

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



José B. Carrión III
Chair

Members

Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

Natalie A. Jaresko
Executive Director

BY ELECTRONIC MAIL

June 2, 2017

Honorable Ricardo A. Rosselló Nevares
Governor of Puerto Rico
La Fortaleza
PO Box 9020082
San Juan, PR 00902-0082

Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico

Honorable Carlos J. Méndez Núñez
Speaker of the House of Representatives
of Puerto Rico

Dear Governor Rosselló Nevares, Senator Rivera Schatz, and Speaker Méndez Núñez:

At the March 13, 2017 public meeting of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), the Oversight Board unanimously approved the Governor’s proposed fiscal plan dated March 13, 2017 for the Commonwealth of Puerto Rico, as modified by the two amendments set forth in the Oversight Board’s resolution entitled “Board Resolution Adopted on March 13, 2017 (Fiscal Plan Certification)”. We refer to the approved amended plan as the “Commonwealth Fiscal Plan.” By letter dated March 13, 2017, pursuant to PROMESA § 201(e), the Oversight Board certified the Commonwealth Fiscal Plan as compliant with PROMESA § 201(b) and delivered such certification to you.

By letter dated April 15, 2017, the Oversight Board, after certain typographical and formatting errors were discovered in the Commonwealth Fiscal Plan, submitted a corrected Commonwealth Fiscal Plan, certified it as compliant with PROMESA § 201(b), and delivered a compliance certification to you.

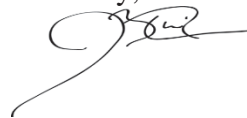
Honorable Ricardo A. Rosselló Nevares
Honorable Thomas Rivera Schatz
Honorable Carlos J. Méndez Núñez
June 2, 2017
Page 2 of 2

By letter dated May 29, 2017, the Oversight Board made certain revisions to the revenue forecast for the fiscal year 2018, pursuant to its statutory right under PROMESA § 202(b). On May 31, 2017, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“FAFAA”), on behalf of the Government of Puerto Rico, sent a letter to the Oversight Board requesting that the certified Commonwealth Fiscal Plan be amended in accordance with the revised revenue forecast contained therein (the “FAFAA Letter”).

The Oversight Board has adopted, by unanimous written consent, dated May 31, 2017, the suggested revisions detailed in the FAFAA Letter into the Commonwealth Fiscal Plan. Accordingly, the Oversight Board is pleased, pursuant to PROMESA § 201(e), to have re-certified the Commonwealth Fiscal Plan (as revised) as compliant with PROMESA § 201(b). By this letter, the Oversight Board delivers this compliance certification to you. Both the FAFAA Letter and the Oversight Board’s unanimous written consent re-certifying the Fiscal Plan are attached as Exhibit A and Exhibit B, respectively.

The Oversight Board looks forward to continue working with the Commonwealth to accomplish the considerable remaining requirements and goals of PROMESA for the benefit of the people of Puerto Rico and its creditors and other stakeholders.

Sincerely,



José B. Carrión
Chair

Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

CC: Natalie A. Jaresko
Elías F. Sánchez-Sifonte

Enclosures:

Exhibit A FAFAA Letter, dated May 31, 2017
Exhibit B Oversight Board Unanimous Written Consent Letter, dated May 31, 2017

Exhibit A

FAFAA Letter, dated May 31, 2017



GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial Advisory Authority

BY ELECTRONIC MAIL

May 31, 2017

Natalie A. Jaresko

Executive Director

Financial Oversight and Management Board for Puerto Rico

Dear Ms. Jaresko:

Reference is hereby made to your letter dated May 29, 2017, whereby the Fiscal Oversight and Management Board for Puerto Rico (the "FOMB") made certain revisions to the revenue forecast for the fiscal year 2018, pursuant to its statutory right under Section 202(b) of PROMESA.

The Puerto Rico Fiscal Agency and Financial Advisory Authority ("FAFAA"), on behalf of the Government of Puerto Rico (the "Government"), hereby requests that the certified Fiscal Plan be amended in accordance with the revised revenue forecast as follows:

- **Revised revenue estimates.** Revenues for fiscal year 2018 should be reduced by \$215 million. This reduction takes into consideration the impact of various fiscal measures being enacted by the Government in fiscal year 2018. The reduction is offset by an improvement due to higher revenue collections in fiscal year 2017 the Government anticipates will reoccur in fiscal year 2018. A full list of the changes required is included in Appendix A.
- **Limitation on access to Sales and Use Tax revenues.** Fiscal year 2018 non-general fund Sales and Use Tax revenues should be reduced by \$519.
- **One-time additional healthcare revenues.** As a result of the recent enactment of the Consolidated Appropriations Act in Congress (Public Law No: 115-31), Puerto Rico will receive an additional \$295.9 million in one-time funding for its Medicaid program.
- **Pay-Go Reimbursements General Fund.** Additional revenue of \$390 million should be added to the general fund due to pension reimbursements from other agencies and asset sales subject to continuing diligence.
- **Pay-Go Reimbursements Other Income.** Additional revenue of \$344 million should be added to the other income fund due to pension reimbursements from other agencies and asset sales subject to continuing diligence.

It should be noted that the Pay-Go Reimbursements will be revenue neutral when considering the offsetting effect of the pension expense. Furthermore, the revised revenue estimates and other

recent developments have been incorporated in the fiscal year 2018 proposed budget. FAFAA will be updating and forwarding the corresponding documents accordingly.

The Government is fully committed to comply with PROMESA and to put Puerto Rico on a path of sustainable economic growth. We look forward to continue this collaboration.

Cordially,



Gerardo J. Portela Franco
Executive Director

c. Elías F. Sánchez-Sifonte, Esq.
Members of the FOMB



GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial Advisory Authority

Appendix A¹

Fiscal year ending June 30 (\$ in millions)	Certified FP		Revised	
	2018		2018	
General Fund Revenues:				
Individual Income Taxes	\$	1,760	\$	1,800
Corporate Income Taxes		1,473		1,510
Non-Resident Withholdings		666		640
Alcoholic Beverages		260		257
Cigarettes		109		110
Motor Vehicles		321		318
Excises on Off-Shore Shipment Rum		173		149
PayGo Reimbursement		-		390
Other General Fund Revenue		386		363
General Fund Portion of SUT (10.5%)		1,655		1,567
Net Act 154		1,556		1,533
General Fund Revenue	\$	8,359	\$	8,637
Additional SUT (COFINA, FAM & Cine)		877		358
PayGo Reimbursement		-		344
Other Tax Revenues		1,396		1,294
Other Non-Tax Revenues		576		575
Federal Transfers		7,168		7,168
Loss of Affordable Care Act ("ACA") Funding		(865)		(865)
Additional Medicaid Funding		-		296
Revenues before Measures	\$	17,511	\$	17,807
Revenue Measures	\$	924	\$	924
Total Revenues after Measures	\$	18,435	\$	18,731

¹ As provided by the FOMB on its letter dated May 29, 2017.

Exhibit B

Oversight Board Unanimous Written Consent Letter, dated May 31, 2017

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**

**UNANIMOUS WRITTEN CONSENT APPROVING
CERTIFIED FISCAL PLAN, AS CORRECTED**

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (the “Board”); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of a fiscal plan for Puerto Rico, requiring that (i) the Governor must submit a proposed fiscal plan to the Board; (ii) the Board must review the proposed fiscal plan and determine either that it satisfies PROMESA’s requirements or that it does not, in which case the Board must issue a notice of violation and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed fiscal plan to the Board; and (iv) if the Governor fails to timely submit a proposed fiscal plan that the Board determines in its sole discretion satisfies PROMESA’s requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on March 13, 2017, the Board held a public hearing on the most recent proposed fiscal plan submitted by the Governor; and

WHEREAS, after substantial deliberations, and after having received public comment on the Governor’s proposed fiscal plan and the Board’s recommended modifications to it, the Board certified the Governor’s proposed fiscal plan, subject to certain amendments adopted at the March 13, 2017 meeting; and

WHEREAS, after the March 13, 2017 meeting, the Board approved and re-certified the fiscal plan to correct certain typographical and formatting errors and adopted other minor changes thereto; and

WHEREAS, the Governor has proposed certain revisions to the certified fiscal plan, which revisions are set forth in the letter attached as Exhibit A hereto; and

WHEREAS the Board has had the opportunity to consider the Governor’s proposed revisions to the certified fiscal plan and discuss them with its experts, consultants, and attorneys, and believes that they are satisfactory; and


WHEREAS, after substantial deliberations, the Board has determined to approve the Governor’s proposed revisions and certify the fiscal plan as so revised; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the revisions proposed by the Governor and certifies the fiscal plan as so revised

pursuant to PROMESA § 201(e), as modified by the amendments adopted at the March 13, 2017 public meeting; and it is

FURTHER RESOLVED that the Board will issue a compliance certification for the revised fiscal plan, as amended, to the Governor and the Legislature pursuant to PROMESA § 201(e).

Dated: May 31, 2017



José B. Carrión, Chair

Dated: May 31, 2017

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