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In re Financial Oversight and Management Board for Puerto Rico

United States Court of Appeals, First Circuit - July 12, 2023 - F.4th - 2023 WL 4486289

Financial Oversight and Management Board for Puerto Rico moved for confirmation of proposed plan of adjustment for Puerto Rico Highways and Transportation Authority (HTA) discharging claims of current and former Puerto Rico Highways and Transportation Authority (PRHTA) employees who received extra compensation in addition to their salaries for their service as project administrators or project supervisors.

The United States District Court for the District of Puerto Rico of the Southern District of New York, sitting by designation determined that group's claims for additional compensation were dischargeable under plan. Group appealed.

The Court of Appeals held that claims were based only on PRHTA regulation that did not implement federal health or safety program, and any applicable federal regulations did not include obligation to pay group additional compensation, and therefore those claims were not exempt from discharge.

Claims of current and former Puerto Rico Highways and Transportation Authority (PRHTA) employees who received extra compensation in addition to their salaries for their service as project administrators or project supervisors were based only on PRHTA regulation that did not implement federal health or safety program, and any applicable federal regulations did not include obligation to pay group additional compensation, and therefore those claims were not exempt from discharge, even if claims were valid federal constitutional claims and PROMESA created exception to discharge.