

Puerto Rico approves budget amid concerns

BY **DANICA COTO**
The Associated Press

SAN JUAN, Puerto Rico - Puerto Rico's governor on Tuesday signed the U.S. territory's first balanced budget in more than a decade amid an economic slump that has concerned U.S. investors.

The \$9.6 billion budget was approved on the same day the fiscal year began, with the island's House of Representatives approving the final version late Monday after legislators warned just days ago about a \$200 million gap.

Gov. Alejandro Garcia Padilla noted that he fulfilled a key promise with the new budget: "We achieved this without laying off public workers

or new taxes."

The budget allocates \$4.9 billion for operational costs and calls for the fusion of several government agencies as a way to cut costs. The budget is down \$205 million from last year's budget.

Approval of the budget comes amid growing concerns about Puerto Rico's economy, with Garcia having signed a law Saturday that allows certain public corporations to restructure their debt if needed. He said the law in part aims to protect the general fund, which has long financed Puerto Rico's public agencies, but the move prompted credit rating agencies to further downgrade bonds issued by those corporations.

On Tuesday, Moody's announced

that it also was downgrading \$14.4 billion worth of outstanding Puerto Rico general obligation bonds. The U.S. territory was able to sell a record \$3.5 billion in such bonds in March despite having its credit



The national flags of Puerto Rico and the U.S. wave in front of a UBS bank

rating downgraded to junk status.

Moody's cited the new law as the main reason for the latest downgrade.

"It signals a depleted capacity for revenue increases and austerity measures, and a new preference for shifting fiscal pressures to creditors, which, in our view, has implications for all of Puerto Rico's debt," Moody's said.

Garcia criticized Moody's and said he had ordered the island's justice secretary to take action.

"This credit rating agency and any other agency that takes similar action will have to answer to this affront in court," he said in a statement. "They need to know that if they want to govern Puerto Rico, they need to seek candidacy."

The governor's office later recalled the statement.

Legislators and officials also criticized downgrades announced last week for the island's three largest corporations, including the state-owned power and water and sewer companies.

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