

**COMMONWEALTH OF PUERTO RICO
LA FORTALEZA
SAN JUAN, PUERTO RICO**

Administrative Bulletin No.

**EXECUTIVE ORDER OF THE GOVERNOR OF THE
COMMONWEALTH OF PUERTO RICO TO ESTABLISH
CORRECTIVE MEASURES TO CONTROL
EXPENDITURES IN AGENCIES AND PUBLIC
INSTRUMENTALITIES WHOSE EXPENSES EXCEED
BUDGETARY APPROPRIATIONS AND PROVIDE FOR A
HIRING FREEZE WHILE THE DEFICIT PERSISTS.**

WHEREAS: Section 7 of Article VI of the Constitution of the Commonwealth of Puerto Rico prohibits that appropriations and expenses for a given fiscal year exceed the total revenues estimated for that year.

WHEREAS: This Administration has established a clear and strict public policy of spending control and expense reduction in the agencies and instrumentalities of the Commonwealth of Puerto Rico. To this effect, several executive orders have been approved and internal measures have been taken in the agencies of the Executive Branch with the objective of stabilizing the fiscal situation that the country confronts.

WHEREAS: Executive Order No. 4 of January 14, 2005, Administrative Bulletin No. OE-2005-04, established a system of controls on appointments and execution of contracts by agencies and public instrumentalities. To this effect, these should have the approval of the Office of the Governor and prior justification of the need for the services.

WHEREAS: Executive Order No. 5 of January 18, 2005, Administrative Bulletin No. OE-2005-05, created the Special Commission for the Fiscal Reform of the Commonwealth of Puerto Rico. This

Commission developed a Fiscal Reform Plan aimed at reducing government spending, achieving greater tax justice and making government more agile, effective and humane in providing services to the people.

WHEREAS: Executive Order No. 10 of February 16, 2005, Administrative Bulletin No. OE-2005-10, instructs all agency heads to reduce in at least 25% expenses in contracts for cellular telephone services and other services contracted by the agency.

WHEREAS: Executive Order No. 11 of February 16, 2005, Administrative Bulletin No. OE-2005-11, instructs all agency heads to reduce in at least 85% the motor vehicle fleet of their respective government agencies.

WHEREAS: Executive Order No. 12 of February 16, 2005, Administrative Bulletin No. OE-2005-12, instructs all agency heads to reduce in at least 10% the payroll of employees in trust positions, as well as to refrain from creating career positions in their respective agencies. In exceptional cases, when essential services are at risk, the Office of the Governor can grant a dispensation for this kind of appointment.

WHEREAS: Executive Order No. 20 of March 17, 2005, Administrative Bulletin No. OE-2005-20, prohibits new appointments of transitory and irregular employees, and the renovation of appointments in these categories. It ordered, in addition, a hiring freeze for all vacant positions in the Commonwealth of Puerto Rico, and that all employee vacation plans be duly complied with. In exceptional cases, when essential services are

at risk, the Office of the Governor can grant a dispensation for this kind of appointment.

WHEREAS: Executive Order No. 55 of August 3, 2005, Administrative Order No. OE-2005-55, established a Work Week Reduction Opportunity Program with the objective of granting public employees in Puerto Rico, for the first time in history, job flexibility not previously enjoyed, while mitigating the adverse impact of the current fiscal situation. Under this program, public employees will be able to voluntarily reduce their work week, while the corresponding salary reduction is less than the work week reduction voluntarily requested by the employee.

WHEREAS: By virtue of Act No. 147 of June 18, 1980, as amended, the Office of Management and Budget is the advisory entity of the Governor in implementing his budgetary functions.

WHEREAS: By virtue of Executive Order No. 56 of August 5, 2005, Administrative Bulletin No. OE-2005-56, the Governor of the Commonwealth of Puerto Rico delegated budgetary management authority to the Director of the Office of Management and Budget.

WHEREAS: The Legislative Assembly approved a budget with expenditures totaling nine thousand two-hundred fifty-eight million dollars (\$9,285,000,000), which had to be vetoed by the Governor of Puerto Rico because the certification by the Department of the Treasury that the revenues totaled eight thousand nine-hundred forty-five million dollars (\$8,945,000,000), for a shortfall of three-hundred thirteen million dollars (\$313,000,000).

WHEREAS: In the discharge of his constitutional responsibility, the Governor approved a balanced budget adjusting expenses to the revenues certified by the Department of Treasury, as set forth and approved under Executive Order No. 589, August 30, 2005, Administrative Bulletin No. OE-2005-58.

WHEREAS: As of this date, the Legislative Assembly has not approved new revenue measures to cover this budget shortfall.

WHEREAS: As a consequence, the Office of Management and Budget has identified certain agencies that are incurring in expenses that exceed the adjusted budget granted by the Governor under Executive Order 2005-58, Supra, because of which they are expected to end the fiscal year with deficit.

WHEREAS: Joint Resolution No. 321 of November 21, 2005 establishes the objectives and parameters for a Tax and Fiscal Reform. The Fiscal Reform has the objective of establishing controls to achieve savings in the expenditures of the Government of Puerto Rico.

NOW THEREFORE: I, Aníbal Acevedo-Vilá, Governor of the Commonwealth of Puerto Rico, by virtue of the powers invested on my position and the authority conferred to me by the Constitution and laws of the Commonwealth of Puerto Rico, do hereby order the following:

FIRST: In those agencies or instrumentalities, that the Office of Management and Budget expects will end the fiscal year with a budget deficit, the Director of the Office of Management and Budget, by virtue of the authority delegated by the Governor of the Commonwealth of Puerto Rico, will order and direct that

specific corrective measures be taken to stop the excessive expenditures and mitigate the effects already caused. The measures to be implemented include, without limitation, ordering the reduction of expenses in the agency through the implementation of a seven-year Strategic Plan, and a public policy that separates unnecessary expenses from indispensable expenses; limit of publicity expenditures to only those required by law and those that serve a public purpose; and any other measure that is determined will contribute to the reduction of expenses in the agency or instrumentality.

SECOND: While a structural deficit in the General Fund persists, a public policy of hiring freeze will remain in effect in all agencies and instrumentalities of the Commonwealth of Puerto Rico, as established in Executive Order No. 12 of February 16, 2005, Administrative Bulletin No. OE-2005-12. Such public policy is hereby extended to all the positions in the agencies and instrumentalities that were not included in OE-2005-12. This directive on the hiring freeze will become effective on December 1, 2005. The only appointments that will be authorized will be in essential areas or by urgent need of service duly justified economically and certified by the Office of Management and Budget with a documented analysis evidencing that it is less expensive to recruit new employees than to retrain or reclassify personnel for transfer from performing functions no longer necessary.

THIRD: The following directives shall apply to all agencies and instrumentalities of the Commonwealth of Puerto Rico: early

retirement programs will be established only when the actuarial studies guarantee that the financial condition of the Retirement System of the Government of the Commonwealth of Puerto Rico will not be affected; e-mail is to be used as the primary message system with the objective of reducing the vehicle fleets and related expenses; acquisition of vehicles is to be regulated so that the cost of a vehicle does not exceed thirty thousand dollars (\$30,000), and the principal selection criterion will be economy in fuel consumption; prohibit the use of public funds for the purchase of first class airline tickets, and for luxury hotel room, except as authorized by law; and any other measure that is expected to contribute to the reduction in expenses by the agency or instrumentality and that does not imply firing public employees or reducing essential services to the People.

FOURTH: The head of the Agency shall have main responsibility for implementing the remedial measures to adjust the pattern of expenditures in the agency to its budget reality.

FIFTH: No later than 30 days after the approval of this Executive Order, the heads of all agencies and of public instrumentalities shall submit a report to the Director of the Office of Management and Budget setting forth the expenditure reduction plan proposed for their agencies and how they will implement it. It shall evidence that the agency or public instrumentalities will finish the fiscal year without a deficit.

SIXTH: The Director of the Office of Management and Budget will send copy of these reports to the Presidents of the Senate and House of Representatives of the Commonwealth of Puerto

Rico, as well as to the Presidents of the Treasury and Budget Commissions of both legislative bodies, so that they know about the measures taken at each agency, as well as the results of the adjustments in each one of them, and may determine if revenues measures are needed to deal with the situations identified.

SEVENTH: The Director of the Office of Management and Budget is hereby authorized to issue a circular letter addressed to all agencies and instrumentalities of the Commonwealth of Puerto Rico setting forth directives consonant with the objectives of the Executive Order and requesting the report that should be filed by each agency head.

EIGHTH: This Executive Order shall enter in effect immediately.

IN WITNESS WHEREOF, I sign this order and cause the Great Seal of the Commonwealth of Puerto Rico to be impressed upon it, in the City of San Juan, Puerto Rico, on November 21, 2005.

ANÍBAL ACEVEDO-VILÁ
Governor

Promulgated pursuant to the law, on this November 21, 2005.

FERNANDO J. BONILLA
Secretary of State