

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



José B. Carrión III
Chair

Members
Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

Ramón M. Ruiz-Comas
Executive Director

BY ELECTRONIC MAIL

March 22, 2017

Honorable Ricardo A. Rosselló Nevares
Governor of Puerto Rico
La Fortaleza
PO Box 9020082
San Juan, PR 00902-0082

Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico

Honorable Carlos J. Méndez Núñez
Speaker of the House of Representatives
of Puerto Rico

Dear Governor Rosselló Nevares, Senator Rivera Schatz, and Speaker Méndez Núñez:

By letter dated March 15, 2017, the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), pursuant to PROMESA § 202(a), set April 30, 2017 as the deadline for the Governor’s submission to the Oversight Board of his proposed budget for fiscal year 2018, along with a detailed implementation plan for the measures contained in the Commonwealth Fiscal Plan and a revised Liquidity Plan for the Commonwealth, including measures to generate a \$200 million cash reserve by June 30, 2017 above the balance reflected in the Commonwealth Fiscal Plan.

By this letter, pursuant to PROMESA § 202(a)(e), the Oversight Board sets the following deadlines for subsequent steps in route to the adoption of the operative budget:

1. May 8, 2017: Oversight Board to approve Governor’s proposed budget or to notify Governor of violations and provide descriptions of all necessary corrective actions;

2. May 22, 2017: (a) If the Oversight Board approved the proposed budget, the Legislature shall submit to the Oversight Board the budget it adopts;
(b) If the Oversight Board notified the Governor of violations, the Governor may submit a revised budget to the Oversight Board on or before May 23, 2017;
3. May 31, 2017: (a) If the Legislature timely submitted its adopted budget to the Oversight Board, the Oversight Board shall approve it or notify the Legislature of its violations and provide descriptions of all necessary corrective actions;
(b) If the Governor timely submitted a revised budget, the Oversight Board shall approve it or submit to the Governor and Legislature its own revised, compliant budget.
4. June 7, 2017: (a) If the Legislature timely submitted a revised, compliant budget to the Oversight Board, the Oversight Board shall issue a compliance certification to the Governor and Legislature.
(b) If the Legislature did not submit a timely, revised, compliant budget, and continues to fail to do so through June 30, 2017, the Oversight Board shall submit its own compliant budget to the Governor and Legislature on July 1, 2017 and that budget, pursuant to PROMESA § 202(e)(3), shall be (i) deemed to be approved by the Governor and Legislature, (ii) deemed to be subject to a compliance certification issued by the Oversight Board to the Governor and Legislature, and (iii) in full force and effect beginning the first day of the fiscal year.
(c) If the Oversight Board submitted the Governor's or its own budget to the Legislature on or before May 31, 2017, the Legislature shall submit to the Oversight Board the budget it adopts.
5. June 14, 2017: (a) If the Legislature timely submitted its adopted budget to the Oversight Board, the Oversight Board shall approve it or notify the Legislature of its violations and provide descriptions of all necessary corrective actions.
6. June 21, 2017: (a) If the Oversight Board approved the Legislature's adopted budget, the Oversight Board shall issue a compliance certification to the Governor and Legislature for such budget.
(b) If the Oversight Board notified the Legislature of violations and corrective actions, the Legislature shall submit a revised budget to the Oversight Board.
7. June 30, 2017: (a) If the Legislature submits a revised, compliant budget to the Oversight Board, the Oversight Board shall approve it and issue a compliance certification to the Governor and Legislature.
(b) If the Legislature fails to submit a revised, compliant budget to the Oversight Board, the Oversight Board shall submit its own compliant budget to the Governor and Legislature on July 1, 2017 and that budget, pursuant to PROMESA § 202(e)(3), shall be

Honorable Ricardo A. Rosselló Nevares
Honorable Thomas Rivera Schatz
Honorable Carlos J. Méndez Núñez
March 22, 2017
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(i) deemed to be approved by the Governor and Legislature, (ii) deemed to be subject to a compliance certification issued by the Oversight Board to the Governor and Legislature, and (iii) in full force and effect beginning the first day of the fiscal year.

8. Any time through June 30, 2017: Pursuant to PROMESA § 202(f), if the Governor, Legislature, and Oversight Board each certify that a jointly developed budget reflects a consensus among them, then such budget shall serve as the budget for the Commonwealth for fiscal year 2018.

Pursuant to PROMESA § 202(b), the Oversight Board provides the forecast of revenues for the period covered by the budget that is attached hereto as Appendix A, for use by the Governor in developing the Budget.

Sincerely,



José B. Carrión
Chair

Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

CC: Ramón M. Ruiz-Comas
Elías F. Sánchez-Sifontes

Appendix A:

Fiscal year ending June 30 (\$ in millions)	2017	2018
General Fund Revenues:		
Individual Income Taxes	\$1,811	\$1,760
Corporate Income Taxes	1,515	1,473
Non-Resident Withholdings	685	666
Alcoholic Beverages	268	260
Cigarettes	112	109
Motor Vehicles	330	321
Excises on Off-Shore Shipment Rum	172	173
Other General Fund Revenue	506	386
General Fund Portion of SUT (10.5%)	1,718	1,655
Net Act 154	2,075	1,556
General Fund Revenue	\$9,192	\$8,360
Additional SUT (COFINA, FAM & Cine)	850	877
Other Tax Revenues	1,337	1,396
Other Non-Tax Revenues	579	576
Federal Transfers	6,994	7,168
Loss of Affordable Care Act ("ACA") Funding	--	(865)
Revenues before Measures	\$18,952	\$17,511
Revenue Measures	--	924
Total Revenues after Measures	\$18,952	\$18,435