



David A. Skeel Jr.  
**Chair**

## **Members**

Andrew G. Biggs  
Arthur J. González  
Antonio L. Medina  
John E. Nixon  
Justin M. Peterson  
Betty A. Rosa

Robert F. Mujica Jr.  
**Executive Director**

## **BY ELECTRONIC MAIL**

February 24, 2023

Honorable Pedro Pierluisi Urrutia  
Governor  
Commonwealth of Puerto Rico

Dear Governor Pierluisi Urrutia:

Pursuant to a Resolution, a copy of which is attached hereto as Exhibit A (the “Resolution”), adopted by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), and Section 202(f) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), the Oversight Board hereby issues to the Governor this compliance certification that the revised fiscal year 2023 budgets for the instrumentalities identified in Exhibit 1 hereto (the “Instrumentalities”), are compliant budgets as set forth in the Resolution.

The Oversight Board looks forward to working with the Commonwealth and the Instrumentalities to accomplish the requirements and goals of PROMESA for the benefit of the people of Puerto Rico.

Sincerely,

*David A. Skeel Jr.*

David A. Skeel

Andrew G. Biggs  
Arthur J. Gonzalez  
Antonio L. Medina  
John E. Nixon  
Justin M. Peterson  
Betty A. Rosa

CC: Mr. Robert F. Mujica Jr.  
Hon. Omar Marrero Díaz  
Hon. Francisco Parés  
Mr. Juan C. Blanco

**Exhibit A – RESOLUTION**

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

**February 24, 2023**

**RESOLUTION CERTIFYING REVISED FISCAL YEAR 2023 SPECIAL REVENUE  
FUNDS BUDGET**

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, on June 30, 2022, the Board approved the fiscal year 2023 budget for the instrumentalities identified in Exhibit 1 hereto (the “Instrumentalities”) developed by the Board (the “Original Instrumentalities’ Budget”) as a revised, compliant budget that was submitted to the Governor pursuant to Sections 202(c)(2) and 202(e)(4) of PROMESA; and

WHEREAS, the Governor requested certain revisions to the Original Instrumentalities’ Budget; and

WHEREAS, Section 202(f) of PROMESA establishes that the Governor and the Board may jointly develop budgets for the Instrumentalities of the Commonwealth of Puerto Rico; and

WHEREAS, the Board and the Governor jointly developed the fiscal year 2023 revised budget for each of the Instrumentalities pursuant to Section 202(f) of PROMESA, attached hereto as Exhibit 1, that: (i) is compliant with the fiscal plan previously certified for the Commonwealth of Puerto Rico and (ii) reflects a consensus among them (each a “Revised Compliant Budget”);

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to Section 202(f) of PROMESA, the Board certifies that each Revised Compliant Budget reflects the consensus among the Board and the Governor with respect to such budget, and that such budget shall serve as the budget for the corresponding Instrumentalities for fiscal year 2023.

## **BUDGETARY RESOLUTION PROVISIONS**

**Section 2.-** Any expenditure funded through SRFs cannot exceed the lower of: (1) the amount authorized in this budget for the corresponding government entity and concept of expenditure or (2) the corresponding special revenue amount collected in FY2023 and available in the SRF.

**Section 3.-** No later than 45 days after the closing of each quarter of FY2023, the Secretary of the Treasury shall revise the projected net revenues of the SRF for FY2023 (the “Quarterly Revision”) and shall notify the revision to the Director of the Office of Management and Budget (“OMB”), the Governor, and the Oversight Board, with a copy to the Legislative Assembly. The Quarterly Revision shall project future revenues based on actual SRF revenues and include revisions to the assumptions used to generate the SRF’s net revenue projections.

**Section 4.-** All authorized SRF budget amounts for government entities, including those with funds outside of the TSA, for any prior fiscal year, are eliminated and no carry over of such funds may be used, subject to Oversight Board adjustment at any time, with the exception of: (1) expenditures authorized in the fiscal year 2022 certified budget to carry out permanent improvements that have been encumbered, accounted for, and kept on the books but not exceeding two fiscal years on the books; (2) expenditures in the certified budget for equipment with procurement cycles that extend beyond the end of the fiscal year, which are encumbered on or before June 30, 2023; (3) the portion of expenditures authorized for fiscal year 2022 that have been encumbered on or before June 30 of such fiscal year, which shall be kept in the books for 60 days after the termination of that fiscal year and after those 60 days no amount shall be drawn against such portion for any reason; (4) the Federal unemployment funds collected and managed by the Commonwealth included in the fiscal year 2021 certified budget, which are held under the custody of the Department of Labor and Human Resources (“DLHR”); (5) fiscal year 2022 unused Special Revenue Funds intended for Medicaid related expenditures; (6) reported unused funds from Department of Health’s (“DOH”) Intellectual Disability program until the end of the following fiscal year; (7) reported unused funds from Department of Correction and Rehabilitation’s (“DCR”) Juvenile program; (8) unused expenditure amounts for milestones and incentives held under the custody of OMB as approved by the Oversight Board; (9) fiscal year 2022 unused Special Revenue Funds intended for Catastrophic Disease Fund related expenditures; (10) unused funds intended for the use of the Scrap Tire Management Program under the Department of Natural and Environmental Resources (“DNER”); (11) unused funds intended for the use of the Used Oil Management Program under the DNER; (12) fiscal year 2022 unused Special Revenue Funds intended for the DOH’s Puerto Rico Proficiency Program; (13) unused funds for State unemployment insurance, disability insurance, and chauffeur’s insurance, which are held under the custody of the DLHR; (14) unused funds from the Tax Increment Financing program of the Convention Center District Authority; (15) unused funds pertaining to unclaimed child support payments under the custody of the Child Support Administration; and (16) Social Security payments for minors under the Commonwealth’s custody in the Family and Children Administration. In addition, this restriction on the use of unused authorized prior fiscal year amounts shall not apply to: (i) programs financed in whole or in part with federal funds; (ii) orders by the United States district court with jurisdiction over all matters under Title III of PROMESA; (iii) reported unused funds from Department of Education’s Pell Grants program until the end of the following fiscal year; or (iv) matters pertaining to any consent decree or injunction, or an

administrative order or settlement entered into with a federal agency, with respect to federal programs.

**Section 5.-** On or before July 31, 2022, the Secretary of the Treasury, Executive Director of the Fiscal Agency and Financial Advisory Authority (“AAFAF”, by its Spanish acronym), and the Director of the OMB shall provide to the Oversight Board, with a copy to the Legislative Assembly, a certification indicating the amounts of unused fiscal year 2021 authorized SRF budget amounts for all items enumerated in the previous section. If the Government fails to submit said certification, the amount of unused funds in items 1, 2, and 7 will not carry over to the following fiscal year.

**Section 6.-** Each power of OMB, AAFAF, or the Department of the Treasury, including the authorities granted under Act 230-1974, as amended, known as the “Puerto Rico Government Accounting Act” (“Act 230”), to authorize the reprogramming or extension of authorized SRF budget amounts and/or cash balances of prior fiscal years is hereby suspended. Authorized SRF amounts in this FY2023 certified budget may only be reprogrammed with the prior written approval of the Oversight Board. For the avoidance of doubt, this prohibition includes any reprogramming of any amount, line item or expenditure provided in this budget, regardless of whether it is an intra-agency reprogramming. Reprogramming also known as reapportionments may be made into spend concepts and/or objects not explicitly listed in the FY2023 certified budget resolution as long as such requests are submitted to and approved by the Oversight Board in advance.

**Section 7.-** The Governor shall submit to the Oversight Board all reporting requirements set forth on Exhibit 158 of the 2022 Fiscal Plan according to the reporting cadence described therein. In addition, if the Oversight Board approves a reprogramming pursuant to Section 6, the immediately subsequent report by the Governor must illustrate the specific implementation of such reprogramming, including the amount, the source of the reprogrammed amount identified by government entity and expenditure concept, the Government entity that received such amount, and the expenditure concept to which it was applied.

In addition, the Governor shall submit to the Oversight Board a comprehensive reporting package in a similar format to that required in accordance with Section 203 of PROMESA for the following specified programs within different agencies: (1) Department of Education’s (“PRDE”) Special Education Program; (2) DOH’s Adult Hospital Program; (3) DOH’s Pediatric Hospital Program; (4) DOH’s Hospital Universitario Dr. Ramón Ruiz Arnau (“HURRA”) Bayamón Hospital Program; (5) DOH’s 330 Centers Payments; (6) Mental Health and Anti-Addiction Services Administration’s (“ASSMCA,” by its Spanish acronym) Río Piedras Hospital Program; and (7) DCR’s Juvenile Program. Program reporting must include and clearly detail budget to actuals on a concept level basis, any reprogramming of funds within the program, and any reprogramming of funds to/from other programs or agencies.

In addition, the Governor shall submit to the Oversight Board a monthly reporting package detailing capital expenditure spending by agency and by project including details for expenditures which have RFPs issued, which contracts have been awarded, and which are in process. To the

extent that the Oversight Board requires additional reporting regarding federal funds, it shall notify the Governor.

In addition, on a quarterly basis, the Department of Treasury must submit a report certifying total income tax collected from exempt businesses and royalty income taxes withheld and deposited by exempt businesses under Act 60-2019 and prior tax incentives acts. This report must be accompanied by a variance analysis which compares collections to previous periods and explanations for said variances. As per Law 60-2019, all incentives are funded by 10% of the income tax paid by exempt businesses and royalty income taxes withheld and deposited by exempt businesses under Act 60-2019 and prior tax incentives acts. As such, disbursements related to the incentive appropriations covered by Law 60-2019 (Cruise Ships, Green Energy, Cine, FEDE, Export & Development fund incentives, rum program incentives, entrepreneurial incentives and promotion of employment and economic activity incentives, among others) will be gradual and subject to actual collections. The Department of Economic Development will determine the amount to be allocated to each incentive until reaching amount budgeted.

Separately, in order to ensure maximum and proper use of federal funds, such as, but not limited to, (1) DRF, (2) CARES, (3) FFCRA, (4) CRRSAA, (5) and ARP, the Governor shall submit a work plan before any disbursement of funds. Improved reporting will help prevent and combat actual, and claims of, misuse, fraud, waste, and abuse. Therefore, the Governor shall also submit to the Oversight Board any report that the Commonwealth government (i) provides to the federal government or (ii) creates internally. Such reports shall be provided to the Oversight Board at the same time that they are provided to the federal government or circulated internally within the Commonwealth government. The Governor shall also provide, as requested, performance metrics with regards, but not limited to, time required to submit claims, time required to submit compliance reporting, and time required to collect reimbursement claims.

The reports required pursuant to this section are in addition to the reports that the Governor must submit to the Oversight Board in accordance with Section 203 of PROMESA.

**Section 8.-** In conjunction with the reports that the Governor must submit to the Oversight Board no later than 15 days after the last day of each quarter of FY2023, pursuant to Section 203 of PROMESA, the Secretary of the Treasury, Executive Director of AAFAF, and the Director of the OMB shall each certify to the Oversight Board that no authorized SRF budget amount of any previous fiscal year (except for those covered by the exceptions in the sections above) have been used to cover any expenditure unless authorized by the Oversight Board.

**Section 9.-** OMB and the Department of the Treasury are authorized to establish the necessary mechanisms to ensure that when implementing the concept of mobility, pursuant to the provisions of Act 8-2017, as amended, known as the “Puerto Rico Human Resources Management and Transformation in the Government Act,” the corresponding transfer of funds allocated to payroll and related costs of said employee are to be carried out simultaneously.

**Section 10.-** The Secretary of the Treasury, the Director of the OMB, and the Finance Director and Executive Director of each agency or public corporation covered by the 2022 Fiscal Plan shall be responsible for not spending or encumbering during FY2023 any amount that exceeds

the authorized SRF budget amounts for FY2023. This prohibition applies to every SRF budget amount authorized herein as certified by the Oversight Board, including amounts for payroll and related costs. The Executive Director of AAFAF and the Director of the OMB shall also certify to the Oversight Board, with a copy to the Legislative Assembly, by September 30, 2022 that no amount was spent or encumbered that exceeded the authorized SRF amount in the certified budget for FY2022.

**Section 11.-** For the avoidance of doubt, any reference within the budget to AAFAF, the Department of the Treasury, or OMB, or any of their respective officers, shall apply to any successor thereof.

**Section 12.-** On or before July 31, 2022, the Governor shall provide to the Oversight Board budget projections of SRF revenues and expenditures for each quarter of FY2023, which must be consistent with the corresponding budget certified by the Oversight Board (the “Quarterly Budget”). The Quarterly Budget shall be provided to the Oversight Board in Excel format and include detailed allocations by agency, public corporation, fund type and concept of spend. Together with the report that the Governor must provide under Section 203 of PROMESA not later than 15 days after the last day of each quarter, the Governor shall provide a quarterly variance analysis that is consistent with modified accrual accounting.

**Section 13.-** The Special Revenue Funds and Federal Funds budget shall be adopted in both of Puerto Rico’s official languages, English and Spanish. If in the interpretation or application of the budget a conflict arises between the English and Spanish texts, the English text shall govern.

**Section 14.-** Severability.

If any clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this resolution were to be annulled or declared unconstitutional, the order to such effect will neither affect nor invalidate the remainder of this resolution. The effect of such an order shall be limited to the clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this resolution so annulled or declared unconstitutional. If the application to a person or circumstance of any clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this resolution, were to be annulled or declared unconstitutional, the order to such effect will neither affect nor invalidate the application of the remainder of this resolution to such persons or circumstances to which it may be validly applied. It is the express and unequivocal intent of this Legislative Assembly that the courts of law enforce the provisions and application of this resolution to the greatest possible extent, even if any of its parts is annulled, invalidated, affected or declared unconstitutional, or even if the application thereof to any person or circumstance is annulled, invalidated or declared unconstitutional. This Legislative Assembly would have passed this resolution regardless of the ruling on severability that a Court may issue.

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SPECIAL STATE FUNDS, OWN REVENUE, AND OTHER INCOME

**EXHIBIT I**

1	<b>VII Executive Office</b>		
2	<b>19. Puerto Rico Infrastructure Financing Authority</b>		
3	A. Facilities and utility payments		13,000
4	i. Other facilities costs	3,000	
5	ii. For fuel and lubricants payment to GSA	10,000	
6	B. Purchased services		225,000
7	i. Payment fro PRIMAS	202,000	
8	ii. Leases (excluding PBA)	12,000	
9	iii. Other purchased services	11,000	
10	C. Professional services		547,000
11	i. Information technology (IT) professional services	48,000	
12	ii. Legal professional services	115,000	
13	iii. Labor and human resources professional services	10,000	
14	iv. Finance and accounting professional services	229,000	
15	v. Engineering and architecture professional services	10,000	
16	vi. Other professional services	135,000	
17	D. Other operating expenses		18,000
18	E. Payments of current and prior period obligations		633,982
19	F. Materials and supplies		10,000
20	G. Equipment purchases		20,000
21	H. Capital expenditures		53,855,678
22	<b>Total Puerto Rico Infrastructure Financing Authority</b>		<b>55,322,660</b>

**SPECIAL STATE FUNDS, OWN REVENUE, AND OTHER REVENUE**

**EXHIBIT I**

1	<b>VI Treasury/ Office of the Chief Financial Officer</b>	
2	<b>13.3 Other programs within the Department of Treasury</b>	
3	A. Purchased services	641,000
4	B. Other operating expenses	-
5	C. Undistributed appropriations	500,000
6	D. Professional services	2,845,000
7	i. Information technology (IT) professional services	2,845,000
8	<b>Total Other programs within the Department of Treasury</b>	<b>3,986,000</b>