H. R. 4199

To provide the Government of Puerto Rico the choice to restructure its municipal debt in conjunction with enhanced financial oversight, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 9, 2015

Mr. DUFFY introduced the following bill; which was referred to the Committee on Natural Resources, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

A BILL

To provide the Government of Puerto Rico the choice to restructure its municipal debt in conjunction with enhanced financial oversight, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Puerto Rico Financial Stability and Debt Restructuring Choice Act”.

(b) Table of Contents.—The table of contents for this Act is as follows:

1. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

2. SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

3. (a) Short Title.—This Act may be cited as the

4. “Puerto Rico Financial Stability and Debt Restructuring

5. Choice Act”.

6. (b) Table of Contents.—The table of contents for

7. this Act is as follows:
2

Sec. 1. Short title; table of contents.
Sec. 2. Findings.

TITLE I—ESTABLISHMENT AND ORGANIZATION OF FINANCIAL STABILITY COUNCIL

Sec. 102. Executive director and staff of Council.
Sec. 103. Powers of Council.
Sec. 104. Exemption from liability for claims.
Sec. 105. Treatment of actions arising from Act.
Sec. 106. Funding for operation of Council.
Sec. 107. Termination of activities.
Sec. 108. Application of laws of Puerto Rico to Council.

TITLE II—RESPONSIBILITIES OF FINANCIAL STABILITY COUNCIL

Sec. 201. Development of financial plan and budget for Puerto Rico.
Sec. 203. Restrictions on borrowing by Puerto Rico.
Sec. 204. Effect of finding of noncompliance with financial plan and budget.
Sec. 205. Recommendations on financial stability and management responsibility.

TITLE III—DEBT RESTRUCTURING

Sec. 301. Amendment.
Sec. 302. Effective date; application of amendment.
Sec. 303. Severability.

1 SEC. 2. FINDINGS.

Congress finds the following:

(1) A combination of structural problems, mounting debt, and weak public finances has left Puerto Rico in a financial debt crisis and resulted in continued outmigration of residents and business from Puerto Rico further stifling growth.

(2) A comprehensive, long-term approach must be established to initiate significant reforms to re-store to Puerto Rico access to short-term and long-

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term lending, eliminate annual deficits, and reduce its debt.

(3) The current crisis requires congressional action that supports Puerto Rico by providing the appropriate tools needed to restore financial stability while respecting and strengthening its authority to operate and grow independently.

TITLE I—ESTABLISHMENT AND ORGANIZATION OF FINANCIAL STABILITY COUNCIL

SEC. 101. PUERTO RICO FINANCIAL STABILITY COUNCIL.

(a) Establishment.—Upon the enactment of a law or resolution adopted by the Legislative Assembly of Puerto Rico and signed by the Governor of Puerto Rico, and pursuant to article IV, section 3, clause 2 of the Constitution of the United States, there shall be established the Puerto Rico Financial Stability Council (here and after referred to in this Act as the “Council”), consisting of members appointed in accordance with subsection (b).

(b) Membership.—

(1) In general.—The Council shall consist of 5 members appointed by the President who meet the qualifications described in subsection (c).

(2) Consultation with Congress.—The President shall consult with the Speaker of the
House of Representatives, the Minority Leader of the House of Representatives, the Majority Leader of the Senate, the Minority Leader of the Senate, and the Resident Commissioner from Puerto Rico with respect to who should be appointed to the Council.

(3) CHAIR.—The President shall designate one of the members of the Council as the chair of the Council.

(4) SENSE OF CONGRESS REGARDING DEADLINE FOR APPOINTMENT.—It is the sense of Congress that the President should appoint the members of the Council as soon as practicable after the establishment of the Council, but in no event later than 25 days after the date of the establishment of the Council.

(5) TERM OF SERVICE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), each member of the Council shall be appointed for a term of 3 years.

(B) APPOINTMENT FOR TERM FOLLOWING INITIAL TERM.—For the term immediately following the initial term, members shall be appointed by the President as follows:

(i) 1 member for a term of 1 year.
(ii) 2 members each for a term of 2 years.

(iii) 2 members each for a term of 3 years.

(C) REMOVAL.—The President may remove any member of the Council only for cause.

(e) QUALIFICATIONS FOR MEMBERSHIP.—An individual meets the qualifications for membership on the Council if the individual—

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

(2) does not provide goods or services to the Government of Puerto Rico (and is not the spouse, parent, child, or sibling of an individual who provides goods and services to the Government of Puerto Rico);

(3) is not an officer or employee of the Government of Puerto Rico;

(4) maintains a primary residence in Puerto Rico or has a primary place of business in Puerto Rico; and

(5) complies with Federal conflict of interest requirements as mandated by section 208 of title 18, United States Code.
(d) No Compensation for Service.—Members of the Council shall serve without pay, but may receive reimbursement for any reasonable and necessary expenses incurred by reason of service on the Council.

(e) Adoption of By-Laws for Conducting Business of Authority.—

(1) In General.—As soon as practicable after the appointment of its members, but not later than 30 days, the Council shall adopt by-laws, rules, and procedures governing its activities under this Act, including procedures for hiring experts and consultants. Such by-laws, rules, and procedures shall be public documents, and shall be submitted by the Council upon adoption to the Governor, the Legislative Assembly, the President, and Congress.

(2) Certain Activities Requiring Approval of Majority of Members.—Under the by-laws adopted pursuant to paragraph (1), the Council may conduct its operations under such procedures as it considers appropriate, except that an affirmative vote of a majority of the members of the Council shall be required in order for the Council to—

(A) approve or disapprove a financial plan and budget under title II; and
(B) implement recommendations on financial stability and management responsibility under section 107.

(3) Adoption of rules and regulations of Puerto Rico.—The Council may incorporate in its by-laws, rules, and procedures under this subsection such rules and regulations of the Government of Puerto Rico as it considers appropriate to enable it to carry out its activities under this Act with the greatest degree of independence practicable.

SEC. 102. EXECUTIVE DIRECTOR AND STAFF OF COUNCIL.

(a) Executive Director.—The Council shall have an executive director who shall be appointed by the chair with the consent of the Council. The executive director shall be paid at a rate determined by the Council, except that such rate may not exceed the rate of basic pay payable for level IV of the Executive Schedule.

(b) Staff.—With the approval of the chair, the executive director may appoint and fix the pay of additional personnel as the executive director considers appropriate, except that no individual appointed by the executive director may be paid at a rate greater than the rate of pay for the executive director.

(c) Inapplicability of Certain Employment and Procurement Laws.—
(1) Civil service laws.—The executive director and staff of the Council may be appointed without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of that title relating to classification and General Schedule pay rates.

(2) Puerto Rico employment and procurement laws.—The executive director and staff of the Council may be appointed and paid without regard to the provisions of the laws of Puerto Rico governing appointments and salaries. The provisions of the laws of Puerto Rico governing procurement shall not apply to the Council.

(d) Staff of Federal agencies.—Upon request of the chair, the head of any Federal department or agency may detail, on a reimbursable or nonreimbursable basis, any of the personnel of that department or agency to the Council to assist it in carrying out its duties under this Act.

(e) Preservation of retirement and certain other rights of Federal employees who become employed by the Council.—
(1) IN GENERAL.—A Federal employee who, within 2 months after separating from the Federal Government, becomes employed by the Council—

(A) may elect, for purposes of the retirement system in which that individual last participated before so separating, to have such individual’s period of service with the Council treated in the same way as if performed in the position within the Federal Government from which separated, subject to the requisite employee deductions and agency contributions being currently deposited in the appropriate fund; and

(B) if, after serving with the Council, such employee becomes reemployed by the Federal Government, shall be entitled to credit for the full period of such individual’s service with the Council for purposes of determining the applicable leave accrual rate.

(2) RETIREMENT.—

(A) CONTRIBUTIONS.—For purposes of subparagraph (A) of paragraph (1)—

(i) the employee deductions referred to in such paragraph shall be made from basic pay for service with the Council, and
shall be computed using the same percentage as would then apply if the individual were instead serving in the position within the Federal Government from which separated; and

(ii) the agency contributions referred to in such paragraph shall be made by the Council.

(B) Double coverage not permitted.—An individual who makes an election under paragraph (1)(A) shall be ineligible, while such election remains in effect, to participate in any retirement system for employees of the Government of Puerto Rico.

(3) Regulations.—The Office of Personnel Management shall prescribe such regulations as may be necessary to carry out this subsection. Regulations to carry out paragraph (1)(A) shall be prescribed in consultation with the office or agency of the Government of Puerto Rico having jurisdiction over any retirement system referred to in paragraph (2)(B).

SEC. 103. POWERS OF COUNCIL.

(a) Hearings and Sessions.—The Council may, for the purpose of carrying out this Act, hold hearings, sit
and act at times and places, take testimony, and receive
evidence as the Council considers appropriate. The Council
may administer oaths or affirmations to witnesses appear-
ing before it.

(b) POWERS OF MEMBERS AND AGENTS.—Any mem-
ber or agent of the Council may, if authorized by the
Council, take any action which the Council is authorized
to take by this section.

(c) OBTAINING OFFICIAL DATA.—

(1) FROM FEDERAL GOVERNMENT.—Notwith-
standing sections 552 (commonly known as the
Freedom of Information Act) and 552b (the Privacy
Act) of title 5, United States Code, the Council may
secure directly from any department or agency of
the United States information necessary to enable it
to carry out this Act, with the approval of the head
of that department or agency.

(2) FROM GOVERNMENT OF PUERTO RICO.—
Notwithstanding any other provision of law, the
Council shall have the right to secure copies of such
records, documents, information, or data from any
entity of the Government of Puerto Rico necessary
to enable the Council to carry out its responsibilities
under this Act. At the request of the Council, the
Council shall be granted direct access to such infor-
mation systems, records, documents, information, or
data as will enable the Council to carry out its re-
sponsibilities under this Act. The head of the entity
of the Government of Puerto Rico responsible shall
timely provide the Council with such information
and assistance (including granting the Council direct
access to automated or other information systems)
as the Council requires under this paragraph.

(d) GIFTS, BEQUESTS, AND DEVISES.—The Council
may accept, use, and dispose of gifts, bequests, or devises
of services or property, both real and personal, for the pur-
pose of aiding or facilitating the work of the Council.
Gifts, bequests, or devises of money and proceeds from
sales of other property received as gifts, bequests, or de-
vises shall be deposited in such account as the Council may
establish and shall be available for disbursement upon
order of the chair.

(e) SUBPOENA POWER.—

(1) IN GENERAL.—The Council may issue sub-
poenas requiring the attendance and testimony of
witnesses and the production of any evidence relat-
ing to any matter under investigation by the Coun-
cil. The attendance of witnesses and the production
of evidence may be required from any place within
the United States at any designated place of hearing
within the United States.

(2) Failure to Obey a Subpoena.—If a per-
son refuses to obey a subpoena issued under para-
graph (1), the Council may apply to a United States
district court for an order requiring that person to
appear before the Council to give testimony, produce
evidence, or both, relating to the matter under inves-
tigation. The application may be made within the ju-
dicial district where the hearing is conducted or
where that person is found, resides, or transacts
business. Any failure to obey the order of the court
may be punished by the court as civil contempt.

(3) Service of Subpoenas.—The subpoenas
of the Council shall be served in the manner pro-
vided for subpoenas issued by a United States dis-
trict court under the Federal Rules of Civil Proce-
dure for the United States district courts.

(4) Service of Process.—All process of any
court to which application is made under paragraph
(2) may be served in the judicial district in which
the person required to be served resides or may be
found.

(f) Administrative Support Services.—Upon the
request of the Council, the Administrator of General Serv-
ices may provide to the Council, on a reimbursable basis, the administrative support services necessary for the Council to carry out its responsibilities under this Act.

(g) Authority To Enter Into Contracts.—The executive director may enter into such contracts as the executive director considers appropriate (subject to the approval of the chair) to carry out the Council’s responsibilities under this Act.

(h) Civil Actions To Enforce Powers.—The Council may seek judicial enforcement of its authority to carry out its responsibilities under this Act.

(i) Penalties.—


   (A) takes any action in violation of any valid order of the Council or fails or refuses to take any action required by any such order; or
   
   (B) prepares, presents, or certifies any information (including any projections or estimates) or report for the Council or any of its agents that is false or misleading, or, upon learning that any such information is false or misleading, fails to immediately advise the Council or its agents thereof in writing, shall be guilty of a misdemeanor.
(2) Administrative Discipline.—In addition to any other applicable penalty, any officer or employee of the Government of Puerto Rico who knowingly and willfully violates paragraph (1) shall be subject to appropriate administrative discipline, including (when appropriate) suspension from duty without pay or removal from office by order of either the Governor or Council.

(3) Report by Governor on Disciplinary Actions Taken.—In the case of a violation of paragraph (1) by an officer or employee of the Government of Puerto Rico, the Governor shall immediately report to the Council all pertinent facts together with a statement of the action taken thereon.

SEC. 104. Exemption from Liability for Claims.

The Council and its members may not be liable for any obligation of or claim against Puerto Rico resulting from actions taken to carry out this Act.

SEC. 105. Treatment of Actions Arising from Act.

(a) Jurisdiction Established in District Court for Puerto Rico.—Except as provided in section 103(e)(2) (relating to the issuance of an order enforcing a subpoena), any action against the Council or any action otherwise arising out of this Act, in whole or in part, shall
be brought in the United States District Court for the Dis-
trict of Puerto Rico.

(b) PROMPT APPEAL.—

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

(2) SUPREME COURT.—Notwithstanding any
other provision of law, review by the Supreme Court
of the United States of a decision of the Court of
Appeals which is issued pursuant to paragraph (1)
may be had only if the petition for such review is
filed within 10 days after the entry of such decision.

(c) TIMING OF RELIEF.—No order of any court
granting declaratory or injunctive relief against the Coun-
cil, including relief permitting or requiring the obligation,
borrowing, or expenditure of funds, shall take effect dur-
ing the pendency of the action before such court, during
the time appeal may be taken, or (if appeal is taken) dur-
ing the period before the court has entered its final order
disposing of such action.
(d) **EXPEDITED CONSIDERATION.**—It shall be the duty of the United States District Court for the District of Puerto Rico, the United States Court of Appeals for the First Circuit, and the Supreme Court of the United States to advance on the docket and to expedite to the greatest possible extent the disposition of any matter brought under subsection (a).

**SEC. 106. FUNDING FOR OPERATION OF COUNCIL.**

(a) **SUBMISSION OF BUDGET.**—The Council shall submit a proposed budget for each fiscal year to the President for the inclusion in the annual budget of the United States.

(b) **CONTENTS OF BUDGET.**—The budget shall describe—

(1) expenditures of the Council by each object class, including expenditures for staff of the Council;

(2) services of personnel and other services provided by or on behalf of the Council for which the Council made no reimbursement; and

(3) any gifts or bequests made to the Council during the previous fiscal year.

(c) **APPROPRIATIONS.**—No amount may be obligated or expended by the Council for a fiscal year unless such amount has been approved by an Act of Congress, and then only according to such Act.
SEC. 107. TERMINATION OF ACTIVITIES.

The Council may not terminate its activities earlier than 3 fiscal years after its establishment and until—

(1) it has certified to the President that the Government of Puerto Rico has made meaningful progress in its budgeting practices, tax collection, and its fiscal condition, including access to the capital markets at a reasonable interest rate; and

(2) the President has approved the Council’s certification in paragraph (1).

SEC. 108. APPLICATION OF LAWS OF PUERTO RICO TO COUNCIL.

(a) IN GENERAL.—The following laws of Puerto Rico (as in effect on the date of the enactment of this Act) shall apply to the members and activities of the Council:

(1) Open Meeting Law.

(2) FOIA Requirement.

(3) Conflicts of Interest.

(b) NO CONTROL, SUPERVISION, OVERSIGHT, OR REVIEW BY GOVERNOR OR LEGISLATIVE ASSEMBLY.—

(1) IN GENERAL.—Neither the Governor nor the Legislative Assembly may exercise any control, supervision, oversight, or review over the Council or its activities.

(2) PROHIBITION AGAINST LEGISLATION AFFECTING AUTHORITY.—The Legislative Assembly
shall have no authority to enact any act, resolution, or rule with respect to the Council established under section 101(a) of this Act.

(c) Authority Not Subject to Representation by Puerto Rico Attorney General.—In any action brought by or on behalf of the Council, and in any action brought against the Council, the Council shall be represented by such counsel as it may select, but in no instance may the Council be represented by the Attorney General of Puerto Rico.

SEC. 109. RULES OF CONSTRUCTION.

Nothing in this Act may be construed—

(1) to limit the authority of Congress to exercise ultimate legislative authority over Puerto Rico pursuant to article IV, section 3, clause 2 of the Constitution of the United States; or

(2) to interfere with the right of the United States citizens of Puerto Rico to determine whether to remain a territory, become a State of the United States of America, or become a sovereign nation.
TITLE II—RESPONSIBILITIES OF
FINANCIAL STABILITY COUNCIL

SEC. 201. DEVELOPMENT OF FINANCIAL PLAN AND BUDGET
FOR PUERTO RICO.

(a) DEVELOPMENT OF FINANCIAL PLAN AND BUDGET.—For each fiscal year, the Governor shall develop and submit to the Council a financial plan and budget for Puerto Rico in accordance with this section.

(b) CONTENTS OF FINANCIAL PLAN AND BUDGET.—A financial plan and budget for the Government of Puerto Rico for a fiscal year and the next 3 fiscal years (including the projected revenues and expenditures of each fund of the Government of Puerto Rico for such years), shall satisfy the following requirements:

(1) The financial plan and budget shall meet the standards described in subsection (c) to promote the financial stability of the Government of Puerto Rico.

(2) The financial plan and budget shall provide for estimates of revenues and expenditures on a modified accrual basis.

(3) The financial plan and budget shall—

(A) describe lump-sum expenditures by department by object class;
(B) describe capital expenditures (together with a schedule of projected capital commitments of the Government of Puerto Rico and proposed sources of funding);

(C) contain estimates of short-term and long-term debt (both outstanding and anticipated to be issued); and

(D) contain cash flow forecasts for each fund of the Government of Puerto Rico at such intervals as the Council may require.

(4) The financial plan and budget shall include a statement describing methods of estimations and significant assumptions.

(5) The financial plan and budget shall include any proposal to specifically authorize an entity to be a debtor under 11 U.S.C. 109.

(6) The financial plan and budget shall include any other provisions and shall meet such other criteria as the Council considers appropriate to meet the purposes of this Act, including management initiatives to promote productivity, improvement in the delivery of services, or cost savings.

(e) Standards To Promote Financial Stability Described.—
(1) IN GENERAL.—The standards to promote the financial stability of the Government of Puerto Rico applicable to the financial plan and budget for a fiscal year are as follows:

(A) The Council shall contract with an independent auditor to conduct a full scale audit of the financial practices and accounting methodologies employed by the Government of Puerto Rico, and based on this report make recommendations for changes and improvements to be considered to be employed by the Council.

(B) During the first three years of the plan, the Government of Puerto Rico shall make continuous, substantial progress toward equalizing the expenditures and revenues of the Government of Puerto Rico for such fiscal years (in equal annual installments to the greatest extent possible).

(C) The financial plan and budget shall assure the continuing long-term financial stability of the Government of Puerto Rico, as indicated by factors including access to short-term and long-term capital markets, the efficient management of the Government of Puerto Rico’s work-
force, and the effective provision of services by
the Government of Puerto Rico.

(2) Application of sound budgetary practices.—In meeting the standards described in para-
graph (1) with respect to a financial plan and budg-
et for a fiscal year, the Government of Puerto Rico
shall apply sound budgetary practices, including re-
ducing costs and other expenditures, improving pro-
ductivity, improving tax collection, or combinations
of such practices.

SEC. 202. PROCESS FOR SUBMISSION AND APPROVAL OF FI-
NANCIAL PLAN AND ANNUAL PUERTO RICO
BUDGET.

(a) Submission of Preliminary Financial Plan
and Budget by Governor.—After consultation with the
Governor and Legislative Assembly of Puerto Rico, the
Council shall set a date for the Governor to submit to the
Council and the Legislative Assembly a financial plan and
budget for the fiscal year which meets the requirement of
section 201.

(b) Review by Council.—Upon receipt of the fi-
nancial plan and budget for a fiscal year from the Gov-
ernor under subsection (a), the Council shall promptly re-
view the financial plan and budget. In conducting the re-
view, the Council may request any additional information
it considers necessary and appropriate to carry out its duties under this title.

(c) Action Upon Approval of Governor’s Preliminary Financial Plan and Budget.—

(1) Certification to Governor.—

(A) In General.—If the Council determines that the financial plan and budget for the fiscal year submitted by the Governor under subsection (a) meets the requirements applicable under section 201—

(i) the Council shall approve the financial plan and budget and shall provide the Governor, the Legislative Assembly, the President, and Congress with a notice certifying its approval; and

(ii) the Governor shall promptly submit the financial plan and budget to the Legislative Assembly.

(B) Deemed Approval After 30 Days.—

(i) In General.—If the Council has not provided the Governor, the Legislative Assembly, the President, and Congress with a notice certifying approval under subparagraph (A)(i) or a statement of disapproval under subsection (d)(1) upon the
expiration of the 30-day period which begins on the date the Council receives the financial plan and budget from the Governor under subsection (a), the Council shall be deemed to have approved the financial plan and budget and to have provided the Governor, the Legislative Assembly, the President, and Congress with the notice certifying approval described in subparagraph (A)(i).

(ii) **Explanation of Failure to Respond.**—If clause (i) applies with respect to a financial plan and budget, the Council shall provide the Governor, the Legislative Assembly, the President, and Congress with an explanation for its failure to provide the notice certifying approval or the statement of disapproval during the 30-day period described in such clause.

(2) **Adoption of Budget by Assembly After Receipt of Approved Budget.**—Not later than the date set by the Council in subsection (a) after receiving the budget for the fiscal year from the Governor under paragraph (1)(A)(ii), the Legislative Assembly shall by Act adopt a budget for the
fiscal year which shall serve as the adoption of the
budget of the Government of Puerto Rico for the fis-
cal year under such section, and shall submit such
budget to the Governor and the Council.

(3) Review of Legislative Assembly Budget by Authority.—Upon receipt of the budget for
a fiscal year from the Legislative Assembly under
paragraph (2) (taking into account any items or pro-
visions disapproved by the Governor or disapproved
by the Governor and reenacted by the Legislative
Assembly) the Council shall promptly review the
budget. In conducting the review, the Council may
request any additional information it considers nec-
essary and appropriate to carry out its duties under
this subtitle.

(4) Results of Authority Review of Legislative Assembly’s Initial Budget.—

(A) Approval of Legislative Assembly’s Initial Budget.—If the Council deter-
mines that the budget for the fiscal year sub-
mitted by the Legislative Assembly under para-
graph (2) meets the requirements applicable
under section 201—

(i) the Council shall approve the budg-
et and shall provide the Governor, the Leg-
islative Assembly, the President, and Congress with a notice certifying its approval; and

(ii) the Legislative Assembly shall promptly submit the budget to the Governor for transmission to the President and Congress.

(B) Disapproval of Legislative Assembly’s Initial Budget.—If the Council determines that the budget for the fiscal year submitted by the Legislative Assembly under paragraph (2) does not meet the requirements applicable under section 201, the Council shall disapprove the budget, and shall provide the Governor, the Legislative Assembly, the President, and Congress with a statement containing—

(i) the reasons for such disapproval;

and

(ii) any recommendations for revisions to the budget the Council considers appropriate to ensure that the budget is consistent with section 201(b) and (c).

(C) Deemed Approval After 15 Days.—

(i) In General.—If the Council has not provided the Governor, the Legislative
Assembly, the President, and Congress with a notice certifying approval under subparagraph (A)(i) or a statement of disapproval under subparagraph (B) upon the expiration of the 15-day period which begins on the date the Council receives the budget from the Legislative Assembly under paragraph (2), the Council shall be deemed to have approved the budget and to have provided the Governor, the Legislative Assembly, the President, and Congress with the notice certifying approval described in subparagraph (A)(i).

(ii) EXPLANATION OF FAILURE TO RESPOND.—If clause (i) applies with respect to a budget, the Council shall provide the Governor, the Legislative Assembly, the President, and Congress with an explanation for its failure to provide the notice certifying approval or the statement of disapproval during the 15-day period described in such clause.

(5) AUTHORITY REVIEW OF LEGISLATIVE ASSEMBLY’S REVISED BUDGET.—
(A) Submission of legislative assembly's revised budget.—Not later than 15 days after receiving the statement from the Council under paragraph (4)(B), the Legislative Assembly shall promptly by Act adopt a revised budget for the fiscal year which addresses the reasons for the Council's disapproval cited in the statement, and shall submit such budget to the Governor and the Council.

(B) Approval of legislative assembly's revised budget.—If, after reviewing the revised budget for a fiscal year submitted by the Legislative Assembly under subparagraph (A) in accordance with the procedures described in this subsection, the Council determines that the revised budget meets the requirements applicable under section 201, the Council shall approve the budget and shall provide the Governor, the Legislative Assembly, the President, and Congress with a notice certifying its approval.

(C) Disapproval of legislative assembly's revised budget.—

(i) In general.—If, after reviewing the revised budget for a fiscal year sub-
mitted by the Legislative Assembly under subparagraph (A) in accordance with the procedures described in this subsection, the Council determines that the revised budget does not meet the applicable requirements under section 201, the Council shall—

(I) disapprove the budget;

(II) provide the Governor, the Legislative Assembly, the President, and Congress with a statement containing the reasons for such disapproval; and

(III) approve and recommend a budget for the Government of Puerto Rico which meets the applicable requirements under section 201, and submit such budget to the Governor, the Legislative Assembly, the President, and Congress.

(ii) TRANSMISSION OF REJECTED BUDGET.—The Legislative Assembly shall promptly submit the revised budget disapproved by the Council under this subparagraph to the Governor for transmission to the President and Congress.
(D) **Deemed Approval After 15 Days.**—

(i) **In General.**—If the Council has not provided the Governor, the Legislative Assembly, the President, and Congress with a notice certifying approval under subparagraph (B)(i) or a statement of disapproval under subparagraph (C) upon the expiration of the 15-day period which begins on the date the Council receives the revised budget submitted by the Legislative Assembly under subparagraph (A), the Council shall be deemed to have approved the revised budget and to have provided the Governor, the Legislative Assembly, the President, and Congress with the notice certifying approval described in subparagraph (B)(i).

(ii) **Explanation of Failure to Respond.**—If clause (i) applies with respect to a budget, the Council shall provide the Governor, the Legislative Assembly, the President, and Congress with an explanation for its failure to provide the notice certifying approval or the statement of dis-
approval during the 15-day period described in such clause.

(6) DEADLINE FOR TRANSMISSION OF A BUDGET BY AUTHORITY.—Notwithstanding any other provision of this section each fiscal year the Council shall—

(A) provide Congress with a notice certifying its approval of the Legislative Assembly’s initial budget for the fiscal year under paragraph (4)(A);

(B) provide Congress with a notice certifying its approval of the Legislative Assembly’s revised budget for the fiscal year under paragraph (5)(B); or

(C) submit to Congress an approved and recommended budget of the Council for the Government of Puerto Rico for the fiscal year under paragraph (5)(C).

(d) ACTION UPON DISAPPROVAL OF GOVERNOR’S PRELIMINARY BUDGET.—

(1) STATEMENT OF DISAPPROVAL.—If the Council determines that the budget for the fiscal year submitted by the Governor under subsection (a) does not meet the requirements applicable under section 201, the Council shall disapprove the budget,
and shall provide the Governor and the Legislative Assembly with a statement containing—

(A) the reasons for such disapproval; and

(B) any recommendations for revisions to the budget the Council considers appropriate to ensure that the budget meets the requirements applicable under section 201.

(2) Authority review of governor’s revised financial plan and budget.—

(A) Submission of governor’s revised financial plan and budget.—Not later than 15 days after receiving the statement from the Council under paragraph (1), the Governor shall promptly submit to the Council and the Legislative Assembly a revised financial plan and budget for the fiscal year which addresses the reasons for the Council’s disapproval cited in the statement.

(B) Approval of governor’s revised financial plan and budget.—If the Council determines that the revised financial plan and budget for the fiscal year submitted by the Governor under subparagraph (A) meets the requirements applicable under section 201—
(i) the Council shall approve the financial plan and budget and shall provide the Governor, the Legislative Assembly, the President, and Congress with a notice certifying its approval; and

(ii) the Governor shall promptly submit the financial plan and budget to the Legislative Assembly.

(C) Disapproval of Governor’s Revised Financial Plan and Budget.—

(i) In General.—If the Council determines that the revised financial plan and budget for the fiscal year submitted by the Governor under subparagraph (A) does not meet the requirements applicable under section 201, the Council shall—

(I) disapprove the financial plan and budget;

(II) shall provide the Governor, the Legislative Assembly, the President, and Congress with a statement containing the reasons for such disapproval; and

(III) recommend a financial plan and budget for the Government of
Puerto Rico which meets the requirements applicable under section 201 and submit such financial plan and budget to the Governor and the Legislative Assembly.

(ii) Submission of Rejected Financial Plan and Budget.—The Governor shall promptly submit the revised financial plan and budget disapproved by the Council under this subparagraph to the Legislative Assembly.

(D) Deemed Approval After 15 Days.—

(i) In General.—If the Council has not provided the Governor, the Legislative Assembly, the President, and Congress with a notice certifying approval under subparagraph (B)(i) or a statement of disapproval under subparagraph (C) upon the expiration of the 15-day period which begins on the date the Council receives the revised financial plan and budget submitted by the Governor under subparagraph (A), the Council shall be deemed to have approved the revised financial plan and budget and to have provided the Gov-
ernor, the Legislative Assembly, the President, and Congress with the notice certifying approval described in subparagraph (B)(i).

(ii) **EXPLANATION OF FAILURE TO RESPOND.**—If clause (i) applies with respect to a financial plan and budget, the Council shall provide the Governor, the Legislative Assembly, the President, and Congress with an explanation for its failure to provide the notice certifying approval or the statement of disapproval during the 15-day period described in such clause.

(3) **ACTION BY LEGISLATIVE ASSEMBLY.**—

(A) **ADOPTION OF FINANCIAL PLAN AND BUDGET.**—Not later than 30 days after receiving the Governor’s approved revised financial plan and budget for the fiscal year under paragraph (2)(B) or (in the case of a financial plan and budget disapproved by the Council) the financial plan and budget recommended by the Council under paragraph (2)(C)(i)(III), the Legislative Assembly shall by Act adopt a financial plan and budget for the fiscal year which shall serve as the adoption of the budgets
of the Government of Puerto Rico for the fiscal year under such section, and shall submit the financial plan and budget to the Governor and the Council.

(B) REVIEW BY AUTHORITY.—The financial plan and budget submitted by the Legislative Assembly under subparagraph (A) shall be subject to review by the Council and revision by the Legislative Assembly in the same manner as the financial plan and budget submitted by the Legislative Assembly after an approved preliminary financial plan and budget of the Governor under paragraphs (3), (4), (5), and (6) of subsection (c).

(e) REVISIONS TO FINANCIAL PLAN AND BUDGET.—

(1) PERMITTING GOVERNOR TO SUBMIT REVISIONS.—The Governor may submit proposed revisions to the financial plan and budget to the Council at any time during the year.

(2) PROCESS FOR REVIEW, APPROVAL, DISAPPROVAL, AND LEGISLATIVE ASSEMBLY ACTION.—Except as provided in paragraph (3), the procedures described in subsections (b), (c), and (d) shall apply with respect to a proposed revision to a financial plan and budget in the same manner as such proce-
dures apply with respect to the original financial plan and budget, except that subparagraph (B) of subsection (c)(1) (relating to deemed approval by the Council of a preliminary financial plan and budget of the Governor) shall be applied as if the reference to the term “30-day period” were a reference to “20-day period”.

(3) Exception for revisions not affecting appropriations.—To the extent that a proposed revision to a financial plan and budget adopted by the Legislative Assembly pursuant to this subsection does not increase the amount of spending with respect to any account of the Government of Puerto Rico, the revision shall become effective upon the Council’s approval of such revision.

SEC. 203. RESTRICTIONS ON BORROWING BY PUERTO RICO.

(a) In General.—The Government of Puerto Rico may not borrow money unless the Council provides prior certification that both the receipt of funds through such borrowing and the repayment of obligations incurred through such borrowing are consistent with the financial plan and budget for the year.

(b) Revisions to Financial Plan and Budget Permitted.—If the Council determines that the borrowing proposed to be undertaken by the Government of

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Puerto Rico is not consistent with the financial plan and budget, the Governor may submit to the Council a proposed revision to the financial plan and budget in accordance with section 202(e) so that the borrowing will be consistent with the financial plan and budget as so revised.

(c) Borrowing Described.—This section shall apply with respect to any borrowing undertaken by the Government of Puerto Rico.

SEC. 204. EFFECT OF FINDING OF NONCOMPLIANCE WITH FINANCIAL PLAN AND BUDGET.

(a) Submission of Reports.—Not later than 30 days after the expiration of each quarter of each fiscal year, the Governor shall submit reports to the Council describing the actual revenues obtained and expenditures made by the Government of Puerto Rico during the quarter with its cash flows during the quarter, and comparing such actual revenues, expenditures, and cash flows with the most recent projections for these items.

(b) Demand for Additional Information.—If the Council determines, based on reports submitted by the Governor under subsection (a), independent audits, or such other information as the Council may obtain, that the revenues or expenditures of the Government of Puerto Rico are not consistent with the financial plan and budget for the year, the Council shall require the Governor to pro-
vide such additional information as the Council determines to be necessary to explain the inconsistency.

(c) Certification of Variance.—After requiring the Governor to provide additional information under subsection (b), the Council shall certify to the Legislative Assembly, the President, and Congress that the Government of Puerto Rico is at variance with the financial plan and budget unless—

(1)(A) the additional information provides an explanation for the inconsistency which the Council finds reasonable and appropriate; or

(B) the Government of Puerto Rico adopts or implements remedial action (including revising the financial plan and budget pursuant to section 202(e)) to correct the inconsistency which the Council finds reasonable and appropriate, taking into account the terms of the financial plan and budget; and

(2) the Governor agrees to submit the reports described in subsection (a) on a monthly basis for such period as the Council may require.

(d) Effect of Certification.—If the Council certifies to the Secretary of the Treasury that a variance exists, the Secretary shall withhold funds otherwise payable to Puerto Rico under such Federal programs as the Coun-
cil may specify (other than funds dedicated to making entitlement or benefit payments to individuals), in such amounts and under such other conditions as the Council may specify.

SEC. 205. RECOMMENDATIONS ON FINANCIAL STABILITY AND MANAGEMENT RESPONSIBILITY.

(a) In General.—The Council may at any time submit recommendations to the Governor, the Legislative Assembly, the President, and Congress on actions the Government of Puerto Rico or the Federal Government may take to ensure compliance by the Government of Puerto Rico with a financial plan and budget or to otherwise promote the financial stability, management responsibility, and service delivery efficiency of the Government of Puerto Rico.

(b) Response to Recommendations for Actions Within Authority of Government of Puerto Rico.—

(1) In General.—In the case of any recommendations submitted under subsection (a) which are within the authority of the Government of Puerto Rico to adopt, not later than 90 days after receiving the recommendations, the Governor or the Legislative Assembly (whichever has the authority to adopt the recommendation) shall submit a statement
to the Council, the President, and Congress which provides notice as to whether the Government of Puerto Rico will adopt the recommendations.

(2) Implementation plan required for adopted recommendations.—If the Governor or the Legislative Assembly (whichever is applicable) notifies the Council and Congress under paragraph (1) that the Government of Puerto Rico will adopt any of the recommendations submitted under subsection (a), the Governor or the Legislative Assembly (whichever is applicable) shall include in the statement a written plan to implement the recommendation which includes—

(A) specific performance measures to determine the extent to which the Government of Puerto Rico has adopted the recommendation; and

(B) a schedule for auditing the Government of Puerto Rico’s compliance with the plan.

(3) Explanations required for recommendations not adopted.—If the Governor or the Legislative Assembly (whichever is applicable) notifies the Council, the President, and Congress under paragraph (1) that the Government of Puerto Rico will not adopt any recommendation submitted
under subsection (a) which the Government of Puerto Rico has authority to adopt, the Governor or the Legislative Assembly shall include in the statement explanations for the rejection of the recommendations.

**TITLE III—DEBT RESTRUCTURING**

**SEC. 301. AMENDMENT.**

Section 101(52) of title 11, United States Code, is amended to read as follows:

“(52) The term ‘State’ includes Puerto Rico and, except for the purpose of defining who may be a debtor under chapter 9 of this title, includes the District of Columbia.”.

**SEC. 302. EFFECTIVE DATE; APPLICATION OF AMENDMENT.**

(a) Effective Date.—Except as provided in subsection (b), this title and the amendment made by this title shall take effect on the date of the establishment of the Puerto Rico Financial Stability Council under section 101(a) of this Act.

(b) Application of Amendment.—The amendment made by this title shall apply with respect to—

(1) cases commenced under title 11 of the United States Code on or after the date of the es-
establishment of the Puerto Rico Financial Stability Council under section 101(a) of this Act, and

(2) debts, claims, and liens created before, on, or after such date.

SEC. 303. SEVERABILITY.

If any provision of this title or the application of such provision to any person or circumstance, is found to be unconstitutional, the remainder of this title, or the application of that provision to other persons or circumstances, shall not be affected.