

P R E S S R E L E A S E

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SUPREME COURT UPHELD ACT. 7

In a decision announced Wednesday, February 3, 2010, the Supreme Court of Puerto Rico upheld the constitutionality of Law No. 7 of March 9, 2009 (Fiscal Emergency and Stabilization Act) finding that the government-wide payroll-reduction program did not infringe plaintiffs' constitutional rights.

In its 117-page ruling in the case of Olga Dominguez Castro, et. al. v. Commonwealth of Puerto Rico, et. al., the high court held that the statute "is constitutional in all respects contained in this opinion."

Writing for the majority, Associate Justice Erick Kolthoff said "we conclude that the government's actions in enacting Law No. 7... [and] the layoffs it authorizes ... do not violate due process", as such actions "constitute a reasonable action directed at safeguarding the solvency of the government, in light of the circumstances facing the country."

Puerto Rico's top court also held that Law No. 7 does not violate public employees' equal protection rights, does not infringe the constitutional provision prohibiting the impairment of statutory and contractual rights, and does not constitute an undue delegation of powers by the Legislative Assembly to the Executive.

Enacted early last year, Law No. 7 is the centerpiece of a comprehensive fiscal restructuring and stabilization program that the present government administration has put in place to correct the considerable budgetary imbalance it encountered upon entering office. The statute contains a number of revenue-enhancing and cost-cutting measures featuring, among others, a structured and orderly central government-wide payroll reduction program that included both voluntary early retirement options and layoffs.

A decision of the Supreme Court of Puerto Rico may be reviewed, only by the Supreme Court of the United States, on a discretionary basis.
