

Governor Files Bill to create Board for the Financial Supervision and Economic Recovery of Puerto Rico

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Government Affairs

On October 15, 2015, Governor Alejandro García Padilla sent to the Legislature House Bill 2718/Senate Bill 1513 to create the Board for the Financial Supervision and Economic Recovery of Puerto Rico (“Board”) and approve a 5-year consolidated Economic and Fiscal Growth Plan (“Plan”).

The following summarizes the most important aspects of the Bills:

Public Policy

- To reduce and eliminate the fiscal deficit, while promoting an economic growth which will guarantee the welfare of the Commonwealth of Puerto Rico (“Commonwealth”) residents and the payment of debt.

Creation of the Board

- The Board will be composed of five (5) members appointed by the Governor with the advice and consent of the Senate (“Members”). The Members shall:
 - Have knowledge, expertise and at least 10 years of experience in finance, management, law, economics, or business or government organization and operations, with at least one member with knowledge on Commonwealth operations;
 - Not be direct bond holders of any governmental entity or direct holders of such obligations through investments in investment companies which hold more than 10% of such obligations.
- The Board’s fiscal supervisory authority over a public corporation will only terminate if said corporation applies to be excluded and the Board authorizes said exclusion.
- Any report, document or information will be submitted to the Board in English or together with an English translation.

Powers of the Board

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- The Board shall have the right to require and obtain copy of any record, document, information or data of any governmental entity the Board reasonably deems necessary.
- The Board shall issue subpoenas requiring the appearance and testimony of witnesses and the production of any evidence to collect information related to matters under its jurisdiction.
- A unanimous vote is required to approve the Economic Growth and Fiscal Plan.

Budget for the Board

- The budget will be \$1M a month to cover the Board's operating expenses. If said funds are not sufficient, the Management and Budget Office ("OMB") may appropriate additional discretionary funds from the current budget.

Approval process for Economic and Fiscal Growth Plan

- The Fiscal and Economic Recovery Working Group created by Executive Order No. 2015-22, shall submit the Plan for Board review and approval.
- The plan's objectives will be to:
 - Implement structural reforms to reestablish the Commonwealth's economic growth and competitiveness;
 - Eliminate the financing gaps and reduce the debt burdens of the government entities identified therein;
 - Generate the institutional credibility of the governmental entities to optimize the process of formulation and execution of budgets and obtain the transparency of information.
- Once the Plan is approved, the Board shall identify the entities to be audited ("Audited Entities).
- OMB, together with the Department of Treasury and every Audited Entity will submit to the Board a budget proposal for each Audited Entity.
- The proposed budgets shall identify appropriations totaling 2.5% of operating expenses and special appropriations to be set aside and released as approved by the Board.

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Amends the Management and Budget Office Enabling Act

- Adds the Board as another advisor to the Governor, the Legislative Assembly and the governmental entities on the issues regarding budget and management administration.
- The budgets will include projections of 5-year revenues and expenditures, a reconciliation of such projections with previous ones and a detailed description of any actual or projected variations.
- The revenue projections identified in the budgets shall be validated by an independent consultant selected by the Board.

Amends the Government Accounting Act

- Requires every government agency to use the same accounting system as the Department of the Treasury.
- Every quarter, the Treasury Secretary will review the general Fund's net revenue estimates and will publish said review in the Department's website.

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