



GOBIERNO DE PUERTO RICO

Oficina de Gerencia y Presupuesto

Hon. Pedro R. Pierluisi
Gobernador

Lcdo. Juan Carlos Blanco Urrutia
Director

February 2, 2021

BY ELECTRONIC MAIL

Ms. Natalie A. Jaresko
Executive Director
Financial Oversight and Management Board for Puerto Rico
P.O. Box 192018
San Juan, PR 00919-2018

INITIAL PROPOSED BUDGET FOR FISCAL YEAR 2021-2022

Dear Ms. Jaresko:

We hereby submit the initial proposed budget for fiscal year 2021-2022 for the Government of Puerto Rico. This proposed budget is submitted in compliance with the budget calendar established by the Financial Oversight and Management Board for Puerto Rico ("FOMB"). Specifically, the FOMB, via written communication to the Government of Puerto Rico on November 17, 2020, established the schedule for developing, submitting, approving and certifying the Commonwealth ("CW") budget for such fiscal year¹, and as required by Section 202(c)(1) of PROMESA.

Our budget proposal reflects our commitment to meet the needs of the people of Puerto Rico through a socially and fiscally responsible budget. We are cognizant of the significant challenges that still lie ahead, and the path forward requires completing pending reforms to modernize the Government of Puerto Rico and promote projects to strengthen the local economy. Implementing this transformation requires us to invest our available resources strategically in targeted initiatives that build local capacity and create economic activity. To such end, we have drafted a roadmap for a responsible, functioning government that works for the people of Puerto Rico today, and that also takes concerted action to promote sustainable economic development and quality of life in Puerto Rico. The necessary measures to achieve fiscal responsibility and stability must be the foundation for a long-term strategy for success for Puerto Rico.

We are committed to maximizing all available resources, including available federal funding for the rebuilding of Puerto Rico following hurricanes Irma and Maria, and the earthquakes that affected the southern region of the island. We also must continue addressing responsibly the significant impact of the COVID-19 pandemic in all aspects of our society.

¹ On January 25, 2021, the FOMB agreed to a request from the Government of Puerto Rico to submit the proposed budget on February 2, 2021.

The proposed budget is based on the budget targets shared by the FOMB and includes additional resources for strategic initiatives and for ensuring the proper functioning of key agencies and departments. The proposal also incorporates public policy priorities aligned with our long-term goals, including no further budget cuts to the University of Puerto Rico, maintaining the current level of support for municipalities to ensure direct citizen services, fulfilling the payment of pension obligations to government retirees, and implementing the first phase of a true civil reform, including a new classification and retribution plan.

We welcome the opportunity to further discuss with you and the FOMB staff our rationale for our budget priorities. We also understand the final budget proposal may be impacted by material events, including among others, a potential debt restructuring and congressional action regarding Medicaid funding for Puerto Rico.

Proposed Budget Highlights

The Government's proposed budget incorporates several important initiatives that our Government will prioritize during FY2021-22. The most significant budget initiatives are listed by agency, with the incremental amount allocated over FOMB target budget:

- **Municipalities Appropriation: \$44 million (recurring)**
 - No additional reductions to transfers to municipalities, by establishing the current transfer of \$132 million as a base minimum to guarantee continued citizen access to local services. We will support and promote shared service agreements and consortiums to consolidate municipal services.
- **UPR Appropriation: \$94 million (recurring)**
 - No additional reductions to state fund appropriation to the University of Puerto Rico, establishing the current contribution of \$559 million as a base minimum, to support the public university system as a critical contributor to the economic and social development of Puerto Rico.
- **Uniform Remuneration and Classification Plan: \$50 million (recurring)**
 - Commence implementation of civil service reform in key agencies, including Treasury Department, Department of Family and related entities, Human Resources Management & Transformation, Office of Management and Budget, and Office of the Financial Institutions Commissioner.
- **Special Fund to address the Gender Violence Emergency: \$6 million (recurring)**
 - Fund initiatives consistent with Executive Order 2020-013, including additional training for public employees and citizen education initiatives to respond effectively to the emergency.

- **Fight Against Child Poverty: \$5.5 million (recurring)**
 - Pilot program to implement innovative strategies to address the serious problem of child poverty in Puerto Rico, a problem recent studies estimate affects one out of every three children on the island.
- **Recent Graduates Employment Opportunities: \$15 million (recurring)**
 - Pilot program to promote first employment opportunities among recent college graduates as part of a broad initiative to address the exodus of younger residents of the island.
- **Retired Employment Opportunities: \$9 million (recurring)**
 - Program to provide part-time employment opportunities to retired workers, such as teachers, social workers, and police officers, to address critical civil service needs and provide an alternative source of income for certain retirees without altering their retirement benefits.
- **Family and Children Administration: \$6.5 million (recurring)**
 - Provide funds for hiring of understaffed technical and professional divisions, including Social Workers, Family Services Technicians and other Child Protective Services.
- **Department of Transportation and Public Works: \$127 million (non-recurring)**
 - Including fourth phase of “Abriendo Caminos” infrastructure improvement program and additional funding for regular maintenance programs for the road infrastructure.
- **Debt Audit: \$1 million (non-recurring)**
 - Assign funds to the Office of the Comptroller to lead an audit of the government’s existing debt.
- **Musical Arts Corporation: \$1.6 million (recurring)**
 - Funds necessary for the continued operation of the Puerto Rico Symphony Orchestra (Orquesta Sinfónica de Puerto Rico) based on our public cultural policy and to develop a business plan for additional sources of revenue for the PRSO.
- **Department of Agriculture: \$10 million (non-recurring)**
 - Investment in programs to incentivize use of agrotechnology and implement fair labor standards.
- **Department of Consumer Affairs: \$1.4 million (recurring)**
 - Hire consumer affairs field inspectors for underserved regions across the island.
- **Department of Correction and Rehabilitation: \$15 million (recurring)**
 - Promote key reforms in the Corrections and Rehabilitations system including review of compensation scales of correctional officers, and invest in technology and other capital expenditures to improve management of correctional facilities.

- **Department of Treasury: \$3 million (recurring)**
 - Additional funding to establish the Office of the Chief Financial Officer under the Treasury Department to enhance fiscal accountability and procure timely and accurate consolidated financial reporting.
- **Department of Justice: \$17 million (recurring)**
 - Hire additional resources for various units, including special prosecutors and agents for the Specialized Domestic Violence, Sexual Crimes and Child Abuse Units.
- **Department of Natural and Environmental Resources: \$11 million (\$4M recurring & \$7M non-recurring)**
 - Various initiatives including recruitment of Natural Resources Corps (“Cuerpo de Vigilantes”), compliance with mandate to establish a Climate Change Commission and compliance with consent decree regarding water pump stations.
- **Department of Health: \$5 million (non-recurring)**
 - Fund first phase of initiative for enhanced access to continuous basic health care in underserved towns.
- **Department of Public Safety: \$50 million (non-recurring)**
 - Fund acquisition and implementation of technology to enhance communications and interoperability among our security forces.
- **Human Resources Management & Transformation (OATRH): \$3 million (recurring)**
 - Establish operations to manage multi-year civil reform, including review of recruiting processes and adoption of performance evaluations.
- **PR Technology and Innovation Services (PRITS): \$5 million (non-recurring)**
 - Provide resources to execute our technology public policy and modernization of operations and services in government.
- **Public Broadcasting Corporation (WIPR): \$2 million (non-recurring)**
 - To provide funds to operate during a transition period and complete transition to a new operation model.
- **Key Fiscal and Economic Development Agencies: \$25 million (recurring)**
 - Additional resources to ensure proper functioning of agencies responsible for implementation of fiscal policy and promotion of economic growth.
- **Puerto Rico Federal Affairs Administration: \$1.4 million (recurring)**
 - Six (6) special delegates (2 Senators & 4 Representatives) will represent the people of Puerto Rico before the Congress. These delegates will support the will of the people that favored Puerto Rico becoming a state.

- **Central American and Caribbean Games 2022: \$50 million (non-recurring)**
 - Support Mayaguez bid to host the 2020 Central American and Caribbean Games as stimulus to post-COVID local and international tourism and general economic activity in the western region of the island.
- **Comprehensive Cancer Center: \$10 million (recurring)**
 - We are committed to improve the healthcare system; therefore, we are increasing the apportionment to the Comprehensive Cancer Center to cover payroll and operational expenses shortages, including surgical and medical materials.

Funds for the implementation of these initiatives, which increase the FOMB's Baseline budget by approximately \$570 million, are expected to be sourced from amounts that have been consistently collected by the Government of Puerto Rico in excess of estimated Fiscal Plan collections. In addition, we expect the Federal Government will continue reasonably supporting the Puerto Rico healthcare plan. Any additional federal appropriation may provide funding to help cover expenses of the Puerto Rico Health Insurance Administration currently budgeted from the General Fund.

Documents included with Submission.

For your review, we include the following documents:

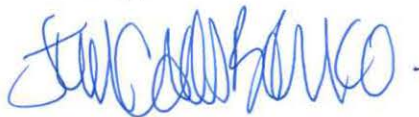
01. FY22 Agencies' Inventory for Budgeting (including a b c data).xlsx
02. A-Special Revenue Fund SRF sources - R_reporte_-_formulario_r.xlsx
- 02.B. Special Revenue Exp details by Fund Type Law.xlsx
03. Projected Federal Funds FY22 by agency and program CFDA.xlsx
04. Chart of accounts mapping all GPR revenue sources - by group.pdf
05. OGP 4 Por Programa.xlsx
06. Sabana File FY22 at 2Feb21 Baseline Solicitado FY18 to FY22.xlsx
08. A. Baseline FY22 Consolidado de Utilidades por Agencia y Origen.xlsx
08. B. Solicitado FY22 Consolidado de Utilidades por Agencia y Origen.xlsx
09. PAYMENT OBLIGATION OWED BY CORPS & MUNICIPALITIES.pdf
09. Total PayGo Obligation by Fund Account and Agency.xlsx
09. TOTAL PENSION PAYMENT OBLIGATION FOR PAYGO.xlsx
10. Detailed of concepts of spend 003 004 006 007 012 013 014 081, one per agency (FOLDER)

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11. Custody Accounts - Hacienda and OMB.xlsx
12.a. Reporte Headcount by Job Class-.xlsx
12.b. Benefits Data - reporte_form_5_-_benefits.xlsx
12.b. Retirement Data - reporte_form_6_-_retirement.xlsx
13. Interagency Payments - reporte_form_7_-_intraagency.xlsx
14. Budget request narratives, one per agency (FOLDER 14.1-3)
14.A TITTLE III PROFESSIONAL FEES.xlsx
14B. 3. Consent Decrees - reporte_form_3_-_decree.xlsx
14B. 3. Demandas y Reclamaciones - reporte_formulario_c_-_demandas.xlsx
14C. 4. Purchases procurement cycles longer than 1 year - reporte_form_10_-_abcycle.xlsx
15. Detailed CapEx Report - reporte_form_8_-_capex.xlsx"
15.A. Maintenance of Effort - reporte_form_9_-_maintenance_of_effort.xlsx
99. Request Extension Submit Budget 2021-22.pdf
Certificación de la Junta de Planificación - Presupuesto AF 2021-2022.pdf
General Disclaimer of the Office of Management and Budget.pdf

We are committed to working together with the FOMB to achieve economic growth, innovation, and progress for Puerto Rico. We trust the FOMB will give due consideration to our initial budget proposal and look forward to a constructive and productive dialogue in the coming weeks to achieve the best outcome for the benefit of the people of Puerto Rico.

Sincerely,



Juan C. Blanco