



Arthur J. Gonzalez
Chair and Board Member

Members
Andrew G. Biggs
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Robert F. Mujica Jr.
Executive Director

BY ELECTRONIC MAIL

June 1, 2026

The Honorable Gabriel Hernández Rodríguez
Mayor of Camuy and President
Puerto Rico Mayors Federation

The Honorable Jorge González Otero
Mayor of Jayuya and President
Puerto Rico Mayors Association

Dear Mayor Hernández and Mayor González:

We write regarding the implementation of Act 141-2024 (“Act 141”) and Act 215-2024 (“Act 215”) and, collectively, the “Acts”¹ by certain municipalities that are members of both the Puerto Rico Mayors Federation and the Puerto Rico Mayors Association.

On January 21, 2025, the Oversight Board informed the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), Governor Jenniffer González Colón and the leaders of the Legislative Assembly that Act 141 contravenes procurement best practices and undermines market competition and efforts to achieve fiscal responsibility called by PROMESA.²

¹ Act 141 more than doubles the threshold to trigger a public auction or competitive public procurement for any construction or public improvement project from \$200,000 to \$500,000. It also allows contracts valued at up to \$1 million to bypass the public auction requirement during an emergency declaration.

Act 215 doubles the sealed RFP threshold for municipal works and more than triples the micro-purchase threshold. In addition, Act 215 amended the Puerto Rico Municipal Code to provide that the existing exemption from paying construction excise taxes shall not apply to construction activities carried out by a taxpayer on behalf of a legal person or a public or private entity even if such person/entity, as the owner of the project, is exempt.

² See the January 21, 2025 Oversight Board letter, available at:
<https://drive.google.com/file/d/1QopBamWnyeqrgt-TZnXf7oxW6Em1NANB/view>.

The Oversight Board explained in a June 6, 2025 letter to AAFAF that Act 215 violates the Fiscal Plan's emphasis on competitive bidding by doubling the value of works that can be procured outside of the sealed RFP process from \$100,000 to \$200,000, and more than tripling the no-bid procurement threshold for micro-purchases from \$3,000 to \$10,000.³

Act 215 also amended the Puerto Rico Municipal Code to provide that the existing exemption from paying construction excise taxes shall not apply to construction activities carried out by a taxpayer on behalf of a legal person or a public or private entity even if such person/entity, as the owner of the project, is exempt. Accordingly, to the extent Act 215 is being implemented by municipalities, they are collecting construction excise taxes from projects financed through Commonwealth or federal funds, and may, at their discretion, apply a higher tax rate than typically applied to such projects.

In its letter dated December 30, 2025, the Oversight Board explained that municipal taxing of construction projects, particularly those funded through Commonwealth or federal funds, raises numerous concerns.⁴ First, taxing federally-funded projects with municipal taxes (such as construction excise taxes and municipal license taxes) could be viewed by the federal government as a misuse of federal funds and cause the federal government to view funding projects in Puerto Rico as inefficient, leading the federal government to rethink its distributions of funds to Puerto Rico. This risk is heightened to the extent municipalities are imposing higher taxes on projects sourced through federal dollars.

Second, to the extent the construction projects at issue are part of the Commonwealth's energy infrastructure reconstruction efforts, imposing municipal taxes would make these projects more expensive. In so doing, they can render projects less profitable or even unprofitable, thereby discouraging necessary construction projects from proceeding or causing planned construction projects to be abandoned.

Third, because construction excise taxes differ between municipalities, the provision could lead to inequitable results or cause projects to be shifted to less sensible locations due to tax considerations. Beyond the inefficient distribution of projects, the existence of potentially separate tax regimes for 78 different municipalities is administratively inefficient and subject to abuse.

It has come to our attention that, despite the Oversight Board's stated concerns and the ongoing PROMESA § 204(a) process, municipalities have implemented portions of Act 215, specifically regarding the taxing of construction projects.

Pursuant to federal law, Act 215 (as well as Act 141) cannot be implemented until the Oversight Board concludes that the Acts do not violate PROMESA or any applicable fiscal plan and do not impair or defeat PROMESA's purposes. Accordingly, please confirm by **June 22, 2026** that both the Puerto Rico Mayors Federation and the Puerto Rico Mayors Association instructed their

³ See June 26, 2025 Oversight Board letter at 2, available at: <https://drive.google.com/file/d/1XZvsYsAKYfX6Hm6mLAuBmt2lpKpSkgzq/view>.

⁴ See December 30, 2025 Oversight Board letter, available at: <https://drive.google.com/file/d/1SeQcXgUel5nhqJQdFsMNDiyJch6hxMBw/view>.

The Hon Hernández Rodríguez
The Hon. González Otero
June 1, 2026
Page 3 of 3

members that neither Act 141 nor Act 215 may be implemented by any municipality unless and until the Oversight Board confirms such implementation would comply with the applicable fiscal plans and PROMESA.

The Oversight Board reserves the right to take the actions it considers necessary, consistent with PROMESA §§ 104(k), 108(a), and 204, including actions to nullify and/or prevent the implementation and enforcement of the Acts.

Sincerely,



Robert F. Mujica, Jr.
Executive Director

CC: Mr. Francisco J. Domenech Fernández