

(H. B. 1477)

(No. 105)

(Approved August 26, 2005)

AN ACT

To amend subsection (b) of Section 7.011 of Act No. 81 of August 30, 1991, as amended, better known as the “Autonomous Municipalities Act of Puerto Rico,” to extend the term for the amortization of the accrued operational deficit from thirty (30) to forty (40) years, according to how it is shown in the audited financial statements as of June 30, 2005.

STATEMENT OF MOTIVES

Act No. 81 of August 30, 1991, as amended, known as the “Autonomous Municipalities Act of Puerto Rico,” was approved to offer to the Municipalities the maximum possible autonomy and to provide them with financial tools in order to broaden the necessary powers and faculties to promote excellence in the performance of their urban, social and financial development to achieve effective democratic government operations.

The truth is that most of the Municipalities of Puerto Rico face changes due to the high cost of living, thus affecting the economy. On the other hand, Municipalities must use their revenues for Central Government duties such as the Health Reform, the maintenance of highways the distribution of drinking water, etc., not to mention the unforeseen atmospheric changes they must face. Therefore, some Municipalities are burdened with a significant deficit that affects their operations. In view of the above, it is necessary to become aware and do them justice by amending the Section herein referred to.

In order to offer them relief in view of the budget reality of the Municipalities, we deem that the Autonomous Municipalities Act of Puerto Rico requires an amendment to extend the previously granted term of thirty (30) years to amortize the Municipalities' existing deficit and their accrued public debt deficit to a new term of forty (40) years. The balance of the amortized deficit as of June 30, 2005 and the accrued deficit as of June 30, 2004, shall be consolidated to establish a new balance which shall be amortized within a new term of forty (40) years.

For all of the above, subsection (b) of Section 7.011 of Act No. 81 of August 30, 1991, as amended, is hereby amended to extend the term for the amortization of the budgetary deficit of the Municipalities.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Subsection (b) of Section 7.011.- "Closing of Books," of Act No. 81 of August 30, 1991, is hereby amended to read as follows:

"Section 7.011.- Closing of Books

At the closing of each fiscal year, the appropriations authorized for the corresponding fiscal year shall be closed in the municipal books in order to determine and evaluate the municipal operations during said year and determine their financial situation.

(a) ...

(b) Provide that the operating deficit accrued by the municipality as shown in the financial statements audited as of June 30, 2005, at such a date for the public debt shall be amortized within not more than forty (40) years. The amount equivalent to the annual amortization shall be consigned as an expense account in the annual budgets of the municipalities with accrued deficits into a separate account

which shall be provided in the uniform accounting scheme.

(c) ...

(d) ...”

Section 2.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 105 (H.B. 1477) of the 1st Session of the 15th Legislature of Puerto Rico:

AN ACT to amend subsection (b) of Section 7.011 of Act No. 81 of August 30, 1991, as amended, better known as the “Autonomous Municipalities Act of Puerto Rico,” to extend the term for the amortization of the accrued operational deficit from thirty (30) to forty (40) years, according to how it is shown in the audited financial statements as of June 30, 2005,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 1st of January of 2006.

Francisco J. Domenech
Director