

# Fiscal Stabilization Strategic Plan

## Legal Authority

Section 8 of Joint Resolution 321- 2005 established the essential principles and parameters to rehabilitate the public finances of the Government of Puerto Rico. It recognized the need to implement a sustainable spending reduction program in all government agencies through the adoption of a seven (7) years Strategic Plan.

Soon after, Act 103-2006, known as the Fiscal Reform Act, was enacted stating in its Article 12 and 13 the following:

### *Article 12.-Strategic Plan*

*All budget request submitted by the Governor for each fiscal year in accordance with Section 4, Article IV, of the Constitution of Puerto Rico, will be accompanied by a seven (7) years Strategic Plan, as defined in subparagraph (b), Section 8, of Joint Resolution 321-2005. This will begin with the budget request for fiscal year 2006-2007. This Strategic Plan shall include, but it's not limited to, a plan for the restructuring and consolidation of government programs or the merging of two or more agencies of the Government of Puerto Rico, providing for the reduction in duties and administrative expenses. As part of each Strategic Plan, the Governor may include early retirement programs; however, these early retirement plans should only be carried out in those agencies in which its implementation will prove to be cost-effective, reduces the number of employees, and demonstrates that they will not be adverse to the best interests of the public employee's retirement systems.*

### *Article 13.-Savings in the operating budget*

*The Strategic Plan will contain a detail breakdown of savings and internal expense controls in each agency of the Government of Puerto Rico. The Plan will include a detailed breakdown of all savings related to the appropriated operating budget.*

## Mission/Strategic Plan General Objective

Maintain the General Fund budgetary balance between revenue and expenditures in order to close the FY 2009 certified budget deficit of \$3.2 billion through the implementation of a Fiscal Stabilization Plan designed to restore structural balance in the Government of Puerto Rico Budget. Continue managing all available resources in a responsible manner as an important component of the strategic plan designed since 2009.

## Strategic Goals

The Office of Management and Budget (OMB) will assist and advise the Governor in the administration and use of public resources and other management aspects of the budget to promote an effective government that guarantees the results citizens' value. OMB is also committed to use all available resources with prudence and integrity allowing those expenditures that are absolutely necessary to provide a better public service and avoiding those unnecessary costs in order to achieve the proposed savings that will continue to help relieving the citizen's tax burden.

The government expenditures budget controls implemented during the 2009-2012 period should be maintained to avoid unnecessary increases in government spending. The OMB has already implemented the mechanisms to stabilize spending and monitor agencies and we are committed to continue this effort to sustain long term budgetary balance in each one of the government agencies. As a result of this commitment, and for the first time in history the Government of Puerto Rico began publishing a quarterly expense report, known as the "Quarterly Budget Review" directed towards the financial community and investors interested in learning about the fiscal condition of the Government of Puerto Rico. This report has been very successful among this clientele and we

intend to continue providing this information in the future to promote the transparency and accountability of our public administration.

Central Government agencies that depend on the General Fund to meet its budgetary needs, have in turn the obligation to reinvent themselves and take immediate steps to transform the way in which services are provided to all citizens. This Plan represents an opportunity for each public instrumentality that is committed to fulfill its legal mission and service objectives, in agreement with its budgetary reality.

Despite the fiscal difficulties, since 2009 OMB has implemented an array of measures which are summarized latter in this Chapter that have resulted in significant savings and at the same time, has stopped the increasing trend in public spending experienced by the Government. With the established cost control measures, as well as this budget proposal, the government demonstrated that is in the right path to reach the budgetary balance and is moving forward and away from the prior year's economic hurdles. This balance must be sustainable in the long run so that our future generations are able to enjoy government services of excellence and the socio-economic progress we all want to experience in Puerto Rico.

Proposed strategies to be implemented in the next seven years to continue improving government operations and maintain budgetary balance include:

- 1. Expand technology to other areas of service to streamline processes and create a more efficient Government structure that meets the citizens needs**

The evolution of technology, competitiveness, and the citizens' new demands and needs are driving the Government to adopt new ways of providing services to its constituents. The Government of Puerto Rico intends to continually reassess its role as a service provider to adapt and respond more effectively and efficiently to the new service demands.

The goal is to move at the forefront in technological advances and implement the most innovative trends in order to help improve government services delivery. The Office of Management and Budget ("OMB") recognizes the value and contribution of technology in running an efficient government operation. Technology generates significant savings to the government and facilitates the provision of services, expedites delivery and it also helps citizens save time and money.

The Official Government of Puerto Rico website, [www.pr.gov](http://www.pr.gov), provides on line services to citizens right from the relax environment of their own homes. Today, through the Government Portal, citizens can receive more than 100 different services that can be access by business, citizens, and the Government itself. Most requested services include: birth certificate from the Department of Health, non-criminal background certification from the Police, tax filing certification from the Treasury Department, property tax account statement from the Municipal Revenue Center (CRIM), annual reports filing with the Department of State, alimony payments compliance certificate from ASUME, and unemployment debt certification form the Department of Labor, among others. All these services and many more that are now under evaluation are being delivered online and to the extent that more citizens use them, additional benefits and savings will be generated for them and the government.

The strategic technology plan is based on four pillars: connection, service, integration and security.

- **Connection** - continue to establish and provide the necessary infrastructure to create a connected Puerto Rico. Also, develop and train local talent to facilitate and encourage Puerto Rico's participation in the new e-commerce, in order to maintain high standards of competitiveness in international markets created by new technology and the globalization.
- **Service** – In addition to the Government Portal ([www.pr.gov](http://www.pr.gov)) where there are more than 100 services available automatically, there are integrated service centers established in Plaza Las Americas Mall

and other shopping centers in Puerto Rico. We continue to evaluate the need for new centers elsewhere in Puerto Rico.

- **Integration** - Implement systems that will improve the efficiency and effectiveness of government management through a unique government network; consolidate operations and computer centers; digitize physical documents; develop multi-agency functionality applications; and unified databases.
- **Security** - Ensure availability, protection, and privacy of information through safety standards and policies, the implementation of a continued operations programs, computing centers consolidation, and the development of electronic signatures.

**2. Re-establish budgetary reserves for emergencies and unforeseen events mandated by Act 18-1980 and Act 91-1966, as amended, which created the Budgetary Fund and the Emergency fund.**

To the extent that we manage to restore fiscal balance in the Government of Puerto Rico expense budget, the next right step would be to capitalize these two reserve funds, as provided by the statutes that create them. The act that created the budgetary Fund provides for a contribution of not less than one percent (1%) of the total net revenues of the previous fiscal year's General Fund, and all other income that do not constitute net revenues to the General Fund and is not intended by law for a specific purpose would be deposited in the budgetary Fund. The Emergency Fund must also receive not less than one percent (1%) of the total net revenues from the previous fiscal year.

These two funds were created to provide a source of funding that would be available to cover unforeseen expenditures. The principle behind the creation of these funds is that the Government should save in the prosperous years in order to build support for the less prosperous years. Even though these funds cannot resolve a mayor fiscal crisis, they certainly constitute an important economic support in times of need and institute a best practice endorsed by all professional organizations in the financial field. The mechanism of automatic deposit can reduce the difficulty of allocating resources directly to capitalize these funds.

**3. Allocate 97% of the estimated net revenues to the General Fund in the expense budget, while maintaining a 3% reserve balance in the General Fund to mitigate fluctuations in revenue forecasting.**

To protect the Government of Puerto Rico budget against changes in the economy that might affect the General Fund net revenue estimates, a reserve of 3% of the net revenues is hereby proposed. If the economic conditions are favorable and the government is able to meet the revenues estimates, the 3% reserve saved in one year can be used as part of the budget available resources for the following year. This measure will not affect government services and will provide the necessary support to mitigate revenue fluctuations in order to continue providing government services.

There are many States that have similar provisions such as Delaware, Mississippi, Rhode Island, Iowa, and Oklahoma, where they are only allow to budget between 95-99% of their General Fund estimated net revenues.

**4. Continue implementing cost reduction and control measures to sustain long term budgetary balance**

During the budget execution process, agencies have a responsibility to monitor expenditures against available resources implementing cost reduction strategies to avoid shortfalls and maintain a balanced budget throughout the closing of the fiscal year. The Office of Management and Budget (OMB) established a fiscal policy to administer the annual budget based on the following guidelines:

- ✓ **No government agency is authorized to spend more than what's appropriated in the annual adopted budget.**

- ✓ **Agencies must avoid debt accumulation and, if necessary, they must formalize payments plans in order to eliminate existing debts.**

To ensure compliance with these parameters, OMB established a new budget control application known as Budget vs. Actual in which agencies should present a monthly expense estimate at the beginning of the year, for each of the 12 months that comprise the fiscal year. Once completed this initial exercise, the monthly budget must be compared with actual expenditures, as recorded in the Department of Treasury central accounting system. This system is a forecasting tool that has allowed OMB to better plan expenditures, as well as to receive real time online expenses directly from the central accounting system. This is very helpful in examining the causes of any budget deviation and allows OMB to implement immediate corrective actions to remedy any projected shortfalls.

#### **5. Study and implementation of alternatives to capitalize the Government of Puerto Rico retirement systems**

An area that will surely become a major challenge in the years ahead is the capitalization of the retirement systems, for which the central government already took the first step with the adoption of Act 116-2011 increasing the employer contribution an additional 1% per year until fiscal year 2016 and 1.25% from FY 2016 to 2021. This Act also extends the requirement of employers and personal contribution for temporary employees hired by Government of Puerto Rico. This initiative, in conjunction with a responsible management policy, will set the Government in the right path to achieve fiscal stability in the Retirement Systems.

#### **6. Monitor, measure and evaluate performance of government public service programs**

We intend to initiate a regular program to evaluate government activities, programs and functions to determine if they are achieving the service goals and if they are using the available resources efficiently. The performance evaluation provides important information on which we can support budgetary decisions and improve accountability. The performance measures, including those of efficiency and effectiveness, should be presented in the budget documents and be available to all stakeholders. Performance measures should be reported using real and measurable data whenever possible. These measures must document the progress towards the achievement of established goals and benchmarks. Documentation of these evaluations and reviews should be an essential part of the planning, decision-making, and budgetary process.

Periodic assessment reports on programs performance measures, provide information of the actual results in comparison to the stakeholder's expectations. Services to citizens will also be improved.

#### **7. Encourage innovation and savings by rewarding their proponents**

The Government of Puerto Rico should establish the practice of allocating a special fund to encourage and reward agencies, public employees and administrators for instituting innovative programs that save money or improve the quality of services. In principle, what is proposed is to share the benefits or savings of innovation, with the people involved in the initiatives. This practice encourages creative and bold thinking in government program managers and other public employees.

The following examples show some of the different ways an incentive program may be structured. The State of Florida has an innovation fund that lends interest free money to agencies who wants to initiate the development of innovative projects. Achieved savings generated by the innovative project are then use to repay the loan, so that the Fund be recurrently funded with savings from the innovative projects. Other States simply allow the Agency to retain a percentage of the savings generated through innovation. Agencies may choose how to spend savings, but they cannot create future obligations in the budget. They can choose to offer financial rewards such as a cash bonus to the key staff developing the project. All innovative projects should be evaluated and pre-authorized by OMB Director, prior to receiving the innovation incentive.

**8. Continue exploring opportunities to restructure or consolidate agencies and government programs in order to generate savings and expedite government services to make them more responsive to our citizen's needs.**

Through the Modernization of the Executive Branch Council, created by Act 182-2009, eleven reorganization plans have already been completed. We intend to continue evaluating government programs and agencies to determine ways to improve the internal organization and the intra/inter-agency coordination to benefit from sharing common services that are less expensive and more efficient. Additionally, evaluate and recommend if necessary, eliminating, consolidating, transferring, or restructuring those agencies and programs that do not meet the citizen's service expectations or whose efforts are being duplicated through the creation of new programs or other legislation.

Also, evaluate the element of empowering municipalities and the agencies' local and regional levels to bring the process of decision-making closer to the citizens receiving the services.

**Projected Savings in FY 2013 Operational Budget**

The Incentivized Retirement and Retraining Program created by Act 70-2010, is one of the alternatives adopted by the Government of Puerto Rico to reduce the inherited budget deficit and to stabilize the finances of the retirement systems. The main objective of this Program is to generate General Fund payroll savings. It also provides for the restructuring of agencies in order to achieve efficiency and government responsiveness with less operational costs. The third election period already includes approximately 3,108 eligible employees interested in participating in this voluntary program. This is an estimated number since the final participating employees will be determined in the end of May 2012, when the employee finally accepts participating in any of the Program components. The final number of participants will also depend on the type of services offered by these employees to the citizens, and whether the duties they perform can be restructured, consolidated or eliminated or their positions may be refilled with inter or intra agency transfers.

Estimated savings for the third election period are as follows:

<i>ESTIMATED SAVINGS FOR THE THIRD ELECTION PERIOD</i>		
<i>INCENTIVIZED RETIREMENT AND RETRAINING PROGRAM COMPONENTS</i>	<i>NUMBER OF PARTICIPATING EMPLOYEES</i>	<i>NET SAVINGS</i>
<i>INCENTIVIZED VOLUNTARY RESIGNATION</i>	107	\$3,553,098
<i>EARLY RETIREMENT PLAN</i>	2,189	\$41,683,530
<i>INCENTIVIZED RETIREMENT</i>	812	\$33,628,521
<b><i>TOTAL</i></b>	<b>3,108</b>	<b>\$78,865,149</b>

Act 70-2010 is in effect until December 31, 2012 allowing for more eligible employees to take advantage of additional rounds of this Program. This demonstrates the Government commitment to continue with a strong and responsible fiscal policy that does not affect the delivery of responsive and efficient services to the people of Puerto Rico.

**Strategic Goals Accomplished 2009-2012**

The fiscal reconstruction required closing the structural deficit through a combination of cost reduction and control measures, as well as measures to generate additional revenue.

1. **Stabilize the Government of Puerto Rico finances with the purpose of protecting our credit through the implementation of a balanced plan of increased revenue and expense control, in accordance with the laws and Constitution of Puerto Rico.**

The 2009 inherited budget was supported by 30% over a non-recurrent revenue base. This proportion has been reduced to 3.7% in this Proposed Fiscal Year 2012-13 Budget.

The measures to increase tax collections, monitoring and auditing include the following:

- (a) Improve the federal funds reimbursement system
- (b) Increase the use and sales tax collections through audits
- (c) Facilitate tax voluntary payments

2. **Restructuring Executive Branch agencies and programs to redirect available resources towards the provision of essential services in a responsive and effective manner.**

**A. Reorganization Plans**

In order to update the Government of Puerto Rico organizational structure, we began an assessment and transformation process which was mandated by Act 182-2009, known as the Executive Branch Reorganization and Modernization Act. This process allowed for Executive and legislative branches participation to ensure that the end product is in the best interests of the people. To channel this effort, this Act created the Interagency Council of Reorganization and Modernization of the Executive Branch that is responsible for carrying out studies and corresponding assessments, as well as prepare the reorganizations plans bills that must be submitted for the consideration of the Governor and the Legislative Assembly. The main objectives of these reorganization plans are to promote a governmental structure that responds to the real needs of the people and contribute to a better quality of life for all citizens. Other objectives include the optimization of government management effectiveness and efficiency, the streamlining of processes for the provision of services, the reduction of public spending, the strategic allocation of resources, and greater accessibility of public services to citizens. In accordance with the above objectives, the following governmental reorganization projects have already been approved:

**Reorganization Plan No. 1- 2010  
Puerto Rico Educational Council**

This Plan merged the Higher Education Council and the General Council of Education, into the new Puerto Rico Education Council. This new agency will be more responsive to the education needs and will achieve the most effective use of the available resources. It will also encourage and promote diversity in education, and develop a highly competitive education system oriented to prepare students to face the changing requirements of the labor force.

**Reorganization Plan No. 2- 2010  
Public Service Appeals Commission**

This Plan merged the Public Service Human Resources System Appeals Commission and the Public Service Labor Relations Commission as the new Public Service Appeals Commission. This new Commission is a quasi-judicial administrative forum, specializing in labor relations matters and compliance with the merit principle. It will be attending cases and complaints under Act 45-1998, as amended, known as the "Public Service Labor Relations Act" as well as under Act 184-2004, as amended, known as the "Public Service Human Resources Administration Act". As a result of this consolidation, savings will be achieved in rent and other administrative expenses and all decisions, arbitration and opinions will be centralize in one sole forum. This is crucial to effectively and fairly attend and resolve disputes in the public sector and meet the important objective of reducing unnecessary costs in the government agencies.

**Reorganization Plan No. 3- 2010**  
**Puerto Rico Health Insurance Administration**

This Plan revised Act No. 95 of June 29, 1963, as amended, known as the "Health Benefits for Public Employees Act", to transfer from the Department of Treasury to the Puerto Rico Health Insurance Administration (ASES) the authority to negotiate, contracts, and manage health benefits for government employees. This plan efficiently improves the process of contracting health benefits for public employees and allows for the Government of Puerto Rico and the public employee, to benefit from ASES' experience, capacity and negotiation expertise. This also provides actuarial, statistical and negotiating resources in the evaluation process of all proposals received under Act No. 95 of June 29, 1963, as amended. These resources were not available in the Treasury Department.

**Reorganization Plan No. 4-2010**  
**Department of Agriculture**

This plan eliminated the Rural Development Corporation and the Land & Cattle Development Services Administration. The responsibilities of these two entities were transferred mostly to the new Agricultural Enterprises Development Administration. Additionally, the Family farms Program was transferred to the Land Authority, as well as the ownership of the Rural Development Corporation lands. The objective of this Plan is to direct the Department of Agriculture efforts toward monitoring and securing compliance with agricultural laws and regulations, while the Agricultural Enterprises Development Administration will be responsible to implement all comprehensive programs to provide better services to farmers and be more responsive to its clientele needs.

**Reorganization Plan No. 5- 2010**  
**Puerto Rico Financial Education Institute**

Created the Puerto Rico Financial Education Institute as an entity attached to the Financial Institutions Commissioner's Office. This Institute will be responsible for conducting studies and establish the mechanisms to provide educational resources to people of all ages, and guidance to consumers on proper financial habits such as savings and long-term financial planning to deal with their various stages of life such as retirement.

**Reorganization Plan No. 1-2011**  
**Advocates Reorganization**

This plan created the Patients Advocate Office, the Retired and Elderly People Advocate Office, the Disabled People Advocate Office, and the Veterans Advocate Office, as well as the Advocates Administration Office, as the administrative component of all Advocates. This last agency consolidates all administrative functions and duties of the aforementioned agencies and it shall promote an organizational structure for the Advocates Offices that allows for the effective and proper access of services to the citizens, using its resources in an efficient and integrated manner. The objective of this change is to integrate and centralized the functions of finance, human resources, purchasing, computer technology, complaints filing and notifications and other common duties. This plan protects the particular mandates of each Advocate and the services they provide to its clientele with the required independent criteria. As a result of this plan, each Advocate may focus their knowledge and experience in taking care of the particular needs of their clientele improving the direct services provided to each group, instead of dividing their attention in other administrative duties. These changes will save time and money that will be invested in offering better services to citizens.

**Reorganization Plan No. 2-2011**  
**Department of Corrections & Rehabilitation**

The Plan consolidated the Corrections Administration and the Juvenile Institutions Administration into the Department of Corrections and Rehabilitation. With the adoption of this plan, the public policy is directed towards the creation of an integrated system of security and correctional administration. It also reduces bureaucracy and

reallocates resources that can be used to improve the standards of quality, time and effectiveness. As a result of this reorganization, the Department of Corrections can focus in the custody and rehabilitation of the inmates and identify those components of the system that need improvement to address its causes and establish an integrated and secure operation in all institutions.

**Reorganization Plan No. 3-2011  
General Services Administration**

This plan pursues the restructuring of the purchasing processes in the Government and to provide the General Services Administration (GSA) with the tools to facilitate the acquisition of goods and services for the agencies of the Executive branch. The main focus of this plan is to provide the technology, so the GSA and its suppliers may access catalogues, receive quotes and complete the procurement process electronically. The standardization and streamlining of the purchasing processes using the available technology, promotes competition between suppliers allowing the acquisition of better quality products and services and at the lowest possible cost thus maximizing the use of public funds. The GSA budget is financed from internal revenues, however, this Plan limits the budget amount to \$15 million the first year, \$14 million the second year, and \$13 million on the third and subsequent years.

**Reorganization Plan No. 4-2011  
Department of Labor & Human Resources**

This plan reorganized the Department of Labor and Human Resources for the purpose of incorporating the responsibilities of the Right to Work Administration and the Future Entrepreneurs and Workers Training Administration. Additionally, the Council of Occupational Development and Human Resources was renamed as the Labor Development Administration to correspond with the statutory provisions on training and federal employment. The reorganization and modernization of the Department of Labor and its components is based on the design and operation of effective administrative structures and the improvement of process to achieve a significant increase in staff performance in relation to the services provided to its clientele. The objective is to ensure a comprehensive reform that would eliminate fragmentation and authority dispersion in the decision-making process and the unnecessary duplication of effort and responsibilities.

**Reorganization Plan No. 5-2011  
Department of Justice**

This plan reorganized the Department of Justice through the creation of new units, the elimination of parallel structures and the decentralization of decision-making process to the district prosecutors to expedite the criminal proceedings. This plan creates the position of Chief Public Prosecutor, who is the highest public official in the investigation and criminal prosecution, after the Secretary of Justice. Also, created the positions of Deputy Civil Secretary, who will be in charge of addressing the civil litigation and shall be appointed by the Secretary of Justice and the Deputy Secretary of Family and Minors Affairs, who will be working with the Juvenile Affairs Prosecutor and the Family Affairs Prosecutor, and who shall also be an official designated by the Secretary of Justice. Furthermore, this plan eliminates the Special General Prosecutors positions, thus placing the District Prosecutors as the highest hierarchy officials in the Prosecutor's Offices, responding directly to the Chief Public Prosecutor. In addition, the plan creates the Deputy Assistant Prosecutors IV positions, which will supervise and direct the criminal specialized units and divisions, among other responsibilities. Also created the Investigations Office under which all designated law enforcement officials assisting the Department of Justice Prosecutors in cases requiring research and technical assistance will work. Finally, the plan established the Victims and Witnesses Compensation and Services Office which will process payments to eligible victims and provide the benefits authorized by law.

**Reorganization Plan No. 1-2012**  
**Municipal Complaints Hearing Commission**

Eliminates the Municipal Complaints Hearing Commission and allocates its roles between the Special Independent Prosecutor Panel and the Commissioner of Municipal Affairs Office. The Special Independent Prosecutor Panel will be able to terminate a Mayor when is arrested for a serious crime and crimes against the public service and the Treasury; or a less serious offense involving moral depravity. In addition, the Special Independent Prosecutor Panel may remove a Mayor from office when convicted of (a) a serious crime and crimes against the public service and the Treasury; or less serious offense involving moral depravity and it's a final and firm ruling. Similarly, the Special Independent Prosecutor Panel may order the suspension or removal of a Mayor when he or she incurred in immoral conduct in the performance of their duties or illegal acts involving inexcusable negligence harmful to the best public interests, as these terms are defined in this Plan. Finally, the Plan provides for the intervention of the Commissioner of Municipal Affairs Office in situations of conflict between the Mayor and the Municipal Legislature. In this way, the plan eliminates redundancies and duplication of efforts, as it enables Government to respond in an effective way and to implement this administration public policy of zero tolerance towards corruption.

**B. Other Agencies Created by Law**

Act 161-2009, known as the "Permits Process Reform Act", was adopted in order to establish the legal and administrative framework governing the application, evaluation, and granting or denial of permits by the Government of Puerto Rico. This law created the Permits Management Office, the Permits Inspector General Office, and the Permits and Land Use Review Board. The new permits law is restructuring the planning processes to promote economic development, restore confidence in our planning agencies providing certainty to the permits process, and ensure sustainable development compatible with the environment. The Government of Puerto Rico designed a transparent structure that streamlines the process of permits evaluation and issue final determinations on requests for consultations, permits, licenses, inspections, certifications and any other authorization required, with strict safeguards and ensuring the protection of the public interest providing the certainty and reliability that processes were carried out in accordance with laws and regulations.

Additionally, Act 42-2010 created the Office of the Inspector General which seeks to establish mechanisms to coordinate and enhance the Government's efforts to promote integrity and efficiency in the public service, as well as to prevent fraud, corruption and illegal use of public funds. This legislation objective is to reduce bureaucracy and redundancy through integration of all efforts for the prevention and control under one Office. Equally important is the reduction of operational costs, resource optimization, and generate savings as a result of audits and evaluations performed by this Office.

**3. Provide retirement and retraining opportunities to public employees through the provisions of Act 70-2010.**

The Incentivized Retirement and Retraining Program, was created to provide eligible public employees with the opportunity to retire voluntarily or separate from employment with the Government of Puerto Rico. As a benefit, the employee would receive an economic incentive, a training voucher, or a lifetime annuity, among others. With this program, the Government would achieve additional general fund savings by reducing payroll expenses which is the main objective of Act No. 70. Additionally, the Government will be able to restructure agencies' operations and direct efforts towards obtaining greater efficiency and responsiveness at lower operational costs.

All eligible employees had the opportunity to choose to participate in one of the three components of the program subject to the criteria, terms and conditions of each alternative. The first component was a voluntary resignation plan, the second component an early retirement plan and the third component an incentivized retirement plan.

In the first two rounds, 2,761 employees participated from this Program. A total of 135 employees participated of the voluntary incentivized resignation component; 1,854 opted for the early retirement component; and 772 employees participated in the incentivized retirement component.

The following table shows employees participating in the first two rounds of Act 70 and savings for fiscal year 2012:

<i>SAVINGS FROM THE FIRST TWO ELECTION PERIODS</i>		
<i>INCENTIVIZED RETIREMENT AND RETRAINING PROGRAM COMPONENTS</i>	<i>NUMBER OF PARTICIPATING EMPLOYEES</i>	<i>NET SAVINGS</i>
<i>INCENTIVIZED VOLUNTARY RESIGNATION</i>	135	\$4,480,169
<i>EARLY RETIREMENT PLAN</i>	1,854	\$32,386,368
<i>INCENTIVIZED RETIREMENT</i>	772	\$30,358,572
<i>TOTAL</i>	<b>2,761</b>	<b>\$67,225,109</b>