



Press Release
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Governor of Puerto Rico signs into law Economic and Fiscal Reconstruction Plan

La Fortaleza, San Juan, Puerto Rico- Governor of Puerto Rico, Luis Fortuño, today signed into law three bills to stabilize the government's difficult fiscal situation and jumpstart the island's economic development.

"The time has come. We must act now, courageously, reaffirming our values, setting aside any political differences and working together for the people of Puerto Rico. Our families deserve good government, a government that serves our people with respect and discipline, always. We will act with sensibility and commitment, having always in mind that our overriding consideration must be the well-being of our people", Governor Fortuño said.

Among the bills approved by both the House of Representatives and the Senate and signed into law by the Governor today is the Special Law on the Fiscal Emergency ("LESEF", by its Spanish acronym), which addresses the severe fiscal crisis currently confronted by the Government of Puerto Rico. The law provides for additional revenue generation measures—some temporary and some permanent,—sets forth a cost reduction plan and provides for a number of financial initiatives that will allow the government to come out of its present fiscal crisis, eliminating its recurrent budget deficit in four years. The revenue generation measures include an additional 5 percent surcharge on corporate income tax applicable to all companies, including banks, insurance companies, and international banking entities, among other temporary measures. An increase in the currently applicable tax on cigarettes, wine and beer is the only permanent general consumption-based tax included in the law and is specifically earmarked to pay for the government's health plan for the indigent.

Meanwhile, the Local Economic Stimulus Plan (PEEC, by its Spanish acronym) provides \$500 million to stimulate the island's economy and counter the

potentially recessive effect of the fiscal measures implemented as part of the Economic and Fiscal Reconstruction Plan. The PEEC—which complements the federal economic stimulus package—will give priority to the construction of infrastructure works that will result in the immediate creation of new jobs. The PEEC will make available new loans for small and medium local businesses that may be risking shutdown do to a cash flow shortage. The plan will also provide benefits to allow applicable homeowners to reduce their monthly payment, either through lowering the applicable interest rate or extending the term of the loan. The law also establishes a new fund to help eligible families obtain a new or existing home through a \$25 thousand or a \$10 thousand incentive, respectively.

Finally, the Federal Economic Stimulus Law sets forth a mechanism at the local state level to optimize and expedite the flow of some \$5 billion in federal funds that have been assigned to Puerto Rico as part of the federal economic stimulus packaged pushed for by President Barack Obama. Among other things, that package provides \$40 million for job retraining and relocation programs that will be complemented by the \$15 million provided for under the PEEC to facilitate a worker’s transition to a new job.

The Governor expressed confidence that these laws will foster the changes that will strengthen the local economy and restore Puerto Rico’s competitive capacity at the global level.

“I’m more than certain that through the enactment of these laws we will come out of the present crisis stronger than before and Puerto Rico will, for the first time in years, face the world with the self-assurance of a growing economy and a healthier, better educated and more productive people”, Fortuño said.

“I have not doubt that if we follow this plan, together we will be able to rebuild Puerto Rico. With the effort and dedication of all of us, Puerto Rico shall rise again. We will recuperate the economic and fiscal stability that we need in order to grow and foster our people’s prosperity...together we will again have a productive Puerto Rico”, the governor concluded.

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