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# FINANCIAL OVERSIGHT & MANAGEMENT BOARD FOR PUERTO RICO



David A. Skeel, Jr.  
Chair

## Members

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

Natalie A. Jaresko  
Executive Director

## **BY ELECTRONIC MAIL**

May 12, 2021

The Honorable Pedro R. Pierluisi Urrutia  
Governor of Puerto Rico

The Honorable José Luis Dalmau Santiago  
President of the Senate of Puerto Rico

The Honorable Rafael Hernández Montañez  
Speaker of the House of Representatives of Puerto Rico

Dear Governor Pierluisi Urrutia, President Dalmau Santiago and Speaker Hernández Montañez:

Pursuant to a Resolution, a copy of which is attached hereto as Exhibit A (“Resolution”), adopted by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), and section 202(e)(3) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), the Oversight Board hereby issues to the Governor and the Legislature this compliance certification. The Oversight Board certifies that the revised fiscal year 2021 budget for the Commonwealth of Puerto Rico, which appropriates funds required to fund certain Puerto Rico Electric Power Authority (“PREPA”) operational reserve accounts to ensure the necessary levels of working capital and comply with the Operation and Maintenance Agreement between LUMA Energy (“LUMA”), PREPA and the P3 Authority, by which LUMA is to assume the operation and management of PREPA’s transmission and distribution system (the “Budget for PREPA Reserve Account Funding”), and which revised budget was developed by the Oversight Board pursuant to section 202(d)(2) and is attached hereto as Exhibit 1, is a compliant budget as set forth in the Resolution.

Honorable Pedro R. Pierluisi Urrutia  
Honorable José Luis Dalmau Santiago  
Honorable Rafael Hernández Montanez  
May 12, 2021  
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The Oversight Board looks forward to working with you to accomplish the requirements and goals of PROMESA for the benefit of the people of Puerto Rico.

Sincerely,



David A. Skeel

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

CC: Ms. Natalie A. Jaresko  
Mr. Omar Marrero Diaz  
Mr. Juan Carlos Blanco Urrutia

**EXHIBIT A**

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

**MAY 12, 2021**

**RESOLUTION APPROVING SUBMISSION OF REVISION TO  
COMMONWEALTH'S FISCAL YEAR 2021 BUDGET TO THE  
GOVERNOR AND LEGISLATURE**

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, 2020, the Board approved a fiscal year 2021 budget for the Commonwealth of Puerto Rico developed by the Board (the "Original Commonwealth Budget") as a revised, compliant budget that was submitted to the Governor and the Legislature pursuant to Sections 202(d)(2) and 202(e)(3) of PROMESA; and

WHEREAS, on April 28, 2021, pursuant to Section 202(c)(1), the Governor submitted to the Board a proposed Fiscal Year 2021 Special Budget Resolution for the Commonwealth of Puerto Rico to contribute funds required to fund certain Puerto Rico Electric Power Authority ("PREPA") operational reserve accounts to ensure the necessary levels of working capital and comply with the Operation and Maintenance Agreement between LUMA Energy ("LUMA"), PREPA and the P3 Authority, by which LUMA is to assume the operation and management of PREPA's transmission and distribution system (the "Budget for PREPA Reserve Account Funding"); and

WHEREAS, after reviewing the proposed Budget for PREPA Reserve Account Funding, the Board notified the Governor on April 29, 2021, that the Board had determined the Governor's proposed Budget for PREPA Reserve Account Funding did not comply with the 2021 Fiscal Plan for Puerto Rico (the "2021 Fiscal Plan") as certified by the Oversight Board on April 23, 2021, requiring corrective actions; and

WHEREAS, the Board's notice to the Governor described the violations that the Board had identified; and

WHEREAS, on April 30, 2021, the Governor submitted to the Board a revised proposed Budget for PREPA Reserve Account Funding attempting to address the identified violations in the prior proposed Budget for PREPA Reserve Account Funding; and

WHEREAS, the Board and its advisors held extensive discussions with the Governor's representatives regarding such revised proposed Budget for PREPA Reserve Account Funding;

WHEREAS, after substantial deliberations, the Board determined that the revised proposed Budget for PREPA Reserve Account Funding did not reflect a compliant budget as required by PROMESA Section 202(c)(2) and developed a revised compliant Budget for PREPA Reserve Account Funding, which the Board submitted to the Governor and the Legislature on May 3, 2021; and

WHEREAS, on May 7, 2021, the Speaker of the P.R. House of Representatives informed the Board in a letter that, among other things: (1) the deadlines established pursuant Section 202(a) of PROMESA in the Board's May 4, 2021 letter to develop, submit, approve and certify the Budget for PREPA Reserve Account Funding "are unachievable under the constitutional scheme of our legislative process"; and (2) the Legislative Assembly "cannot, in good faith, approve any joint resolutions that would enable LUMA's operation to begin"; and

WHEREAS, on May 8, 2021, the Board issued a Notice of Violation pursuant to Section 202(d)(1)(B) of PROMESA and extended the time for the Legislature to adopt a compliant budget by revising the schedule then in effect under Section 202(a) of PROMESA to extend the time for the Legislature to adopt a compliant budget until 11:59 am AST on May 12, 2021; and

WHEREAS, the Legislature has failed to submit a proposed Budget for PREPA Reserve Account Funding to the Board as required by the Board's revised schedule; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, after substantial deliberations, the Board has developed a revised Budget for PREPA Reserve Account Funding for submission as a revised, compliant Budget for PREPA Reserve Account Funding pursuant to Section 202(d)(2) and Section 202(e)(3) of PROMESA, which budget is attached hereto as Exhibit 1 (the "Revised Compliant Budget"); and

IT IS HEREBY FURTHER RESOLVED THAT, pursuant to Section 202(e)(3) of PROMESA, the Board shall submit to the Governor and the Legislature pursuant to Sections 202(d)(2) and 202(e)(3) of PROMESA the Revised Compliant Budget, and such Revised Compliant Budget shall be (i) deemed to be approved by the Governor and the Legislature, (ii) the subject of a compliance certification to be issued by the Board to the Governor and the Legislature, and (iii) in full force and effect beginning on the date of this Resolution.

**GENERAL FUND**

**EXHIBIT I**

1	<b>VII Custody Accounts</b>	
2	<b>17. Appropriations under the custody of the Treasury</b>	
3	A. Payroll and related costs	-
4	B. Payments to PayGo	164,129,984
5	C. Facilities and utility payments	-
6	D. Donations, subsidies and other distributions (including court sentences)	1,107,000
7	i. For the operation and maintenance of the land registry of Puerto Rico,	
8	maintained by the Municipal Revenue Collection Center, pursuant to	
9	Law 184-2014	1,000,000
10	ii. For the payment of life annuity to Wilfredo Benítez, according to the	
11	provisions of JR 726-1995	7,000
12	iii. For payments of judgements against the State	100,000
13	E. Professional services	140,277,000
14	i. Title III professional fees	140,277,000
15	F. Other operating expenses	254,000
16	i. Other SUT expenses	254,000
17	G. Social well-being for Puerto Rico	1,162,099,000
18	i. Commonwealth transfer to the Highways and Transportation Authority	
19	for operating expenses	222,400,000
20	ii. Commonwealth transfer to the Highways and Transportation Authority	
21	for capital expenditures	59,067,000
22	ii. For each municipality's Municipal Development Fund, as provided by	
23	Law 18-2014, to be distributed pursuant to Law 1-2011	49,581,000
24	iii. For each municipality's Municipal Improvement Fund, as provided by	
25	Law 18-2014, to be distributed pursuant to Law 1-2011	24,791,000
26	iv. Rural area health professionals scholarship and loan forgiveness	
27	endowment	20,000,000
28	v. Cruise ships incentives in the Economic Incentive Fund,	

**GENERAL FUND**

1		pursuant to law 60-2019	12,750,000	
2	vi.	"Rum cover-over" funds in the Economic Incentive Fund,		
3		pursuant to law 60-2019	10,000,000	
4	vii.	Green Energy Incentives in the Economic Incentive Fund,		
5		pursuant to law 60-2019	5,770,000	
6	viii.	CINE Development funds in the Economic Incentive Fund,		
7		pursuant to law 60-2019	3,240,000	
8	ix.	Export Development in the Economic Incentive Fund,		
9		pursuant to law 60-2019	2,000,000	
10	x.	Development funds in the Economic Incentive Fund,		
11		pursuant to law 60-2019	2,500,000	
12	xi.	Commonwealth transfer to PREPA to fund reserves for operations,		
13		capital investment, and other purposes as required to strengthen		
14		the electric power transmission and distribution infrastructure	750,000,000	
15	H.	Appropriations to non-governmental entities		338,028,000
16	i.	Contributions to rum producers related to the "rum cover-over"		
17		collected by the US Treasury	181,636,000	
18	ii.	FEDE portion of corporate income taxes and non-resident		
19		withholdings in the Economic Incentive Fund, pursuant		
20		to law 60-2019	76,262,000	
21	iii.	UPR Scholarship Fund	42,754,000	
22	iv.	Contributions to the Conservation Trust related to the		
23		"rum cover-over"	15,000,000	
24	v.	Transfer to the Society for Legal Assistance	9,800,000	
25	vi.	Contributions to the Science, Technology, & Research Trust		
26		related to the "rum cover-over"	5,000,000	
27	vii.	Transfer to Legal Services of Puerto Rico, Inc.	4,460,000	
28	viii.	Transfer to Boys and Girls Club	1,247,000	
29	ix.	Transfer to the Community Legal Office, Inc.	486,000	
1	x.	Transfer to Pro-Bono, Inc.	405,000	
2	xi.	For operating expenses of the Photojournalism Workshop Program of the		

**GENERAL FUND**

3	Puerto Rican Athenaeum, as provided in Law 276-1999	280,000
4	xii. For the payment of the State Global Bond	270,000
5	xiii. Access to Justice	200,000
6	xiv. Kinesis Foundation	140,000
7	xv. To support operating expenses for the Ballet Concert, as provided	
8	in JR 107-2005	88,000
9	<b>Total Appropriations under the custody of the Treasury</b>	<b>1,805,894,984</b>