

COMMONWEALTH OF PUERTO RICO

19<sup>th</sup> Legislative  
Assembly

3<sup>rd</sup> Ordinary  
Session

**HOUSE OF REPRESENTATIVES**

**R. C. de la C. 278**

FEBRUARY 7<sup>th</sup>, 2022

Introduced by representatives *Hernández Montañez* and *Santa Rodríguez*

Referred to the Committee on

**JOINT RESOLUTION**

To include as part of the General Budget of Expenses of the Government of Puerto Rico for Fiscal Year 2022, a budget appropriation of \$23,187,805,819 for the payments set forth in the Plan of Adjustment confirmed by the Title III Court in compliance with the provisions of the federal statute known as the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA); to amend the Joint Resolution of the General Budget for Fiscal Year 2022 to appropriate funds from General Fund of the State Treasury for the operating expenses of the Government of Puerto Rico for the fiscal year ending June 30, 2022; appropriate funds to the Department of Treasury for payments as set forth in the Plan of Adjustment; provide that, in the event the final amounts are lower than expected, any unused appropriations are to be returned to the General Fund; to require the Department of Treasury to submit to the Oversight Board the amounts and supporting calculations to finalize certain payments; and for other related purposes.

STATEMENT OF MOTIVES

In 2016, Puerto Rico faced an unsustainable burden of more than \$70 billion in debt and over \$50 billion in unfunded pension liabilities, which led the Government of Puerto Rico to default for the first time in its history and lose access to capital markets. That same year, the United States Congress passed the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), to allow Puerto Rico to restructure its debt, achieve fiscal responsibility, and regain access to capital markets.

PROMESA established the Financial Oversight and Management Board for Puerto Rico (“FOMB”) and provides a mechanism for the FOMB to negotiate with creditors on behalf of Puerto Rico to adjust the debt to sustainable levels. In accordance with the provisions of PROMESA, the FOMB submitted to the Title III Court the Joint Plan of Adjustment (“POA”), to restructure the debt of the Commonwealth, the Employees Retirement Systems, and various public corporations such as the Public Buildings Authority, and the Convention Center District Authority. On January 18, 2022, the Title III Court confirmed the POA, officially concluding the restructuring of the debt of the Government of Puerto Rico and providing the basis for a future of economic stability.

In total, the agreements included in the POA reduce the Central Government’s public debt by approximately 50%. In other words, the public debt would be reduced from approximately \$70 billion to \$34 billion, and the General Obligation (“GO”) and Public Buildings Authority debt would be reduced from \$18.8 billion to \$7.4 billion. In turn, the annual payment of Puerto Rico’s public debt would be reduced from an average of \$2.5 billion to \$1.15 billion. Likewise, the debt service of the Commonwealth would be reduced from approximately 25% to 7% of the total revenues of the Government, a figure that represents half of the constitutional maximum allowed. This represents the largest municipal debt restructuring in American history.

To achieve this reduction in government debt, the POA requires the Central Government to issue new GO bonds and to create contingent value instruments. The Puerto Rico Legislative Assembly passed a law with bipartisan support to enable the foregoing, which is Act 53-2021, known as the “Ending Puerto Rico’s Bankruptcy Act”. In addition, the POA requires the Government to issue a series of payments to creditors on the effective date of the same, as well as on other dates in Fiscal Year 2022 and subsequent Fiscal Years. This Joint Resolution has the objective of appropriating the necessary funds for the Government to make the payments agreed in the POA, in accordance with the requirements established therein. This will allow the Government of Puerto Rico to finally exit bankruptcy and regain access to the capital markets, to make much needed investments to improve our infrastructure and the quality of the services it is called upon to provide.

Based on the foregoing, this Legislative Assembly adopts this Joint Resolution in order to appropriate unused cash surpluses from prior fiscal years totaling \$10,852,160,073 in compliance with the provisions of the Plan of Adjustment and to amend the Joint Resolution of the General Fund Budget for Fiscal Year 2021-2022 certified on June 30, 2021 from \$10,112,390,000 to \$12,335,645,746.

*BE IT RESOLVED BY THE PUERTO RICO LEGISLATIVE ASSEMBLY:*

1           Section 1.- It is hereby appropriated as part of the General Budget of Expenses of

1 the Government of Puerto Rico for Fiscal Year 2021-2022, the amount of \$10,852,160,076  
 2 for the purposes and from the sources detailed below:

3 I. Appropriations from prior fiscal years cash surpluses under the  
 4 custody of the Department of Treasury

5 A. Court judgements and indemnifications

6 i. For the payment of Vintage CW Bond  
 7 Claims to be paid on the effective date of  
 8 the Plan of Adjustment, and subject to  
 9 the right of election set forth in Section  
 10 19.2 \$1,940,413,573

11 ii. For the payment of 2011 CW Bond  
 12 Claims to be paid on the effective date of  
 13 the Plan of Adjustment, and subject to  
 14 the right of election set forth in Section  
 15 34.2 \$148,833,731

16 iii. For the payment of 2011 CW Series  
 17 D/E/PIB Bond Claims to be paid on the  
 18 effective date of the Plan of Adjustment,  
 19 and subject to the right of election set  
 20 forth in Section 40.2 \$211,355,036

21 iv. For the payment of 2012 CW Bond  
 22 Claims to be paid on the effective date of

1		the Plan of Adjustment, and subject to	
2		the right of election set forth in Section	
3		44.2	\$909,912,680
4	v.	For the payment of 2014 CW Bond	
5		Claims to be paid on the effective date of	
6		the Plan of Adjustment, and subject to	
7		the right of election set forth in Section	
8		50.2	\$1,213,478,877
9	vi.	For the payment of Vintage CW	
10		Guarantee Bond Claims to be paid on the	
11		effective date of the Plan of Adjustment	\$653,782,174
12	vii.	For the payment of Vintage PBA Bond	
13		Claims to be paid on the effective date of	
14		the Plan of Adjustment	\$611,331,186
15	viii.	For the payment of 2011 CW Guarantee	
16		Bond Claims to be paid on the effective date	
17		of the Plan of Adjustment, and subject to the	
18		right of election set forth in Section 38.2	\$323,523,903
19	ix.	For the payment of 2011 PBA Bond	
20		Claims to be paid on the effective date of	
21		the Plan of Adjustment	\$306,768,912
22	x.	For the payment of 2012 CW Guarantee	

1	Bond Claims to be paid on the effective	
2	date of the Plan of Adjustment, and	
3	subject to the right of election set forth in	
4	Section 48.2	\$149,700,027
5	xi. For the payment of 2012 PBA Bond	
6	Claims to be paid on the effective date of	
7	the Plan of Adjustment	\$154,899,902
8	xii. For the funding of PBA General	
9	Unsecured Claims to be paid in	
10	accordance with Section 17.1 of the Plan	
11	of Adjustment	\$38,423,211
12	xiii. For the payment of PBA/DRA Secured	
13	Claims to be paid on the effective date of	
14	the Plan of Adjustment	\$6,865,330
15	xiv. For the payment of PBA/DRA	
16	Unsecured Claims to be paid on the	
17	effective date of the Plan of Adjustment	\$13,867,894
18	xv. For the payment of GO and PBA	
19	Restriction Fees to be paid on the	
20	effective date of the Plan of Adjustment	\$232,871,901
21	xvi. For the payment of GO and PBA	
22	Consummation Costs to be paid within	

1	10 business days of the effective date of	
2	the Plan of Adjustment	\$176,682,903
3	xvii. For the payment of Retail Support Fees to	
4	be paid on the effective date of the Plan	
5	of Adjustment	\$50,000,000
6	xviii. For the payment of Clawback Structuring	
7	Fees for Assured Guaranty to be paid in	
8	accordance with Section 1.302 of the Plan	
9	of Adjustment	\$39,300,000
10	xix. For the payment of Clawback	
11	Structuring Fee for National Public	
12	Finance Guarantee to be paid in	
13	accordance with Section 1.302 of the Plan	
14	of Adjustment	\$19,300,000
15	xx. For the payment of PRIFA Bonds Claims	
16	to be paid on the effective date of the Plan	
17	of Adjustment	\$193,500,000
18	xxi. For the payment of PRIFA Structuring	
19	Fees for Ambac Assurance to be paid in	
20	accordance with Section 6.2 of the FGIC	
21	and Ambac Plan Support Agreement	\$34,750,000
22	xxii. For the payment of PRIFA Structuring	

1	Fees for FGIC to be paid in accordance	
2	with Section 6.2 of the FGIC and Ambac	
3	Plan Support Agreement	\$21,750,000
4	xxiii. For the payment of PRIFA Plan Support	
5	Agreement Restriction Fees to be paid in	
6	accordance with Section 6.1 of the FGIC	
7	and Ambac Plan Support Agreement	\$10,000,000
8	xxiv. For the payment of System 2000	
9	Participant Claims to be paid in	
10	accordance with Section 55.10 of the Plan	
11	of Adjustment	\$1,376,958,081
12	xxv. For the funding of GUC Reserve	
13	inclusive of the Avoidance Actions Trust	
14	and Allowed Convenience Claims to be	
15	paid in accordance with Sections 1.163,	
16	1.354, 62.3, and 78.11 of the Plan of	
17	Adjustment	\$575,000,000
18	xxvi. For the payment of ERS Bondholders	
19	Cash Consideration to be paid on the	
20	effective date of the Plan of Adjustment	\$373,000,000
21	xxvii. For the payment of ERS Bondholders	
22	Restriction Fee to be paid on the effective	

1	date of the Plan of Adjustment	\$75,000,000
2	xxviii. For the payment of ERS Bondholders	
3	Additional Restriction Fee to be paid on	
4	the effective date of the Plan of	
5	Adjustment	\$2,250,000
6	xxix. For the funding of ACR Reserve to be	
7	paid on the effective date of the Plan of	
8	Adjustment	\$229,000,000
9	xxx. For the payment of signing bonuses to	
10	AFSCME Represented Employees to be	
11	paid on the effective date of the Plan of	
12	Adjustment	\$5,000,000
13	xxxi. For the payment of the AFSCME Support	
14	Fee to be paid on the effective date of the	
15	Plan of Adjustment	\$5,000,000
16	xxxii. For the payment of the AFSCME	
17	Additional Fee to be paid on the effective	
18	date of the Plan of Adjustment	\$5,000,000
19	xxxiii. For the payment of the Professional Fees	
20	representing AFSCME to be paid on the	
21	effective date of the Plan of Adjustment	\$5,000,000
22	xxxiv. For the payment of 330 Med Centers	

1	Claims to be paid in accordance with	
2	Section 60.1 of the Plan of Adjustment	\$146,791,886
3	xxxv. For the payment of Act 1 and Act 447	
4	Beneficiary Claims to be paid on the	
5	effective date of the Plan of Adjustment	100,000,000
6	xxxvi. For the payment of Dairy Producers	
7	Claims to be paid in accordance with	
8	Section 57.1 of the Plan of Adjustment	\$31,161,820
9	xxxvii. For the payment of the Initial Deposit to	
10	the Pension Trust to be paid on the	
11	effective date of the Plan of Adjustment	\$5,000,000
12	xxxviii. For the payment of ERS General	
13	Unsecured Creditors Pool to be paid on	
14	the effective date of the Plan of	
15	Adjustment, and subject to the election	
16	set forth in Section 70.1(b)	\$500,000
17	xxxix. For the funding of Eminent Domain	
18	Claims to be paid in accordance with	
19	Section 58.1 and 77.1	
20	of the Plan of Adjustment	\$344,187,048
21	xl. For the payment of CCDA Bonds	
22	Cash Consideration to be paid in	

1	Accordance with the HTA/CCDA	
2	Related Plan Support Agreement	\$97,000,000
3	xli. For the payment of CCDA	
4	Consummation Costs to be paid	
5	In accordance with Section 3.8 of	
6	The Plan of Adjustment	<u>\$15,000,000</u>
7	<b>Subtotal</b>	<b>\$10,852,160,076</b>

8 II. The Joint Resolution of the General Fund Budget for Fiscal Year 2021-2022  
 9 certified on June 30, 2021 is amended from \$10,112,390,000 to  
 10 \$12,335,645,746

11 A. The following appropriations are hereby adjusted from The Joint  
 12 Resolution of the General Fund Budget for Fiscal Year 2021-2022  
 13 certified on June 30, 2021, as follows.

Agency	Concept/Object	FY22 Certified Budget	FY22 Amended Budget
Puerto Rico Health Insurance Administration	Social well-being for Puerto Rico - Topay for health insurance as provided in Law 72- 1993, as amended	\$1,522,721,000	\$696,985,000

Appropriations under the custody of the OMB	Social well-being for Puerto Rico - Topay for health insurance as provided in Law 72- 1993, as amended	\$100,246,000	\$48,770,283
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1           B.     Appropriations under the custody of the Office of Management &  
2                     Budget

3                     i.     Payroll and related costs

4                             a.     Former PREPA Employees'

5                                     Payroll                             \$22,150,000

6                             b.     PREPA Employee Pension             \$14,107,000

7                     ii.    Social well-being for Puerto Rico

8                             a.     Police Retirement Act 106

9                                     Defined Contribution             \$269,330,000

10                                     **Subtotal**                             **\$305,587,000**

11           C.     Appropriations for the Legislature

12                     i.     Undistributed appropriations             \$7,500,000

13                     ii.    For the creation of a Congressional

14                                     Budget Office within Legislative

15                                     Assembly                             \$1,500,000

16                                     **Subtotal**                             **\$9,000,000**

1	D. Appropriations under the custody of the Treasury	
2	i.	Debt Service
3	a.	For the payment of New GO Bonds –
4		Capital Investment Bonds to be paid
5		in accordance with Section 74.1
6		of the Plan of Adjustment <span style="float: right;">\$684,278,300</span>
7	b.	For the payment of New GO Bonds –
8		5.0% Capital Appreciation Bonds to be
9		paid in accordance with Section 74.1
10		of the Plan of Adjustment <span style="float: right;">\$105,968,972</span>
11	c.	For the payment of Sales and Use Taxes
12		Contingent Value Instrument to be paid
13		in accordance with Exhibit J
14		of the Plan of Adjustment <span style="float: right;">\$223,949,000</span>
15	d.	For the payment of Rum Contingent
16		Value Instrument to be paid
17		in accordance with Exhibit M
18		of the Plan of Adjustment <span style="float: right;"><u>\$5,236,191</u></span>
19		<b>Subtotal <span style="float: right;">\$1,019,432,463</span></b>
20	ii.	Court judgements and indemnifications
21	a.	For the payment of AFSCME
22		Upside Bonus to be paid in

1	accordance with Exhibit G-19	
2	of the Plan of Adjustment	\$18,312,000
3	b. For the payment of Administrative	
4	Professional Fees to be paid	
5	in accordance with Section 92.12	
6	of the Plan of Adjustment	\$13,200,000
7	c. For the funding of Loan to HTA	
8	to be provided and repaid	
9	in accordance with terms	
10	to be agreed upon with the Oversight	
11	Board	\$314,000,000
12	d. For the contribution to the Pension	
13	Reserve Trust	<u>\$1,420,936,000</u>
14	Subtotal	<b>\$1,766,448,343</b>
15	<b>Total Joint Resolution of the General Fund Budget</b>	
16	<b>for Fiscal Year 2021-2022</b>	<b>\$12,335,645,746</b>

17 Section 2.- The amount of one hundred million dollars (\$100,000,000) per year from  
18 Fiscal Year 2023 to Fiscal Year 2025, and the amount of seventy-five million dollars  
19 (\$75,000,000) for Fiscal Year 2026, from the General Fund is hereby appropriated to the  
20 Department of Treasury for the funding of the GUC Reserve , inclusive of the Avoidance  
21 Actions Trust and Allowed Convenience Claims to be paid in accordance with Sections  
22 1.163, 1.354, 62.3, and 78.11 of the Plan of Adjustment.

1           Section 3.- The amount of forty-eight million nine-hundred and thirty thousand  
2 six-hundred twenty-nine dollars (\$48,930,629) per year for Fiscal Years 2023 and 2024,  
3 from the General Fund, is hereby appropriated to the Department of Treasury for the  
4 payment of 330 Med Centers Claims to be paid in accordance with Section 60.1 of the  
5 Plan of Adjustment.

6           Section 4.- The amount of ten million three-hundred and eighty-seven thousand  
7 two-hundred seventy-three dollars (\$10,387,273) per year for Fiscal Years 2023 and 2024,  
8 from the General Fund, is hereby appropriated to the Department of Treasury for the  
9 payment of Dairy Producers Claims to be paid in accordance with Section 57.1 of the Plan  
10 of Adjustment.

11           Section 5.- In the event that the final amounts to be paid are lower than the  
12 amounts appropriated herein, any unused appropriations are to be returned to the  
13 General Fund (Treasury Single Account).

14           Section 6.- The ACR Reserve, Eminent Domain Claims, PBA General Unsecured  
15 Claims, and ERS General Unsecured Creditors Pool appropriations remain in effect until  
16 all outstanding claims are resolved. Quarterly reporting on resolved claims and  
17 payments are to be provided to the Oversight Board for review.

18           Section 7.- The Secretary of Treasury is hereby authorized to use the funds set aside  
19 in the Convention Center Debt Account ("CCDA") as of the Plan effective date to pay the  
20 CCDA Bonds Cash Consideration and CCDA Consummation Costs, as detailed in the  
21 HTA/CCDA Related Plan Support Agreement. Any excess amounts remaining after  
22 those payments are made shall be utilized to pay the Clawback Structuring Fees for

1 Assured Guaranty and National Public Finance Guarantee in accordance with Section  
2 1.302 of the Plan of Adjustment.

3 Section 8.- No later than September 15<sup>th</sup>, 2022, the Department of Treasury shall  
4 submit to the Oversight Board the amount and supporting calculations necessary to  
5 determine and finalize payment for the Upside Participation Bonus, Pension Reserve  
6 Trust, Sales and Use Tax Contingent Value Instrument, and Rum Tax Contingent Value  
7 Instrument. Such calculations will be independently verified and publicly disclosed by  
8 the Calculating Agent retained by the Department of Treasury and approved by the  
9 Oversight Board.

10 Section 9.- The appropriation for the Pension Reserve Trust Contribution is hereby  
11 extended until October 1<sup>st</sup>, 2022.

12 Section 10.- The Former PREPA Employees' Payroll funds held under the custody  
13 of the Office of Management and Budget ("OMB") are to be allocated by OMB to those  
14 government entities that received former PREPA employees and demonstrated that they  
15 are unable to cover those expenses with their current budget. However, those funds shall  
16 only be released after the OMB provides a detailed report to the Oversight Board of the  
17 employees transferred from the Puerto Rico Electric Power Authority ("PREPA") to such  
18 other government entities along with an attendance report for each transferred employee.  
19 Government entities that may receive these funds are required to provide a full roster  
20 with all active employees to the Oversight Board. Such roster must identify any employee  
21 transferred from PREPA to the respective government entity.

22 Section 11.- The PREPA Employee Pension funds held under the custody of OMB

1 shall only be released after AAFAF provides, to the satisfaction of the Oversight Board,  
2 the following documentation to the Oversight Board:

- 3 a. A formal written legal opinion identifying the legal basis on which  
4 former PREPA employees transferred to the Commonwealth may  
5 continue to participate in the PREPA Employees Retirement System  
6 (“PREPA ERS”), as opposed to being enrolled in the Commonwealth Act  
7 106 Defined Contribution plan, including the Government’s ability or  
8 obligation to assume the PREPA ERS employer contributions for  
9 mobilized employees. The legal opinion must also identify whether a  
10 distinction should be made between employees with then (10) or more  
11 years of PREPA service and employees with less than ten (10) years of  
12 PREPA service for purposes of determining eligibility to continue  
13 participating in the PREPA ERS after mobilization, including  
14 identifying whether continuing participation in the PREPA ERS is a vested  
15 right under Act 120-2018, as amended by Act 17-2019, and whether such  
16 right also applies to employees with less than ten (10) years of PREPA  
17 service (who would not have been vested in their PREPA ERS pension  
18 benefit prior to the mobilization date).
- 19 b. Identification of the point in time at which these contributions will be  
20 made and how these contributions will be transferred to and accepted by  
21 PREPA ERS.
- 22 c. A financial model with the basis for the calculation of such contributions

1 (with supporting source documentation) and an estimate of the  
2 approximate cost.

3 d. Confirmation that any pension reform measures applied to PREPA ERS  
4 would also be applied to mobilized employees.

5 Section 12.- The Police Retirement Funds held under the custody of OMB shall  
6 only be released upon approval from the Oversight Board.

7 Section 13.- All other provisions in the Joint Resolution of the General Fund Budget  
8 for Fiscal Year 2021-2022 certified on June 30, 2021 not amended herein shall remain in  
9 full effect.

10 Section 14.- This Joint Resolution shall be adopted in both of Puerto Rico's official  
11 languages, Spanish and English. If in the interpretation or application of this Act any  
12 conflict arises between the English and Spanish texts, the English text shall govern.

13 Section 15.- Severability.

14 If any clause, paragraph, subparagraph, sentence, word, letter, article, provision,  
15 section, subsection, title, chapter, subchapter, heading, or part of this Joint Resolution,  
16 were to be annulled or declared unconstitutional, the order to such effect will neither  
17 affect nor invalidate the remainder of this Joint Resolution. The effect of such an order  
18 shall be limited to the clause, paragraph, subparagraph, sentence, word, letter, article,  
19 provision, section, subsection, title, chapter, subchapter, heading, or part of this Joint  
20 Resolution so annulled or declared unconstitutional. If the application to a person or  
21 circumstance of any clause, paragraph, subparagraph, sentence, word, letter, article,  
22 provision, section, subsection, title, chapter, subchapter, heading, or part of this Joint

1 Resolution, were to be annulled or declared unconstitutional, the order to such effect will  
2 neither affect nor invalidate the application of the remainder of this Joint Resolution to  
3 such persons or circumstances to which it may be validly applied. It is the express and  
4 unequivocal intent of this Legislative Assembly that the courts of law enforce the  
5 provisions and application of this Joint Resolution to the greatest possible extent, even if  
6 any of its parts is annulled, invalidated, affected or declared unconstitutional, or even if  
7 the application thereof to any person or circumstance is annulled, invalidated or declared  
8 unconstitutional. This Legislative Assembly would have passed this Joint Resolution  
9 regardless of the ruling on severability that a Court may issue.

10 Section 16.- This Joint Resolution shall take effect immediately after enactment.