

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



*José B. Carrión III*  
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Members  
*Andrew G. Biggs*  
*Carlos M. García*  
*Arthur J. González*  
*José R. González*  
*Ana J. Matosantos*  
*David A. Skeel, Jr.*

*Natalie A. Jaresko*  
Executive Director

BY ELECTRONIC MAIL

September 13, 2018

The Honorable Ricardo A. Rosselló Nevares  
Governor of Puerto Rico  
La Fortaleza  
P.O. Box 9020082  
San Juan, PR 00902-0082

The Honorable Thomas Rivera Schatz  
President of the Senate of Puerto Rico

The Honorable Carlos J. Méndez Núñez  
Speaker of the House of Representatives of Puerto Rico

Dear Governor Rosselló Nevares, President Rivera Schatz, and Speaker Méndez Núñez:

We write in response to our receipt of Act 204-2018 on August 31, 2018, which was signed into law by the Governor on August 5, 2018. Pursuant to Section 204(a)(1) of PROMESA, “not later than 7 business days after [the Government] duly enacts any law . . ., the Governor shall submit the law to the Oversight Board” and, pursuant to Section 204(a)(2) of PROMESA, the submission “shall include . . . [a] formal estimate . . . of the impact, if any, that the law will have on expenditures and revenues” and “a certification” opining whether the law is “significantly inconsistent with the Fiscal Plan.”

Not only did the Oversight Board receive Act 204-2018 more than 7 business days after it was enacted into law, in contravention of Section 204(a)(1), but also it was not accompanied by the cost estimate or the certification of compliance or noncompliance that Section 204(a)(2) requires. Accordingly, pursuant to Section 204(a)(3)(A) and Section 204(a)(3)(B), the Oversight Board is notifying you that the cost estimate and certification of compliance or noncompliance are missing for Act 204-2018. Furthermore, pursuant to Section 204(a)(4)(A), the Oversight Board is directing you to provide the missing cost estimate and certification of compliance or noncompliance by September 17, 2018.

Moreover, having reviewed Act 204-2018, the Oversight Board believes that it is significantly inconsistent with the Fiscal Plan. Specifically:

- Section 2 indicates that the operative budget is the one approved by the Legislature, rather than the one certified and submitted by the Oversight Board (the “Budget”);
- Section 3 authorizes OMB to provide in a single month the entire annual appropriation or a portion that is greater than a 1/12 installment, which is inconsistent with the Budget;
- Section 3 provides that appropriations for the Legislature related to: (i) nonprofit entities that are “public, semi-public or private” under the supervision of government entities; or (ii) funds under the custody of the Special Joint Committee on Legislative Funds for Community Development appropriated for nonprofit entities shall be fully disbursed on or before September 30, 2018, which is inconsistent with the Budget;
- Section 5 permits the use of appropriations for fiscal year 2018 to be used for 9 months after the end of fiscal year, which is inconsistent with the 60-day limit required by the Budget;
- Section 5 permits the Legislature, the Judiciary, and municipalities to use appropriations for prior years without limit, which is inconsistent with the 60-day limit for fiscal year 2018 and complete prohibition on the use of earlier fiscal years required by the Budget;
- Section 6 authorizes OMB to reprogram (reapportion) up to 10% of the aggregate amount of the appropriations authorized, which is inconsistent with the requirement in the Budget that any reprogramming (reapportionments) of appropriations be done with the prior approval of the Oversight Board; and
- Section 7 authorizes OMB to reprogram (reapportion) appropriations as necessary to implement the Government’s agency reorganization plans, which is inconsistent with the requirement in the Budget that any reprogramming of appropriations be done with the prior approval of the Oversight Board.

Accordingly, if you intend to submit a certificate of compliance for Act 204-2018, the Oversight Board expects that Act 204-2018 will first be substantially amended to address the significant inconsistencies with the Fiscal Plan described herein. Regardless, the Oversight Board looks forward to receiving the required cost estimate and certification of compliance or noncompliance for Act 204-2018 by September 17, 2018.

Sincerely,



Natalie A. Jaresko

Andrew G. Biggs  
José B. Carrión  
Carlos M. García  
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José R. González  
Ana J. Matosantos  
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Honorable Ricardo A. Rosselló Nevares  
Honorable Thomas Rivera Schatz  
Honorable Carlos J. Méndez Núñez  
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CC: Christian Sobrino Vega