

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



José B. Carrión III
Chair

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Arthur J. González
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Ramón Ruiz-Comas
Executive Director

SENT VIA ELECTRONIC MAIL

February 2, 2017

Mr. Elías F. Sánchez
Governor's Representative
Financial Oversight and Management Board
for Puerto Rico

Dear Mr. Sánchez:

At Saturday's meeting of the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), the question arose as to how PROMESA section 204 applies prior to the certification of a fiscal plan, especially in light of the Oversight Board's having accommodated the Governor's request for additional time to submit the plan.

Initially, the Oversight Board observes that, in the absence of a certified fiscal plan, the Board has many tools it can deploy in respect of legislation. For instance, the Oversight Board can:

- (a) enforce section 204(a)(1)-(2) of PROMESA, which is independent of the existence of a certified fiscal plan, and requires the Governor to submit new laws to the Oversight Board within seven business days after their enactment, together with an estimate of the law's impact on expenditures and revenues prepared by the entity within the Puerto Rico government with expertise in budgets and financial management;
- (b) enforce section 207 of PROMESA, if the Governor or Legislature is issuing debt; and
- (c) enforce section 303 of PROMESA, which applies regardless of the existence of a Title III case, if the law at issue is a composition or moratorium.

Mr. Elías F. Sánchez

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In all events, the Oversight Board hopes and desires the Governor will engage with it in a productive working relationship by discussing and analyzing with the Board in advance the implications of new legislation. Enforcement actions under PROMESA should be a last resort and will hopefully be unnecessary.

Please advise the Oversight Board promptly if the Governor differs.

A handwritten signature in black ink, appearing to read 'José B. Carrión', with a long horizontal flourish extending to the right.

José B. Carrión
Chair

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