

ECONOMY

P.R. gov't, FOMB reach
“less than perfect” budget accord



Think Strategically: The Burning Log

Gov't, FOMB Must
Not Smother
Budget Process;
NIST to Study
Hurricane's Effect
on Territory;
Supremes Allow
Sports Gambling

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As a youngster in summer camp, I learned the right way to keep a fire going at a campsite. A burning log is the proper comparison to explain negotiations between the government and Financial Oversight & Management Board (FOMB). To keep the logs burning, we must keep them together, near enough to keep each other warm and about a finger's length apart for breathing room. It appears our burning log will continue to keep us warm for a while longer.

NIST to study Hurricane Maria's impact on P.R.

For the first time in history, the National Institute of Standards & Technology, better known as NIST, will explore the effect of a hurricane on a U.S. territory. NIST announced it would investigate the impact of Hurricane Maria on Puerto Rico, focusing on critical buildings' resiliency and their dependence on distributed infrastructure, including power, water, communications and the public's response to those communications.

NIST is one of the nation's oldest physical science laboratories and studies everything from smart electric-power grids and electronic health records to atomic clocks and many other products and services that in some way rely on the technology, measurements and standards NIST provides.

In a statement, U.S. Commerce Secretary Wilbur Ross said: “The Department of Commerce is committed to enhancing the safety of every [U.S.] American citizen, from the mainland to island states and territories. The results of NIST's analysis will help us improve our codes, standards and practices to strengthen buildings and infrastructure in hurricane-prone areas.”

Walter G. Copan, undersecretary of Commerce for Standards & Technology

and NIST director said, “This process will ensure the nation captures and uses what we learn from the tragic losses experienced in the wake of Hurricane Maria in Puerto Rico.”

Based on a preliminary survey of Puerto Rico in December 2017, Copan authorized the National Construction Safety Team (NCST) investigation to determine:

- The characteristics of the storm hazards—the pattern, location and causes of injuries and fatalities;
- Performance of emergency communications systems and the public's response to such communications; and
- Performance of representative critical buildings and designated safe areas in those buildings, including their dependence on infrastructures such as electricity and water.

Previous NIST investigations conducted under the NCST authority include the study of the 9/11 World Trade Center disaster. This is the first time NIST will conduct a full NCST investigation in the aftermath of a major hurricane.

To follow the development of this study's visit, go to the NIST webpage: www.nist.gov/topics/disaster-failure-studies/hurricane-maria-ncst-investigation.

Supreme Court clears way for legalized sports gambling

The U.S. Supreme Court struck down a 1992 federal law that had prohibited most states from authorizing the legalization of sports betting.

The ruling is a victory for New Jersey and other states that have considered allowing sports gambling to encourage tourism and increase tax revenue. The National Collegiate Athletic Association, National Football League and National Basketball Association had backed the federal prohibition.

In the decision, the court said federal law violated constitutional principles that limit the federal government from controlling state policy, which had unconstitutionally forced states to prohibit sports betting under their own rules.

“The legalization of sports gambling requires an important policy choice, but the choice is not ours to make,” Justice Samuel Alito wrote in the 6-3 opinion. “Congress can regulate sports gambling directly, but if it elects not to do so, each state is free to act on its own.”

As a result of this ruling, share prices for most gambling companies rose for the week. This ruling provides the states with the opportunity to create and regulate sports gambling and allows Congress to establish national rules if it can pass such legislation.

Many states are already acting to legalize sports betting, and it will be difficult for Congress to quickly pass a bill that would hinder these efforts. With most states facing budgetary constraints, many see an opening for gambling revenues to increase their funding.

This ruling creates a vast opportunity for Puerto Rico to attract Act 20 companies in this sector to start operations on the island.

Final Word: P.R. gov't, FOMB reach budget accord

Gov. Ricardo Rosselló announced the Government of Puerto Rico and FOMB had reached an agreement over the impasse with the government's budget and the New Fiscal Plan. In a live broadcast on social media, Rosselló highlighted the accords and stated, “Even though this agreement is not perfect, it allows the government to move forward and start building the new Puerto Rico.”

The governor mentioned that with the agreement, combined with an aggressive economic development plan and creation of thousands of new jobs, he will take Puerto Rico in a new direction.

Agreement highlights

The government has agreed to repeal Act 80, which regulates the elements of compensation private-sector employers must follow when dismissing a person without just cause. Act 80 must be abolished on or before June 27, 2018, with an effective date of Jan. 1, 2019.

The FOMB allowed Christmas bonus payouts to remain for the public and private sectors as well as vacation and sick days for private-sector employees.

The FOMB allowed the New Tax Reform model that includes reduction of the sales & use tax (known as IVU by its Spanish acronym) for prepared foods as well as elimination of the business-to-business tax.

A Municipal Fund is created with an annual \$50 million contribution, in addition to the \$78 million already approved for 2018.

A Scholarship Fund for University of Puerto Rico is to be endowed with an annual \$25 million contribution. The government may assign up to \$40 million annually for scholarships based on a needs study.

The government may invest up to \$345 million to implement reforms and economic development initiatives, including digital reform, purchasing, ease of doing business, public-private partnerships and infrastructure projects.

The budget reductions slated for the Puerto Rico Federal Affairs Office, Resident Commissioner and Legislature will not be implemented.

The budget reduction for the Judicial Branch will only be 50 percent of what had been proposed.

Participants in the Nutritional Assistance Program (PAN by its Spanish acronym), who are ages 18 to 59 and are fit to work, will be required to have a job when they receive benefits for more than three months.

Putting these negotiations to rest allows the government to concentrate on executing the Fiscal Plan with all its complexity. However, the governor's view is one thing, and the Legislature's is another involving the items that need legislative action such as Law 80.

Senate President Thomas Rivera Schatz expressed that the Legislature was not consulted on the issue and not a single New Progressive Party senator would file such legislation, with much more to come.

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