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In re Financial Oversight and Management Board for Puerto Rico

United States Court of Appeals, First Circuit - February 22, 2019 - 916 F.3d 98

In the debt adjustment case of the Commonwealth of Puerto Rico under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), representatives of the Puerto Rico legislature brought action against the Financial Oversight and Management Board for Puerto Rico, its members, and its executive director, alleging that Board acted in excess of its authority by refusing to certify budget developed by the legislature and by instead certifying a new fiscal plan and territory budget that it had developed.

Board moved to dismiss for lack of subject matter jurisdiction and for failure to state a claim. The United States District Court granted motion. Appeals were taken.

The Court of Appeals held that:

- Addressing questions of first impression, the federal courts lacked Article III jurisdiction over the complaint's request for a declaration about fiscal plan recommendations;
- The district court correctly concluded that it lacked statutory authority to review alleged errors in the Board's certification determinations; and
- The complaint failed to state a claim to relief on the theory that the Board exceeded its authority under PROMESA during the fiscal plan and territorial budget processes.

In debt adjustment case of the Commonwealth of Puerto Rico under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), federal courts lacked Article III jurisdiction over request by representatives of Puerto Rico legislature for declaration that rejected policy recommendations concerning rights of employees in Puerto Rico, which were contained in fiscal plan developed by the Financial Oversight and Management Board for Puerto Rico, were non-binding recommendations; if request were read to seek a declaration about the rights of the Board and Legislative Assembly whenever there was disagreement about whether to implement a fiscal plan policy included by the Board, that would have been a request for an advisory opinion, and if request were read to refer to particular labor reform package, the dispute lacked the requisite reality, as currently certified fiscal plan did not include the objected-to labor reforms.

Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) precluded declaratory judgment and injunctive relief challenges by representatives of Puerto Rico legislature to actions of the Financial Oversight and Management Board for Puerto Rico in declining to certify legislature's budget and instead certifying new fiscal plan and territory budget developed by the Board; PROMESA granted the Board exclusive authority to certify fiscal plans and territory budgets for Puerto Rico and then explicitly insulated those certification decisions from judicial review.

