

“Management and Budget Office Organic Act”

Act No. 147 of June 18, 1980, as amended,

(Contains amendments incorporated by:

Act No. 89 of August 18, 1994

Act No. 110 of August 3, 1995

[Act No. 93 of August 20, 1997](#)

[Act No. 74 of May 2, 2000](#)

[Act No. 286 of December 20, 2002](#)

[Act No. 30 of January 1, 2003](#)

[Act. No. 151 of June 22, 2004](#)

[Act No. 106 of May 25, 2006](#)

[Act No. 59 of July 10, 2007](#)

[Act No. 42 of April 16, 2010](#)

[Act No. 239 of December 11, 2011](#)

[Act No. 58 of March 19, 2012](#)

[Act No. 129 of July 2, 2012](#)

[Act No. 62 of July 19, 2013](#)

[Act No. 79 of July 1, 2014](#)

[Act No. 208 of December 8, 2015](#)

[Act No. 22 of April 7, 2016](#)

[Act No. 75 of July 25, 2019](#)

[Act No. 4 of May 24, 2021](#)

[Act No. 53 of October 26 of 2021](#))

(Unincorporated amendments:

Act No 97 of July 1, 2015

Act No. 82 of July 22, 2016

Act No. 81 of August 5, 2017

Act No. 158 of December 28, 2020

Act No. 120 of July 30, 2024)

To create the Management and Budget Office in the Office of the Governor and define its functions and powers; to establish the powers and faculties of the Governor and the Director of Management and Budget; to create the Budget Fund; to limit operating expenses in election years and establish penalties; to authorize the borrowing of money; to make recommendations revenues income; and to repeal certain laws.

Be it enacted by the Legislature of Puerto Rico:

Section 1. — Short title. (23 L.P.R.A. § 101)

This Act shall be known as the “Management and Budget Office Organic Act”.

Section 1A. — Declaration of Public Policy. (23 L.P.R.A. § 101a)

It is the policy of the Government of the Commonwealth of Puerto Rico to implement strict fiscal control and efficiency measures by adequately controlling budget items relating to appointments, personnel transactions, and contracts, as well as controlling government spending in general.

Section 2. — Creation of the Management and Budget Office. (23 L.P.R.A. § 102)

- (a) The Office of Management and Budget attached to the Office of the Governor, is hereby created as an advisory and auxiliary body to assist the Governor in the performance of his directive and administrative functions and responsibilities. Said Office shall be under the direction of a Director appointed by the Governor, who shall discharge his office at the will of the Chief Executive. The salary of the Director shall be fixed by the Governor. Office expenses, including the salaries of the Director and other personnel, shall be included yearly in the Budget Joint Resolution.
- (b) The Office shall be deemed an Individual Administrator for the purposes of the administration of its personnel, pursuant to the provisions of the Puerto Rico Public Service Personnel Act, Act No. 5 of October 14, 1975, as amended [*Note: Repealed by Act 184-2004, repealed and replaced by Act 8-2017, as amended*]. The Director shall select and appoint the professional, technical, secretarial and clerical personnel he/she deems necessary to fulfill the purposes of this act; and shall determine their qualifications, requirements, functions and duties pursuant to the provisions of said Public Service Personnel Act. The Director may contract the services of firms and professionals, technicians, consultants, auditors and others he/she deems necessary to discharge his/her functions and perform such studies, investigations and analyses he/she may deem necessary, or that are commissioned or requested by the Governor or the Legislature.
- (c) The Director shall be empowered to establish the organizational framework of the Office he/she deems necessary to comply with the purposes of this act.

Section 3. — Functions and duties. (23 L.P.R.A. § 103) [*Note: Act No.81-2017, amended Subsection (a) and added a new Subsection (b)(6); Act No.120-2024, added a new Subsection (b)(7), but the official translation is not available. Please consult the Spanish version*]

- (a) The Office of Management and Budget shall advise the Chief Executive, the Legislative Assembly and the government bodies, under the rules, regulations, instructions, and orders prescribed by the Governor, on those matters related to the budget, programs and administrative management, as well as on matters of a fiscal nature related to their functions; it shall perform the necessary functions to allow the Governor to submit to the Legislative Assembly the proposal for the General Budget of the Government pursuant to Section 4 of this Act, including Public Corporations. Likewise, it shall ensure that the execution and

administration of the budget by the public bodies is conducted in accordance with the laws and resolutions governing appropriations, with the soundest and most adequate fiscal and management standards, consistently with the provisions of the Fiscal and Economic Growth Plan approved in accordance with the Puerto Rico Fiscal Responsibility and Economic Revitalization Act (“the Fiscal and Economic Growth Plan”) and the programmatic objectives for which public funds are appropriated or provided. It shall evaluate the programs and activities of the public bodies in terms of their economy, efficiency, and effectiveness and shall submit reports to the Governor with recommendations for their implementation. Furthermore, it shall prepare and maintain control of all those fiscal and budgetary documents needed for the administration of the budget and shall carry out the pertinent changes, amendments, or adjustments subject to the legal and regulatory provisions established by the Legislative Assembly and the Governor. The Office of Management and Budget, together with the Secretary of the Treasury, shall submit a detailed report on the projected revenues and expenditures for the following fiscal year for the proposed General Budget submitted to the Legislative Assembly within a period not to exceed five (5) calendar days from the filing of the proposed General Budget of the Government of the Commonwealth of Puerto Rico by the Governor. It shall remain up to date with the new currents and trends in the budgetary and managerial aspects of public administration, in order to evaluate and adapt those techniques, methods, and viewpoints that apply to the local administrative field, in the process of formulating and executing the budget, as well as in program evaluation, administrative analysis, and operational and administrative audits. It shall also propose any legislation deemed necessary and convenient to include said currents and trends to our budgetary and administrative processes.

(b) The Office shall have the following powers:

(1) *Functions connected with the drafting of the budget:*

- (A)** To require from the various public agencies, corporations and political subdivisions of the Government of the Commonwealth of Puerto Rico, on the date it shall determine, the budgetary petitions with the operating plans and corresponding justifications, and all information of a programmatic, fiscal and administrative nature, proposed expenditures, financial and operational statements, and any other necessary information.
- (B)** To bring together, correlate, review, reduce or increase the budgetary petitions of the various Commonwealth agencies, except as provided in subsection (a), clause (7) of Section 4 [23 L.P.R.A. § 104(a)(7)].
- (C)** To hold hearings, conduct document examinations, and make any observations, investigations, inspections, or verifications deemed necessary to conduct said management studies or evaluations.
- (D)** To hold meetings with the directors of the agencies.
- (E)** To prepare financial, program, administrative and operational analyses of all public agencies, including those that operate with their own funds, or United States Government grants.
- (F)** To take into account and include the indications and recommendations contained in the studies and operational audits and management analyses carried out in the agencies during the analysis of the budgetary petitions thereof.

- (G) To obtain from the Electric Power Authority an annual energy consumption statement for the various government bodies, itemized by entity, and to report such data to the Governor as part of the budget process
- (2) ***Powers related to the administration, execution and control of the budget:***
- (A) To prepare and recommend for the Governor's approval, the budgetary items or Executive Budgets, pursuant to subsection (e), clause (1) of Section 4 [23 L.P.R.A. § 104(e)(1)].
- (B) To approve the creation or elimination of regular or fixed-term positions and offices during the fiscal year covered by the budget.
- (C) To eliminate all vacant positions, or those that become vacant as a result of reorganizations, elimination of duties, reductions in the volume of work, consolidation of programs or functions, or when deemed necessary for fiscal or budgetary control reasons.
- (D) To approve authorizations for public officials to travel abroad. Should the needs of the services so require it, the Director may delegate this power to the Secretaries and the Heads of Agencies.
- (E) To execute the control of the appropriations for investments and capital improvements, and require progress reports as frequently as needed to follow up on the execution and development of the programs, and to authorize the reprogramming of resources when the different government agencies request it, and the necessity and convenience thereof is determined. Provided, That it shall also follow up on the capital improvement programs of public corporations, and those financed by United States Government grants. In the performance of this function, it shall establish and maintain the needed coordination with the Government Development Bank regarding capital improvements and their financing, in connection with public corporations. Provided, That any reprogramming of resources that must be made, and the following up of the capital improvement programs, shall be attuned to the provisions of the Investment Program and the spirit of the statute that authorizes the use of the funds.
- (F) To verify the availability of funds to cover the reassignment of personnel, in-grade raises in salary, and any other personnel action which would have an effect on the budget, prior to the final authorization by the Central Personnel Administration Office, or by the Individual Administrators whose operating expenses depend on legislative appropriations.
- (G) To review and approve together with the Central Personnel Administration Office, the compensation plans of the agencies that are Individual Administrators under the Personnel Act, for the purpose of evaluating the fiscal effect. Said agencies shall establish the necessary procedures to comply with the purposes of this provision.
- (H) To verify the availability of funds for the employment of provisional personnel in those agencies that depend on legislative appropriations for their operating expenses.

- (I) To require Government agencies to render periodic reports on the status of the appropriations, which reflect the disbursements, obligations, available balances and projected expenditures.
 - (J) The administration, execution and control of the Judicial Branch's budget shall rest on the Chief Justice of the Supreme Court of Puerto Rico, or by delegation, on the Administrative Director of the Courts.
 - (K) The administration, execution and control of the Legislative Branch's budget shall rest on the President of the Senate and the Speaker of the House, respectively.
 - (L) To coordinate and require information through a circular letter to an official in the Executive Branch bodies, who shall be designated to serve as liaison between the dependencies of said Branch and the Office, in budget administration matters. This official shall be the Budget Director, the Finance Director, or the Administration Director - or their equivalent - and who is holding the office or position.
 - (M) Based on the data collected under subparagraph (G) of subsection (b)(1) of this Section, the Office shall prepare the projection of energy consumption expenses for each government body whose budget is under the jurisdiction of the Office, and whose payment for such service is covered in whole or in part by the General Fund budget; it shall identify the amount of the projected monthly payment for the following fiscal year; and shall coordinate with the Department of the Treasury so that the total amount of such items for each fiscal year is earmarked exclusively for the payment thereof and the corresponding monthly payment for such service is remitted directly and entirely to the Electric Power Authority at the beginning of each month.
- (3) Powers related to the evaluation and analysis of management programs:**
- (A) To perform those management studies, examinations and evaluations deemed necessary to measure, improve and increase the effectiveness, efficiency and economy in the operation of the regular agencies of the Government of the Commonwealth of Puerto Rico and its Public Corporations, and, in the case of the municipalities, when requested by them. To such effects, it shall, among other things:
 - (1) Keep under continuous scrutiny the organization of the Executive Branch, to advise the Governor and the Legislature on matters such as the creation or elimination of agencies; fusing of agencies; transfer of functions and programs; creation of mechanisms for coordination, planning and counsel, and other measures deemed necessary to improve the direction, coordination and operation of the Executive Branch.
 - (2) Examine and study internally any of the government agencies, public corporations or the municipalities, either totally or partially, regarding the organization, administrative and auxiliary systems and procedures for the planning, central and operational organization, internal and interagency coordination, information systems, auxiliary purchasing and supply services, among others.

- (3) Indicate and make recommendations to the heads of agencies and the Governor, based on the studies, evaluations and examinations it performs.
 - (4) Keep the Governor informed as to the findings and indications made as a part of the studies performed, and the corrective steps taken in each case.
 - (5) Help and counsel the agencies in developing administrative studies, evaluations, and in implementing the corrective measures adopted jointly.
 - (6) Participate as advisor or collaborator in structuring and implementing new government programs and agencies, and follow up on their development in order to make indications and recommendations to the Governor and the head of the agency concerned.
 - (7) Provide follow-up to the reorganizations implemented by the agencies for the purpose of evaluating the results and achievements obtained through such reorganizations, and present the pertinent indications and recommendations to the head of the agency and to the Governor.
 - (8) Promote and help to coordinate efforts to deal with matters or situations that require the participation or intervention of several government agencies.
- (B) To require government entities to provide reports, materials, data and any other information regarding the organization; the objectives, functions, activities, legal basis, regulations, resources, strategies, priorities, plans of action and any other managerial or administrative matters deemed relevant to the studies, evaluations or audits performed by the Office. The agencies, departments and other instrumentalities of the Government of the Commonwealth shall be bound to furnish whatever information the Office may require from them to comply with the functions and duties imposed by this act.
- (C) To make the visits, examinations of documents, observations, investigations, inspections or verifications deemed necessary to perform said management studies, audits or evaluations.
- (D) To encourage and promote the exchange of information on administrative matters and affairs.
- (i) Contract the consultants deemed necessary in the various specialized fields to advise on any matter related to the structuring of the internal auditing in the Office; with the development of specific operational or managerial auditing projects and with training of personnel in the fields of auditing, management and the budget.
- (E) To see to it that the programmatic evaluating programs performed, in addition to those aspects of particular interest to the Office, take into account the manner in which the objectives, goals, policies and strategies of each program harmonize with those established in the Internal Development Plan and the Four-Year Investment Program.

(4) Powers relating to operations, management, or administrative audits:

- (A)** To carry out operations or management audits in the agencies and instrumentalities of the Commonwealth of Puerto Rico and the public corporations thereof, whether on its own initiative, based on an annually scheduled plan, or at the request of the Governor, in order to determine the rate of success and efficiency of the government’s programs, projects, or activities: (i) in meeting the established objectives, (ii) in achieving the objectives at the lowest possible cost, and (iii) in avoiding or counteracting any waste, excessive spending, and duplication in the use of public funds. The result of said reports shall be submitted to the Governor and the head of the agency, instrumentality, or public corporation with a list of findings and recommendations directed toward maximizing the efficiency of government resources.
- (B)** To coordinate and expand government efforts to promote integrity and efficiency in the management of public, state, and federal funds.
- (C)** To evaluate and regulate the use of federal funds by agencies.
- (D)** To establish uniform processes for the evaluations and studies conducted and the advisory services provided on rule compliance.
- (E)** To establish processes for drafting corrective action plans upon finding deficiencies in government entities and to follow-up on the same to achieve a sound public administration.
- (F)** To advise and collaborate with government bodies in the establishment of corrective action plans and other measures.
- (G)** To require all documentation of a programmatic, fiscal, managerial, and operational nature, among others, from government entities in any evaluation being conducted.
- (H)** To have access to all documents, electronic information systems, and any other materials available in the government entities related to government programs, processes, and projects being analyzed or investigated by said government entities.
- (I)** To summon witnesses, administer oaths or statements, take testimonies, and require the production of books, photographs, records, and documents, including electronic information, documents, books, records, and photographs, as the OMB deems necessary to complete or update any ongoing investigation.
- (J)** In aid of jurisdiction, to request the Court of First Instance to issue subpoenas, under penalty of contempt, that require witnesses to appear and testify, or the production or presentation of all the evidence related to any issue that the OMB is currently evaluating, investigating, or studying.
- (K)** To adopt and promulgate regulations as are necessary and convenient to comply with the purposes of this Act.
- (L)** To develop and establish standards, policies, rules, and procedures to guide agencies in the establishment of controls and in the observance of sound administration practices.
- (M)** To refer the results of the audits carried out by the OMB, in accordance with the powers granted by this Act, to the Department of Justice,

the Office of Government Ethics, or any similar agency, as the case may be.

(5) *General powers inherent to the powers and duties of the Office:*

- (A)** Establish and maintain an information system which propitiates, advances and expedites the processes of Executive Branch agencies in their relationship and interaction with other agencies and with the Office, except for the system used by the Department of the Treasury in the exclusive performance of its operations, and the system used by all those other government agencies and bodies which the law provides and guarantees that the confidentiality of the information obtained be maintained in the exercise of their functions imposed by the body of laws or by the particular nature of the functions delegated upon them.
- (B)** Coordinate and require information by means of circular letters or memorandums to an official in the Executive Branch's entities, who shall be designated by the head of each dependency, Provided, That said information may imply the presentation of a sworn statement before a notary and reports from certified public accountants indicating compliance, or some other type of certification thereof, should meritorious special or extraordinary circumstances or needs arise. This official, who shall be the Budget Director, the Finance Director or the Director of Administration, or his/her equivalent, and who must be holding said office at the time, shall act as liaison between the dependencies of said Branch and the Office in matters regarding the administration of the budget.
- (C)** Require the participation of the agencies in multiagency projects geared to achieve economy, efficiency and effectiveness.
- (D)** Adopt general criteria whose effect shall be to achieve economy, efficiency and effectiveness in government. It may establish certain measures, among others, directed towards the conservation of resources in the Executive Branch entities and impose maximum limits on the fees to be paid on account of specific transactions or services in those cases that the Management and Budget Director deems necessary to achieve the best use of resources and a sound fiscal administration.

(6) [Note: Act No.81-2017 hereby added a new Subclause (6)]

(7) [Note: Act No. 120-2024 hereby added a new Subclause (7)]

Section 4. — Duties and faculties of the Governor with regard to the Budget. (23 L.P.R.A. § 104)

- (a)** In tune with Article IV, Section 4 of the Constitution of the Commonwealth of Puerto Rico, the Governor shall submit to the Legislative Assembly at the beginning of each regular session, an Annual Budget of Capital Improvements and Operating Expenses of the Commonwealth, its Instrumentalities and Public Corporations, chargeable to the General Fund, the Special Funds, the grants from the United States Government, bond issues and loans, the public corporations' own revenues, and any other sources of income, which will indicate the government's programs and objectives proposed by the Chief Executive for the following

fiscal year, based on the long term orientation and goals of the Fiscal and Economic Growth Plan, the Integrated Development Plan, the Four-Year Investment Plan, and the Land Use Plan drafted and adopted by the Planning Board.

The budget shall contain the following information, in the form, extent, or detail the Governor deems convenient:

- (1) A message from the Governor expounding his program, fiscal and budgetary recommendations.
- (2) A general presentation of the objectives, plans and programs on which the budget is based, as well as the manner that said objectives, plans and programs can be achieved with the resources that are recommended in the budget plan.
- (3) Descriptions of the functions, programs and activities of the Government and its agencies, including, when feasible or convenient, information on the cost of the programs in force and proposed, the objectives attained and the projected and completed administrative improvements.
- (4) All the revenues and expenditures of the Government of the Commonwealth of Puerto Rico and its instrumentalities and public corporations during the last completed fiscal year.
- (5) An estimate of all expected revenues for the current fiscal year at the time the budget is submitted, and an estimate of the expenses to be incurred during the same period by the Government of the Commonwealth and its instrumentalities and public corporations.
- (6) Calculations of all potential revenues of the Government of the Commonwealth and its Instrumentalities and Public Corporations, regardless of their origin, during the following fiscal year according to:
 - (A) Laws in effect on the date the budget is submitted;
 - (B) legislative measures that affect such revenues, if any;
 - (C) the federal programs in effect; and
 - (D) from other sources.

Said calculation of revenues shall:

- (i) be validated on or before February 14th prior to the beginning of each fiscal year by an independent consultant, who shall be selected by the Fiscal Oversight Board while said entity is operating, but that does not exceed five (5) years from the date on which the Governor approves the Fiscal and Economic Growth Plan;
- (ii) establish assumptions on which the projection is based;
- (iii) be itemized on a month-by-month basis; and
- (iv) For purposes of approving a balanced budget, the income estimate shall exclude the refund estimate and the amounts to be deposited in any special fund created by law. The refund estimate to be excluded must be subject to evaluation.

- (E) The calculation contemplated in subsection (6) of this Section shall be reviewed by an independent consultant and the Secretary of the Treasury before submitting the same as part of the budget to be considered by the Legislative Assembly.
- (7) The recommended or proposed appropriations chargeable to all the calculated resources, after due consideration of the Fiscal and Economic Growth Plan, the Puerto Rico Integrated Development Plan, the Four-Year Investment Program and the land-use plans prepared by the Planning Board for the following fiscal year, except the Legislative Assembly and the Office of the Comptroller of the Commonwealth of Puerto Rico, which shall be exempt from submitting budget requests that the Governor shall include in the recommended budget, itemized in a budget for their regular operating expenses equal to the one in effect. The Office of the Comptroller shall submit its own fund request for regular operating expenses directly to the Legislative Assembly, on or before November 30th of the year before the year for which the request is made, and shall furnish to the Office a copy of all the information it submits to the Legislative Assembly, so that said Office may advise the Legislative Assembly regarding the fund requests for the regular operating expenses of said body. Every two (2) years, the Office of the Comptroller of Puerto Rico shall submit to the Legislative Assembly a report of its operating expenses including an external audit. Beginning on Fiscal Year 2003-2004, the Judicial Branch shall be appropriated a sum equal to three point three percent (3.3%) of the average of the total amount of the annual revenues earned in accordance with the provisions of the Laws of the Commonwealth of Puerto Rico, and covered into the General Fund of the Treasury of Puerto Rico during the two (2) fiscal years preceding the current year, and those covered into the Dedicated Sales Tax Fund, created by Sections 11a through 16 of this title, and into any other special fund created by law after July 1, 2007, nourished from resources generated by taxation and non-taxation revenues. Provided, that in the event that the average of the total amount of annual revenues is less than the average of the preceding year, the basis amount shall be equal to the last annual appropriation received by the Judicial Branch. Said three point three percent (3.3%) shall be increased for Fiscal Year 2004-2005 by one tenth of one percent (0.1%), and by two tenths of one percent (0.2%) for the following three (3) fiscal years, until it reaches a maximum of four percent (4%) of the revenues of the General Fund of the Treasury of Puerto Rico for Fiscal Year 2007-2008. These resources shall be used for the operating expenses of the Judicial Branch. In the event the Judicial Branch should require sums in addition to those appropriated pursuant to this Chapter for the development, construction, and extension of its physical structure or for any other purpose, it shall submit the necessary budget request with its pertinent justifications directly to the Legislative Assembly. The recommendations and requests for appropriations of lump sums in the general budget bill for each government body shall be supported in the budget submitted by detailed calculations, expense items, and by programs or

activities. The budget shall include a Budget Control Reserve which shall consist of the reserved funds of the Supervised Entities in the Budget of the Commonwealth that represent two point five percent (2.5%) of the total operating expense appropriations and special appropriations, which shall not be available for expenses but rather transferred to an account under the custody of the Office of Management and Budget to be released in accordance with the ‘Puerto Rico Fiscal Oversight and Economic Recovery Organic Act.’

- (8) The financial statements and any other economic data and information, including the budgets of public corporations and enterprises which, in his judgment, could be necessary or convenient in order to make known in as detailed a manner as feasible:

 - (A) The financial condition of the Commonwealth Government at the close of the last fiscal year;
 - (B) its estimated fiscal situation at the close of the current fiscal year, including all balances available for expending, and
 - (C) the estimated fiscal situation at the close of the following year, if the proposals contained in the Budget are adopted.
- (9) Five-year income and expenditure projections, a reconciliation of said projections with previous projections and a detailed description of any present or projected variation.
- (10) Special appropriations, appropriations for operating expenses and capital expenses, and all other appropriations for the fiscal year.
- (b) The Governor shall submit the appropriations and income-generating draft bills, in agreement with the recommended Budget during the Regular Session of the Legislature, within the term prescribed by law.
- (c) In tune with Section 8, Article VI of the Constitution of the Commonwealth of Puerto Rico, he/she shall act according to the following priority guidelines for the disbursement of public funds, when the available funds for a specific fiscal year are not sufficient to cover the appropriations approved for that year. These functions may be delegated on the Management and Budget Director:

 - (1) Order the payment of interest and amortizations corresponding to the public debt.
 - (2) Order that the commitments entered into by virtue of legal contracts in force, judgments of the courts in cases of condemnation under eminent domain, and binding obligations to safeguard the credit, reputation and good name of the Government of the Commonwealth of Puerto Rico, be attended to.
 - (3) Order that preference be given to disbursements charged to appropriations for regular expenses connected with the:

 - (A) Conservation of public health.
 - (B) Protection of persons and property.
 - (C) Public education programs.
 - (D) Public welfare programs.
 - (E) Payment of employer contributions to retirement systems and payment of pensions to individuals granted under special statutes; and then, the

remaining public services in the order of priority determined by the Governor; Provided, That the disbursements related to the services listed hereunder shall not have preference among themselves but shall be handled simultaneously; Provided, further, That any adjustments due to reductions may be made in any of the appropriations for regular expenses, including the service areas indicated in this subparagraph.

- (4) Order the construction of capital works or improvements with duly executed contracts; Provided, That priority shall be given to emergency works caused by catastrophes or acts of nature, acts of God; and then, to those works that are most responsive to the development of the normal and economic life of Puerto Rico.
 - (5) Order that the payment of contracts and commitments contracted under special appropriations for operations be honored, and then, that special preference be given to those phases of the programs that are in the process of development or in a stage of planning which, if postponed, would affect the interests of the clients served by the program, directly or indirectly.
- (d) The administrative measures stated below shall be adopted for the implementation of the priority guidelines established above: The Governor, or the Management and Budget Director, as delegated by the former, shall submit to the President of the Senate and the Speaker of the House of Representatives, as well as to the Committees on Finance of both Legislative Bodies, a detailed report of the adjustments which have been necessary to make in order to balance the budget by virtue of the provisions of this section. Together with this report, the Governor shall submit his/her recommendations regarding the manner that the postponed works and activities are to be handled. The obligations corresponding to the postponed works shall be canceled for the purposes of the year which has been adjusted and shall be entered into the books of the Secretary of the Treasury against the funds available for appropriation in subsequent years, through the corresponding warrant of appropriations:
- (1) To adjust the appropriations for the regular operating expenses provided for the various Commonwealth agencies and instrumentalities, according to the priority guidelines established in subsection (c) of this section.
 - (2) To adjust the appropriations approved for the development of capital works the execution of which has not been brought to public auction, by postponing that part of the lawfully authorized work which cannot be completed because of limitation of funds.
 - (3) To adjust the appropriations for special programs which, if postponed, do not affect nor are in conflict with the commitments and obligations contracted, by reducing or adjusting the sums authorized by law.
- (e) Regarding the administration and control of the budget, he/she shall have the following powers that he/she may delegate on the Management and Budget Director:
- (1) To approve the budgetary items, through executive budgets, of the lump sum appropriations approved in the General Budget Joint Resolution, or any other laws; and of resources available in special federal or Commonwealth funds. These details may be prepared on the basis of specific fiscal years or on quotas for stated periods of time within a fiscal year.

- (2) To amend the budgetary items as he deems necessary without affecting the total amount appropriated to the agencies, except as provided in subsections (c) and (d) of this section or when it is otherwise provided by other statutes.
- (3) To approve and authenticate through executive budgets, or position and expense authorizations, the special authorizations to incur expenses and create positions, from any funds or appropriations, regardless of their source. Those authorizations not covered in the executive budgets indicated in clause (1) of this subsection shall be deemed as special.
- (4) To determine which vacant positions, or those that may be vacated later, shall not be covered during whatever period is considered necessary.
- (5) To establish budgetary reserves and restrict the funds available to the agencies, in whatever way he deems pertinent, when, in the execution and control of the budget, he considers it necessary regardless of the circumstances established in subsections (c) and (d) of this section.
- (6) To include in the details of the budget those items needed to pay debts incurred by the bodies in previous years chargeable to the various sources of revenues, including payments made on account of the payment agreements entered into with the Electric Power Authority and the Aqueduct and Sewer Authority, and to reduce by said amounts the resources available to the body for the fiscal year in which the adjustment is made. The exercise of this function shall not apply to the bodies or enterprises which operate with their independent treasury, nor to those bodies that receive appropriations over which the Office exerts no budgetary control, which shall take the pertinent measures to settle the debts of previous years.
- (7) To authorize the Secretary of the Treasury to advance funds to the agencies, chargeable to the General Fund for obligations or disbursements of programs with United States Government grants which have been approved but have not been received, and for the payment of capital improvements which have been contracted for and are in the process of being built, until new appropriations become effective.

Section 5. — Recommendations on revenue. (23 L.P.R.A. § 105)

If in a given fiscal year, the total revenue figured on the basis of the laws in force, plus the resources or surpluses available for appropriation, were less than the expenses proposed, the Governor shall recommend new taxes, loans, or other pertinent action to the Legislature to deal with the estimated deficit. If the sum of all estimated revenues is greater than the proposed expenditures, the Governor shall make the recommendations which, in his judgment, best serve the public interest.

Section 6. — Creation of the Budgetary Fund. (23 L.P.R.A. § 106) *[Note: Act No. 82-2016, amended Subsection 6(b), but the official translation is not available. Please consult the Spanish version]*

- (a) A depositary fund of the Government of the Commonwealth, under the custody of the Secretary of the Treasury, is hereby authorized and created and shall be known as the "Budgetary Fund".

- (b) Beginning fiscal year 95-96, the ‘Budget Fund’ shall be capitalized annually by an amount not less than one third of one percent (1/3 of 1%) of the total Joint Budget Resolution. As of fiscal year 1999-2000, said contribution shall be not less than one percent (1%) of the total net revenues for the previous fiscal year. Furthermore, it is hereby directed that, as of fiscal year 1999-2000, any income that does not constitute net revenues to the General Fund that are not allocated by law for a specific purpose, shall be deposited in the Budget Fund. The Governor of Puerto Rico and the Director of the Office, by delegation of the former, may direct that any amount in excess of the amount herein fixed from any source of income be deposited in the Fund, when deemed convenient. Likewise, an appropriation to the Fund may be included as part of the budget for each fiscal year. As an exception, during Fiscal Year 2014-2015, the resources provided for its capitalization originally from the application of the percentage of the total net revenues for the previous fiscal year and income that does not constitute net revenues shall not be deposited in the Budget Fund. The foregoing shall not be construed as a limitation to the authority of the Legislative Assembly to provide for or authorize other mechanisms to fund the Budget Fund. The maximum balance of said fund shall not exceed six percent (6%) of the total funds appropriated under Joint Budget Resolution for the year in which such resources are directed to be deposited in the Budget Fund.
- (c) The Budget Fund shall be used to cover appropriations approved for any fiscal year in which the revenues available for said year are not sufficient to cover the same, and to honor the payment of the public debt. Provided, that this Fund may be used to address situations that affect the rendering of public services to citizens, for which a justification signed by the head of the agency in question shall be provided explaining in detail the need and the actions taken to address the same with their own budget.
- (c) The Budgetary Fund shall be used to cover appropriations approved for any fiscal year in which the revenues available for said year are not sufficient to address the same, and to honor the payment of the public debt.
- (d) The Governor and the Director of the Office of Management and Budget, through delegation of the latter, shall provide the financial resources to the agencies and public corporations, chargeable to the Fund, to meet the obligations of or disbursements by programs with contributions from the United States Government approved and pending receipt, for the payment of capital improvements projects under construction, while the appropriations become effective, and for the payment of determinations of the Federal and Commonwealth Courts.
- (e) The Governor is hereby authorized to order the use of the Budgetary Fund's resources that are needed to attend to such circumstances.

Section 7. — Special Fund. (23 L.P.R.A. § 105c)

A Special Fund is hereby created under the custody of the Office of Management and Budget, without fiscal year determination, different and separate from any other monies or funds of the State, in which the funds proceeding from payments or refunds made by agencies and instrumentalities of the Government of Puerto Rico as the result of the imposition of fees and/or collections shall be deposited.

This fund shall be used by the Director of the Office of Management and Budget to defray expenses related to the services provided by the Office and/or those to be contracted for the benefit of the agencies and instrumentalities of the Government of Puerto Rico, or to satisfy any needs identified by the Director in the Office of Management and Budget.

Section 8. — Limitation on expenditures in election year. (23 L.P.R.A. § 108)

During the period comprised between July 1 of the year a general election is held, and the date the new officials elected in said general election are sworn into office, it shall be unlawful to incur expenses or obligations that exceed fifty percent (50%) of the budgetary appropriation of each item. The Secretaries and Directors of the agencies shall be directly responsible for any violation of this provision, which shall constitute a misdemeanor which is punishable by imprisonment for a term of six (6) months or a fine of five hundred dollars (\$500), or both penalties, in the discretion of the court. Provided, however, that this limitation shall not apply to the Judicial Branch, the Legislative Branch, to any appropriation for matching federal funds which require an advance, the capital improvements programs, the payment of the public debt, the appropriations to the University of Puerto Rico, and the appropriations for specific legal purposes that do not constitute regular operating expenses.

Section 9. — Succession and transfers. (23 L.P.R.A. § 109)

- (a) The Budget and Management Office shall be the successor, for all ends and purposes, of the Bureau of the Budget created by Act No. 213 of May 12, 1942, amended, pursuant to the provisions of this act.
- (b) All property or any interest therein, records, files, or those to be appropriated in the future, including surpluses, assets and debts of all types; obligations and contracts of any type; and licenses, permits and other authorizations shall be transferred to the Budget and Management Office to be used for the ends and purposes of this act.
- (c) All personnel employed in the Bureau of the Budget upon the approval of and the effective date of this act shall be transferred to the Budget and Management Office. Said personnel shall retain all vested rights as of the effective date of this act, as well as the rights, privileges and obligations, and status in connection with any existing pension or retirement system or systems or savings and loan funds to which they may be affiliated.

Section 10. — Appropriations. (23 L.P.R.A. § 101 note)

The appropriation of funds for the operating expenses of the Office shall be included in the annual budget submitted to the Legislature. If for any reason the funds for the expenses are not included in said annual budget, the appropriation for said year shall be identical to that of the immediately preceding year.

Section 11. — Repealing clause. (23 L.P.R.A. § 101 note)

Sections 1, 20, [29], 30, 31, 32, 32A, 32B, 32C, 32D and 33 of Act No. 213 of May 12, 1942, as amended [23 L.P.R.A. §§ 1 and 81-86]; Act No. 77 of June 24, 1975, known as the Bureau of the Budget Organic Act [23 L.P.R.A. §§ 1 note, 1 and 81-86a], and every act or part thereof or regulations which may be inconsistent with the provisions of this act, are hereby repealed.

Section 12. — Savings Clause. (23 L.P.R.A. § 101 note)

If any word, clause, sentence, section or other part of this act were questioned for any reason before any court and found unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions and parts of this act, but its effect shall be confined to the word, clause, sentence, section or part so held unconstitutional or invalid, and the nullity or invalidity of any word, clause, sentence, section, or part, in any instance shall not be held to affect or prejudice in any way, its applicability or validity in any other instance.

Section 13. — Effective Date.

This Act shall take effect immediately after its approval.

Note. This compilation was prepared by the [Puerto Rico Office of Management and Budget](#) staff who have striven to ensure it is complete and accurate. However, this is not an official compilation and may not be completely free of error. It contains all amendments incorporated for reading purposes only. For accuracy and exactitude please refer to the act original text and the collection of Laws of Puerto Rico Annotated LPRA. The state links acts are property of [Legislative Services Office](#) of Puerto Rico. The federal links acts are property of [US Government Publishing Office GPO](#). Compiled by the Office of Management and Budget Library.

See also the [Original version Act](#), as approved by the Legislature of Puerto Rico.