

(H. B. 1066)

(No. 44-2013)

(Approved June 30, 2013)

AN ACT

To amend Section 5 of Act No. 103-2006, as amended, known as the “Commonwealth of Puerto Rico Government Fiscal Reform Act of 2006,” for the purpose of extending for an additional fiscal year, through June 30, 2015, the suspension of the prohibition on using debts, loans, or any other financing mechanism to defray the operating expenses and to balance the General Budget of the Government of Puerto Rico.

STATEMENT OF MOTIVES

The whole world has been suffering an economic recession in the past years. Puerto Rico has not been the exception. However, in our case, the recession has worsened during the last four years. This was reflected in the layoff policy and the increase in public debt that Puerto Rico experienced during the previous government administration.

In addition to the obvious short-term impact, our economy was affected in the long term in various ways, to wit: the unemployment rate increased islandwide from 11.5% to 15.7%, and one in four municipalities has an unemployment rate of over 20%. On the other hand, Puerto Rico lost more than eight thousand (8,000) business establishments, nine hundred six (906) factories, and 29% of its industrial capacity. Moreover, the gross national product decreased by 12%, and the bankruptcies of three banks meant the flight of thousands of millions of assets which caused a reduction in credit availability.

To address this situation, this Administration has implemented an innovative development plan beginning with the approval of initiatives such as Act No. 1-2013, known as the “Jobs Now Act,” directed towards creating fifty thousand (50,000) new jobs, stimulating capital investment and economic development, incentivizing the permanence of existing businesses, and promoting the creation of small- and medium-sized businesses.

Moreover, the Governor of the Commonwealth of Puerto Rico signed Executive Orders OE-2013-002 and OE-2013-003 to establish the public policy on fiscal responsibility and public spending control in the Government. This has allowed for the monitoring of government contracting thus maintaining a strict control over government spending when contracting with third parties.

In the past, financing and loans were obtained to prevent the interruption of government operations. To obtain these, the Legislative Assembly approved Act No. 2-2009 to suspend the provisions of Section 5 of Act No. 103-2006, as amended, known as the “Commonwealth of Puerto Rico Government Fiscal Reform Act of 2006,” through June 30, 2011. Subsequently, Act No. 95-2011 extended such date to June 30, 2013, while Act No. 130-2012 extended the prohibition through June 30, 2014. Likewise, Act No. 4-2009 amended Act No. 164-2001 to increase to two hundred forty-five million dollars (\$245,000,000) the limit of the loans to be granted by the Government Development Bank for Puerto Rico, whose sources of repayment were future budget appropriations from the General Fund, through June 30, 2011.

This Government has implemented the necessary measures to efficiently address the current fiscal crisis. Due to the magnitude of the Island’s situation, it is necessary to once again extend the suspension of the provisions of Act No. 103-2006, as amended, until the fiscal control and economic stimulus measures achieve the expected outcome. Therefore, this Legislative Assembly extends

through June 30, 2015 the suspension of the prohibition on using financing mechanisms to defray operating expenses and to balance the General Budget of Puerto Rico set forth in Section 5 of Act No. 103-2006, as amended.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Section 5 of Act No. 103-2006, as amended, is hereby amended to read as follows:

“Section 5.- Prohibition on the Use of Debts

The use of debts, loans or any other financing mechanism to cover operating expenses and to balance the General Budget of Expenses of the Government of Puerto Rico is hereby prohibited. Savings resulting from refinancing shall not be used to cover operating expenses and/or to balance the budget of expenses, unless otherwise provided by a Joint Resolution. This prohibition shall not include those refinancing measures that have the effect of reducing the debt cost, without increasing the original amount nor the debt approved by the Legislative Assembly prior to the effectiveness of this Act. This Section shall not apply to instruments issued pursuant to Act No. 1 of June 26, 1987, as amended, known as the “Act to Issue Notes in Advance of Income Taxes of the Commonwealth of Puerto Rico.” The provisions of this Section 5 are hereby suspended as of the date of approval of this Act through June 30, 2015. The Legislative Assembly may extend this suspension for an additional period through legislation to such effect if it determines that said extension is necessary to continue the efforts directed to achieving a balanced budget.”

Section 2.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 44-2013 (H. B. 1066)** of the **1st Regular Session** of the **17th Legislative Assembly of Puerto Rico**:

AN ACT to amend Section 5 of Act No. 103-2006, as amended, known as the “Commonwealth of Puerto Rico Government Fiscal Reform Act of 2006,” for the purpose of extending for an additional fiscal year, through June 30, 2015, the suspension of the prohibition on using debts, loans, or any other financing mechanism to defray the operating expenses and to balance the General Budget of the Government of Puerto Rico.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on this 31st day of October, 2016.

Juan Luis Martínez Martínez
Director