

February 1, 2017

Mr. Jose Carrión III  
Chairman  
Fiscal Oversight Board

Dear Mr. Chairman:

First and foremost, greetings and congratulations on your position as president of the FOB.

After a decade of service in the government, during which time I held various positions, including advisor to the Legislature and La Fortaleza, in 2006 I established my own practice as an independent economist. Since then, I have devoted a lot of time to studying the economy of Puerto Rico, and publishing two books on the subject. When it became clear that the fiscal and economic crisis reached unsustainable levels, in 2015, I decided to propose to the Congress of the United States, the establishment of a Fiscal Oversight Board. I was one of the first voices that publicly supported this measure. On several occasions, I visited Congress to lobby for legislation that eventually became law on June 30, 2016.

Since then, I have followed the evolution of the implementation process regarding PROMESA, including the appointment of the Fiscal Oversight Board members. I am aware of the economic and political complexity in which the PROMESA Law is operating, and I know the resistance generated by some sectors of our political class. However, I think that the situation demands a high degree of will and sacrifice of all the people, if, in fact, we want to overcome the challenges facing Puerto Rico. As you very recently said in the press, the task is not easy, and if it were, politicians in the past 20 years would have done so.

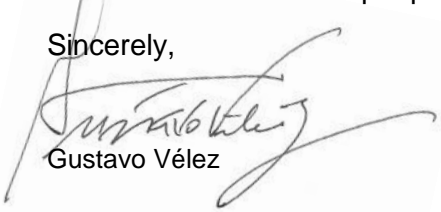
The purpose of this communication is to ask you to seriously evaluate the budget of the Legislature, using the powers conferred by the PROMESA law itself. It is of great importance that Fiscal Oversight Board assumes control of the finances of the Legislative Branch the same way that they have assumed authority over agencies and entities of the Executive Branch. Recently, the media has reported that the legislative leadership hired politicians that had been defeated in the past elections, with contracts that in some cases amount up to \$ 8,000 per month. In total, an accumulated expense of \$ 3.8 million is reported. Possibly, this number will continue to grow, which promotes a practice that moves away from the fiscal prudence that the FOB has had with the rest of the government.

It seems to me that in a time when severe fiscal adjustment measures are going to be implemented, which will affect large sectors of Puerto Rico, including retirees and vulnerable sectors, a dangerous precedent is being established when the legislature incurs excessive and unproductive expenditures that ignore the seriousness of the fiscal situation.

To these ends, I respectfully request you to act on the lack of fiscal judgment in the legislature and demand from them the same austerity and fiscal discipline that is required of the rest of Puerto Rico and the Executive Branch itself.

I remain at your disposition for any measure that you or the rest of the FOB understand convenient for the best interests of our people.

Sincerely,



Gustavo Vélez