



Financial Oversight and Management Board for Puerto Rico

For Immediate Release

OVERSIGHT BOARD SETS GOALS, OBJECTIVES AND PARAMETERS

FOR PUERTO RICO'S FISCAL PLAN

Communicates to Governor Rosselló willingness to extend deadline to submit Fiscal Plan and PROMESA legal stay, subject to specific conditions

(San Juan, PR - January 18, 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 shared with Puerto Rico’s Governor Ricardo Rosselló Nevares the goals, objectives and parameters that must be included in the new administration’s Fiscal Plan.

In the letter to the Governor, the Oversight Board outlines five areas that the Rosselló administration must include in its Fiscal Plan in order for the Government to generate, between now and fiscal year 2019, additional revenue and/or savings totaling \$4.5 billion a year. The five areas include (1) revenue enhancements through adjustments to the tax system and improvements in tax administration; (2) government right-sizing, efficiency and reduction; 3) reducing health care spending; 4) reducing higher education spending; and 5) pension reform, among others.

“The measures listed above make up one ambitious but viable proposal. We...also welcome the opportunity to work with your Administration to develop and implement the necessary reforms and the terms of the debt restructuring that will allow Puerto Rico to achieve fiscal balance and regain access to credit markets at reasonable interest rates. The Board is providing you with the fiscal framework, and within such framework we expect that you and your Administration will make the public policy determinations consistent with PROMESA,” reads the Oversight Board’s letter signed by its Chairman, José Carrión.

In the letter, Carrión acknowledges that several of the measures implemented by the new administration since its inauguration in early January, are steps in the right direction, but much more is required.

“From your executive orders declaring a fiscal emergency, imposing salary freezes, limiting the number of non-career personnel and other labor cost reductions and requiring agencies to build zero-based budgets, it appears that your administration shares this priority [of achieving savings through government right-sizing and efficiency improvements.] ...Yet, we must be candid and stress that, to get closer to fiscal balance [required under PROMESA], a lot more will need to be done beyond the measures already adopted by your Administration.

In the letter, the Oversight Board informs Governor Rosselló that it is favorably inclined to extend the deadline for submitting its fiscal plan to the Board until February 28, 2017 such that the Board may certify the fiscal plan by no later than March 15, 2017. This extension will be formally considered at the Board’s next public meeting later this month and would be contingent upon the Government meeting and adhering to a set of conditions and timelines, including a commitment not to take more loans to provide short-term liquidity, develop a liquidity plan and provide further financial information, among others.

Similarly, the Oversight Board informed Governor Rosselló it is favorably inclined to extend the PROMESA automatic stay, in accordance with PROMESA, until May 1, 2017, subject to the same conditions.

The Oversight Board had established January 15 as the deadline for the new administration to submit its Fiscal Plan, as the plan submitted by the previous administration did not meet the requirements outlined in PROMESA and as such could not be certified. Also, said federal legislation sets forth a stay, among other things, on any lawsuit against the Government of Puerto Rico for failing to meet its obligations with creditors through February 15, 2017.

In a letter dated December 20, 2016 addressed to then Governor Alejandro García Padilla and then Governor-Elect Rosselló Nevaes, the Oversight Board had reiterated its willingness to collaborate with the new administration in order to meet the outlined agenda leading to the certification of a Fiscal Plan on or before January 31, 2017. As per PROMESA, the certification of the Fiscal Plan is a priority to move forward Puerto Rico’s fiscal agenda.

In response to the Oversight Board’s letter, on January 4, 2017, Elías Sánchez requested, on behalf of the governor, a 45-day extension to submit this administration’s Fiscal Plan, as well as a 75-day extension, through May 1, 2017, to the legal stay against the Government of Puerto Rico outlined in PROMESA.

“We understand that the new administration shares the Board’s sense of urgency to collaborate promptly and decidedly in an effort to implement the needed structural reforms and reestablish economic growth and opportunities for the people of Puerto Rico,” concluded Carrión.

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Contact:

José Luis Cedeño

787-717-2429

jcedeno@forculuspr.com

info@forculuspr.com

Board’s Contact Information:

E-mail: comments@oversightboard.pr.gov

Website: www.oversightboard.pr.gov