

114TH CONGRESS
1ST SESSION

S. 2381

To provide assistance and support to the Commonwealth of Puerto Rico.

IN THE SENATE OF THE UNITED STATES

DECEMBER 9, 2015

Mr. HATCH (for himself, Ms. MURKOWSKI, and Mr. GRASSLEY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide assistance and support to the Commonwealth
of Puerto Rico.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Puerto Rico Assistance Act of 2015”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 this Act is as follows:

Sec. 1. Short title.

TITLE I—TAXES

Sec. 101. Temporary employee payroll tax cut for residents of United States
possessions.

TITLE II—PUBLIC PENSIONS

- Sec. 201. Study of Puerto Rico public pension debt.
- Sec. 202. Reporting requirements generally applicable to State and local government pension plans.
- Sec. 203. Annuity accumulation retirement plans of employees of State and local governments.

TITLE III—PUERTO RICO FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY

- Sec. 301. Purposes.
- Sec. 302. Definitions.

Subtitle A—Establishment and Organization of Authority

- Sec. 311. Commonwealth Financial Responsibility and Management Assistance Authority.
- Sec. 312. Executive Director and staff.
- Sec. 313. Powers of Authority.
- Sec. 314. Exemption from liability for claims.
- Sec. 315. Treatment of actions.
- Sec. 316. Funding for operation of Authority.
- Sec. 317. Suspension of activities.
- Sec. 318. Application of laws of Commonwealth to Authority.

Subtitle B—Responsibilities of Authority

PART I—CONTROL PERIOD

- Sec. 321. Early opt-in authority.
- Sec. 322. Certifications by Authority.
- Sec. 323. Financial plan and budget for public corporations during control period.
- Sec. 324. Financial plan and budget for the Commonwealth during a control period.
- Sec. 325. Review to ensure compliance.
- Sec. 326. Restrictions on borrowing.
- Sec. 327. Finding of noncompliance.
- Sec. 328. Recommendations regarding financial stability and management responsibility.

PART II—ISSUANCE OF BONDS

- Sec. 331. Authority to issue bonds.
- Sec. 332. Pledge of security interest in revenues of Commonwealth government.
- Sec. 333. Establishment of debt service reserve fund.
- Sec. 334. Other requirements for issuance of bonds.
- Sec. 335. No full faith and credit of the United States.

PART III—OTHER DUTIES OF AUTHORITY

- Sec. 341. Duties of Authority during year other than control year.
- Sec. 342. General assistance in achieving financial stability and management efficiency.
- Sec. 343. Obtaining reports.
- Sec. 344. Reports and comments.

Subtitle C—Chief Financial Officer

- Sec. 351. Establishment of office.
 Sec. 352. Appointment; removal.
 Sec. 353. Functions of Chief Financial Officer.

Subtitle D—Effect

- Sec. 361. Effect.
 Sec. 362. Preemption.

TITLE IV—ADDITIONAL REPORTS AND STUDIES

- Sec. 401. Report on exclusion of territories from exchanges.
 Sec. 402. Study of Puerto Rico public pension debt.
 Sec. 403. Health and human services report.

TITLE V—TRANSITION ASSISTANCE

- Sec. 501. Assistance by the Authority, if necessary, to assist transition to stability.
 Sec. 502. Offset for transition assistance and Prevention and Public Health Fund.

TITLE VI—TECHNICAL ASSISTANCE

- Sec. 601. Technical assistance to improve accounting, disclosure, and economic measurement practices in the territories.

TITLE I—TAXES

SEC. 101. TEMPORARY EMPLOYEE PAYROLL TAX CUT FOR RESIDENTS OF UNITED STATES POSSESSIONS.

(a) IN GENERAL.—Notwithstanding any other provision of law, in the case of a qualified resident of a United States possession—

(1) there shall be allowed a credit against the tax imposed by section 1401(a) of the Internal Revenue Code of 1986 for any taxable year which begins in the payroll tax holiday period an amount equal to 3.1 percent of the lesser of—

(A) the self-employment income (as defined in section 1402(b) of such Code) derived from

sources within a United States possession (as determined under section 937(b) of such Code) for the taxable year, or

(B) the net earnings from self-employment (as defined in section 1402(a) of such Code) for the taxable year, and

(2) with respect to remuneration received during the payroll tax holiday period for services performed as an employee within a United States possession (except amounts received for services performed as an employee of the United States or any agency thereof), the rate of tax under 3101(a) of such Code shall be 3.1 percent (including for purposes of determining the applicable percentage under sections 3201(a) and 3211(a)(1) of such Code).

(b) SPECIAL RULES.—

(1) APPLICATION OF RULE FOR SPECIAL REFUNDS.—In the case of an qualified resident of a United States possession to whom subsection (a)(2) applies, the first sentence of section 6413(c)(1) of the Internal Revenue Code of 1986 shall be applied by substituting for “exceeds the tax with respect to the amount of such wages received in such year which is equal to such contribution and benefit base” the following: “exceeds the sum of—

1 “(1) 3.1 percent of the lesser of—

2 “(A) the wages received in such year to
3 which section 101(a)(2) of the Puerto Rico As-
4 sistance Act of 2015 applies, or

5 “(B) the contribution and benefit base,
6 plus

7 “(2) 6.2 percent of the lesser of—

8 “(A) the wages received in such year to
9 which such section does not apply, or

10 “(B) the contribution and benefits base re-
11 duced (but not below zero) by the amount of
12 wages taken into account under paragraph
13 (1).”.

14 (2) EMPLOYER LIABILITY.—An employer who
15 receives an attestation from an employee, in such
16 form and manner as directed by the Secretary of the
17 Treasury (or the Secretary’s delegate), that such
18 employee is a qualified resident of a United States
19 possession shall not be liable under section 3102 or
20 3202 of the Internal Revenue Code of 1986 for any
21 failure to collect taxes in excess of the rate which
22 applies under this section unless a reasonable person
23 would determine that such attestation is not true
24 and correct.

1 (3) DE MINIMIS SERVICES.—For purposes of
 2 subsection (a)(2), services performed as an employee
 3 outside of a United States possession shall not be
 4 taken into account if such services are de minimis.

5 (c) DEFINITIONS.—

6 (1) QUALIFIED RESIDENT.—The term “quali-
 7 fied resident” means, with respect to any calendar
 8 year, any individual—

9 (A) who was present in a United States
 10 possession for at least 183 days during the pre-
 11 ceding calendar year, and

12 (B) who, as of the first day of the calendar
 13 year, does not have a tax home (determined
 14 under the principles of section 911(d)(3) of the
 15 Internal Revenue Code of 1986 without regard
 16 to the second sentence thereof) outside of a
 17 United States possession and does not have a
 18 closer connection (determined under the prin-
 19 ciples of section 7701(b)(3)(B)(ii) of such
 20 Code) to the United States or a foreign country
 21 than to a United States possession.

22 For purposes of subparagraph (A), the determina-
 23 tion of whether a person is present for any day shall
 24 be made under the principles of section 7701(b) of
 25 such Code.

1 (2) UNITED STATES POSSESSION.—The term
 2 “United States possession” means Puerto Rico,
 3 American Samoa, Guam, the Northern Mariana Is-
 4 lands, and the Virgin Islands.

5 (3) PAYROLL TAX HOLIDAY PERIOD.—The term
 6 “payroll tax holiday period” means the period begin-
 7 ning after December 31, 2015, and ending before
 8 January 1, 2021.

9 (d) REDUCED RATE FOR 2020.—In the case of the
 10 period beginning after December 31, 2019, and ending be-
 11 fore January 1, 2021, this section shall be applied—

12 (1) by substituting “1.55 percent” for “3.1 per-
 13 cent” in subsection (a)(1), and

14 (2) by substituting “4.65 percent” for “3.1 per-
 15 cent” each place it appears in subsections (a)(2) and
 16 (b).

17 (e) EMPLOYER NOTIFICATION.—The Secretary of the
 18 Treasury shall notify employers of the payroll tax holiday
 19 period in any manner the Secretary deems appropriate.

20 (f) TRANSFERS OF FUNDS.—

21 (1) TRANSFERS TO FEDERAL OLD-AGE AND
 22 SURVIVORS INSURANCE TRUST FUND.—There are
 23 hereby appropriated to the Federal Old-Age and
 24 Survivors Trust Fund and the Federal Disability In-
 25 surance Trust Fund established under section 201

1 of the Social Security Act (42 U.S.C. 401) amounts
 2 equal to the reduction in revenues to the Treasury
 3 by reason of the application of subsection (a).
 4 Amounts appropriated by the preceding sentence
 5 shall be transferred from the general fund at such
 6 times and in such manner as to replicate to the ex-
 7 tent possible the transfers which would have oc-
 8 curred to such Trust Fund had such amendments
 9 not been enacted.

10 (2) TRANSFERS TO SOCIAL SECURITY EQUIVA-
 11 LENT BENEFIT ACCOUNT.—There are hereby appro-
 12 priated to the Social Security Equivalent Benefit Ac-
 13 count established under section 15A(a) of the Rail-
 14 road Retirement Act of 1974 (45 U.S.C. 231n–1(a))
 15 amounts equal to the reduction in revenues to the
 16 Treasury by reason of the application of subsection
 17 (a)(2). Amounts appropriated by the preceding sen-
 18 tence shall be transferred from the general fund at
 19 such times and in such manner as to replicate to the
 20 extent possible the transfers which would have oc-
 21 curred to such Account had such amendments not
 22 been enacted.

23 (3) COORDINATION WITH OTHER LAWS.—For
 24 purposes of applying any provision of law other than
 25 the provisions of the Internal Revenue Code of 1986,

1 the rate of tax in effect under section 3101(a) of
 2 such Code shall be determined without regard to the
 3 reduction in such rate under this section.

4 **TITLE II—PUBLIC PENSIONS**

5 **SEC. 201. STUDY OF PUERTO RICO PUBLIC PENSION DEBT.**

6 (a) IN GENERAL.—Not later than 6 months after the
 7 establishment of the Puerto Rico Financial Responsibility
 8 and Management Assistance Authority under title III of
 9 this Act, the Joint Board for the Enrollment of Actuaries
 10 established under section 3041 of the Employee Retirement
 11 Income Security Act of 1974 (29 U.S.C. 1241) shall
 12 report to such Authority and the Office of Domestic Finance
 13 of the Department of the Treasury on the following
 14 with respect to the Puerto Rico public pension plans:

15 (1) Recommendations on actions that would be
 16 necessary to ensure that such plans can be
 17 sustainably maintained and funded by the government
 18 of Puerto Rico for the next 20 years.

19 (2) Whether a freeze of future benefit accruals
 20 under such plans is necessary or advisable.

21 (3) The extent to which benefit reductions, such
 22 as have been made in previous municipal bankruptcy
 23 proceedings, would be necessary or advisable to attain
 24 sustainability for such plans or create parity
 25 with payment reductions applicable to retired indi-

viduals who are, directly or indirectly, Puerto Rico
bondholders.

The Joint Board may, in its discretion, seek assistance
from the Advisory Committee on Actuarial Examinations
of the Joint Board, and may expand the size of such com-
mittee as appropriate to accomplish the requirements of
this subsection in a timely manner.

(b) PUERTO RICO PUBLIC PENSION PLAN.—For
purposes of this section, the term “Puerto Rico public pen-
sion plan” means any of the following maintained by the
government of Puerto Rico:

- (1) The Employees Retirement System (ERS).
- (2) The Teachers Retirement System (TRS).
- (3) The Judiciary Retirement System (JRS).

**SEC. 202. REPORTING REQUIREMENTS GENERALLY APPLI-
CABLE TO STATE AND LOCAL GOVERNMENT
PENSION PLANS.**

(a) IN GENERAL.—The plan sponsor of a State or
local government employee pension benefit plan shall file
with the Secretary of the Treasury, in such form and man-
ner as shall be prescribed by such Secretary, a report for
each plan year beginning on or after January 1, 2017,
setting forth the following information with respect to the
plan, as determined by the plan sponsor as of the end of
such plan year:

1 (1) A schedule of funding status, which shall in-
2 clude a statement as to the current liability of the
3 plan, the amount of plan assets available to meet
4 that liability, the amount of the net unfunded liabil-
5 ity (if any), and the funding percentage of the plan.

6 (2) A schedule of contributions by the plan
7 sponsor and each contributing employer for the plan
8 year, indicating which are or are not taken into ac-
9 count under paragraph (1).

10 (3) Alternative projections which shall be speci-
11 fied in regulations of the Secretary for each of the
12 next 20 plan years following the plan year relating
13 to the amount of annual contributions, the fair mar-
14 ket value of plan assets, current liability, the fund-
15 ing percentage, and such other matters as the Sec-
16 retary may specify in such regulations, together with
17 a statement of the assumptions and methods used in
18 connection with such projections, including assump-
19 tions related to funding policy, plan changes, future
20 workforce projections, future investment returns,
21 and such other matters as the Secretary may specify
22 in such regulations. The Secretary shall specify in
23 such regulations the projection assumptions and
24 methods to be used as necessary to achieve com-
25 parability across plans.

1 (4) A statement of the actuarial assumptions
2 used for the plan year, including the rate of return
3 on investment of plan assets and assumptions as to
4 such other matters as the Secretary may prescribe
5 by regulation.

6 (5) A statement of the number of participants
7 who are each of the following—

8 (A) those who are retired or separated
9 from service and are receiving benefits;

10 (B) those who are retired or separated and
11 are entitled to future benefits; and

12 (C) those who are active under the plan.

13 (6) A statement of the plan's investment re-
14 turns, including the rate of return, for the plan year
15 and the 5 preceding plan years.

16 (7) A statement of the degree to which, and
17 manner in which, the plan sponsor expects to elimi-
18 nate any unfunded current liability that may exist
19 for the plan year and the extent to which the plan
20 sponsor has followed the plan's funding policy for
21 each of the preceding 5 plan years. The Secretary
22 shall prescribe by regulation the specific criteria to
23 be used for meeting the requirements of this para-
24 graph.

1 (8) A statement of the amount of pension obli-
2 gation bonds outstanding.

3 (b) TIMING OF REPORT.—The plan sponsor of a
4 State or local government employee pension benefit plan
5 shall make the filing required under subsection (a) for
6 each plan year not later than 210 days after the end of
7 such plan year (or within such time as may be required
8 by regulations prescribed by the Secretary in order to re-
9 duce duplicative filing).

10 (c) ADDITIONAL REPORTING REQUIREMENTS.—

11 (1) SUPPLEMENTARY REPORTS.—In any case in
12 which, in determining the information filed in the
13 annual report for a plan year under subsection (a)—

14 (A) the value of plan assets is determined
15 using a standard other than fair market value,
16 or

17 (B) the interest rate or rates used to de-
18 termine the value of liabilities or as the dis-
19 count value for liabilities are not the interest
20 rates described in paragraph (3),

21 the plan sponsor shall include in the annual report filed
22 for such plan year pursuant to subsection (a) the supple-
23 mentary report for such plan year described in paragraph
24 (2).

1 (2) USE OF PRESCRIBED VALUATION METHOD
 2 AND INTEREST RATES.—A supplementary report
 3 filed for a plan year pursuant to this subsection
 4 shall include the information specified as required in
 5 the annual report under paragraphs (1), (3), (6),
 6 and (7) of subsection (a), determined as of the end
 7 of such plan year by valuing plan assets at fair mar-
 8 ket value and by using the interest rates described
 9 in paragraph (3) to value liabilities and as the dis-
 10 count value for liabilities.

11 (3) INTEREST RATES BASED ON U.S. TREASURY
 12 OBLIGATION YIELD CURVE RATE.—

13 (A) IN GENERAL.—The interest rates de-
 14 scribed in this paragraph are—

15 (i) in the case of benefits reasonably
 16 determined to be payable during the 5-year
 17 period beginning on the first day of the
 18 plan year, the first segment rate with re-
 19 spect to the applicable month,

20 (ii) in the case of benefits reasonably
 21 determined to be payable during the 15-
 22 year period beginning at the end of the pe-
 23 riod described in clause (i), the second seg-
 24 ment rate with respect to the applicable
 25 month, and

1 (iii) in the case of benefits reasonably
2 determined to be payable after the period
3 described in clause (ii), the third segment
4 rate with respect to the applicable month.

5 (B) SEGMENT RATES.—For purposes of
6 this paragraph—

7 (i) FIRST SEGMENT RATE.—The term
8 “first segment rate” means, with respect
9 to any month, the single rate of interest
10 which shall be determined by the Secretary
11 for such month on the basis of the U.S.
12 Treasury obligation yield curve for such
13 month, taking into account only that por-
14 tion of such yield curve which is based on
15 obligations maturing during the 5-year pe-
16 riod commencing with such month.

17 (ii) SECOND SEGMENT RATE.—The
18 term “second segment rate” means, with
19 respect to any month, the single rate of in-
20 terest which shall be determined by the
21 Secretary for such month on the basis of
22 the U.S. Treasury obligation yield curve
23 for such month, taking into account only
24 that portion of such yield curve which is
25 based on obligations maturing during the

15-year period beginning at the end of the period described in clause (i).

(iii) THIRD SEGMENT RATE.—The term “third segment rate” means, with respect to any month, the single rate of interest which shall be determined by the Secretary for such month on the basis of the U.S. Treasury obligation yield curve for such month, taking into account only that portion of such yield curve which is based on obligations maturing during periods beginning after the period described in clause (ii).

(C) U.S. TREASURY OBLIGATION YIELD CURVE.—For purposes of this paragraph, the term “U.S. Treasury obligation yield curve” means, with respect to any month, a yield curve which shall be prescribed by the Secretary for such month and which reflects the average, for the 24-month period ending with the month preceding such month, of monthly yields on interest-bearing obligations of the United States.

(d) DEFINITIONS.—For purposes of this section—

(1) STATE OR LOCAL GOVERNMENT EMPLOYEE PENSION BENEFIT PLAN.—Except as provided in

1 section 203, the terms “State or local government
 2 employee pension benefit plan” and “plan” mean
 3 any plan, fund, or program, other than a defined
 4 contribution plan (within the meaning of section
 5 414(i) of the Internal Revenue Code of 1986), which
 6 was heretofore or is hereafter established or main-
 7 tained, in whole or in part, by a State, a political
 8 subdivision of a State, or any agency or instrumen-
 9 tality of a State or political subdivision of a State,
 10 to the extent that by its express terms or as a result
 11 of surrounding circumstances such plan, fund, or
 12 program—

13 (A) provides retirement income to employ-
 14 ees, or

15 (B) results in a deferral of income by em-
 16 ployees for periods extending to the termination
 17 of covered employment or beyond, regardless of
 18 the method of calculating the contributions
 19 made to the plan, the method of calculating the
 20 benefits under the plan, or the method of dis-
 21 tributing benefits from the plan.

22 (2) FUNDING PERCENTAGE.—The term “fund-
 23 ing percentage” for a plan year means the ratio (ex-
 24 pressed as a percentage) which—

1 (A) the value of plan assets as of the end
2 of the plan year, bears to

3 (B) the current liability of the plan for the
4 plan year.

5 (3) CURRENT LIABILITY.—The term “current
6 liability” of a plan for a plan year means the present
7 value of all benefits accrued or earned under the
8 plan as of the end of the plan year.

9 (4) PLAN SPONSOR.—The term “plan sponsor”
10 means, in connection with a State or local govern-
11 ment employee pension benefit plan, the State, polit-
12 ical subdivision of a State, or agency or instrumen-
13 tality of a State or a political subdivision of a State
14 which establishes or maintains the plan.

15 (5) CONTRIBUTING EMPLOYER.—The term
16 “contributing employer” means any employer that
17 contributes to or participates in a plan on behalf of
18 its employees (including a plan sponsor that contrib-
19 utes to the plan).

20 (6) PARTICIPANT.—

21 (A) IN GENERAL.—The term “participant”
22 means, in connection with a State or local gov-
23 ernment employee pension benefit plan, an indi-
24 vidual—

1 (i) who is an employee or former em-
 2 ployee of a State, political subdivision of a
 3 State, or agency or instrumentality of a
 4 State or a political subdivision of a State
 5 which is the plan sponsor of such plan, and

6 (ii) who is or may become eligible to
 7 receive a benefit of any type from such
 8 plan or whose beneficiaries may be eligible
 9 to receive any such benefit.

10 (B) BENEFICIARY.—The term “bene-
 11 ficiary” means a person designated by a partici-
 12 pant, or by the terms of the plan, who is or
 13 may become entitled to a benefit thereunder.

14 (7) PLAN YEAR.—The term “plan year” means,
 15 in connection with a plan, the calendar or fiscal year
 16 on which the records of the plan are kept.

17 (8) STATE.—The term “State” includes any
 18 State of the United States, the District of Columbia,
 19 and any possession or territory of the United States,
 20 including a possession described in section 7701(d)
 21 of the Internal Revenue Code of 1986.

22 (9) FAIR MARKET VALUE.—The term “fair
 23 market value” has the meaning given such term
 24 under section 430(g)(3)(A) of the Internal Revenue

1 Code of 1986 (without regard to section
2 430(g)(3)(B) thereof).

3 (10) OTHER TERMS.—Any other term used in
4 this section which is also used in the Internal Rev-
5 enue Code of 1986 shall have the same meaning as
6 when used in such Code.

7 (e) MODEL REPORTING STATEMENT.—The Secretary
8 shall develop model reporting statements for purposes of
9 subsections (a) and (c). Plan sponsors of State or local
10 government employee pension plans may elect, in such
11 form and manner as shall be prescribed by the Secretary,
12 to utilize the applicable model reporting statement for pur-
13 poses of complying with requirements of such subsections.

14 (f) TRANSPARENCY OF INFORMATION FILED.—The
15 Secretary shall create and maintain a public website, with
16 searchable capabilities, for purposes of posting the infor-
17 mation received by the Secretary pursuant to subsections
18 (a) and (c). Any such information received by the Sec-
19 retary (including any updates to such information received
20 by the Secretary) shall be posted on the website not later
21 than 60 days after receipt and shall not be treated as re-
22 turn information for purposes of the Internal Revenue
23 Code of 1986.

1 **SEC. 203. ANNUITY ACCUMULATION RETIREMENT PLANS**
 2 **OF EMPLOYEES OF STATE AND LOCAL GOV-**
 3 **ERNMENTS.**

4 (a) IN GENERAL.—Part I of subchapter D of chapter
 5 1 of the Internal Revenue Code of 1986 is amended by
 6 inserting after subpart E the following new subpart:

7 **“Subpart F—Annuity Accumulation Retirement**
 8 **Plans for State and Local Government Employees**

“Sec. 420A. Annuity accumulation retirement plans.

9 **“SEC. 420A. ANNUITY ACCUMULATION RETIREMENT PLANS.**

10 “(a) ANNUITY ACCUMULATION RETIREMENT
 11 PLANS.—For purposes of this subpart—

12 “(1) IN GENERAL.—The term ‘annuity accumu-
 13 lation retirement plan’ means a State or local gov-
 14 ernmental retirement plan—

15 “(A) which provides for the purchase, not
 16 less frequently than annually, of a qualified in-
 17 dividual deferred fixed income annuity contract
 18 for each participant which provides benefits
 19 based solely on the contributions by an em-
 20 ployer to an annuity provider and the actuarial
 21 assumptions specified in the annuity contract,
 22 and

23 “(B) which provides that—

1 “(i) no contributions may be made
2 under the plan other than contributions
3 described in subsection (c),

4 “(ii) contributions pursuant to the
5 plan on behalf of any eligible employee for
6 any plan year, whether made annually or
7 more frequently, are required to be paid
8 not later than 90 days after the close of
9 the plan year to an annuity provider to
10 purchase a qualified individual deferred
11 fixed income annuity contract for the em-
12 ployee, and

13 “(iii) no benefits are provided by the
14 employer under the plan other than the
15 purchase of qualified individual deferred
16 fixed income annuity contracts for eligible
17 employees.

18 Subject to the provisions of subsection (d)(3), noth-
19 ing in subparagraph (B)(iii) shall prohibit an em-
20 ployer from establishing or maintaining a defined
21 contribution plan or defined benefit plan or pro-
22 viding any form of employee welfare benefit sepa-
23 rately from the plan.

1 “(2) PLAN STRUCTURE.—A plan will not be
2 treated as an annuity accumulation retirement plan
3 unless—

4 “(A) except as provided in subsection
5 (e)(1), benefits under the plan are limited to a
6 monthly payment for the life of the participant,
7 commencing at the applicable age under sub-
8 section (b)(1)(B), as provided under the quali-
9 fied individual deferred fixed income annuity
10 contract purchased with the employer contribu-
11 tions described in subsection (c) and issued to
12 the participant, and

13 “(B) the plan does not accumulate assets
14 in trust or otherwise, and the employer has no
15 ownership interest in any qualified individual
16 deferred fixed income annuity contract issued to
17 a participant.

18 “(3) REQUIREMENTS FOR ANNUITY CONTRACT
19 PURCHASING PROCESS.—

20 “(A) IN GENERAL.—A plan will not be
21 treated as an annuity accumulation retirement
22 plan unless the plan provides that individual de-
23 ferred fixed income annuity contracts will be
24 purchased through a process by which, with re-

spect to each purchase under paragraph (1)(A),
the plan administrator—

“(i) obtains competitive bids, not less
frequently than every 5 years, pursuant to
a formal, public procurement process au-
thorized under State law which requires in-
stitutional pricing on a group contract
basis from multiple annuity providers
verified by the applicable State insurance
regulator as properly licensed to meet the
specifications in the procurement request,
and

“(ii) selects 1 or more annuity pro-
viders pursuant to a process that includes
an objective, thorough, and analytical
search to identify and select providers and
the evaluation of an annuity provider’s
claims paying ability and creditworthiness.

“(B) PROHIBITION ON PROVIDING BEN-
EFIT IN EXCHANGE FOR SELECTION.—An an-
nuity provider shall not be treated as meeting
the competitive bid requirements of subpara-
graph (A)(i) if such provider, or any related
party to (within the meaning of such term as
applied by the State guaranty association) or

1 agent of such provider, on their own or on an-
 2 other's behalf, provides anything of value to any
 3 employee of a State or local government entity,
 4 or agency or instrumentality thereof, or to a
 5 plan administrator, in connection with the bid-
 6 ding process or the annuity purchase process
 7 described in subparagraph (A).

8 “(C) COMPLIANCE SAFE HARBOR.—A plan
 9 shall be deemed to meet the requirements of
 10 subparagraph (A) if the plan administrator ob-
 11 tains a determination in writing from the Office
 12 of Domestic Finance, Department of the Treas-
 13 ury, that such plan meets such requirements.
 14 Authority to issue such a determination shall
 15 not be delegated to any entity outside of the Of-
 16 fice of Domestic Finance.

17 “(4) GENERAL EXEMPTION FROM PENSION
 18 PLAN REQUIREMENTS.—Notwithstanding any other
 19 provision of this subchapter—

20 “(A) except as provided in this section, no
 21 requirement of this subchapter otherwise appli-
 22 cable to a State or local governmental retire-
 23 ment plan shall apply to an annuity accumula-
 24 tion retirement plan, and

1 “(B) for purposes of this title other than
 2 any such requirements, an annuity accumula-
 3 tion retirement plan shall be treated as a de-
 4 fined benefit plan which meets the requirements
 5 of section 401(a).

6 “(b) QUALIFIED INDIVIDUAL DEFERRED FIXED IN-
 7 COME ANNUITY CONTRACT.—For purposes of this sub-
 8 part, the term ‘qualified individual deferred fixed income
 9 annuity contract’ means, with respect to an employee for
 10 any plan year, an annuity contract issued by an annuity
 11 provider—

12 “(1) which is—

13 “(A) an individual annuity contract, or

14 “(B) an individual certificate of benefits
 15 issued to the employee under a group annuity
 16 contract,

17 “(2) except as provided in subsection (e), under
 18 the terms of which—

19 “(A) the monthly annuity payments during
 20 the period described in subparagraph (B) are in
 21 equal installments and are fixed at the time of
 22 purchase, and

23 “(B) the entire interest of the employee in
 24 the contract will be distributed in the form of

1 monthly annuity payments under a single life
2 annuity, beginning on the later of—

3 “(i) the date the employee attains
4 age—

5 “(I) 50 (or a later date specified
6 by the State), in the case of a public
7 safety employee, and

8 “(II) 62 (or a later date specified
9 by the State), in the case of any other
10 employee, or

11 “(ii) in the case of a contract pur-
12 chased after the date the employee attains
13 such age, the 1st day of the 1st calendar
14 year beginning after the calendar year in
15 which such contract was purchased,

16 “(3) the purchase price of which is equal to the
17 contributions described in subsection (c) with respect
18 to the employee for the plan year in which it is pur-
19 chased,

20 “(4) under which the employee’s rights are non-
21 forfeitable,

22 “(5) under which no loan may be made with re-
23 spect to any portion of any interest in the contract,
24 and

1 “(6) except as provided in subsection (e)(2), no
 2 portion of any interest in the contract may be as-
 3 signed, alienated, or pledged as collateral.

4 In the case of a certificate described in paragraph (1)(B),
 5 any reference in this section (other than paragraph (1))
 6 to an annuity contract shall be treated as a reference to
 7 the portion of the group annuity contract to which such
 8 certificate relates.

9 “(c) CONTRIBUTION REQUIREMENTS AND LIMITA-
 10 TIONS.—For purposes of subsection (a)(1)(B)—

11 “(1) IN GENERAL.—The plan must provide that
 12 the only contributions which may be made pursuant
 13 to the plan for any plan year are nonelective con-
 14 tributions (within the meaning of section
 15 401(k)(11)(B)(ii)) made by the employer for the
 16 purchase of qualified individual deferred fixed in-
 17 come annuity contracts which are—

18 “(A) made on behalf of each eligible em-
 19 ployee for the plan year, and

20 “(B) equal to a percentage of the employ-
 21 ee’s compensation which (except as provided in
 22 this paragraph) is determined not later than
 23 the start of the plan year.

24 An employer shall not be treated as failing to meet
 25 the requirements of this paragraph merely because

1 the plan allows the employer to elect to reduce the
 2 percentage under subparagraph (B), or not to make
 3 any contributions pursuant to the plan, for any pe-
 4 riod for all employees, and the employer so elects not
 5 later than the start of the plan year.

6 “(2) LIMITS BASED ON COMPENSATION.—

7 “(A) LIMITATION.—

8 “(i) IN GENERAL.—The compensation
 9 taken into account under paragraph (1)(B)
 10 with respect to an employee for any year
 11 shall not exceed the limitation in effect for
 12 such year under section 401(a)(17).

13 “(ii) COMPENSATION.—For purposes
 14 of this subparagraph, the term ‘compensa-
 15 tion’ means includible compensation as de-
 16 fined in section 403(b)(3), including any
 17 amount paid by an employer on behalf of
 18 the employee for a qualified deferred fixed
 19 income annuity contract.

20 “(B) PERCENTAGE LIMITATION.—

21 “(i) IN GENERAL.—The percentage
 22 under paragraph (1)(B) for any period
 23 shall not exceed—

24 “(I) 30 percent in the case of a
 25 public safety employee, or

1 “(II) 20 percent in the case of
2 any other employee.

3 “(ii) ELECTION OF HIGHER PERCENT-
4 AGE FOR CERTAIN EMPLOYEES.—A plan
5 may elect to provide a higher percentage
6 under paragraph (1)(B) than that specified
7 under clause (i)—

8 “(I) in the case of any of the
9 first 10 plan years after adoption of
10 the plan, for all employees who have
11 attained age 40 before the beginning
12 of such plan year, and

13 “(II) in the case of any subse-
14 quent plan year, for all employees who
15 have attained age 50 (age 40 in the
16 case of a public safety employee) be-
17 fore the beginning of such plan year,
18 except that in no case may such percentage
19 exceed 25 percent (35 percent in the case
20 of a public safety employee).

21 “(C) AGGREGATION RULE.—All plans of
22 an employer treated as a single plan for pur-
23 poses of section 415 shall be treated as a single
24 plan for purposes of this paragraph.

1 “(d) TAX TREATMENT OF ANNUITY ACCUMULATION
2 RETIREMENT PLANS.—

3 “(1) TAXATION OF ELIGIBLE EMPLOYEE.—The
4 amount actually paid to a distributee under a quali-
5 fied individual deferred fixed income annuity con-
6 tract shall be taxable to the distributee under section
7 72.

8 “(2) TREATMENT OF EMPLOYER CONTRIBU-
9 TIONS.—Contributions made by an employer for the
10 purchase of a qualified individual deferred fixed in-
11 come annuity contract under an annuity accumula-
12 tion retirement plan shall be excluded from the gross
13 income of the employee.

14 “(3) INCLUSION IN INCOME OF EXCESS CON-
15 TRIBUTIONS OR CONTRIBUTIONS FOR PARTICIPANTS
16 IN ANOTHER DEFINED BENEFIT PLAN OF AN EM-
17 PLOYER.—

18 “(A) EXCESS CONTRIBUTIONS.—Except as
19 provided in subparagraph (B), if—

20 “(i) contributions are made for any
21 plan year by an employer on behalf of an
22 employee in excess of the limit determined
23 after application of subsection (c)(2), the
24 employee shall include in gross income an
25 amount equal to such excess, or

1 “(ii) an employee for whom such con-
 2 tributions are made for any plan year ac-
 3 crues benefits (for any period of service for
 4 which such contributions were made)
 5 under any other defined benefit plan of the
 6 employer which is not an annuity accumu-
 7 lation retirement plan, the employee shall
 8 include in gross income an amount equal
 9 to such contributions.

10 “(B) EXCEPTION FOR PREMIUMS RE-
 11 FUNDED.—Subparagraph (A) shall not apply
 12 with respect to contributions on behalf of an
 13 employee for any plan year if, not later than 6
 14 months after the last day of the plan year, the
 15 contributions described in subparagraph (A)
 16 used to purchase a qualified individual deferred
 17 fixed income annuity contract for the employee
 18 are refunded to the employer.

19 “(C) TAXABLE YEAR OF INCLUSION.—Any
 20 amount under subparagraph (A) shall be in-
 21 cludible in gross income of the employee for the
 22 taxable year which includes the date which is 6
 23 months after the last day of the plan year.

24 “(D) INVESTMENT IN THE CONTRACT.—
 25 Any amount included in gross income shall not

1 be treated as investment in the contract for
2 purposes of section 72.

3 “(e) SPECIAL RULES.—

4 “(1) EMPLOYER OPTION TO PROVIDE ALTER-
5 NATIVE BENEFIT FORMS.—At the option of an em-
6 ployer, a qualified individual deferred fixed income
7 annuity contract may provide 1 or more of the fol-
8 lowing optional benefits:

9 “(A) Distribution under a joint and sur-
10 vivor annuity.

11 “(B) An annual adjustment in the amount
12 of benefit payments based on a fixed percentage
13 not to exceed 3 percent.

14 “(C) A 10-year period certain and life pay-
15 ment option.

16 If an employer provides for 1 or more of such op-
17 tional benefits, the contract shall provide that an
18 employee may elect any of the options provided at
19 the time payments commence under the contract.

20 “(2) CERTAIN JUDGMENTS AND SETTLE-
21 MENTS.—Paragraphs (2)(B) and (5) of subsection
22 (b) shall not apply to any offset of an employee’s
23 benefits payable under an annuity contract—

24 “(A) pursuant to—

1 “(i) the enforcement of a levy under
 2 section 6331 or the collection by the
 3 United States of a judgment resulting
 4 from an unpaid tax assessment, or

5 “(ii) the enforcement of a fine im-
 6 posed as part of a criminal sentence under
 7 subchapter C of chapter 227 of title 18,
 8 United States Code, or an order of restitu-
 9 tion made pursuant to such title, or

10 “(B) to the extent required under any
 11 State tax, criminal, or domestic relations law.

12 “(f) DEFINITIONS.—For purposes of this section—

13 “(1) STATE OR LOCAL GOVERNMENTAL RETIRE-
 14 MENT PLAN.—The term ‘State or local governmental
 15 retirement plan’ means a governmental plan pro-
 16 viding for the deferral of compensation which is es-
 17 tablished and maintained for its employees by a
 18 State, a political subdivision of a State, or an agency
 19 or instrumentality of any such entity. The term
 20 ‘State’ includes any possession or territory of the
 21 United States, including a possession described in
 22 section 7701(d).

23 “(2) GENERAL DEFINITIONS.—

24 “(A) ELIGIBLE EMPLOYEE.—The term ‘eli-
 25 gible employee’ means, with respect to any

1 State or local governmental retirement plan,
2 any officer or employee (other than a con-
3 tractor) eligible to participate in the plan.

4 “(B) ANNUITY PROVIDER.—The term ‘an-
5 nuity provider’ means any company which is li-
6 censed to do business as a life insurance com-
7 pany under the laws of the State in which a
8 qualified individual deferred fixed income annu-
9 ity contract to which this subchapter applies is
10 to be issued.

11 “(C) PUBLIC SAFETY EMPLOYEE.—The
12 term ‘public safety employee’ means any em-
13 ployee of a State or political subdivision of a
14 State who provides police protection, fire-
15 fighting services, or emergency medical services
16 for any area within the jurisdiction of such
17 State or political subdivision.”.

18 (b) FICA EXEMPTION.—Paragraph (5) of section
19 3121(a) of the Internal Revenue Code of 1986 is amended
20 by striking “or” at the end of subparagraph (H), by strik-
21 ing the semicolon at the end of subparagraph (I) and in-
22 serting “, or”, and by adding at the end the following new
23 subparagraph:

1 “(J) under an annuity accumulation retire-
 2 ment plan for the purchase of annuity contracts
 3 under section 420A;”.

4 (c) INCLUSION OF AMOUNT FOR THE PURCHASE OF
 5 ANNUITY CONTRACTS ON W-2.—Subsection (a) of section
 6 6051 of the Internal Revenue Code of 1986 is amended
 7 by striking “and” at the end of paragraph (13), by strik-
 8 ing the period at the end of paragraph (14)(B) and insert-
 9 ing “, and”, and by inserting after paragraph (14) the
 10 following new paragraph:

11 “(15) the total amount contributed under an
 12 annuity accumulation retirement plan for the pur-
 13 chase of annuity contracts under section 420A.”.

14 (d) CLERICAL AMENDMENT.—The table of subparts
 15 for part I of subchapter D of chapter 1 of the Internal
 16 Revenue Code of 1986 is amended by inserting after the
 17 item relating to subpart E the following new item:

“SUBPART F—ANNUITY ACCUMULATION RETIREMENT PLANS FOR STATE AND
 LOCAL GOVERNMENT EMPLOYEES”.

18 (e) EFFECTIVE DATE.—Except as provided in sub-
 19 section (b), the amendments made by this section shall
 20 apply to years beginning after December 31, 2015.

1 **TITLE III—PUERTO RICO FINAN-**
2 **CIAL RESPONSIBILITY AND**
3 **MANAGEMENT ASSISTANCE**
4 **AUTHORITY**

5 **SEC. 301. PURPOSES.**

6 (a) PURPOSES.—The purposes of this title are—

7 (1) to eliminate budget deficits and cash short-
8 ages of Puerto Rico through visionary financial plan-
9 ning, sound budgeting, accurate revenue forecasts,
10 and careful spending;

11 (2) to ensure the most efficient and effective
12 delivery of services, including public safety services,
13 by the Commonwealth government during a period
14 of fiscal emergency;

15 (3) to conduct necessary investigations and
16 studies to determine the fiscal status and oper-
17 ational efficiency of the Commonwealth government;

18 (4) to assist the Commonwealth government
19 in—

20 (A) restructuring the organization and
21 workforce of the Commonwealth government to
22 ensure that the residents of Puerto Rico are
23 served by a government that is efficient and ef-
24 fective;

1 (B) ensuring the appropriate and efficient
 2 delivery of services; and

3 (C) modernizing the budget, accounting,
 4 personnel, procurement, information technology,
 5 and management systems to ensure the max-
 6 imum financial and performance accountability
 7 of the Commonwealth government and officers
 8 and employees of the Commonwealth govern-
 9 ment;

10 (5) to enhance the access of the Commonwealth
 11 government to the capital markets;

12 (6) to ensure the continued orderly payment of
 13 the debt service obligations of the Commonwealth
 14 government;

15 (7) to ensure the long-term financial, fiscal, and
 16 economic vitality and operational efficiency of Puerto
 17 Rico; and

18 (8) to provide for the review of the financial im-
 19 pact of activities of the Commonwealth government
 20 before the activities are implemented or submitted
 21 for congressional review.

22 **SEC. 302. DEFINITIONS.**

23 In this title:

24 (1) **AUTHORITY.**—The term “Authority” means
 25 the Puerto Rico Financial Responsibility and Man-

1 agement Assistance Authority established by section
2 311(a).

3 (2) CHIEF FINANCIAL OFFICER.—The term
4 “Chief Financial Officer” means the Chief Financial
5 Officer of Puerto Rico appointed under section
6 352(a).

7 (3) COMMONWEALTH.—The term “Common-
8 wealth” means the Commonwealth of Puerto Rico.

9 (4) COMMONWEALTH GOVERNMENT.—

10 (A) IN GENERAL.—The term “Common-
11 wealth government” means—

12 (i) the government of the Common-
13 wealth (including any department, agency,
14 or instrumentality of the government of
15 the Commonwealth);

16 (ii) an independent agency of the
17 Commonwealth or any other agency, board,
18 or commission established by the Governor
19 or the Legislative Assembly;

20 (iii) the courts of the Commonwealth;

21 (iv) the Legislative Assembly; and

22 (v) any other agency, public authority,
23 pension fund, or public benefit corporation
24 established by the Commonwealth that has
25 the authority to receive amounts directly or

1 indirectly from the Commonwealth (other
 2 than amounts received from the sale of
 3 goods, the provision of services, or the
 4 loaning of funds to the Commonwealth).

5 (B) EXCLUSION.—The term “Common-
 6 wealth government” does not include the Au-
 7 thority.

8 (5) CONTROL PERIOD.—The term “control pe-
 9 riod” means—

10 (A) in the case of a public corporation, a
 11 control period for the public corporation initi-
 12 ated under section 322(a)(2); and

13 (B) in the case of the Commonwealth gov-
 14 ernment, a control period for the Common-
 15 wealth government initiated under section
 16 322(b)(2).

17 (6) CONTROL YEAR.—The term “control year”
 18 means any fiscal year for which a financial plan and
 19 budget for a public corporation or the Common-
 20 wealth government approved by the Authority under
 21 section 323 or 324 is in effect.

22 (7) EMERGENCY MANAGER.—The term “emer-
 23 gency manager” means an emergency manager for a
 24 public corporation appointed under section
 25 322(a)(5)(A).

1 (8) FINANCIAL PLAN AND BUDGET.—The term
2 “financial plan and budget” means—

3 (A) in the case of a public corporation, a
4 financial plan and budget developed for the
5 public corporation under section 323; and

6 (B) in the case of the Commonwealth gov-
7 ernment—

8 (i) a financial plan and budget for the
9 Commonwealth government developed
10 under section 324; and

11 (ii) a budget of the Commonwealth
12 government for any fiscal year that is sub-
13 ject to a financial plan and budget de-
14 scribed in clause (i).

15 (9) GOVERNOR.—The term “Governor” means
16 the Governor of the Commonwealth.

17 (10) LEGISLATIVE ASSEMBLY.—The term
18 “Legislative Assembly” means the Legislative As-
19 sembly of Puerto Rico.

20 (11) PUBLIC CORPORATION.—

21 (A) IN GENERAL.—The term “public cor-
22 poration” means an entity created by Common-
23 wealth law as a public corporation.

24 (B) INCLUSIONS.—The term “public cor-
25 poration” includes—

- 1 (i) the Aqueduct and Sewer Authority;
- 2 (ii) the Convention Center District
- 3 Authority;
- 4 (iii) the Electric Power Authority;
- 5 (iv) the Highway and Transportation
- 6 Authority;
- 7 (v) the Housing Finance Authority;
- 8 (vi) the Industrial Development Com-
- 9 pany;
- 10 (vii) the Infrastructure Financing Au-
- 11 thority;
- 12 (viii) the Port of the Americas Au-
- 13 thority;
- 14 (ix) the Ports Authority;
- 15 (x) the Public Buildings Authority;
- 16 (xi) the Public Finance Corporation;
- 17 (xii) the Sales Taxes Financing Cor-
- 18 poration; and
- 19 (xiii) the University of Puerto Rico.
- 20 (12) SECRETARY.—The term “Secretary”
- 21 means the Secretary of the Treasury.

Subtitle A—Establishment and Organization of Authority

SEC. 311. COMMONWEALTH FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY.

(a) ESTABLISHMENT.—Pursuant to article IV, section 3, clause 2 of the Constitution of the United States, the Puerto Rico Financial Responsibility and Management Assistance Authority is established in accordance with this section.

(b) MEMBERSHIP.—

(1) IN GENERAL.—The Authority shall consist of—

(A) the Secretary; and

(B) 5 additional members who—

(i) meet the qualifications described in subsection (c); and

(ii) are appointed by the President, in consultation with the committees and individuals described in paragraph (3).

(2) AUTHORIZED ACTIONS.—Beginning on the date on which the President has appointed at least 3 members to the Authority, the Authority may take any action authorized by this title.

1 (3) CONSULTATION REQUIRED.—The President
2 shall appoint the members of the Authority after
3 consultation with—

4 (A) the Committee on Energy and Natural
5 Resources of the Senate;

6 (B) the Committee on Natural Resources
7 of the House of Representatives;

8 (C) the Resident Commissioner of the
9 Commonwealth; and

10 (D) the Governor.

11 (4) CHAIRPERSON.—The Secretary shall serve
12 as chairperson of the Authority.

13 (5) TERMS OF SERVICE.—

14 (A) INITIAL APPOINTMENT; DESIGNA-
15 TION.—Each member appointed to the Author-
16 ity shall be—

17 (i) appointed for an initial term of 2
18 years; and

19 (ii) designated into 3 tiers, consisting
20 of not more than—

21 (I) 1 member to serve in tier I;

22 (II) 2 members to serve in tier
23 II; and

24 (III) 2 members to serve in tier
25 III.

1 (B) SUBSEQUENT APPOINTMENTS.—For
 2 the term immediately following the initial term
 3 under subparagraph (A)(i), a member of the
 4 Authority may be reappointed, or a new mem-
 5 ber named, for a term of—

6 (i) for the member serving in tier I—

7 (I) 1 additional term of not more
 8 than 1 year; and

9 (II) such subsequent terms of not
 10 more than 3 years as the President
 11 determines to be appropriate;

12 (ii) for a member serving in tier II—

13 (I) 1 additional term of not more
 14 than 2 years; and

15 (II) such subsequent terms of not
 16 more than 3 years as the President
 17 determines to be appropriate; and

18 (iii) for a member serving in tier

19 III—

20 (I) 1 additional term of 3 years;

21 and

22 (II) such subsequent terms of not
 23 more than 3 years as the President
 24 determines to be appropriate.

1 (C) REMOVAL.—The President may re-
 2 move a member of the Authority only for cause.

3 (6) VOTING.—In voting on any matter in car-
 4 rying out this title—

5 (A) the chairperson of the Authority shall
 6 have 2 votes; and

7 (B) each other member of the Authority
 8 shall have 1 vote.

9 (7) CITIZENSHIP; RESIDENCE.—

10 (A) CITIZENSHIP.—Each member of the
 11 Authority shall be a United States citizen.

12 (B) RESIDENCE.—Of the members of the
 13 Authority described in paragraph (1)(B)—

14 (i) 3 shall maintain a primary resi-
 15 dence in the Commonwealth; and

16 (ii) 2 shall not be residents of the
 17 Commonwealth.

18 (c) QUALIFICATIONS FOR MEMBERSHIP.—An indi-
 19 vidual meets the qualifications for membership on the Au-
 20 thority if the individual—

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

1 (2) complies with Federal conflict of interest re-
 2 quirements of section 208 of title 18, United States
 3 Code;

4 (3) is not, and has not been for a period of not
 5 less than 5 years before the date of appointment, an
 6 officer or employee of—

7 (A) the Commonwealth; or

8 (B) any public corporation; and

9 (4)(A) does not provide goods or services to the
 10 Commonwealth; and

11 (B) is not the spouse, parent, child, or sibling
 12 of an individual who provides goods or services to
 13 the Commonwealth.

14 (d) NO COMPENSATION FOR SERVICE.—A member of
 15 the Authority—

16 (1) shall serve without pay; but

17 (2) may receive reimbursement for any reason-
 18 able and necessary expenses incurred by reason of
 19 service on the Authority.

20 (e) ADOPTION OF BYLAWS FOR CONDUCTING BUSI-
 21 NESS OF AUTHORITY.—

22 (1) IN GENERAL.—As soon as practicable after
 23 the date of appointment of the members to the Au-
 24 thority, the Authority shall adopt bylaws, rules, and
 25 procedures governing the activities of the Authority

1 under this title, including procedures for hiring ex-
 2 perts and consultants.

3 (2) SUBMISSION.—The bylaws, rules, and pro-
 4 cedures adopted under paragraph (1) shall—

5 (A) be public documents; and

6 (B) be submitted by the Authority, on
 7 adoption, to each of—

8 (i) the Governor;

9 (ii) the Legislative Assembly;

10 (iii) the President; and

11 (iv) Congress.

12 (3) CERTAIN ACTIVITIES REQUIRING APPROVAL
 13 OF MAJORITY OF MEMBERS.—

14 (A) IN GENERAL.—Except as provided in
 15 subparagraph (B), under the bylaws adopted
 16 under paragraph (1), the Authority may con-
 17 duct operations in accordance with any proce-
 18 dures that the Authority considers appropriate.

19 (B) AFFIRMATIVE VOTE REQUIRED.—Not-
 20 withstanding subparagraph (A), an affirmative
 21 vote of a majority of the members of the Au-
 22 thority shall be required for the Authority—

23 (i) to approve or disapprove a finan-
 24 cial plan and budget under section 323 or
 25 324;

1 (ii) to implement recommendations on
 2 financial stability and management respon-
 3 sibility under section 328;

4 (iii) to issue new bonds, notes, or
 5 other obligations under section 331; and

6 (iv) to allocate resources under title V.

7 (4) ADOPTION OF RULES AND REGULATIONS OF
 8 COMMONWEALTH.—The Authority may incorporate
 9 in the bylaws, rules, and procedures adopted under
 10 paragraph (1) any rules and regulations of the Com-
 11 monwealth government that the Authority considers
 12 to be appropriate to enable the Authority to carry
 13 out activities under this title with the maximum de-
 14 gree of independence practicable.

15 **SEC. 312. EXECUTIVE DIRECTOR AND STAFF.**

16 (a) EXECUTIVE DIRECTOR.—

17 (1) APPOINTMENT.—The chairperson of the
 18 Authority, with the consent of the Authority, shall
 19 appoint an Executive Director for the Authority.

20 (2) COMPENSATION.—

21 (A) IN GENERAL.—Subject to subpara-
 22 graph (B), the Executive Director shall be paid
 23 at a rate determined by the Authority.

24 (B) RATE OF PAY.—The rate of pay for
 25 the Executive Director under subparagraph (A)

1 may not exceed the basic pay payable for level
 2 IV of the Executive Schedule under section
 3 5315 of title 5, United States Code.

4 (b) STAFF.—With the approval of the chairperson,
 5 the Executive Director may appoint and fix the pay of ad-
 6 ditional personnel as the Executive Director considers ap-
 7 propriate, subject to the condition that no individual ap-
 8 pointed by the Executive Director may be paid at a rate
 9 that exceeds the rate of pay for the Executive Director.

10 (c) INAPPLICABILITY OF CERTAIN EMPLOYMENT
 11 AND PROCUREMENT LAWS.—

12 (1) CIVIL SERVICE LAWS.—The Executive Di-
 13 rector and staff of the Authority—

14 (A) may be appointed without regard to
 15 the provisions of title 5, United States Code,
 16 governing appointments in the competitive serv-
 17 ice; and

18 (B) may be paid without regard to the pro-
 19 visions of chapter 51 and subchapter III of
 20 chapter 53 of title 5, United States Code, relat-
 21 ing to classification and General Schedule pay
 22 rates.

23 (2) COMMONWEALTH EMPLOYMENT AND PRO-
 24 CUREMENT LAWS.—

1 (A) EMPLOYMENT LAWS.—The Executive
 2 Director and staff of the Authority may be ap-
 3 pointed and paid without regard to the provi-
 4 sions of the Puerto Rico Code governing ap-
 5 pointments and salaries.

6 (B) PROCUREMENT LAWS.—The provisions
 7 of the Puerto Rico Code governing procurement
 8 shall not apply to the Authority.

9 (d) STAFF OF FEDERAL AGENCIES.—On the request
 10 of the chairperson, the head of any Federal or Common-
 11 wealth government department or agency may detail to
 12 the Authority, on a reimbursable or nonreimbursable
 13 basis, any of the personnel of the department or agency
 14 to assist the Authority in carrying out the duties of the
 15 Authority under this title.

16 **SEC. 313. POWERS OF AUTHORITY.**

17 (a) IN GENERAL.—The Authority may, for the pur-
 18 pose of carrying out this title—

19 (1) hold hearings;

20 (2) sit and act at such times and places as the
 21 Authority considers appropriate;

22 (3) take testimony;

23 (4) receive evidence;

24 (5) administer oaths or affirmations to wit-
 25 nesses appearing before the Authority; and

1 (6) provide assistance and recommendations re-
2 garding financial stability and management responsi-
3 bility to the Commonwealth government for the pur-
4 poses of this title.

5 (b) POWERS OF MEMBERS AND AGENTS.—Any mem-
6 ber or agent of the Authority may, if authorized by the
7 Authority, take any action that the Authority is authorized
8 to take under this section.

9 (c) OBTAINING OFFICIAL DATA.—

10 (1) FEDERAL GOVERNMENT.—Notwithstanding
11 sections 552 and 552b of title 5, United States
12 Code, the Authority may secure directly from any
13 Federal department or agency information necessary
14 to enable the Authority to carry out this title, with
15 the approval of the head of the applicable Federal
16 department or agency.

17 (2) COMMONWEALTH GOVERNMENT.—

18 (A) IN GENERAL.—Notwithstanding any
19 other provision of law, the Authority shall have
20 the right to secure copies of any records, docu-
21 ments, information, or data from any entity of
22 the Commonwealth government necessary to en-
23 able the Authority to carry out the responsibil-
24 ities of the Authority under this title.

1 (B) ACCESS.—At the request of the Au-
2 thority, the Authority shall be granted direct
3 access to any information systems, records, doc-
4 uments, information, or data described in sub-
5 paragraph (A) that would enable the Authority
6 to carry out the responsibilities of the Authority
7 under this title.

8 (C) PROVISION BY HEADS OF ENTITIES.—
9 The head of the department or agency of the
10 Commonwealth government responsible for the
11 information shall provide the Authority with
12 any information and assistance (including
13 granting the Authority direct access to auto-
14 mated or other information systems) as the Au-
15 thority may require under this paragraph.

16 (d) GIFTS, BEQUESTS, AND DEVISES.—

17 (1) IN GENERAL.—The Authority may accept,
18 use, and dispose of gifts, bequests, or devises of
19 services and real and personal property for the pur-
20 pose of aiding or facilitating the work of the Author-
21 ity.

22 (2) USE.—Any gifts, bequests, or devises of
23 money accepted by the Authority, and any proceeds
24 from sales of other property received as gifts, be-
25 quests, or devises by the Authority, shall—

1 (A) be deposited in an account established
2 by the Authority; and

3 (B) be available for disbursement on order
4 of the chairperson of the Authority.

5 (e) SUBPOENA POWER.—

6 (1) IN GENERAL.—The chairperson of the Au-
7 thority may issue subpoenas requiring the attend-
8 ance and testimony of witnesses and the production
9 of any evidence relating to any matter under inves-
10 tigation by the Authority.

11 (2) SCOPE.—The attendance of witnesses and
12 the production of evidence may be required by the
13 Authority—

14 (A) from any place within the United
15 States; and

16 (B) at any designated place of hearing
17 within the United States.

18 (3) FAILURE TO OBEY A SUBPOENA.—

19 (A) APPLICATION TO UNITED STATES DIS-
20 TRICT COURT.—If a person refuses to obey a
21 subpoena issued under paragraph (1), the Au-
22 thority may apply to a United States district
23 court for an order requiring the person to ap-
24 pear before the Authority to give testimony or

1 produce evidence relating to the matter under
2 investigation.

3 (B) JUDICIAL DISTRICT.—An application
4 may be made under subparagraph (A) in—

5 (i) the judicial district in which the
6 hearing is conducted; or

7 (ii) the judicial district in which the
8 person subject to the subpoena is found,
9 resides, or transacts business.

10 (C) CONTEMPT.—The United States dis-
11 trict court may treat as civil contempt any fail-
12 ure to obey the order of a court under this
13 paragraph.

14 (4) SERVICE OF SUBPOENAS.—The Authority
15 shall serve subpoenas under this subsection in the
16 manner provided for subpoenas issued by United
17 States district court under the Federal Rules of Civil
18 Procedure for the United States district courts.

19 (5) SERVICE OF PROCESS.—All service of proc-
20 ess of any court to which application is made under
21 paragraph (2) may be served in the judicial district
22 in which the person required to be served resides or
23 may be found.

24 (f) ADMINISTRATIVE SUPPORT SERVICES.—On the
25 request of the Authority, the Administrator of General

1 Services may provide to the Authority, on a reimbursable
 2 basis, the administrative support services necessary for the
 3 Authority to carry out the responsibilities of the Authority
 4 under this title.

5 (g) AUTHORITY TO ENTER INTO CONTRACTS.—The
 6 Executive Director of the Authority may enter into any
 7 contract that the Executive Director considers appropriate
 8 (subject to the approval of the chairperson of the Author-
 9 ity) to carry out the responsibilities of the Authority under
 10 this title.

11 (h) CIVIL ACTIONS TO ENFORCE POWERS.—The Au-
 12 thority may seek judicial enforcement of the authority to
 13 carry out the responsibilities of the Authority under this
 14 title.

15 (i) PENALTIES.—

16 (1) ACTS PROHIBITED.—Any officer or em-
 17 ployee of the Commonwealth government shall be
 18 guilty of a misdemeanor if the officer or employee—

19 (A)(i) takes any action in violation of any
 20 valid order of the Authority; or

21 (ii) fails or refuses to take any action re-
 22 quired by an order described in clause (i); or

23 (B)(i) knowingly and willfully prepares,
 24 presents, or certifies any information (including
 25 any projections or estimates) or report for the

1 Authority or any of the agents of the Board
2 that is false or misleading; or

3 (ii) on learning that any information de-
4 scribed in clause (i) is false or misleading, fails
5 to immediately advise the Authority or agents
6 of the Board in writing of the discovery.

7 (2) ADMINISTRATIVE DISCIPLINE.—In addition
8 to any other applicable penalty, any officer or em-
9 ployee of the Commonwealth government who know-
10 ingly and willfully violates paragraph (1) shall be
11 subject to appropriate administrative discipline, in-
12 cluding, as appropriate—

13 (A) suspension from duty without pay; or

14 (B) removal from office by order of the
15 Governor or Authority.

16 (3) REPORT BY GOVERNOR ON DISCIPLINARY
17 ACTIONS TAKEN.—In the case of a violation of para-
18 graph (1) by an officer or employee of the Common-
19 wealth government, the Governor shall immediately
20 submit to the Authority a report that—

21 (A) describes all pertinent facts; and

22 (B) includes a statement of the action
23 taken relating to the violation.

1 **SEC. 314. EXEMPTION FROM LIABILITY FOR CLAIMS.**

2 The Authority (including the members of the Author-
3 ity) may not be liable for any obligation of or claim against
4 the Commonwealth resulting from actions taken to carry
5 out this title.

6 **SEC. 315. TREATMENT OF ACTIONS.**

7 (a) **JURISDICTION ESTABLISHED.**—Except as pro-
8 vided in section 313(e)(3), any action against the Author-
9 ity or any action otherwise arising out of this title, in
10 whole or in part, shall be brought in the United States
11 District Court for the District of Puerto Rico.

12 (b) **APPEAL.**—

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

20 (2) **SUPREME COURT.**—Notwithstanding any
21 other provision of law, review by the Supreme Court
22 of a decision of the Court of Appeals that is issued
23 under paragraph (1) may be available only if the pe-
24 tition for review is filed by the date that is 10 days
25 after the date of entry of the decision of the Court
26 of Appeals.

1 (c) TIMING OF RELIEF.—No order of any court
 2 granting declaratory or injunctive relief against the Au-
 3 thority (including relief permitting or requiring the obliga-
 4 tion, borrowing, or expenditure of funds) shall take effect
 5 during—

6 (1) the pendency of the action before the court;

7 (2) the period during which appeal may be
 8 taken; or

9 (3) if appeal is taken, the period before the
 10 court has entered a final order disposing of the ac-
 11 tion.

12 (d) EXPEDITED CONSIDERATION.—It shall be the
 13 duty of the United States District Court for the District
 14 of Puerto Rico, the United States Court of Appeals for
 15 the First Circuit, and the Supreme Court to advance on
 16 the docket, and to expedite to the greatest extent prac-
 17 ticable, the disposition of any action brought under sub-
 18 section (a).

19 **SEC. 316. FUNDING FOR OPERATION OF AUTHORITY.**

20 (a) ANNUAL BUDGETING PROCESS.—

21 (1) SUBMISSION OF BUDGET.—The Authority
 22 shall submit to the Secretary for inclusion in the an-
 23 nual budget of the President a proposed budget for
 24 the Authority for each fiscal year.

1 (2) CONTENTS OF BUDGET.—A budget sub-
2 mitted under paragraph (1) shall describe—

3 (A) expenditures of the Authority by cat-
4 egory, including expenditures for staff of the
5 Authority;

6 (B) services of personnel and other services
7 provided by or on behalf of the Authority for
8 which the Authority made no reimbursement;
9 and

10 (C) any gifts or bequests made to the Au-
11 thority during the previous fiscal year.

12 (3) APPROPRIATIONS REQUIRED.—For fiscal
13 year 2016 and each fiscal year thereafter, an
14 amount may be obligated or expended by the Au-
15 thority for a fiscal year only if the amount has been
16 approved by an Act of Congress.

17 (b) SPECIAL RULE FOR FUNDING OF OPERATIONS
18 DURING FISCAL YEAR 2015.—As soon as practicable
19 after the date of appointment of the members of the Au-
20 thority, the Authority shall submit to the Governor and
21 the President, for submission to Congress—

22 (1) a request for reprogramming of funds under
23 the budget account for the Department of the Treas-
24 ury; and

1 (2) a description of anticipated expenditures of
2 the Authority for fiscal year 2015.

3 **SEC. 317. SUSPENSION OF ACTIVITIES.**

4 The Authority shall suspend any activities carried out
5 under this title, and the terms of the members of the Au-
6 thority shall expire, on the date that is 3 years after the
7 date on which the Authority certifies that all control peri-
8 ods initiated under section 322 have terminated.

9 **SEC. 318. APPLICATION OF LAWS OF COMMONWEALTH TO**
10 **AUTHORITY.**

11 (a) NO CONTROL, SUPERVISION, OVERSIGHT, OR RE-
12 VIEW BY GOVERNOR OR LEGISLATIVE ASSEMBLY.—The
13 Governor and the Legislative Assembly may not exercise
14 any control, supervision, oversight, or review over the Au-
15 thority or any activities of the Authority.

16 (b) AUTHORITY NOT SUBJECT TO REPRESENTATION
17 BY SECRETARY OF JUSTICE.—In any action brought by,
18 or on behalf of, the Authority, and in any action brought
19 against the Authority—

20 (1) the Authority shall be represented by such
21 counsel as the Authority may select; but

22 (2) in no case may the Authority be represented
23 by the Secretary of Justice of the Commonwealth.

1 **Subtitle B—Responsibilities of** 2 **Authority**

3 **PART I—CONTROL PERIOD**

4 **SEC. 321. EARLY OPT-IN AUTHORITY.**

5 Notwithstanding the timeframes provided in sub-
6 sections (a)(1) and (b)(1) of section 322, the Authority
7 may carry out this title beginning on the date on which
8 the Legislative Assembly enacts a resolution supporting
9 the actions of the Authority authorized by section 322.

10 **SEC. 322. CERTIFICATIONS BY AUTHORITY.**

11 (a) PUBLIC CORPORATIONS.—

12 (1) IN GENERAL.—Not later than 1 year after
13 the date of enactment of this Act and annually
14 thereafter, the Authority shall certify whether any
15 public corporation—

16 (A) does not have sufficient revenue to
17 meet the debt obligations of the public corpora-
18 tion;

19 (B) has defaulted with respect to any loan,
20 bond, note, or other form of borrowing;

21 (C) is unable to meet the payroll of the
22 public corporation for any pay period;

23 (D) has a cash deficit at the end of any
24 quarter of the fiscal year equal to or greater
25 than the difference between—

1 (i) the estimated revenues of the pub-
2 lic corporation during the remainder of the
3 fiscal year; and

4 (ii) the estimated expenditures of the
5 public corporation (including repayments
6 of temporary borrowing) during the re-
7 mainder of the fiscal year; and

8 (E) fails to make any required payments
9 relating to pensions and benefits for current
10 and former employees of the public corporation.

11 (2) BUDGET CONTROL.—If the Authority cer-
12 tifies that a public corporation is unable to meet any
13 of the requirements under paragraph (1), a control
14 period shall be initiated for the public corporation in
15 accordance with section 323.

16 (3) TERMINATION.—A control period for a pub-
17 lic corporation initiated under this subsection termi-
18 nates on the date on which the Authority certifies
19 that—

20 (A) the public corporation has adequate
21 access to short-term and long-term credit mar-
22 kets at reasonable interest rates to meet the
23 borrowing needs of the public corporation; and

24 (B) for 2 consecutive years after the initi-
25 ation of a control period, the expenditures made

1 by the public corporation during each fiscal
 2 year did not exceed the revenues of the public
 3 corporation during that year, as determined in
 4 accordance with generally accepted accounting
 5 principles.

6 (4) CONSULTATION REQUIRED.—In making a
 7 certification under this subsection, the Authority
 8 shall consult with the Government Development
 9 Bank of Puerto Rico.

10 (5) EMERGENCY MANAGER.—

11 (A) IN GENERAL.—If, during a control pe-
 12 riod for a public corporation, the Authority cer-
 13 tifies that over the course of 2 consecutive
 14 quarters the expenditures made by a public cor-
 15 poration exceed the revenues of that public cor-
 16 poration in violation of the financial plan and
 17 budget required under section 323, the Author-
 18 ity may appoint an emergency manager for the
 19 public corporation.

20 (B) AUTHORITY.—

21 (i) AUTHORITY OF BOARD OF DIREC-
 22 TORS AND OFFICERS.—The emergency
 23 manager shall exercise all authorities pre-
 24 viously exercised by the board of directors
 25 and officers of the public corporation

1 under the charter, bylaws, or organic stat-
2 ute of the public corporation or the appli-
3 cable laws of the Commonwealth.

4 (ii) ADDITIONAL AUTHORITY.—

5 (I) IN GENERAL.—In addition to
6 the authority under clause (i), the
7 emergency manager may propose in-
8 creases in, decreases in, or other
9 changes to any rates, fees, taxes, or
10 other charges that the public corpora-
11 tion has the power to impose on peo-
12 ple or property within the Common-
13 wealth.

14 (II) REQUIRED DEMONSTRA-
15 TION.—An increase, decrease, or
16 change proposed under subclause (I)
17 shall be accompanied by a demonstra-
18 tion of the reasonable necessity of the
19 increase, decrease, or change to main-
20 tain—

21 (aa) the operation, property,
22 physical plant and equipment, or
23 financial condition of the public
24 corporation; or

1 (bb) the ability of the public
2 corporation to obtain unsecured
3 credit on the capital markets at a
4 reasonable interest rate.

5 (III) REVIEW.—

6 (aa) IN GENERAL.—An in-
7 crease, decrease, or change pro-
8 posed under subclause (I) shall
9 be subject to review by any com-
10 mission, authority, agency, or
11 governmental body with authority
12 to review the rates, fees, taxes, or
13 other charges imposed by the
14 public corporation.

15 (bb) DEEMED APPROVAL.—
16 If a commission, authority, agen-
17 cy, or governmental body fails to
18 approve and implement or dis-
19 approve the proposed increase,
20 decrease, or change by the date
21 that is 120 days after the date
22 on which the increase, decrease,
23 or change is submitted to the
24 commission, authority, agency, or
25 governmental body, the proposed

1 increase, decrease, or change
2 shall be deemed approved by the
3 commission, authority, agency, or
4 governmental body.

5 (C) SALARY.—The public corporation shall
6 be responsible for paying the salary and any
7 other compensation of the emergency manager.

8 (b) COMMONWEALTH GOVERNMENT.—

9 (1) IN GENERAL.—Not later than 2 years after
10 the date of enactment of this Act and annually
11 thereafter, the Authority shall certify whether the
12 Commonwealth government—

13 (A) does not have sufficient revenue to
14 meet debt obligations of the Commonwealth
15 government;

16 (B) has defaulted with respect to any loan,
17 bond, note, or other form of borrowing;

18 (C) is unable to meet the payroll of the
19 Commonwealth government for any pay period;

20 (D) has a cash deficit at the end of any
21 quarter of the fiscal year equal to or greater
22 than the difference between—

23 (i) the estimated revenues of the Com-
24 monwealth government during the remain-
25 der of the fiscal year; and

1 (ii) the estimated expenditures of the
2 Commonwealth government (including re-
3 payments of temporary borrowing) during
4 the remainder of the fiscal year; and

5 (E) fails to make any required payments
6 relating to pensions and benefits for current
7 and former employees of the Commonwealth
8 government.

9 (2) BUDGET CONTROL.—If the Authority cer-
10 tifies that the Commonwealth government is unable
11 to meet any of the requirements under paragraph
12 (1), a control period for the Commonwealth govern-
13 ment is initiated in accordance with section 324.

14 (3) TERMINATION.—A control period for the
15 Commonwealth government initiated under this sub-
16 section terminates on the date on which the Author-
17 ity certifies that—

18 (A) the Commonwealth government has
19 adequate access to short-term and long-term
20 credit markets at reasonable interest rates to
21 meet the borrowing needs of the Commonwealth
22 government; and

23 (B) for 4 consecutive years after the initi-
24 ation of a control period for the Commonwealth
25 government, the expenditures made by the

1 Commonwealth government during each fiscal
 2 year did not exceed the revenues of the Com-
 3 monwealth government during that year, as de-
 4 termined in accordance with the generally ac-
 5 cepted accounting principles contained in the
 6 comprehensive annual financial report for the
 7 Commonwealth.

8 (4) REQUIRED CONSULTATION.—In making a
 9 certification under this subsection, the Authority
 10 shall consult with the Government Development
 11 Bank of Puerto Rico.

12 **SEC. 323. FINANCIAL PLAN AND BUDGET FOR PUBLIC COR-**
 13 **PORATIONS DURING CONTROL PERIOD.**

14 (a) DEVELOPMENT; CONTENTS.—

15 (1) IN GENERAL.—For each fiscal year for
 16 which a public corporation is in a control period
 17 under section 322(a), the Governor or the emergency
 18 manager (as applicable) shall develop and submit to
 19 the Authority a financial plan and budget for the
 20 public corporation in accordance with this section.

21 (2) CONTENTS.—

22 (A) IN GENERAL.—A financial plan and
 23 budget for the public corporation for a fiscal
 24 year shall specify the budgets for the public cor-
 25 poration for the applicable fiscal year and the

1 subsequent 3 fiscal years (including the pro-
2 jected revenues and expenditures of each fund
3 of the public corporation for those fiscal years),
4 in accordance with the requirements described
5 in subparagraph (B).

6 (B) REQUIREMENTS.—The financial plan
7 and budget shall—

8 (i) meet the standards described in
9 paragraph (3) to promote the financial sta-
10 bility of the public corporation;

11 (ii) provide for estimates of revenues
12 and expenditures on a modified accrual
13 basis;

14 (iii)(I) describe lump-sum expendi-
15 tures by department, by object class;

16 (II) describe capital expenditures (to-
17 gether with a schedule of projected capital
18 commitments of the public corporation and
19 proposed sources of funding);

20 (III) contain estimates of short-term
21 and long-term debt, whether outstanding
22 or anticipated to be issued; and

23 (IV) contain cash flow forecasts for
24 each fund of the public corporation, at

1 such intervals as the Authority may re-
2 quire;

3 (iv) include a statement describing
4 methods of estimations and significant as-
5 sumptions; and

6 (v) include such other provisions, and
7 meet such other criteria, as the Authority
8 considers to be appropriate to meet the
9 purposes of this title, including provisions
10 relating to—

11 (I) changes in personnel policies
12 and levels for each department of the
13 public corporation;

14 (II) changes in the structure and
15 organization of the public corporation;
16 and

17 (III) management initiatives to
18 promote—

19 (aa) productivity;

20 (bb) improvement in the de-
21 livery of services; or

22 (cc) cost savings.

23 (3) STANDARDS TO PROMOTE FINANCIAL STA-
24 BILITY.—

1 (A) IN GENERAL.—The standards to pro-
2 mote the financial stability of the public cor-
3 poration applicable to the financial plan and
4 budget for a fiscal year are as follows:

5 (i) In the case of the financial plan
6 and budget for the first fiscal year of a
7 control period, the expenditures of the pub-
8 lic corporation may not exceed the reve-
9 nues of the public corporation for that fis-
10 cal year.

11 (ii) During each of the 5 subsequent
12 fiscal years, the public corporation shall
13 make continuous, substantial progress to-
14 ward equalizing the expenditures and reve-
15 nues of the public corporation for those fis-
16 cal years in equal annual installments, to
17 the maximum extent practicable.

18 (iii) The public corporation shall pro-
19 vide for the orderly liquidation of the cu-
20 mulative fund balance deficit of the public
21 corporation, as evidenced by financial
22 statements prepared in accordance with
23 generally accepted accounting principles.

24 (iv) If funds in any account of the
25 public corporation that are dedicated for

specific purposes have been withdrawn from that account for any other purpose, the public corporation shall fully restore the funds to the account.

(v) The financial plan and budget shall ensure the continuing long-term financial stability of the public corporation, as indicated by factors including—

(I) access to short-term and long-term capital markets;

(II) the efficient management of the public corporation workforce; and

(III) the effective provision of services by the public corporation.

(B) APPLICATION OF SOUND BUDGETARY PRACTICES; ASSUMPTIONS BASED ON CURRENT LAW.—In meeting the standards described in subparagraph (A) with respect to a financial plan and budget for a fiscal year, the public corporation shall—

(i) apply sound budgetary practices, including—

(I) reducing costs and other expenditures;

(II) improving productivity;

- 1 (III) increasing revenues; or
2 (IV) any combination of those
3 practices; and
4 (ii) base estimates of revenues and ex-
5 penditures on Federal law, as in effect at
6 the time of preparation of the financial
7 plan and budget.

8 (b) SUBMISSION, REVIEW, AND APPROVAL.—

9 (1) SUBMISSION.—Not later than February 1
10 of each fiscal year preceding a fiscal year during
11 which a public corporation is in a control period
12 under section 322(a), the Governor or emergency
13 manager (as applicable) shall submit to the Author-
14 ity and the Legislative Assembly a financial plan
15 and budget for the public corporation for that fol-
16 lowing fiscal year, as developed in accordance with
17 this subsection.

18 (2) REVIEW BY AUTHORITY.—On receipt of a
19 financial plan and budget for a fiscal year under
20 paragraph (1), the Authority—

21 (A) shall promptly review the financial
22 plan and budget; and

23 (B) in conducting the review, may request
24 any additional information the Authority con-

1 siders to be necessary and appropriate to carry
2 out this part.

3 (3) ACTION ON APPROVAL.—

4 (A) CERTIFICATION TO GOVERNOR.—

5 (i) IN GENERAL.—If the Authority de-
6 termines that the financial plan and budg-
7 et for a fiscal year submitted under para-
8 graph (1) meets the applicable require-
9 ments of this section—

10 (I) the Authority shall—

11 (aa) approve the financial
12 plan and budget; and

13 (bb) submit a notice certi-
14 fying that approval to—

15 (AA) the emergency
16 manager (as applicable);

17 (BB) the Governor;

18 (CC) the Legislative
19 Assembly;

20 (DD) the President;

21 and

22 (EE) Congress; and

23 (II) the Governor or the emer-
24 gency manager (as applicable) shall
25 promptly submit the financial plan

1 and budget to the Legislative Assem-
 2 bly.

3 (ii) DEEMED APPROVAL.—

4 (I) IN GENERAL.—If the Author-
 5 ity has not provided to the emergency
 6 manager (as applicable), the Gov-
 7 ernor, the Legislative Assembly, and
 8 Congress a notice certifying approval
 9 under clause (i)(I)(bb) or a statement
 10 of disapproval under paragraph
 11 (4)(A)(ii) by the date that is 30 days
 12 after the date on which the Authority
 13 receives the financial plan and budget
 14 under paragraph (1), the Authority
 15 shall be deemed to have—

16 (aa) approved the financial
 17 plan and budget; and

18 (bb) submitted a notice cer-
 19 tifying approval described in
 20 clause (i)(I)(bb) to—

21 (AA) the emergency
 22 manager (as applicable);

23 (BB) the Governor;

24 (CC) the Legislative
 25 Assembly;

1 (DD) the President;
2 and
3 (EE) Congress.

4 (II) EXPLANATION OF FAILURE
5 TO RESPOND.—If subclause (I) ap-
6 plies with respect to a financial plan
7 and budget, the Authority shall sub-
8 mit to the emergency manager (as ap-
9 plicable), the Governor, the Legisla-
10 tive Assembly, the President, and
11 Congress an explanation for the fail-
12 ure of the Authority to submit a no-
13 tice certifying approval or a statement
14 of disapproval during the 30-day pe-
15 riod described in that subclause.

16 (B) ADOPTION BY LEGISLATIVE ASSEM-
17 BLY.—Not later than 30 days after the date of
18 receipt of the financial plan and budget for a
19 fiscal year from the Governor or the emergency
20 manager (as applicable) under subparagraph
21 (A)(i)(II), the Legislative Assembly shall—

22 (i) by Act, adopt the financial plan
23 and budget, which shall serve as the adop-
24 tion of the budget of the public corporation
25 for the fiscal year; and

1 (ii) submit the financial plan and
2 budget to—

3 (I) the emergency manager (as
4 applicable);

5 (II) the Governor; and

6 (III) the Authority.

7 (4) ACTION ON DISAPPROVAL.—

8 (A) IN GENERAL.—If the Authority deter-
9 mines that the financial plan and budget for a
10 fiscal year submitted under paragraph (1) does
11 not meet the applicable requirements under this
12 section, the Authority shall—

13 (i) disapprove the financial plan and
14 budget; and

15 (ii) submit to the emergency manager
16 (as applicable), the Governor, and the Leg-
17 islative Assembly a statement containing—

18 (I) the reasons for the dis-
19 approval;

20 (II) a description of the amount
21 of any shortfall in the budget or fi-
22 nancial plan; and

23 (III) any recommendations for
24 revisions to the budget the Authority
25 considers to be appropriate to ensure

1 that the financial plan and budget
2 meets the applicable requirements
3 under this section.

4 (B) REVISED FINANCIAL PLAN AND BUDG-
5 ET.—

6 (i) IN GENERAL.—Not later than 15
7 days after the date of receipt of a state-
8 ment from the Authority under subpara-
9 graph (A)(ii), the Governor or the emer-
10 gency manager (as applicable) shall
11 promptly submit to the Authority and the
12 Legislative Assembly a revised financial
13 plan and budget for the applicable fiscal
14 year that addresses the reasons of the Au-
15 thority for disapproval.

16 (ii) APPROVAL.—If the Authority de-
17 termines that the revised financial plan
18 and budget for a fiscal year submitted by
19 the Governor or the emergency manager
20 (as applicable) under clause (i) meets the
21 applicable requirements under this sec-
22 tion—

23 (I) the Authority shall—

24 (aa) approve the financial
25 plan and budget; and

1 (bb) submit a notice certi-
 2 fying that approval to—

3 (AA) the emergency
 4 manager (as applicable);

5 (BB) the Governor;

6 (CC) the Legislative
 7 Assembly;

8 (DD) the President;

9 and

10 (EE) Congress; and

11 (II) the Governor or the emer-
 12 gency manager (as applicable) shall
 13 promptly submit the financial plan
 14 and budget to the Legislative Assem-
 15 bly.

16 (iii) DISAPPROVAL.—

17 (I) IN GENERAL.—If the Author-
 18 ity determines that the revised finan-
 19 cial plan and budget for a fiscal year
 20 submitted by the Governor or the
 21 emergency manager (as applicable)
 22 under clause (i) does not meet the ap-
 23 plicable requirements under this sec-
 24 tion, the Authority shall—

1 (aa) disapprove the financial
2 plan and budget;

3 (bb) submit to the Governor,
4 the emergency manager (as ap-
5 plicable), the Legislative Assem-
6 bly, the President, and Congress
7 a statement containing the rea-
8 sons for the disapproval; and

9 (cc)(AA) recommend a fi-
10 nancial plan and budget for the
11 public corporation that meets the
12 applicable requirements under
13 this section; and

14 (BB) submit the financial
15 plan and budget to the Governor,
16 the emergency manager (as ap-
17 plicable), and the Legislative As-
18 sembly.

19 (II) SUBMISSION OF REJECTED
20 FINANCIAL PLAN AND BUDGET.—The
21 Governor or the emergency manager
22 (as applicable) shall promptly submit
23 to the Legislative Assembly a revised
24 financial plan and budget disapproved
25 by the Authority under this clause.

1 (iv) DEEMED APPROVAL.—

2 (I) IN GENERAL.—If the Author-
3 ity has not provided to the Governor,
4 the Legislative Assembly, and Con-
5 gress a notice certifying approval
6 under clause (ii)(I)(bb) or a statement
7 of disapproval under clause (iii)(I)(bb)
8 by the date that is 15 days after the
9 date on which the Authority receives
10 the revised financial plan and budget
11 submitted by the Governor or the
12 emergency manager (as applicable)
13 under clause (i), the Authority shall
14 be deemed to have—

15 (aa) approved the revised fi-
16 nancial plan and budget; and

17 (bb) submitted a notice cer-
18 tifying approval described in
19 clause (ii)(I)(bb) to—

20 (AA) the emergency
21 manager (as applicable);

22 (BB) the Governor;

23 (CC) the Legislative
24 Assembly;

1 (DD) the President;
2 and
3 (EE) Congress.

4 (II) EXPLANATION OF FAILURE
5 TO RESPOND.—If subclause (I) ap-
6 plies with respect to a financial plan
7 and budget, the Authority shall sub-
8 mit to the Governor, the emergency
9 manager (as applicable), the Legisla-
10 tive Assembly, the President, and
11 Congress an explanation for the fail-
12 ure of the Authority to submit a no-
13 tice certifying approval or a statement
14 of disapproval during the 15-day pe-
15 riod described in that subclause.

16 (C) ACTION BY LEGISLATIVE ASSEMBLY.—

17 (i) IN GENERAL.—Not later than 30
18 days after the date of receipt of an ap-
19 proved revised financial plan and budget of
20 the Governor or the emergency manager
21 (as applicable) for a fiscal year under sub-
22 paragraph (B)(ii) or, in the case of a fi-
23 nancial plan and budget disapproved by
24 the Authority, the financial plan and budg-
25 et recommended by the Authority under

subparagraph (B)(iii)(I)(cc), the Legislative Assembly shall—

(I) by Act, adopt the financial plan and budget, which shall serve as the adoption of the budget of the public corporation for the fiscal year; and

(II) submit the financial plan and budget to—

(aa) the emergency manager

(as applicable);

(bb) the Governor; and

(cc) the Authority.

(5) REVISIONS TO FINANCIAL PLAN AND BUDG-

ET.—

(A) ACTION BY GOVERNOR.—The Governor or the emergency manager (as applicable) may submit to the Authority proposed revisions to the financial plan and budget for a control year at any time during the control year.

(B) PROCEDURE.—Except as provided in subparagraph (C), the procedures described in paragraphs (2), (3), and (4) shall apply with respect to a proposed revision to a financial plan and budget in the same manner as those proce-

dures apply with respect to the original financial plan and budget.

(C) 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 section does not increase the amount of spending with respect to any account of the public corporation, the revision shall take effect on the date of approval by the Authority of the revision, subject to review by Congress.

SEC. 324. FINANCIAL PLAN AND BUDGET FOR THE COMMONWEALTH DURING A CONTROL PERIOD.

(a) FINANCIAL PLAN AND BUDGET REQUIRED; CONTENTS.—

(1) IN GENERAL.—For each fiscal year for which the Commonwealth government is in a control period under section 322(b), the Governor shall develop and submit to the Authority a financial plan and budget for the Commonwealth in accordance with this section.

(2) CONTENTS.—

(A) IN GENERAL.—A financial plan and budget for the Commonwealth for a fiscal year shall specify the budgets for the Commonwealth

1 government for the applicable fiscal year and
2 the subsequent 3 fiscal years (including the pro-
3 jected revenues and expenditures of each fund
4 of the Commonwealth government for those fis-
5 cal years), in accordance with the requirements
6 described in subparagraph (B).

7 (B) REQUIREMENTS.—The financial plan
8 and budget shall—

9 (i) meet the standards described in
10 paragraph (3) to promote the financial sta-
11 bility of the Commonwealth government;

12 (ii) provide for estimates of revenues
13 and expenditures on a modified accrual
14 basis;

15 (iii)(I) describe lump-sum expendi-
16 tures by department, by object class;

17 (II) describe capital expenditures (to-
18 gether with a schedule of projected capital
19 commitments of the Commonwealth gov-
20 ernment and proposed sources of funding);

21 (III) contain estimates of short-term
22 and long-term debt, whether outstanding
23 or anticipated to be issued; and

24 (IV) contain cash flow forecasts for
25 each fund of the Commonwealth govern-

ment, at such intervals as the Authority
may require;

(iv) include a statement describing
methods of estimations and significant as-
sumptions; and

(v) include such other provisions, and
meet such other criteria, as the Authority
considers to be appropriate to meet the
purposes of this title, including provisions
relating to—

(I) changes in personnel policies
and levels for each department or
agency of the Commonwealth govern-
ment;

(II) changes in the structure and
organization of the Commonwealth
government; and

(III) management initiatives to
promote—

(aa) productivity;

(bb) improvement in the de-
livery of services; or

(cc) cost savings.

(3) STANDARDS TO PROMOTE FINANCIAL STA-
BILITY.—

1 (A) IN GENERAL.—The standards to pro-
2 mote the financial stability of the Common-
3 wealth government applicable to the financial
4 plan and budget for a fiscal year are as follows:

5 (i) In the case of the financial plan
6 and budget for the first fiscal year of a
7 control period, the expenditures of the
8 Commonwealth government for the fiscal
9 year may not exceed the revenues of the
10 Commonwealth government for that fiscal
11 year.

12 (ii) During each of 5 subsequent fiscal
13 years, the Commonwealth government shall
14 make continuous, substantial progress to-
15 ward equalizing the expenditures and reve-
16 nues of the Commonwealth government for
17 those fiscal years in equal annual install-
18 ments, to the maximum extent practicable.

19 (iii) The Commonwealth government
20 shall provide for the orderly liquidation of
21 the cumulative fund balance deficit of the
22 government, as evidenced by financial
23 statements prepared in accordance with
24 generally accepted accounting principles.

1 (iv) If funds in any account of the
 2 Commonwealth government that are dedi-
 3 cated for specific purposes have been with-
 4 drawn from that account for any other
 5 purpose, the Commonwealth government
 6 shall fully restore the funds to the account.

7 (v) The financial plan and budget
 8 shall ensure the continuing long-term fi-
 9 nancial stability of the Commonwealth gov-
 10 ernment, as indicated by factors includ-
 11 ing—

12 (I) access to short-term and long-
 13 term capital markets;

14 (II) the efficient management of
 15 the Commonwealth government work-
 16 force; and

17 (III) the effective provision of
 18 services by the Commonwealth govern-
 19 ment.

20 (B) APPLICATION OF SOUND BUDGETARY
 21 PRACTICES; ASSUMPTIONS BASED ON CURRENT
 22 LAW.—In meeting the standards described in
 23 subparagraph (A) with respect to a financial
 24 plan and budget for a fiscal year, the Common-
 25 wealth government shall—

1 (i) apply sound budgetary practices,
 2 including—

3 (I) reducing costs and other ex-
 4 penditures;

5 (II) improving productivity;

6 (III) increasing revenues; or

7 (IV) any combination of those
 8 practices; and

9 (ii) base estimates of revenues and ex-
 10 penditures on Federal law, as in effect at
 11 the time of preparation of the financial
 12 plan and budget.

13 (b) SUBMISSION, REVIEW, AND APPROVAL.—

14 (1) IN GENERAL.—Not later than February 1
 15 of each fiscal year preceding a fiscal year during
 16 which the Commonwealth government is in a control
 17 period under section 322(b), the Governor shall sub-
 18 mit to the Authority and the Legislative Assembly a
 19 financial plan and budget for that following fiscal
 20 year, as developed in accordance with this section.

21 (2) REVIEW BY AUTHORITY.—On receipt of a
 22 financial plan and budget for a fiscal year from the
 23 Governor under paragraph (1), the Authority—

24 (A) shall promptly review the financial
 25 plan and budget; and

(B) in conducting the review, may request any additional information the Authority considers to be necessary and appropriate to carry out this part.

(3) ACTION ON APPROVAL.—

(A) CERTIFICATION TO GOVERNOR.—

(i) IN GENERAL.—If the Authority determines that the financial plan and budget for a fiscal year submitted by the Governor under paragraph (1) meets the applicable requirements of this section—

(I) the Authority shall—

(aa) approve the financial plan and budget; and

(bb) submit a notice certifying that approval to—

(AA) the Governor;

(BB) the Legislative

Assembly;

(CC) the President; and

(DD) Congress; and

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

(ii) DEEMED APPROVAL.—

(I) IN GENERAL.—If the Authority has not provided to the Governor, the Legislative Assembly, and Congress a notice certifying approval under clause (i)(I)(bb) or a statement of disapproval under paragraph (4)(A)(ii) by the date that is 30 days after the date on which the Authority receives the financial plan and budget from the Governor under paragraph (1), the Authority shall be deemed to have—

(aa) approved the financial plan and budget; and

(bb) submitted a notice certifying approval described in clause (i)(I)(bb) to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress.

(II) EXPLANATION OF FAILURE TO RESPOND.—If subclause (I) applies with respect to a financial plan

1 and budget, the Authority shall sub-
2 mit to the Governor, the Legislative
3 Assembly, the President, and Con-
4 gress an explanation for the failure of
5 the Authority to submit a notice certi-
6 fying approval or a statement of dis-
7 approval during the 30-day period de-
8 scribed in that subclause.

9 (B) ADOPTION BY LEGISLATIVE ASSEM-
10 BLY.—Not later than 30 days after the date of
11 receipt of the financial plan and budget for a
12 fiscal year from the Governor under subpara-
13 graph (A)(i)(II), the Legislative Assembly
14 shall—

15 (i) by Act, adopt the financial plan
16 and budget, which shall serve as the adop-
17 tion of the budget of the Commonwealth
18 government for the fiscal year; and

19 (ii) submit the financial plan and
20 budget to—

21 (I) the Governor; and

22 (II) the Authority.

23 (C) REVIEW OF LEGISLATIVE ASSEMBLY
24 FINANCIAL PLAN AND BUDGET.—On receipt of
25 the financial plan and budget for a fiscal year

1 from the Legislative Assembly under subpara-
 2 graph (B), and taking into account any items
 3 or provisions disapproved by the Governor or
 4 disapproved by the Governor and reenacted by
 5 the Legislative Assembly, the Authority—

6 (i) shall promptly review the financial
 7 plan and budget; and

8 (ii) in conducting the review, may re-
 9 quest any additional information the Au-
 10 thority considers to be necessary and ap-
 11 propriate to carry out this part.

12 (D) RESULTS OF AUTHORITY REVIEW.—

13 (i) APPROVAL.—If the Authority de-
 14 termines that the financial plan and budg-
 15 et for the fiscal year submitted by the Leg-
 16 islative Assembly under subparagraph
 17 (B)(ii) meets the applicable requirements
 18 under this section—

19 (I) the Authority shall—

20 (aa) approve the financial
 21 plan and budget; and

22 (bb) submit a notice certi-
 23 fying the approval to—

24 (AA) the Governor;

1 (BB) the Legislative
2 Assembly;

3 (CC) the President; and

4 (DD) Congress; and

5 (II) the Legislative Assembly
6 shall promptly submit the financial
7 plan and budget to the Governor for
8 transmission to the President and
9 Congress.

10 (ii) DISAPPROVAL.—If the Authority
11 determines that the financial plan and
12 budget for a fiscal year submitted by the
13 Legislative Assembly under subparagraph
14 (B)(ii) does not meet the applicable re-
15 quirements under this section, the Author-
16 ity shall—

17 (I) disapprove the financial plan
18 and budget; and

19 (II) submit to the Governor, the
20 Legislative Assembly, the President,
21 and Congress a statement con-
22 taining—

23 (aa) the reasons for the dis-
24 approval;

1 (bb) a description of the
2 amount of any shortfall in the
3 budget or financial plan; and

4 (cc) any recommendations
5 for revisions to the budget the
6 Authority considers to be appro-
7 priate to ensure that the budget
8 is consistent with the financial
9 plan and budget.

10 (iii) DEEMED APPROVAL.—

11 (I) IN GENERAL.—If the Author-
12 ity has not submitted to the Governor,
13 the Legislative Assembly, the Presi-
14 dent, and Congress a notice certifying
15 approval under clause (i)(I)(bb) or a
16 statement of disapproval under clause
17 (ii)(II) by the date that is 15 days
18 after the date on which the Authority
19 receives the financial plan and budget
20 from the Legislative Assembly under
21 subparagraph (B)(ii), the Authority
22 shall be deemed to have—

23 (aa) approved the financial
24 plan and budget; and

(bb) submitted a notice certifying approval described in clause (i)(I)(bb) to—

(AA) the Governor;

(BB) the Legislative Assembly;

(CC) the President; and

(DD) Congress.

(II) EXPLANATION OF FAILURE

TO RESPOND.—If subclause (I) applies with respect to a financial plan and budget, the Authority shall submit to the Governor, the Legislative Assembly, the President, and Congress an explanation for the failure of the Authority to submit a notice certifying approval or a statement of disapproval during the 15-day period described in that subclause.

(E) AUTHORITY REVIEW OF REVISED FI-

NANCIAL PLAN AND BUDGET.—

(i) IN GENERAL.—Not later than 15 days after the date of receipt of a statement from the Authority under subpara-

graph (D)(ii)(II), the Legislative Assembly shall—

(I) promptly, by Act, adopt a revised financial plan and budget for the applicable fiscal year that addresses the reasons for disapproval cited in the statement; and

(II) submit the revised financial plan and budget to—

(aa) the Governor; and

(bb) the Authority.

(ii) APPROVAL.—If, after reviewing the revised financial plan and budget for a fiscal year submitted by the Legislative Assembly under clause (i) in accordance with the procedures described in this subsection, the Authority determines that the revised financial plan and budget meets the applicable requirements under this section—

(I) the Authority shall—

(aa) approve the financial plan and budget; and

(bb) submit a notice certifying that approval to—

(AA) the Governor;

1 (BB) the Legislative
2 Assembly;

3 (CC) the President; and

4 (DD) Congress; and

5 (II) the Legislative Assembly
6 shall promptly submit the financial
7 plan and budget to the Governor for
8 transmission to the President and
9 Congress.

10 (iii) DISAPPROVAL.—

11 (I) IN GENERAL.—If, after re-
12 viewing the revised financial plan and
13 budget for a fiscal year submitted by
14 the Legislative Assembly under clause
15 (i) in accordance with the procedures
16 described in this paragraph, the Au-
17 thority determines that the revised fi-
18 nancial plan and budget does not
19 meet the applicable requirements
20 under this section, the Authority
21 shall—

22 (aa) disapprove the financial
23 plan and budget;

24 (bb) submit to the Governor,
25 the Legislative Assembly, the

1 President, and Congress a state-
2 ment containing—

3 (AA) the reasons for
4 the disapproval; and

5 (BB) a description of
6 the amount of any shortfall
7 in the budget or financial
8 plan; and

9 (cc)(AA) recommend a fi-
10 nancial plan and budget for the
11 Commonwealth government that
12 meets the applicable require-
13 ments under this section; and

14 (BB) submit that financial
15 plan and budget to the Governor,
16 the Legislative Assembly, the
17 President, and Congress.

18 (II) SUBMISSION OF REJECTED
19 FINANCIAL PLAN AND BUDGET.—The
20 Legislative Assembly shall promptly
21 submit to the Governor for trans-
22 mission to the President and Congress
23 a revised financial plan and budget
24 disapproved by the Authority under
25 this clause.

1 (iv) DEEMED APPROVAL.—

2 (I) IN GENERAL.—If the Author-
3 ity has not provided to the Governor,
4 the Legislative Assembly, and Con-
5 gress a notice certifying approval
6 under clause (ii)(I)(bb) or a statement
7 of disapproval under clause (iii)(I)(bb)
8 by the date that is 15 days after the
9 date on which the Authority receives
10 the revised financial plan and budget
11 submitted by the Legislative Assembly
12 under clause (i), the Authority shall
13 be deemed to have—

14 (aa) approved the financial
15 plan and budget; and

16 (bb) submitted a notice cer-
17 tifying approval described in
18 clause (ii)(I)(bb) to—

19 (AA) the Governor;

20 (BB) the Legislative
21 Assembly;

22 (CC) the President; and

23 (DD) Congress.

24 (II) EXPLANATION OF FAILURE
25 TO RESPOND.—If subclause (I) ap-

1 plies with respect to a financial plan
2 and budget, the Authority shall sub-
3 mit to the Governor, the Legislative
4 Assembly, the President, and Con-
5 gress an explanation for the failure of
6 the Authority to submit a notice certi-
7 fying approval or a statement of dis-
8 approval during the 15-day period de-
9 scribed in that subclause.

10 (F) DEADLINE FOR TRANSMISSION BY AU-
11 THORITY.—Notwithstanding any other provision
12 of this subsection, not later than June 15 of
13 each fiscal year preceding a fiscal year that is
14 a control year, the Authority shall submit to
15 Congress—

16 (i) as applicable, a notice certifying
17 the approval by the Authority of—

18 (I) the initial financial plan and
19 budget of the Legislative Assembly for
20 that following fiscal year under sub-
21 paragraph (D)(i); or

22 (II) the revised financial plan
23 and budget of the Legislative Assem-
24 bly for that following fiscal year under
25 subparagraph (E)(ii); or

1 (ii) an approved and recommended fi-
2 nancial plan and budget of the Authority
3 for the Commonwealth government for
4 that following fiscal year under subpara-
5 graph (E)(iii).

6 (4) ACTION ON DISAPPROVAL.—

7 (A) IN GENERAL.—If the Authority deter-
8 mines that the financial plan and budget for a
9 fiscal year submitted by the Governor under
10 paragraph (1) does not meet the applicable re-
11 quirements under this section, the Authority
12 shall—

13 (i) disapprove the financial plan and
14 budget; and

15 (ii) submit to the Governor and the
16 Legislative Assembly a statement con-
17 taining—

18 (I) the reasons for the dis-
19 approval;

20 (II) a description of the amount
21 of any shortfall in the budget or fi-
22 nancial plan; and

23 (III) any recommendations for
24 revisions to the budget the Authority
25 considers to be appropriate to ensure

1 that the financial plan and budget
2 meets the applicable requirements
3 under this section.

4 (B) REVISED FINANCIAL PLAN AND BUDG-
5 ET.—

6 (i) IN GENERAL.—Not later than 15
7 days after the date of receipt of a state-
8 ment from the Authority under subpara-
9 graph (A)(ii), the Governor shall promptly
10 submit to the Authority and the Legisla-
11 tive Assembly a revised financial plan and
12 budget for the applicable fiscal year that
13 addresses the reasons of the Authority for
14 disapproval.

15 (ii) APPROVAL.—If the Authority de-
16 termines that the revised financial plan
17 and budget for a fiscal year submitted by
18 the Governor under clause (i) meets the
19 applicable requirements under this sec-
20 tion—

21 (I) the Authority shall—

22 (aa) approve the financial
23 plan and budget; and

24 (bb) submit a notice certi-
25 fying that approval to—

1 (AA) the Governor;
 2 (BB) the Legislative
 3 Assembly;
 4 (CC) the President; and
 5 (DD) Congress; and

6 (II) the Governor shall promptly
 7 submit the financial plan and budget
 8 to the Legislative Assembly.

9 (iii) DISAPPROVAL.—

10 (I) IN GENERAL.—If the Author-
 11 ity determines that the revised finan-
 12 cial plan and budget for a fiscal year
 13 submitted by the Governor under
 14 clause (i) does not meet the applicable
 15 requirements under this section, the
 16 Authority shall—

17 (aa) disapprove the financial
 18 plan and budget;

19 (bb) submit to the Governor,
 20 the Legislative Assembly, the
 21 President, and Congress a state-
 22 ment containing the reasons for
 23 the disapproval; and

24 (cc)(AA) recommend a fi-
 25 nancial plan and budget for the

1 Commonwealth government that
2 meets the applicable require-
3 ments under this section; and

4 (BB) submit the financial
5 plan and budget to the Governor
6 and the Legislative Assembly.

7 (II) SUBMISSION OF REJECTED
8 FINANCIAL PLAN AND BUDGET.—The
9 Governor shall promptly submit to the
10 Legislative Assembly a revised finan-
11 cial plan and budget disapproved by
12 the Authority under this clause.

13 (iv) DEEMED APPROVAL.—

14 (I) IN GENERAL.—If the Author-
15 ity has not provided to the Governor,
16 the Legislative Assembly, and Con-
17 gress a notice certifying approval
18 under clause (ii)(I)(bb) or a statement
19 of disapproval under clause (iii)(I)(bb)
20 by the date that is 15 days after the
21 date on which the Authority receives
22 the revised financial plan and budget
23 submitted by the Governor under
24 clause (i), the Authority shall be
25 deemed to have—

1 (aa) approved the revised fi-
 2 nancial plan and budget; and

3 (bb) submitted a notice cer-
 4 tifying approval described in
 5 clause (ii)(I)(bb) to—

6 (AA) the Governor;

7 (BB) the Legislative
 8 Assembly;

9 (CC) the President; and

10 (DD) Congress.

11 (II) EXPLANATION OF FAILURE
 12 TO RESPOND.—If subclause (I) ap-
 13 plies with respect to a financial plan
 14 and budget, the Authority shall sub-
 15 mit to the Governor, the Legislative
 16 Assembly, the President, and Con-
 17 gress an explanation for the failure of
 18 the Authority to submit a notice certi-
 19 fying approval or a statement of dis-
 20 approval during the 15-day period de-
 21 scribed in that subclause.

22 (C) ACTION BY LEGISLATIVE ASSEMBLY.—

23 (i) IN GENERAL.—Not later than 30
 24 days after the date of receipt of an ap-
 25 proved revised financial plan and budget of

1 the Governor for a fiscal year under sub-
 2 paragraph (B)(ii) or, in the case of a fi-
 3 nancial plan and budget disapproved by
 4 the Authority, the financial plan and budg-
 5 et recommended by the Authority under
 6 subparagraph (B)(iii)(I)(cc), the Legisla-
 7 tive Assembly shall—

8 (I) by Act, adopt the financial
 9 plan and budget, which shall serve as
 10 the adoption of the budget of the
 11 Commonwealth government for the
 12 fiscal year; and

13 (II) submit the financial plan and
 14 budget to—

15 (aa) the Governor; and

16 (bb) the Authority.

17 (ii) REVIEW BY AUTHORITY.—A fi-
 18 nancial plan and budget submitted by the
 19 Legislative Assembly under clause (i) shall
 20 be subject to review by the Authority and
 21 revision by the Legislative Assembly in the
 22 same manner as the financial plan and
 23 budget submitted by the Legislative As-
 24 sembly after an approved preliminary fi-
 25 nancial plan and budget of the Governor

1 under subparagraphs (C) through (F) of
2 paragraph (3).

3 (5) REVISIONS TO FINANCIAL PLAN AND BUDG-
4 ET.—

5 (A) ACTION BY GOVERNOR.—The Governor
6 may submit to the Authority proposed revisions
7 to the financial plan and budget for a control
8 year at any time during the control year.

9 (B) PROCEDURE.—Except as provided in
10 subparagraph (C), the procedures described in
11 paragraphs (2), (3), and (4) shall apply with re-
12 spect to a proposed revision to a financial plan
13 and budget in the same manner as those proce-
14 dures apply with respect to the original finan-
15 cial plan and budget, except that the reference
16 contained in paragraph (3)(A)(ii) to a 30-day
17 period shall be considered to be a 20-day pe-
18 riod.

19 (C) EXCEPTION FOR REVISIONS NOT AF-
20 FECTING APPROPRIATIONS.—To the extent that
21 a proposed revision to a financial plan and
22 budget adopted by the Legislative Assembly
23 pursuant to this section does not increase the
24 amount of spending with respect to any account
25 of the Commonwealth government, the revision

1 shall take effect on the date of approval by the
2 Authority of the revision, subject to review by
3 Congress.

4 **SEC. 325. REVIEW TO ENSURE COMPLIANCE.**

5 (a) LEGISLATIVE ASSEMBLY ACTS.—

6 (1) IN GENERAL.—Not later than December 31
7 of each control year, the Legislative Assembly shall
8 submit to the Authority—

9 (A) a copy of each Act that, during the
10 control year, was—

11 (i) passed by the Legislative Assembly
12 and signed by the Governor;

13 (ii) vetoed by the Governor and re-
14 passed by $\frac{2}{3}$ of the members of each of the
15 Senate and House of Representatives of
16 the Legislative Assembly; or

17 (iii) passed by the Legislative Assem-
18 bly and allowed to become effective without
19 the signature of the Governor; and

20 (B) an estimate of the costs of carrying
21 out the Act.

22 (2) PROMPT REVIEW.—On receipt from the
23 Legislative Assembly of an Act under paragraph (1),
24 the Authority shall promptly review the Act to deter-
25 mine whether the Act is consistent with—

1 (A) the applicable financial plan and budg-
2 et approved under section 323 or 324 for the
3 control year; and

4 (B) the estimate of the costs of carrying
5 out the Act under paragraph (1)(B).

6 (3) ACTIONS BY AUTHORITY.—

7 (A) APPROVAL.—Except as provided in
8 subparagraph (C), if the Authority determines
9 that an Act described in this subsection is con-
10 sistent with the applicable financial plan and
11 budget—

12 (i) the Authority shall submit to the
13 Legislative Assembly a notice of the ap-
14 proval; and

15 (ii) the Legislative Assembly shall
16 submit to Congress a copy of the Act for
17 review.

18 (B) FINDING OF INCONSISTENCY.—Except
19 as provided in subparagraph (C), if the Author-
20 ity determines that an Act described in this
21 subsection is significantly inconsistent with the
22 applicable financial plan and budget, the Au-
23 thority shall—

24 (i) notify the Legislative Assembly of
25 the finding;

1 (ii) provide the Legislative Assembly
2 with an explanation of the reasons for the
3 finding; and

4 (iii) to the extent the Authority con-
5 siders to be appropriate, provide to the
6 Legislative Assembly recommendations for
7 modifications to the Act.

8 (C) EXCEPTION FOR EMERGENCIES.—Sub-
9 paragraphs (A) and (B) shall not apply with re-
10 spect to any Act that the Legislative Assembly
11 determines should take effect immediately due
12 to an emergency circumstance.

13 (4) EFFECT OF FINDING.—If the Authority
14 makes a finding under paragraph (3)(B), the Legis-
15 lative Assembly may not submit to Congress the Act
16 for review.

17 (5) DEEMED APPROVAL.—

18 (A) IN GENERAL.—Subject to subpara-
19 graph (B), if the Authority fails to notify the
20 Legislative Assembly of an approval or dis-
21 approval of an Act described in this subsection
22 by the date that is 7 days after the date on
23 which the Legislative Assembly submits the Act
24 to the Authority, the Authority shall be deemed

1 to have approved the Act in accordance with
2 paragraph (3)(A).

3 (B) EXTENSION.—The Authority may elect
4 to extend the deadline described in subpara-
5 graph (A) to a period of not longer than 14
6 days, subject to the condition that the Author-
7 ity shall notify the Legislative Assembly and the
8 Governor of the election.

9 (6) PRELIMINARY REVIEW OF PROPOSED
10 ACTS.—

11 (A) IN GENERAL.—Subject to subpara-
12 graph (B), at the request of the Legislative As-
13 sembly, the Authority may conduct a prelimi-
14 nary review of proposed legislation pending be-
15 fore the Legislative Assembly to determine
16 whether the legislation as proposed would be
17 consistent with the applicable financial plan and
18 budget approved under section 323 or 324.

19 (B) TREATMENT.—A preliminary review
20 under subparagraph (A) shall not be binding on
21 the Authority in reviewing any Act subsequently
22 submitted under this subsection.

23 (b) EFFECT ON CONTRACTS AND LEASES.—

24 (1) MANDATORY PRIOR APPROVAL.—

1 (A) IN GENERAL.—In the case of a con-
 2 tract or lease described in subparagraph (B)
 3 that is proposed to be entered into by the Com-
 4 monwealth government during a control year,
 5 the Governor (or other appropriate officer or
 6 agent of the Commonwealth government)—

7 (i) shall submit to the Authority the
 8 proposed contract or lease for review and
 9 approval; and

10 (ii) may not enter into the contract or
 11 lease unless the Authority determines that
 12 the proposed contract or lease is consistent
 13 with the financial plan and budget for the
 14 control year.

15 (B) CONTRACTS AND LEASES DE-
 16 SCRIBED.—A contract or lease referred to in
 17 subparagraph (A) is—

18 (i) a labor contract entered into
 19 through collective bargaining; or

20 (ii) such other type of contract or
 21 lease as the Authority may specify for pur-
 22 poses of this subparagraph.

23 (2) REVIEW AFTER EXECUTION.—

24 (A) IN GENERAL.—In addition to the prior
 25 approval of certain contracts and leases under

1 paragraph (1), the Authority may require the
2 Governor (or other appropriate officer or agent
3 of the Commonwealth government) to submit to
4 the Authority—

5 (i) any other contract (including a
6 contract to carry out a grant) or lease en-
7 tered into by the Commonwealth govern-
8 ment during a control year that is executed
9 after the date on which the Authority has
10 approved the financial plan and budget for
11 the control year under section 323 or 324;
12 or

13 (ii) any proposal of the Common-
14 wealth government to renew, extend, or
15 modify a contract or lease during a control
16 year that is made after the date on which
17 the Authority has approved that financial
18 plan and budget.

19 (B) ACTION BY AUTHORITY.—The Author-
20 ity shall review each contract or lease submitted
21 under subparagraph (A) to determine whether
22 the contract or lease is consistent with the fi-
23 nancial plan and budget for the applicable con-
24 trol year.

1 (C) ACTION BY GOVERNOR.—If the Au-
2 thority determines under subparagraph (B)
3 that a contract or lease is not consistent with
4 the applicable financial plan and budget, to en-
5 sure that the contract or lease will be consistent
6 with the financial plan and budget, the Gov-
7 ernor shall—

8 (i) take such action pursuant to the
9 authority of the Governor to revise the
10 contract or lease; or

11 (ii) submit a proposed revision to the
12 financial plan and budget in accordance
13 with section 323(b)(5) or 324(b)(5).

14 (3) CONTRACTS SUBJECT TO LEGISLATIVE AS-
15 SEMBLY APPROVAL.—In the case of a contract or
16 lease that is required to be submitted to the Author-
17 ity under this subsection and is subject to approval
18 by the Legislative Assembly under the laws of the
19 Commonwealth, the Governor shall submit the con-
20 tract or lease to the Authority only after the Legisla-
21 tive Assembly has approved the contract or lease.

22 (c) RESTRICTIONS ON REPROGRAMMING OF
23 AMOUNTS.—

24 (1) SUBMISSIONS OF REQUESTS TO AUTHOR-
25 ITY.—If the Governor submits to the Legislative As-

1 sembly a request for the reprogramming of any
2 amounts provided in a budget for a fiscal year that
3 occurs during a control year after the date on which
4 the budget is adopted by the Legislative Assembly—

5 (A) the Governor shall submit the request
6 to the Authority; and

7 (B) the Authority shall—

8 (i) analyze the effect of the proposed
9 reprogramming on the financial plan and
10 budget for the fiscal year; and

11 (ii) submit the analysis to the Legisla-
12 tive Assembly by not later than 15 days
13 after the date of receipt of the request.

14 (2) NO ACTION PERMITTED.—The Legislative
15 Assembly may not adopt a reprogramming during a
16 fiscal year that occurs during a control year, and no
17 officer or employee of the Commonwealth govern-
18 ment may carry out any reprogramming during such
19 a year, until the Authority has provided to the Leg-
20 islative Assembly an analysis of a request for the re-
21 programming in accordance with paragraph (1).

22 **SEC. 326. RESTRICTIONS ON BORROWING.**

23 (a) IN GENERAL.—The Commonwealth government
24 may not borrow money during a control year, unless the
25 Authority provides to the Governor a certification that

1 both the receipt of funds through that borrowing and the
 2 repayment of obligations incurred through the borrowing
 3 are consistent with the financial plan and budget for the
 4 control year.

5 (b) REVISIONS TO FINANCIAL PLAN AND BUDGET.—

6 If the Authority determines that a borrowing proposed to
 7 be carried out by the Commonwealth government under
 8 subsection (a) is not consistent with the financial plan and
 9 budget, the Governor may submit to the Authority a pro-
 10 posed revision to the financial plan and budget in accord-
 11 ance with section 324(b)(5) to ensure that the borrowing
 12 is consistent with the revised financial plan and budget.

13 (c) BORROWING DESCRIBED.—This subsection shall
 14 apply with respect to any borrowing carried out by the
 15 Commonwealth government, including—

- 16 (1) borrowing through the issuance of bonds;
- 17 (2) the exercise of authority to obtain funds
- 18 from the United States Treasury; or
- 19 (3) any other means.

20 **SEC. 327. FINDING OF NONCOMPLIANCE.**

21 (a) SUBMISSION OF REPORTS.—On initiation of a
 22 control period under section 322(b), the Governor shall
 23 submit to the Authority a report that—

- 24 (1) describes the actual revenues obtained and
- 25 expenditures made by the Commonwealth govern-

1 ment during the preceding quarter, as compared to
2 cash flows during that quarter; and

3 (2) compares those actual revenues, expendi-
4 tures, and cash flows with the most recent projec-
5 tions for those items.

6 (b) DEMAND FOR ADDITIONAL INFORMATION.—If
7 the Authority determines, based on reports submitted by
8 the Governor under subsection (a), independent audits, or
9 such other information as the Authority may obtain, that
10 the revenues or expenditures of the Commonwealth gov-
11 ernment during a control year are not consistent with the
12 financial plan and budget for the year, the Authority shall
13 require the Governor to provide such additional informa-
14 tion as the Authority determines to be necessary to explain
15 the inconsistency.

16 (c) CERTIFICATION OF VARIANCE.—

17 (1) IN GENERAL.—After requiring the Governor
18 to provide additional information under subsection
19 (b), the Authority shall certify to the Legislative As-
20 sembly, the President, the Secretary, and Congress
21 that the Commonwealth government is at variance
22 with the financial plan and budget, unless—

23 (A) the Authority determines to be reason-
24 able and appropriate, taking into account the
25 terms of the financial plan and budget—

1 (i) an explanation for the inconsis-
 2 tency based on the additional information;

3 or

4 (ii) a remedial action (including revis-
 5 ing the financial plan and budget pursuant
 6 to section 324(b)(5)) implemented by the
 7 Commonwealth government to correct the
 8 inconsistency; and

9 (B) the Governor agrees to submit the re-
 10 ports described in subsection (a) on a monthly
 11 basis for such period as the Authority may re-
 12 quire.

13 (2) INCONSISTENCIES ATTRIBUTABLE TO ACTS
 14 OF CONGRESS.—

15 (A) DETERMINATION BY AUTHORITY.—If
 16 the Authority determines that the revenues or
 17 expenditures of the Commonwealth government
 18 during a control year are not consistent with
 19 the financial plan and budget for the year as
 20 approved by the Authority under section 324 as
 21 a result of the terms and conditions of the
 22 budget of the Commonwealth government for
 23 the control year or as a result of any law en-
 24 acted by Congress that affects the Common-

1 wealth, the Authority shall submit to the Gov-
2 ernor a notification of the determination.

3 (B) CERTIFICATION.—In the case of an in-
4 consistency described in subparagraph (A), the
5 Authority shall certify to the Legislative Assem-
6 bly, the President, the Secretary, and Congress
7 that the Commonwealth government is at vari-
8 ance with the financial plan and budget unless
9 the Commonwealth government adopts or im-
10 plements a remedial action (including revising
11 the financial plan and budget pursuant to sec-
12 tion 324(b)(5)) to correct the inconsistency that
13 the Authority finds reasonable and appropriate,
14 taking into account the terms of the financial
15 plan and budget.

16 (d) EFFECT OF CERTIFICATION.—If the Authority
17 certifies to the Secretary that a variance exists—

18 (1) the Authority may withhold any funds de-
19 posited in an account of the Authority which would
20 otherwise be expended on behalf of the Common-
21 wealth government; and

22 (2) the Secretary shall withhold funds otherwise
23 payable to the Commonwealth under such Federal
24 programs as the Authority may specify (other than
25 funds dedicated to making entitlement or benefit

1 payments to individuals), in such amounts and in ac-
2 cordance with such other conditions as the Authority
3 may specify.

4 **SEC. 328. RECOMMENDATIONS REGARDING FINANCIAL**
5 **STABILITY AND MANAGEMENT RESPONS-**
6 **BILITY.**

7 (a) IN GENERAL.—The Authority may at any time
8 submit recommendations to the Governor, the Legislative
9 Assembly, the President, and Congress regarding actions
10 the Commonwealth government or the Federal Govern-
11 ment may take to ensure compliance by the Common-
12 wealth government with a financial plan and budget, or
13 to otherwise promote the financial stability, management
14 responsibility, and service delivery efficiency of the Com-
15 monwealth government, including recommendations relat-
16 ing to—

17 (1) the management of the financial affairs of
18 the Commonwealth government, including cash fore-
19 casting, information technology, placing controls on
20 expenditures for personnel, reducing benefit costs,
21 reforming procurement practices, and placing other
22 controls on expenditures;

23 (2) the structural relationship of departments,
24 agencies, and independent agencies within the Com-
25 monwealth government;

1 (3)(A) the modification of existing revenue
2 structures; or

3 (B) the establishment of additional revenue
4 structures;

5 (4) the establishment of alternatives for meet-
6 ing obligations to pay for the pensions of former
7 Commonwealth government employees;

8 (5) modifications or transfers of the types of
9 services that are the responsibility of, and are deliv-
10 ered by, the Commonwealth government;

11 (6) modifications of the types of services that
12 are delivered by entities other than the Common-
13 wealth government under alternative service delivery
14 mechanisms (including privatization and commer-
15 cialization);

16 (7) the effects of Commonwealth laws and court
17 orders on the operations of the Commonwealth gov-
18 ernment;

19 (8) the establishment of a personnel system for
20 employees of the Commonwealth government that is
21 based on employee performance standards; and

22 (9) the improvement of personnel training and
23 proficiency, the adjustment of staffing levels, and
24 the improvement of training and performance of
25 management and supervisory personnel.

1 (b) RESPONSE TO RECOMMENDATIONS.—

2 (1) IN GENERAL.—In the case of any rec-
3 ommendations submitted under subsection (a) dur-
4 ing a control year that are within the authority of
5 the Commonwealth government to adopt, not later
6 than 90 days after the date of receipt of the rec-
7 ommendations, the Governor or the Legislative As-
8 sembly (whichever has the authority to adopt the
9 recommendation) shall submit to the Authority, the
10 President, and Congress a notification describing
11 whether the Commonwealth government will adopt
12 the recommendations.

13 (2) IMPLEMENTATION PLAN REQUIRED.—If the
14 Governor or the Legislative Assembly (as applicable)
15 notifies the Authority and Congress under para-
16 graph (1) that the Commonwealth government will
17 adopt a recommendation submitted under subsection
18 (a), the Governor or the Legislative Assembly shall
19 include in the statement a written plan to implement
20 the recommendation that includes—

21 (A) specific performance measures to de-
22 termine the extent to which the Commonwealth
23 government has adopted the recommendation;
24 and

1 (B) a schedule for auditing compliance by
2 the Commonwealth government with the plan.

3 (3) RECOMMENDATIONS NOT ADOPTED.—If the
4 Governor or the Legislative Assembly (as applicable)
5 notifies the Authority, the President, and Congress
6 under paragraph (1) that the Commonwealth gov-
7 ernment will not adopt a recommendation submitted
8 under subsection (a) that the Commonwealth gov-
9 ernment has authority to adopt, the Governor or the
10 Legislative Assembly shall include in the statement
11 an explanation for the rejection of the recommenda-
12 tion.

13 (c) IMPLEMENTATION OF REJECTED RECOMMENDA-
14 TIONS.—

15 (1) IN GENERAL.—If the Governor or the Leg-
16 islative Assembly (as applicable) notifies the Author-
17 ity, the President, and Congress under subsection
18 (b)(1) that the Commonwealth government will not
19 adopt a recommendation submitted under subsection
20 (a) that the Commonwealth government has author-
21 ity to adopt, the Authority, by a majority vote of the
22 members of the Authority, may take such action
23 concerning the recommendation as the Authority de-
24 termines to be appropriate, after consultation with—

1 (A) the Committee on Energy and Natural
2 Resources of the Senate; and

3 (B) the Committee on Natural Resources
4 of the House of Representatives.

5 (2) EFFECTIVE DATE.—This subsection shall
6 apply with respect to recommendations of the Au-
7 thority made after the date that is 180 days after
8 the date of enactment of this Act.

9 **PART II—ISSUANCE OF BONDS**

10 **SEC. 331. AUTHORITY TO ISSUE BONDS.**

11 (a) IN GENERAL.—

12 (1) REQUEST OF GOVERNOR.—Subject to the
13 requirements of this part, the Authority may at the
14 request of the Governor and pursuant to an Act of
15 the Legislative Assembly, issue bonds, notes, or
16 other obligations to borrow funds for the use of the
17 Commonwealth government, in such amounts and in
18 such manner as the Authority considers appropriate.

19 (2) SPECIAL RULE FOR INSTRUMENTALITIES
20 WITH INDEPENDENT BORROWING AUTHORITY.—In
21 the case of an agency or instrumentality of the Com-
22 monwealth government that has the authority to
23 issue bonds, notes, or obligations to borrow funds
24 without the enactment of an Act of the Legislative
25 Assembly, the Authority may issue bonds, notes, or

1 other obligations to borrow funds for the use or
2 functions of the agency or instrumentality at the re-
3 quest of the head of the agency or instrumentality.

4 (b) DEPOSIT OF FUNDS OBTAINED THROUGH BOR-
5 ROWING WITH AUTHORITY.—

6 (1) IN GENERAL.—Any amounts obtained by
7 the Commonwealth government through borrowing
8 by the Authority pursuant to this part shall be de-
9 posited in an escrow account held by the Authority.

10 (2) ALLOCATION.—The Authority shall make
11 available to the Commonwealth government funds
12 from the escrow account in such amounts and at
13 such times as the Authority considers appropriate,
14 consistent with the specified purposes of the funds
15 and the applicable financial plan and budget.

16 (c) USES OF FUNDS OBTAINED THROUGH BONDS.—

17 Any amounts obtained through the issuance of bonds,
18 notes, or other obligations pursuant to this part may be
19 used for—

20 (1) any purpose (consistent with the applicable
21 financial plan and budget) under part I for which
22 the Commonwealth government may use borrowed
23 funds; and

24 (2) any other purpose that the Authority con-
25 sidered appropriate.

1 **SEC. 332. PLEDGE OF SECURITY INTEREST IN REVENUES**
2 **OF COMMONWEALTH GOVERNMENT.**

3 (a) IN GENERAL.—The Authority may pledge or
4 grant a security interest in revenues to individuals or enti-
5 ties purchasing bonds, notes, or other obligations issued
6 pursuant to this part.

7 (b) DEDICATION OF REVENUE STREAM FROM COM-
8 MONWEALTH GOVERNMENT.—The Authority shall require
9 the Governor—

10 (1) to pledge or direct to the Authority any
11 taxes or other revenues otherwise payable to the
12 Commonwealth government that are not otherwise
13 pledged or committed, including payments from the
14 Federal Government, for purposes of securing repay-
15 ment of bonds, notes, or other obligations issued
16 under this part; and

17 (2) to transfer to the Authority the proceeds of
18 any tax levied for purposes of securing any bonds,
19 notes, or other obligations issued under this part im-
20 mediately on collection of the proceeds.

21 **SEC. 333. ESTABLISHMENT OF DEBT SERVICE RESERVE**
22 **FUND.**

23 (a) IN GENERAL.—As a condition for the issuance
24 of bonds, notes, or other obligations pursuant to this part,
25 the Authority shall establish a debt service reserve fund,
26 which shall be a trust fund held for the benefit and secu-

1 rity of the obligees of the Authority whose bonds, notes,
 2 or other obligations are secured by the debt service reserve
 3 fund, consisting of such funds as the Authority may make
 4 available for the debt service reserve fund.

5 (b) REQUIREMENTS.—

6 (1) USES OF FUNDS.—Amounts in a debt serv-
 7 ice reserve fund established under subsection (a)
 8 may be used only for—

9 (A) the payment of the principal of bonds
 10 secured in whole or in part by the debt service
 11 reserve fund;

12 (B) the purchase or redemption of the
 13 bonds;

14 (C) the payment of interest on the bonds;
 15 or

16 (D) the payment of any redemption pre-
 17 mium required to be paid when the bonds and
 18 notes are redeemed prior to maturity.

19 (2) RESTRICTIONS ON WITHDRAWALS.—

20 (A) IN GENERAL.—There may not be with-
 21 drawn from the debt service reserve fund an
 22 amount that would reduce the amount of the
 23 debt service reserve fund to less than the min-
 24 imum reserve fund requirement established for
 25 the debt service reserve fund in the resolution

1 of the Authority establishing the fund, except
2 for withdrawals for—

3 (i) the purpose of making payments of
4 principal, interest, redemption premiums,
5 and sinking fund payments, if any, with
6 respect to the bonds for the payment of
7 which other amounts of the Authority are
8 not available; and

9 (ii) the purpose of funding the oper-
10 ations of the Authority for a fiscal year (in
11 such amounts and under such conditions
12 as are established under the budget of the
13 Authority for the fiscal year under section
14 316(a)).

15 (B) USE OF EXCESS FUNDS.—Nothing in
16 subparagraph (A) prohibits the Authority from
17 transferring to other funds or accounts of the
18 Authority any income or interest earned by, or
19 increments to, the debt service reserve fund due
20 to the investment of funds in the debt service
21 reserve fund (to the extent the transfer does
22 not reduce the amount of the debt service re-
23 serve fund below the minimum reserve fund re-
24 quirement established for the debt service re-
25 serve fund) for such purposes as the Authority

1 considers to be appropriate to promote the fi-
2 nancial stability and management efficiency of
3 the Commonwealth government.

4 **SEC. 334. OTHER REQUIREMENTS FOR ISSUANCE OF**
5 **BONDS.**

6 The Authority may not issue bonds, notes, or other
7 obligations pursuant to this part that are secured in whole
8 or in part by a debt service reserve fund established under
9 section 333 if issuance of the bonds would cause the
10 amount in the debt service reserve fund to fall below the
11 minimum reserve requirement for the debt service reserve
12 fund, unless the Authority, on issuance of the bonds, de-
13 posits in the debt service reserve fund an amount (from
14 the proceeds of the bonds to be issued or from other
15 sources) that, when added to the amount already in the
16 debt service reserve fund, would cause the total amount
17 in the debt service reserve fund to equal or exceed the min-
18 imum reserve fund requirement established by the Author-
19 ity on the date of the establishment of the debt service
20 reserve fund.

21 **SEC. 335. NO FULL FAITH AND CREDIT OF THE UNITED**
22 **STATES.**

23 (a) IN GENERAL.—The full faith and credit of the
24 United States is not pledged for the payment of any prin-

1 cipal of or interest on any bond, note, or other obligation
 2 issued by the Authority pursuant to this part.

3 (b) RESPONSIBILITY OR LIABILITY OF THE UNITED
 4 STATES.—The United States is not responsible or liable
 5 for the payment of any principal of or interest on any
 6 bond, note, or other obligation issued by the Authority
 7 pursuant to this part.

8 **PART III—OTHER DUTIES OF AUTHORITY**

9 **SEC. 341. DUTIES OF AUTHORITY DURING YEAR OTHER** 10 **THAN CONTROL YEAR.**

11 (a) IN GENERAL.—During the period beginning on
 12 the termination of a control period under subsection (a)(3)
 13 or (b)(3) of section 322 and ending with the suspension
 14 of activities of the Authority under section 317, the Au-
 15 thority shall—

16 (1) review the budgets of the Commonwealth
 17 government adopted by the Legislative Assembly for
 18 each fiscal year occurring during the period;

19 (2) at such time as the Authority considers ap-
 20 propriate prepare and submit to the Governor, the
 21 Legislative Assembly, the President, and Congress a
 22 report analyzing the budget;

23 (3)(A) monitor the financial status of the Com-
 24 monwealth government or a public corporation; and

1 (B) if the Authority determines that a risk to
 2 the financial status of the Commonwealth govern-
 3 ment or a public corporation exists and that a con-
 4 trol period needs to be implemented with respect to
 5 the Commonwealth government or a public corpora-
 6 tion in accordance with section 322, submit to the
 7 Governor, the Legislative Assembly, the President,
 8 and Congress a report describing the determination;
 9 and

10 (4) carry out activities under part II with re-
 11 spect to bonds, notes, or other obligations of the Au-
 12 thority outstanding during the period.

13 (b) REQUIRING GOVERNOR TO SUBMIT BUDGETS TO
 14 AUTHORITY.—With respect to the budget for each fiscal
 15 year during the period described in subsection (a), on the
 16 date on which the Governor submits the budget of the
 17 Commonwealth government adopted by the Legislative As-
 18 sembly to the President in accordance with this title, the
 19 Governor shall transmit the budget to the Authority.

20 **SEC. 342. GENERAL ASSISTANCE IN ACHIEVING FINANCIAL**
 21 **STABILITY AND MANAGEMENT EFFICIENCY.**

22 In addition to any other actions described in this sub-
 23 title, the Authority may undertake cooperative efforts to
 24 assist the Commonwealth government in achieving finan-
 25 cial stability and management efficiency, including—

1 (1) assisting the Commonwealth government in
 2 avoiding defaults, eliminating and liquidating defi-
 3 cits, maintaining sound budgetary practices, and
 4 avoiding interruptions in the delivery of services;

5 (2) assisting the Commonwealth government in
 6 improving—

7 (A) the delivery of government services;

8 (B) the training and effectiveness of per-
 9 sonnel of the Commonwealth government; and

10 (C) the efficiency of management and su-
 11 pervision; and

12 (3) making recommendations to the President
 13 for submission to Congress on changes to this title
 14 or other Federal laws or other actions of the Federal
 15 Government that would assist the Commonwealth
 16 government in complying with an approved financial
 17 plan and budget.

18 **SEC. 343. OBTAINING REPORTS.**

19 The Authority may require the Governor, the Legisla-
 20 tive Assembly, and the Inspector General of Puerto Rico
 21 to prepare and submit any reports that the Authority con-
 22 siders appropriate to assist the Authority in carrying out
 23 the responsibilities of the Authority under this subtitle, in-
 24 cluding submitting copies of any reports regarding reve-
 25 nues, expenditures, budgets, costs, plans, operations, esti-

1 mates, and other financial or budgetary matters of the
2 Commonwealth government.

3 **SEC. 344. REPORTS AND COMMENTS.**

4 (a) ANNUAL REPORTS TO CONGRESS.—Not later
5 than 30 days after the last day of each fiscal year that
6 is a control year, the Authority shall submit to Congress
7 a report that describes—

8 (1) the progress made by the Commonwealth
9 government and public corporations in meeting the
10 objectives of this title during the fiscal year;

11 (2) the assistance provided by the Authority to
12 the Commonwealth government and public corpora-
13 tions in meeting the purposes of this title for the fis-
14 cal year; and

15 (3) any other activities of the Authority during
16 the fiscal year.

17 (b) REVIEW AND ANALYSIS OF PERFORMANCE AND
18 FINANCIAL ACCOUNTABILITY REPORTS.—The Authority
19 shall—

20 (1) review each report prepared and submitted
21 by the Governor under this title; and

22 (2) submit to Congress a report that analyzes
23 the completeness and accuracy of each report.

24 (c) COMMENTS REGARDING ACTIVITIES OF COMMON-
25 WEALTH GOVERNMENT.—At any time during a control

1 year, the Authority may submit to Congress a report that
 2 describes any action taken by the Commonwealth govern-
 3 ment (or any failure to act by the Commonwealth govern-
 4 ment) that the Authority determines would—

5 (1) adversely affect the ability of the Common-
 6 wealth government to comply with an approved fi-
 7 nancial plan and budget; or

8 (2) have a significant adverse impact on the
 9 best interests of the Commonwealth.

10 (d) REPORTS ON EFFECT OF FEDERAL LAWS ON
 11 COMMONWEALTH GOVERNMENT.—At any time during
 12 any year, the Authority may submit to the Governor, the
 13 Legislative Assembly, the President, and Congress a re-
 14 port that describes—

15 (1) the effect of laws enacted by Congress on
 16 the financial plan and budget for the year; and

17 (2) the financial stability and management effi-
 18 ciency of the Commonwealth government in general.

19 (e) MAKING REPORTS PUBLICLY AVAILABLE.—The
 20 Authority shall make any report submitted under this sec-
 21 tion available to the public, except to the extent that the
 22 Authority determines that the report contains confidential
 23 material.

1 **Subtitle C—Chief Financial Officer**

2 **SEC. 351. ESTABLISHMENT OF OFFICE.**

3 (a) IN GENERAL.—There is established within the ex-
 4 ecutive branch of the Commonwealth government an Of-
 5 fice of the Chief Financial Officer of Puerto Rico, which
 6 shall be headed by the Chief Financial Officer of Puerto
 7 Rico.

8 (b) TRANSFER OF GOVERNMENT DEVELOPMENT
 9 BANK FUNCTIONS AND PERSONNEL.—Effective with the
 10 appointment of the first Chief Financial Officer under sec-
 11 tion 352, the functions and personnel of the Government
 12 Development Bank are transferred to the Office.

13 (c) PRESIDENT OF GOVERNMENT DEVELOPMENT
 14 BANK.—With respect to the Government Development
 15 Bank—

16 (1) the Chief Financial Officer shall appoint the
 17 President of the Government Development Bank,
 18 subject to the approval of the Governor; and

19 (2) the Chief Financial Officer may remove the
 20 President of the Government Development Bank for
 21 cause, after consultation with the Governor.

22 **SEC. 352. APPOINTMENT; REMOVAL.**

23 (a) APPOINTMENT.—

24 (1) CONTROL YEAR.—

1 (A) IN GENERAL.—During a control year
2 initiated under section 322(b), the Chief Finan-
3 cial Officer shall be appointed by the Governor
4 in accordance with this paragraph.

5 (B) RECOMMENDATIONS.—Prior to the ap-
6 pointment of the Chief Financial Officer, the
7 Authority may submit recommendations for the
8 appointment to the Governor.

9 (C) NOMINATION.—In consultation with
10 the Authority and the Legislative Assembly, the
11 Governor shall nominate an individual for ap-
12 pointment and notify the Legislative Assembly
13 of the nomination.

14 (D) NOTIFICATION.—After the expiration
15 of the 7-day period beginning on the date on
16 which the Governor notifies the Legislative As-
17 sembly of the nomination under subparagraph
18 (B), the Governor shall notify the Authority of
19 the nomination.

20 (E) EFFECTIVENESS.—The nomination
21 shall be effective subject to approval by a ma-
22 jority vote of the Authority.

23 (2) OTHER YEARS.—

24 (A) IN GENERAL.—During a year other
25 than a control year initiated under section

1 322(b), the Chief Financial Officer shall be ap-
2 pointed by the Governor with the advice and
3 consent of the Legislative Assembly.

4 (B) RECOMMENDATIONS.—Prior to ap-
5 pointment under subparagraph (A), the Author-
6 ity may submit recommendations for the ap-
7 pointment.

8 (b) REMOVAL.—

9 (1) CONTROL YEAR.—During a control year ini-
10 tiated under section 322(b), the Chief Financial Of-
11 ficer may be removed for cause by the Authority or
12 by the Governor with the approval of the Authority.

13 (2) OTHER YEARS.—During a year other than
14 a control year initiated under section 322(b), the
15 Chief Financial Officer shall serve at the pleasure of
16 the Governor, except that the Chief Financial Offi-
17 cer may only be removed for cause.

18 (c) SALARY.—The Chief Financial Officer shall be
19 paid at an annual rate determined by the Governor, except
20 that the rate may not exceed the rate of basic pay payable
21 for level IV of the Executive Schedule, as described in sec-
22 tion 5315 of title 5, United States Code.

1 **SEC. 353. FUNCTIONS OF CHIEF FINANCIAL OFFICER.**

2 (a) FUNCTIONS DURING CONTROL YEAR.—During a
3 control year initiated under section 322(b), the Chief Fi-
4 nancial Officer shall have the following duties:

5 (1) Preparing the financial plan and budget for
6 the use of the Governor.

7 (2) Preparing the budgets of the Common-
8 wealth for the year for the use of the Governor.

9 (3) Ensuring that all financial information pre-
10 sented by the Governor is presented in a manner
11 consistent with applicable law.

12 (4) Implementing appropriate procedures and
13 instituting such programs, systems, and personnel
14 policies within the authority of the Chief Financial
15 Officer, to ensure that budget, accounting, and per-
16 sonnel control systems and structures are syn-
17 chronized for budgeting and control purposes on a
18 continuing basis.

19 (5) With the approval of the Authority, pre-
20 paring and submitting to the Governor and the Leg-
21 islative Assembly—

22 (A) annual estimates of all revenues of the
23 Commonwealth government (without regard to
24 the source of the revenues), including proposed
25 revenues, which shall be binding on the Gov-
26 ernor and the Legislative Assembly for purposes

1 of preparing and submitting the budget of the
2 Commonwealth government for the year, except
3 that the Governor and the Legislative Assembly
4 may prepare the budget based on estimates of
5 revenues that are lower than those prepared by
6 the Chief Financial Officer; and

7 (B) quarterly re-estimates of the revenues
8 of the Commonwealth government during the
9 year.

10 (6) Supervising and assuming responsibility for
11 financial transactions to ensure—

12 (A) adequate control of revenues and re-
13 sources; and

14 (B) that appropriations are not exceeded.

15 (7) Maintaining systems of accounting and in-
16 ternal control designed to provide—

17 (A) full disclosure of the financial impact
18 of the activities of the Commonwealth govern-
19 ment;

20 (B) adequate financial information needed
21 by the Commonwealth government for manage-
22 ment purposes;

23 (C) effective control over, and account-
24 ability for, all funds, property, and other assets
25 of the Commonwealth government; and

1 (D) reliable accounting results to serve as
2 the basis for preparing and supporting agency
3 budget requests and controlling the execution of
4 the budget.

5 (8) Submitting to the Legislative Assembly a fi-
6 nancial statement of the Commonwealth government,
7 containing such details and at such times as the
8 Legislative Assembly may specify.

9 (9) Supervising and assuming responsibility for
10 the levying and collection of all taxes, special assess-
11 ments, licensing fees, and other revenues of the
12 Commonwealth government (as may be required by
13 law), and receiving all amounts paid to the Common-
14 wealth government from any source (including the
15 Authority).

16 (10) Maintaining custody of all public funds be-
17 longing to or under the control of the Common-
18 wealth government (or any department or agency of
19 the Commonwealth government), and depositing all
20 amounts paid in such depositories and under such
21 terms and conditions as may be designated by the
22 Legislative Assembly or the Authority.

23 (11)(A) Maintaining custody of all investment
24 and invested funds of the Commonwealth govern-

1 ment or in possession of the Commonwealth govern-
2 ment in a fiduciary capacity.

3 (B) Maintaining the safekeeping of all bonds
4 and notes of the Commonwealth government and the
5 receipt and delivery of Commonwealth government
6 bonds and notes for transfer, registration, or ex-
7 change.

8 (12)(A) Apportioning the total of all appropria-
9 tions and funds made available during the year for
10 obligation so as to prevent obligation or expenditure
11 in a manner that would result in a deficiency or a
12 need for supplemental appropriations during the
13 year.

14 (B) With respect to appropriations and funds
15 available for an indefinite period and all authoriza-
16 tions to create obligations by contract in advance of
17 appropriations, apportioning the total of those ap-
18 propriations, funds, or authorizations in the most ef-
19 fective and economical manner.

20 (13) Certifying all contracts (whether directly
21 or through delegation) prior to execution as to the
22 availability of funds to meet the obligations expected
23 to be incurred by the Commonwealth government
24 under the contracts during the year.

1 (14) Prescribing the forms of receipts, vouch-
2 ers, bills, and claims to be used by all agencies, of-
3 fices, and instrumentalities of the Commonwealth
4 government.

5 (15) Certifying and approving prior to payment
6 all bills, invoices, payrolls, and other evidences of
7 claims, demands, or charges against the Common-
8 wealth government, and determining the regularity,
9 legality, and correctness of those bills, invoices, pay-
10 rolls, claims, demands, or charges.

11 (16) In coordination with the Inspector General
12 of Puerto Rico, performing internal audits of ac-
13 counts and operations and records of the Common-
14 wealth government, including the examination of any
15 accounts or records of financial transactions, giving
16 due consideration to the effectiveness of accounting
17 systems, internal control, and related administrative
18 practices of the departments and agencies of the
19 Commonwealth government.

20 (b) FUNCTIONS DURING ALL YEARS.—At all times,
21 the Chief Financial Officer shall have the following duties:

22 (1) Administering all borrowing programs of
23 the Commonwealth government for the issuance of
24 long-term and short-term indebtedness.

1 (2) Administering the cash management pro-
2 gram of the Commonwealth government, including
3 the investment of surplus funds in governmental and
4 nongovernmental interest-bearing securities and ac-
5 counts.

6 (3) Administering the centralized Common-
7 wealth government payroll and retirement systems.

8 (4) Governing the accounting policies and sys-
9 tems applicable to the Commonwealth government.

10 (5) Preparing appropriate annual, quarterly,
11 and monthly financial reports of the accounting and
12 financial operations of the Commonwealth govern-
13 ment.

14 (6) Not later than 120 days after the end of
15 each fiscal year, preparing the complete financial
16 statement and report on the activities of the Com-
17 monwealth government for the ending fiscal year, for
18 the use of the Governor.

19 (c) REPORTS.—

20 (1) IN GENERAL.—At all times, the Chief Fi-
21 nancial Officer shall be responsible for reporting rev-
22 enues received by the Commonwealth government,
23 including preparing, not later than 60 days after the
24 last day of the applicable quarter or year, quarterly

1 and annual reports concerning the cash position of
2 the Commonwealth government.

3 (2) REQUIREMENTS.—Reports described in
4 paragraph (1) shall include the following:

5 (A)(i) Comparative reports of revenue and
6 other receipts by source, including tax, nontax,
7 and Federal revenues, grants and reimburse-
8 ments, capital program loans, and advances.

9 (ii) Each source shall be broken down into
10 specific components.

11 (B)(i) Statements of the cash flow of the
12 Commonwealth government for the preceding
13 quarter or year, including receipts, disburse-
14 ments, net changes in cash inclusive of the be-
15 ginning balance, cash and investment, and the
16 ending balance, inclusive of cash and invest-
17 ment.

18 (ii) Statements under clause (i) shall re-
19 flect the actual, planned, better, or worse dollar
20 amounts and the percentage change with re-
21 spect to the current quarter, year-to-date, and
22 fiscal year.

23 (C) Quarterly cash flow forecast for the
24 quarter or year involved, reflecting receipts, dis-
25 bursements, net change in cash inclusive of the

beginning balance, cash and investment, and the ending balance, inclusive of cash and investment with respect to the actual dollar amounts for the quarter or year, and projected dollar amounts for each of the 3 succeeding quarters.

(D) Monthly reports reflecting a detailed summary analysis of all Commonwealth government investments, including—

(i) the total of long-term and short-term investments;

(ii) a detailed summary analysis of investments by type and amount, including purchases, sales (maturities), and interest;

(iii) an analysis of investment portfolio mix by type and amount, including liquidity, quality, and risk of each security, and similar information;

(iv) an analysis of investment strategy, including—

(I) near-term strategic plans and projects of investment activity;

(II) forecasts of future investment strategies based on anticipated market conditions; and

(III) similar information; and

1 (v) an analysis of cash utilization, in-
2 cluding—

3 (I) comparisons of budgeted per-
4 centages of total cash to be invested
5 with actual percentages of cash in-
6 vested and the dollar amounts;

7 (II) comparisons of the next re-
8 turn on invested cash expressed in
9 percentages (yield) with comparable
10 market indicators and established
11 Commonwealth government yield ob-
12 jectives; and

13 (III) comparisons of estimated
14 dollar return against actual dollar
15 yield.

16 (E)(i) Monthly reports reflecting a detailed
17 summary analysis of long-term and short-term
18 borrowings inclusive of debt in the current fis-
19 cal year and the amount of debt for each suc-
20 ceeding fiscal year, not to exceed 5 years.

21 (ii) All reports described in clause (i) shall
22 reflect—

23 (I) the amount of debt outstanding by
24 type of instrument;

1 (II) the amount of authorized and
 2 unissued debt, including availability of
 3 short-term lines of credit, United States
 4 Treasury borrowings, and similar informa-
 5 tion;

6 (III) a maturity schedule of the debt;

7 (IV) the rate of interest payable on
 8 the debt; and

9 (V) the amount of debt service re-
 10 quirements and related debt service re-
 11 serves.

12 **Subtitle D—Effect**

13 **SEC. 361. EFFECT.**

14 Nothing in this title—

15 (1) relieves any obligations existing as of the
 16 date of enactment of this Act of the Commonwealth
 17 government to repay any individual or entity from
 18 whom the Commonwealth government has borrowed
 19 funds, whether through the issuance of bonds or oth-
 20 erwise;

21 (2) limits the authority of Congress to exercise
 22 authority over the Commonwealth pursuant to arti-
 23 cle IV, section 3, clause 2 of the Constitution of the
 24 United States; or

1 (3) impairs the right of residents of the Com-
 2 monwealth to express the preference of the residents
 3 regarding whether—

4 (A) to maintain the territorial status of the
 5 Commonwealth in existence as of the date of
 6 enactment of this Act; or

7 (B) to establish a permanent nonterritorial
 8 status with the United States.

9 **SEC. 362. PREEMPTION.**

10 This title preempts all Federal, State, and local laws
 11 relating to the Commonwealth, any public corporation, or
 12 any process for establishing or reviewing rates, fees, taxes,
 13 or other charges.

14 **TITLE IV—ADDITIONAL**
 15 **REPORTS AND STUDIES**

16 **SEC. 401. REPORT ON EXCLUSION OF TERRITORIES FROM**
 17 **EXCHANGES.**

18 (a) IN GENERAL.—Not later than February 1, 2017,
 19 the Secretary of Health and Human Services, in consulta-
 20 tion with the Joint Committee on Taxation, shall submit
 21 to Congress a report that describes the impact on each
 22 territory of the exclusion of such territories from the provi-
 23 sions of part 2 of subtitle D of title I of the Patient Pro-
 24 tection and Affordable Care Act (42 U.S.C. 18031 et
 25 seq.).

1 (b) INFORMATION IN REPORT.—The report sub-
 2 mitted under subsection (a) shall include the following:

3 (1) With respect to health insurance coverage,
 4 an estimate of the total number of uninsured and
 5 underinsured individuals residing in each territory.

6 (2) A description of the number of health insur-
 7 ance issuers in each territory and the health insur-
 8 ance plans offered by such issuers offer.

9 (3) An estimate of the amount of Federal in-
 10 come taxes that are currently paid in each territory
 11 and an estimate of the amount that those taxes
 12 would be, in aggregate per territory, if the Federal
 13 income tax system applied to the territory.

14 (4) An estimate of the Federal income taxes
 15 that would be paid, in the aggregate per territory,
 16 if individuals residing in each territory paid the av-
 17 erage per capita Federal income tax share devoted
 18 to Federal health funding that is paid by residents
 19 in the 50 States and the District of Columbia.

20 **SEC. 402. STUDY OF PUERTO RICO PUBLIC PENSION DEBT.**

21 Not later than 6 months after the establishment of
 22 the Puerto Rico Financial Responsibility and Management
 23 Assistance Authority under title III of this Act, the Joint
 24 Board for the Enrollment of Actuaries established under
 25 section 3041 of the Employee Retirement Income Security

1 Act of 1974 (29 U.S.C. 1241) shall report to such Author-
2 ity and the Office of Domestic Finance of the Department
3 of the Treasury on the following with respect to the Puerto
4 Rico public pension plans:

5 (1) Recommendations on actions that would be
6 necessary to ensure that such plans can be
7 sustainably maintained and funded by the govern-
8 ment of Puerto Rico for the next 20 years.

9 (2) The feasibility of an assumption by the De-
10 partment of the Treasury of the assets and un-
11 funded liabilities of such plans, individually or collec-
12 tively, in a manner substantially similar to the ac-
13 tions taken with respect to the District Retirement
14 Fund under the District of Columbia Retirement
15 Protection Act of 1997.

16 (3) Whether a freeze of future benefit accruals
17 under such plans is necessary or advisable.

18 (4) The extent to which benefit reductions, such
19 as have been made in previous municipal bankruptcy
20 proceedings, would be necessary or advisable to at-
21 tain sustainability for such plans or create parity
22 with payment reductions applicable to retired indi-
23 viduals who are, directly or indirectly, Puerto Rico
24 bondholders.

1 **SEC. 403. HEALTH AND HUMAN SERVICES REPORT.**

2 (a) IN GENERAL.—Not later than 90 days after the
3 date of enactment of this Act, the Secretary of Health and
4 Human Services shall submit to the Committee on Fi-
5 nance and the Committee on Energy and Natural Re-
6 sources of the Senate, the Committee on Ways and Means
7 and the Committee on Natural Resources of the House
8 of Representatives, and to the Resident Commissioner of
9 the Commonwealth, recommendations that specify the
10 manner in which the Federal Government should more eq-
11 uitably allocate resources across the territories—

12 (1) without—

13 (A) adding to the Federal debt; or

14 (B) significantly decreasing the solvency of
15 the Federal Old-Age and Survivors Insurance
16 Trust Fund and the Federal Disability Insur-
17 ance Trust Fund under section 201 of the So-
18 cial Security Act (42 U.S.C. 401), the Federal
19 Hospital Insurance Trust Fund under section
20 1817 of such Act (42 U.S.C. 1395i), and the
21 Federal Supplementary Medical Insurance
22 Trust Fund under section 1841 of such Act (42
23 U.S.C. 1395t); and

24 (2) to promote—

25 (A) horizontal equity across territories;

26 and

1 (B) inter-temporal horizontal equity across
2 States and territories to account for relative
3 Federal income tax burdens and needs.

4 (b) ESTIMATE OF EFFECTS.—Not later than 90 days
5 after the date on which the recommendations are sub-
6 mitted under subsection (a), the Office of the Actuary of
7 the Centers for Medicare & Medicaid Services shall provide
8 to the Secretary of Health and Human Services and to
9 the Committee on Finance and the Committee on Energy
10 and Natural Resources of the Senate and the Committee
11 on Ways and Means and the Committee on Natural Re-
12 sources of the House of Representatives an estimate of
13 the effects that such recommendations would have on the
14 Federal Hospital Insurance Trust Fund under section
15 1817 of the Social Security Act (42 U.S.C. 1395i).

16 (c) ECONOMIC IMPACT ANALYSIS.—Not later than 90
17 days after the date on which the recommendations are
18 submitted under subsection (a), the Office of the Actuary
19 of the Centers for Medicare & Medicaid Services shall pro-
20 vide to the Secretary of Health and Human Services, the
21 Committee on Finance and the Committee on Energy and
22 Natural Resources of the Senate, the Committee on Ways
23 and Means and the Committee on Natural Resources of
24 the House of Representatives, and to the Resident Com-
25 missioner of the Commonwealth an economic impact anal-

1 ysis of the benefits and costs of such recommendations,
 2 including an executive summary detailing the results of
 3 the analysis in nontechnical terminology.

4 (d) FINAL REPORT.—Not later than 90 days after
 5 the date on which the estimate and analysis are provided
 6 under subsections (b) and (c), the Secretary of Health and
 7 Human Services, acting through the Medicare Payment
 8 Advisory Commission and the Medicaid and CHIP Access
 9 Commission, shall review such estimates and analyses and
 10 provide to the Committee on Finance and the Committee
 11 on Energy and Natural Resources of the Senate, the Com-
 12 mittee on Ways and Means and the Committee on Natural
 13 Resources of the House of Representatives, and to the
 14 Resident Commissioner of the Commonwealth a report
 15 containing a final assessment and recommendations based
 16 on such estimates and analyses to provide equitable treat-
 17 ment to territories and do so in a fiscally responsible way,
 18 both intra- and inter-temporally.

19 **TITLE V—TRANSITION** 20 **ASSISTANCE**

21 **SEC. 501. ASSISTANCE BY THE AUTHORITY, IF NECESSARY,**
 22 **TO ASSIST TRANSITION TO STABILITY.**

23 (a) APPROPRIATION.—There is authorized to be ap-
 24 propriated, and there is appropriated, \$3,000,000,000.

1 Such amount shall remain available through fiscal year
2 2016.

3 (b) USE OF FUNDS.—Amount appropriated under
4 subsection (a) may be used by the Authority to provide
5 resources, if the Authority determines it to be necessary,
6 to assist the transition of the Commonwealth to financial,
7 fiscal, economic, and health care stability.

8 (c) REASONS FOR USE OF FUNDS.—If the Authority
9 provides funds to the Commonwealth under subsection (b),
10 the Authority shall, not later than 30 days prior to allo-
11 cating such funds, submit a report concerning the reasons
12 for the use of such funds, including the perceived need
13 for transition assistance and empirical analysis verifying
14 such need, to—

15 (1) the Committee on Finance and the Com-
16 mittee on Energy and Natural Resources of the Sen-
17 ate;

18 (2) the Committee on Ways and Means and the
19 Committee on Natural Resources of the House of
20 Representatives;

21 (3) the Resident Commissioner of the Common-
22 wealth; and

23 (4) the Governor.

24 (d) AUDIT.—The Comptroller General shall—

1 (1) conduct an audit of the use of funds pro-
 2 vided to Puerto Rico under subsection (b); and

3 (2) when practicable, submit to the appropriate
 4 committees of Congress a report detailing the ex-
 5 penditures under this section and the purpose of
 6 such expenditures.

7 **SEC. 502. OFFSET FOR TRANSITION ASSISTANCE AND PRE-**
 8 **VENTION AND PUBLIC HEALTH FUND.**

9 (a) IN GENERAL.—Subsection (b) of section 4002 of
 10 the Patient Protection and Affordable Care Act (42
 11 U.S.C. 300u–11) is amended—

12 (1) in paragraph (2), by striking “2017” and
 13 inserting “2015”; and

14 (2) by striking paragraphs (3) through (5).

15 (b) RESCISSION OF UNOBLIGATED FUNDS.—Of the
 16 funds made available by such section 4002, the unobli-
 17 gated balance is rescinded.

18 **TITLE VI—TECHNICAL**
 19 **ASSISTANCE**

20 **SEC. 601. TECHNICAL ASSISTANCE TO IMPROVE ACCOUNT-**
 21 **ING, DISCLOSURE, AND ECONOMIC MEASURE-**
 22 **MENT PRACTICES IN THE TERRITORIES.**

23 (a) IN GENERAL.—The Secretary of the Treasury
 24 (referred to in this section as the “Secretary”) shall pro-
 25 vide technical assistance to the territories of the United

1 States (including the Commonwealth of Puerto Rico) to
2 provide for improved accounting and disclosure practices
3 in the applicable territory.

4 (b) INCLUSIONS.—In providing technical assistance
5 under subsection (a), the Secretary, in consultation with
6 any appropriate economic measurement agency and eco-
7 nomic statistical agency of the Federal Government and
8 the Federal Reserve Bank of New York, may provide as-
9 sistance relating to—

- 10 (1) information technology upgrades;
- 11 (2) improving economic forecasting capabilities;
- 12 (3) improving and expanding economic indica-
13 tors for the territory in order to bring the indicators
14 into line with the indicators regularly used to track
15 regional conditions in the United States;
- 16 (4) budgeting, cash management, and spending
17 controls; and
- 18 (5) ensuring that agencies in the territory use
19 financial systems that are compatible with the sys-
20 tems of other agencies of the territory to provide for
21 consistent, timely financial reporting and visibility
22 into expenses.

23 (c) AUTHORIZATION OF APPROPRIATIONS.—There
24 are authorized to be appropriated such sums as are nec-

1 essary to carry out this section for the period of fiscal
2 years 2016 through 2019.

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