

(H. B. 1914)

(No. 75-2014)

(Approved July 1, 2014)

AN ACT

To amend subsection (e) of Section 9A of Act No. 66 of June 22, 1978, as amended, known as the “Puerto Rico Medical Services Administration Act,” in order to modify the term for the payment of the obligation; direct the Office of Management and Budget and Government Development Bank to execute the documents or contracts needed to modify the number of years for repayment of the previously authorized line; and for other purposes.

STATEMENT OF MOTIVES

The previous Administration took out three loans for considerable amounts that constituted a financial deficit and whose amortizations run almost parallel for a short period, and with payments that are now to increase drastically. This is due to the fact that they were amortized in such a way that only the interest was paid first. However, soon the principal, in addition to the interest, must be paid. The foregoing has an extremely onerous effect on the General Fund at a time when we are going through a delicate financial situation.

Act No. 173-2010 amended Act No. 72-1993, as amended, known as the “Puerto Rico Health Insurance Administration Act,” to authorize the Puerto Rico Health Insurance Administration (ASES, Spanish acronym) to incur in obligations up to the principal sum of one hundred eighty seven million dollars (\$187,000,000) to satisfy the payment of debts with insurers and health care providers, as well as with other suppliers. By 2010, ASES had a recurring and structural deficit due to a history of increasing service costs, among other reasons, that prevented it from meeting its economic obligations with several creditors. Nevertheless, this line was structured in such a way that it provided an amortization term starting in Fiscal Year

2012-2013 and ending in Fiscal Year 2023-2024. Given that, initially, only the interests would be paid, the amortization would increase dramatically when another Administration was in office since Fiscal Year 2014-2015 and for the subsequent nine (9) years, both the interest and principal would have been paid.

This same structure was used for the loan authorized through Act No. 174-2010, that amended Act No. 66 of June 22, 1978, as amended, known as the “Puerto Rico Medical Services Administration Act,” to authorize the Puerto Rico Medical Services Administration to incur obligations up to a principal sum of two hundred eighty five million dollars (\$285,000,000) to pay its debts to suppliers, agencies, institutions, the self-insurance reserve fund, and to provide liquidity to alleviate the fiscal situation of said instrumentality during Fiscal Year 2010-2011. Once again, an amortization term was provided starting in Fiscal Year 2012-2013 and ending in Fiscal Year 2023-2024 with a payment that would initially only include interests; however, as of Fiscal Year 2014-2015 and for the following nine (9) fiscal years it would include both the interests and principal.

Finally, through Joint Resolution 62-2011, a line of credit was authorized for the sum of one hundred sixty million dollars (\$160,000,000) for the settlement of judicial and administrative claims against the Commonwealth of Puerto Rico. Since a reduction in federal funds allocated to this program was projected, it was provided that from this amount, fifteen million three hundred thousand dollars (\$15,300,000) would be appropriated to the Council for Occupational Development and Human Resources during Fiscal Year 2011-2012 to meet its obligation of offering services to the disadvantaged workforce. The terms established for the repayment of this line of credit was for an amortization of scarcely six (6) years starting Fiscal Year 2012-2013, making the annual payment a significant one.

It must be noted that the repayments provided for such lines of credit are usually made from the General Fund. In this regard, we must emphasize that the Legislative Assembly has a genuine commitment to comply with the payment of its obligations. Therefore, due to the fiscal situation that the Island is going through, and considering that the recent downgrade resulted in an increase in debt service payments while, at the same time, having to submit a balanced budget that does not rely on financing, it becomes absolutely necessary to modify the terms established for the payments of the aforementioned loans, which includes the loan authorized by Act No. 174-2010 that amended Act No. 66, as amended. For this purpose, it is deemed necessary to extend its amortization so as to provide more reasonable installments which would enable the General Fund to meet its obligations.

In order to safeguard the public interest, this measure intends to amend Act No. 66, as amended, to modify the number of years for the repayment of the obligation by extending the term thereof, and to direct the Director of the Office of Management and Budget and the Government Development Bank to execute the necessary documents or contracts in respect thereof. This Legislative Assembly deems this legislative proposal a prudent and responsible alternative for the management of public resources, particularly in view of the fiscal situation that we are going through.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Subsection (e) of Section 9A of Act No. 66 of June 22, 1978, as amended, is hereby amended to read as follows:

“Section 9A.- Authorization for Financing

(a) ...

(b) ...

(1) ...

(2) ...

(c) ...

(d) ...

(e) The Commonwealth of Puerto Rico shall honor through budget appropriations made by the Legislative Assembly in the operating budgets of each Fiscal Year, starting in Fiscal Year 2012-2013 and ending in Fiscal Year 2041-2042, the payment of the obligations authorized herein. To such effect, the interest payment amount shall be consigned in the general budget of the Commonwealth of Puerto Rico during Fiscal Years 2012-2013 and 2013-2014. From Fiscal Year 2014-2015 up to Fiscal Year 2041-2042, the principal payment amount shall be included in addition to the interests provided for the obligations incurred pursuant to subsection (a) of this Section.”

Section 2.- In order to comply with the provisions of Section 1 of this Act, the Director of the Office of Management and Budget and the Government Development Bank are hereby directed to execute the documents or contracts needed to modify the number of years for the repayment of the loans, in order to extend the same up to Fiscal Year 2041-2042, under the mutually agreed upon terms.

Section 3.- Severability Clause

If any clause, paragraph, subparagraph, article, provision, section, or part of this Act were held to be unconstitutional by a competent Court, said holding shall not affect, impair, or invalidate the remaining provisions of this Act. The effect of said holding shall be limited to the clause, paragraph, subparagraph, article, provision, section, or part thereof thus held to be unconstitutional.

Section 4.- Effectiveness

This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 75-2014 (H. B. 1914)** of the **3rd Regular Session** of the **17th Legislative Assembly of Puerto Rico**:

AN ACT to amend subsection (e) of Section 9A of Act No. 66 of June 22, 1978, as amended, known as the "Puerto Rico Medical Services Administration Act," in order to modify the term for the payment of the obligation; direct the Office of Management and Budget and Government Development Bank to execute the documents or contracts needed to modify the number of years for repayment of the previously authorized line; and for other purposes.

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

In San Juan, Puerto Rico, on this 11th day of September, 2018.

Orlando Pagán-Ramírez
Director