

(H. B. 1916)

**(No. 83-2014)**

(Approved July 3, 2014)

## **AN ACT**

To amend Section 7 of Act No. 103-2006, as amended, known as the “Fiscal Reform Act of 2006,” to provide that the special appropriations to be included in the budget for Fiscal Year 2014-2015 shall be determined according to the existing fiscal situation; therefore, any previous law providing a different amount shall be deemed to be superseded for said Fiscal Year, and no debt or obligation whatsoever shall be created for the difference; and for other related purposes.

### **STATEMENT OF MOTIVES**

Even before this Administration took the reins of the Island in January 2013, we have been threatened by a possible credit rating downgrading. In fact, it was projected that the structural deficit in the General Fund for the close of Fiscal Year 2012-2013 would amount to \$2.2 billion. This included \$600 million of the Commonwealth debt’s refinancing for Fiscal Year 2012-2013, \$175 million of the Public Buildings Authority debt’s refinancing, and \$330 million of Fiscal Year 2012-2013 deficit’s financing. The estimated deficit also included an overestimation of revenues of \$965 million, and expenditures of \$140 million more than the budgeted amount. As a result of various income and expenditure control measures, the deficit for Fiscal Year 2012-2013 was finally reduced to \$1.374 billion.

In turn, since this Administration took the reins of the Island, different measures have been taken to address the crisis that we are undergoing. Several tax bills had been approved, specifically an amendment to Act No. 154-2010, which extends through 2017 the excise tax on certain goods and services offered in Puerto Rico to foreign corporations, and Act No. 40-2013, as amended, known as the “Tax

Burden Redistribution and Adjustment Act.” With the implementation of these measures, we expect to reduce the deficit to \$820 million by the close of Fiscal Year 2013-2014. Likewise, with the approval of Joint Resolution No. 11-2014 and Act No. 33-2014, the budget approved for this fiscal year was reduced by \$170 million. Therefore, the deficit is projected to be reduced to \$650 million.

In spite of the measures taken, our credit rating was downgraded, thus requiring other measures directed to our fiscal recovery. Among the measures to be taken, we must consider submitting a balanced budget that does not depend on financing. This poses great challenges, because we must also eliminate the \$650 million structural deficit.

In order to present a balanced budget—given the fiscal crisis we are undergoing—we must implement substantial cutbacks throughout the government apparatus, including the special appropriations that have been legislated over the years. Most of these appropriations were legislated at a time when our financial conditions were diametrically opposed and were, therefore, established statutorily, even though the fiscal priorities could change as a result of the financial conditions prevailing at a certain time in history.

In this sense, it constitutes a sound managerial, administrative, and fiscal practice to consider all special appropriations in light of the financial conditions of each fiscal period. Therefore, even if an appropriation under the annual budget resolution is lower than appropriation provided under a preceding law, it shall not constitute an obligation or debt foreign to the fiscal situation being faced at a certain time. In this manner, the budget shall be prepared in a coordinated manner and focused on the existing limitations and the priorities to be established during the budget process.

For all the foregoing, this Administration deems it necessary to provide that for the budget of Fiscal Year 2014-2015, the Legislative Assembly may recommend and approve appropriations different than those provided under special laws and resolutions previously approved.

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

Section 1.- Section 7 of Act No. 103-2006, as amended, known as the “Commonwealth of Puerto Rico Government Fiscal Reform Act of 2006,” is hereby amended to read as follows:

“Section 7.- Approval of the General Budget of Expenses.

The General Budget of Expenses of the Government of the Commonwealth of Puerto Rico shall be approved through the following Resolutions: (1) Joint Resolution of the General Budget of Operating Expenses; (2) Joint Resolution of Special Appropriations; (3) Joint Resolution of Appropriations for the Construction of Capital Works chargeable to the Public Improvements Fund, and any other legislation to be agreed upon for the Legislative and Executive Branches. For fiscal year 2014-2015, the Legislative Assembly may, given the need to limit itself to the projected revenues on resources available for said budget, within the budget process, approve special appropriations in amounts different from those provided or established in a special law or Resolution previously in effect.

In the exercise of the constitutional power and sovereignty vested in the Legislative Assembly to approve the General Budget of Expenses, it is clearly established that the total or partial omission of appropriations not included in the Joint Resolution of Special Appropriations shall not generate any debt, obligation, or commitment whatsoever with public entities or third parties, except for statutory appropriations approved after said Resolution and any other previous law providing a different amount shall be deemed to be superseded for fiscal year 2014-2015.”

## Section 2.- Severability Clause

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 remainder of this Act. The effect of said holding shall be limited to the clause, paragraph, subparagraph, article, provision, section, subsection, or part of this Act thus held to be unconstitutional.

## Section 3.- Effectiveness

This Act shall take effect immediately after its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 83-2014 (H. B. 1916)** of the **3<sup>rd</sup> Regular Session** of the **17<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** to amend Section 7 of Act No. 103-2006, as amended, known as the "Fiscal Reform Act of 2006," to provide that the special appropriations to be included in the budget for Fiscal Year 2014-2015 shall be determined according to the existing fiscal situation; therefore, any previous law providing a different amount shall be deemed to be superseded for said Fiscal Year, and no debt or obligation whatsoever shall be created for the difference; and for other related purposes.

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

In San Juan, Puerto Rico, on this 11<sup>th</sup> day of July, 2019.

Orlando Pagán-Ramírez  
Director