

FINANCIAL OVERSIGHT & MANAGEMENT BOARD FOR PUERTO RICO



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BY ELECTRONIC MAIL

May 10, 2021

The Honorable Pedro Pierluisi Urrutia
Governor of Puerto Rico

Dear Governor Pedro Pierluisi Urrutia:

This letter is in response to the Governor of Puerto Rico's ("the Government") revised proposed fiscal year 2022 budget for the Commonwealth submitted pursuant to § 202(c)(2) of PROMESA on May 4, 2021.

I. Government's FY22 Submission

The Government's proposed Budget requested a total of \$79.5 million in increased appropriations and proposed to fund most of it with the Oversight Board's approved funding for the Caribbean Games. It is important to note that the Oversight Board only approved the funding for the Caribbean Games to promote economic development and with the expectation that the economic activity generated by the Games would greatly exceed the corresponding investment. In addition, funding for the Games was approved as a one-time item and cannot be used to fund increased recurring expenses of the Government.

The Oversight Board has incorporated an incremental \$20.6 million of the Government's requests into the revised compliant budget it intends to submit to you and the Legislature. The following list summarizes the Government's requests and provides the Oversight Board's response:

- Department of Transportation and Public Works
 - Government's reconsideration request: \$17.0 million
 - To provide additional funding for state road maintenance.
 - Oversight Board's response: \$0
 - The Oversight Board had already incorporated \$6.7 million for state road maintenance and weeding, based on the Agency's prior year requests and expenditures. That said, once the electronic ticketing system is fully implemented

(estimated June 2021), the Agency can request additional spending for road maintenance using the newly generated SRF revenues.

- Department of Corrections and Rehabilitation
 - Government's reconsideration request: \$15.0 million
 - To provide salary increases to the Department of Corrections.
 - Oversight Board's response: \$0
 - The Fiscal Plan maintains a payroll freeze through FY23. Any increase in payroll should be considered as part of the Civil Service Reform Program.

- Recent Graduates Employment Opportunities
 - Government's reconsideration request: \$10.0 million
 - To mitigate some of the migration risk among recent college graduates. The funding will be directed to establish a first employment opportunity program.
 - Oversight Board's response: \$0
 - The Oversight Board believes any new positions should be part of the Civil Service Reform Pilot, which includes Accounting and Finance positions.

- Special Funds to address the Gender Violence Emergency
 - Government's reconsideration request: \$6.8 million
 - Funding for initiatives to respond more effectively to violent crimes against women.
 - Oversight Board's response: \$6.8 million
 - The Oversight Board appreciates the recently submitted support for this important initiative.

- Department of Justice
 - Government's reconsideration request: \$5.0 million
 - Funding to hire additional resources in Specialized Domestic Violence, Sexual Crimes and Child Abuse Units and to keep up with the increasing workload of the agency.
 - Oversight Board's response: \$2.2 million
 - The Oversight Board includes full requested funding of specialized Domestic Violence, Sexual Crimes and Child Abuse Units as well as additional lawyers to address backlog of cases. Of the \$5 million total cost, the Oversight Board had already agreed with \$2.8 million and the remaining \$2.2 million has been incorporated into the revised compliant budget.

- Retirees Employment Opportunities
 - Government's reconsideration request: \$5.0 million
 - Government program which allows retirees access to part-time employment opportunities without losing retirement benefits.
 - Oversight Board's response: \$0

- The Oversight Board believes hiring experienced personnel is valuable. However, the Government should utilize vacant positions with available budget funding to the extent available, to support this program; for example, at the Police Bureau.
- State Settlements
 - Government's request: \$3.5 million
 - Funding to pay for judgments against the State
 - Oversight Board's response: \$3.5 million
 - The Oversight Board has included full funding for potential payments required for judgments against the State.
- Families and Children Administration
 - Government's reconsideration request: \$3.2 million
 - Funding to hire additional social workers and support staff to address the Administration's workload.
 - Oversight Board's response: \$0
 - The Oversight Board supported the hiring of additional positions. \$3.3 million was already included to hire 100 additional social workers and maintain 50 existing positions. The agency indicated it would be difficult to hire the total positions requested, therefore, no incremental funds were included at this time. If the agency demonstrates the ability to fill positions during the fiscal year, then the incremental request can be re-evaluated.
- Office of Management and Budget ("OMB") – Grants Management Office
 - Government's reconsideration request: \$2.0 million
 - To establish a structure that can audit, oversee, and guide agencies to properly use and access federal funds.
 - Oversight Board's response: \$2.0 million
 - Funding to establish a Grants Management Office within OMB to be released upon the development of a plan to establish the office and identify agencies that will be required to participate, subject to Oversight Board approval.
- Office of the Governor
 - Government's reconsideration request: \$2.0 million
 - Provide additional resources to the Office of the Governor to complete staffing needs at the advisory structure. Advisors will support responsibilities assuring compliance with public policy and programmatic priorities.
 - Oversight Board's response: \$0
 - The Oversight Board agrees with the objective, but the Government should continue to evaluate and identify a recurring funding source.
- Musical Arts Corporation
 - Government's reconsideration request: \$1.6 million

- To maintain current level of funding while the Government continues to promote the development and implementation of a sustainable plan to promote and generate additional funds for the Corporation.
- Oversight Board's response: \$0
 - The Oversight Board believes lost revenues are a permitted use of ARP Act funds and the Government should prioritize the use of those sources to replace lost revenues for this and other entities.
- Puerto Rico Federal Affairs Administration
 - Government's reconsideration request: \$1.4 million
 - To provide funding for the execution of the duties of the special delegates to the U.S. Congress that will be elected in accordance with Law 167-2020.
 - Oversight Board's response: \$0
 - The Oversight Board fully supports the right of the people of Puerto Rico to determine Puerto Rico's future political status and encourages the Government to work with the Legislature to identify funding sources to support this initiative.
- Boys and Girls Club
 - Government's reconsideration request: \$1.2 million
 - To expand educational and workforce development programs.
 - Oversight Board's response: \$1.2 million
 - The Oversight Board agrees with the importance of funding this initiative on a one-time basis.
- Federation and Association of Mayor Law 134
 - Government's reconsideration request: \$1.3 million
 - Appropriation for Mayors.
 - Oversight Board's response: \$0
 - The Federation and the Association of Mayors should seek funding from the municipalities.
- Department of Natural and Environmental Resources
 - Government's reconsideration request: \$1.2 million
 - Funding to implement initiatives based on the climate change study overseen by the Climate Change Committee.
 - Oversight Board's response: \$1.2 million
 - The Oversight Board agrees with funding climate change initiatives on the basis of the most recent data submitted by the Government.
- Fight Against Child Poverty
 - Government's reconsideration request: \$1.2 million
 - Funding for pilot program to address child poverty. Funding will be used for the Development of the Data and Policy Infrastructure as well as a Poverty Advisory

Commission.

- Oversight Board's response: \$1.2 million
 - The Oversight Board agrees with funding the pilot program to fight against child poverty. The revised proposal submitted by the Government provided adequate support for this initiative.

- Cardiovascular Center Corporation of Puerto Rico and the Caribbean
 - Government's reconsideration request: \$1.2 million
 - To hire a Cardiothoracic surgeon.
 - Oversight Board's response: \$0
 - The Oversight Board agrees with the agency's request to hire a surgeon. Cardiovascular Center should look to use cash on hand, which was \$39.7 million as of March 30, 2021.

- Parole Board
 - Government's reconsideration request: \$0.4 million
 - To hire additional positions.
 - Oversight Board's response: \$0
 - Adequate data, such as number of positions or capacity needs, was not provided to support additional positions.

- Puerto Rico Public Broadcasting Corporation("WIPR") transition
 - Government's incremental reconsideration request: \$0.3 million
 - To support WIPR's transition to a not-for-profit organization.
 - Oversight Board's response: \$0.3 million
 - Funding for Puerto Rico Public Broadcasting Corporation to be released upon privatization or the approval of legislation to change the status to a not-for-profit organization, subject to Oversight Board approval.

- State Historic Preservation Office
 - Government's reconsideration request: \$0.2 million
 - To hire architects, archaeologists, and archivists to support the reconstruction of Puerto Rico.
 - Oversight Board's response: \$0.2 million
 - The Oversight Board supports the island's reconstruction efforts.

Governor Pierluisi Urrutia

May 10, 2021

Page 6 of 6

II. Conclusion

The Oversight Board looks forward to working together to certify a Commonwealth FY22 Budget by June 30, 2021.

Sincerely,



Natalie A. Jaresko

CC: Mr. Omar Marrero Díaz
Mr. Juan Blanco Urrutia