

114TH CONGRESS  
1ST SESSION

# S. 2381

To provide assistance and support to the Commonwealth of Puerto Rico.

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## IN THE SENATE OF THE UNITED STATES

DECEMBER 9, 2015

Mr. HATCH (for himself, Ms. MURKOWSKI, and Mr. GRASSLEY) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To provide assistance and support to the Commonwealth of Puerto Rico.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Puerto Rico Assistance Act of 2015”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title.

### TITLE I—TAXES

Sec. 101. Temporary employee payroll tax cut for residents of United States possessions.

### TITLE II—PUBLIC PENSIONS

- Sec. 201. Study of Puerto Rico public pension debt.
- Sec. 202. Reporting requirements generally applicable to State and local government pension plans.
- Sec. 203. Annuity accumulation retirement plans of employees of State and local governments.

TITLE III—PUERTO RICO FINANCIAL RESPONSIBILITY AND  
MANAGEMENT ASSISTANCE AUTHORITY

- Sec. 301. Purposes.
- Sec. 302. Definitions.

Subtitle A—Establishment and Organization of Authority

- Sec. 311. Commonwealth Financial Responsibility and Management Assistance Authority.
- Sec. 312. Executive Director and staff.
- Sec. 313. Powers of Authority.
- Sec. 314. Exemption from liability for claims.
- Sec. 315. Treatment of actions.
- Sec. 316. Funding for operation of Authority.
- Sec. 317. Suspension of activities.
- Sec. 318. Application of laws of Commonwealth to Authority.

Subtitle B—Responsibilities of Authority

PART I—CONTROL PERIOD

- Sec. 321. Early opt-in authority.
- Sec. 322. Certifications by Authority.
- Sec. 323. Financial plan and budget for public corporations during control period.
- Sec. 324. Financial plan and budget for the Commonwealth during a control period.
- Sec. 325. Review to ensure compliance.
- Sec. 326. Restrictions on borrowing.
- Sec. 327. Finding of noncompliance.
- Sec. 328. Recommendations regarding financial stability and management responsibility.

PART II—ISSUANCE OF BONDS

- Sec. 331. Authority to issue bonds.
- Sec. 332. Pledge of security interest in revenues of Commonwealth government.
- Sec. 333. Establishment of debt service reserve fund.
- Sec. 334. Other requirements for issuance of bonds.
- Sec. 335. No full faith and credit of the United States.

PART III—OTHER DUTIES OF AUTHORITY

- Sec. 341. Duties of Authority during year other than control year.
- Sec. 342. General assistance in achieving financial stability and management efficiency.
- Sec. 343. Obtaining reports.
- Sec. 344. Reports and comments.

Subtitle C—Chief Financial Officer

- Sec. 351. Establishment of office.  
 Sec. 352. Appointment; removal.  
 Sec. 353. Functions of Chief Financial Officer.

Subtitle D—Effect

- Sec. 361. Effect.  
 Sec. 362. Preemption.

TITLE IV—ADDITIONAL REPORTS AND STUDIES

- Sec. 401. Report on exclusion of territories from exchanges.  
 Sec. 402. Study of Puerto Rico public pension debt.  
 Sec. 403. Health and human services report.

TITLE V—TRANSITION ASSISTANCE

- Sec. 501. Assistance by the Authority, if necessary, to assist transition to stability.  
 Sec. 502. Offset for transition assistance and Prevention and Public Health Fund.

TITLE VI—TECHNICAL ASSISTANCE

- Sec. 601. Technical assistance to improve accounting, disclosure, and economic measurement practices in the territories.

**TITLE I—TAXES**

1

2 **SEC. 101. TEMPORARY EMPLOYEE PAYROLL TAX CUT FOR**  
 3 **RESIDENTS OF UNITED STATES POSSES-**  
 4 **SIONS.**

5 (a) IN GENERAL.—Notwithstanding any other provi-  
 6 sion of law, in the case of a qualified resident of a United  
 7 States possession—

8 (1) there shall be allowed a credit against the  
 9 tax imposed by section 1401(a) of the Internal Rev-  
 10 enue Code of 1986 for any taxable year which begins  
 11 in the payroll tax holiday period an amount equal to  
 12 3.1 percent of the lesser of—

13 (A) the self-employment income (as defined  
 14 in section 1402(b) of such Code) derived from

1 sources within a United States possession (as  
2 determined under section 937(b) of such Code)  
3 for the taxable year, or

4 (B) the net earnings from self-employment  
5 (as defined in section 1402(a) of such Code) for  
6 the taxable year, and

7 (2) with respect to remuneration received dur-  
8 ing the payroll tax holiday period for services per-  
9 formed as an employee within a United States pos-  
10 session (except amounts received for services per-  
11 formed as an employee of the United States or any  
12 agency thereof), the rate of tax under 3101(a) of  
13 such Code shall be 3.1 percent (including for pur-  
14 poses of determining the applicable percentage under  
15 sections 3201(a) and 3211(a)(1) of such Code).

16 (b) SPECIAL RULES.—

17 (1) APPLICATION OF RULE FOR SPECIAL RE-  
18 FUNDS.—In the case of an qualified resident of a  
19 United States possession to whom subsection (a)(2)  
20 applies, the first sentence of section 6413(c)(1) of  
21 the Internal Revenue Code of 1986 shall be applied  
22 by substituting for “exceeds the tax with respect to  
23 the amount of such wages received in such year  
24 which is equal to such contribution and benefit  
25 base” the following: “exceeds the sum of—

1 “(1) 3.1 percent of the lesser of—

2 “(A) the wages received in such year to  
3 which section 101(a)(2) of the Puerto Rico As-  
4 sistance Act of 2015 applies, or

5 “(B) the contribution and benefit base,  
6 plus

7 “(2) 6.2 percent of the lesser of—

8 “(A) the wages received in such year to  
9 which such section does not apply, or

10 “(B) the contribution and benefits base re-  
11 duced (but not below zero) by the amount of  
12 wages taken into account under paragraph  
13 (1).”.

14 (2) EMPLOYER LIABILITY.—An employer who  
15 receives an attestation from an employee, in such  
16 form and manner as directed by the Secretary of the  
17 Treasury (or the Secretary’s delegate), that such  
18 employee is a qualified resident of a United States  
19 possession shall not be liable under section 3102 or  
20 3202 of the Internal Revenue Code of 1986 for any  
21 failure to collect taxes in excess of the rate which  
22 applies under this section unless a reasonable person  
23 would determine that such attestation is not true  
24 and correct.

1           (3) DE MINIMIS SERVICES.—For purposes of  
2 subsection (a)(2), services performed as an employee  
3 outside of a United States possession shall not be  
4 taken into account if such services are de minimis.

5 (c) DEFINITIONS.—

6           (1) QUALIFIED RESIDENT.—The term “quali-  
7 fied resident” means, with respect to any calendar  
8 year, any individual—

9           (A) who was present in a United States  
10 possession for at least 183 days during the pre-  
11 ceding calendar year, and

12           (B) who, as of the first day of the calendar  
13 year, does not have a tax home (determined  
14 under the principles of section 911(d)(3) of the  
15 Internal Revenue Code of 1986 without regard  
16 to the second sentence thereof) outside of a  
17 United States possession and does not have a  
18 closer connection (determined under the prin-  
19 ciples of section 7701(b)(3)(B)(ii) of such  
20 Code) to the United States or a foreign country  
21 than to a United States possession.

22 For purposes of subparagraph (A), the determina-  
23 tion of whether a person is present for any day shall  
24 be made under the principles of section 7701(b) of  
25 such Code.

1           (2) UNITED STATES POSSESSION.—The term  
2           “United States possession” means Puerto Rico,  
3           American Samoa, Guam, the Northern Mariana Is-  
4           lands, and the Virgin Islands.

5           (3) PAYROLL TAX HOLIDAY PERIOD.—The term  
6           “payroll tax holiday period” means the period begin-  
7           ning after December 31, 2015, and ending before  
8           January 1, 2021.

9           (d) REDUCED RATE FOR 2020.—In the case of the  
10          period beginning after December 31, 2019, and ending be-  
11          fore January 1, 2021, this section shall be applied—

12           (1) by substituting “1.55 percent” for “3.1 per-  
13          cent” in subsection (a)(1), and

14           (2) by substituting “4.65 percent” for “3.1 per-  
15          cent” each place it appears in subsections (a)(2) and  
16          (b).

17          (e) EMPLOYER NOTIFICATION.—The Secretary of the  
18          Treasury shall notify employers of the payroll tax holiday  
19          period in any manner the Secretary deems appropriate.

20          (f) TRANSFERS OF FUNDS.—

21           (1) TRANSFERS TO FEDERAL OLD-AGE AND  
22          SURVIVORS INSURANCE TRUST FUND.—There are  
23          hereby appropriated to the Federal Old-Age and  
24          Survivors Trust Fund and the Federal Disability In-  
25          surance Trust Fund established under section 201

1 of the Social Security Act (42 U.S.C. 401) amounts  
2 equal to the reduction in revenues to the Treasury  
3 by reason of the application of subsection (a).  
4 Amounts appropriated by the preceding sentence  
5 shall be transferred from the general fund at such  
6 times and in such manner as to replicate to the ex-  
7 tent possible the transfers which would have oc-  
8 curred to such Trust Fund had such amendments  
9 not been enacted.

10 (2) TRANSFERS TO SOCIAL SECURITY EQUIVA-  
11 LENT BENEFIT ACCOUNT.—There are hereby appro-  
12 priated to the Social Security Equivalent Benefit Ac-  
13 count established under section 15A(a) of the Rail-  
14 road Retirement Act of 1974 (45 U.S.C. 231n–1(a))  
15 amounts equal to the reduction in revenues to the  
16 Treasury by reason of the application of subsection  
17 (a)(2). Amounts appropriated by the preceding sen-  
18 tence shall be transferred from the general fund at  
19 such times and in such manner as to replicate to the  
20 extent possible the transfers which would have oc-  
21 curred to such Account had such amendments not  
22 been enacted.

23 (3) COORDINATION WITH OTHER LAWS.—For  
24 purposes of applying any provision of law other than  
25 the provisions of the Internal Revenue Code of 1986,



1 the rate of tax in effect under section 3101(a) of  
2 such Code shall be determined without regard to the  
3 reduction in such rate under this section.

## 4 **TITLE II—PUBLIC PENSIONS**

### 5 **SEC. 201. STUDY OF PUERTO RICO PUBLIC PENSION DEBT.**

6 (a) IN GENERAL.—Not later than 6 months after the  
7 establishment of the Puerto Rico Financial Responsibility  
8 and Management Assistance Authority under title III of  
9 this Act, the Joint Board for the Enrollment of Actuaries  
10 established under section 3041 of the Employee Retirement  
11 Income Security Act of 1974 (29 U.S.C. 1241) shall  
12 report to such Authority and the Office of Domestic Finance  
13 of the Department of the Treasury on the following  
14 with respect to the Puerto Rico public pension plans:

15 (1) Recommendations on actions that would be  
16 necessary to ensure that such plans can be  
17 sustainably maintained and funded by the govern-  
18 ment of Puerto Rico for the next 20 years.

19 (2) Whether a freeze of future benefit accruals  
20 under such plans is necessary or advisable.

21 (3) The extent to which benefit reductions, such  
22 as have been made in previous municipal bankruptcy  
23 proceedings, would be necessary or advisable to at-  
24 tain sustainability for such plans or create parity  
25 with payment reductions applicable to retired indi-

1       viduals who are, directly or indirectly, Puerto Rico  
2       bondholders.

3       The Joint Board may, in its discretion, seek assistance  
4       from the Advisory Committee on Actuarial Examinations  
5       of the Joint Board, and may expand the size of such com-  
6       mittee as appropriate to accomplish the requirements of  
7       this subsection in a timely manner.

8       (b) PUERTO RICO PUBLIC PENSION PLAN.—For  
9       purposes of this section, the term “Puerto Rico public pen-  
10      sion plan” means any of the following maintained by the  
11      government of Puerto Rico:

12               (1) The Employees Retirement System (ERS).

13               (2) The Teachers Retirement System (TRS).

14               (3) The Judiciary Retirement System (JRS).

15      **SEC. 202. REPORTING REQUIREMENTS GENERALLY APPLI-**  
16                               **CABLE TO STATE AND LOCAL GOVERNMENT**  
17                               **PENSION PLANS.**

18      (a) IN GENERAL.—The plan sponsor of a State or  
19      local government employee pension benefit plan shall file  
20      with the Secretary of the Treasury, in such form and man-  
21      ner as shall be prescribed by such Secretary, a report for  
22      each plan year beginning on or after January 1, 2017,  
23      setting forth the following information with respect to the  
24      plan, as determined by the plan sponsor as of the end of  
25      such plan year:

1           (1) A schedule of funding status, which shall in-  
2           clude a statement as to the current liability of the  
3           plan, the amount of plan assets available to meet  
4           that liability, the amount of the net unfunded liabil-  
5           ity (if any), and the funding percentage of the plan.

6           (2) A schedule of contributions by the plan  
7           sponsor and each contributing employer for the plan  
8           year, indicating which are or are not taken into ac-  
9           count under paragraph (1).

10          (3) Alternative projections which shall be speci-  
11          fied in regulations of the Secretary for each of the  
12          next 20 plan years following the plan year relating  
13          to the amount of annual contributions, the fair mar-  
14          ket value of plan assets, current liability, the fund-  
15          ing percentage, and such other matters as the Sec-  
16          retary may specify in such regulations, together with  
17          a statement of the assumptions and methods used in  
18          connection with such projections, including assump-  
19          tions related to funding policy, plan changes, future  
20          workforce projections, future investment returns,  
21          and such other matters as the Secretary may specify  
22          in such regulations. The Secretary shall specify in  
23          such regulations the projection assumptions and  
24          methods to be used as necessary to achieve com-  
25          parability across plans.

1           (4) A statement of the actuarial assumptions  
2 used for the plan year, including the rate of return  
3 on investment of plan assets and assumptions as to  
4 such other matters as the Secretary may prescribe  
5 by regulation.

6           (5) A statement of the number of participants  
7 who are each of the following—

8                   (A) those who are retired or separated  
9 from service and are receiving benefits;

10                   (B) those who are retired or separated and  
11 are entitled to future benefits; and

12                   (C) those who are active under the plan.

13           (6) A statement of the plan's investment re-  
14 turns, including the rate of return, for the plan year  
15 and the 5 preceding plan years.

16           (7) A statement of the degree to which, and  
17 manner in which, the plan sponsor expects to elimi-  
18 nate any unfunded current liability that may exist  
19 for the plan year and the extent to which the plan  
20 sponsor has followed the plan's funding policy for  
21 each of the preceding 5 plan years. The Secretary  
22 shall prescribe by regulation the specific criteria to  
23 be used for meeting the requirements of this para-  
24 graph.

1           (8) A statement of the amount of pension obli-  
2           gation bonds outstanding.

3           (b) TIMING OF REPORT.—The plan sponsor of a  
4 State or local government employee pension benefit plan  
5 shall make the filing required under subsection (a) for  
6 each plan year not later than 210 days after the end of  
7 such plan year (or within such time as may be required  
8 by regulations prescribed by the Secretary in order to re-  
9 duce duplicative filing).

10          (c) ADDITIONAL REPORTING REQUIREMENTS.—

11           (1) SUPPLEMENTARY REPORTS.—In any case in  
12 which, in determining the information filed in the  
13 annual report for a plan year under subsection (a)—

14                   (A) the value of plan assets is determined  
15                   using a standard other than fair market value,  
16                   or

17                   (B) the interest rate or rates used to de-  
18                   termine the value of liabilities or as the dis-  
19                   count value for liabilities are not the interest  
20                   rates described in paragraph (3),

21 the plan sponsor shall include in the annual report filed  
22 for such plan year pursuant to subsection (a) the supple-  
23 mentary report for such plan year described in paragraph  
24 (2).

1           (2) USE OF PRESCRIBED VALUATION METHOD  
2           AND INTEREST RATES.—A supplementary report  
3           filed for a plan year pursuant to this subsection  
4           shall include the information specified as required in  
5           the annual report under paragraphs (1), (3), (6),  
6           and (7) of subsection (a), determined as of the end  
7           of such plan year by valuing plan assets at fair mar-  
8           ket value and by using the interest rates described  
9           in paragraph (3) to value liabilities and as the dis-  
10          count value for liabilities.

11          (3) INTEREST RATES BASED ON U.S. TREASURY  
12          OBLIGATION YIELD CURVE RATE.—

13           (A) IN GENERAL.—The interest rates de-  
14          scribed in this paragraph are—

15           (i) in the case of benefits reasonably  
16           determined to be payable during the 5-year  
17           period beginning on the first day of the  
18           plan year, the first segment rate with re-  
19           spect to the applicable month,

20           (ii) in the case of benefits reasonably  
21           determined to be payable during the 15-  
22           year period beginning at the end of the pe-  
23           riod described in clause (i), the second seg-  
24           ment rate with respect to the applicable  
25           month, and

1 (iii) in the case of benefits reasonably  
2 determined to be payable after the period  
3 described in clause (ii), the third segment  
4 rate with respect to the applicable month.

5 (B) SEGMENT RATES.—For purposes of  
6 this paragraph—

7 (i) FIRST SEGMENT RATE.—The term  
8 “first segment rate” means, with respect  
9 to any month, the single rate of interest  
10 which shall be determined by the Secretary  
11 for such month on the basis of the U.S.  
12 Treasury obligation yield curve for such  
13 month, taking into account only that por-  
14 tion of such yield curve which is based on  
15 obligations maturing during the 5-year pe-  
16 riod commencing with such month.

17 (ii) SECOND SEGMENT RATE.—The  
18 term “second segment rate” means, with  
19 respect to any month, the single rate of in-  
20 terest which shall be determined by the  
21 Secretary for such month on the basis of  
22 the U.S. Treasury obligation yield curve  
23 for such month, taking into account only  
24 that portion of such yield curve which is  
25 based on obligations maturing during the

1 15-year period beginning at the end of the  
2 period described in clause (i).

3 (iii) THIRD SEGMENT RATE.—The  
4 term “third segment rate” means, with re-  
5 spect to any month, the single rate of in-  
6 terest which shall be determined by the  
7 Secretary for such month on the basis of  
8 the U.S. Treasury obligation yield curve  
9 for such month, taking into account only  
10 that portion of such yield curve which is  
11 based on obligations maturing during peri-  
12 ods beginning after the period described in  
13 clause (ii).

14 (C) U.S. TREASURY OBLIGATION YIELD  
15 CURVE.—For purposes of this paragraph, the  
16 term “U.S. Treasury obligation yield curve”  
17 means, with respect to any month, a yield curve  
18 which shall be prescribed by the Secretary for  
19 such month and which reflects the average, for  
20 the 24-month period ending with the month  
21 preceding such month, of monthly yields on in-  
22 terest-bearing obligations of the United States.

23 (d) DEFINITIONS.—For purposes of this section—

24 (1) STATE OR LOCAL GOVERNMENT EMPLOYEE  
25 PENSION BENEFIT PLAN.—Except as provided in



1 section 203, the terms “State or local government  
2 employee pension benefit plan” and “plan” mean  
3 any plan, fund, or program, other than a defined  
4 contribution plan (within the meaning of section  
5 414(i) of the Internal Revenue Code of 1986), which  
6 was heretofore or is hereafter established or main-  
7 tained, in whole or in part, by a State, a political  
8 subdivision of a State, or any agency or instrumen-  
9 tality of a State or political subdivision of a State,  
10 to the extent that by its express terms or as a result  
11 of surrounding circumstances such plan, fund, or  
12 program—

13 (A) provides retirement income to employ-  
14 ees, or

15 (B) results in a deferral of income by em-  
16 ployees for periods extending to the termination  
17 of covered employment or beyond, regardless of  
18 the method of calculating the contributions  
19 made to the plan, the method of calculating the  
20 benefits under the plan, or the method of dis-  
21 tributing benefits from the plan.

22 (2) FUNDING PERCENTAGE.—The term “fund-  
23 ing percentage” for a plan year means the ratio (ex-  
24 pressed as a percentage) which—

1 (A) the value of plan assets as of the end  
2 of the plan year, bears to

3 (B) the current liability of the plan for the  
4 plan year.

5 (3) CURRENT LIABILITY.—The term “current  
6 liability” of a plan for a plan year means the present  
7 value of all benefits accrued or earned under the  
8 plan as of the end of the plan year.

9 (4) PLAN SPONSOR.—The term “plan sponsor”  
10 means, in connection with a State or local govern-  
11 ment employee pension benefit plan, the State, polit-  
12 ical subdivision of a State, or agency or instrumen-  
13 tality of a State or a political subdivision of a State  
14 which establishes or maintains the plan.

15 (5) CONTRIBUTING EMPLOYER.—The term  
16 “contributing employer” means any employer that  
17 contributes to or participates in a plan on behalf of  
18 its employees (including a plan sponsor that contrib-  
19 utes to the plan).

20 (6) PARTICIPANT.—

21 (A) IN GENERAL.—The term “participant”  
22 means, in connection with a State or local gov-  
23 ernment employee pension benefit plan, an indi-  
24 vidual—

1 (i) who is an employee or former em-  
2 ployee of a State, political subdivision of a  
3 State, or agency or instrumentality of a  
4 State or a political subdivision of a State  
5 which is the plan sponsor of such plan, and

6 (ii) who is or may become eligible to  
7 receive a benefit of any type from such  
8 plan or whose beneficiaries may be eligible  
9 to receive any such benefit.

10 (B) BENEFICIARY.—The term “bene-  
11 ficiary” means a person designated by a partici-  
12 pant, or by the terms of the plan, who is or  
13 may become entitled to a benefit thereunder.

14 (7) PLAN YEAR.—The term “plan year” means,  
15 in connection with a plan, the calendar or fiscal year  
16 on which the records of the plan are kept.

17 (8) STATE.—The term “State” includes any  
18 State of the United States, the District of Columbia,  
19 and any possession or territory of the United States,  
20 including a possession described in section 7701(d)  
21 of the Internal Revenue Code of 1986.

22 (9) FAIR MARKET VALUE.—The term “fair  
23 market value” has the meaning given such term  
24 under section 430(g)(3)(A) of the Internal Revenue

1 Code of 1986 (without regard to section  
2 430(g)(3)(B) thereof).

3 (10) OTHER TERMS.—Any other term used in  
4 this section which is also used in the Internal Rev-  
5 enue Code of 1986 shall have the same meaning as  
6 when used in such Code.

7 (e) MODEL REPORTING STATEMENT.—The Secretary  
8 shall develop model reporting statements for purposes of  
9 subsections (a) and (c). Plan sponsors of State or local  
10 government employee pension plans may elect, in such  
11 form and manner as shall be prescribed by the Secretary,  
12 to utilize the applicable model reporting statement for pur-  
13 poses of complying with requirements of such subsections.

14 (f) TRANSPARENCY OF INFORMATION FILED.—The  
15 Secretary shall create and maintain a public website, with  
16 searchable capabilities, for purposes of posting the infor-  
17 mation received by the Secretary pursuant to subsections  
18 (a) and (c). Any such information received by the Sec-  
19 retary (including any updates to such information received  
20 by the Secretary) shall be posted on the website not later  
21 than 60 days after receipt and shall not be treated as re-  
22 turn information for purposes of the Internal Revenue  
23 Code of 1986.

1 **SEC. 203. ANNUITY ACCUMULATION RETIREMENT PLANS**  
 2 **OF EMPLOYEES OF STATE AND LOCAL GOV-**  
 3 **ERNMENTS.**

4 (a) IN GENERAL.—Part I of subchapter D of chapter  
 5 1 of the Internal Revenue Code of 1986 is amended by  
 6 inserting after subpart E the following new subpart:

7 **“Subpart F—Annuity Accumulation Retirement**  
 8 **Plans for State and Local Government Employees**

“Sec. 420A. Annuity accumulation retirement plans.

9 **“SEC. 420A. ANNUITY ACCUMULATION RETIREMENT PLANS.**

10 “(a) ANNUITY ACCUMULATION RETIREMENT  
 11 PLANS.—For purposes of this subpart—

12 “(1) IN GENERAL.—The term ‘annuity accumu-  
 13 lation retirement plan’ means a State or local gov-  
 14 ernmental retirement plan—

15 “(A) which provides for the purchase, not  
 16 less frequently than annually, of a qualified in-  
 17 dividual deferred fixed income annuity contract  
 18 for each participant which provides benefits  
 19 based solely on the contributions by an em-  
 20 ployer to an annuity provider and the actuarial  
 21 assumptions specified in the annuity contract,  
 22 and

23 “(B) which provides that—

1           “(i) no contributions may be made  
2           under the plan other than contributions  
3           described in subsection (c),

4           “(ii) contributions pursuant to the  
5           plan on behalf of any eligible employee for  
6           any plan year, whether made annually or  
7           more frequently, are required to be paid  
8           not later than 90 days after the close of  
9           the plan year to an annuity provider to  
10          purchase a qualified individual deferred  
11          fixed income annuity contract for the em-  
12          ployee, and

13          “(iii) no benefits are provided by the  
14          employer under the plan other than the  
15          purchase of qualified individual deferred  
16          fixed income annuity contracts for eligible  
17          employees.

18          Subject to the provisions of subsection (d)(3), noth-  
19          ing in subparagraph (B)(iii) shall prohibit an em-  
20          ployer from establishing or maintaining a defined  
21          contribution plan or defined benefit plan or pro-  
22          viding any form of employee welfare benefit sepa-  
23          rately from the plan.

1           “(2) PLAN STRUCTURE.—A plan will not be  
2 treated as an annuity accumulation retirement plan  
3 unless—

4           “(A) except as provided in subsection  
5 (e)(1), benefits under the plan are limited to a  
6 monthly payment for the life of the participant,  
7 commencing at the applicable age under sub-  
8 section (b)(1)(B), as provided under the quali-  
9 fied individual deferred fixed income annuity  
10 contract purchased with the employer contribu-  
11 tions described in subsection (c) and issued to  
12 the participant, and

13           “(B) the plan does not accumulate assets  
14 in trust or otherwise, and the employer has no  
15 ownership interest in any qualified individual  
16 deferred fixed income annuity contract issued to  
17 a participant.

18           “(3) REQUIREMENTS FOR ANNUITY CONTRACT  
19 PURCHASING PROCESS.—

20           “(A) IN GENERAL.—A plan will not be  
21 treated as an annuity accumulation retirement  
22 plan unless the plan provides that individual de-  
23 ferred fixed income annuity contracts will be  
24 purchased through a process by which, with re-

1 spect to each purchase under paragraph (1)(A),  
2 the plan administrator—

3 “(i) obtains competitive bids, not less  
4 frequently than every 5 years, pursuant to  
5 a formal, public procurement process au-  
6 thorized under State law which requires in-  
7 stitutional pricing on a group contract  
8 basis from multiple annuity providers  
9 verified by the applicable State insurance  
10 regulator as properly licensed to meet the  
11 specifications in the procurement request,  
12 and

13 “(ii) selects 1 or more annuity pro-  
14 viders pursuant to a process that includes  
15 an objective, thorough, and analytical  
16 search to identify and select providers and  
17 the evaluation of an annuity provider’s  
18 claims paying ability and creditworthiness.

19 “(B) PROHIBITION ON PROVIDING BEN-  
20 EFIT IN EXCHANGE FOR SELECTION.—An an-  
21 nuity provider shall not be treated as meeting  
22 the competitive bid requirements of subpara-  
23 graph (A)(i) if such provider, or any related  
24 party to (within the meaning of such term as  
25 applied by the State guaranty association) or



1 agent of such provider, on their own or on an-  
2 other's behalf, provides anything of value to any  
3 employee of a State or local government entity,  
4 or agency or instrumentality thereof, or to a  
5 plan administrator, in connection with the bid-  
6 ding process or the annuity purchase process  
7 described in subparagraph (A).

8 “(C) COMPLIANCE SAFE HARBOR.—A plan  
9 shall be deemed to meet the requirements of  
10 subparagraph (A) if the plan administrator ob-  
11 tains a determination in writing from the Office  
12 of Domestic Finance, Department of the Treas-  
13 ury, that such plan meets such requirements.  
14 Authority to issue such a determination shall  
15 not be delegated to any entity outside of the Of-  
16 fice of Domestic Finance.

17 “(4) GENERAL EXEMPTION FROM PENSION  
18 PLAN REQUIREMENTS.—Notwithstanding any other  
19 provision of this subchapter—

20 “(A) except as provided in this section, no  
21 requirement of this subchapter otherwise appli-  
22 cable to a State or local governmental retire-  
23 ment plan shall apply to an annuity accumula-  
24 tion retirement plan, and

1           “(B) for purposes of this title other than  
2           any such requirements, an annuity accumula-  
3           tion retirement plan shall be treated as a de-  
4           fined benefit plan which meets the requirements  
5           of section 401(a).

6           “(b) QUALIFIED INDIVIDUAL DEFERRED FIXED IN-  
7           COME ANNUITY CONTRACT.—For purposes of this sub-  
8           part, the term ‘qualified individual deferred fixed income  
9           annuity contract’ means, with respect to an employee for  
10          any plan year, an annuity contract issued by an annuity  
11          provider—

12           “(1) which is—

13           “(A) an individual annuity contract, or

14           “(B) an individual certificate of benefits  
15           issued to the employee under a group annuity  
16           contract,

17           “(2) except as provided in subsection (e), under  
18          the terms of which—

19           “(A) the monthly annuity payments during  
20           the period described in subparagraph (B) are in  
21           equal installments and are fixed at the time of  
22           purchase, and

23           “(B) the entire interest of the employee in  
24           the contract will be distributed in the form of

1 monthly annuity payments under a single life  
2 annuity, beginning on the later of—

3 “(i) the date the employee attains  
4 age—

5 “(I) 50 (or a later date specified  
6 by the State), in the case of a public  
7 safety employee, and

8 “(II) 62 (or a later date specified  
9 by the State), in the case of any other  
10 employee, or

11 “(ii) in the case of a contract pur-  
12 chased after the date the employee attains  
13 such age, the 1st day of the 1st calendar  
14 year beginning after the calendar year in  
15 which such contract was purchased,

16 “(3) the purchase price of which is equal to the  
17 contributions described in subsection (c) with respect  
18 to the employee for the plan year in which it is pur-  
19 chased,

20 “(4) under which the employee’s rights are non-  
21 forfeitable,

22 “(5) under which no loan may be made with re-  
23 spect to any portion of any interest in the contract,  
24 and

1           “(6) except as provided in subsection (e)(2), no  
2           portion of any interest in the contract may be as-  
3           signed, alienated, or pledged as collateral.

4 In the case of a certificate described in paragraph (1)(B),  
5 any reference in this section (other than paragraph (1))  
6 to an annuity contract shall be treated as a reference to  
7 the portion of the group annuity contract to which such  
8 certificate relates.

9           “(c) CONTRIBUTION REQUIREMENTS AND LIMITA-  
10 TIONS.—For purposes of subsection (a)(1)(B)—

11           “(1) IN GENERAL.—The plan must provide that  
12           the only contributions which may be made pursuant  
13           to the plan for any plan year are nonelective con-  
14           tributions (within the meaning of section  
15           401(k)(11)(B)(ii)) made by the employer for the  
16           purchase of qualified individual deferred fixed in-  
17           come annuity contracts which are—

18                   “(A) made on behalf of each eligible em-  
19                   ployee for the plan year, and

20                   “(B) equal to a percentage of the employ-  
21                   ee’s compensation which (except as provided in  
22                   this paragraph) is determined not later than  
23                   the start of the plan year.

24           An employer shall not be treated as failing to meet  
25           the requirements of this paragraph merely because

1 the plan allows the employer to elect to reduce the  
 2 percentage under subparagraph (B), or not to make  
 3 any contributions pursuant to the plan, for any pe-  
 4 riod for all employees, and the employer so elects not  
 5 later than the start of the plan year.

6 “(2) LIMITS BASED ON COMPENSATION.—

7 “(A) LIMITATION.—

8 “(i) IN GENERAL.—The compensation  
 9 taken into account under paragraph (1)(B)  
 10 with respect to an employee for any year  
 11 shall not exceed the limitation in effect for  
 12 such year under section 401(a)(17).

13 “(ii) COMPENSATION.—For purposes  
 14 of this subparagraph, the term ‘compensa-  
 15 tion’ means includible compensation as de-  
 16 fined in section 403(b)(3), including any  
 17 amount paid by an employer on behalf of  
 18 the employee for a qualified deferred fixed  
 19 income annuity contract.

20 “(B) PERCENTAGE LIMITATION.—

21 “(i) IN GENERAL.—The percentage  
 22 under paragraph (1)(B) for any period  
 23 shall not exceed—

24 “(I) 30 percent in the case of a  
 25 public safety employee, or

1                   “(II) 20 percent in the case of  
2                   any other employee.

3                   “(ii) ELECTION OF HIGHER PERCENT-  
4                   AGE FOR CERTAIN EMPLOYEES.—A plan  
5                   may elect to provide a higher percentage  
6                   under paragraph (1)(B) than that specified  
7                   under clause (i)—

8                   “(I) in the case of any of the  
9                   first 10 plan years after adoption of  
10                  the plan, for all employees who have  
11                  attained age 40 before the beginning  
12                  of such plan year, and

13                  “(II) in the case of any subse-  
14                  quent plan year, for all employees who  
15                  have attained age 50 (age 40 in the  
16                  case of a public safety employee) be-  
17                  fore the beginning of such plan year,  
18                  except that in no case may such percentage  
19                  exceed 25 percent (35 percent in the case  
20                  of a public safety employee).

21                  “(C) AGGREGATION RULE.—All plans of  
22                  an employer treated as a single plan for pur-  
23                  poses of section 415 shall be treated as a single  
24                  plan for purposes of this paragraph.

1       “(d) TAX TREATMENT OF ANNUITY ACCUMULATION  
2 RETIREMENT PLANS.—

3           “(1) TAXATION OF ELIGIBLE EMPLOYEE.—The  
4 amount actually paid to a distributee under a quali-  
5 fied individual deferred fixed income annuity con-  
6 tract shall be taxable to the distributee under section  
7 72.

8           “(2) TREATMENT OF EMPLOYER CONTRIBU-  
9 TIONS.—Contributions made by an employer for the  
10 purchase of a qualified individual deferred fixed in-  
11 come annuity contract under an annuity accumula-  
12 tion retirement plan shall be excluded from the gross  
13 income of the employee.

14           “(3) INCLUSION IN INCOME OF EXCESS CON-  
15 TRIBUTIONS OR CONTRIBUTIONS FOR PARTICIPANTS  
16 IN ANOTHER DEFINED BENEFIT PLAN OF AN EM-  
17 PLOYER.—

18           “(A) EXCESS CONTRIBUTIONS.—Except as  
19 provided in subparagraph (B), if—

20           “(i) contributions are made for any  
21 plan year by an employer on behalf of an  
22 employee in excess of the limit determined  
23 after application of subsection (c)(2), the  
24 employee shall include in gross income an  
25 amount equal to such excess, or

1           “(ii) an employee for whom such con-  
2           tributions are made for any plan year ac-  
3           cruces benefits (for any period of service for  
4           which such contributions were made)  
5           under any other defined benefit plan of the  
6           employer which is not an annuity accumu-  
7           lation retirement plan, the employee shall  
8           include in gross income an amount equal  
9           to such contributions.

10           “(B) EXCEPTION FOR PREMIUMS RE-  
11           FUNDED.—Subparagraph (A) shall not apply  
12           with respect to contributions on behalf of an  
13           employee for any plan year if, not later than 6  
14           months after the last day of the plan year, the  
15           contributions described in subparagraph (A)  
16           used to purchase a qualified individual deferred  
17           fixed income annuity contract for the employee  
18           are refunded to the employer.

19           “(C) TAXABLE YEAR OF INCLUSION.—Any  
20           amount under subparagraph (A) shall be in-  
21           cludible in gross income of the employee for the  
22           taxable year which includes the date which is 6  
23           months after the last day of the plan year.

24           “(D) INVESTMENT IN THE CONTRACT.—  
25           Any amount included in gross income shall not



1           be treated as investment in the contract for  
2           purposes of section 72.

3           “(e) SPECIAL RULES.—

4           “(1) EMPLOYER OPTION TO PROVIDE ALTER-  
5           NATIVE BENEFIT FORMS.—At the option of an em-  
6           ployer, a qualified individual deferred fixed income  
7           annuity contract may provide 1 or more of the fol-  
8           lowing optional benefits:

9                   “(A) Distribution under a joint and sur-  
10                   vivor annuity.

11                   “(B) An annual adjustment in the amount  
12                   of benefit payments based on a fixed percentage  
13                   not to exceed 3 percent.

14                   “(C) A 10-year period certain and life pay-  
15                   ment option.

16           If an employer provides for 1 or more of such op-  
17           tional benefits, the contract shall provide that an  
18           employee may elect any of the options provided at  
19           the time payments commence under the contract.

20           “(2) CERTAIN JUDGMENTS AND SETTLE-  
21           MENTS.—Paragraphs (2)(B) and (5) of subsection  
22           (b) shall not apply to any offset of an employee’s  
23           benefits payable under an annuity contract—

24                   “(A) pursuant to—

1           “(i) the enforcement of a levy under  
2           section 6331 or the collection by the  
3           United States of a judgment resulting  
4           from an unpaid tax assessment, or

5           “(ii) the enforcement of a fine im-  
6           posed as part of a criminal sentence under  
7           subchapter C of chapter 227 of title 18,  
8           United States Code, or an order of restitu-  
9           tion made pursuant to such title, or

10           “(B) to the extent required under any  
11           State tax, criminal, or domestic relations law.

12           “(f) DEFINITIONS.—For purposes of this section—

13           “(1) STATE OR LOCAL GOVERNMENTAL RETIRE-  
14           MENT PLAN.—The term ‘State or local governmental  
15           retirement plan’ means a governmental plan pro-  
16           viding for the deferral of compensation which is es-  
17           tablished and maintained for its employees by a  
18           State, a political subdivision of a State, or an agency  
19           or instrumentality of any such entity. The term  
20           ‘State’ includes any possession or territory of the  
21           United States, including a possession described in  
22           section 7701(d).

23           “(2) GENERAL DEFINITIONS.—

24           “(A) ELIGIBLE EMPLOYEE.—The term ‘eli-  
25           gible employee’ means, with respect to any

1 State or local governmental retirement plan,  
2 any officer or employee (other than a con-  
3 tractor) eligible to participate in the plan.

4 “(B) ANNUITY PROVIDER.—The term ‘an-  
5 nuity provider’ means any company which is li-  
6 censed to do business as a life insurance com-  
7 pany under the laws of the State in which a  
8 qualified individual deferred fixed income annu-  
9 ity contract to which this subchapter applies is  
10 to be issued.

11 “(C) PUBLIC SAFETY EMPLOYEE.—The  
12 term ‘public safety employee’ means any em-  
13 ployee of a State or political subdivision of a  
14 State who provides police protection, fire-  
15 fighting services, or emergency medical services  
16 for any area within the jurisdiction of such  
17 State or political subdivision.”.

18 (b) FICA EXEMPTION.—Paragraph (5) of section  
19 3121(a) of the Internal Revenue Code of 1986 is amended  
20 by striking “or” at the end of subparagraph (H), by strik-  
21 ing the semicolon at the end of subparagraph (I) and in-  
22 serting “, or”, and by adding at the end the following new  
23 subparagraph:

1           “(J) under an annuity accumulation retire-  
2           ment plan for the purchase of annuity contracts  
3           under section 420A;”.

4           (c) INCLUSION OF AMOUNT FOR THE PURCHASE OF  
5 ANNUITY CONTRACTS ON W-2.—Subsection (a) of section  
6 6051 of the Internal Revenue Code of 1986 is amended  
7 by striking “and” at the end of paragraph (13), by strik-  
8 ing the period at the end of paragraph (14)(B) and insert-  
9 ing “, and”, and by inserting after paragraph (14) the  
10 following new paragraph:

11           “(15) the total amount contributed under an  
12           annuity accumulation retirement plan for the pur-  
13           chase of annuity contracts under section 420A.”.

14           (d) CLERICAL AMENDMENT.—The table of subparts  
15 for part I of subchapter D of chapter 1 of the Internal  
16 Revenue Code of 1986 is amended by inserting after the  
17 item relating to subpart E the following new item:

          “SUBPART F—ANNUITY ACCUMULATION RETIREMENT PLANS FOR STATE AND  
          LOCAL GOVERNMENT EMPLOYEES”.

18           (e) EFFECTIVE DATE.—Except as provided in sub-  
19 section (b), the amendments made by this section shall  
20 apply to years beginning after December 31, 2015.

1 **TITLE III—PUERTO RICO FINAN-**  
2 **CIAL RESPONSIBILITY AND**  
3 **MANAGEMENT ASSISTANCE**  
4 **AUTHORITY**

5 **SEC. 301. PURPOSES.**

6 (a) PURPOSES.—The purposes of this title are—

7 (1) to eliminate budget deficits and cash short-  
8 ages of Puerto Rico through visionary financial plan-  
9 ning, sound budgeting, accurate revenue forecasts,  
10 and careful spending;

11 (2) to ensure the most efficient and effective  
12 delivery of services, including public safety services,  
13 by the Commonwealth government during a period  
14 of fiscal emergency;

15 (3) to conduct necessary investigations and  
16 studies to determine the fiscal status and oper-  
17 ational efficiency of the Commonwealth government;

18 (4) to assist the Commonwealth government  
19 in—

20 (A) restructuring the organization and  
21 workforce of the Commonwealth government to  
22 ensure that the residents of Puerto Rico are  
23 served by a government that is efficient and ef-  
24 fective;

1 (B) ensuring the appropriate and efficient  
2 delivery of services; and

3 (C) modernizing the budget, accounting,  
4 personnel, procurement, information technology,  
5 and management systems to ensure the max-  
6 imum financial and performance accountability  
7 of the Commonwealth government and officers  
8 and employees of the Commonwealth govern-  
9 ment;

10 (5) to enhance the access of the Commonwealth  
11 government to the capital markets;

12 (6) to ensure the continued orderly payment of  
13 the debt service obligations of the Commonwealth  
14 government;

15 (7) to ensure the long-term financial, fiscal, and  
16 economic vitality and operational efficiency of Puerto  
17 Rico; and

18 (8) to provide for the review of the financial im-  
19 pact of activities of the Commonwealth government  
20 before the activities are implemented or submitted  
21 for congressional review.

22 **SEC. 302. DEFINITIONS.**

23 In this title:

24 (1) **AUTHORITY.**—The term “Authority” means  
25 the Puerto Rico Financial Responsibility and Man-

1       agement Assistance Authority established by section  
2       311(a).

3           (2) CHIEF FINANCIAL OFFICER.—The term  
4       “Chief Financial Officer” means the Chief Financial  
5       Officer of Puerto Rico appointed under section  
6       352(a).

7           (3) COMMONWEALTH.—The term “Common-  
8       wealth” means the Commonwealth of Puerto Rico.

9           (4) COMMONWEALTH GOVERNMENT.—

10           (A) IN GENERAL.—The term “Common-  
11       wealth government” means—

12                   (i) the government of the Common-  
13       wealth (including any department, agency,  
14       or instrumentality of the government of  
15       the Commonwealth);

16                   (ii) an independent agency of the  
17       Commonwealth or any other agency, board,  
18       or commission established by the Governor  
19       or the Legislative Assembly;

20                   (iii) the courts of the Commonwealth;

21                   (iv) the Legislative Assembly; and

22                   (v) any other agency, public authority,  
23       pension fund, or public benefit corporation  
24       established by the Commonwealth that has  
25       the authority to receive amounts directly or

1 indirectly from the Commonwealth (other  
2 than amounts received from the sale of  
3 goods, the provision of services, or the  
4 loaning of funds to the Commonwealth).

5 (B) EXCLUSION.—The term “Common-  
6 wealth government” does not include the Au-  
7 thority.

8 (5) CONTROL PERIOD.—The term “control pe-  
9 riod” means—

10 (A) in the case of a public corporation, a  
11 control period for the public corporation initi-  
12 ated under section 322(a)(2); and

13 (B) in the case of the Commonwealth gov-  
14 ernment, a control period for the Common-  
15 wealth government initiated under section  
16 322(b)(2).

17 (6) CONTROL YEAR.—The term “control year”  
18 means any fiscal year for which a financial plan and  
19 budget for a public corporation or the Common-  
20 wealth government approved by the Authority under  
21 section 323 or 324 is in effect.

22 (7) EMERGENCY MANAGER.—The term “emer-  
23 gency manager” means an emergency manager for a  
24 public corporation appointed under section  
25 322(a)(5)(A).



1           (8) FINANCIAL PLAN AND BUDGET.—The term  
2 “financial plan and budget” means—

3           (A) in the case of a public corporation, a  
4 financial plan and budget developed for the  
5 public corporation under section 323; and

6           (B) in the case of the Commonwealth gov-  
7 ernment—

8           (i) a financial plan and budget for the  
9 Commonwealth government developed  
10 under section 324; and

11           (ii) a budget of the Commonwealth  
12 government for any fiscal year that is sub-  
13 ject to a financial plan and budget de-  
14 scribed in clause (i).

15           (9) GOVERNOR.—The term “Governor” means  
16 the Governor of the Commonwealth.

17           (10) LEGISLATIVE ASSEMBLY.—The term  
18 “Legislative Assembly” means the Legislative As-  
19 sembly of Puerto Rico.

20           (11) PUBLIC CORPORATION.—

21           (A) IN GENERAL.—The term “public cor-  
22 poration” means an entity created by Common-  
23 wealth law as a public corporation.

24           (B) INCLUSIONS.—The term “public cor-  
25 poration” includes—

- 1 (i) the Aqueduct and Sewer Authority;  
2 (ii) the Convention Center District  
3 Authority;  
4 (iii) the Electric Power Authority;  
5 (iv) the Highway and Transportation  
6 Authority;  
7 (v) the Housing Finance Authority;  
8 (vi) the Industrial Development Com-  
9 pany;  
10 (vii) the Infrastructure Financing Au-  
11 thority;  
12 (viii) the Port of the Americas Au-  
13 thority;  
14 (ix) the Ports Authority;  
15 (x) the Public Buildings Authority;  
16 (xi) the Public Finance Corporation;  
17 (xii) the Sales Taxes Financing Cor-  
18 poration; and  
19 (xiii) the University of Puerto Rico.
- 20 (12) SECRETARY.—The term “Secretary”  
21 means the Secretary of the Treasury.

1           **Subtitle A—Establishment and**  
2           **Organization of Authority**

3   **SEC. 311. COMMONWEALTH FINANCIAL RESPONSIBILITY**  
4           **AND MANAGEMENT ASSISTANCE AUTHORITY.**

5           (a) **ESTABLISHMENT.**—Pursuant to article IV, sec-  
6 tion 3, clause 2 of the Constitution of the United States,  
7 the Puerto Rico Financial Responsibility and Management  
8 Assistance Authority is established in accordance with this  
9 section.

10          (b) **MEMBERSHIP.**—

11           (1) **IN GENERAL.**—The Authority shall consist  
12 of—

13                   (A) the Secretary; and

14                   (B) 5 additional members who—

15                           (i) meet the qualifications described in  
16 subsection (c); and

17                           (ii) are appointed by the President, in  
18 consultation with the committees and indi-  
19 viduals described in paragraph (3).

20           (2) **AUTHORIZED ACTIONS.**—Beginning on the  
21 date on which the President has appointed at least  
22 3 members to the Authority, the Authority may take  
23 any action authorized by this title.

1           (3) CONSULTATION REQUIRED.—The President  
2 shall appoint the members of the Authority after  
3 consultation with—

4           (A) the Committee on Energy and Natural  
5 Resources of the Senate;

6           (B) the Committee on Natural Resources  
7 of the House of Representatives;

8           (C) the Resident Commissioner of the  
9 Commonwealth; and

10          (D) the Governor.

11          (4) CHAIRPERSON.—The Secretary shall serve  
12 as chairperson of the Authority.

13          (5) TERMS OF SERVICE.—

14           (A) INITIAL APPOINTMENT; DESIGNA-  
15 TION.—Each member appointed to the Author-  
16 ity shall be—

17           (i) appointed for an initial term of 2  
18 years; and

19           (ii) designated into 3 tiers, consisting  
20 of not more than—

21           (I) 1 member to serve in tier I;

22           (II) 2 members to serve in tier  
23 II; and

24           (III) 2 members to serve in tier  
25 III.

1           (B) SUBSEQUENT APPOINTMENTS.—For  
2 the term immediately following the initial term  
3 under subparagraph (A)(i), a member of the  
4 Authority may be reappointed, or a new mem-  
5 ber named, for a term of—

6           (i) for the member serving in tier I—

7               (I) 1 additional term of not more  
8 than 1 year; and

9               (II) such subsequent terms of not  
10 more than 3 years as the President  
11 determines to be appropriate;

12          (ii) for a member serving in tier II—

13               (I) 1 additional term of not more  
14 than 2 years; and

15               (II) such subsequent terms of not  
16 more than 3 years as the President  
17 determines to be appropriate; and

18          (iii) for a member serving in tier

19 III—

20               (I) 1 additional term of 3 years;

21               and

22               (II) such subsequent terms of not  
23 more than 3 years as the President  
24 determines to be appropriate.

1 (C) REMOVAL.—The President may re-  
2 move a member of the Authority only for cause.

3 (6) VOTING.—In voting on any matter in car-  
4 rying out this title—

5 (A) the chairperson of the Authority shall  
6 have 2 votes; and

7 (B) each other member of the Authority  
8 shall have 1 vote.

9 (7) CITIZENSHIP; RESIDENCE.—

10 (A) CITIZENSHIP.—Each member of the  
11 Authority shall be a United States citizen.

12 (B) RESIDENCE.—Of the members of the  
13 Authority described in paragraph (1)(B)—

14 (i) 3 shall maintain a primary resi-  
15 dence in the Commonwealth; and

16 (ii) 2 shall not be residents of the  
17 Commonwealth.

18 (c) QUALIFICATIONS FOR MEMBERSHIP.—An indi-  
19 vidual meets the qualifications for membership on the Au-  
20 thority if the individual—

21 (1) has knowledge and expertise in finance,  
22 management, and the organization or operation of  
23 business or government;

1           (2) complies with Federal conflict of interest re-  
2           quirements of section 208 of title 18, United States  
3           Code;

4           (3) is not, and has not been for a period of not  
5           less than 5 years before the date of appointment, an  
6           officer or employee of—

7                     (A) the Commonwealth; or

8                     (B) any public corporation; and

9           (4)(A) does not provide goods or services to the  
10          Commonwealth; and

11          (B) is not the spouse, parent, child, or sibling  
12          of an individual who provides goods or services to  
13          the Commonwealth.

14          (d) NO COMPENSATION FOR SERVICE.—A member of  
15          the Authority—

16                     (1) shall serve without pay; but

17                     (2) may receive reimbursement for any reason-  
18                     able and necessary expenses incurred by reason of  
19                     service on the Authority.

20          (e) ADOPTION OF BYLAWS FOR CONDUCTING BUSI-  
21          NESS OF AUTHORITY.—

22                     (1) IN GENERAL.—As soon as practicable after  
23                     the date of appointment of the members to the Au-  
24                     thority, the Authority shall adopt bylaws, rules, and  
25                     procedures governing the activities of the Authority

1 under this title, including procedures for hiring ex-  
2 perts and consultants.

3 (2) SUBMISSION.—The bylaws, rules, and pro-  
4 cedures adopted under paragraph (1) shall—

5 (A) be public documents; and

6 (B) be submitted by the Authority, on  
7 adoption, to each of—

8 (i) the Governor;

9 (ii) the Legislative Assembly;

10 (iii) the President; and

11 (iv) Congress.

12 (3) CERTAIN ACTIVITIES REQUIRING APPROVAL  
13 OF MAJORITY OF MEMBERS.—

14 (A) IN GENERAL.—Except as provided in  
15 subparagraph (B), under the bylaws adopted  
16 under paragraph (1), the Authority may con-  
17 duct operations in accordance with any proce-  
18 dures that the Authority considers appropriate.

19 (B) AFFIRMATIVE VOTE REQUIRED.—Not-  
20 withstanding subparagraph (A), an affirmative  
21 vote of a majority of the members of the Au-  
22 thority shall be required for the Authority—

23 (i) to approve or disapprove a finan-  
24 cial plan and budget under section 323 or  
25 324;



1 (ii) to implement recommendations on  
 2 financial stability and management respon-  
 3 sibility under section 328;

4 (iii) to issue new bonds, notes, or  
 5 other obligations under section 331; and

6 (iv) to allocate resources under title V.

7 (4) ADOPTION OF RULES AND REGULATIONS OF  
 8 COMMONWEALTH.—The Authority may incorporate  
 9 in the bylaws, rules, and procedures adopted under  
 10 paragraph (1) any rules and regulations of the Com-  
 11 monwealth government that the Authority considers  
 12 to be appropriate to enable the Authority to carry  
 13 out activities under this title with the maximum de-  
 14 gree of independence practicable.

15 **SEC. 312. EXECUTIVE DIRECTOR AND STAFF.**

16 (a) EXECUTIVE DIRECTOR.—

17 (1) APPOINTMENT.—The chairperson of the  
 18 Authority, with the consent of the Authority, shall  
 19 appoint an Executive Director for the Authority.

20 (2) COMPENSATION.—

21 (A) IN GENERAL.—Subject to subpara-  
 22 graph (B), the Executive Director shall be paid  
 23 at a rate determined by the Authority.

24 (B) RATE OF PAY.—The rate of pay for  
 25 the Executive Director under subparagraph (A)

1           may not exceed the basic pay payable for level  
2           IV of the Executive Schedule under section  
3           5315 of title 5, United States Code.

4           (b) STAFF.—With the approval of the chairperson,  
5           the Executive Director may appoint and fix the pay of ad-  
6           ditional personnel as the Executive Director considers ap-  
7           propriate, subject to the condition that no individual ap-  
8           pointed by the Executive Director may be paid at a rate  
9           that exceeds the rate of pay for the Executive Director.

10          (c) INAPPLICABILITY OF CERTAIN EMPLOYMENT  
11          AND PROCUREMENT LAWS.—

12               (1) CIVIL SERVICE LAWS.—The Executive Di-  
13               rector and staff of the Authority—

14                       (A) may be appointed without regard to  
15                       the provisions of title 5, United States Code,  
16                       governing appointments in the competitive serv-  
17                       ice; and

18                       (B) may be paid without regard to the pro-  
19                       visions of chapter 51 and subchapter III of  
20                       chapter 53 of title 5, United States Code, relat-  
21                       ing to classification and General Schedule pay  
22                       rates.

23               (2) COMMONWEALTH EMPLOYMENT AND PRO-  
24               CUREMENT LAWS.—

1           (A) EMPLOYMENT LAWS.—The Executive  
2           Director and staff of the Authority may be ap-  
3           pointed and paid without regard to the provi-  
4           sions of the Puerto Rico Code governing ap-  
5           pointments and salaries.

6           (B) PROCUREMENT LAWS.—The provisions  
7           of the Puerto Rico Code governing procurement  
8           shall not apply to the Authority.

9           (d) STAFF OF FEDERAL AGENCIES.—On the request  
10          of the chairperson, the head of any Federal or Common-  
11          wealth government department or agency may detail to  
12          the Authority, on a reimbursable or nonreimbursable  
13          basis, any of the personnel of the department or agency  
14          to assist the Authority in carrying out the duties of the  
15          Authority under this title.

16 **SEC. 313. POWERS OF AUTHORITY.**

17          (a) IN GENERAL.—The Authority may, for the pur-  
18          pose of carrying out this title—

19               (1) hold hearings;

20               (2) sit and act at such times and places as the  
21          Authority considers appropriate;

22               (3) take testimony;

23               (4) receive evidence;

24               (5) administer oaths or affirmations to wit-  
25          nesses appearing before the Authority; and

1           (6) provide assistance and recommendations re-  
2           garding financial stability and management responsi-  
3           bility to the Commonwealth government for the pur-  
4           poses of this title.

5           (b) POWERS OF MEMBERS AND AGENTS.—Any mem-  
6           ber or agent of the Authority may, if authorized by the  
7           Authority, take any action that the Authority is authorized  
8           to take under this section.

9           (c) OBTAINING OFFICIAL DATA.—

10           (1) FEDERAL GOVERNMENT.—Notwithstanding  
11           sections 552 and 552b of title 5, United States  
12           Code, the Authority may secure directly from any  
13           Federal department or agency information necessary  
14           to enable the Authority to carry out this title, with  
15           the approval of the head of the applicable Federal  
16           department or agency.

17           (2) COMMONWEALTH GOVERNMENT.—

18           (A) IN GENERAL.—Notwithstanding any  
19           other provision of law, the Authority shall have  
20           the right to secure copies of any records, docu-  
21           ments, information, or data from any entity of  
22           the Commonwealth government necessary to en-  
23           able the Authority to carry out the responsibil-  
24           ities of the Authority under this title.

1 (B) ACCESS.—At the request of the Au-  
2 thority, the Authority shall be granted direct  
3 access to any information systems, records, doc-  
4 uments, information, or data described in sub-  
5 paragraph (A) that would enable the Authority  
6 to carry out the responsibilities of the Authority  
7 under this title.

8 (C) PROVISION BY HEADS OF ENTITIES.—  
9 The head of the department or agency of the  
10 Commonwealth government responsible for the  
11 information shall provide the Authority with  
12 any information and assistance (including  
13 granting the Authority direct access to auto-  
14 mated or other information systems) as the Au-  
15 thority may require under this paragraph.

16 (d) GIFTS, BEQUESTS, AND DEVISES.—

17 (1) IN GENERAL.—The Authority may accept,  
18 use, and dispose of gifts, bequests, or devises of  
19 services and real and personal property for the pur-  
20 pose of aiding or facilitating the work of the Author-  
21 ity.

22 (2) USE.—Any gifts, bequests, or devises of  
23 money accepted by the Authority, and any proceeds  
24 from sales of other property received as gifts, be-  
25 quests, or devises by the Authority, shall—

1 (A) be deposited in an account established  
2 by the Authority; and

3 (B) be available for disbursement on order  
4 of the chairperson of the Authority.

5 (e) SUBPOENA POWER.—

6 (1) IN GENERAL.—The chairperson of the Au-  
7 thority may issue subpoenas requiring the attend-  
8 ance and testimony of witnesses and the production  
9 of any evidence relating to any matter under inves-  
10 tigation by the Authority.

11 (2) SCOPE.—The attendance of witnesses and  
12 the production of evidence may be required by the  
13 Authority—

14 (A) from any place within the United  
15 States; and

16 (B) at any designated place of hearing  
17 within the United States.

18 (3) FAILURE TO OBEY A SUBPOENA.—

19 (A) APPLICATION TO UNITED STATES DIS-  
20 TRICT COURT.—If a person refuses to obey a  
21 subpoena issued under paragraph (1), the Au-  
22 thority may apply to a United States district  
23 court for an order requiring the person to ap-  
24 pear before the Authority to give testimony or

1 produce evidence relating to the matter under  
2 investigation.

3 (B) JUDICIAL DISTRICT.—An application  
4 may be made under subparagraph (A) in—

5 (i) the judicial district in which the  
6 hearing is conducted; or

7 (ii) the judicial district in which the  
8 person subject to the subpoena is found,  
9 resides, or transacts business.

10 (C) CONTEMPT.—The United States dis-  
11 trict court may treat as civil contempt any fail-  
12 ure to obey the order of a court under this  
13 paragraph.

14 (4) SERVICE OF SUBPOENAS.—The Authority  
15 shall serve subpoenas under this subsection in the  
16 manner provided for subpoenas issued by United  
17 States district court under the Federal Rules of Civil  
18 Procedure for the United States district courts.

19 (5) SERVICE OF PROCESS.—All service of proc-  
20 ess of any court to which application is made under  
21 paragraph (2) may be served in the judicial district  
22 in which the person required to be served resides or  
23 may be found.

24 (f) ADMINISTRATIVE SUPPORT SERVICES.—On the  
25 request of the Authority, the Administrator of General

1 Services may provide to the Authority, on a reimbursable  
2 basis, the administrative support services necessary for the  
3 Authority to carry out the responsibilities of the Authority  
4 under this title.

5 (g) AUTHORITY TO ENTER INTO CONTRACTS.—The  
6 Executive Director of the Authority may enter into any  
7 contract that the Executive Director considers appropriate  
8 (subject to the approval of the chairperson of the Author-  
9 ity) to carry out the responsibilities of the Authority under  
10 this title.

11 (h) CIVIL ACTIONS TO ENFORCE POWERS.—The Au-  
12 thority may seek judicial enforcement of the authority to  
13 carry out the responsibilities of the Authority under this  
14 title.

15 (i) PENALTIES.—

16 (1) ACTS PROHIBITED.—Any officer or em-  
17 ployee of the Commonwealth government shall be  
18 guilty of a misdemeanor if the officer or employee—

19 (A)(i) takes any action in violation of any  
20 valid order of the Authority; or

21 (ii) fails or refuses to take any action re-  
22 quired by an order described in clause (i); or

23 (B)(i) knowingly and willfully prepares,  
24 presents, or certifies any information (including  
25 any projections or estimates) or report for the



1 Authority or any of the agents of the Board  
2 that is false or misleading; or

3 (ii) on learning that any information de-  
4 scribed in clause (i) is false or misleading, fails  
5 to immediately advise the Authority or agents  
6 of the Board in writing of the discovery.

7 (2) ADMINISTRATIVE DISCIPLINE.—In addition  
8 to any other applicable penalty, any officer or em-  
9 ployee of the Commonwealth government who know-  
10 ingly and willfully violates paragraph (1) shall be  
11 subject to appropriate administrative discipline, in-  
12 cluding, as appropriate—

13 (A) suspension from duty without pay; or

14 (B) removal from office by order of the  
15 Governor or Authority.

16 (3) REPORT BY GOVERNOR ON DISCIPLINARY  
17 ACTIONS TAKEN.—In the case of a violation of para-  
18 graph (1) by an officer or employee of the Common-  
19 wealth government, the Governor shall immediately  
20 submit to the Authority a report that—

21 (A) describes all pertinent facts; and

22 (B) includes a statement of the action  
23 taken relating to the violation.

1 **SEC. 314. EXEMPTION FROM LIABILITY FOR CLAIMS.**

2       The Authority (including the members of the Author-  
3 ity) may not be liable for any obligation of or claim against  
4 the Commonwealth resulting from actions taken to carry  
5 out this title.

6 **SEC. 315. TREATMENT OF ACTIONS.**

7       (a) **JURISDICTION ESTABLISHED.**—Except as pro-  
8 vided in section 313(e)(3), any action against the Author-  
9 ity or any action otherwise arising out of this title, in  
10 whole or in part, shall be brought in the United States  
11 District Court for the District of Puerto Rico.

12       (b) **APPEAL.**—

13           (1) **COURT OF APPEALS.**—Notwithstanding any  
14 other provision of law, any order of the United  
15 States District Court for the District of Puerto Rico  
16 that is issued pursuant to an action brought under  
17 subsection (a) shall be reviewable only pursuant to  
18 a notice of appeal to the United States Court of Ap-  
19 peals for the First Circuit.

20           (2) **SUPREME COURT.**—Notwithstanding any  
21 other provision of law, review by the Supreme Court  
22 of a decision of the Court of Appeals that is issued  
23 under paragraph (1) may be available only if the pe-  
24 tition for review is filed by the date that is 10 days  
25 after the date of entry of the decision of the Court  
26 of Appeals.

1 (c) TIMING OF RELIEF.—No order of any court  
2 granting declaratory or injunctive relief against the Au-  
3 thority (including relief permitting or requiring the obliga-  
4 tion, borrowing, or expenditure of funds) shall take effect  
5 during—

6 (1) the pendency of the action before the court;

7 (2) the period during which appeal may be  
8 taken; or

9 (3) if appeal is taken, the period before the  
10 court has entered a final order disposing of the ac-  
11 tion.

12 (d) EXPEDITED CONSIDERATION.—It shall be the  
13 duty of the United States District Court for the District  
14 of Puerto Rico, the United States Court of Appeals for  
15 the First Circuit, and the Supreme Court to advance on  
16 the docket, and to expedite to the greatest extent prac-  
17 ticable, the disposition of any action brought under sub-  
18 section (a).

19 **SEC. 316. FUNDING FOR OPERATION OF AUTHORITY.**

20 (a) ANNUAL BUDGETING PROCESS.—

21 (1) SUBMISSION OF BUDGET.—The Authority  
22 shall submit to the Secretary for inclusion in the an-  
23 nual budget of the President a proposed budget for  
24 the Authority for each fiscal year.

1           (2) CONTENTS OF BUDGET.—A budget sub-  
2           mitted under paragraph (1) shall describe—

3                   (A) expenditures of the Authority by cat-  
4                   egory, including expenditures for staff of the  
5                   Authority;

6                   (B) services of personnel and other services  
7                   provided by or on behalf of the Authority for  
8                   which the Authority made no reimbursement;  
9                   and

10                  (C) any gifts or bequests made to the Au-  
11                  thority during the previous fiscal year.

12           (3) APPROPRIATIONS REQUIRED.—For fiscal  
13           year 2016 and each fiscal year thereafter, an  
14           amount may be obligated or expended by the Au-  
15           thority for a fiscal year only if the amount has been  
16           approved by an Act of Congress.

17           (b) SPECIAL RULE FOR FUNDING OF OPERATIONS  
18           DURING FISCAL YEAR 2015.—As soon as practicable  
19           after the date of appointment of the members of the Au-  
20           thority, the Authority shall submit to the Governor and  
21           the President, for submission to Congress—

22                   (1) a request for reprogramming of funds under  
23                   the budget account for the Department of the Treas-  
24                   ury; and

1           (2) a description of anticipated expenditures of  
2           the Authority for fiscal year 2015.

3 **SEC. 317. SUSPENSION OF ACTIVITIES.**

4           The Authority shall suspend any activities carried out  
5           under this title, and the terms of the members of the Au-  
6           thority shall expire, on the date that is 3 years after the  
7           date on which the Authority certifies that all control peri-  
8           ods initiated under section 322 have terminated.

9 **SEC. 318. APPLICATION OF LAWS OF COMMONWEALTH TO**  
10 **AUTHORITY.**

11           (a) NO CONTROL, SUPERVISION, OVERSIGHT, OR RE-  
12           VIEW BY GOVERNOR OR LEGISLATIVE ASSEMBLY.—The  
13           Governor and the Legislative Assembly may not exercise  
14           any control, supervision, oversight, or review over the Au-  
15           thority or any activities of the Authority.

16           (b) AUTHORITY NOT SUBJECT TO REPRESENTATION  
17           BY SECRETARY OF JUSTICE.—In any action brought by,  
18           or on behalf of, the Authority, and in any action brought  
19           against the Authority—

20                   (1) the Authority shall be represented by such  
21                   counsel as the Authority may select; but

22                   (2) in no case may the Authority be represented  
23                   by the Secretary of Justice of the Commonwealth.

1           **Subtitle B—Responsibilities of**  
2                                   **Authority**

3                           **PART I—CONTROL PERIOD**

4   **SEC. 321. EARLY OPT-IN AUTHORITY.**

5           Notwithstanding the timeframes provided in sub-  
6 sections (a)(1) and (b)(1) of section 322, the Authority  
7 may carry out this title beginning on the date on which  
8 the Legislative Assembly enacts a resolution supporting  
9 the actions of the Authority authorized by section 322.

10 **SEC. 322. CERTIFICATIONS BY AUTHORITY.**

11           (a) PUBLIC CORPORATIONS.—

12                   (1) IN GENERAL.—Not later than 1 year after  
13 the date of enactment of this Act and annually  
14 thereafter, the Authority shall certify whether any  
15 public corporation—

16                           (A) does not have sufficient revenue to  
17 meet the debt obligations of the public corpora-  
18 tion;

19                           (B) has defaulted with respect to any loan,  
20 bond, note, or other form of borrowing;

21                           (C) is unable to meet the payroll of the  
22 public corporation for any pay period;

23                           (D) has a cash deficit at the end of any  
24 quarter of the fiscal year equal to or greater  
25 than the difference between—

1 (i) the estimated revenues of the pub-  
2 lic corporation during the remainder of the  
3 fiscal year; and

4 (ii) the estimated expenditures of the  
5 public corporation (including repayments  
6 of temporary borrowing) during the re-  
7 mainder of the fiscal year; and

8 (E) fails to make any required payments  
9 relating to pensions and benefits for current  
10 and former employees of the public corporation.

11 (2) BUDGET CONTROL.—If the Authority cer-  
12 tifies that a public corporation is unable to meet any  
13 of the requirements under paragraph (1), a control  
14 period shall be initiated for the public corporation in  
15 accordance with section 323.

16 (3) TERMINATION.—A control period for a pub-  
17 lic corporation initiated under this subsection termi-  
18 nates on the date on which the Authority certifies  
19 that—

20 (A) the public corporation has adequate  
21 access to short-term and long-term credit mar-  
22 kets at reasonable interest rates to meet the  
23 borrowing needs of the public corporation; and

24 (B) for 2 consecutive years after the initi-  
25 ation of a control period, the expenditures made

1 by the public corporation during each fiscal  
2 year did not exceed the revenues of the public  
3 corporation during that year, as determined in  
4 accordance with generally accepted accounting  
5 principles.

6 (4) CONSULTATION REQUIRED.—In making a  
7 certification under this subsection, the Authority  
8 shall consult with the Government Development  
9 Bank of Puerto Rico.

10 (5) EMERGENCY MANAGER.—

11 (A) IN GENERAL.—If, during a control pe-  
12 riod for a public corporation, the Authority cer-  
13 tifies that over the course of 2 consecutive  
14 quarters the expenditures made by a public cor-  
15 poration exceed the revenues of that public cor-  
16 poration in violation of the financial plan and  
17 budget required under section 323, the Author-  
18 ity may appoint an emergency manager for the  
19 public corporation.

20 (B) AUTHORITY.—

21 (i) AUTHORITY OF BOARD OF DIREC-  
22 TORS AND OFFICERS.—The emergency  
23 manager shall exercise all authorities pre-  
24 viously exercised by the board of directors  
25 and officers of the public corporation



1 under the charter, bylaws, or organic stat-  
2 ute of the public corporation or the appli-  
3 cable laws of the Commonwealth.

4 (ii) ADDITIONAL AUTHORITY.—

5 (I) IN GENERAL.—In addition to  
6 the authority under clause (i), the  
7 emergency manager may propose in-  
8 creases in, decreases in, or other  
9 changes to any rates, fees, taxes, or  
10 other charges that the public corpora-  
11 tion has the power to impose on peo-  
12 ple or property within the Common-  
13 wealth.

14 (II) REQUIRED DEMONSTRA-  
15 TION.—An increase, decrease, or  
16 change proposed under subclause (I)  
17 shall be accompanied by a demonstra-  
18 tion of the reasonable necessity of the  
19 increase, decrease, or change to main-  
20 tain—

21 (aa) the operation, property,  
22 physical plant and equipment, or  
23 financial condition of the public  
24 corporation; or

1 (bb) the ability of the public  
2 corporation to obtain unsecured  
3 credit on the capital markets at a  
4 reasonable interest rate.

5 (III) REVIEW.—

6 (aa) IN GENERAL.—An in-  
7 crease, decrease, or change pro-  
8 posed under subclause (I) shall  
9 be subject to review by any com-  
10 mission, authority, agency, or  
11 governmental body with authority  
12 to review the rates, fees, taxes, or  
13 other charges imposed by the  
14 public corporation.

15 (bb) DEEMED APPROVAL.—  
16 If a commission, authority, agen-  
17 cy, or governmental body fails to  
18 approve and implement or dis-  
19 approve the proposed increase,  
20 decrease, or change by the date  
21 that is 120 days after the date  
22 on which the increase, decrease,  
23 or change is submitted to the  
24 commission, authority, agency, or  
25 governmental body, the proposed

1 increase, decrease, or change  
2 shall be deemed approved by the  
3 commission, authority, agency, or  
4 governmental body.

5 (C) SALARY.—The public corporation shall  
6 be responsible for paying the salary and any  
7 other compensation of the emergency manager.

8 (b) COMMONWEALTH GOVERNMENT.—

9 (1) IN GENERAL.—Not later than 2 years after  
10 the date of enactment of this Act and annually  
11 thereafter, the Authority shall certify whether the  
12 Commonwealth government—

13 (A) does not have sufficient revenue to  
14 meet debt obligations of the Commonwealth  
15 government;

16 (B) has defaulted with respect to any loan,  
17 bond, note, or other form of borrowing;

18 (C) is unable to meet the payroll of the  
19 Commonwealth government for any pay period;

20 (D) has a cash deficit at the end of any  
21 quarter of the fiscal year equal to or greater  
22 than the difference between—

23 (i) the estimated revenues of the Com-  
24 monwealth government during the remain-  
25 der of the fiscal year; and

1                   (ii) the estimated expenditures of the  
2                   Commonwealth government (including re-  
3                   payments of temporary borrowing) during  
4                   the remainder of the fiscal year; and

5                   (E) fails to make any required payments  
6                   relating to pensions and benefits for current  
7                   and former employees of the Commonwealth  
8                   government.

9                   (2) BUDGET CONTROL.—If the Authority cer-  
10                  tifies that the Commonwealth government is unable  
11                  to meet any of the requirements under paragraph  
12                  (1), a control period for the Commonwealth govern-  
13                  ment is initiated in accordance with section 324.

14                  (3) TERMINATION.—A control period for the  
15                  Commonwealth government initiated under this sub-  
16                  section terminates on the date on which the Author-  
17                  ity certifies that—

18                         (A) the Commonwealth government has  
19                         adequate access to short-term and long-term  
20                         credit markets at reasonable interest rates to  
21                         meet the borrowing needs of the Commonwealth  
22                         government; and

23                         (B) for 4 consecutive years after the initi-  
24                         ation of a control period for the Commonwealth  
25                         government, the expenditures made by the

1 Commonwealth government during each fiscal  
2 year did not exceed the revenues of the Com-  
3 monwealth government during that year, as de-  
4 termined in accordance with the generally ac-  
5 cepted accounting principles contained in the  
6 comprehensive annual financial report for the  
7 Commonwealth.

8 (4) REQUIRED CONSULTATION.—In making a  
9 certification under this subsection, the Authority  
10 shall consult with the Government Development  
11 Bank of Puerto Rico.

12 **SEC. 323. FINANCIAL PLAN AND BUDGET FOR PUBLIC COR-**  
13 **PORATIONS DURING CONTROL PERIOD.**

14 (a) DEVELOPMENT; CONTENTS.—

15 (1) IN GENERAL.—For each fiscal year for  
16 which a public corporation is in a control period  
17 under section 322(a), the Governor or the emergency  
18 manager (as applicable) shall develop and submit to  
19 the Authority a financial plan and budget for the  
20 public corporation in accordance with this section.

21 (2) CONTENTS.—

22 (A) IN GENERAL.—A financial plan and  
23 budget for the public corporation for a fiscal  
24 year shall specify the budgets for the public cor-  
25 poration for the applicable fiscal year and the

1 subsequent 3 fiscal years (including the pro-  
2 jected revenues and expenditures of each fund  
3 of the public corporation for those fiscal years),  
4 in accordance with the requirements described  
5 in subparagraph (B).

6 (B) REQUIREMENTS.—The financial plan  
7 and budget shall—

8 (i) meet the standards described in  
9 paragraph (3) to promote the financial sta-  
10 bility of the public corporation;

11 (ii) provide for estimates of revenues  
12 and expenditures on a modified accrual  
13 basis;

14 (iii)(I) describe lump-sum expendi-  
15 tures by department, by object class;

16 (II) describe capital expenditures (to-  
17 gether with a schedule of projected capital  
18 commitments of the public corporation and  
19 proposed sources of funding);

20 (III) contain estimates of short-term  
21 and long-term debt, whether outstanding  
22 or anticipated to be issued; and

23 (IV) contain cash flow forecasts for  
24 each fund of the public corporation, at

1 such intervals as the Authority may re-  
2 quire;

3 (iv) include a statement describing  
4 methods of estimations and significant as-  
5 sumptions; and

6 (v) include such other provisions, and  
7 meet such other criteria, as the Authority  
8 considers to be appropriate to meet the  
9 purposes of this title, including provisions  
10 relating to—

11 (I) changes in personnel policies  
12 and levels for each department of the  
13 public corporation;

14 (II) changes in the structure and  
15 organization of the public corporation;  
16 and

17 (III) management initiatives to  
18 promote—

19 (aa) productivity;

20 (bb) improvement in the de-  
21 livery of services; or

22 (cc) cost savings.

23 (3) STANDARDS TO PROMOTE FINANCIAL STA-  
24 BILITY.—

1 (A) IN GENERAL.—The standards to pro-  
2 mote the financial stability of the public cor-  
3 poration applicable to the financial plan and  
4 budget for a fiscal year are as follows:

5 (i) In the case of the financial plan  
6 and budget for the first fiscal year of a  
7 control period, the expenditures of the pub-  
8 lic corporation may not exceed the reve-  
9 nues of the public corporation for that fis-  
10 cal year.

11 (ii) During each of the 5 subsequent  
12 fiscal years, the public corporation shall  
13 make continuous, substantial progress to-  
14 ward equalizing the expenditures and reve-  
15 nues of the public corporation for those fis-  
16 cal years in equal annual installments, to  
17 the maximum extent practicable.

18 (iii) The public corporation shall pro-  
19 vide for the orderly liquidation of the cu-  
20 mulative fund balance deficit of the public  
21 corporation, as evidenced by financial  
22 statements prepared in accordance with  
23 generally accepted accounting principles.

24 (iv) If funds in any account of the  
25 public corporation that are dedicated for



1 specific purposes have been withdrawn  
2 from that account for any other purpose,  
3 the public corporation shall fully restore  
4 the funds to the account.

5 (v) The financial plan and budget  
6 shall ensure the continuing long-term fi-  
7 nancial stability of the public corporation,  
8 as indicated by factors including—

9 (I) access to short-term and long-  
10 term capital markets;

11 (II) the efficient management of  
12 the public corporation workforce; and

13 (III) the effective provision of  
14 services by the public corporation.

15 (B) APPLICATION OF SOUND BUDGETARY  
16 PRACTICES; ASSUMPTIONS BASED ON CURRENT  
17 LAW.—In meeting the standards described in  
18 subparagraph (A) with respect to a financial  
19 plan and budget for a fiscal year, the public  
20 corporation shall—

21 (i) apply sound budgetary practices,  
22 including—

23 (I) reducing costs and other ex-  
24 penditures;

25 (II) improving productivity;

- 1 (III) increasing revenues; or  
2 (IV) any combination of those  
3 practices; and  
4 (ii) base estimates of revenues and ex-  
5 penditures on Federal law, as in effect at  
6 the time of preparation of the financial  
7 plan and budget.

8 (b) SUBMISSION, REVIEW, AND APPROVAL.—

9 (1) SUBMISSION.—Not later than February 1  
10 of each fiscal year preceding a fiscal year during  
11 which a public corporation is in a control period  
12 under section 322(a), the Governor or emergency  
13 manager (as applicable) shall submit to the Author-  
14 ity and the Legislative Assembly a financial plan  
15 and budget for the public corporation for that fol-  
16 lowing fiscal year, as developed in accordance with  
17 this subsection.

18 (2) REVIEW BY AUTHORITY.—On receipt of a  
19 financial plan and budget for a fiscal year under  
20 paragraph (1), the Authority—

21 (A) shall promptly review the financial  
22 plan and budget; and

23 (B) in conducting the review, may request  
24 any additional information the Authority con-

1           siders to be necessary and appropriate to carry  
2           out this part.

3           (3) ACTION ON APPROVAL.—

4                 (A) CERTIFICATION TO GOVERNOR.—

5                     (i) IN GENERAL.—If the Authority de-  
6                     termines that the financial plan and budg-  
7                     et for a fiscal year submitted under para-  
8                     graph (1) meets the applicable require-  
9                     ments of this section—

10                         (I) the Authority shall—

11                                 (aa) approve the financial  
12                                 plan and budget; and

13                                 (bb) submit a notice certi-  
14                                 fying that approval to—

15   (AA) the emergency  
16   manager (as applicable);

17   (BB) the Governor;

18   (CC) the Legislative  
19   Assembly;

20   (DD) the President;

21   and

22   (EE) Congress; and

23                                 (II) the Governor or the emer-  
24                                 gency manager (as applicable) shall  
25                                 promptly submit the financial plan

1 and budget to the Legislative Assem-  
2 bly.

3 (ii) DEEMED APPROVAL.—

4 (I) IN GENERAL.—If the Author-  
5 ity has not provided to the emergency  
6 manager (as applicable), the Gov-  
7 ernor, the Legislative Assembly, and  
8 Congress a notice certifying approval  
9 under clause (i)(I)(bb) or a statement  
10 of disapproval under paragraph  
11 (4)(A)(ii) by the date that is 30 days  
12 after the date on which the Authority  
13 receives the financial plan and budget  
14 under paragraph (1), the Authority  
15 shall be deemed to have—

16 (aa) approved the financial  
17 plan and budget; and

18 (bb) submitted a notice cer-  
19 tifying approval described in  
20 clause (i)(I)(bb) to—

21 (AA) the emergency  
22 manager (as applicable);

23 (BB) the Governor;

24 (CC) the Legislative  
25 Assembly;

1 (DD) the President;  
2 and  
3 (EE) Congress.

4 (II) EXPLANATION OF FAILURE  
5 TO RESPOND.—If subclause (I) ap-  
6 plies with respect to a financial plan  
7 and budget, the Authority shall sub-  
8 mit to the emergency manager (as ap-  
9 plicable), the Governor, the Legisla-  
10 tive Assembly, the President, and  
11 Congress an explanation for the fail-  
12 ure of the Authority to submit a no-  
13 tice certifying approval or a statement  
14 of disapproval during the 30-day pe-  
15 riod described in that subclause.

16 (B) ADOPTION BY LEGISLATIVE ASSEM-  
17 BLY.—Not later than 30 days after the date of  
18 receipt of the financial plan and budget for a  
19 fiscal year from the Governor or the emergency  
20 manager (as applicable) under subparagraph  
21 (A)(i)(II), the Legislative Assembly shall—

22 (i) by Act, adopt the financial plan  
23 and budget, which shall serve as the adop-  
24 tion of the budget of the public corporation  
25 for the fiscal year; and

1 (ii) submit the financial plan and  
2 budget to—

3 (I) the emergency manager (as  
4 applicable);

5 (II) the Governor; and

6 (III) the Authority.

7 (4) ACTION ON DISAPPROVAL.—

8 (A) IN GENERAL.—If the Authority deter-  
9 mines that the financial plan and budget for a  
10 fiscal year submitted under paragraph (1) does  
11 not meet the applicable requirements under this  
12 section, the Authority shall—

13 (i) disapprove the financial plan and  
14 budget; and

15 (ii) submit to the emergency manager  
16 (as applicable), the Governor, and the Leg-  
17 islative Assembly a statement containing—

18 (I) the reasons for the dis-  
19 approval;

20 (II) a description of the amount  
21 of any shortfall in the budget or fi-  
22 nancial plan; and

23 (III) any recommendations for  
24 revisions to the budget the Authority  
25 considers to be appropriate to ensure

1           that the financial plan and budget  
 2           meets the applicable requirements  
 3           under this section.

4           (B) REVISED FINANCIAL PLAN AND BUDG-  
 5           ET.—

6           (i) IN GENERAL.—Not later than 15  
 7           days after the date of receipt of a state-  
 8           ment from the Authority under subpara-  
 9           graph (A)(ii), the Governor or the emer-  
 10          gency manager (as applicable) shall  
 11          promptly submit to the Authority and the  
 12          Legislative Assembly a revised financial  
 13          plan and budget for the applicable fiscal  
 14          year that addresses the reasons of the Au-  
 15          thority for disapproval.

16          (ii) APPROVAL.—If the Authority de-  
 17          termines that the revised financial plan  
 18          and budget for a fiscal year submitted by  
 19          the Governor or the emergency manager  
 20          (as applicable) under clause (i) meets the  
 21          applicable requirements under this sec-  
 22          tion—

23                           (I) the Authority shall—  
 24                                   (aa) approve the financial  
 25                                   plan and budget; and

1 (bb) submit a notice certi-  
2 fying that approval to—  
3 (AA) the emergency  
4 manager (as applicable);  
5 (BB) the Governor;  
6 (CC) the Legislative  
7 Assembly;  
8 (DD) the President;  
9 and  
10 (EE) Congress; and  
11 (II) the Governor or the emer-  
12 gency manager (as applicable) shall  
13 promptly submit the financial plan  
14 and budget to the Legislative Assem-  
15 bly.  
16 (iii) DISAPPROVAL.—  
17 (I) IN GENERAL.—If the Author-  
18 ity determines that the revised finan-  
19 cial plan and budget for a fiscal year  
20 submitted by the Governor or the  
21 emergency manager (as applicable)  
22 under clause (i) does not meet the ap-  
23 plicable requirements under this sec-  
24 tion, the Authority shall—



1 (aa) disapprove the financial  
2 plan and budget;

3 (bb) submit to the Governor,  
4 the emergency manager (as ap-  
5 plicable), the Legislative Assem-  
6 bly, the President, and Congress  
7 a statement containing the rea-  
8 sons for the disapproval; and

9 (cc)(AA) recommend a fi-  
10 nancial plan and budget for the  
11 public corporation that meets the  
12 applicable requirements under  
13 this section; and

14 (BB) submit the financial  
15 plan and budget to the Governor,  
16 the emergency manager (as ap-  
17 plicable), and the Legislative As-  
18 sembly.

19 (II) SUBMISSION OF REJECTED  
20 FINANCIAL PLAN AND BUDGET.—The  
21 Governor or the emergency manager  
22 (as applicable) shall promptly submit  
23 to the Legislative Assembly a revised  
24 financial plan and budget disapproved  
25 by the Authority under this clause.

1 (iv) DEEMED APPROVAL.—

2 (I) IN GENERAL.—If the Author-  
3 ity has not provided to the Governor,  
4 the Legislative Assembly, and Con-  
5 gress a notice certifying approval  
6 under clause (ii)(I)(bb) or a statement  
7 of disapproval under clause (iii)(I)(bb)  
8 by the date that is 15 days after the  
9 date on which the Authority receives  
10 the revised financial plan and budget  
11 submitted by the Governor or the  
12 emergency manager (as applicable)  
13 under clause (i), the Authority shall  
14 be deemed to have—

15 (aa) approved the revised fi-  
16 nancial plan and budget; and

17 (bb) submitted a notice cer-  
18 tifying approval described in  
19 clause (ii)(I)(bb) to—

20 (AA) the emergency  
21 manager (as applicable);

22 (BB) the Governor;

23 (CC) the Legislative  
24 Assembly;

1 (DD) the President;  
2 and  
3 (EE) Congress.

4 (II) EXPLANATION OF FAILURE  
5 TO RESPOND.—If subclause (I) ap-  
6 plies with respect to a financial plan  
7 and budget, the Authority shall sub-  
8 mit to the Governor, the emergency  
9 manager (as applicable), the Legisla-  
10 tive Assembly, the President, and  
11 Congress an explanation for the fail-  
12 ure of the Authority to submit a no-  
13 tice certifying approval or a statement  
14 of disapproval during the 15-day pe-  
15 riod described in that subclause.

16 (C) ACTION BY LEGISLATIVE ASSEMBLY.—

17 (i) IN GENERAL.—Not later than 30  
18 days after the date of receipt of an ap-  
19 proved revised financial plan and budget of  
20 the Governor or the emergency manager  
21 (as applicable) for a fiscal year under sub-  
22 paragraph (B)(ii) or, in the case of a fi-  
23 nancial plan and budget disapproved by  
24 the Authority, the financial plan and budg-  
25 et recommended by the Authority under

1                   subparagraph (B)(iii)(I)(cc), the Legisla-  
2                   tive Assembly shall—

3                               (I) by Act, adopt the financial  
4                               plan and budget, which shall serve as  
5                               the adoption of the budget of the pub-  
6                               lic corporation for the fiscal year; and

7                               (II) submit the financial plan and  
8                               budget to—

9                                       (aa) the emergency manager  
10                                      (as applicable);

11                                     (bb) the Governor; and

12                                     (cc) the Authority.

13                   (5) REVISIONS TO FINANCIAL PLAN AND BUDG-  
14                   ET.—

15                               (A) ACTION BY GOVERNOR.—The Governor  
16                               or the emergency manager (as applicable) may  
17                               submit to the Authority proposed revisions to  
18                               the financial plan and budget for a control year  
19                               at any time during the control year.

20                               (B) PROCEDURE.—Except as provided in  
21                               subparagraph (C), the procedures described in  
22                               paragraphs (2), (3), and (4) shall apply with re-  
23                               spect to a proposed revision to a financial plan  
24                               and budget in the same manner as those proce-

1           dures apply with respect to the original finan-  
2           cial plan and budget.

3                   (C) EXCEPTION FOR REVISIONS NOT AF-  
4           FECTING APPROPRIATIONS.—To the extent that  
5           a proposed revision to a financial plan and  
6           budget adopted by the Legislative Assembly  
7           pursuant to this section does not increase the  
8           amount of spending with respect to any account  
9           of the public corporation, the revision shall take  
10          effect on the date of approval by the Authority  
11          of the revision, subject to review by Congress.

12 **SEC. 324. FINANCIAL PLAN AND BUDGET FOR THE COM-**  
13 **MONWEALTH DURING A CONTROL PERIOD.**

14          (a) FINANCIAL PLAN AND BUDGET REQUIRED; CON-  
15          TENTS.—

16                  (1) IN GENERAL.—For each fiscal year for  
17          which the Commonwealth government is in a control  
18          period under section 322(b), the Governor shall de-  
19          velop and submit to the Authority a financial plan  
20          and budget for the Commonwealth in accordance  
21          with this section.

22                  (2) CONTENTS.—

23                          (A) IN GENERAL.—A financial plan and  
24          budget for the Commonwealth for a fiscal year  
25          shall specify the budgets for the Commonwealth

1 government for the applicable fiscal year and  
2 the subsequent 3 fiscal years (including the pro-  
3 jected revenues and expenditures of each fund  
4 of the Commonwealth government for those fis-  
5 cal years), in accordance with the requirements  
6 described in subparagraph (B).

7 (B) REQUIREMENTS.—The financial plan  
8 and budget shall—

9 (i) meet the standards described in  
10 paragraph (3) to promote the financial sta-  
11 bility of the Commonwealth government;

12 (ii) provide for estimates of revenues  
13 and expenditures on a modified accrual  
14 basis;

15 (iii)(I) describe lump-sum expendi-  
16 tures by department, by object class;

17 (II) describe capital expenditures (to-  
18 gether with a schedule of projected capital  
19 commitments of the Commonwealth gov-  
20 ernment and proposed sources of funding);

21 (III) contain estimates of short-term  
22 and long-term debt, whether outstanding  
23 or anticipated to be issued; and

24 (IV) contain cash flow forecasts for  
25 each fund of the Commonwealth govern-

1                   ment, at such intervals as the Authority  
2                   may require;

3                   (iv) include a statement describing  
4                   methods of estimations and significant as-  
5                   sumptions; and

6                   (v) include such other provisions, and  
7                   meet such other criteria, as the Authority  
8                   considers to be appropriate to meet the  
9                   purposes of this title, including provisions  
10                  relating to—

11                   (I) changes in personnel policies  
12                   and levels for each department or  
13                   agency of the Commonwealth govern-  
14                   ment;

15                   (II) changes in the structure and  
16                   organization of the Commonwealth  
17                   government; and

18                   (III) management initiatives to  
19                   promote—

20                           (aa) productivity;

21                           (bb) improvement in the de-  
22                           livery of services; or

23                           (cc) cost savings.

24                   (3) STANDARDS TO PROMOTE FINANCIAL STA-  
25                   BILITY.—

1 (A) IN GENERAL.—The standards to pro-  
2 mote the financial stability of the Common-  
3 wealth government applicable to the financial  
4 plan and budget for a fiscal year are as follows:

5 (i) In the case of the financial plan  
6 and budget for the first fiscal year of a  
7 control period, the expenditures of the  
8 Commonwealth government for the fiscal  
9 year may not exceed the revenues of the  
10 Commonwealth government for that fiscal  
11 year.

12 (ii) During each of 5 subsequent fiscal  
13 years, the Commonwealth government shall  
14 make continuous, substantial progress to-  
15 ward equalizing the expenditures and reve-  
16 nues of the Commonwealth government for  
17 those fiscal years in equal annual install-  
18 ments, to the maximum extent practicable.

19 (iii) The Commonwealth government  
20 shall provide for the orderly liquidation of  
21 the cumulative fund balance deficit of the  
22 government, as evidenced by financial  
23 statements prepared in accordance with  
24 generally accepted accounting principles.



1 (iv) If funds in any account of the  
2 Commonwealth government that are dedi-  
3 cated for specific purposes have been with-  
4 drawn from that account for any other  
5 purpose, the Commonwealth government  
6 shall fully restore the funds to the account.

7 (v) The financial plan and budget  
8 shall ensure the continuing long-term fi-  
9 nancial stability of the Commonwealth gov-  
10 ernment, as indicated by factors includ-  
11 ing—

12 (I) access to short-term and long-  
13 term capital markets;

14 (II) the efficient management of  
15 the Commonwealth government work-  
16 force; and

17 (III) the effective provision of  
18 services by the Commonwealth govern-  
19 ment.

20 (B) APPLICATION OF SOUND BUDGETARY  
21 PRACTICES; ASSUMPTIONS BASED ON CURRENT  
22 LAW.—In meeting the standards described in  
23 subparagraph (A) with respect to a financial  
24 plan and budget for a fiscal year, the Common-  
25 wealth government shall—

- 1 (i) apply sound budgetary practices,  
 2 including—  
 3 (I) reducing costs and other ex-  
 4 penditures;  
 5 (II) improving productivity;  
 6 (III) increasing revenues; or  
 7 (IV) any combination of those  
 8 practices; and  
 9 (ii) base estimates of revenues and ex-  
 10 penditures on Federal law, as in effect at  
 11 the time of preparation of the financial  
 12 plan and budget.

13 (b) SUBMISSION, REVIEW, AND APPROVAL.—

14 (1) IN GENERAL.—Not later than February 1  
 15 of each fiscal year preceding a fiscal year during  
 16 which the Commonwealth government is in a control  
 17 period under section 322(b), the Governor shall sub-  
 18 mit to the Authority and the Legislative Assembly a  
 19 financial plan and budget for that following fiscal  
 20 year, as developed in accordance with this section.

21 (2) REVIEW BY AUTHORITY.—On receipt of a  
 22 financial plan and budget for a fiscal year from the  
 23 Governor under paragraph (1), the Authority—

- 24 (A) shall promptly review the financial  
 25 plan and budget; and

1 (B) in conducting the review, may request  
2 any additional information the Authority con-  
3 siders to be necessary and appropriate to carry  
4 out this part.

5 (3) ACTION ON APPROVAL.—

6 (A) CERTIFICATION TO GOVERNOR.—

7 (i) IN GENERAL.—If the Authority de-  
8 termines that the financial plan and budg-  
9 et for a fiscal year submitted by the Gov-  
10 ernor under paragraph (1) meets the appli-  
11 cable requirements of this section—

12 (I) the Authority shall—

13 (aa) approve the financial  
14 plan and budget; and

15 (bb) submit a notice certi-  
16 fying that approval to—

17 (AA) the Governor;

18 (BB) the Legislative

19 Assembly;

20 (CC) the President; and

21 (DD) Congress; and

22 (II) the Governor shall promptly  
23 submit the financial plan and budget  
24 to the Legislative Assembly.

25 (ii) DEEMED APPROVAL.—

1 (I) IN GENERAL.—If the Author-  
2 ity has not provided to the Governor,  
3 the Legislative Assembly, and Con-  
4 gress a notice certifying approval  
5 under clause (i)(I)(bb) or a statement  
6 of disapproval under paragraph  
7 (4)(A)(ii) by the date that is 30 days  
8 after the date on which the Authority  
9 receives the financial plan and budget  
10 from the Governor under paragraph  
11 (1), the Authority shall be deemed to  
12 have—

13 (aa) approved the financial  
14 plan and budget; and

15 (bb) submitted a notice cer-  
16 tifying approval described in  
17 clause (i)(I)(bb) to—

18 (AA) the Governor;

19 (BB) the Legislative  
20 Assembly;

21 (CC) the President; and

22 (DD) Congress.

23 (II) EXPLANATION OF FAILURE  
24 TO RESPOND.—If subclause (I) ap-  
25 plies with respect to a financial plan

1 and budget, the Authority shall sub-  
 2 mit to the Governor, the Legislative  
 3 Assembly, the President, and Con-  
 4 gress an explanation for the failure of  
 5 the Authority to submit a notice certi-  
 6 fying approval or a statement of dis-  
 7 approval during the 30-day period de-  
 8 scribed in that subclause.

9 (B) ADOPTION BY LEGISLATIVE ASSEM-  
 10 BLY.—Not later than 30 days after the date of  
 11 receipt of the financial plan and budget for a  
 12 fiscal year from the Governor under subpara-  
 13 graph (A)(i)(II), the Legislative Assembly  
 14 shall—

15 (i) by Act, adopt the financial plan  
 16 and budget, which shall serve as the adop-  
 17 tion of the budget of the Commonwealth  
 18 government for the fiscal year; and

19 (ii) submit the financial plan and  
 20 budget to—

21 (I) the Governor; and

22 (II) the Authority.

23 (C) REVIEW OF LEGISLATIVE ASSEMBLY  
 24 FINANCIAL PLAN AND BUDGET.—On receipt of  
 25 the financial plan and budget for a fiscal year

1 from the Legislative Assembly under subpara-  
 2 graph (B), and taking into account any items  
 3 or provisions disapproved by the Governor or  
 4 disapproved by the Governor and reenacted by  
 5 the Legislative Assembly, the Authority—

6 (i) shall promptly review the financial  
 7 plan and budget; and

8 (ii) in conducting the review, may re-  
 9 quest any additional information the Au-  
 10 thority considers to be necessary and ap-  
 11 propriate to carry out this part.

12 (D) RESULTS OF AUTHORITY REVIEW.—

13 (i) APPROVAL.—If the Authority de-  
 14 termines that the financial plan and budg-  
 15 et for the fiscal year submitted by the Leg-  
 16 islative Assembly under subparagraph  
 17 (B)(ii) meets the applicable requirements  
 18 under this section—

19 (I) the Authority shall—

20 (aa) approve the financial  
 21 plan and budget; and

22 (bb) submit a notice certi-  
 23 fying the approval to—

24 (AA) the Governor;

1 (BB) the Legislative  
2 Assembly;

3 (CC) the President; and

4 (DD) Congress; and

5 (II) the Legislative Assembly  
6 shall promptly submit the financial  
7 plan and budget to the Governor for  
8 transmission to the President and  
9 Congress.

10 (ii) DISAPPROVAL.—If the Authority  
11 determines that the financial plan and  
12 budget for a fiscal year submitted by the  
13 Legislative Assembly under subparagraph  
14 (B)(ii) does not meet the applicable re-  
15 quirements under this section, the Author-  
16 ity shall—

17 (I) disapprove the financial plan  
18 and budget; and

19 (II) submit to the Governor, the  
20 Legislative Assembly, the President,  
21 and Congress a statement con-  
22 taining—

23 (aa) the reasons for the dis-  
24 approval;

1 (bb) a description of the  
2 amount of any shortfall in the  
3 budget or financial plan; and

4 (cc) any recommendations  
5 for revisions to the budget the  
6 Authority considers to be appro-  
7 priate to ensure that the budget  
8 is consistent with the financial  
9 plan and budget.

10 (iii) DEEMED APPROVAL.—

11 (I) IN GENERAL.—If the Author-  
12 ity has not submitted to the Governor,  
13 the Legislative Assembly, the Presi-  
14 dent, and Congress a notice certifying  
15 approval under clause (i)(I)(bb) or a  
16 statement of disapproval under clause  
17 (ii)(II) by the date that is 15 days  
18 after the date on which the Authority  
19 receives the financial plan and budget  
20 from the Legislative Assembly under  
21 subparagraph (B)(ii), the Authority  
22 shall be deemed to have—

23 (aa) approved the financial  
24 plan and budget; and



1 (bb) submitted a notice cer-  
2 tifying approval described in  
3 clause (i)(I)(bb) to—

4 (AA) the Governor;

5 (BB) the Legislative  
6 Assembly;

7 (CC) the President; and

8 (DD) Congress.

9 (II) EXPLANATION OF FAILURE  
10 TO RESPOND.—If subclause (I) ap-  
11 plies with respect to a financial plan  
12 and budget, the Authority shall sub-  
13 mit to the Governor, the Legislative  
14 Assembly, the President, and Con-  
15 gress an explanation for the failure of  
16 the Authority to submit a notice certi-  
17 fying approval or a statement of dis-  
18 approval during the 15-day period de-  
19 scribed in that subclause.

20 (E) AUTHORITY REVIEW OF REVISED FI-  
21 NANCIAL PLAN AND BUDGET.—

22 (i) IN GENERAL.—Not later than 15  
23 days after the date of receipt of a state-  
24 ment from the Authority under subpara-

1 graph (D)(ii)(II), the Legislative Assembly  
2 shall—

3 (I) promptly, by Act, adopt a re-  
4 vised financial plan and budget for  
5 the applicable fiscal year that address-  
6 es the reasons for disapproval cited in  
7 the statement; and

8 (II) submit the revised financial  
9 plan and budget to—

10 (aa) the Governor; and

11 (bb) the Authority.

12 (ii) APPROVAL.—If, after reviewing  
13 the revised financial plan and budget for a  
14 fiscal year submitted by the Legislative As-  
15 sembly under clause (i) in accordance with  
16 the procedures described in this subsection,  
17 the Authority determines that the revised  
18 financial plan and budget meets the appli-  
19 cable requirements under this section—

20 (I) the Authority shall—

21 (aa) approve the financial  
22 plan and budget; and

23 (bb) submit a notice certi-  
24 fying that approval to—

25 (AA) the Governor;

1 (BB) the Legislative  
2 Assembly;

3 (CC) the President; and

4 (DD) Congress; and

5 (II) the Legislative Assembly  
6 shall promptly submit the financial  
7 plan and budget to the Governor for  
8 transmission to the President and  
9 Congress.

10 (iii) DISAPPROVAL.—

11 (I) IN GENERAL.—If, after re-  
12 viewing the revised financial plan and  
13 budget for a fiscal year submitted by  
14 the Legislative Assembly under clause  
15 (i) in accordance with the procedures  
16 described in this paragraph, the Au-  
17 thority determines that the revised fi-  
18 nancial plan and budget does not  
19 meet the applicable requirements  
20 under this section, the Authority  
21 shall—

22 (aa) disapprove the financial  
23 plan and budget;

24 (bb) submit to the Governor,  
25 the Legislative Assembly, the

1 President, and Congress a state-  
2 ment containing—

3 (AA) the reasons for  
4 the disapproval; and

5 (BB) a description of  
6 the amount of any shortfall  
7 in the budget or financial  
8 plan; and

9 (cc)(AA) recommend a fi-  
10 nancial plan and budget for the  
11 Commonwealth government that  
12 meets the applicable require-  
13 ments under this section; and

14 (BB) submit that financial  
15 plan and budget to the Governor,  
16 the Legislative Assembly, the  
17 President, and Congress.

18 (II) SUBMISSION OF REJECTED  
19 FINANCIAL PLAN AND BUDGET.—The  
20 Legislative Assembly shall promptly  
21 submit to the Governor for trans-  
22 mission to the President and Congress  
23 a revised financial plan and budget  
24 disapproved by the Authority under  
25 this clause.

1 (iv) DEEMED APPROVAL.—

2 (I) IN GENERAL.—If the Author-  
3 ity has not provided to the Governor,  
4 the Legislative Assembly, and Con-  
5 gress a notice certifying approval  
6 under clause (ii)(I)(bb) or a statement  
7 of disapproval under clause (iii)(I)(bb)  
8 by the date that is 15 days after the  
9 date on which the Authority receives  
10 the revised financial plan and budget  
11 submitted by the Legislative Assembly  
12 under clause (i), the Authority shall  
13 be deemed to have—

14 (aa) approved the financial  
15 plan and budget; and

16 (bb) submitted a notice cer-  
17 tifying approval described in  
18 clause (ii)(I)(bb) to—

19 (AA) the Governor;

20 (BB) the Legislative  
21 Assembly;

22 (CC) the President; and

23 (DD) Congress.

24 (II) EXPLANATION OF FAILURE  
25 TO RESPOND.—If subclause (I) ap-

1           plies with respect to a financial plan  
2           and budget, the Authority shall sub-  
3           mit to the Governor, the Legislative  
4           Assembly, the President, and Con-  
5           gress an explanation for the failure of  
6           the Authority to submit a notice certi-  
7           fying approval or a statement of dis-  
8           approval during the 15-day period de-  
9           scribed in that subclause.

10           (F) DEADLINE FOR TRANSMISSION BY AU-  
11           THORITY.—Notwithstanding any other provision  
12           of this subsection, not later than June 15 of  
13           each fiscal year preceding a fiscal year that is  
14           a control year, the Authority shall submit to  
15           Congress—

16           (i) as applicable, a notice certifying  
17           the approval by the Authority of—

18           (I) the initial financial plan and  
19           budget of the Legislative Assembly for  
20           that following fiscal year under sub-  
21           paragraph (D)(i); or

22           (II) the revised financial plan  
23           and budget of the Legislative Assem-  
24           bly for that following fiscal year under  
25           subparagraph (E)(ii); or

1           (ii) an approved and recommended fi-  
2           nancial plan and budget of the Authority  
3           for the Commonwealth government for  
4           that following fiscal year under subpara-  
5           graph (E)(iii).

6           (4) ACTION ON DISAPPROVAL.—

7           (A) IN GENERAL.—If the Authority deter-  
8           mines that the financial plan and budget for a  
9           fiscal year submitted by the Governor under  
10          paragraph (1) does not meet the applicable re-  
11          quirements under this section, the Authority  
12          shall—

13           (i) disapprove the financial plan and  
14           budget; and

15           (ii) submit to the Governor and the  
16           Legislative Assembly a statement con-  
17           taining—

18           (I) the reasons for the dis-  
19           approval;

20           (II) a description of the amount  
21           of any shortfall in the budget or fi-  
22           nancial plan; and

23           (III) any recommendations for  
24           revisions to the budget the Authority  
25           considers to be appropriate to ensure

1           that the financial plan and budget  
2           meets the applicable requirements  
3           under this section.

4           (B) REVISED FINANCIAL PLAN AND BUDG-  
5           ET.—

6           (i) IN GENERAL.—Not later than 15  
7           days after the date of receipt of a state-  
8           ment from the Authority under subpara-  
9           graph (A)(ii), the Governor shall promptly  
10          submit to the Authority and the Legisla-  
11          tive Assembly a revised financial plan and  
12          budget for the applicable fiscal year that  
13          addresses the reasons of the Authority for  
14          disapproval.

15          (ii) APPROVAL.—If the Authority de-  
16          termines that the revised financial plan  
17          and budget for a fiscal year submitted by  
18          the Governor under clause (i) meets the  
19          applicable requirements under this sec-  
20          tion—

21                  (I) the Authority shall—

22                          (aa) approve the financial  
23                          plan and budget; and

24                          (bb) submit a notice certi-  
25                          fying that approval to—



- 1 (AA) the Governor;  
 2 (BB) the Legislative  
 3 Assembly;  
 4 (CC) the President; and  
 5 (DD) Congress; and

6 (II) the Governor shall promptly  
 7 submit the financial plan and budget  
 8 to the Legislative Assembly.

9 (iii) DISAPPROVAL.—

10 (I) IN GENERAL.—If the Author-  
 11 ity determines that the revised finan-  
 12 cial plan and budget for a fiscal year  
 13 submitted by the Governor under  
 14 clause (i) does not meet the applicable  
 15 requirements under this section, the  
 16 Authority shall—

17 (aa) disapprove the financial  
 18 plan and budget;

19 (bb) submit to the Governor,  
 20 the Legislative Assembly, the  
 21 President, and Congress a state-  
 22 ment containing the reasons for  
 23 the disapproval; and

24 (cc)(AA) recommend a fi-  
 25 nancial plan and budget for the

1 Commonwealth government that  
2 meets the applicable require-  
3 ments under this section; and

4 (BB) submit the financial  
5 plan and budget to the Governor  
6 and the Legislative Assembly.

7 (II) SUBMISSION OF REJECTED  
8 FINANCIAL PLAN AND BUDGET.—The  
9 Governor shall promptly submit to the  
10 Legislative Assembly a revised finan-  
11 cial plan and budget disapproved by  
12 the Authority under this clause.

13 (iv) DEEMED APPROVAL.—

14 (I) IN GENERAL.—If the Author-  
15 ity has not provided to the Governor,  
16 the Legislative Assembly, and Con-  
17 gress a notice certifying approval  
18 under clause (ii)(I)(bb) or a statement  
19 of disapproval under clause (iii)(I)(bb)  
20 by the date that is 15 days after the  
21 date on which the Authority receives  
22 the revised financial plan and budget  
23 submitted by the Governor under  
24 clause (i), the Authority shall be  
25 deemed to have—

1 (aa) approved the revised fi-  
 2 nancial plan and budget; and

3 (bb) submitted a notice cer-  
 4 tifying approval described in  
 5 clause (ii)(I)(bb) to—

6 (AA) the Governor;

7 (BB) the Legislative  
 8 Assembly;

9 (CC) the President; and

10 (DD) Congress.

11 (II) EXPLANATION OF FAILURE  
 12 TO RESPOND.—If subclause (I) ap-  
 13 plies with respect to a financial plan  
 14 and budget, the Authority shall sub-  
 15 mit to the Governor, the Legislative  
 16 Assembly, the President, and Con-  
 17 gress an explanation for the failure of  
 18 the Authority to submit a notice certi-  
 19 fying approval or a statement of dis-  
 20 approval during the 15-day period de-  
 21 scribed in that subclause.

22 (C) ACTION BY LEGISLATIVE ASSEMBLY.—

23 (i) IN GENERAL.—Not later than 30  
 24 days after the date of receipt of an ap-  
 25 proved revised financial plan and budget of

1 the Governor for a fiscal year under sub-  
2 paragraph (B)(ii) or, in the case of a fi-  
3 nancial plan and budget disapproved by  
4 the Authority, the financial plan and budg-  
5 et recommended by the Authority under  
6 subparagraph (B)(iii)(I)(cc), the Legisla-  
7 tive Assembly shall—

8 (I) by Act, adopt the financial  
9 plan and budget, which shall serve as  
10 the adoption of the budget of the  
11 Commonwealth government for the  
12 fiscal year; and

13 (II) submit the financial plan and  
14 budget to—

15 (aa) the Governor; and

16 (bb) the Authority.

17 (ii) REVIEW BY AUTHORITY.—A fi-  
18 nancial plan and budget submitted by the  
19 Legislative Assembly under clause (i) shall  
20 be subject to review by the Authority and  
21 revision by the Legislative Assembly in the  
22 same manner as the financial plan and  
23 budget submitted by the Legislative As-  
24 sembly after an approved preliminary fi-  
25 nancial plan and budget of the Governor

1                   under subparagraphs (C) through (F) of  
2                   paragraph (3).

3                   (5) REVISIONS TO FINANCIAL PLAN AND BUDG-  
4                   ET.—

5                   (A) ACTION BY GOVERNOR.—The Governor  
6                   may submit to the Authority proposed revisions  
7                   to the financial plan and budget for a control  
8                   year at any time during the control year.

9                   (B) PROCEDURE.—Except as provided in  
10                  subparagraph (C), the procedures described in  
11                  paragraphs (2), (3), and (4) shall apply with re-  
12                  spect to a proposed revision to a financial plan  
13                  and budget in the same manner as those proce-  
14                  dures apply with respect to the original finan-  
15                  cial plan and budget, except that the reference  
16                  contained in paragraph (3)(A)(ii) to a 30-day  
17                  period shall be considered to be a 20-day pe-  
18                  riod.

19                  (C) EXCEPTION FOR REVISIONS NOT AF-  
20                  FFECTING APPROPRIATIONS.—To the extent that  
21                  a proposed revision to a financial plan and  
22                  budget adopted by the Legislative Assembly  
23                  pursuant to this section does not increase the  
24                  amount of spending with respect to any account  
25                  of the Commonwealth government, the revision

1 shall take effect on the date of approval by the  
2 Authority of the revision, subject to review by  
3 Congress.

4 **SEC. 325. REVIEW TO ENSURE COMPLIANCE.**

5 (a) LEGISLATIVE ASSEMBLY ACTS.—

6 (1) IN GENERAL.—Not later than December 31  
7 of each control year, the Legislative Assembly shall  
8 submit to the Authority—

9 (A) a copy of each Act that, during the  
10 control year, was—

11 (i) passed by the Legislative Assembly  
12 and signed by the Governor;

13 (ii) vetoed by the Governor and re-  
14 passed by  $\frac{2}{3}$  of the members of each of the  
15 Senate and House of Representatives of  
16 the Legislative Assembly; or

17 (iii) passed by the Legislative Assem-  
18 bly and allowed to become effective without  
19 the signature of the Governor; and

20 (B) an estimate of the costs of carrying  
21 out the Act.

22 (2) PROMPT REVIEW.—On receipt from the  
23 Legislative Assembly of an Act under paragraph (1),  
24 the Authority shall promptly review the Act to deter-  
25 mine whether the Act is consistent with—

1 (A) the applicable financial plan and budg-  
2 et approved under section 323 or 324 for the  
3 control year; and

4 (B) the estimate of the costs of carrying  
5 out the Act under paragraph (1)(B).

6 (3) ACTIONS BY AUTHORITY.—

7 (A) APPROVAL.—Except as provided in  
8 subparagraph (C), if the Authority determines  
9 that an Act described in this subsection is con-  
10 sistent with the applicable financial plan and  
11 budget—

12 (i) the Authority shall submit to the  
13 Legislative Assembly a notice of the ap-  
14 proval; and

15 (ii) the Legislative Assembly shall  
16 submit to Congress a copy of the Act for  
17 review.

18 (B) FINDING OF INCONSISTENCY.—Except  
19 as provided in subparagraph (C), if the Author-  
20 ity determines that an Act described in this  
21 subsection is significantly inconsistent with the  
22 applicable financial plan and budget, the Au-  
23 thority shall—

24 (i) notify the Legislative Assembly of  
25 the finding;

1                   (ii) provide the Legislative Assembly  
2                   with an explanation of the reasons for the  
3                   finding; and

4                   (iii) to the extent the Authority con-  
5                   siders to be appropriate, provide to the  
6                   Legislative Assembly recommendations for  
7                   modifications to the Act.

8                   (C) EXCEPTION FOR EMERGENCIES.—Sub-  
9                   paragraphs (A) and (B) shall not apply with re-  
10                  spect to any Act that the Legislative Assembly  
11                  determines should take effect immediately due  
12                  to an emergency circumstance.

13                  (4) EFFECT OF FINDING.—If the Authority  
14                  makes a finding under paragraph (3)(B), the Legis-  
15                  lative Assembly may not submit to Congress the Act  
16                  for review.

17                  (5) DEEMED APPROVAL.—

18                  (A) IN GENERAL.—Subject to subpara-  
19                  graph (B), if the Authority fails to notify the  
20                  Legislative Assembly of an approval or dis-  
21                  approval of an Act described in this subsection  
22                  by the date that is 7 days after the date on  
23                  which the Legislative Assembly submits the Act  
24                  to the Authority, the Authority shall be deemed



1 to have approved the Act in accordance with  
2 paragraph (3)(A).

3 (B) EXTENSION.—The Authority may elect  
4 to extend the deadline described in subpara-  
5 graph (A) to a period of not longer than 14  
6 days, subject to the condition that the Author-  
7 ity shall notify the Legislative Assembly and the  
8 Governor of the election.

9 (6) PRELIMINARY REVIEW OF PROPOSED  
10 ACTS.—

11 (A) IN GENERAL.—Subject to subpara-  
12 graph (B), at the request of the Legislative As-  
13 sembly, the Authority may conduct a prelimi-  
14 nary review of proposed legislation pending be-  
15 fore the Legislative Assembly to determine  
16 whether the legislation as proposed would be  
17 consistent with the applicable financial plan and  
18 budget approved under section 323 or 324.

19 (B) TREATMENT.—A preliminary review  
20 under subparagraph (A) shall not be binding on  
21 the Authority in reviewing any Act subsequently  
22 submitted under this subsection.

23 (b) EFFECT ON CONTRACTS AND LEASES.—

24 (1) MANDATORY PRIOR APPROVAL.—

1 (A) IN GENERAL.—In the case of a con-  
 2 tract or lease described in subparagraph (B)  
 3 that is proposed to be entered into by the Com-  
 4 monwealth government during a control year,  
 5 the Governor (or other appropriate officer or  
 6 agent of the Commonwealth government)—

7 (i) shall submit to the Authority the  
 8 proposed contract or lease for review and  
 9 approval; and

10 (ii) may not enter into the contract or  
 11 lease unless the Authority determines that  
 12 the proposed contract or lease is consistent  
 13 with the financial plan and budget for the  
 14 control year.

15 (B) CONTRACTS AND LEASES DE-  
 16 SCRIBED.—A contract or lease referred to in  
 17 subparagraph (A) is—

18 (i) a labor contract entered into  
 19 through collective bargaining; or

20 (ii) such other type of contract or  
 21 lease as the Authority may specify for pur-  
 22 poses of this subparagraph.

23 (2) REVIEW AFTER EXECUTION.—

24 (A) IN GENERAL.—In addition to the prior  
 25 approval of certain contracts and leases under

1 paragraph (1), the Authority may require the  
2 Governor (or other appropriate officer or agent  
3 of the Commonwealth government) to submit to  
4 the Authority—

5 (i) any other contract (including a  
6 contract to carry out a grant) or lease en-  
7 tered into by the Commonwealth govern-  
8 ment during a control year that is executed  
9 after the date on which the Authority has  
10 approved the financial plan and budget for  
11 the control year under section 323 or 324;  
12 or

13 (ii) any proposal of the Common-  
14 wealth government to renew, extend, or  
15 modify a contract or lease during a control  
16 year that is made after the date on which  
17 the Authority has approved that financial  
18 plan and budget.

19 (B) ACTION BY AUTHORITY.—The Author-  
20 ity shall review each contract or lease submitted  
21 under subparagraph (A) to determine whether  
22 the contract or lease is consistent with the fi-  
23 nancial plan and budget for the applicable con-  
24 trol year.

1 (C) ACTION BY GOVERNOR.—If the Au-  
2 thority determines under subparagraph (B)  
3 that a contract or lease is not consistent with  
4 the applicable financial plan and budget, to en-  
5 sure that the contract or lease will be consistent  
6 with the financial plan and budget, the Gov-  
7 ernor shall—

8 (i) take such action pursuant to the  
9 authority of the Governor to revise the  
10 contract or lease; or

11 (ii) submit a proposed revision to the  
12 financial plan and budget in accordance  
13 with section 323(b)(5) or 324(b)(5).

14 (3) CONTRACTS SUBJECT TO LEGISLATIVE AS-  
15 SEMBLY APPROVAL.—In the case of a contract or  
16 lease that is required to be submitted to the Author-  
17 ity under this subsection and is subject to approval  
18 by the Legislative Assembly under the laws of the  
19 Commonwealth, the Governor shall submit the con-  
20 tract or lease to the Authority only after the Legisla-  
21 tive Assembly has approved the contract or lease.

22 (c) RESTRICTIONS ON REPROGRAMMING OF  
23 AMOUNTS.—

24 (1) SUBMISSIONS OF REQUESTS TO AUTHOR-  
25 ITY.—If the Governor submits to the Legislative As-

1       sembly a request for the reprogramming of any  
2       amounts provided in a budget for a fiscal year that  
3       occurs during a control year after the date on which  
4       the budget is adopted by the Legislative Assembly—

5               (A) the Governor shall submit the request  
6               to the Authority; and

7               (B) the Authority shall—

8                       (i) analyze the effect of the proposed  
9                       reprogramming on the financial plan and  
10                      budget for the fiscal year; and

11                     (ii) submit the analysis to the Legisla-  
12                     tive Assembly by not later than 15 days  
13                     after the date of receipt of the request.

14               (2) NO ACTION PERMITTED.—The Legislative  
15       Assembly may not adopt a reprogramming during a  
16       fiscal year that occurs during a control year, and no  
17       officer or employee of the Commonwealth govern-  
18       ment may carry out any reprogramming during such  
19       a year, until the Authority has provided to the Leg-  
20       islative Assembly an analysis of a request for the re-  
21       programming in accordance with paragraph (1).

22 **SEC. 326. RESTRICTIONS ON BORROWING.**

23       (a) IN GENERAL.—The Commonwealth government  
24       may not borrow money during a control year, unless the  
25       Authority provides to the Governor a certification that

1 both the receipt of funds through that borrowing and the  
 2 repayment of obligations incurred through the borrowing  
 3 are consistent with the financial plan and budget for the  
 4 control year.

5 (b) REVISIONS TO FINANCIAL PLAN AND BUDGET.—

6 If the Authority determines that a borrowing proposed to  
 7 be carried out by the Commonwealth government under  
 8 subsection (a) is not consistent with the financial plan and  
 9 budget, the Governor may submit to the Authority a pro-  
 10 posed revision to the financial plan and budget in accord-  
 11 ance with section 324(b)(5) to ensure that the borrowing  
 12 is consistent with the revised financial plan and budget.

13 (c) BORROWING DESCRIBED.—This subsection shall  
 14 apply with respect to any borrowing carried out by the  
 15 Commonwealth government, including—

- 16 (1) borrowing through the issuance of bonds;
- 17 (2) the exercise of authority to obtain funds
- 18 from the United States Treasury; or
- 19 (3) any other means.

20 **SEC. 327. FINDING OF NONCOMPLIANCE.**

21 (a) SUBMISSION OF REPORTS.—On initiation of a  
 22 control period under section 322(b), the Governor shall  
 23 submit to the Authority a report that—

- 24 (1) describes the actual revenues obtained and
- 25 expenditures made by the Commonwealth govern-

1       ment during the preceding quarter, as compared to  
2       cash flows during that quarter; and

3           (2) compares those actual revenues, expendi-  
4       tures, and cash flows with the most recent projec-  
5       tions for those items.

6       (b) DEMAND FOR ADDITIONAL INFORMATION.—If  
7       the Authority determines, based on reports submitted by  
8       the Governor under subsection (a), independent audits, or  
9       such other information as the Authority may obtain, that  
10      the revenues or expenditures of the Commonwealth gov-  
11      ernment during a control year are not consistent with the  
12      financial plan and budget for the year, the Authority shall  
13      require the Governor to provide such additional informa-  
14      tion as the Authority determines to be necessary to explain  
15      the inconsistency.

16      (c) CERTIFICATION OF VARIANCE.—

17           (1) IN GENERAL.—After requiring the Governor  
18      to provide additional information under subsection  
19      (b), the Authority shall certify to the Legislative As-  
20      sembly, the President, the Secretary, and Congress  
21      that the Commonwealth government is at variance  
22      with the financial plan and budget, unless—

23           (A) the Authority determines to be reason-  
24      able and appropriate, taking into account the  
25      terms of the financial plan and budget—

1 (i) an explanation for the inconsist-  
2 ency based on the additional information;

3 or

4 (ii) a remedial action (including revis-  
5 ing the financial plan and budget pursuant  
6 to section 324(b)(5)) implemented by the  
7 Commonwealth government to correct the  
8 inconsistency; and

9 (B) the Governor agrees to submit the re-  
10 ports described in subsection (a) on a monthly  
11 basis for such period as the Authority may re-  
12 quire.

13 (2) INCONSISTENCIES ATTRIBUTABLE TO ACTS  
14 OF CONGRESS.—

15 (A) DETERMINATION BY AUTHORITY.—If  
16 the Authority determines that the revenues or  
17 expenditures of the Commonwealth government  
18 during a control year are not consistent with  
19 the financial plan and budget for the year as  
20 approved by the Authority under section 324 as  
21 a result of the terms and conditions of the  
22 budget of the Commonwealth government for  
23 the control year or as a result of any law en-  
24 acted by Congress that affects the Common-



1           wealth, the Authority shall submit to the Gov-  
2           ernor a notification of the determination.

3                   (B) CERTIFICATION.—In the case of an in-  
4           consistency described in subparagraph (A), the  
5           Authority shall certify to the Legislative Assem-  
6           bly, the President, the Secretary, and Congress  
7           that the Commonwealth government is at vari-  
8           ance with the financial plan and budget unless  
9           the Commonwealth government adopts or im-  
10          plements a remedial action (including revising  
11          the financial plan and budget pursuant to sec-  
12          tion 324(b)(5)) to correct the inconsistency that  
13          the Authority finds reasonable and appropriate,  
14          taking into account the terms of the financial  
15          plan and budget.

16          (d) EFFECT OF CERTIFICATION.—If the Authority  
17          certifies to the Secretary that a variance exists—

18                   (1) the Authority may withhold any funds de-  
19          posited in an account of the Authority which would  
20          otherwise be expended on behalf of the Common-  
21          wealth government; and

22                   (2) the Secretary shall withhold funds otherwise  
23          payable to the Commonwealth under such Federal  
24          programs as the Authority may specify (other than  
25          funds dedicated to making entitlement or benefit

1 payments to individuals), in such amounts and in ac-  
2 cordance with such other conditions as the Authority  
3 may specify.

4 **SEC. 328. RECOMMENDATIONS REGARDING FINANCIAL**  
5 **STABILITY AND MANAGEMENT RESPONSIB-**  
6 **BILITY.**

7 (a) IN GENERAL.—The Authority may at any time  
8 submit recommendations to the Governor, the Legislative  
9 Assembly, the President, and Congress regarding actions  
10 the Commonwealth government or the Federal Govern-  
11 ment may take to ensure compliance by the Common-  
12 wealth government with a financial plan and budget, or  
13 to otherwise promote the financial stability, management  
14 responsibility, and service delivery efficiency of the Com-  
15 monwealth government, including recommendations relat-  
16 ing to—

17 (1) the management of the financial affairs of  
18 the Commonwealth government, including cash fore-  
19 casting, information technology, placing controls on  
20 expenditures for personnel, reducing benefit costs,  
21 reforming procurement practices, and placing other  
22 controls on expenditures;

23 (2) the structural relationship of departments,  
24 agencies, and independent agencies within the Com-  
25 monwealth government;

1           (3)(A) the modification of existing revenue  
2 structures; or

3           (B) the establishment of additional revenue  
4 structures;

5           (4) the establishment of alternatives for meet-  
6 ing obligations to pay for the pensions of former  
7 Commonwealth government employees;

8           (5) modifications or transfers of the types of  
9 services that are the responsibility of, and are deliv-  
10 ered by, the Commonwealth government;

11           (6) modifications of the types of services that  
12 are delivered by entities other than the Common-  
13 wealth government under alternative service delivery  
14 mechanisms (including privatization and commer-  
15 cialization);

16           (7) the effects of Commonwealth laws and court  
17 orders on the operations of the Commonwealth gov-  
18 ernment;

19           (8) the establishment of a personnel system for  
20 employees of the Commonwealth government that is  
21 based on employee performance standards; and

22           (9) the improvement of personnel training and  
23 proficiency, the adjustment of staffing levels, and  
24 the improvement of training and performance of  
25 management and supervisory personnel.

1 (b) RESPONSE TO RECOMMENDATIONS.—

2 (1) IN GENERAL.—In the case of any rec-  
3 ommendations submitted under subsection (a) dur-  
4 ing a control year that are within the authority of  
5 the Commonwealth government to adopt, not later  
6 than 90 days after the date of receipt of the rec-  
7 ommendations, the Governor or the Legislative As-  
8 sembly (whichever has the authority to adopt the  
9 recommendation) shall submit to the Authority, the  
10 President, and Congress a notification describing  
11 whether the Commonwealth government will adopt  
12 the recommendations.

13 (2) IMPLEMENTATION PLAN REQUIRED.—If the  
14 Governor or the Legislative Assembly (as applicable)  
15 notifies the Authority and Congress under para-  
16 graph (1) that the Commonwealth government will  
17 adopt a recommendation submitted under subsection  
18 (a), the Governor or the Legislative Assembly shall  
19 include in the statement a written plan to implement  
20 the recommendation that includes—

21 (A) specific performance measures to de-  
22 termine the extent to which the Commonwealth  
23 government has adopted the recommendation;  
24 and

1 (B) a schedule for auditing compliance by  
2 the Commonwealth government with the plan.

3 (3) RECOMMENDATIONS NOT ADOPTED.—If the  
4 Governor or the Legislative Assembly (as applicable)  
5 notifies the Authority, the President, and Congress  
6 under paragraph (1) that the Commonwealth gov-  
7 ernment will not adopt a recommendation submitted  
8 under subsection (a) that the Commonwealth gov-  
9 ernment has authority to adopt, the Governor or the  
10 Legislative Assembly shall include in the statement  
11 an explanation for the rejection of the recommenda-  
12 tion.

13 (c) IMPLEMENTATION OF REJECTED RECOMMENDA-  
14 TIONS.—

15 (1) IN GENERAL.—If the Governor or the Leg-  
16 islative Assembly (as applicable) notifies the Author-  
17 ity, the President, and Congress under subsection  
18 (b)(1) that the Commonwealth government will not  
19 adopt a recommendation submitted under subsection  
20 (a) that the Commonwealth government has author-  
21 ity to adopt, the Authority, by a majority vote of the  
22 members of the Authority, may take such action  
23 concerning the recommendation as the Authority de-  
24 termines to be appropriate, after consultation with—

1 (A) the Committee on Energy and Natural  
2 Resources of the Senate; and

3 (B) the Committee on Natural Resources  
4 of the House of Representatives.

5 (2) EFFECTIVE DATE.—This subsection shall  
6 apply with respect to recommendations of the Au-  
7 thority made after the date that is 180 days after  
8 the date of enactment of this Act.

## 9 **PART II—ISSUANCE OF BONDS**

### 10 **SEC. 331. AUTHORITY TO ISSUE BONDS.**

11 (a) IN GENERAL.—

12 (1) REQUEST OF GOVERNOR.—Subject to the  
13 requirements of this part, the Authority may at the  
14 request of the Governor and pursuant to an Act of  
15 the Legislative Assembly, issue bonds, notes, or  
16 other obligations to borrow funds for the use of the  
17 Commonwealth government, in such amounts and in  
18 such manner as the Authority considers appropriate.

19 (2) SPECIAL RULE FOR INSTRUMENTALITIES  
20 WITH INDEPENDENT BORROWING AUTHORITY.—In  
21 the case of an agency or instrumentality of the Com-  
22 monwealth government that has the authority to  
23 issue bonds, notes, or obligations to borrow funds  
24 without the enactment of an Act of the Legislative  
25 Assembly, the Authority may issue bonds, notes, or

1 other obligations to borrow funds for the use or  
2 functions of the agency or instrumentality at the re-  
3 quest of the head of the agency or instrumentality.

4 (b) DEPOSIT OF FUNDS OBTAINED THROUGH BOR-  
5 ROWING WITH AUTHORITY.—

6 (1) IN GENERAL.—Any amounts obtained by  
7 the Commonwealth government through borrowing  
8 by the Authority pursuant to this part shall be de-  
9 posited in an escrow account held by the Authority.

10 (2) ALLOCATION.—The Authority shall make  
11 available to the Commonwealth government funds  
12 from the escrow account in such amounts and at  
13 such times as the Authority considers appropriate,  
14 consistent with the specified purposes of the funds  
15 and the applicable financial plan and budget.

16 (c) USES OF FUNDS OBTAINED THROUGH BONDS.—

17 Any amounts obtained through the issuance of bonds,  
18 notes, or other obligations pursuant to this part may be  
19 used for—

20 (1) any purpose (consistent with the applicable  
21 financial plan and budget) under part I for which  
22 the Commonwealth government may use borrowed  
23 funds; and

24 (2) any other purpose that the Authority con-  
25 siders appropriate.

1 **SEC. 332. PLEDGE OF SECURITY INTEREST IN REVENUES**  
2 **OF COMMONWEALTH GOVERNMENT.**

3 (a) IN GENERAL.—The Authority may pledge or  
4 grant a security interest in revenues to individuals or enti-  
5 ties purchasing bonds, notes, or other obligations issued  
6 pursuant to this part.

7 (b) DEDICATION OF REVENUE STREAM FROM COM-  
8 MONWEALTH GOVERNMENT.—The Authority shall require  
9 the Governor—

10 (1) to pledge or direct to the Authority any  
11 taxes or other revenues otherwise payable to the  
12 Commonwealth government that are not otherwise  
13 pledged or committed, including payments from the  
14 Federal Government, for purposes of securing repay-  
15 ment of bonds, notes, or other obligations issued  
16 under this part; and

17 (2) to transfer to the Authority the proceeds of  
18 any tax levied for purposes of securing any bonds,  
19 notes, or other obligations issued under this part im-  
20 mediately on collection of the proceeds.

21 **SEC. 333. ESTABLISHMENT OF DEBT SERVICE RESERVE**  
22 **FUND.**

23 (a) IN GENERAL.—As a condition for the issuance  
24 of bonds, notes, or other obligations pursuant to this part,  
25 the Authority shall establish a debt service reserve fund,  
26 which shall be a trust fund held for the benefit and secu-



1 rity of the obligees of the Authority whose bonds, notes,  
2 or other obligations are secured by the debt service reserve  
3 fund, consisting of such funds as the Authority may make  
4 available for the debt service reserve fund.

5 (b) REQUIREMENTS.—

6 (1) USES OF FUNDS.—Amounts in a debt serv-  
7 ice reserve fund established under subsection (a)  
8 may be used only for—

9 (A) the payment of the principal of bonds  
10 secured in whole or in part by the debt service  
11 reserve fund;

12 (B) the purchase or redemption of the  
13 bonds;

14 (C) the payment of interest on the bonds;  
15 or

16 (D) the payment of any redemption pre-  
17 mium required to be paid when the bonds and  
18 notes are redeemed prior to maturity.

19 (2) RESTRICTIONS ON WITHDRAWALS.—

20 (A) IN GENERAL.—There may not be with-  
21 drawn from the debt service reserve fund an  
22 amount that would reduce the amount of the  
23 debt service reserve fund to less than the min-  
24 imum reserve fund requirement established for  
25 the debt service reserve fund in the resolution

1 of the Authority establishing the fund, except  
2 for withdrawals for—

3 (i) the purpose of making payments of  
4 principal, interest, redemption premiums,  
5 and sinking fund payments, if any, with  
6 respect to the bonds for the payment of  
7 which other amounts of the Authority are  
8 not available; and

9 (ii) the purpose of funding the oper-  
10 ations of the Authority for a fiscal year (in  
11 such amounts and under such conditions  
12 as are established under the budget of the  
13 Authority for the fiscal year under section  
14 316(a)).

15 (B) USE OF EXCESS FUNDS.—Nothing in  
16 subparagraph (A) prohibits the Authority from  
17 transferring to other funds or accounts of the  
18 Authority any income or interest earned by, or  
19 increments to, the debt service reserve fund due  
20 to the investment of funds in the debt service  
21 reserve fund (to the extent the transfer does  
22 not reduce the amount of the debt service re-  
23 serve fund below the minimum reserve fund re-  
24 quirement established for the debt service re-  
25 serve fund) for such purposes as the Authority

1           considers to be appropriate to promote the fi-  
2           nancial stability and management efficiency of  
3           the Commonwealth government.

4 **SEC. 334. OTHER REQUIREMENTS FOR ISSUANCE OF**  
5           **BONDS.**

6           The Authority may not issue bonds, notes, or other  
7 obligations pursuant to this part that are secured in whole  
8 or in part by a debt service reserve fund established under  
9 section 333 if issuance of the bonds would cause the  
10 amount in the debt service reserve fund to fall below the  
11 minimum reserve requirement for the debt service reserve  
12 fund, unless the Authority, on issuance of the bonds, de-  
13 posits in the debt service reserve fund an amount (from  
14 the proceeds of the bonds to be issued or from other  
15 sources) that, when added to the amount already in the  
16 debt service reserve fund, would cause the total amount  
17 in the debt service reserve fund to equal or exceed the min-  
18 imum reserve fund requirement established by the Author-  
19 ity on the date of the establishment of the debt service  
20 reserve fund.

21 **SEC. 335. NO FULL FAITH AND CREDIT OF THE UNITED**  
22           **STATES.**

23           (a) IN GENERAL.—The full faith and credit of the  
24 United States is not pledged for the payment of any prin-

1 cipal of or interest on any bond, note, or other obligation  
2 issued by the Authority pursuant to this part.

3 (b) RESPONSIBILITY OR LIABILITY OF THE UNITED  
4 STATES.—The United States is not responsible or liable  
5 for the payment of any principal of or interest on any  
6 bond, note, or other obligation issued by the Authority  
7 pursuant to this part.

### 8 **PART III—OTHER DUTIES OF AUTHORITY**

#### 9 **SEC. 341. DUTIES OF AUTHORITY DURING YEAR OTHER** 10 **THAN CONTROL YEAR.**

11 (a) IN GENERAL.—During the period beginning on  
12 the termination of a control period under subsection (a)(3)  
13 or (b)(3) of section 322 and ending with the suspension  
14 of activities of the Authority under section 317, the Au-  
15 thority shall—

16 (1) review the budgets of the Commonwealth  
17 government adopted by the Legislative Assembly for  
18 each fiscal year occurring during the period;

19 (2) at such time as the Authority considers ap-  
20 propriate prepare and submit to the Governor, the  
21 Legislative Assembly, the President, and Congress a  
22 report analyzing the budget;

23 (3)(A) monitor the financial status of the Com-  
24 monwealth government or a public corporation; and

1 (B) if the Authority determines that a risk to  
2 the financial status of the Commonwealth govern-  
3 ment or a public corporation exists and that a con-  
4 trol period needs to be implemented with respect to  
5 the Commonwealth government or a public corpora-  
6 tion in accordance with section 322, submit to the  
7 Governor, the Legislative Assembly, the President,  
8 and Congress a report describing the determination;  
9 and

10 (4) carry out activities under part II with re-  
11 spect to bonds, notes, or other obligations of the Au-  
12 thority outstanding during the period.

13 (b) REQUIRING GOVERNOR TO SUBMIT BUDGETS TO  
14 AUTHORITY.—With respect to the budget for each fiscal  
15 year during the period described in subsection (a), on the  
16 date on which the Governor submits the budget of the  
17 Commonwealth government adopted by the Legislative As-  
18 sembly to the President in accordance with this title, the  
19 Governor shall transmit the budget to the Authority.

20 **SEC. 342. GENERAL ASSISTANCE IN ACHIEVING FINANCIAL**  
21 **STABILITY AND MANAGEMENT EFFICIENCY.**

22 In addition to any other actions described in this sub-  
23 title, the Authority may undertake cooperative efforts to  
24 assist the Commonwealth government in achieving finan-  
25 cial stability and management efficiency, including—

1           (1) assisting the Commonwealth government in  
2           avoiding defaults, eliminating and liquidating defi-  
3           cits, maintaining sound budgetary practices, and  
4           avoiding interruptions in the delivery of services;

5           (2) assisting the Commonwealth government in  
6           improving—

7                   (A) the delivery of government services;

8                   (B) the training and effectiveness of per-  
9                   sonnel of the Commonwealth government; and

10                   (C) the efficiency of management and su-  
11                   pervision; and

12           (3) making recommendations to the President  
13           for submission to Congress on changes to this title  
14           or other Federal laws or other actions of the Federal  
15           Government that would assist the Commonwealth  
16           government in complying with an approved financial  
17           plan and budget.

18 **SEC. 343. OBTAINING REPORTS.**

19           The Authority may require the Governor, the Legisla-  
20           tive Assembly, and the Inspector General of Puerto Rico  
21           to prepare and submit any reports that the Authority con-  
22           siders appropriate to assist the Authority in carrying out  
23           the responsibilities of the Authority under this subtitle, in-  
24           cluding submitting copies of any reports regarding reve-  
25           nues, expenditures, budgets, costs, plans, operations, esti-

1 mates, and other financial or budgetary matters of the  
2 Commonwealth government.

3 **SEC. 344. REPORTS AND COMMENTS.**

4 (a) ANNUAL REPORTS TO CONGRESS.—Not later  
5 than 30 days after the last day of each fiscal year that  
6 is a control year, the Authority shall submit to Congress  
7 a report that describes—

8 (1) the progress made by the Commonwealth  
9 government and public corporations in meeting the  
10 objectives of this title during the fiscal year;

11 (2) the assistance provided by the Authority to  
12 the Commonwealth government and public corpora-  
13 tions in meeting the purposes of this title for the fis-  
14 cal year; and

15 (3) any other activities of the Authority during  
16 the fiscal year.

17 (b) REVIEW AND ANALYSIS OF PERFORMANCE AND  
18 FINANCIAL ACCOUNTABILITY REPORTS.—The Authority  
19 shall—

20 (1) review each report prepared and submitted  
21 by the Governor under this title; and

22 (2) submit to Congress a report that analyzes  
23 the completeness and accuracy of each report.

24 (c) COMMENTS REGARDING ACTIVITIES OF COMMON-  
25 WEALTH GOVERNMENT.—At any time during a control

1 year, the Authority may submit to Congress a report that  
2 describes any action taken by the Commonwealth govern-  
3 ment (or any failure to act by the Commonwealth govern-  
4 ment) that the Authority determines would—

5 (1) adversely affect the ability of the Common-  
6 wealth government to comply with an approved fi-  
7 nancial plan and budget; or

8 (2) have a significant adverse impact on the  
9 best interests of the Commonwealth.

10 (d) REPORTS ON EFFECT OF FEDERAL LAWS ON  
11 COMMONWEALTH GOVERNMENT.—At any time during  
12 any year, the Authority may submit to the Governor, the  
13 Legislative Assembly, the President, and Congress a re-  
14 port that describes—

15 (1) the effect of laws enacted by Congress on  
16 the financial plan and budget for the year; and

17 (2) the financial stability and management effi-  
18 ciency of the Commonwealth government in general.

19 (e) MAKING REPORTS PUBLICLY AVAILABLE.—The  
20 Authority shall make any report submitted under this sec-  
21 tion available to the public, except to the extent that the  
22 Authority determines that the report contains confidential  
23 material.



## 1 **Subtitle C—Chief Financial Officer**

### 2 **SEC. 351. ESTABLISHMENT OF OFFICE.**

3 (a) IN GENERAL.—There is established within the ex-  
 4 ecutive branch of the Commonwealth government an Of-  
 5 fice of the Chief Financial Officer of Puerto Rico, which  
 6 shall be headed by the Chief Financial Officer of Puerto  
 7 Rico.

8 (b) TRANSFER OF GOVERNMENT DEVELOPMENT  
 9 BANK FUNCTIONS AND PERSONNEL.—Effective with the  
 10 appointment of the first Chief Financial Officer under sec-  
 11 tion 352, the functions and personnel of the Government  
 12 Development Bank are transferred to the Office.

13 (c) PRESIDENT OF GOVERNMENT DEVELOPMENT  
 14 BANK.—With respect to the Government Development  
 15 Bank—

16 (1) the Chief Financial Officer shall appoint the  
 17 President of the Government Development Bank,  
 18 subject to the approval of the Governor; and

19 (2) the Chief Financial Officer may remove the  
 20 President of the Government Development Bank for  
 21 cause, after consultation with the Governor.

### 22 **SEC. 352. APPOINTMENT; REMOVAL.**

23 (a) APPOINTMENT.—

24 (1) CONTROL YEAR.—

1 (A) IN GENERAL.—During a control year  
2 initiated under section 322(b), the Chief Finan-  
3 cial Officer shall be appointed by the Governor  
4 in accordance with this paragraph.

5 (B) RECOMMENDATIONS.—Prior to the ap-  
6 pointment of the Chief Financial Officer, the  
7 Authority may submit recommendations for the  
8 appointment to the Governor.

9 (C) NOMINATION.—In consultation with  
10 the Authority and the Legislative Assembly, the  
11 Governor shall nominate an individual for ap-  
12 pointment and notify the Legislative Assembly  
13 of the nomination.

14 (D) NOTIFICATION.—After the expiration  
15 of the 7-day period beginning on the date on  
16 which the Governor notifies the Legislative As-  
17 sembly of the nomination under subparagraph  
18 (B), the Governor shall notify the Authority of  
19 the nomination.

20 (E) EFFECTIVENESS.—The nomination  
21 shall be effective subject to approval by a ma-  
22 jority vote of the Authority.

23 (2) OTHER YEARS.—

24 (A) IN GENERAL.—During a year other  
25 than a control year initiated under section

1           322(b), the Chief Financial Officer shall be ap-  
2           pointed by the Governor with the advice and  
3           consent of the Legislative Assembly.

4           (B) RECOMMENDATIONS.—Prior to ap-  
5           pointment under subparagraph (A), the Author-  
6           ity may submit recommendations for the ap-  
7           pointment.

8           (b) REMOVAL.—

9           (1) CONTROL YEAR.—During a control year ini-  
10          tiated under section 322(b), the Chief Financial Of-  
11          ficer may be removed for cause by the Authority or  
12          by the Governor with the approval of the Authority.

13          (2) OTHER YEARS.—During a year other than  
14          a control year initiated under section 322(b), the  
15          Chief Financial Officer shall serve at the pleasure of  
16          the Governor, except that the Chief Financial Offi-  
17          cer may only be removed for cause.

18          (c) SALARY.—The Chief Financial Officer shall be  
19          paid at an annual rate determined by the Governor, except  
20          that the rate may not exceed the rate of basic pay payable  
21          for level IV of the Executive Schedule, as described in sec-  
22          tion 5315 of title 5, United States Code.

1 **SEC. 353. FUNCTIONS OF CHIEF FINANCIAL OFFICER.**

2 (a) **FUNCTIONS DURING CONTROL YEAR.**—During a  
3 control year initiated under section 322(b), the Chief Fi-  
4 nancial Officer shall have the following duties:

5 (1) Preparing the financial plan and budget for  
6 the use of the Governor.

7 (2) Preparing the budgets of the Common-  
8 wealth for the year for the use of the Governor.

9 (3) Ensuring that all financial information pre-  
10 sented by the Governor is presented in a manner  
11 consistent with applicable law.

12 (4) Implementing appropriate procedures and  
13 instituting such programs, systems, and personnel  
14 policies within the authority of the Chief Financial  
15 Officer, to ensure that budget, accounting, and per-  
16 sonnel control systems and structures are syn-  
17 chronized for budgeting and control purposes on a  
18 continuing basis.

19 (5) With the approval of the Authority, pre-  
20 paring and submitting to the Governor and the Leg-  
21 islative Assembly—

22 (A) annual estimates of all revenues of the  
23 Commonwealth government (without regard to  
24 the source of the revenues), including proposed  
25 revenues, which shall be binding on the Gov-  
26 ernor and the Legislative Assembly for purposes

1 of preparing and submitting the budget of the  
2 Commonwealth government for the year, except  
3 that the Governor and the Legislative Assembly  
4 may prepare the budget based on estimates of  
5 revenues that are lower than those prepared by  
6 the Chief Financial Officer; and

7 (B) quarterly re-estimates of the revenues  
8 of the Commonwealth government during the  
9 year.

10 (6) Supervising and assuming responsibility for  
11 financial transactions to ensure—

12 (A) adequate control of revenues and re-  
13 sources; and

14 (B) that appropriations are not exceeded.

15 (7) Maintaining systems of accounting and in-  
16 ternal control designed to provide—

17 (A) full disclosure of the financial impact  
18 of the activities of the Commonwealth govern-  
19 ment;

20 (B) adequate financial information needed  
21 by the Commonwealth government for manage-  
22 ment purposes;

23 (C) effective control over, and account-  
24 ability for, all funds, property, and other assets  
25 of the Commonwealth government; and

1           (D) reliable accounting results to serve as  
2           the basis for preparing and supporting agency  
3           budget requests and controlling the execution of  
4           the budget.

5           (8) Submitting to the Legislative Assembly a fi-  
6           nancial statement of the Commonwealth government,  
7           containing such details and at such times as the  
8           Legislative Assembly may specify.

9           (9) Supervising and assuming responsibility for  
10          the levying and collection of all taxes, special assess-  
11          ments, licensing fees, and other revenues of the  
12          Commonwealth government (as may be required by  
13          law), and receiving all amounts paid to the Common-  
14          wealth government from any source (including the  
15          Authority).

16          (10) Maintaining custody of all public funds be-  
17          longing to or under the control of the Common-  
18          wealth government (or any department or agency of  
19          the Commonwealth government), and depositing all  
20          amounts paid in such depositories and under such  
21          terms and conditions as may be designated by the  
22          Legislative Assembly or the Authority.

23          (11)(A) Maintaining custody of all investment  
24          and invested funds of the Commonwealth govern-

1 ment or in possession of the Commonwealth govern-  
2 ment in a fiduciary capacity.

3 (B) Maintaining the safekeeping of all bonds  
4 and notes of the Commonwealth government and the  
5 receipt and delivery of Commonwealth government  
6 bonds and notes for transfer, registration, or ex-  
7 change.

8 (12)(A) Apportioning the total of all appropria-  
9 tions and funds made available during the year for  
10 obligation so as to prevent obligation or expenditure  
11 in a manner that would result in a deficiency or a  
12 need for supplemental appropriations during the  
13 year.

14 (B) With respect to appropriations and funds  
15 available for an indefinite period and all authoriza-  
16 tions to create obligations by contract in advance of  
17 appropriations, apportioning the total of those ap-  
18 propriations, funds, or authorizations in the most ef-  
19 fective and economical manner.

20 (13) Certifying all contracts (whether directly  
21 or through delegation) prior to execution as to the  
22 availability of funds to meet the obligations expected  
23 to be incurred by the Commonwealth government  
24 under the contracts during the year.

1           (14) Prescribing the forms of receipts, vouch-  
2           ers, bills, and claims to be used by all agencies, of-  
3           fices, and instrumentalities of the Commonwealth  
4           government.

5           (15) Certifying and approving prior to payment  
6           all bills, invoices, payrolls, and other evidences of  
7           claims, demands, or charges against the Common-  
8           wealth government, and determining the regularity,  
9           legality, and correctness of those bills, invoice, pay-  
10          rolls, claims, demands, or charges.

11          (16) In coordination with the Inspector General  
12          of Puerto Rico, performing internal audits of ac-  
13          counts and operations and records of the Common-  
14          wealth government, including the examination of any  
15          accounts or records of financial transactions, giving  
16          due consideration to the effectiveness of accounting  
17          systems, internal control, and related administrative  
18          practices of the departments and agencies of the  
19          Commonwealth government.

20          (b) FUNCTIONS DURING ALL YEARS.—At all times,  
21          the Chief Financial Officer shall have the following duties:

22                (1) Administering all borrowing programs of  
23                the Commonwealth government for the issuance of  
24                long-term and short-term indebtedness.



1           (2) Administering the cash management pro-  
2           gram of the Commonwealth government, including  
3           the investment of surplus funds in governmental and  
4           nongovernmental interest-bearing securities and ac-  
5           counts.

6           (3) Administering the centralized Common-  
7           wealth government payroll and retirement systems.

8           (4) Governing the accounting policies and sys-  
9           tems applicable to the Commonwealth government.

10          (5) Preparing appropriate annual, quarterly,  
11          and monthly financial reports of the accounting and  
12          financial operations of the Commonwealth govern-  
13          ment.

14          (6) Not later than 120 days after the end of  
15          each fiscal year, preparing the complete financial  
16          statement and report on the activities of the Com-  
17          monwealth government for the ending fiscal year, for  
18          the use of the Governor.

19          (c) REPORTS.—

20               (1) IN GENERAL.—At all times, the Chief Fi-  
21               nancial Officer shall be responsible for reporting rev-  
22               enues received by the Commonwealth government,  
23               including preparing, not later than 60 days after the  
24               last day of the applicable quarter or year, quarterly

1 and annual reports concerning the cash position of  
2 the Commonwealth government.

3 (2) REQUIREMENTS.—Reports described in  
4 paragraph (1) shall include the following:

5 (A)(i) Comparative reports of revenue and  
6 other receipts by source, including tax, nontax,  
7 and Federal revenues, grants and reimburse-  
8 ments, capital program loans, and advances.

9 (ii) Each source shall be broken down into  
10 specific components.

11 (B)(i) Statements of the cash flow of the  
12 Commonwealth government for the preceding  
13 quarter or year, including receipts, disburse-  
14 ments, net changes in cash inclusive of the be-  
15 ginning balance, cash and investment, and the  
16 ending balance, inclusive of cash and invest-  
17 ment.

18 (ii) Statements under clause (i) shall re-  
19 flect the actual, planned, better, or worse dollar  
20 amounts and the percentage change with re-  
21 spect to the current quarter, year-to-date, and  
22 fiscal year.

23 (C) Quarterly cash flow forecast for the  
24 quarter or year involved, reflecting receipts, dis-  
25 bursements, net change in cash inclusive of the

1 beginning balance, cash and investment, and  
2 the ending balance, inclusive of cash and invest-  
3 ment with respect to the actual dollar amounts  
4 for the quarter or year, and projected dollar  
5 amounts for each of the 3 succeeding quarters.

6 (D) Monthly reports reflecting a detailed  
7 summary analysis of all Commonwealth govern-  
8 ment investments, including—

9 (i) the total of long-term and short-  
10 term investments;

11 (ii) a detailed summary analysis of in-  
12 vestments by type and amount, including  
13 purchases, sales (maturities), and interest;

14 (iii) an analysis of investment port-  
15 folio mix by type and amount, including li-  
16 quidity, quality, and risk of each security,  
17 and similar information;

18 (iv) an analysis of investment strat-  
19 egy, including—

20 (I) near-term strategic plans and  
21 projects of investment activity;

22 (II) forecasts of future invest-  
23 ment strategies based on anticipated  
24 market conditions; and

25 (III) similar information; and

1 (v) an analysis of cash utilization, in-  
2 cluding—

3 (I) comparisons of budgeted per-  
4 centages of total cash to be invested  
5 with actual percentages of cash in-  
6 vested and the dollar amounts;

7 (II) comparisons of the next re-  
8 turn on invested cash expressed in  
9 percentages (yield) with comparable  
10 market indicators and established  
11 Commonwealth government yield ob-  
12 jectives; and

13 (III) comparisons of estimated  
14 dollar return against actual dollar  
15 yield.

16 (E)(i) Monthly reports reflecting a detailed  
17 summary analysis of long-term and short-term  
18 borrowings inclusive of debt in the current fis-  
19 cal year and the amount of debt for each suc-  
20 ceeding fiscal year, not to exceed 5 years.

21 (ii) All reports described in clause (i) shall  
22 reflect—

23 (I) the amount of debt outstanding by  
24 type of instrument;

1 (II) the amount of authorized and  
2 unissued debt, including availability of  
3 short-term lines of credit, United States  
4 Treasury borrowings, and similar informa-  
5 tion;

6 (III) a maturity schedule of the debt;

7 (IV) the rate of interest payable on  
8 the debt; and

9 (V) the amount of debt service re-  
10 quirements and related debt service re-  
11 serves.

## 12 **Subtitle D—Effect**

### 13 **SEC. 361. EFFECT.**

14 Nothing in this title—

15 (1) relieves any obligations existing as of the  
16 date of enactment of this Act of the Commonwealth  
17 government to repay any individual or entity from  
18 whom the Commonwealth government has borrowed  
19 funds, whether through the issuance of bonds or oth-  
20 erwise;

21 (2) limits the authority of Congress to exercise  
22 authority over the Commonwealth pursuant to arti-  
23 cle IV, section 3, clause 2 of the Constitution of the  
24 United States; or

1           (3) impairs the right of residents of the Com-  
2           monwealth to express the preference of the residents  
3           regarding whether—

4                   (A) to maintain the territorial status of the  
5           Commonwealth in existence as of the date of  
6           enactment of this Act; or

7                   (B) to establish a permanent nonterritorial  
8           status with the United States.

9   **SEC. 362. PREEMPTION.**

10           This title preempts all Federal, State, and local laws  
11           relating to the Commonwealth, any public corporation, or  
12           any process for establishing or reviewing rates, fees, taxes,  
13           or other charges.

14                   **TITLE IV—ADDITIONAL**  
15                   **REPORTS AND STUDIES**

16   **SEC. 401. REPORT ON EXCLUSION OF TERRITORIES FROM**  
17                   **EXCHANGES.**

18           (a) **IN GENERAL.**—Not later than February 1, 2017,  
19           the Secretary of Health and Human Services, in consulta-  
20           tion with the Joint Committee on Taxation, shall submit  
21           to Congress a report that describes the impact on each  
22           territory of the exclusion of such territories from the provi-  
23           sions of part 2 of subtitle D of title I of the Patient Pro-  
24           tection and Affordable Care Act (42 U.S.C. 18031 et  
25           seq.).

1 (b) INFORMATION IN REPORT.—The report sub-  
2 mitted under subsection (a) shall include the following:

3 (1) With respect to health insurance coverage,  
4 an estimate of the total number of uninsured and  
5 underinsured individuals residing in each territory.

6 (2) A description of the number of health insur-  
7 ance issuers in each territory and the health insur-  
8 ance plans offered by such issuers offer.

9 (3) An estimate of the amount of Federal in-  
10 come taxes that are currently paid in each territory  
11 and an estimate of the amount that those taxes  
12 would be, in aggregate per territory, if the Federal  
13 income tax system applied to the territory.

14 (4) An estimate of the Federal income taxes  
15 that would be paid, in the aggregate per territory,  
16 if individuals residing in each territory paid the av-  
17 erage per capita Federal income tax share devoted  
18 to Federal health funding that is paid by residents  
19 in the 50 States and the District of Columbia.

20 **SEC. 402. STUDY OF PUERTO RICO PUBLIC PENSION DEBT.**

21 Not later than 6 months after the establishment of  
22 the Puerto Rico Financial Responsibility and Management  
23 Assistance Authority under title III of this Act, the Joint  
24 Board for the Enrollment of Actuaries established under  
25 section 3041 of the Employee Retirement Income Security

1 Act of 1974 (29 U.S.C. 1241) shall report to such Author-  
2 ity and the Office of Domestic Finance of the Department  
3 of the Treasury on the following with respect to the Puerto  
4 Rico public pension plans:

5 (1) Recommendations on actions that would be  
6 necessary to ensure that such plans can be  
7 sustainably maintained and funded by the govern-  
8 ment of Puerto Rico for the next 20 years.

9 (2) The feasibility of an assumption by the De-  
10 partment of the Treasury of the assets and un-  
11 funded liabilities of such plans, individually or collec-  
12 tively, in a manner substantially similar to the ac-  
13 tions taken with respect to the District Retirement  
14 Fund under the District of Columbia Retirement  
15 Protection Act of 1997.

16 (3) Whether a freeze of future benefit accruals  
17 under such plans is necessary or advisable.

18 (4) The extent to which benefit reductions, such  
19 as have been made in previous municipal bankruptcy  
20 proceedings, would be necessary or advisable to at-  
21 tain sustainability for such plans or create parity  
22 with payment reductions applicable to retired indi-  
23 viduals who are, directly or indirectly, Puerto Rico  
24 bondholders.



1 **SEC. 403. HEALTH AND HUMAN SERVICES REPORT.**

2 (a) IN GENERAL.—Not later than 90 days after the  
3 date of enactment of this Act, the Secretary of Health and  
4 Human Services shall submit to the Committee on Fi-  
5 nance and the Committee on Energy and Natural Re-  
6 sources of the Senate, the Committee on Ways and Means  
7 and the Committee on Natural Resources of the House  
8 of Representatives, and to the Resident Commissioner of  
9 the Commonwealth, recommendations that specify the  
10 manner in which the Federal Government should more eq-  
11 uitably allocate resources across the territories—

12 (1) without—

13 (A) adding to the Federal debt; or

14 (B) significantly decreasing the solvency of  
15 the Federal Old-Age and Survivors Insurance  
16 Trust Fund and the Federal Disability Insur-  
17 ance Trust Fund under section 201 of the So-  
18 cial Security Act (42 U.S.C. 401), the Federal  
19 Hospital Insurance Trust Fund under section  
20 1817 of such Act (42 U.S.C. 1395i), and the  
21 Federal Supplementary Medical Insurance  
22 Trust Fund under section 1841 of such Act (42  
23 U.S.C. 1395t); and

24 (2) to promote—

25 (A) horizontal equity across territories;

26 and

1 (B) inter-temporal horizontal equity across  
2 States and territories to account for relative  
3 Federal income tax burdens and needs.

4 (b) ESTIMATE OF EFFECTS.—Not later than 90 days  
5 after the date on which the recommendations are sub-  
6 mitted under subsection (a), the Office of the Actuary of  
7 the Centers for Medicare & Medicaid Services shall provide  
8 to the Secretary of Health and Human Services and to  
9 the Committee on Finance and the Committee on Energy  
10 and Natural Resources of the Senate and the Committee  
11 on Ways and Means and the Committee on Natural Re-  
12 sources of the House of Representatives an estimate of  
13 the effects that such recommendations would have on the  
14 Federal Hospital Insurance Trust Fund under section  
15 1817 of the Social Security Act (42 U.S.C. 1395i).

16 (c) ECONOMIC IMPACT ANALYSIS.—Not later than 90  
17 days after the date on which the recommendations are  
18 submitted under subsection (a), the Office of the Actuary  
19 of the Centers for Medicare & Medicaid Services shall pro-  
20 vide to the Secretary of Health and Human Services, the  
21 Committee on Finance and the Committee on Energy and  
22 Natural Resources of the Senate, the Committee on Ways  
23 and Means and the Committee on Natural Resources of  
24 the House of Representatives, and to the Resident Com-  
25 missioner of the Commonwealth an economic impact anal-

1 ysis of the benefits and costs of such recommendations,  
 2 including an executive summary detailing the results of  
 3 the analysis in nontechnical terminology.

4 (d) FINAL REPORT.—Not later than 90 days after  
 5 the date on which the estimate and analysis are provided  
 6 under subsections (b) and (c), the Secretary of Health and  
 7 Human Services, acting through the Medicare Payment  
 8 Advisory Commission and the Medicaid and CHIP Access  
 9 Commission, shall review such estimates and analyses and  
 10 provide to the Committee on Finance and the Committee  
 11 on Energy and Natural Resources of the Senate, the Com-  
 12 mittee on Ways and Means and the Committee on Natural  
 13 Resources of the House of Representatives, and to the  
 14 Resident Commissioner of the Commonwealth a report  
 15 containing a final assessment and recommendations based  
 16 on such estimates and analyses to provide equitable treat-  
 17 ment to territories and do so in a fiscally responsible way,  
 18 both intra- and inter-temporally.

19 **TITLE V—TRANSITION**  
 20 **ASSISTANCE**

21 **SEC. 501. ASSISTANCE BY THE AUTHORITY, IF NECESSARY,**  
 22 **TO ASSIST TRANSITION TO STABILITY.**

23 (a) APPROPRIATION.—There is authorized to be ap-  
 24 propriated, and there is appropriated, \$3,000,000,000.

1 Such amount shall remain available through fiscal year  
2 2016.

3 (b) USE OF FUNDS.—Amount appropriated under  
4 subsection (a) may be used by the Authority to provide  
5 resources, if the Authority determines it to be necessary,  
6 to assist the transition of the Commonwealth to financial,  
7 fiscal, economic, and health care stability.

8 (c) REASONS FOR USE OF FUNDS.—If the Authority  
9 provides funds to the Commonwealth under subsection (b),  
10 the Authority shall, not later than 30 days prior to allo-  
11 cating such funds, submit a report concerning the reasons  
12 for the use of such funds, including the perceived need  
13 for transition assistance and empirical analysis verifying  
14 such need, to—

15 (1) the Committee on Finance and the Com-  
16 mittee on Energy and Natural Resources of the Sen-  
17 ate;

18 (2) the Committee on Ways and Means and the  
19 Committee on Natural Resources of the House of  
20 Representatives;

21 (3) the Resident Commissioner of the Common-  
22 wealth; and

23 (4) the Governor.

24 (d) AUDIT.—The Comptroller General shall—

1 (1) conduct an audit of the use of funds pro-  
 2 vided to Puerto Rico under subsection (b); and

3 (2) when practicable, submit to the appropriate  
 4 committees of Congress a report detailing the ex-  
 5 penditures under this section and the purpose of  
 6 such expenditures.

7 **SEC. 502. OFFSET FOR TRANSITION ASSISTANCE AND PRE-**  
 8 **VENTION AND PUBLIC HEALTH FUND.**

9 (a) IN GENERAL.—Subsection (b) of section 4002 of  
 10 the Patient Protection and Affordable Care Act (42  
 11 U.S.C. 300u–11) is amended—

12 (1) in paragraph (2), by striking “2017” and  
 13 inserting “2015”; and

14 (2) by striking paragraphs (3) through (5).

15 (b) RESCISSION OF UNOBLIGATED FUNDS.—Of the  
 16 funds made available by such section 4002, the unobli-  
 17 gated balance is rescinded.

18 **TITLE VI—TECHNICAL**  
 19 **ASSISTANCE**

20 **SEC. 601. TECHNICAL ASSISTANCE TO IMPROVE ACCOUNT-**  
 21 **ING, DISCLOSURE, AND ECONOMIC MEASURE-**  
 22 **MENT PRACTICES IN THE TERRITORIES.**

23 (a) IN GENERAL.—The Secretary of the Treasury  
 24 (referred to in this section as the “Secretary”) shall pro-  
 25 vide technical assistance to the territories of the United

1 States (including the Commonwealth of Puerto Rico) to  
2 provide for improved accounting and disclosure practices  
3 in the applicable territory.

4 (b) INCLUSIONS.—In providing technical assistance  
5 under subsection (a), the Secretary, in consultation with  
6 any appropriate economic measurement agency and eco-  
7 nomic statistical agency of the Federal Government and  
8 the Federal Reserve Bank of New York, may provide as-  
9 sistance relating to—

10 (1) information technology upgrades;

11 (2) improving economic forecasting capabilities;

12 (3) improving and expanding economic indica-  
13 tors for the territory in order to bring the indicators  
14 into line with the indicators regularly used to track  
15 regional conditions in the United States;

16 (4) budgeting, cash management, and spending  
17 controls; and

18 (5) ensuring that agencies in the territory use  
19 financial systems that are compatible with the sys-  
20 tems of other agencies of the territory to provide for  
21 consistent, timely financial reporting and visibility  
22 into expenses.

23 (c) AUTHORIZATION OF APPROPRIATIONS.—There  
24 are authorized to be appropriated such sums as are nec-

1 essary to carry out this section for the period of fiscal  
2 years 2016 through 2019.

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