncer, incluyendo, pero no limitado al desarrollo de	
19		investigaciones básicas, clínicas y epidemiológicas, el reclutamiento de	
20		personal altamente especializado, inversión en la compra de equipos de	
21		alta tecnología y el establecimiento de procesos científicos de	
22		investigación competitivos	\$10,236,000

1	Subtotal	\$10,236,000
2		
3	Gran Total	\$1,766,369,000

Sección 2.- El Departamento de Hacienda le remitirá a la Rama Legislativa y a sus componentes, a la Universidad de Puerto Rico y a las entidades sin fines de lucro que reciben fondos de esta Resolución, mensualmente y por adelantado, las cuotas presupuestarias correspondientes a una duodécima parte de la asignación anual provista en esta Resolución Conjunta para cada una de estas entidades. Excepto en el caso de la Judicatura, durante los primeros tres trimestres de este año fiscal, la cuota presupuestaria correspondiente a una duodécima parte de la asignación para cada entidad estará sujeta a la retención del cinco por ciento (5%) establecida en la sección 3 de esta Resolución Conjunta.

Sección 3.- El Director de la Oficina de Gerencia y Presupuesto (“OGP”) podrá autorizar el desembolso de hasta un noventa y cinco por ciento (95%) de cada asignación dispuesta en esta Resolución Conjunta durante los primeros tres trimestres de este año fiscal. El Director de la OGP retendrá el restante 5% de cada asignación hasta después de culminado el tercer trimestre de este año fiscal. Dicho por ciento que se retiene de cada asignación se desembolsará solamente durante el cuarto trimestre de este año fiscal si los ingresos reales correspondientes a los primeros seis (6) meses de ingresos reales reportados a la Junta de Supervisión y Administración Financiera establecida por PROMESA (“Junta de Supervisión”) alcanzan las proyecciones mensuales del gobierno para ese periodo y sujeto a la aprobación previa del Director de la OGP. Si los ingresos reales correspondientes a los primeros seis (6) meses del año fiscal no alcanzan las proyecciones mensuales del gobierno para ese periodo, el total del porcentaje retenido de cada asignación que podrá obligarse se reducirá proporcionalmente conforme a la variante presupuestaria negativa entre los ingresos proyectados y los reales.

Sección 4.- Dentro de un periodo no mayor de 45 días subsiguientes al cierre de cada trimestre del año fiscal, el Secretario de Hacienda revisará la proyección de ingresos netos del Fondo General para el año corriente (la “Revisión Trimestral”) y notificará dicha revisión al Director de la OGP, al Gobernador y a la Junta de Supervisión. La Revisión Trimestral deberá proyectar los recaudos futuros basados en los recaudos reales, e incluir revisiones de los supuestos utilizados para la formulación de los estimados de ingresos netos del Fondo General.

Sección 5.- Todas las asignaciones autorizadas en cualquier año fiscal previo con cargo al Fondo General, incluyendo las asignaciones sin año económico determinado, quedan por la presente eliminadas y ningún desembolso de fondos públicos podrá ser cubierto por dichas asignaciones, excepto: (1) las asignaciones sin año económico para llevar a cabo mejoras permanentes que hayan sido contabilizadas y llevadas en los libros; y (2) las porciones de las asignaciones autorizadas para el año fiscal 2018 que han sido obligadas en o antes del 30 de junio de 2018, y que continuarán en los libros durante 60 días después de vencido el año fiscal 2018, y no se girará contra dichas asignaciones por ningún concepto después de esos 60 días. Esta restricción sobre el uso de asignaciones autorizadas en años fiscales previos no aplicará a: (1) los programas financiados en todo o en parte por fondos federales; o (2) a órdenes de la corte de distrito con jurisdicción sobre todos los procedimientos relacionados al Título III de PROMESA.

Sección 6.- En conjunto con los informes que el Gobernador debe presentar a la Junta de Supervisión dentro de los 15 días siguientes al último día de cada trimestre del año fiscal según la Sección 203 de PROMESA, el Director Ejecutivo de la Autoridad de Asesoría Financiera y Agencia Fiscal ("AAFAF") y el Director de la OGP le certificarán a la Junta de Supervisión que no se ha utilizado asignación alguna del año fiscal anterior para cubrir gasto alguno (con excepción de las asignaciones cubiertas por las excepciones autorizadas en la Sección 5).

Sección 7.- Cualquier facultad de la OGP, la AAFAF, o el Departamento de Hacienda, incluyendo las autoridades otorgadas bajo la Ley Núm. 230-1974, según enmendada, conocida como la "Ley de Contabilidad del Gobierno de Puerto Rico" (la "Ley 230"), para autorizar la reprogramación o la extensión del término de asignaciones de años fiscales previos queda por la presente suspendida. No obstante esta sección, las asignaciones aprobadas en el presupuesto certificado por la Junta de Supervisión podrán ser modificadas o reprogramadas con la aprobación de la Junta de Supervisión.

Sección 8.- La reserva de emergencia por la cantidad de \$130,000,000 requerida por el Nuevo Plan Fiscal certificado por la Junta de Supervisión el 29 de junio de 2018 (el "Nuevo Plan Fiscal") establecida en Subpárrafo 7(g) de la Sección 1 de esta Resolución Conjunta bajo la custodia de la OGP, sólo podrá utilizarse con la aprobación previa de la Junta de Supervisión. En conjunto con los informes que el Gobernador debe presentar a la Junta de Supervisión dentro de los 15 días siguientes al último día de cada trimestre del año fiscal según la Sección 203 de PROMESA, el Director Ejecutivo de la AAFAF y el Director de la OGP le certificarán a la Junta de Supervisión que no se ha utilizado cantidad alguna de la (i) Reserva de Emergencia o (ii) de la Reserva del Plan Fiscal para cubrir gasto alguno, a menos que éste haya sido aprobado por la Junta de Supervisión.

Sección 9.- Como regla necesaria para el desembolso responsable de las asignaciones presupuestarias para gastos de funcionamiento y otros gastos durante el término de esta Resolución Conjunta, la OGP podrá retener de cualquiera de las asignaciones a las agencias de la Rama Ejecutiva las cantidades necesarias para el pago de las aportaciones de retiro (*pay-go contribution*), seguro por desempleo, o contribuciones que se le hayan retenido a sus empleados, si la OGP determina que dicha retención es necesaria para asegurar el cumplimiento por parte de las agencias correspondientes con estas obligaciones. Tales cantidades retenidas por la OGP se reprogramarán solamente para el pago de las obligaciones impagadas correspondientes en relación con las aportaciones al retiro, el seguro por desempleo o la contribución retenida a los empleados según permitido por esta Sección.

Sección 10.- Se faculta a las agencias e instrumentalidades públicas, a las corporaciones públicas y a los municipios, con la aprobación de la OGP, conforme a la legislación vigente, para formalizar acuerdos con el gobierno federal, con otras agencias e instrumentalidades públicas, corporaciones públicas, o con los municipios para la prestación de servicios a base de contratación o de pareo de fondos municipales y los que se incluyen en esta Resolución Conjunta.



Sección 11.- Se faculta a la OGP y al Departamento de Hacienda a establecer los mecanismos necesarios para asegurarse de que al implantarse el concepto de movilidad, conforme a las disposiciones de la Ley 8-2017, según enmendada, conocida como “Ley para la Administración y Transformación de los Recursos Humanos en el Gobierno de Puerto Rico”, se realice simultáneamente la correspondiente transferencia de los fondos asignados para la nómina de dicho empleado y los costos relacionados.

Sección 12.- En o antes del 31 de julio de 2018, el Gobierno, en conjunto con la Junta de Supervisión, desarrollará un itinerario de trabajo para el Gobierno presentar y certificar a la Junta de Supervisión: (1) informes mensuales de ingresos reales en efectivo, gastos reales en efectivo y flujo de efectivo para cada agencia del Gobierno; (2) informes mensuales y trimestrales en los que se detallen los resultados reales versus los proyectados de cada agencia gubernamental basado en una contabilidad modificada de ingresos y pasivos acumulados (*modified accrual basis*); (3) informes mensuales y trimestrales sobre la nómina gubernamental, total de empleados y asistencia, cuentas a pagar a terceros, indicadores clave del desempeño en el procesamiento de facturas, créditos contributivos, fondos para desastres y aportaciones a retiro; (4) monitoreo mensual de indicadores claves del desempeño de cada una de las medidas de reforma fiscal y (5) informes trimestrales sobre el desempeño macroeconómico. No obstante lo anterior, durante el periodo en el que se desarrolla el itinerario de trabajo antes indicado, el Gobierno presentará y certificará a la Junta de Supervisión todos los informes de liquidez o gastos que pueda generar basado en la información financiera disponible. Los informes requeridos bajo esta Sección son adicionales a los informes que tiene que someter el Gobernador a la Junta de Supervisión bajo la Sección 203 de PROMESA.

Sección 13.- En o antes del 31 de julio de 2018, el Gobernador proveerá a la Junta de Supervisión proyecciones de recaudos y gastos para cada trimestre de este año fiscal y dichas proyecciones deben ser consistentes con los gastos autorizados en esta Resolución Conjunta (la “Proyección Trimestral”). La Proyección Trimestral debe ser presentada a la Junta de Supervisión en formato de Excel e incluir el detalle de las distribuciones por cada agencia, corporación pública, fondo, y concepto de gasto. En conjunto con el informe requerido por la sección 203 de PROMESA que el Gobernador debe proveer a más tardar 15 días después del último día de cada trimestre del año fiscal, el Gobernador proveerá un análisis de la varianza trimestral que sea consistente con el método “modified accrual accounting”.

Sección 14.- Si durante el año fiscal el Gobierno incumple con las medidas de liquidez y ahorros presupuestarios que exige el Nuevo Plan Fiscal para Puerto Rico certificado por la Junta de Supervisión, el Gobierno tomará todas las acciones correctivas que sean necesarias, incluyendo las medidas dispuestas en las secciones 203 y 204 de PROMESA.

Sección 15.- El Secretario de Hacienda, el tesorero, los directores ejecutivos de cada agencia o corporación pública cubiertos por el Nuevo Plan Fiscal certificado por la Junta de Supervisión y el Director de la OGP serán responsables de que durante el año fiscal 2019 no se

gaste ni obligue suma alguna que exceda de las asignaciones autorizadas para dicho año. Esta prohibición aplica a todas las asignaciones establecidas en esta Resolución Conjunta, incluyendo las asignaciones para el pago de nómina y costos relacionados. Toda violación a esta prohibición constituirá una violación a esta Resolución Conjunta que rige el año fiscal 2019 y a la Ley 230-1974.

Sección 16.- En o antes del 31 de julio de 2018, el Director de la OGP presentará a la Junta de Supervisión una copia del presupuesto certificado por la Junta de Supervisión el formato administrado por la OGP conocido como el "Sabana File". El Sabana File estará en Excel e identificará todos los presupuestos en el sistema PRIFAS y en cualquier otro sistema de contabilidad del gobierno, incluyendo las asignaciones por agencia, corporación pública, instrumentalidad, tipo de fondo y concepto de gasto.

Sección 17.- Cualquier referencia en esta Resolución Conjunta a la AAFAF, al Departamento de Hacienda, o a la OGP, o a cualquiera de sus respectivos oficiales aplicará a cualquier sucesor de éstos.

Sección 18.- Esta Resolución Conjunta se adoptará en español y en inglés. Si en la interpretación o aplicación de esta Resolución Conjunta surgiere algún conflicto entre el texto en inglés y el texto en español, prevalecerá el texto en inglés.

Sección 19.- Si alguna cláusula, subpárrafo, oración, palabra, letra, disposición, sección, subsección, título, capítulo, subcapítulo, acápite o parte de esta Resolución Conjunta fuera anulada o declarada inconstitucional, la resolución, dictamen o sentencia a tal efecto dictada no afectará, perjudicará, ni invalidará el remanente de esta Resolución Conjunta. El efecto de dicha sentencia quedará limitado a la cláusula, párrafo, subpárrafo, oración, palabra, letra, artículo, disposición, sección, subsección, título, capítulo, subcapítulo, acápite o parte de la misma que así hubiere sido anulada o declarada inconstitucional. Si la aplicación a una persona o a una circunstancia de alguna cláusula, párrafo, subpárrafo, oración, palabra, letra, artículo, disposición, sección, subsección, título, capítulo, subcapítulo, acápite o parte de esta Resolución Conjunta fuera invalidada o declarada inconstitucional, la resolución, dictamen o sentencia a tal efecto dictada no afectará ni invalidará la aplicación del remanente de esta Resolución Conjunta a aquellas personas o circunstancias en que se pueda aplicar válidamente. Es la voluntad expresa e inequívoca de esta Asamblea Legislativa que los tribunales hagan cumplir las disposiciones y la aplicación de esta Resolución Conjunta en la mayor medida posible, aunque se deje sin efecto, anule, invalide, perjudique o declare inconstitucional alguna de sus partes, o aunque se deje sin efecto, invalide o declare inconstitucional su aplicación a alguna persona o circunstancia. Esta Asamblea Legislativa hubiera aprobaría esta Resolución Conjunta independientemente de la determinación de separabilidad que el Tribunal pueda hacer.

Sección 20.- Esta Resolución Conjunta se conocerá como la "Resolución Conjunta de Asignaciones Especiales para el Año Fiscal 2018-2019."

Sección 21.- Esta Resolución Conjunta comenzará a regir el 1 de julio de 2018.






TRANSPERFECT

City of New York, State of New York, County of New York

I, Jordan Johnson, hereby certify that the document, “**Budget Resolution B**” is, to the best of my knowledge and belief, a true and accurate translation from Spanish into English.

  
\_\_\_\_\_  
Jordan Johnson

Sworn to before me this  
July 5, 2018

  
\_\_\_\_\_  
Signature, Notary Public



\_\_\_\_\_  
Stamp, Notary Public

LANGUAGE AND TECHNOLOGY SOLUTIONS FOR GLOBAL BUSINESS

A- \_\_\_\_\_

The GOVERNMENT OF PUERTO RICO

18<sup>th</sup> Legislative Assembly

3<sup>rd</sup> Ordinary Session

**House of Representatives**

**R. C. of C. \_\_\_\_\_**

June 2018

**Joint Resolution**

To assign public agencies and instrumentalities one billion eight hundred and thirty million eight hundred and seventy eight thousand dollars (\$1,830,878,000) to develop special, permanent or temporary programs or activities for the 2018-2019 Fiscal Year; authorize the transfer of funds between agencies; provide for the submission of a quarterly report of made transfers; show the allocations included in the Budget to be the only ones in force and effect and that no debt whatsoever will be generated by total or partial omission; to authorize contracts; authorize donations; order non-profit entities file a semi-annual report on the use of the allocated funds; authorize the retention of payments under various memos; authorize the creation of control mechanisms to comply with reserves in Government procurement; authorize matching of allocated funds; and lastly, for other relevant purposes as per the above.

*Be IT RESOLVED BY THE LEGISLATURE OF PUERTO RICO:*

Section 1.- The sum of one billion eight hundred and thirty million eight hundred and seventy eight thousand dollars (\$1,830,878,000), is herein allocated to the General Fund of the State Treasury, for regular operating expenses of the programs and agencies of the Executive Branch and the programs that make up the Judicial Branch and the Legislative Branch during the fiscal year ending on June 30<sup>th</sup>, 2019 for the following amounts or any portions of those amounts as required for the purposes outlined below:

1	1	Childcare and Childhood Development Administration	
2	A	Operational costs and technical support for the Multi-industry council	
3		Early Childhood Council	\$150,000
4		Sub-total	\$150,000
5			
6	2	Mental Health and Drug Addiction Services Administration	
7	A	Cover operation costs for Sor Isolina Ferre Center, Inc., Playa de Ponce,	
8		RC 183-2005	\$1,900,000
9	B	Cover operation costs for Hogar Crea, Inc., RC 157-2005	\$1,890,000
10	C	Cover operation costs of the UPENS Foundation	\$950,000
	D	Cover operation costs of the Community Research Initiative, Inc.	\$1,440,000
	E	Cover operation costs of Teen Challenge	\$360,000
	F	Cover operation costs of Sor Isolina Ferre Center, Inc., Caimito, RC 183- 2005	\$250,000
	G	Cover operation costs of San Francisco Center, Ponce, RC 183-2005	\$200,000
	H	Cover operation costs of Hogar The Providence, located in Old San Juan	\$25,000

1	Sub-total	\$7,015,000
2		
3	3 Agricultural Enterprises Development Administration (ADEA)	
4	A Match investment Incentives for agro-businesses, Law 225-1995, and its	
5	amendments	\$7,934,000
6	B Grant Christmas bonuses to eligible agricultural workers , Law Num.	
7	42 of June 19th, 1971, and its amendments	\$2,747,000
8	C Reimburse farmers' salary allowance for agriculture workers Law	
9	Num. 46 of 5 August 1989, and its amendments	\$15,000,000
10	D Payment of insurance premiums, Law Num. 12 of December 12th,	
	1966, and its amendments	\$1,500,000
	E Technical assistance & economic incentives for Bona fide Farmers	\$1,374,000
	F Fertilizer provisions for Bona fide farmers	\$5,432,000
	G Agricultural machinery lease incentive program	\$400,000
	H Incentivize agricultural mechanization	\$400,000
	I Incentive for insurance farmers' ranches	\$500,000
	J Support pineapple & poultry industries and other projects	\$1,500,000
	K Infrastructure improvements and reconstruction program, permanent works,	
	Matching Funds studies	\$5,000,000



1	L	Agricultural Schools Works and Improvements	\$200,000
2		Sub-total	\$41,987,000
3			
4	4	Child Support Office	
5	A	IT Platform PRACES, Matching Federal Funds	\$399,000
6		Sub-total	\$399,000
7			
8	5	Contributions to Municipalities	
9	A	Comply with matching funds contributions	\$175,784,000
10		Sub-total	\$175,784,000
6		Commonwealth Legislative Assembly	
	A	Providing allotments to Public, Semi-Public and Private Non- Profit Entities, under Government agency monitoring, perform activities and provide services that contribute to the development of well-being programs	\$20,000,000
	B	Cover operating costs for Pilar Barbosa, education internship program Law 53-1997	\$91,000
	C	Operating expenses of the Program Córdova Congressional Internship, RC 554-1998	\$360,000
	D	Operating expenses of the Program Legislative Internships Ramos Commas	\$130,000

1	E	Cover costs of folder resolutions	\$1,000
2	F	Cover membership of the Council of State Governments	\$98,000
3	G	Operating costs and information system of the office of legislative	
4		services	\$106,000
5	H	Cover operating costs of the Commission of Community Impact	\$1,590,000
6	I	Operating expenses of the Joint Commission on Special Reports to the	
7		Comptroller	\$98,000
8	J	Superintendence of the Capitol for the purchase of equipment and	
9		security operation of the Capitol District	\$1,112,000
10	K	Cover costs of operation of the Joint Commission for Public Private	
		Partnerships of the Legislative Assembly of Puerto Rico, 29-2009 and	
		its amendments	\$222,000
	L	For scholarships for graduate studies in disciplines related to the	
		protection and conservation of the environment, Law 157-2007	\$6,000
	M	Scholarships for graduate studies majoring in special education for	
		teachers who are certified by the Department of Education	\$6,000
	N	For the district's maintenance and Capitol Hill materials	\$1,962,000
	O	Operating expenses of the joint venture commission for the ongoing	
		review and the revision of the criminal code and for the reform of	
		Penal Laws	\$98,000

1	P	Operating expenses of the House of Representatives and fellowship	
2		program university students of communications, Law 5-2016	\$369,000
3	Q	Cover Capitol water and power services	\$2,382,000
4	R	Operating expenses of the Senate of Puerto Rico	\$1,355,000
5		Sub-total	\$29,986,000
6			
7	7	Allotments under the custody of the Office of Management and	
8		Budget	
9	A	Cover the costs for professional services contracts related to cyber-	
10		security policies and procedures for the Government of Puerto Rico, as	
		well monitoring	\$2,400,000
	B	Configuring a private data network for the Government of Puerto Rico	\$800,000
	C	Improve the Data Center Communication equipment and OMB data	
		backup system	\$600,000
	D	Comply with the following Program commitments:	
	i.	Single Employer	\$2,000,000
	E	Payment of the services provided by the 330 centers, to comply with	
		the order of the Federal Court	\$30,000,000
	F	Contribute to the Access to Justice Fund	\$200,000
	G	Emergency reserve required by the Fiscal Plan	\$130,000,000

1	H	Support talented students through The Kinesis Foundation of	
2		Puerto Rico	\$140,000
3	I	Conservation and Digitalization of Historical documents and	
4		artifacts	\$350,000
5	J	Cover the operational costs of the Boys and Girls Club	\$1,242,000
6	K	Comply with Treasury Federal Dam Cerrillos agreement	
7		(USACE)	\$7,077,000
8	L	Federal fund matching for Public Assistance	\$190,000,000
9	M	Pay for the PRIFAS Accounting System and costs related to the IT	
10		reform	\$50,000,000
	N	Implementation of Electronic Medical Records	\$2,500,000
	O	Negotiated "Pay Out" for the Puerto Rico Police	
		(payment for prior year debts)	\$122,000,000
	P	Invoicing reserve for the Aqueducts and Sewage	
		Authority	\$72,585,000
		Subtotal	\$611,894,000
8		The Puerto Rico Housing Finance Corporation	
	A	"Casa Mia" program ""	\$4,000,000
		Sub-total	\$4,000,000
9		Trade & Export Company	

1	A	Encourage Creative Industries	\$199,579
2	B	“Puerto Rico Emprende” Project	\$66,526
3	C	“exportable” franchises project	\$99,789
4	D	“direct employment in the urban center” project	\$199,579
5	E	“Microenterprise Program” promotion	\$66,526
6		Sub-total	\$632,000
7			
8	10	Puerto Rico Council on Education	
9	A	Educational scholarships and grants for students at the post-	
10		secondary, technical and university levels, Act 435-2004, and its	
		amendments	\$7,000,000
	B	Cover expenses related to the state authorization reciprocity	
		agreement	\$50,000
		Sub-total	\$7,050,000
11		Puerto Rico Conservatory of Music Corporation	
	A	Funds costs associated with the Music project 100x35	\$612,000
		Sub-total	\$612,000
12		Puerto Rico Public Broadcasting Corporation	
	A	Operating costs of the production of telenovelas [ soap operas],	
		mini-series or single productions in the Puerto Rico Public	

1		Broadcasting Corporation, Act 223-2000	\$1,000,000
2		Sub-total	\$1,000,000
3			
4	13	Office for People with Disabilities	
5	A	Educational campaign about the Charter of Rights of Persons with	
6		Disabilities, Act 238-2004	\$71,000
7		Sub-total	\$71,000
8			
9	14	Puerto Rico Department of Agriculture	
10	A	Transferred to the Office for the regulation of the Dairy Industry to	
		promote incentives for farmers and promote stability in the price of	
		milk	\$14,360,000
		Sub-total	\$14,360,000
15		Department of Correction and Rehabilitation	
	A	Operating costs of Correctional Health Services Corporation, as	
		required by the Morales Feliciano federal lawsuit	\$15,640,000
		To cover costs related to cuffs in cases of domestic violence	\$1,250,000
		Sub-total	\$16,890,000

1	16	Department of Economic Development and Commerce of Puerto Rico	
2	A	Cover expenses for "lucvempleo" and "more jobs" programs	\$1,000,000
3	B	Comply with the granting of the "Youth Commitment Award", Law	
4		434-2004	\$1,000
5		Sub-total	\$1,001,000
6			
7	17	Department of Education	
8	A	Free College Board test to enter Universities	\$2,300,000
9		Sub-total	\$2,300,000
10			
	18	Puerto Rico Treasury Department	
	A	Payment of pension to Wilfredo Benitez, RC 726-1995	\$7,000
	B	Operating expenses of the program workshop of photojournalism of the	
		Puerto Rican Ateneo, Law 276-1999, and its amendments	\$280,000
	C	Payment of global bail for the State	\$270,000
	D	Operation and maintenance of the real estate registry of Puerto Rico,	
		Law 184-2014; item under the municipal revenue collection center that	
		is located in the Treasury Department	\$1,000,000
	E	Operation payments of the Ballet concert, R.C. 107-2005	\$88,000

1	F	Reduction of Fees	\$2,000,000
2	G	For improvements to the accounting and financial system	\$25,300,000
3	H	Cover professional and consulting services fees related to the	
4		preparation of the annual financial statements	\$19,357,000
5		Sub-total	\$48,302,000
6			
7	19	Puerto Rico Department of Justice	
8	A	Institute of Training and Development of legal knowledge, Law 206-	
9		2004, and its amendments	\$72,000
10	B	Payment of legal representation fees to law firms, as provided in	
		Law 9 of November 26th, 1975	\$810,000
		Sub-total	\$882,000
	20	Puerto Rico Department of Natural and Environmental Resources	
	A	Design, mitigation and works to control floods	\$480,000
	B	Matching with federal funds Flood Control of the Puerto Nuevo	
		River project	\$3,230,000
		Sub-total	\$3,710,000
	21	Department of Recreation and Sports	



1	A	Cover expenses related to training athletes, Law 119-2001, known as	
2		the Law of the Fund and the Board for the Development of the Puerto	
3		Rican High Performance Full-time Athletes	\$300,000
4		Sub-total	\$300,000
5			
6	22	Department of Health	
7	A	Transferred to the Mercedes Ruby Foundation, for the acquisition of	
8		surgical materials and radiological and neurosurgical equipment;	
9		provide maintenance to the team; and provide training to the staff of	
10		the Neuro-vascular Surgery Center of Puerto Rico and the Caribbean,	
		RC 164-2005	\$125,000
	B	CAP-Foundation, Pro Department of Oncological Pediatrics of the	
		Pediatric University Hospital Dr. Antonio	\$200,000
	C	Operating expenses of Pediatric Hospital, for pediatric cancer	
		treatment	\$2,860,000
	D	Cover operating costs of the Program for the Prevention and	
		Monitoring of Medical Emergencies of Children, Law 259-2000	\$60,000
	E	Operating expenses of the Modesto Gotay Foundation, RC 336-2000	\$125,000
	F	Center of Training and Information to Parents of Children with Disabilities of	
		Puerto Rico (APNI)	\$225,000

1	G	Development of the public policy of the Puerto Rico government	
2		related to autistic persons, Law 318-2003	\$250,000
3	H	Carry out the National Day to be tested for Hepatitis C, Law 42-	
4		2003	\$150,000
5	I	Contribute to the fund against Catastrophic Diseases, Law 150-	
6		1996, and its amendments	\$8,200,000
7	J	Transferred to the Education & Rehabilitation Society of Puerto Rico	
8		(BE), cover operating costs	\$1,050,000
9	K	Rgulating smoking in certain public and private places Law 40-1993,	
10		and its amendments	\$12,000
	L	Operating costs for the Alzheimer's Disease Register the Act 237-	
		1999	\$25,000
	M	Operating expenses of the American Red Cross	\$200,000
	N	Aerial subsidy of the Municipality of Vieques, Law Num. 44 of 17	
		May 1955	\$345,000
	O	Puerto Rican League Against Cancer, RC 68-2010	\$70,000
	P	Renal Council of Puerto Rico, as In RC 204-2006	\$250,000
	Q	Oncology Hospital in Ponce	\$600,000

1	R	Well-being and integration and development of persons with autism	
2		(LawBIDA)	\$500,000
3	S	Operating costs of the Cancer Hospital	\$7,500,000
4	T	Comply with the matching for the "Program of Stepping Forward	
5		Together"	\$2,100,000
6	U	Expenses related to security and monitoring services	\$2,500,000
7	V	Programs of health services, education and well-being of young	
8		children. New and existing programs for the diagnosis and treatment	
9		of minors with development deficiencies, programs to improve the	
10		quality of training services in the care and child development centers	\$750,000
	W	Pediatric hospital, for the purchase of equipment and materials for	
		patient treatment	\$700,000
	X	Establish the Public Bank of Blood Umbilical Cord of Puerto Rico in	
		the Center Comprehensive Cancer in collaboration and consultation	
		with the Medical Sciences	\$210,000
	Y	Operating expenses of the Food and Nutrition Commission as	
		stipulated in Law 10-1999	\$60,000
	Z	Commission for the implementation of the public policy in suicide	
		prevention, Act 227-1999, and its amendments	\$30,000

1	AA	Operating costs of the integrated services centers to child victims of	
2		sexual assault, as stipulated in Law 158-2013	\$1,000,000
3	BB	Operating expenses of the American Cancer Society, as stipulated in	
4		the provisions in Law 135-2010	\$200,000
5	CC	Matching Federal Funds, MMI, MFCO and other related expenses	\$17,111,000
6		Sub-total	\$47,408,000
7			
8	23	Institute of Puerto Rican Culture	
9	A	Transferred to the Puerto Rico Museum of Art for operating expenses	
10		and for construction	\$1,299,000
	B	Operating expenses of the Philharmonic Orchestra	\$265,000
	C	To be transferred to the Art Museum of the Americas to cover	
		operating costs	\$156,000
	D	Transferred to the Museum Of Contemporary Art to promote the	
		Plastic Arts, carry out educational and cultural activities, and	
		maintain a center of documentation on contemporary art, Law 91-	
		1994, and its amendments	\$346,000
	E	Cover the costs of operation. Ponce Museum of Art, Inc., as	
		stipulated in Law 227-2000	\$866,000
	F	Operating expenses of the Luis Munoz Marin Foundation	\$437,000
	G	Cover operating costs of the Ateneo Puertorriqueño	\$147,000
	H	Museum of Art of Bayamon	\$61,000

1		Sub-total	\$3,577,000
2			
3	24	Puerto Rico Environmental Quality Board	
4	A	Comply with the Cooperative Agreement and Special Services Fund	
5		from USGS	\$1,000,000
6	B	Matching of Federal Funds of the State Clean Water Revolving Fund	
7		“State Revolving Fund” and for permanent improvements projects	\$10,980,000
8		Sub-total	\$11,980,000
9			
10	25	Puerto Rico Planning Board	
	A	Operating expenses of the group, the advisory panel for the	
		development of the Castañer Region , Law 14-1996, 16 and its	
		amendments	\$27,000
	B	Resolution of convention delegation in relation to Civil Case JAC93-	
		0323-Municipality of Ponce	\$45,000
	C	Inter-agency contribution as stipulated in Law 51-2003, known as	
		Law for Joint and Cooperative Agreement Special Fund for Services	
		from the US Geological Survey	\$50,000
		Sub-total	\$122,000
	26	Fiscal Oversight and Management Board	
	A	Operating expenses of the Board	\$64,750,000

1		Sub-total	\$64,750,000
2			
3	27	Puerto Rico Office of Human Resources Management and	
4		Transformation	
5	A	Public awards of Manuel A. Perez, the Law Num. 66 of 20 of June 1956,	
6		and its amendments	\$4,000
7		Sub-total	\$4,000
8			
9	28	Office for Female Advocacy'	
10	A	Cover expenses related to cases of domestic violence	\$1,250,000
		Sub-total	\$1,250,000
	29	Office of Socio-economic and Community Development	
	A	Construction and improvements, such as construction and purchase of	
		materials for housing rehabilitation, construction or improvements to	
		recreational and sport facilities, community service centers,	
		segregations, pipes, work of environmental protection and renewable	
		energy, reforestation, ornamental or landscaping, poles & street light	
		installations and other works, and permanent improvements	\$500,000
		Sub-total	\$500,000
	30	Permits Management Office	

1	A	Transfer of ARPE to the Municipality of Ponce	\$216,000
2		Sub-total	\$216,000
3			
31		Office of the Governor	
4	A	Meet the following programming commitments:	
5			
6	i.	Direct line to the Municipalities	\$1,000,000
7			
8	ii.	Multi-stakeholder permanent dialog forum for the implementation of Law 30-2017	\$500,000
9	iii.	PR Dashboard	\$1,000,000
10	iv.	FEWG Office	\$4,000,000
	v.	Implementation of the PROJECT PRITS	\$7,000,000
		Sub-total	\$13,500,000
32		Office of 'Puerto Rico Veteran Advocacy	
	A	Subsidize the costs of services provided to veterans in the Juana Diaz House of the Veteran, as stipulated in Law 59-2004	\$800,000
	B	Management and operation of the Cemetery of Aguadilla, Law 106- 2000	\$135,000
	C	Monitor the operation of the Aguadilla Cemetery	\$35,000
	D	Strengthen the support services, orientation and advice to the veterans and their relatives for the protection of their rights and benefits	\$135,000
	E	Scholarships, 65 infantry regiment through OE-2008-056	\$276,000
		Sub-total	\$1,381,000

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33	State Office of Public Policy Energy	
A	Contribution of the Government of Puerto Rico to the Southern States Energy Board, as stipulated in Law Num. 86 of 30 May 1970, and its amendments	\$16,000
B	Contribution of the Government of Puerto Rico to the National Association of State Energy Board, as stipulated in Law Num. 86 of 30 of May 1970, and its amendments	\$1,000
	Sub-total	\$17,000
34	Secretariat of the Department of the Family	
A	Cover aid to natural disaster victims and other humanitarian work and operating expenses of the American Red Cross Puerto Rico Chapter, as stipulated in Law 59-2006, and its amendments	\$243,000
B	Cover expenses related to the Commission for the prevention of suicide, as stipulated in Law 227-1999	\$30,000
C	Family support networks and community coexistence	\$810,000
D	Operational costs of the Geriatric Center San Rafael, Inc., of Arecibo, as stipulated in RC 1332-2004	\$59,000
E	Housekeeper program	\$990,000
F	Special Council to address the social inequality in Puerto Rico	\$12,000



1	Sub-total	\$2,144,000
2		
3	35 University of Puerto Rico	
4	A Operating expenses of the University of Puerto Rico, as stipulated in	
5	Law Num. 2 of 20 January 1966, and its amendments	\$589,910,000
6	B Operational costs of the Center Ponce of Autism, Inc.	\$87,000
7	C Operating expenses of the Program of the University of Puerto Rico,	
8	as stipulated in RC 1531-2004	\$855,000
9	D Scholarships and education aid to students who qualify, as	
10	stipulated in Law 170-2002, and its amendments	\$9,500,000
	E Department of Surgery and/or Trauma Center of Medical Sciences	\$2,500,000
	F Grant scholarships to students of medicine, dentistry and veterinary	
	medicine as stipulated in Law Num. 17 of June 5, 1948, and its	
	amendments	\$500,000
	G Studies in brain tissues of the deceased persons diagnosed with	
	Alzheimer's disease, as stipulated in Law 237-1999	\$50,000
	H Operating costs of the Integrated Services centers to Child Victims of	
	Sexual Assault-UPR, Law 158-2013	\$500,000

1	I	Operational costs of the Center of Advanced Studies for the Public	
2		Sector Emergency Medical Staff, as stipulated in Act 235-2004	\$500,000
3	J	Medical services in the Medical Sciences Complex	\$1,719,000
4	K	Cover the costs of salary of residents and interns of the Medical	
5		Sciences Campus, as stipulated in Law 299-2003, as amended, in case	
6		of an interruption of services at the University these funds will be	
7		transferred to the Department of Health	\$20,900,000
8	L	Executive Order No. 2017-021 (training and seminars	\$10,000,000
9	M	Department of Education (training for teachers and tutors)	\$10,000,000
10	N	Operating costs of 24 hours of the Seismic Network of Puerto Rico	
		and the strong movement network	\$1,662,000
		Sub-total	\$645,909,000
35		Comprehensive Cancer Center	
	A	For the development of research capacity at the Comprehensive Cancer Center, including but not limited to the development of basic, clinical and epidemiological research, the recruitment of highly specialized personnel, investment in the purchase of high-technology equipment and the establishment of competitive scientific research processes	\$10,236,000

1	Subtotal	\$10,236,000
2		
3	Grand Total	\$1,766,369,000
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Section 2.- The Department of the Treasury will remit to the Legislative Branch and its components, to the Judiciary, to the University of Puerto Rico, and to the non-profit entities that receive funds from this Resolution, budgetary allotments both monthly and in advance. This corresponds to one-twelfth of the annual allocation provided in this Joint Resolution for each entity. Such one-twelfth monthly allocation to each entity (except with respect to the Judiciary) shall be subject to a five-percent (5%) withholding during the first three quarters of this fiscal year, as stipulated in Section 3 below.

Section 3.- The Director of the Office of Management and Budget ("OMB") may authorize the disbursement of up to ninety-five percent (95%) of each allocation set forth by this Joint Resolution during the first three quarters of this fiscal year. The Director of the OMB shall withhold the remaining five percent (5%) of each allocation until after the end of the third-quarter of this fiscal year. Said withheld percentage of each allocation shall be disbursed only during the fourth-quarter of this fiscal year if the first six (6) months of actual revenues reported to the Oversight Board reach the Government's monthly revenue projections for that period and subject to the prior approval of the Director of OMB. If actual revenues for the first six (6) months of the fiscal year fail to reach the Government's monthly revenue projections for that period, the amount of the withheld percentage of each allocation shall be reduced proportionally as stipulated in the negative budget variance between forecasted revenues and actual revenues.

Section 4.- No later than 45 days after the closing of each quarter of a fiscal year, the Secretary of Treasury shall revise the projected net revenues of the General Fund for the current fiscal year (the "Quarterly Revision") and notify the Director of the OMB, the Governor and the Oversight Board, of said revisions. The Quarterly Revision shall project future revenues based on actual revenues. It shall also include revisions to the assumptions used to generate the General Fund's net revenue projections.

Section 5.- All allocations authorized in any previous fiscal year payable from the General Fund, including allocations without a specific fiscal year, are hereby eliminated and no disbursement of public funds may be covered by such allocations, except: (1) allocations without a specific fiscal year to carry out permanent improvements that have been accounted for and kept on the books; and (2) the portion of the allocations authorized for fiscal year 2018 that have been encumbered on or before June 30th, 2018, which shall be kept in the books for 60 days after the termination of fiscal year 2018 and after those 60 days no amount shall be drawn against such portion for any reason. This restriction shall not apply to programs financed in whole or in part by federal funds; or (2) to orders of a district court with jurisdiction over all proceedings related to PROMESA Title III.

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1 Section 6.- In conjunction with the reports that the Governor must submit  
2 to the Oversight Board no later than 15 days after the last day of each quarter of the  
3 fiscal year pursuant to section 203 of PROMESA, the Executive Director of AAFAF  
4 and the Director of the OMB will certify to the Oversight Board that no allocations of  
5 any previous fiscal year (except for allowances covered by the two exceptions  
6 authorized in the previous paragraph of this section) has been used to cover any  
7 expense.

8 Section 7.- Any power of the OMB, AAFAF or the Department of the  
9 Treasury, including the authorities granted under Act 230-1974, and its amendments,  
10 known as the "Puerto Rico Government Accounting Act" ("Act 230"), to authorize the  
11 reprogramming or extension of allocations of prior fiscal years is hereby suspended.  
12 Notwithstanding this section, the allocations approved in the budget certified by the  
13 Oversight Board may be modified or reprogrammed upon approval by the Oversight  
14 Board.

15 Section 8.- The emergency reserve for the amount of \$15,000,000 (the  
16 "Emergency Reserve"), and the liquidity reserve required by the New Fiscal Plan  
17 certified by the Oversight Board for the amount of \$115,000,000 (the "Fiscal Plan  
18 Reserve") in the custody of the OMB established in Sub-paragraphs 7(h) and (i) of  
19 Section 1 of this Joint Resolution, may not be used to cover any allocation or expense  
20 whatsoever without the approval of the Oversight Board. In conjunction with the  
21 reports that the Governor must submit to the Oversight Board no later than 15-days  
22 after the last day of each quarter of the fiscal year as stipulated in Section 203 of  
23 PROMESA, the Executive Director of the Fiscal Agency and Financial Advisory  
24 Authority ("AAFAF", by its Spanish acronym) and the Director of OMB will certify to  
25 the Oversight Board that no amount of the: (i) Emergency Reserve or (ii) the Fiscal  
26 Plan Reserve has been used to cover any expenses, unless it has been approved by the  
27 Oversight Board.

28 Section 9.- As a rule, required for the responsible disbursement of  
29 budgetary allocations in operating and other expenses, during the term of this Joint  
30 Resolution, the OMB may withhold from any of the allocations from the agencies of  
31 the Executive Branch the amounts needed to cover costs for the pay-go contribution,  
32 unemployment insurance, or taxes withheld from employees. This will occur when  
33 the OMB determines that such a withholding is necessary to ensure compliance with  
34 these obligations by the agencies concerned. Any amounts withheld by OMB shall  
35 solely be re-programmed to pay the corresponding outstanding obligations for the  
36 pay-go contributions, unemployment insurance, or taxes withheld from employees.

37 Section 10.- The public agencies and instrumentalities, public  
38 corporations, and municipalities, with the approval of the Office of Management and  
39 Budget, in accordance with current legislation, are authorized to formalize agreements  
40 with the Federal Government, other public agencies and instrumentalities, public  
41 corporations, or municipalities for the rendering of services based on contracts or the

1 matching of municipal funds and those included in this Joint Resolution.

2

3 Section 11.- The Office of Management and Budget and the Department  
4 of the Treasury are authorized to establish the necessary mechanisms to ensure that  
5 when implementing the concept of mobility, the provisions of Law 8-2017, and its  
6 amendments, known as the "Puerto Rico Human Resources Management and  
7 Transformation in the Government Act," the corresponding transfer of funds  
8 allocated to payroll and related costs of said employee are to be carried out  
9 simultaneously.

7

8 Section 12.- On or before August 1st, 2018, the Government, in  
9 conjunction with the Oversight Board, will develop a work schedule for the  
10 Government to present and certify to the Oversight Board: (1) monthly reports of  
11 actual cash revenues, actual cash expenses, and cash flow for each government  
12 agency; (2) monthly and quarterly reports detailing actual versus forecasted budget  
13 results of each government agency based on a modified accrual basis as well; (3)  
14 monthly and quarterly reporting on central government payroll, headcount and  
15 attendance, third party accounts payable, invoice processing key performance  
16 indicators, tax credits, disaster-related funding and pay-go; (4) monthly monitoring by  
17 each government agency of key performance indicators for each of the fiscal reform  
18 measures; and (5) quarterly reports on macro-economic performance.  
19 Notwithstanding the foregoing, during the period in which the above work schedule  
20 is developed, the Government will present and certify to the Oversight Board all  
21 reports on liquidity or expenses that it can generate based on available financial  
22 information. The reports required under this Section are in addition to the reports that  
23 the Governor must submit to the Oversight Board as per PROMESA Section 203.

Section 13.- On or before July 31 of 2018, the Governor will provide the  
Oversight Board with collections and expenditure projections for each quarter of this  
fiscal year, and said projections will be consistent with the costs authorized in this  
Joint Resolution (the "Quarterly Projection"). The Quarterly Projection will be  
presented to the Oversight Board in Excel format and will include the detail of  
distributions by agency, public corporation, fund and item of expenditure. Along with  
the report required by section 203 of PROMESA which the Governor must provide at  
the latest 15 days after the last day of each quarter in the fiscal year, the Governor will  
provide an analysis of the quarterly variance that is consistent with the "modified  
accrual accounting" method.

Section 14.- If during the fiscal year the government fails to comply with  
the liquidity and budgetary savings measures required by the New Fiscal Plan for  
Puerto Rico certified by the Oversight Board, the Government shall take all necessary  
corrective action, including the measures provided in PROMESA Sections 203 & 204.

Section 15.- The Secretary of Treasury, the treasurer and Executive  
Directors of each agency or Public Corporation covered by the New Fiscal Plan

1 certified by the Oversight Board, and the Director of the OMB (and all respective  
2 successors) shall be responsible for not spending or encumbering during fiscal year  
3 2019 any amount that exceeds the allocations authorized for each corresponding year.  
4 This prohibition applies to every allocation set forth in this Joint Resolution, including  
5 allocations for payroll and related costs. Any violation of this prohibition shall  
6 constitute a violation of this Joint Resolution and Act 230-1974.

5

6 Section 18.- On or before July 31 of 2018, the Director of the OGP will  
7 present to the Oversight Board a copy of the budget certified by the Oversight Board  
8 in the format used by OGP known as "Sabana File." The Sabana File will be in Excel  
9 and will identify all budgets in the PRIFAS system and in any other government  
10 accounting system, including allocations by agency, public corporation,  
11 instrumentality, type of fund and item of expenditure.

10

11 Section 17.- Any reference in this Joint Resolution to the AAFAF, the  
12 Department of the Treasury, or the OGP, or to any of their officers, will apply to their  
13 successors.

12

13 Section 18.- This Joint Resolution will be adopted in Spanish and in  
14 English. If the interpretation or application of this Joint Resolution suggests any  
15 conflict between the English text and the Spanish text, the English text will prevail.

15

Section 19.- If any clause, paragraph, sub-paragraph, sentence, word,  
letter, article, provision, section, sub-section, title, chapter, sub-chapter, heading, or  
part of this Joint Resolution is annulled or declared unconstitutional, the resolution,  
decision, or judgment entered to that effect will not affect, harm, or invalidate the  
remainder of the Joint Resolution. The effect of such judgment will be limited to the  
clause, paragraph, sub-paragraph, sentence, word, letter, article, provision, section,  
sub-section, title, chapter, sub-chapter, heading, or part thereof that has been annulled  
or declared unconstitutional. If the application to a person or circumstance of any  
clause, paragraph, sub-paragraph, sentence, word, article, provision, section, sub-  
section, title, chapter, sub-chapter, heading, or part of this Joint Resolution is  
invalidated or declared unconstitutional, the decision, opinion, or judgment entered  
to that effect will not affect or invalidate the application of the remainder of this Joint  
Resolution to those persons or circumstances in which it can validly apply. It is the  
express and unequivocal will of this Legislature that the courts enforce the provisions  
and the application of this Joint Resolution to the greatest extent possible, even if any  
of its parts is set aside, annulled, invalidated, prejudiced, or declared unconstitutional,  
or even if its application to any person or circumstance is annulled, invalidated, or  
declared unconstitutional. This Legislature would have approved this Joint Resolution  
regardless of the finding of severability that the Court may make.

Section 20.- This Joint Resolution will be known as the "Special  
Allocations Joint Resolution for Fiscal Year 2018-2019."

1                   Section 21.- This Joint Resolution shall take effect as of July 1st, 2018.  
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DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTIO RICO

In re THE FINANCIAL OVERSIGHT AND MANAGI Debtor
HON. THOMAS RIVERA-SCHATZ (in his official capacity and on behalf of the Senate of Puerto Rico), and HON. CARLOS I. Plaintiff
v. THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, JOSÉ B. CARRIÓN III, Defendant
Case No. 17 BK 3283-LTS
Chapter PROMESA Title III
Adv. Proc. No.

SUMMONS IN AN ADVERSARY PROCEEDING

To: Ana J. Matos-Santos in her official capacity as a member of the FOMB
c/o Proskaver Rose, LLP
Eleven Times Square
New York, New York 10036-8299
Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak, Maja Zerjal
Herman Bayer
O'Neill & Borges LLC
250 Muñoz Rivera Ave.
Suite 800
San Juan, PR 00918-1813

YOU ARE SUMMONED and required to file a motion or answer to the complaint which is attached to this summons with the clerk of the district court within 30 days after the date of issuance of this summons, except that the United States and its officers and agencies shall file a motion or answer to the complaint within 35 days. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

Eliezer Aldarondo-Ortiz, Esq.
Claudio Aliff-Ortiz, Esq.
Iván M. Castro-Ortiz, Esq.
David Rodríguez-Burns, Esq.
Sheila Torres-Delgado, Esq.
Aldarondo & López Bras, PSC

ALB Plaza #16, Road 199 Suite 400 / Guaynabo, Puerto Rico 00969
Tel. (787) 474-5447/Fax. (787) 474-5451

Emails: ealdarondo@alblegal.net; alb@alblegal.net; califf@alblegal.net; icastro@alblegal.net; drodriguez@alblegal.net; storres@alblegal.net

If you make a motion, your time to answer is governed by Fed. R. Bankr. P. 7012.

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FRANCES RIOS DE MORAN, ESQ.
CLERK OF COURT

Date: \_\_\_\_\_

Signature of Clerk or Deputy Clerk

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

**CERTIFICATE OF SERVICE**

I, \_\_\_\_\_ (name), certify that service of this summons and a copy of the complaint was made \_\_\_\_\_ (date) by:

- Mail service: Regular, first class United States mail, postage fully pre-paid, addressed to:
  
- Personal Service: By leaving the process with the defendant or with an officer or agent of defendant at:
  
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- State Law: The defendant was served pursuant to the laws of the State of \_\_\_\_\_, as follows: [Describe briefly]

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Under penalty of perjury, I declare that the foregoing is true and correct.

Date \_\_\_\_\_ Signature \_\_\_\_\_

Print Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

\_\_\_\_\_

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re THE FINANCIAL OVERSIGHT AND MANAG Debtor
HON. THOMAS RIVERA-SCHATZ (in his official capacity and on behalf of the Senate of Puerto Rico), and HON. CARLOS J. Plaintiff
v. THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, JOSÉ B. CARRIÓN III, ANDREW G. BIGGS, Defendant
Case No. 17 BK 3283-LTS
Chapter PROMESA Title III
Adv. Proc. No.

SUMMONS IN AN ADVERSARY PROCEEDING

To: Andrew G. Biggs, in his official capacity as member of the FOMB
c/o Proskaver Rose, LLP
Eleven Times Square
New York, New York 10036-8299
Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak, Maja Zerjal

Herman Baver
O'Neill & Borges LLC
250 Muñoz Rivera Ave.
Suite 800
San Juan, PR 00918-1813

YOU ARE SUMMONED and required to file a motion or answer to the complaint which is attached to this summons with the clerk of the district court within 30 days after the date of issuance of this summons, except that the United States and its officers and agencies shall file a motion or answer to the complaint within 35 days. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

Eliezer Aldarondo-Ortiz, Esq.; Claudio Aliff-Ortiz, Esq.; David Rodriguez-Burns, Esq.; Sheila J. Torres-Delgado, Esq.; Ivan M. Castro-Ortiz, Esq.
Aldarondo & López Bras, P.S.C.
ALB Plaza #16
Carr. 199 Suite 400 Ave. Las Cumbres
Guaynabo, PR 00969

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FRANCES RIOS DE MORAN, ESQ.
CLERK OF COURT

Date: 07/09/2018

Signature of Clerk or Deputy Clerk

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

**CERTIFICATE OF SERVICE**

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Date \_\_\_\_\_ Signature \_\_\_\_\_

Print Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

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DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re THE FINANCIAL OVERSIGHT AND MANAG Debtor
HON. THOMAS RIVERA-SCHATZ (in his official capacity and on behalf of the Senate of Puerto Rico), and HON. CARLOS J. Plaintiff
v. THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, JOSÉ B. CARRIÓN III, ANDREW G. BIGGS, Defendant
Case No. 17 BK 3283-LTS
Chapter PROMESA Title III
Adv. Proc. No.

SUMMONS IN AN ADVERSARY PROCEEDING

To: Arthur J. González, in his official capacity as member of the FOMB c/o Proskaver Rose, LLP, Eleven Times Square, New York, New York 10036-8299, Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak, Maja Zerjal
Herman Baver, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918-1813

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Eliezer Aldarondo-Ortiz, Esq.; Claudio Aliff-Ortiz, Esq.; David Rodriguez-Burns, Esq.; Sheila J. Torres-Delgado, Esq.; Ivan M. Castro-Ortiz, Esq. Aldarondo & López Bras, P.S.C. ALB Plaza #16 Carr. 199 Suite 400 Ave. Las Cumbres Guaynabo, PR 00969

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FRANCES RIOS DE MORAN, ESQ. CLERK OF COURT

Date: 07/09/2018

Signature of Clerk or Deputy Clerk

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

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Date \_\_\_\_\_ Signature \_\_\_\_\_

Print Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

\_\_\_\_\_

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTIO RICO

In re THE FINANCIAL OVERSIGHT AND MANAG Debtor
HON. THOMAS RIVERA-SCHATZ (in his official capacity and on behalf of the Senate of Puerto Rico), and HON. CARLOS J. Plaintiff
v. THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, JOSÉ B. CARRIÓN III, ANDREW G. BIGGS, Defendant
Case No. 17 BK 3283-LTS
Chapter PROMESA Title III
Adv. Proc. No.

SUMMONS IN AN ADVERSARY PROCEEDING

To: Carlos M. García, in his official capacity as member of the FOMB
c/o Proskaver Rose, LLP
Eleven Times Square
New York, New York 10036-8299
Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak, Maja Zerjal
Herman Baver
O'Neill & Borges LLC
250 Muñoz Rivera Ave.
Suite 800
San Juan, PR 00918-1813

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Eliezer Aldarondo-Ortiz, Esq.; Claudio Aliff-Ortiz, Esq.; David Rodriguez-Burns, Esq.; Sheila J. Torres-Delgado, Esq.; Ivan M. Castro-Ortiz, Esq.
Aldarondo & López Bras, P.S.C.
ALB Plaza #16
Carr. 199 Suite 400 Ave. Las Cumbres
Guaynabo, PR 00969

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FRANCES RIOS DE MORAN, ESQ.
CLERK OF COURT

Date: 07/09/2018

Signature of Clerk or Deputy Clerk

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

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Date \_\_\_\_\_ Signature \_\_\_\_\_

Print Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

\_\_\_\_\_



DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re THE FINANCIAL OVERSIGHT AND MANAGI
Debtor

Case No. 17 BK 3283-LTS

HON. THOMAS RIVERA-SCHATZ (in his official capacity
and on behalf of the Senate of Puerto Rico), and HON.
CARLOS J.

Chapter PROMESA Title III

Plaintiff

v.

Adv. Proc. No.

THE FINANCIAL OVERSIGHT AND MANAGEMENT
BOARD FOR PUERTO RICO, JOSÉ B. CARRIÓN III,

Defendant

SUMMONS IN AN ADVERSARY PROCEEDING

To: David A. Skeel Jr., in his official capacity as a member of the FOMB
c/o Proskaver Rose, LLP
Eleven Times Square
New York, New York 10036-8299
Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak,
Maja Zerjal

Herman Bayer
O'Neill & Borges LLC
250 Muñoz Rivera Ave.
Suite 800
San Juan, PR 00918-1813

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attached to this summons with the clerk of the district court within 30 days after the date of issuance of
this summons, except that the United States and its officers and agencies shall file a motion or answer
to the complaint within 35 days. The answer or motion must be served on the plaintiff or plaintiff's
attorney, whose name and address are:

Eliezer Aldarondo-Ortiz, Esq.
Claudio Aliff-Ortiz, Esq.
Iván M. Castro-Ortiz, Esq.
David Rodríguez-Burns, Esq.
Sheila Torres-Delgado, Esq.
Aldarondo & López Bras, PSC

ALB Plaza #16, Road 199 Suite 400 / Guaynabo, Puerto Rico 00969
Tel. (787) 474-5447/Fax. (787) 474-5451

Emails: ealdarondo@alblegal.net, alb@alblegal.net, califf@alblegal.net, icaastro@alblegal.net, drodriguez@alblegal.net, storres@alblegal.net

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entry of a judgment by the district court and judgment by default may be taken against you for the
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FRANCES RIOS DE MORAN, ESQ.
CLERK OF COURT

Date:

Signature of Clerk or Deputy Clerk

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

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Date \_\_\_\_\_ Signature \_\_\_\_\_

Print Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

\_\_\_\_\_

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTIO RICO

In re THE FINANCIAL OVERSIGHT AND MANAGI Debtor
HON. THOMAS RIVERA-SCHATZ (in his official capacity and on behalf of the Senate of Puerto Rico), and HON. CARLOS I. Plaintiff
v. THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, JOSÉ B. CARRIÓN III, Defendant
Case No. 17 BK 3283-LTS
Chapter PROMESA Title III
Adv. Proc. No.

SUMMONS IN AN ADVERSARY PROCEEDING

To: Financial Oversight and Management Board
c/o Proskaver Rose, LLP
Eleven Times Square
New York, New York 10036-8299
Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak, Maja Zerjal
Herman Bayer
O'Neill & Borges LLC
250 Muñoz Rivera Ave.
Suite 800
San Juan, PR 00918-1813

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Eliezer Aldarondo-Ortiz, Esq.
Claudio Aliff-Ortiz, Esq.
Iván M. Castro-Ortiz, Esq.
David Rodriguez-Burns, Esq.
Sheila Torres-Delgado, Esq.
Aldarondo & López Bras, PSC

ALB Plaza #16, Road 199 Suite 400 / Guaynabo, Puerto Rico 00969
Tel. (787) 474-5447/Fax. (787) 474-5451

Emails: ealdarondo@alblegal.net; alb@alblegal.net; califf@alblegal.net; icastro@alblegal.net; drodriguez@alblegal.net; storres@alblegal.net

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FRANCES RIOS DE MORAN, ESQ.
CLERK OF COURT

Date: \_\_\_\_\_

Signature of Clerk or Deputy Clerk

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

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Date \_\_\_\_\_ Signature \_\_\_\_\_

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Business Address: \_\_\_\_\_

\_\_\_\_\_

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re THE FINANCIAL OVERSIGHT AND MANAGI Debtor
HON. THOMAS RIVERA-SCHATZ (in his official capacity and on behalf of the Senate of Puerto Rico), and HON. CARLOS J. ... Plaintiff
v. THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, JOSÉ B. CARRIÓN III, ... Defendant
Case No. 17 BK 3283-LTS
Chapter PROMESA Title III
Adv. Proc. No.

SUMMONS IN AN ADVERSARY PROCEEDING

To: José B. Carrion III, in his official capacity as a member of the FOMB
c/o Proskaver Rose, LLP
Eleven Times Square
New York, New York 10036-8299
Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak, Maja Zerjal
Herman Bayer
O'Neill & Borges LLC
250 Muñoz Rivera Ave.
Suite 800
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Eliezer Aldarondo-Ortiz, Esq.
Claudio Aliff-Ortiz, Esq.
Iván M. Castro-Ortiz, Esq.
David Rodriguez-Burns, Esq.
Sheila Torres-Delgado, Esq.
Aldarondo & López Bras, PSC

ALB Plaza #16, Road 199 Suite 400 / Guaynabo, Puerto Rico 00969
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FRANCES RIOS DE MORAN, ESQ.
CLERK OF COURT

Date: \_\_\_\_\_

Signature of Clerk or Deputy Clerk

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

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Date \_\_\_\_\_ Signature \_\_\_\_\_

Print Name: \_\_\_\_\_

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DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re THE FINANCIAL OVERSIGHT AND MANAG Debtor
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Case No. 17 BK 3283-LTS
Chapter PROMESA Title III
Adv. Proc. No.

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To: José R. González, in his official capacity as member of the FOMB c/o Proskaver Rose, LLP
Eleven Times Square
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Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak, Maja Zerjal
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Aldarondo & López Bras, P.S.C.
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CLERK OF COURT

Date: 07/09/2018

Signature of Clerk or Deputy Clerk

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

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Date \_\_\_\_\_ Signature \_\_\_\_\_

Print Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

\_\_\_\_\_



DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re THE FINANCIAL OVERSIGHT AND MANAGI Debtor
HON. THOMAS RIVERA-SCHATZ (in his official capacity and on behalf of the Senate of Puerto Rico), and HON. CARLOS J. ... Plaintiff
v. THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, JOSÉ B. CARRIÓN III, ... Defendant
Case No. 17 BK 3283-LTS
Chapter PROMESA Title III
Adv. Proc. No.

SUMMONS IN AN ADVERSARY PROCEEDING

To: Natalie A. Jaresko, in her official capacity as a member of the FOMB
c/o Proskaver Rose, LLP
Eleven Times Square
New York, New York 10036-8299
Attn: Martin J. Bienenstock, Paul W. Possinger, Fahud Barak, Maja Zerjal
Herman Bayer
O'Neill & Borges LLC
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Claudio Aliff-Ortiz, Esq.
Iván M. Castro-Ortiz, Esq.
David Rodríguez-Burns, Esq.
Sheila Torres-Delgado, Esq.
Aldarondo & López Bras, PSC

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FRANCES RIOS DE MORAN, ESQ.
CLERK OF COURT

Date: \_\_\_\_\_

Signature of Clerk or Deputy Clerk

DPR MODIFIED PROMESA B2500A (Form 2500A) (06/17)

**CERTIFICATE OF SERVICE**

I, \_\_\_\_\_(name), certify that service of this summons and a copy of the complaint was made \_\_\_\_\_(date) by:

- Mail service: Regular, first class United States mail, postage fully pre-paid, addressed to:
  
- Personal Service: By leaving the process with the defendant or with an officer or agent of defendant at:
  
- Residence Service: By leaving the process with the following adult at:
  
- Certified Mail Service on an Insured Depository Institution: By sending the process by certified mail addressed to the following officer of the defendant at:
  
- Publication: The defendant was served as follows: [Describe briefly]
  
- State Law: The defendant was served pursuant to the laws of the State of \_\_\_\_\_, as follows: [Describe briefly]

If service was made by personal service, by residence service, or pursuant to state law, I further certify that I am, and at all times during the service of process was, not less than 18 years of age and not a party to the matter concerning which service of process was made.

Under penalty of perjury, I declare that the foregoing is true and correct.

Date \_\_\_\_\_ Signature \_\_\_\_\_

Print Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

\_\_\_\_\_