

(H. B. 1915)

**(No. 76-2014)**

(Approved July 1, 2014)

## **AN ACT**

To amend subsection (e) of Section 2A of Article IV of Act No. 72-1993, as amended, known as the “Puerto Rico Health Insurance Administration Act,” in order to modify the repayment period of the obligation; direct the Office of Management and Budget and the Government Development Bank to execute documents or contracts as needed to modify the repayment period of the previously authorized line; and for other purposes.

### **STATEMENT OF MOTIVES**

The preceding Administration took out three loans in considerable amounts that constituted deficit financing with short amortization periods, which run almost simultaneously, and whose payments have now increased drastically. This is due to the fact that they were amortized in such a way that only the interest would be paid initially and soon, we will start paying the principal plus interest. Thus, this situation has compromised the General Fund at a time when our fiscal situation is very delicate.

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 obligations up to the principal amount of one hundred eighty-seven million dollars (\$187,000,000) to satisfy debts with insurers, health care providers, and other suppliers. By 2010, ASES had a recurring and structural deficit due to, among other reasons, an upward trend in service costs that prevented ASES from meeting its financial obligations to several creditors. Nevertheless, the structure of this line of credit provided an amortization schedule beginning Fiscal Year 2012-2013 and ending Fiscal Year

2023-2024, so the payment will skyrocket by the time the next Administration comes in, because it originally included only the interest, but, as of Fiscal Year 2014-2015 and for the next nine (9) years payment, shall include both principal and interest.

This same structure was used for the line of credit authorized under 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 (ASEM, Spanish acronym) to incur obligations up to a principal amount 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 the instrumentality during Fiscal Year 2010-2011. Once again, an amortization term was established wherein, starting Fiscal Year 2012-2013 and ending Fiscal Year 2023-2024, the payment would initially include interest only; and as of Fiscal Year 2014-2015 and for the next nine (9) fiscal years, payments would include both interest and principal.

Finally, through Joint Resolution 62-2011, a line of credit in the amount of one hundred sixty million dollars (\$160,000,000) was authorized to settle judicial and administrative claims against the Commonwealth of Puerto Rico. 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 carry out its duty to offer services to dislocated workers, since a reduction in the federal funds allocated to this program was projected. The terms established to repay this line of credit were just a six (6)-year amortization period starting Fiscal Year 2012-2013; hence, the annual payment is fairly significant.

It must be noted that the repayment provided for such lines of credit is usually made from the General Fund. In this regard, we must emphasize that the Legislative Assembly has a genuine commitment to meet its obligations. Therefore, in order to address the fiscal situation faced by the Island, and considering the recent downgrade

which increased the debt servicing payments, which in turn, requires the submission of a balanced budget that does not rely on financing, it is critical to modify the terms to repay the aforementioned loans, which include the loan authorized under Act No. 173-2010, *supra*, that amended Act No. 72-1993, *supra*. For such purpose, we deem it necessary to extend its amortization so as to provide more reasonable installments which would enable the General Fund to meet its obligations.

For purposes of safeguarding the public interest, this measure seeks to amend Act No. 72-1993, *supra*, to modify the repayment period of the obligations 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 documents or contracts as are necessary to effectuate it. This Legislative Assembly believes that this legislative proposal is a prudent and responsible alternative for the management of public resources, particularly in our current fiscal situation.

***BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:***

Section 1.- Subsection (e) of Section 2A of Article IV of Act No. 72-1993, as amended, is hereby amended to read as follows:

“Section 2A.- Authorization for Financing

(a) ...

(b) ...

(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, for Fiscal Years 2012-2013 and 2013-2014, the amount corresponding to the payment of interest shall be earmarked in the general budget of the Commonwealth of Puerto Rico. From Fiscal Year 2014-2015 and up to Fiscal Year 2041-2042, the corresponding amount

of principal and interest shall be earmarked for the obligations incurred under subsection (a) of this Section.”

(f) ...

(g) ...

(h) ...”

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 documents or contracts as are necessary to modify the loans’ repayment period, in order to extend such period to Fiscal Year 2041-2042, under mutually agreed upon terms.

### Section 3.- Severability

If any clause, paragraph, subparagraph, article, provision, section, subsection, 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, subsection, 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. 76-2014 (H. B. 1915)** of the **3<sup>rd</sup> Regular Session** of the **17<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** to amend subsection (e) of Section 2A of Article IV of Act No. 72-1993, as amended, known as the “Puerto Rico Health Insurance Administration Act,” in order to modify the term to repay the obligation; direct the Office of Management and Budget and the Government Development Bank to execute documents or contracts as needed to modify the repayment period 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 3<sup>rd</sup> day of October, 2018.

Orlando Pagán-Ramírez  
Director