



Governor of Puerto Rico  
Hon. Luis G. Fortuño

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### **Governor accepts recommendations from Fiscal and Economic Reconstruction Advisory Board**

**San Juan, Puerto Rico-** The Governor of Puerto Rico, the Honorable Luis Fortuño, made public today the report by the Fiscal and Economic Reconstruction Advisory Board, as an attempt to immediately tackle the fiscal crisis affecting the Puerto Rico Government. The findings plan to eliminate within the next four years a \$3.2 billion deficit in the Island's Government budget and stimulate the US Territory's economy.

The Governor was pleased with the work submitted by the Advisory Board, led by Mr. Richard Carrión, and which gathered leading experts and professionals who studied the Government's finances over the past two months in a bipartisan effort.

The Governor also thanked all the sectors that met with the Advisory Board to offer their input and recommendations, including non profit organizations, the labor sector, entrepreneurial organizations, and economic experts, among others.

Fortuño said that a detailed plan to eliminate the Government's budget deficit by 2013 was made possible thanks to the work done by the Board and the input from all sectors. The proposals submitted by the Board would avoid a reduction to the working hours of government employees or having to increase the local Sales and Use Tax (IVU, for its Spanish acronym).

The Governor said he would immediately submit the report to the Planning Board so they can conduct a large scale economic study on the different actions proposed by the Advisory Board and its economic impact on the Island.

"We need to understand that this plan will eliminate in the next four years the \$3.2 billion deficit, through practical measures when it comes to our Government's finances, as our intention is to reduce excessive public expenditures, while increasing revenues, but without affecting the essential services provided to our people", the Governor said.

He said, however, that a series of immediate actions need to be set in place in order to establish some of the proposals found in the report.

Among them, Fortuño issued an Executive Order declaring “a state of fiscal emergency”, something he said has been done in other states, such as California.

“Make no mistake that the actual \$3.2 billion deficit is the largest among all states, in terms of percentage. As I mentioned in my inaugural address, there’s no doubt that we will face a very serious fiscal crisis, but we shall overcome it. The different measures that we will be taking during the next few days will grant us the right to hope”, Fortuño said.

As part of the Executive Order issued today by Governor Fortuño, government agencies are expected to reduce their operational costs by 10 percent. It calls for a hiring freeze in the government sector, and the elimination of any vacant positions within the Government.

Fortuño said he will meet tomorrow with leaders from the local Legislature in order to request the creation of the first package of bills, to put in effect several of the measures proposed by the Advisory Board.

“The first piece of legislation to be presented to the Legislative Assembly will be geared towards securing the government employee payroll, and to cover a \$700 million Government debt with our suppliers, including non profit organizations, whose services tend to our most needy. This financial boost will have an immediate effect in our economy”, Fortuño said.

The Governor said that the legislative measures to be submitted immediately to stimulate the economy would allow for financing the local Economic Stimulus Plan that the Economic Development Bank Secretary and the Government Development Bank President are working on. Said measures would include means to stimulate the small business sector, to re-train workers and to provide relief to consumers, among others.

Fortuño also mentioned that in order to increase Government’s revenues, he will issue a moratorium status to tax credits awarded to businesses; a 5 percent over tax to corporations’ taxes, including banks and insurance companies; an over tax to taxpayers with higher incomes; and the current tax exemption over residential property taxes, will be reviewed, especially as it applies to high-end properties.

Among the proposals to target the Government’s deficit, Fortuño mentioned that the Advisory Board recommended additional taxes for gasoline, cigarettes, alcoholic beverages, and cel phone communications, while it asks to monitor the current taxpayer’s obligations, both individual taxes and Sales and Use tax, in order to reduce tax evasion.

The Advisory Board also proposed a two year moratorium in different economic clauses in collective bargains; it prohibits hiring new employees or creating new jobs in the government sector, while it eliminates any vacant positions within the Government sector; a reduction in irregular and transitory employees; a 10 percent reduction to the Legislature’s budget; and proposes to review the budget awarded to the municipalities, among others.