



## **Financial Oversight and Management Board for Puerto Rico**

For Immediate Release

### **OVERSIGHT BOARD CERTIFIES FISCAL PLAN FOR PUERTO RICO**

*Adopts amended Government of Puerto Rico proposed plan with some further amendments*

*(New York, NY – March 13, 2017)* – The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) created under the bipartisan Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA” or the “Act”) today certified the Fiscal Plan for the Government of Puerto Rico in compliance with PROMESA, during its fifth public meeting, held at the Alexander Hamilton U.S. Customs House Building in New York, live-streamed via webcast in both English and Spanish.

The Oversight Board unanimously adopted a resolution approving the Government of Puerto Rico’s proposed fiscal plan with some amendments made by the Oversight Board at the meeting. In the resolution, the Board summarized the process leading to its decision, and then noted its determination, pursuant to PROMESA § 201(e), to certify the Governor’s latest proposed fiscal plan, with some modifications.

Specifically, the Board noted that the Government’s amended Fiscal Plan required additional safeguards to ensure that sufficient liquidity and budgetary savings be realized to fund essential services in fiscal year 2018. Accordingly, the Board amended the plan to include the use of a furlough program and the removal of Christmas bonuses to achieve necessary liquidity and budgetary savings, unless the Board ascertains the Government’s compliance with certain conditions later this calendar year 2017.

The Board also amended the Government’s Fiscal Plan with respect to pensions to achieve reductions in total pension outlays of 10%, beginning in 2020. During the next 30 days, the Government and the Board will work on a specific plan to be finalized by June 30, 2017, based on the following principles: (1) to fund existing pension obligations on a “paygo” basis, liquidating assets to help fund benefits and using general fund revenues to pay benefits owed under previous plans; (2) to enroll all active members and new hires in defined contribution accounts that segregate and protect their contributions to pay for their own future benefits; (3) to reduce progressively total pension outlays by 10% to ensure the system can meet its obligations, with protections to ensure that no member is pushed below the federal poverty line as a result of the reductions; and (4) to enroll, beginning in 2020, all newly-hired teachers and

public safety workers in Social Security, and, to the extent practicable, enroll current teachers and public safety employees under age 40 in Social Security.

“Since its inception, the Oversight Board has worked to understand the facts and realities prevalent in Puerto Rico, the options available to the government, and the implications of different approaches to addressing the financial and economic crisis facing the Island. Throughout, we have sought to partner with the Government of Puerto Rico and to use the tools made available to us under the law to help provide a better future for the people of Puerto Rico. Not just for today, but for our children and future generations. Our people love their home and they deserve to be able to build a future on it, not forced to move away to support their families and their dreams,” said Oversight Board Chair, José Carrión.

“But we must realize—truly understand in our hearts—that the problems facing Puerto Rico are massive. Over time, the government has made commitments to everyone—including employees, pensioners, college students, enrollees in health care programs, bondholders and others—that cannot be met based on a realistic measure of the tax revenues that the economy can currently support,” he added.

“PROMESA was enacted to build a path to fiscal stability, economic growth, equitable restructuring of the government’s debt and restored access to capital markets. Make no mistake: without the bipartisan PROMESA legislation, the island would be facing financial and legal chaos right now, without hope of reversing the economic decline, and the sad exodus of more Puerto Ricans seeking to build a prosperous life for their families. Without truly massive changes, though, and without using the tools provided under PROMESA, we will face continued decline and deprivation. The people of Puerto Rico deserve better than that, and the Board has pledged its efforts to work toward a better future for Puerto Rico,” said the Oversight Board Chair.

“In any financial crisis, there is the temptation to believe that one can emerge without sacrifice, or with less sacrifice, if only others would bear the costs or if the elusive turnaround finally happened. The fact is that any real solution must involve all parties sharing in the effort, especially if it’s painful. But all should also share in the opportunity for a better, more secure and prosperous future. It is always tempting to avoid difficult choices by assuming that the economy will grow faster, that tax revenues will increase or that government spending will come in under budget. But in the past, this wishful thinking has almost always served to make problems worse by putting off solutions,” Carrión noted.

The Oversight Board Chair thanked the Governor of Puerto Rico, Ricardo Rosselló Nevares, for his high sense of responsibility and urgency in crafting solutions to address Puerto Rico’s fiscal challenges. “The Governor and his entire team deserve credit for working so diligently under such demanding circumstances for the benefit of the people of Puerto Rico,” Carrión noted.

“The Board has proposed actions on all fronts to ensure there are sufficient funds to finance essential services to the public and put the budget on a path to structural balance. Specifically, over the course of three years, we aim to partner with the Government of Puerto Rico to balance the budget, restructure long-term debt obligations, and take the decisive action necessary to restore economic growth,” he said.

“The Board is hopeful for the future of Puerto Rico. The Island’s spirit and resources, if properly applied, foretell a much better life for our children and grandchildren. But one cannot spend hope. We cannot expend resources today in the hopes that tomorrow’s economy will pay for them. Rather, we must build tomorrow’s economy by making now the difficult choices we have long known are necessary and start building a better Puerto Rico for this and future generations,” concluded Carrión.

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