



FINANCIAL IMPACT OF LAW 29 REVERSAL AND DEFERRED TAX COLLECTION

FY2020 Impact of Law 29 Repeal

\$198M TOTAL FY20
ASES & PayGo



The fiscal year 2020 PayGo and health care cost for municipalities is **about \$198 million**

Those costs were projected to be partially **offset by a \$132 million transfer** from the central government to CRIM in accordance with the Fiscal Plan and budget.

The **total projected amount municipalities need to repay the central government is about \$66 million.**

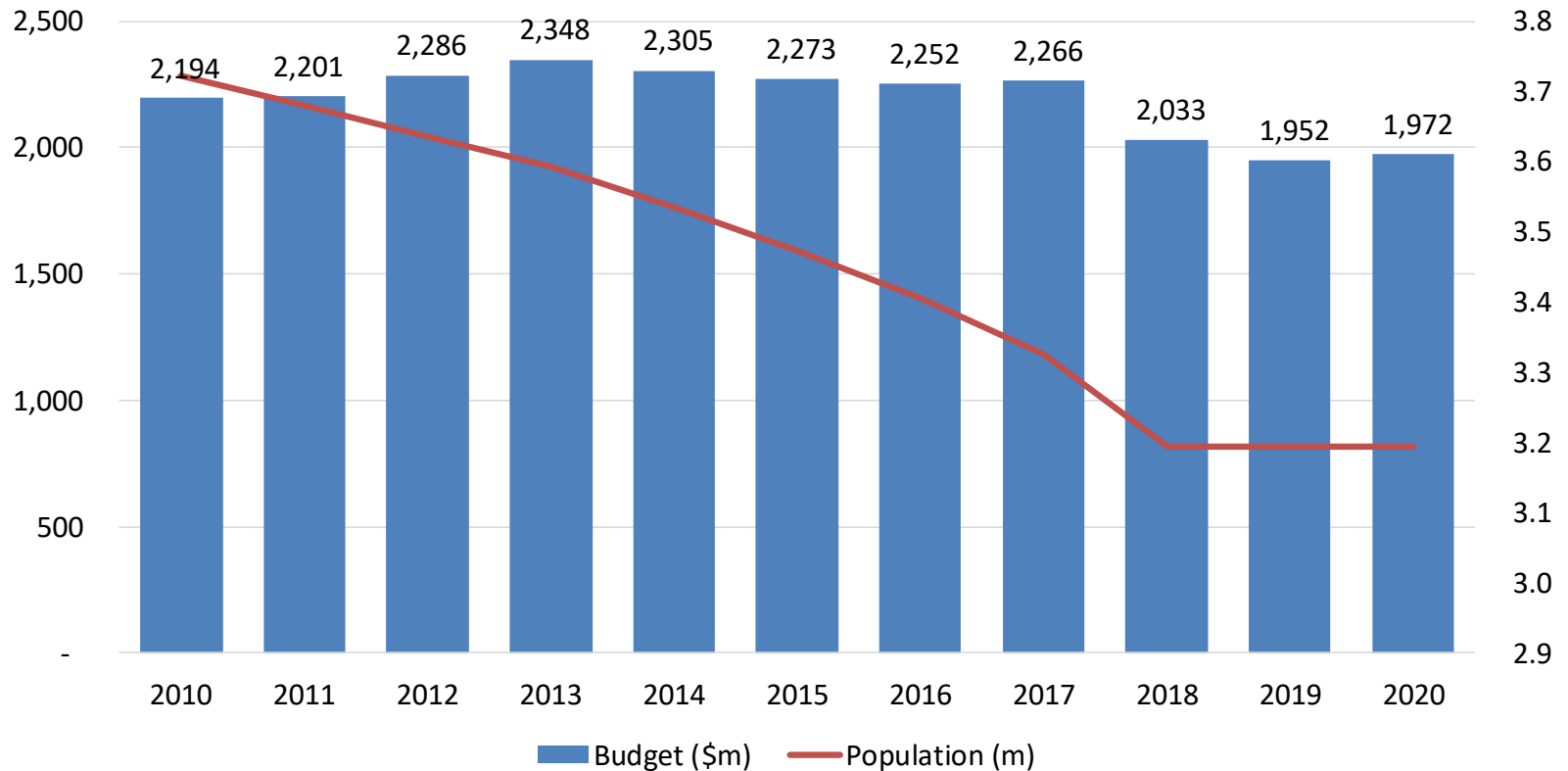
Municipalities will have to repay \$66 million shortfall using excess revenue sources

- The approach will have a minimal impact on municipal operations and the ability to serve residents
- The repayment sources focus on incremental revenues to budgeted operating revenues

Action Step	Offset Funds Against	Description
Step 1	Electronic lottery funds true up	CRIM identified \$17.6 million of Electronic Lottery proceeds from FY16 and FY17 not remitted to CRIM as required by Law
Step 2	Excess CAE rebate	If CAE tax collection exceeds amount needed to cover annual debt service on CAE Loans, municipalities receive excess
Step 3	Final FY20 liquidation	At fiscal year end, CRIM reconciles actual collections to remittance and liquidates any excess to the corresponding municipality
Step 4	Collections from sale of aged Accounts Receivables	CRIM expects to sell its portfolio of overdue accounts receivable by the end of FY2021
Step 5	Municipal advances by CRIM	If amount due is not repaid by prior steps, CRIM will offset a percentage of the municipality's monthly advances starting in FY2022

Over the last decade population has fallen at a faster rate than Municipal Budgets

Municipal budgets compared to Puerto Rico population



- From 2010 to 2017, PR population decreased 10.6% and muni budgets increased by 3.3%
- Munis have only recently decreased budgeted spend, primarily due to a reduction of CW transfers
- If municipalities were budgeted at the same cost per person as 2010, the 2020 budget would fall by \$89m to \$1.883 bn

Municipal General Fund Budgets: FY18 to FY20

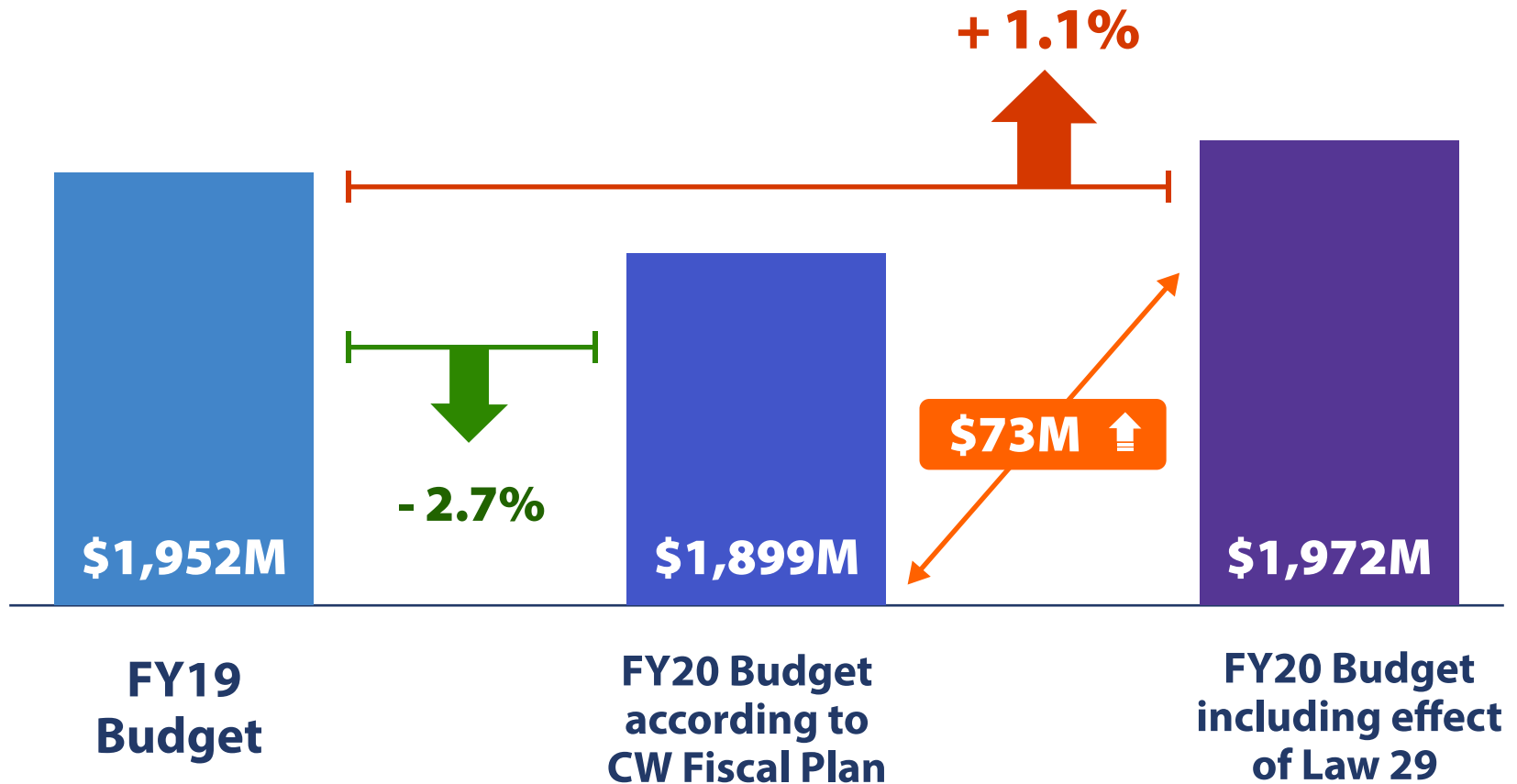
Municipalities have increased spending significantly since FY18

\$ in million	FY18 Budget	FY19 Budget	FY20 Budget	FY18-FY20 % Change	
PayGo & ASES Appropriation	\$329	\$296	\$7	(98%)	Stopped budgeting pension and healthcare costs
Payroll	677	672	694	3%	
Capital Improvements	26	26	40	35%	Despite those lower costs, municipalities increased virtually all other spending
Other Operating Expenses	1,001	958	1,231	23%	
Total Municipal Budget	\$2,032	\$1,952	\$1,972	(3%)	

Source: General fund spending as reported by OGP

Municipal Budgets

Municipalities should have right-sized to reduce their expenses by 2.7%, however after the Government passed Law 29, the budgets increased by 1.1% instead.



Property Tax Shortfall and Offset

CRIM extended the personal property filing date from May 15 to August 1. As a result, CRIM is projecting a delay in timing of property tax collections, causing monthly shortfalls in municipal budgets.

