

(S.B. 1352)

(No. 111)

(Approved May 31, 2006)

AN ACT

To establish the framework of norms and principles to control the payroll expenses of the Government, chargeable to the General Fund, as part of a sound administration and fiscal reform, and to comply with the constitutional precept of a balanced budget and to attain that the different government bodies operate within the budget approved by the Legislature.

STATEMENT OF MOTIVES

The Government of Puerto Rico is undergoing the worst fiscal crisis it has ever faced. Among the many causes of this situation is the Government gigantism. The Government bureaucracy devours the budget; not for alack of funds, but because of excessive spending. The Government's payroll expense has to be controlled, among other measures of sound public administration. Dismissing the low echelon, lower paid, Government public employees does not solve the problem. Cutting down from top to bottom instead of from the bottom up, is necessary.

The gigantic Government payroll is one of the causes of the General Fund's current fiscal crisis and requires adopting a stringent public policy to establish mechanisms to control the payroll expenses of the Government of Puerto Rico.

In order to keep the Government's expenses within the scope of the estimated revenues of the General Fund for a particular fiscal year, adopting

the following control measures of payroll expenses of the Government chargeable to the General Fund, is necessary.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Title – This Act shall be known as the “Act to Control the Government’s Payroll Expenses for the Fiscal Reform of the Government of Puerto Rico of 2006.

Section 2.- Reduction of confidential positions in Government- The total number of confidential positions in the Government of Puerto Rico chargeable to the General Fund shall be reduced ten (10) percent yearly for a term of five (5) years, starting in Fiscal Year 2006-2007, so as to reach a reduction of up to fifty (50%) percent, and afterwards be kept at that level for up to ten years. Thus also, the confidential employee’s payroll of the Government of Puerto Rico chargeable to the General Fund shall be reduced by six point six (6.6) percent yearly during that same term until reaching thirty-three (33) percent. Considering the complexity, scope of the services and size of the agencies, the reduction does not have to be proportionate thereof, as long as the aggregate total of the positions chargeable to the General Fund reaches the reduction limit of ten(10) percent yearly. The Office of the Management and Budget shall establish controls to implement this provision.

Section 3.- The freezing of positions in Government – Of the total positions vacated in the Government of Puerto Rico during the fiscal year whose cost is chargeable to the General Fund, one third shall remain vacant and shall be eliminated from the Classification Plan of the Agency after an assessment of the position’s nature and notification to that effect to the Human Resources Office of the Commonwealth of Puerto Rico, to the Office of the Management and Budget. Forty (40%) percent of the savings

generated in each agency during the first three years by this position freezing policy shall be covered into a special fund of the agency to finance salary increases to employees according to the collective bargaining agreements of each entity. The Office of the Management and Budget shall establish controls for the implementation of this provision. In case the need arises to fill a vacant position it should be preferably filled by promoting a lower or equivalent rank employee of the same agency and has to be authorized by the Office of the Management and Budget.

Section 4.- Participation and conversations with unionized and Government employees. The construction of the mechanisms to implement the provisions of this Act should envisage a participation and conversation process with Government employees and the unions that represent them, in recognition of the fact that the expense control can't be achieved without their support.

Section 5.- Penalties – Any agency head that by fiscal year end has incurred expenses over the amount appropriated, relinquishes the right to the final liquidation that the Governor is authorized to grant when an official ceases in his functions. Said violation to these provisions are sufficient cause for the dismissal of said official by the Governor.

Section 6.- Effectiveness – This Act shall take effect July 1, 2006.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 111 (S.B. 1352) of the 3rd Session of the 15th Legislature of Puerto Rico:

AN ACT to establish the framework of norms and principles to control the payroll expenses of the Government, chargeable to the General Fund, as part of a sound administration and fiscal reform, and to comply with the constitutional precept of a balanced budget and to attain that the different government bodies operate within the budget approved by the Legislature,

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

In San Juan, Puerto Rico, today 28th of August of 2006.

Francisco J. Domenech
Director