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Board Approves Austerity Plans for Puerto Rico Amid Protests.

SAN JUAN, Puerto Rico — A majority of federal control board members approved new austerity measures for Puerto Rico on Thursday, saying they would help revitalize the economy and create more jobs amid the U.S. territory's 11-year recession, while the island's governor fired off a flurry of tweets promising to defy them.

The measures contained within several fiscal plans that will serve as the island's economic blueprint for the next five years include a 10 percent average cut to a pension system facing nearly $50 billion in liabilities.

Other measures include the closure of prisons, consolidation of dozens of state agencies and significant reductions in government subsidies to Puerto Rico's 78 municipalities and its largest public university. The board also said Puerto Rico's government should cut sick leave and vacation pay by half and eliminate a Christmas bonus.

"No one should believe these reforms are being implemented without clear and direct benefit to the people of Puerto Rico," said Natalie Jaresko, executive director of the board that was set up by Congress. "This will require tough choices and disciplined execution, but the payback is clearly worth it."

One board member, Ana Matosantos, voted against the plans, saying they cut too deeply and do not provide a realistic path to a turnaround for Puerto Rico's government.

"I cannot support too much pain for too little promise," she said. "There is simply too much risk, too much downside for the people of Puerto Rico and its future under these plans."

Gov. Ricardo Rossello disagreed via Twitter while Jaresko was still talking, saying the board doesn't have the power to implement any austerity measures.

"Our position has always been clear: issues that are not in line with my government's public policy will not be carried out. Period," Rossello tweeted.

The board could go to court seeking to force Rossello to enforce the measures. Just a month before Hurricane Maria struck last year, the board sued Rossello for refusing to implement proposed furloughs and pension cuts.

Board chairman Jose Carrion said he trusts the government will comply and that if it doesn't, the board will revisit the issue. "That would include legal action," he said.

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The board put together seven fiscal plans for Puerto Rico's government and public agencies. The three main plans were approved Thursday, nearly a year after the U.S. territory filed for what is the

largest municipal bankruptcy ever in the U.S. Four more plans remained to be voted on Friday.

Hours before the meeting began Thursday, Puerto Rico's government announced it would try to trim its workforce by offering some workers, including in police and education departments, inducements to leave.

Gerardo Portela, executive director of the island's financial authority, said such workers can keep receiving their salary for a certain period as they transition to the private or nonprofit sector.

The board said the government needs to consolidate its 114 agencies into 22 groups as well as consolidate police stations and replace officers performing civilian duties with "less expensive" civilian personnel.

During Thursday's meeting, some government officials said they might consider labor reforms and other measures in the future if needed, an idea that was rejected by board members.

"At some point it has to be today that we act. It can't always be tomorrow," said board member Andrew Biggs.

On broader economic matters, the board wants Puerto Rico's government to make a Christmas bonus voluntary for private employers and allow businesses to dismiss workers without first having to prove just cause. It also is calling for the minimum wage for workers 25 and older to increase by 25 cents an hour under certain conditions, and says the government should increase a labor force participation rate that stands at 42 percent, the seventh lowest in the world.

These and other labor changes would to generate some $460 million in savings over the next five years, the board says.

By THE ASSOCIATED PRESS

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