

MESSAGE OF THE GOVERNOR OF PUERTO RICO

BUDGET MESSAGE

Luis G. Fortuño
Governor of Puerto Rico
The Capitol, San Juan
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KEEPING OUR PROMISES TO PUERTO RICO

Thank you. Thank you very much.

Madame Speaker of the House of Representatives, Mr. President of the Senate, ladies and gentlemen members of the Legislative Assembly, honorable Judges of the Supreme Court, Mayors, Mr. Secretary of State and other officials of the Government of Puerto Rico and of the federal government, distinguished guests...

Puerto Rican brothers and sisters...

For any person, keeping one's promises is a virtue. For a public official, it is an unavoidable obligation.

A public servant owes himself to the People and the elected official -- he who asks the People for the confidence of their vote -- has the obligation of delivering on what he promises.

In our last State of the Commonwealth Address, I told you how in less than two years, and despite the grave fiscal and economic crisis that we inherited, we have been complying with the promise of CHANGE that we made... We have been KEEPING OUR PROMISES TO YOU AND KEEPING OUR PROMISES TO PUERTO RICO.

I shared with you how, in just two years...

We have managed to stabilize our economy, that already begins to show signs of recovery, as experts around the world have recognized. The only ones who do not want to recognize it are those who put us in this disaster of which we are emerging TOGETHER with so much sacrifice and determination...

We have rescued Puerto Rico's good credit, with our bonds getting credit rating upgrades for the first time in almost 30 years. With this achievement we have not only saved millions of dollars to you as a tax payer, but we have saved tens of thousands of jobs and protected the value of YOUR house, of YOUR retirement accounts and of the saving of tens of thousands of Puerto Ricans who would have gone aground if Puerto Rico had gone bankrupt. We have saved the house, although the "NO" delegation voted AGAINST our plan to achieve it...

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We have effectively distributed more than \$4.5 billion in ARRA funds and \$500 million of the Local Economic Stimulus Plan to develop infrastructure projects ... although leaders of the “NO” delegation voted AGAINST it...

We have given a new Boost to Housing with incentives to make the dream of every Puerto Rican of having their own home a reality and foster investment in this important sector of the economy ... although the “NO” delegation voted AGAINST it....

We have returned the right to health to a million and a half Puerto Ricans with MY Health.... which the “NO” delegation has been criticizing since we implemented it...`

We have approved the biggest, most ambitious, fairest and most beneficial Tax Reform in the history of Puerto Rico, which has already left in YOUR POCKET more than \$1.2 billion in tax relief each year... although, again the “NO” delegation voted AGAINST it...

In all, with these and other initiatives that we have achieved in just two years we have been keeping the promises we made to you, and DELIVERING ON OUR PROMISES TO PUERTO RICO.

Tonight, I thank you for receiving us in your home, to allow us to MAKE GOOD on our constitutional obligation of presenting to the Legislative Assembly – and to you – the budget that will go into effect beginning next July 1.

The budget of the Government of Puerto Rico is a document of thousands of pages, full of tables and numbers. In appearance, it is voluminous and complex. But in its essence it is very simple. Because in its essence, the budget is nothing more than the plan to DELIVER ON what we promised you.

Any project, in order to be successful, requires planning. A fundamental element of this planning is to properly identify the money and the resources necessary to carry it out.

To build an additional room to your house, buy a car, celebrate your daughter’s wedding ... for any project, if you want it to come out well, first you have to identify the resources for carrying it out. The project could well be very good, but if you don’t have the wherewithal to pay for it, you are not going to be able to do it... you are not going to be able to COME THROUGH. Worse yet, if you spend what you don’t have, you could put yourself in a very serious situation.

Unfortunately, this was what happened to Puerto Rico in the last years of the lost decade. The government planned its budget poorly. They spent and spent far above revenues and dragged us into a hole that nearly put us all in bankruptcy.

Worse yet.... It was precisely because they didn’t know how to adequately manage the budget that they closed down the government in April, 2006. Today, five years later, that seems like a distant memory... but, again, we can’t afford to forget! This government shut-down that they imposed on you for their failure to manage the budget triggered the economic recession that has affected

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Puerto Rico during the past five years. It's not I who says that , but local economists of all political ideologies and even economists from abroad who confirm it: the economic recession in Puerto Rico began when they shut down the government in 2006 BECAUSE THEY DIDN'T KNOW HOW TO HANDLE THE BUDGET.

Thanks to your efforts, your dedication and the sacrifice of all of us for the last two years, we have been able to turn over this black page in our history. Although we still have a long way to go, we have achieved extraordinary progress, stabilizing our public finances on the road to a totally balanced budget, as required by the Constitution.

In fact, it pleases me to recognize that in adequately managing the People's money, we are ahead of 31 states and we are even doing better than the federal government. When we began our Administration, the deficit of \$3.3 million that we inherited was the worst among the 50 states and Puerto Rico. Today we are in position number 20, that is, that 31 states have a deficit higher than ours. And for the next fiscal year, we will have risen to position number 15 among the 50 states and Puerto Rico. With the budget that I present this evening, we will have achieved a reduction of the deficit from 43% of revenues, which they left us, to only 7% -- and the coming year we will have eliminated it totally.

And that's not to mention how much better than the federal government we're doing it. We have all seen in the past days how the federal government has failed to adequately manage the budget. Although at the last minute they reached an agreement that will avoid closing the federal government, something that would affect millions of our fellow citizens... they are doing now what we already did two years ago.

Because of the measures that we took, WE ARE NOT GOING TO CLOSE DOWN THE GOVERNMENT in this Administration ... while I am governor ... and with the support of this Legislative Assembly ... we will continue to manage well the People's money AND THERE WILL BE NO GOVERNMENT SHUT-DOWN like they imposed on us in 2006.

Why is it important for you that the government handle the budget adequately? First, because it's your money . The money that the government administers is the People's money... it is money that YOU pay with your taxes. Second, it is important for you because this progress in the responsible management of the budget is what allows us to, among other things, contract teachers for special education that our children need, pay overtime to police, give the assistance that our farmers need, expand the sports programs in our public housing projects, help our single mothers, repair our highways... and leave more money in your pocket.

Budget

Because of this, this evening, I would like to briefly describe to you the budget that will go into effect beginning next July 1st. As I have said, the budget is too big and complex to describe it in a brief message. So tonight, I will focus only on some areas. Nonetheless, you will be able to see the entire document right now. In fact, contrary to the previous practice, this year we will not be

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printing thousands and thousands of pages. Consistent with our practice of having a more agile and efficient government, that uses technology to save money to the tax-payer, you, as well as our legislators, can access the budget document in its entirety at www.presupuesto.pr.gov. Here you will find Puerto Rico Government budget for fiscal year 2012 that begins next July 1st.

As you will remember, in the first two years, due to the enormous deficit that they left us, we had to cut government expenses, so our first two budgets were LESS than those of the previous years.

For the fiscal year that begins this next July 1st, things are already better. Although we still have a deficit, we have a few more resources available to be able to give you more and better basic services, above all in the areas of public security, health and education, which are the main areas of priority for you. In all, with the additional resources that we now have available we are going to continue to KEEP OUR PROMISES TO YOU AND TO PUERTO RICO.

How is this possible? Why do we have a few more resources this year than last year? Well, it's very simple: the economy is improving. We have been seeing it in all indicators: retail sales are rising, car sales are rising, sales of homes are accelerating, more cement is being consumed – which means that construction is improving – and thousands of new jobs in the private sector are being created... and those are only some indicators.

Now I want to talk directly to you, my fellow Puerto Ricans, listening to us at home. I know you concerns and your problems. I have heard you when I have visited your town, your home, and your place of work ... many of you have told me that, although you know that things are better, you still don't feel it. If you are a worker, you already began to feel relief thanks to the Tax Reform that is leaving more money in your pocket. But you feel that it's not enough... and you are right! Still in all, I can assure you: the economy is improving and you and your family are going to feel the difference.

When you get sick... the illness begins long before you begin to feel bad. You don't realize it, but the causes of the illness begin doing damage inside long before you feel the symptoms. In the same way, when the illness begins to wane, you don't feel it immediately ... you feel better after a while ... but the important thing is that you are getting better.

In the same way, the bad management of the budget and of Puerto Rico's economy by past administrations came to be felt after a period of having been started and came to hit us in full force in 2007, 2008 and 2009. Since we started our Administration two years ago, we have had the courage to take the corrective steps needed to cure ourselves... and we already begin to see the results... although not everyone has felt it yet. But believe me ... we are getting better ... and in time EVERYONE will feel the difference.

Let me give you some data so that you see that we are justified in our optimism. The principal reason for which we can assign greater budgets this year to priority areas like public security, health, agriculture and education, is that tax collection projections for the year ahead have increased. And why is this? Well, precisely because things are improving.

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In fact, official Planning Board projections indicate that in this fiscal year that begins this July 1st, our economy WILL GROW for the first time in FIVE YEARS, since THEY SHUT DOWN the government in 2006. We can't forget that.

As a result, Treasury tax revenues will be greater. Although we have cut your taxes in order to leave more in your pocket, the projection of net revenues to the General Fund for the fiscal year beginning in July is \$8.65 billion, an increase of \$516 million, or 6.4%, more than the year that we are ending.

Part of this increase in revenues is due to the temporary tax on foreign companies, which now lets them contribute a little more to our economic recovery without affecting their operations or the jobs that they maintain in Puerto Rico, as the United States Treasury Department confirmed last month.

We will also see an increase of 20% in the collection of the Sales and Use Tax (IVU) and other taxes related to commercial activity, such as car sales. Why? Precisely because the economy is improving ... the consumer is already feeling more confident now that things are improving. And because of this he or she feels that they can buy a new car, buy a washing machine or do some repairs on the house. The situation is improving -- because we have been DELIVERING ON OUR PROMISES TO PUERTO RICO.

It is because of this, that this evening I'm pleased to announce that for the next fiscal year, thanks to the enormous progress that we have made in the past two years—and while still maintaining the fiscal discipline to which we are committed—the recommended budget for the General Fund, which pays the majority of the services that the central budget provides to the People, will be \$9.26 billion, a small increase of \$110 million more than the current fiscal year .

Meanwhile, the Government's Consolidated Budget , including the General Fund and the public corporations for fiscal year 2012 that begins next July 1st, will be \$28,624 billion, an increase of \$481 million more than the budget for the fiscal year that we are about to end.

The increase in the General Fund budget will allow us to push forward our programmatic agenda in areas that are essential to you, such as Public Security, Health and Education, so that we can continue to deliver on our promises to you and DELIVER ON OUR PROMISES TO PUERTO RICO.

But to do all this, we HAVE to continue to COMPLY, with discipline, with the plan that we have drawn up to move Puerto Rico forward. The fact that we have advanced so much in reducing the deficit that they left us and that we now have a little more resources to assign to priority areas does not mean that we can begin to spend irresponsibly as they did. Now that we have advanced so much, WE ARE NOT GOING TO ALLOW OURSELVES TO BACKTRACK. We are going to COME THROUGH FOR PUERTO RICO.

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Public Security

Our COLLECTIVE struggle against crime and drugs continues to be a challenge ahead. Although we have made progress, no one, and least of all I, is satisfied. We have succeeded in lowering the incidence of all violent crimes, but the number of homicides continues to be our greatest challenge. This is why we have assigned a good portion of the increase in the budget to reinforcing the struggle against crime.

Puerto Rico Police

We have assigned to the Puerto Rico Police a budget of \$759 million, which represents an increase of \$29 million, or almost 4% in comparison with the budget of this year.

This budget includes \$13 million for the recruitment of approximately 536 new cadets who will be added to the 650 cadets who will graduate next month. We will also assign \$24 million to continue with the “Golpe al Punto” (Drug Point Bust) initiative, the Group of 100, and the Strike Force in alliance with federal agencies that last year produced more than 3,800 arrests, the dismantling of more than 250 drug distribution points and the seizure of hundreds of thousands of dollars in firearms and drugs.

We are also increasing the earmark for the payment of overtime owed to our police from \$13 million to \$17 million to continue the efforts of combating crime and guaranteeing the security of the citizenry.

Department of Justice

To the Department of Justice we will be assigning \$138 million; an increase of \$10 million in comparison with the fiscal year 2011.

This includes:

- Additional resources for the appointment of 36 new district attorneys – the first time in 10 years that the necessary funds are assigned for the appointment of prosecutors – in addition to prosecutors, registrars, investigation agents and agents of the Special Investigations Bureau (SIB).
- Budget for the payment of overtime in the SIB;
- An increase in the earmark for attending to the basic needs of the Victims and Witness Protection Shelter;
- An increase of \$6 million to \$9 million for the Drug Courts Program that allows for the attending of cases related to drugs and referral treatment.

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- And the necessary resources to continue the “Value your Life” initiative, an inter-agency program that has already impacted more than 10,000 students by delivering a positive message to them with the objective of creating awareness among our youth on topics relevant to their development and quality of life.

Correction Administration

For fiscal 2012, the budget of the Correction Administration will be \$360 million, an increase of \$6.9 million in comparison with the current budget.

This includes \$4.6 million for the recruitment of 200 new Correctional Cadets which, added to the 244 cadets who will graduate this week-end, for a total of 444 new Correctional Cadets. Moreover, we will assign additional resources to improve direct food service to prisoners and continue with the rehabilitation program aimed at prisoners and their families.

Also, I’m pleased to announce that we have already begun construction of a new Correctional Hospital that we will be inaugurating in the coming year. At an investment of \$80 million, this modern hospital facility will not only give our correctional population the hospital medical attention it deserves, but it will help alleviate the congestion of cases that are presently cared for at the Medical Center.

Administration of Juvenile Institutions

To the Juvenile Institutions Administration we are assigning \$66 million, an increase of \$9 million in comparison with the current fiscal year. This amount includes almost \$2 million for the payment of overtime and the necessary resources for programs such as CREANDO, an initiative aimed at minor offenders so that they may complete their Senior Year of High School, among other things.

Health

Just as we promised you, with MY Health, we have returned and improved the right to health to hundreds of thousands of Puerto Ricans, and as we promised you, we are going to continue to expand this program, assigning \$1,995 billion, among other things, to add 100,000 new beneficiaries to the program.

We will be assigning a budget of \$286 million to the Department of Health, an increase of \$42 million. This includes \$8 million for the Catastrophic Illness Fund; \$39 million to comply with the payment for medical services that ASEM offers to the hospitals ascribed to the Health Department located in the Medical Center; a special earmark of \$3 million to cover operational costs of the Mayagüez Trauma Center.

Agriculture

We will also be reinforcing the resources devoted to protecting and stimulating our agriculture.

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Administration for the Development of Agricultural Enterprises

We will be assigning \$76.5 million for incentives to the Agricultural Enterprise Development Administration, an increase of \$6.5 million in comparison with the current budget , to provide agricultural incentives, salary subsidies to farmers, fertilizer, equipment rental, and technical assistance for cultivation.

Part of this increase will serve to implement a series of measures adopted this year by this Legislative Assembly, thanks to the commitment of, among others, Sen. Luis Berdiel, whom I thank for his leadership in these initiatives.

We will assign \$2 million to a special account to provide emergency assistance to farmers in the cleaning, recuperation and rehabilitation of agricultural enterprises when they have been affected by atmospheric phenomena of great magnitude that are not covered by traditional commonwealth and federal insurance.

We will be increasing the incentives for agriculture by \$1.5 million to support the New Agricultural Planting Program. Likewise, the Incentives Program will include a new earmark of \$1.5 million to cover the cost of pesticides that are so necessary to combat the pests that affect the industry.

We will also assign \$4.2 million for the Coffee Fields Improvement Program, to establish a modern laboratory to certify special Puerto Rican coffee, initiate a migrant collector lodging center pilot program and to give incentives for the renovation of coffee fields through pruning.

And, this year, we will undertake the necessary efforts to assure us that the WIC Program significantly increases the sale of milk produced by our dairy farmers, which is much healthier and is locally produced.

Water

And, this year, we will be assigning the necessary resources to eliminate the water rate increase that the prior Administration had legislated in order for it to go into effect after it left office. But, as we promised you, WE WILL NOT INCREASE WATER RATES as they were going to do. So we are assigning \$183 million to the Aqueduct and Sewer Authority to eliminate this increase that they had legislated behind the People's backs.

Education

Now, if you will allow me, I would like to take a few minutes to talk about the future of Puerto Rico. A future that is already more promising, thanks to the progress we have made in improving the education of our children.

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When we talk about the progress we have made in education during the last two years, I believe it is right to say that EVERYONE has learned valuable lessons. During the recent Puerto Rican Academic Achievement Tests, we were able to ensure that over 95 percent of our students came to take the tests. Along the way, we ALL learned the value of involving all of the community in the process of educating our children.

An extraordinary example of the enormous value of this community involvement was the success attained by students of the Urbana High School of Maricao. This was one of six schools that last year participated in the Intensive Training Pilot Program that we carried out with the help of our friends at Operation Success. Under this program, that this year we expanded to 175 schools, we evaluated the learning deficiencies of the school, strengthened the weaknesses in the classroom with teachers, we called on parents to make sure that their children devote the necessary study hours and called upon the entire community -- police, firemen, drivers, business people -- to help us motivate and support our children.

Thanks to the support of the entire community, led by the Mayor Gilberto Pérez, and the school principal, Hebé Pérez, the improvement shown by the students of the Urbana High School of Maricao was extraordinary. But more than just passing an exam, these young people developed a spirit of accomplishment and a desire for progress that now motivates EVERYONE to continue studying to become professionals and exemplary citizens who can contribute to the community that supported them so much.

In fact, the success of the program is such that that Intel has committed to help Operation Success export this uniquely successful experience in Puerto Rico to 130 countries.

The involvement of the community is also the key in our Schools for the XXI Century program in which we are investing \$756 million for the modernization of more than 100 schools, at least one in each of our 78 municipalities. The bids for 49 of these schools have already been awarded and 35 are already under construction.

And we are not talking only about painting and fixing the bathrooms. We are talking about completely remaking the school facilities with a totally different architecture, by having advanced technological equipment that allows incorporating modern educational models; educational models that take advantage of a new academic curriculum based on the strengthening of the basic skills of science, mathematics, Spanish and English; a reconfigured classroom that fosters the participation of all students. Schools endowed with spaces for the Da Vinci classrooms, where fine arts are integrated with the sciences... as well as classrooms that accommodate the particular needs of our Special Education children, to whom we are finally doing justice, after 30 years of waiting.

As part of the process, we are strengthening the relationship with the members of the school community, in such a way that once the transformation of the school has been completed they will feel that the school belongs to them... and that it is in THEIR HANDS to keep them in optimum conditions for the good of our children.

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This is the same philosophy on which we are basing the My School in Your Hands program, in which we call on all sectors to adopt a school during the summer so that, as a team, we complete an improvement project on each campus. Last year, we succeeded in having 940 schools adopted and we are confident that this year we will exceed that goal.

So that you understand the magnitude of the impact, last summer, 9,400 volunteers participated. This program not only helps us maintain the physical conditions of our schools, promote a sense of social responsibility in volunteers and involve the community in the process of caring for our children's school facilities, but it helps us give our children a sense of pride by letting them know that we want the best for them.

This effort helps us to fill many of the cracks in our school buildings. But for too many years, our public education system has suffered from a much deeper "crack" that we have to repair -- the needs of Special Education children. This year we recruited 1,294 facilitators to ensure that these students have the support, the attention, the equipment, the classes and the therapist that they need and DESERVE to come out ahead.

And a few weeks ago we gave full permanent employment to 1,475 special education classroom assistants who, because of their constant contact with these students, had become key figures in their progress.

To this we must add the tenure we gave 4,285 teachers of hard-to-recruit subjects in the regular school program, which helps us avoid the problem of having to contract them at the beginning of each school year. The additional stability that these give to our system is priceless.

But perhaps the biggest lesson that we learned this year in education is the incalculable potential of the Tus Valores Cuentan (Character Counts) program. The pilot program began this year in 205 schools reaching close to 75,000 students and 6,900 teachers, principals and school employees through workshops, exercises, games, lessons and stories that invite reflection on our values and the aspiration to be better citizens every day.

I have been witness to the change that TOGETHER we can achieve when we make our values count. In a recent visit to Las Piedras, a fourth-grade child stopped and told me how this program had changed his life. The reality is that his words were not needed, since his timid gaze and his tears said everything. Without stopping crying, this child confessed to me that he had been a much feared "bully," always looking for fights at home and in school... but that thanks to the lessons he received regarding Trustworthiness, Respect, Responsibility, Fairness, Caring and Citizenship, he learned for the first time that his conduct was bad and he had the tools to find the correct path. His mother, who became one of the many volunteers in the school, confirmed to me that her child was different thanks to the Your Values Count program. I am convinced that programs such as these strengthen the self-esteem of our children and help us avoid falling into criminal conduct later on. This is an investment in our children, yes ... but, more than that, it is an investment in a society with less crime ... a society of law, order, compassion, co-existence, respect, progress and well-being. In all, it is an investment in the future of Puerto Rico.

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An investment that is already yielding benefits. After so many years of continued deterioration in our public education system, the U.S. Department of Education has recognized—on several occasions in recent months—the enormous progress that we have achieved in COMPLYING with the Agreement of Compliance that the government had to sign in 2007 when we were at the point of falling into federal receivership. There has been a lot of water under the bridge since then, and without doubt there are still clouds on the horizon, but already in the Department of Education today the sun has finally come out.

The future of Puerto Rico lies in the education of our children and our youth. It's for this reason that in the next fiscal year, we will be assigning to the Education Department a budget of \$2,246 billion, an increase of \$134 million, or a 6.4% increase in comparison with fiscal year 2011.

The biggest items in this increase will go to reinforcing the Special Education Program; making more agile the operations of the Public Schools Improvement Office; strengthening transportation of the Special Education Program; improving security in our schools; strengthening the Puerto Rican Achievement Tests Program; endowing the Alliance Program for Alternative Education, which intervenes with those young people at risk of becoming school drop-outs and continuing with our "Tus Valores Cuentan" initiative.

Finally, we are incorporating in this budget an earmark of \$3 million to carry out a pilot program that next year, for the first time in the history of education in Puerto Rico, will allow, our children and our youth people to take the International Evaluation Program tests, known as PISA tests. This is an international test that measures student achievement standards of various countries. It is time for our children and our youth to measure them against the rest of the world. Only in that way, looking beyond our shores, will we be able to achieve the degree of educational excellence that our youth deserve and that Puerto Rico needs so much. Students skilled in mathematics, experts in science, knowledgeable in their Spanish vernacular, and totally bilingual in English. Only in that way, will we be able to endow our children with the skills needed to succeed and progress, not only in Puerto Rico, but anywhere in the world.

My Puerto Rican sisters and brothers ..., through the better education for our children and our youth , a better future for Puerto Rico is possible. And those who don't believe it, look at this...

Ladies and gentlemen, I present to you 17 young people who represent the future of Puerto Rico.

White House Report

In the past 27 months since we assumed the responsibilities of governing, we have worked tirelessly to bring about the change that we promised. Puerto Rico was headed in the wrong path and, after a lost decade, we have been able to turn around and steer in the right direction.

We have achieved enormous progress in many of the areas that are of greatest concern in daily life of our People... such as health, housing, education, economy... rescuing Puerto Rico from bankruptcy and giving our People the tax relief that we promised. In other areas, like security and

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crime, we still have great challenges that we are going to face and beat TOGETHER. These have been and continue to our highest priorities... to return to you and your family hope in a Puerto Rico of progress and well-being.

In recent days, the White House Work Group issued its much awaited report on Puerto Rico requested by President Obama. The report covers any number of areas, such as health, education, energy, access to federal funds... and other subjects upon which we have been working since the beginning of our Administration, both with the White House and with Congress.

Energy

Of those subjects covered in the White House report, the subject of energy deserves special attention. In synthesis, the report clearly says that Puerto Rico cannot continue to depend on petroleum and that we HAVE to move toward cheaper and cleaner sources of energy. In fact, some weeks ago President Obama established the same objectives at the national level: that the United States has to stop depending on expensive foreign oil and aggressively develop alternative options and renewable energy such as natural gas, solar energy and wind.

Those are the same objectives we have adopted as part of the Energy Reform that our Administration implemented last year. In fact, we will soon sign a Memorandum of Understanding with the federal Department of Energy, through which we will get advice and technical support in our process of conversion toward alternate and renewable sources in conformity with public policy at the federal level.

But as no one is a prophet in his own land... The same as always... those who oppose everything ... the "NO" delegation ... says that we are not in the middle of an energy crisis. It seems as if they didn't have to pay their electric bills every month. Do you realize how much gasoline has gone up in the last month? Well, in the same way electricity is going up ... and for the same reason ... because both gasoline for your car and the electricity that we use in Puerto Rico comes from the same fuel source... petroleum.

This year, the cost of petroleum has risen more than 30%. Meanwhile, the cost of natural gas has been reduced to its lowest level in 9 years. Do you know why? Among other things because fields of natural gas have been found in the United States and in other countries, to last more than 100 years.

The energy crisis is a reality. And those who oppose our change to natural gas and other alternative sources of energy go against your pocketbook. It appears that to them it's not important that you have to pay more for the electricity that you consume. But to me it is important. It's for this reason that at this time I am signing a new Executive Order extending the our energy emergency declaration, so that we may continue to accelerate the development of the projects that are going to lower the cost of power, with alternative and renewable energy sources like the sun, wind, and natural gas including, yes, the Via Verde (Green Way).

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Status

In the White House report there is another issue of enormous importance that, although we don't necessarily realize it on a day-to-day, affect ALL aspects of our lives... and that's the issue of status, in other words, the issue of our relationship with the United States, the nation of which we are citizens.

For the first time in more than 112 years, the United States, through its President, has put for us in black and white the route that we must follow—and that they are willing to accept—to resolve, once and for all, the issue of our political status. It is an HISTORIC opportunity that we cannot fail to take advantage of.

In Puerto Rico, we have already achieved a consensus that we have to resolve this issue of status as soon as possible. Each day we see more clearly that the status issue—that so divides as a people—is the principal obstacle that precludes us from moving forward TOGETHER. For example, in recent days a group of non-partisan expert economists declared that Puerto Rico has been in decadence for the last 50 years. Never mind whether our current status brought us or didn't bring us benefits in the past; what is certain is that today even those who historically have defended the Commonwealth, say that, as it is, it doesn't work and we have to change it. They said it just like that in the platform they presented to the voters in the last elections.

Those who want independence obviously don't agree with our present status. And those of us who believe in obtaining all the rights and powers that we would have as American citizens under statehood, don't agree either. In short, EVERYONE, including political parties, are in agreement in that the status that we now have has to end NOW. And you also know it.

The principal reason why our current status does not work is because, as we are, we do not have the tools and powers that we need to forge ahead. In this we are ALL in agreement. The White House report says clearly, on page 26, that our present political condition is that of a territory of the United States, subject to the territorial clause of the federal Constitution. This means that we have neither the powers necessary to progress nor those that we would have as a state, nor those that we would have if we were a republic, whether totally independent or in a relationship of free association sovereignty.

These three alternatives—statehood, independence and sovereign free association—are the alternatives that all the nations in the world accept, and the same White House report recognizes, as non-colonial and non-territorial. The report says clearly that only these three alternatives of change, AND NO OTHER, are those which will be available to us, and the United States would be willing to give, if we want to change what we have now. In fact, the report fully discards the notion of an “improved” Commonwealth that does not fit in the American constitutional system.

The report also says, nonetheless, that the People have to have the opportunity to choose NO CHANGE. That's right ... the report says that although our present status is that of a territory

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subject to the powers of the federal Congress, if that's what the People of Puerto Rico want, they should have the option of maintaining it.

Many people in my party are not in agreement with this. Nor is the leadership of the Independence Party in agreement. They say that, if the Commonwealth-as-is IS THE PROBLEM, it cannot possibly be also the solution and that, therefore, it must not be among the options that are presented to the People. But whether we like it or not, the White House report clearly says that the People of Puerto Rico have the right to choose not to change, so we are going to guarantee that people can choose the Commonwealth as is: a territory under the territorial clause of the federal Constitution, as the report states.

The report presents a series of options on how to consult the People about the subject of status in a just and transparent manner.

One of the options, which the report details on page 28, proposes two consultations. In the first, you would have the opportunity to choose between the three alternatives of change of status that both the report and international law recognizes as non-colonial and non-territorial alternatives: statehood, independence and sovereign free association. Then, there would be a second consultation, in which you can decide if you want to change or not change. In other words, you can choose between the option of change of status that wins in the first consultation and the alternative to remain as we are, without any change.

In summary, there would be two consultations: in the first we would choose between the three options of change of non-territorial and non-colonial status that the United States would be willing to grant (statehood, independence or sovereign free association) and in the second we would choose whether we want to change or remain as we are.

After analyzing this and other options that the report presents, I have decided that this alternative is the fairest so that everyone in Puerto Rico can express their will in a direct and transparent manner.

First, just as the report recommends, the two consultations will give the People the opportunity to exercise the vote in a direct and secret manner, as we do in elections in Puerto Rico. Resolution of the status issue is a decision that you must take directly, with the power of your direct vote ... not in a status assembly composed of politicians meeting in dark rooms...

Second, just as the report recommends, all able electors in Puerto Rico can vote in the consultation. Narrow filial tie unite us with our Puerto Rican brethren living in the rest of the United States and in other countries, but the report recognizes that the decision on the future status of Puerto Rico is the responsibility of those who live on the island.

Third, EVERYONE in Puerto Rico will be able to vote for their preferred alternative, those who want statehood; those who want independence; those who want free sovereign association and those who want to stay as we are. EVERYONE will have the opportunity to choose the option they prefer.

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Fourth, just as the report recommends, we will give sufficient time so that the People receive all the information that they need to make a well informed and well thought out decision. For this, we have proposed that the first consultation be carried out in November of this year and the second consultation at the beginning of 2013.

In the past days, leaders of the Popular Party and the Independence Party have expressed themselves against this proposal to consult the People over this important issue of status. This should not surprise us. It is what the political leaders have done in the past... talk and talk about our having to resolve this issue, but looking for an excuse to back out when the time comes in which a real opportunity is presented to us to resolve it. As they think they cannot prevail, they prefer to draw out the matter.

Leaders of the Popular Party complain that Commonwealth will not be on the ballot. THIS IS NOT TRUE. In fact, Commonwealth, AS IT IS NOW, without changes, will be in the second consultation. But even more, sovereign free association, or sovereign Commonwealth – as they themselves call the status proposal that they presented in the government program in the past elections – will be IN THE FIRST CONSULTATION. So both the persons that want “sovereign free association” and Commonwealth as is will have the opportunity to vote for the option that they prefer.

Leaders of the Popular Party want to do the consultation in a way in which neither independence nor free association are represented. This would not be fair, because it would not give the people who prefer these alternatives the opportunity to vote for them.

For their part, the leaders of the Independence Party want that the first consultation not be on status options, but on how we are going to resolve the status: with the direct vote in a plebiscite or in a status assembly. The reason is obvious: they have the hope of winning the status assembly to try to achieve in a dark room what they obviously cannot achieve at the ballot box. This is not an option, because it would be a mockery of democracy.

Finally, leaders of both, the Popular Party and the Independence Party, have complained that in the alternative that we are going to present to the People there is too much time between the first and the second consultation. Although it would be desirable that the two consultations occur closer to each other, what is certain is that 2012 is an election year, in which we will have three electoral events: the primaries of the local parties, the presidential primaries of the national parties and general elections in November.

Despite these disagreements, we have to make all efforts possible to achieve consensus among the political parties as to the process that we will have to follow to resolve this fundamental issue of status. Just as we did recently on the subject of Electoral Reform, for which I propitiated a process of dialogue that resulted in consensus among parties with respect to the greatest part of the subjects that were in controversy, I am confident that a process of dialogue can result in a consensus that provides for the greatest electoral participation possible in the consultation in which we will have to decide our political status.

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For this reason, I am requesting the political parties to name a representative to a Dialogue Committee, so that together—within a term of 30 days—we carry out a dialogue in search of consensus. I make this call for dialogue in good faith, confident that consensus is possible. But mind you, because it should be very clear, if in a term of 30 days this Dialogue Committee does not achieve a position of consensus, I will have to submit the necessary legislation so that, before the four year term ends, we are able to carry out the first plebiscite to address, in a definitive manner, the permanent solution to the problem of status.

Puerto Rico has waited too long, and we are not going to allow those who prefer inertia and delay to deny the People their right to achieve a definitive, non-colonial and non-territorial solution, that assures a future of progress and well-being for our children.

To that effect, we are assigning the resources necessary in the budget for this next fiscal year to hold said consultation BEFORE THE END OF THESE FOUR YEARS. We promise it to the People and we are going to deliver on our promise... because we are going to KEEP OUR PROMISE TO PUERTO RICO.

My Puerto Rican brothers and sisters, the moment has arrived. Our fatherland deserves that its children respond to the call that it makes to all of us. Puerto Rico has been more than patient. It has been waiting for us for decades, but it cannot wait anymore. I ask that seriously and with patriotic responsibility you evaluate the opportunity that the White House presents to us in the proposal that it has made to you to resolve the status issue. So that finally we can see the day in which, free of this obstacle that divides us, we can walk together, as a truly united family, in the glory that the Creator has reserved for Puerto Rico.

May God bless you... and may God bless Puerto Rico!

Thank you very much.