

(S. B. 826)

**(No. 139)**

(Approved November 9, 2005)

## **AN ACT**

To amend subsection (g) of Section 2 of Act No. 1 of June 26, 1987, as amended, in order to increase to eighteen percent (18%) or to one point five billion dollars (\$1,500,000,000), whichever is less, from net revenues to the General Fund from the preceding fiscal year, as the maximum amount of the total of principal of the Notes in Advance of Taxes and Revenues.

### **STATEMENT OF MOTIVES**

In the management of the flow of funds, the Department of the Treasury confronts a structural imbalance within any fiscal year, since over 50% of its tax revenues are collected within the last four months of the fiscal year, while disbursements are normally distributed throughout the entire fiscal year. Therefore, during the first few months of any fiscal year, the Department of the Treasury faces a lack of internal solvency in the management of the flow of funds.

Through Act No. 1 of June 26, 1987 (“Act No. 1”), as amended, the Legislature addressed the issue of the management of the flow of funds within the fiscal year by authorizing the Secretary of the Treasury to issue notes in advance of taxes and revenues to defray the budgetary appropriations of each fiscal year. Act No. 1 established an \$800 million limit for the principal of the notes issued and outstanding in advance of taxes.

In 1987, the \$800 million limit represented about 25% of the net revenues for the General Fund. Given the fact that said limit has not been altered for the last 20 years, the \$800 million limit represented a mere 10% of the net revenues for the General Fund for fiscal year 2004-2005. This considerable percentage reduction is due to the growth experienced by the net revenues of the General Fund, from \$3,283,094 in FY 1987 to \$7,985,388 in FY 2004, which represents an increase of 143%.

To the extent that the net revenues of the General Fund have been increasing, this percentage reduction has been increasing the difficulty in the management of flow of funds during the first eight months of any fiscal year. It then becomes imperative, in seeking to fulfill the legislative intent of Act No. 1, to increase the maximum limit established on the principal of notes in advance of taxes and revenues, in order for this limit to proportionally conform to the increase in General Fund revenues.

In view of the above, it is in order to replace the \$800 million limit with an updated limit, and for the same to grow in accordance with the growth of the Commonwealth Government budget. For this purpose, it is hereby established that 18% of the net revenues of the General Fund of the preceding fiscal year, or one point five billion dollars (\$1,500,000,000), whichever is less, shall be the maximum amount for the total of the principal of Notes in Advance of Taxes and Revenues. This amendment shall adjust the maximum amount authorized by law for the total of the principal of such Notes to the gradual increase that the General Fund revenues have been experiencing and to future growth.

***BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:***

Section 1.—Subsection (g) of Section 2 of Act No. 1 of June 26, 1987, as amended, is hereby amended to read as follows:

“Section 2.—Details of the Notes in Advance of Taxes and Revenues.—

(a) ...

...

(g) The total of the principal of the notes issued pursuant to the provisions of this Act and outstanding at any time with regard to any fiscal year shall not exceed eighteen percent (18%) or one point five billion dollars (\$1,500,000,000), whichever is less, from General Fund net revenues of the fiscal year preceding the issue of said notes.”

Section 2.—Effectiveness.—

This Act shall take effect immediately after its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 139 (S.B. 826) of the 1<sup>st</sup> Session of the 15<sup>th</sup> Legislature of Puerto Rico:

**AN ACT** to amend subsection (g) of Section 2 of Act No. 1 of June 26, 1987, as amended, in order to increase to eighteen percent (18%) or to one point five billion dollars (\$1,500,000,000), whichever is less, from net revenues to the General Fund from the preceding fiscal year, as the maximum amount of the total of principal of the Notes in Advance of Taxes and Revenues,

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

In San Juan, Puerto Rico, today 15<sup>th</sup> of November of 2005.

Francisco J. Domenech  
Director