



## STATE OF THE COMMONWEALTH

### *DEBTS FROM THE PAST AND DEBTS TO THE FUTURE*

April 29, 2014

San Juan, P.R.

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My fellow Puerto Ricans:

I am here to talk to you about the state of our island, about the responsibilities we have inherited from yesterday and the obligations we have to tomorrow. I am here to talk about the debts we owe from the past and the debts we owe to the future. Brothers and sisters, our island is in need of radical changes. For a long time, the changes proposed to us have just been cosmetic, or seeking collective applause. We are in need of radical changes if we are to achieve a society that is radically more just and radically more productive, with more workdays, more class days, and fewer holidays.

An island that grows toward a culture of freedoms and rejects physical and ideological tunnel-vision, a place in which we treasure and respect every person for what he or she contributes to the good of all, rather than for the political party he or she belongs to, or the faith he or she professes, or for the person he or she chooses to love. It is only in that way that we will be able to face our problems as a people. We must face the fundamental problems of Puerto Rico as a people.

With determination and solidarity. It is unproductive, counterproductive, and ineffective to see problems and solutions as the problems of a part of our people against the problems of another part of our people, as the solutions of a part of Puerto Rico against the solutions of another part of Puerto Rico. Either we face our problems as a people, or we lose our struggle as a people!

Let us put aside attacks based on party politics. Party politics is perhaps more responsible than any other cause for the Puerto Rican situation of today. At this point, Puerto Rico does not need party agendas. Puerto Rico needs an agenda for all the people, the entire island, the nation. That is what my message is about this evening.

A few days ago, a little girl from Las Piedras articulated that need for patriotic unity better than anyone. This is the letter she wrote to me:

"Honorable Gov. Alejandro García Padilla: Greetings. I am Gabriela Alejandra Rivera Donato, I am 9 years old and I live in Las Piedras. I have heard that the island has financial problems. I have thought that I should contribute something to help Puerto Rico. I have learned at home that we should all make a contribution to improving Puerto Rico. I have sold some bracelets that I made. I am including the money I earned selling those bracelets. I know it isn't much, but if we all pitch in and join together, we can do it. Yours sincerely, Gabriela Alejandra Rivera Donato."

## **The Debt from the Past**

I will be sending my budget proposal for next year to this assembly for its consideration. I will be submitting a balanced budget. In December of 2012, at the beginning of my administration, the deficit totaled over \$2.2 billion. In July of this year, just 18 months later, the deficit is going to be zero. For the first time in decades, the government will cut spending to meet income. The ongoing practice of spending more than we take in is over.

For many years, in order to balance the budget the government would borrow money and not pay it back. The debt payment was passed to the next generation. Let the next generation find a way to pay back \$70 billion that has already been spent.

My fellow Puerto Ricans, we are that generation, the generation that has that responsibility. We have been given the responsibility to do something about the debt from the past. We are going to assume that responsibility, and to make it clear to the world that this island pays its bills. That is a patriotic responsibility that we owe the past and that we are not going to pass on to the future.

The debt we have inherited from the past is a big one. It is seven billion dollars. It is that big because it was used to hide things that were not done well: wealth was not produced and jobs were not created. The harsh reality of the loss of thousands of jobs and the shrinkage of this island's industrial base was papered over with loans. Between 2009 and 2012, for example, we lost almost 100,000 jobs and our gross national product took a nosedive. As unemployment grew, so did the debt and crime. Steps were not taken to develop our economy and create jobs; steps were taken to paper over the problems with loans.

By January of 2013 we knew that the island was in a very difficult position financially. The meetings of the Transition Committee revealed to me that the problems were far more serious than we had been told. But the will and determination of this island is much stronger than any problem. When I became governor, we acted immediately to deal with the financial situation and to reactivate the economy.

But despite our efforts on behalf of the economy and the island's finances, despite formulating a realistic program to confront our problems, despite the efforts and dedication of a tremendous financial and economic team, in 2014 the degradation of the island's credit that we'd been warned about in 2012 finally came about. What was not degraded was the understanding that more than ever, Puerto Rico needs action and honesty. We demonstrated that we had the confidence of the financial markets. The financial markets spoke. They showed, without a doubt, confidence in our capacities—because of what we had done in the first year of our administration and because of what we promised to do after the bond issue. Subscriptions totaled \$3.5 billion, demand exceeding supply by 4 to 1. For every bond we sold, the financial market was willing to buy four.

My fellow Puerto Ricans, at last we are paying the debts from the past. As you will remember, even our administration's first budget included an increase in the debt payment. We set aside \$200 million more for that. The budget I am recommending will raise that amount to \$775 million, \$525 million more than is now being made available in the budget.

In the past, the debt was refinanced, not paid off. That is, debt payment was not included in the budget, but instead loans were taken out to refinance the debt. The budget for government operating expenses will be reduced to \$8.865 billion. In addition, we include \$775 million for debt payment. Therefore, adding up operational expenses plus debt payment, the budget for this year will total \$9.64 billion. That is lower than last year's budget. With reductions and cutbacks of more than \$1.4 billion, for the first time in many years the island will make the debt payment it has to make. This balanced budget keeps my commitment to present a budget without deficit financing or bond refinancing. We will now be starting to pay today's expenses with today's income.

To sum up: We have brought about reductions of (1) \$547 million in cuts to operating costs, without affecting services to our citizens; (2) \$446 million by avoiding incremental expenses projected for next fiscal year; (3) \$265 million with the reduction of public corporations' dependency on the General Fund; and (4) \$191 million as a result of discipline in our control of payroll and certain special assignments. That is, we will achieve these savings without anyone's losing his or her job.

Achieving a balanced budget requires imposing restrictions and making sacrifices. It also offers opportunities. It has been a difficult process.

My generation will not allow Puerto Rico to continue living from crisis to crisis and from bond issue to bond issue. The budget is a means, not an end; it is a socioeconomic tool. Emerging from crises requires effective action. It requires that we use our resources for better services for the island, for public works. But in a sensible way. In this government of the people, all of us will make our contribution, and no one will sacrifice, or be sacrificed, while others continue with business as usual. Let me make this very clear: I have achieved a balanced budget WITHOUT FIRING ANYONE. NO ONE WILL LOSE HIS OR HER JOB.

**These are the principal adjustments that will be made:**

Offices, agencies, and divisions of the central government will reduce their operating budget by an average of 8%, and their payrolls will remain frozen. These reductions will not affect certain fundamental areas. I am not going to lower the budget for the police department, or for the university, or for the municipalities. The process of modernizing government begins today. We are initiating that process now with the integration of 25 agencies in order to meet current needs more efficiently. Twentyfive agencies will be merged without affecting the services they offer. The appropriate units and union representation they currently have, will continue. With regard to positions of trust, the budget for this item will be reduced by \$14 million, or an additional 10%.

With respect to regular employees, we will achieve savings of \$236 million by adjusting incremental or extraordinary benefits, including some commitments contained in collective bargaining agreements with employees of the central government. This will be done through a process of negotiation and dialogue with the unions that represent these workers. We often hear criticism of the quality and quantity of public employees, and there are even those who have suggested that they are the problem. Well, those who think that way are mistaken. Public employees are part of the solution.

In other areas, for outside contracts—which, according to the Controller, we have already cut by more than 70% in comparison with 2012—I am ordering an additional reduction of 10%, and provision has been made for municipalization and control in subcontracted school transportation. In addition, I have ordered that teachers, staff, and students be redirected to schools with larger facilities, more preschool services or extended hours, greater support services, and in general an atmosphere that is more lively, and more conducive to teaching and learning. That is, by redirecting resources, we will ensure that our children have better educational services at the same time we are achieving economies. This shows that in the search for savings, there are also great opportunities for improving our services.

Adjustments will be made to the Christmas bonuses offered by the government and public corporations and to payments for unused sick leave; job positions in the government will continue to be frozen.

Puerto Ricans, I am presenting a budget that is balanced without dismissing public employees or imposing new taxes while paying the debt with recurring funds. We have fully assumed our responsibility for the debt—with, I repeat, respect for the dignity of every Puerto Rican's job. With sacrifices, but with justice and sensitivity. Government operations will at last be carried out in a disciplined way within the limits defined by the government's income.

We have also inherited from the past a political debt: bringing to culmination the process of reforming the island's political status that concluded with the adoption of the Commonwealth Constitution. Within the context of this financial recovery, we are going to bring that process to culmination as a people, with patriotism, a deep sense of responsibility, and justice for every ideological compass-point.

Last November, this legislature formed a Joint Commission on Status Matters charged with studying legislation that would allow our citizenry to express itself on the subject of status. This would be done through a Constitutional Assembly if the year 2013 ended with no movement on the process that President Obama had committed himself to.

This process was subsequently begun by the Congress and the President through an assignment of \$2.5 million for a new non-binding plebiscite. This process seeks to overcome the failings of previous plebiscites with respect to the validity of the process and the constitutional legitimacy of the definitions on the ballot. Therefore, I am requesting that this legislature amend the concurrent resolution creating the Joint Commission to include in its analysis the process defined by the President and Congress. I am also requesting that it take into consideration the economic and financial situation the island finds itself in today, and the impact of the status alternatives on this situation. On the basis of these considerations, I request that the necessary recommendations be formulated both for the Constitutional Assembly on Status and the process defined by the President and Congress.

The corresponding legislation should be presented in the legislative session that begins in August of this year.

A process should be set in motion that will allow our people, through the expression of their will, to strengthen the economic recovery that with so much effort we have begun to bring about.

### **The Debt to the Future:**

But although this generation will go down in history as the generation that accepted its responsibility to pay our economic and political debts, we cannot stop at meeting our responsibility to the past. These times cannot be a new tiempo muerto for Puerto Rico—a “pause” between one moment and another when we are called upon only to face up to the crisis and we sacrifice the future by doing nothing but answer for the past. It is not just time to pay up; it is time to build up. It is not just time to pay the debt we owe to the past; it is time to pay the debt we owe the future. A balanced budget is a good place to start paying the debt to the past and to start paying the debt to the future. Public expenses should not exceed public income that is good public policy. It is the best tool for moving the fundamental things forward: competitive education, quality health-care, safety in our homes and communities, the creation of jobs and investment in Puerto Rico. This difficult moment forces us to go back to the fundamentals.

### **The Fundamentals**

Going back to the fundamentals means working on the debt to the past without postponing the debt we have entered into with the future. Going back to the fundamentals means focusing on a nation-building project centered on the production of wealth and its distribution to every person through jobs, focusing on efficient service and on inserting Puerto Rico into the best spaces of life for all Puerto Ricans.

Going back to the fundamentals means increasing all our capital assets: human, cultural, natural, financial, the intelligent servicing of all those things that will allow us to build up our island and our people. In this process, the actions of agencies and programs, services and initiatives, the work of government and its public servants should be measured by its results in advancing the island’s goals. That is, by the way it moves toward paying our debt to the future.

### **The Agenda for Achieving Puerto Rico’s Purpose**

#### **The Recovery and Expansion of Job Sources**

I have condensed our strategy for financial recovery into a four-year agenda that includes more than fifteen areas of attention and action, among them the reactivation of participation in the labor force, support for the biosciences, the responsiveness of secondary education to the needs of the new economy, renewable sources of energy, tax reform, and the digitalization of government procedures. This agenda represents that reformulation, in the light of the realities we discovered and the problems we have met, of the island’s purpose that my administration has promised to bring about. Countries that have successfully dealt with problems such as ours have reformulated their objectives and their plans as we are doing today. In this reformulation we include the work done and experience gained in the plans that we have been implementing and in efforts such as the Action Panel that I called together some time ago.

Our strategy for financial recovery centers on the consolidation, expansion, and diversification of the island’s sources of jobs. For this, we will be intensifying our relationship with our traditional markets and at the same time continuing to actively and energetically explore opportunities that present themselves in regions where we have not previously had such strong relationships.

Industry on our island, which has been hurting since the nineties due to the elimination of Section 936, recently received another blow to the midsection. This happened in 2010, when—by surprise, on a weekend, with no advance warning or consultation—a new tax was levied on it. The result of this way of working was the deterioration of our relationship with industry and the loss of jobs and investments. We have worked hard to restore the confidence we lost.

Over the last fifteen months, that effort has borne fruit: in the vital manufacturing sector, Aon, Et Alia, St. Jude, Covidien, True North, Propper, Rock Solid, Eli Lilly, SNC, G Code, Stryker, Meds Direct, Ventune, MedTronics, and Honeywell have expanded their presence in Puerto Rico and created more than 5,500 jobs, with an investment of more than \$615 million. Some of the corporations that had left, such as IBM, are now returning.

The paradigm shift, from the promotion of firings to the promotion of jobs, explains why the rate of unemployment has dropped from 16.4 percent in 2010 to an average rate of 14.6% over the last fifteen months.

That is the road we are following. In the months to come, we are assured that Puerto Rico will offer its tremendous financial opportunities and its incomparable human capital to the production of pharmaceutical products now in the process of entering the market. And we will fight to attract lines of generic products to replace those that depend on patents about to expire.

Our relationship with the life and health industry is strong. Our young people are interested in the sciences, and are highly sought-after wherever they go. For next academic year, the Río Piedras Campus of the University of Puerto Rico received 9,137 applications for admission. Of those, 3,018 expressed a wish to enter the College of Natural Sciences. The medicine and medical-equipment industry means economic development, but it also points the way toward the future, and our students know that.

Agriculture had been given up for dead. Today, agriculture is rising up again, to once more become a sector that contributes to our development. Today, it is one of the most dynamic sectors in our recovery. We increased jobs in this sector by over 3,000 in 2013; over 500 acres of rice were planted, and the federal Agriculture Department classified it as of the highest quality. Training programs in agriculture have been expanded; we increased the use of products from Puerto Rico in school lunchrooms from 25 percent to 60 percent.

#### The Family Farms Program Has Given Work to 200 People

That is the road of agriculture. Along this road, we are moving to add 16,000 acres of coffee plantings in the mountains, and for the first time in our history, coffee is coming down out of the mountains and being grown on 2,000 acres on the north coast of Puerto Rico. We are working to revitalize the poultry industry. We are building a modern sugar-cane processing plant that will produce molasses that will, in turn, be used in distilling Puerto Rican rum. The First Lady is taking the wonderful idea of a household vegetable garden to hundreds of schools and thousands of families.

Puerto Rico is planting. The earth can feed us well, and can contribute to moving the economy forward. This government of the people has shown that the countryside is culture and cultivation: a culture of honest labor and the cultivation of the future. On our agenda for the next few years, we will be moving forward along the road of agriculture, and will also be stimulating companies engaged in fishing, in the production of fruits and legumes, coffee, sugar cane, and rice, and in biotechnology in the service of agriculture. That is the agenda.

In addition, I am pleased to announce that we have reached an agreement with the federal Department of Agriculture to expand the crops for which the income earned by agricultural workers is not used in the calculation to reduce their benefits under the PAN program. There can be no competition between PAN and agricultural work.

That is the agenda!

Tourism is another of the areas that has returned to life. The tendency with respect to maritime and air transportation has made a turnaround. Every day we are better connected to the United States, Latin America, and Europe. In this area, our efforts have been impressive. Avianca has returned to Puerto Rico; Southwest Airlines and Air Europa have come for the first time. Jet Blue and United have opened new routes and Seaborne has moved its base of service operations to Puerto Rico. This company alone is responsible for the creation of 400 jobs.

Between 2009 and 2012, fourteen hotels closed their doors, with a loss of 481 rooms. Over the last fifteen months, eighteen hotels have opened, announced their opening, or begun construction, for an additional 1,064 rooms. The Hyatt chain, which had left Puerto Rico, decided to come back, and it has already opened two hotels and is about to begin construction on two more.

With regard to cruise ships, remember that they had left us? Well, over the last fifteen months, we have had an increase of 35% in the number of passengers arriving by sea, and mega-cruisers such as the Quantum of the Seas have chosen us as one of their destinations beginning in December of this year. In the last fifteen months alone, we have increased the number of hotel rooms by 7 percent. This is the road to recovery for tourism and access between Puerto Rico and the world.

The agenda that I have presented here makes it clear that in medical tourism, in the expansion of hotel offerings, in the increase of hotel offerings, Puerto Rico will meet its goal over the next few years.

**Another very important point is the following:**

The Jones Act makes our sea trade difficult with other countries. The important report by the Action Panel that I convened a few weeks ago stresses, once again, the need to deal with this issue. We must take on the challenge as a people, without divisions. As in every issue that touches every one of us as a people, to achieve this goal we must work together, in a united front. I am asking our office in Washington, and asking the Resident Commissioner, to design a joint strategy for beginning to implement the changes required by this task we give them, so that we may be successful in achieving our goal.

Puerto Rico has a very special opportunity at this juncture in its industrial development. That opportunity involves the industries which, due to legal requirements, must operate within the jurisdictions of the United States. In order to attract those companies, we compete only with the states of the union, which means that the fiscal autonomy of the Commonwealth allows us to offer them a tax climate that no one can equal. That is why last September, Propper International decided that it was going to create two thousand jobs in Cabo Rojo. We are going to do what it takes to bring in many companies which, like Propper, will find truly unique opportunities in Puerto Rico.

This juncture demands, in addition, that we abandon once and for all the obsolete paradigm on which our industrial and commercial promotions have been based in the past. We have to look even more, yes, toward the United States and Canada. But we have to look also at our own Latin America. We have to promote Puerto Rico everywhere in the world. Over the next few months, at the urging of the Economic Development and State departments, we will be opening promotional offices in Bogotá, Colombia, and Lima, Peru. Those offices are just part of a greater effort to look out toward the entire world.

If there is one thing that shows that we're doing things right, it's the decision made by Lufthansa, the important German airline, to make Puerto Rico its first hub in the Americas for aircraft maintenance and repair. We competed against the strongest economies in the region, and we won. Just for starters, Lufthansa's operation will create 400 good jobs in aviation mechanics. In time, an aircraft maintenance center could represent as much as \$600 million for Puerto Rico's gross national product. For the development of small businesses, Lufthansa's operation represents enormous opportunities. The specialized press has applauded the decision. The U.S. Secretary of Commerce has said publicly that this new industrial line will be critical for Puerto Rico's recovery. And she's right, not just because of what it represents in and of itself, but also because it's a vote of confidence that a great corporation has given Puerto Rico.

Borinquen Air Base in Aguadilla was transferred to the government of Puerto Rico in 1974. Forty years passed before the Lufthansa project was secured for it. Roosevelt Roads was transferred to us in May of 2013, and I assure you that it will not take forty years to develop it—we are taking affirmative, concrete steps to make that happen now.

Looking out toward the world is imperative if we are to achieve an economy with a presence in more industrial sectors. We have to make ourselves known. With our Latin American and Caribbean brothers and sisters, there is a whole world to explore. A few days ago a group of businessmen and women met at La Fortaleza to create a chapter of the Latin American Businessmen's and Women's Commission in Puerto Rico; this is the most important network of business people in the region. This strengthens the opening of the offices I spoke about in Colombia and Peru. These are rapidly growing economies, and we must interact with them. That is also the road to the diversification of our industrial base and our sources of employment.

We have also set ourselves an agenda aimed at integrating cultural entities in order to increase the recognition of our artists, writers, musicians, and publishing houses around the world. The Honorable David Bernier, Secretary of State, has made great progress in this effort. The Rómulo Gallegos Prize given last year to our own Eduardo Lalo was a stimulus to our intention to make a forceful reentry into the cultural institutions and industries of Latin America. Today I am announcing that we bid for, and

won, the honor to be the site of the International Congress of the Spanish Language, the most important activity in the Spanish-speaking world.

I said at the beginning of my term as governor, a year ago, that the economic development of Puerto Rico would hinge on the knowledge economy, the economy of knowledge; that our people must contribute to the solution of problems within Puerto Rico and around the world; that we should not just produce the medicines that are developed elsewhere, but take part in the development of the products of tomorrow.

A few days ago, I went with the President and Vice President of the University to visit the National Institutes of Health, the NIH. There, we discussed our participation in the development of vaccines for diseases that affect Puerto Rico and all of humanity. You will soon be hearing more about how we are going to translate the tremendous talents of our people into new knowledge. We have the skills, the knowledge, and the abilities! And we are going to exploit them! That is the road forward. In order to pursue it, our agenda proposes investment in the health sciences and life sciences, and proposes new initiatives to stimulate this sector.

Our agenda, as you see, is an agenda for jobs for our people. Jobs, jobs, jobs! Good jobs! New industrial, commercial, and scientific opportunities. That is our agenda; that is the road to follow. As an immediate first step, with the Jobs Now Act we have halted the erosion in the job market that the island had been experiencing. We made a commitment to jumpstart the economy with the creation of 50,000 jobs in 18 months. We have presented the press with evidence to certify the creation of 41,000. And we are close to achieving even more positive results.

Small and medium-sized businesses have a great deal to contribute in the new Puerto Rican national economy. Small businesses are the main source of jobs in any country. We are going to support those small businesses; we are going to support that kind of entrepreneurship. The Action Panel stressed the need to make it easy to create businesses and get them up and running, without obstacles involving unnecessary paperwork associated with permits and licenses. The Office of Permits Management has responded, and it has made a commitment to handle the request for the provisional use permits required by those small businesses in just 24 hours, and we will be presenting legislation to make that happen. That is the road forward.

### **Investments in Social Capital**

Another of the fundamentals is dealing with the social progress of our people. The growth in our wealth and job indexes is inseparable from the kind of life we want for our people, inseparable from the openness and acceptance we show to differences and dissidences. Puerto Rico has a debt to the future that is measured in greater access, less inequality, more competitive education, holistic health care, cultural creativity, safety and security, and peace.

This effort begins with government. Puerto Ricans are tired of party tribalism within the ranks of public service—an ill that undermines the efficiency and effectiveness of state business. Especially in a system in which political power alternates between parties, professionalism in government is an imperative. We must depoliticize the government. Political parties are a valuable tool in a democracy, but

when their interests undermine the professionalism of state business, order must be restored. And we intend to restore order. I will be submitting legislation to limit party activity by public employees to the extent permitted by the Constitution, just as is done at the federal level. The island's recovery depends on ending party divisions among public employees in the workplace. No more divisions among public-service employees on the basis of political party. A single group: public servants. A single purpose: the people of this island.

In 2013, the crime rate fell in Puerto Rico. In Type 1 crimes, a decrease of 4,229 cases was reported, among them 122 fewer homicides. Crimes against persons also fell— there were 700 less than a year earlier. The statistics for the first months of this year show that the downward trend in the crime rate continues.

This improvement in of our citizens' safety and security comes as a result of the implementation of a plan that combines technology and a push toward the professionalism of the Police Department and the Department of Justice. The gunfire-detection system and amendments to the weapons law have led to more than 285 arrests and the recovery of 948 weapons. Every person convicted under the new law is now in prison. There is not one on probation, or with a suspended sentence, or in an alternative-sentencing program. Justice reported an increase of 70 percent in the imprisonment of convicts, with 6,000 cases tried and a conviction rate of 84%. The efforts of FURA (the Joint Rapid Action Unit) have led to many seizures, but in our struggle against drug trafficking we cannot rest—neither we nor the federal law-enforcement agencies. FURA is a very particular case. In 2012, only two of its helicopters were in service. We bought four and repaired three, adding seven helicopters with the most sophisticated equipment and a guarantee of parts and service for the next seven years. We also purchased land and water vehicles to strengthen this division's operational abilities. Now FURA will have the best equipment available in the twenty-first century to combat crime and drug trafficking.

This year we are going to begin full-scale reform of the Police Department with the designation of the Compliance Officer who will move forward our commitment to ensure a police force that respects the rights of every person. The integration of the Court System's, Justice Department's, Police Department's, and Office of the Federal Prosecutor's information systems will enable us to act more forcefully and efficiently against crime. For the Institute of Forensic Science, advanced equipment has been purchased that will increase mechanisms for suspect identification and make findings more accurate. Forensic pathology must stay in step with our commitment to fight crime. Citizen safety and security is also moving forward, from better training of professionals and volunteers to updated technology. This is the case of the Puerto Rico Fire Department, which now has an energy and determination not seen since the days of Chief Gándara.

We have to bring Puerto Rico back to its true identity. A safe, secure community is the only acceptable goal for our agenda.

Improving safety and security and the quality of life on our streets and in our homes means that we must step in to halt violence. But it goes beyond that. It also means strengthening the fabric of our society, from prevention of violence in the home to prevention in the workplace and at creative and leisure activities. In the Department of Family we began by dealing with the 42,000 cases, many of them involving serious charges of abuse that had gone unattended. In eleven months, we dealt with all

of them. Public perception of the agency was restored, as was the self-esteem of the social workers and other employees of that department. Family went from being an agency that showed up when an emergency occurred to being a group integrated into our communities on the basis of an approach that is always effective: prevention. We launched the Redes, or Networks, program of family support, which emphasizes child-rearing skills but also encourages women to work and generate wealth for themselves.

Breaking the cycles of violence and ending child abuse also depends on strengthening the financial situation of our communities and families. Family has understood this, as have the non-profit organizations that have allied with the department. The mayors have understood this. Family has joined with Agriculture to create family markets in which farmers bring in their fresh produce, generating sales that have already totaled some \$5 million in just one trial zone—creating jobs in agriculture and agricultural sales.

That same vision is driving the protection of our natural resources and environment. During the last year, we designed the most comprehensive public policy in our history with respect to the conservation and husbandry of our natural resources. With the Model Forest, some 390,000 acres, 17 percent of the land area of our island, became protected. I hope soon to sign into law the bill I presented to the legislature to guarantee this. I know it has been the object of rigorous analysis, and without wishing to lessen that rigor, I ask that the bill be brought to a vote as soon as possible.

Obviously, the protection I'm talking about goes far beyond the conservation of natural resources. It goes hand in hand with agricultural production, which already enjoys consumer markets in our schools, at our tables, and for export to the entire world; it goes hand in hand with nature-tourism and eco-tourism initiatives. Water and forest resources are linked in that way to sustainable production.

The Karst region has been abandoned to its fate. This region covers ten percent of the land area of Puerto Rico and touches 45 municipalities, and now it has a plan and the regulations it should have had decades ago for protecting its water supply. The Water Plan, which gives follow-up to our aquifers, has also been reactivated. This is water for our communities; it is water for our industries; it is water for our economic and financial future in times when water is being seen as one of the elements that will decide the competitiveness of the economies of the future.

In January of 2013, when I took the oath of office as governor of the Commonwealth of Puerto Rico, only 8 percent of the land on our island, some 185,000 acres, was protected. Today I can guarantee that before July 1 of this year, we will have brought 470,000 acres of land, 17% of our island's territory, under state protection.

Observing and identifying situations in flux, the cycles that are ending and beginning, has been one of the great lessons given us by this first year of our administration. More useful than focusing on the concept of the "exhausted model" of our society, we must accept that the reality is, our island's situation is a dynamic, diverse, open, and ever-changing one. The demographic changes exemplified by a decline in the birth rate and the expectation of longer lifespans for our people should not be cause for alarm. These are new realities to be understood, and governmental priorities and programs must be brought into line with them, not the other way around. Nor should the movement of Puerto Ricans to other

parts of the world for jobs and lives be seen solely as a “flight.” Puerto Rican scientists in laboratories, universities, and businesses around the world are still linked to Puerto Rico through research projects and professional collaborations. Puerto Rico is expanding, not contracting.

The true challenge lies in understanding and taking advantage of the opportunities created for us by those Puerto Ricans around the world—Joseph Acabá, Sonia Sotomayor, and Iván Rodríguez, to name just three. Within this situation, we have to create opportunities for the young people who join the labor force in Puerto Rico and for the businesses they establish. We will make possible complete tax exemption in the beginning and preferential rates afterward for the income generated by young people between the ages of 16 and 26 in the first three years of their employment in Puerto Rico or for the companies they set up here.

Today, Puerto Rican schools are the setting for demographic and social transformations—that is the challenge for this generation of educators. The educational map in Puerto Rico is changing. Taking Puerto Rican students from prekindergarten to completion of a university degree or the equivalent, while dealing sensitively with student diversity, demands ideas, resources, and strategic action in responding to a constantly changing reality. These are the roads forward:

First, strengthening the pre-school offering. We have opened 13 preschool centers and in 2014 we will open 32 more. With respect to the preschool programs, we are making efforts to ensure that half of these centers adopt the Montessori system. In 2015, twenty-five more centers will be added, and in 2016, twenty-five more. It has been shown that a child who receives a preschool education has a much better chance for professional and personal success.

Second, encouraging access to a university education. Last September, 7,800 additional students took the College Board exams without cost to them. With that single initiative, we brought about a 29% increase in the number of students taking the exams. Beginning this year, students will have the chance to take it twice. Six of the ten highest scores on the College Board were achieved by students from public schools. With us today is Nicole Alexis Rosario, a public school student, who had the highest score on the College Board exam. 1620 graduating seniors across the island had 4.0 averages in 2013. They received laptops once their acceptance by a university had been certified. This year, there will be about 1800 of these high achieving students.

We are complementing this with the fact that the University and the Education Department are moving toward a continuous system that frees qualified graduates of the public schools from having to submit admissions applications.

Third, a renovation of middle school, which is where so many young people become dropouts. Beginning in August of this year, we will have units providing attention to students after school hours, offering academic services and vocational and social orientation to young people who are coming up out of the more protected environment of elementary school and beginning to make decisions, for those who require other types of support.

Public schools are not a failure. They must respond to the island's changes, and they must, in doing that, transform themselves. They have begun to overcome their problems. For the first time since implementation of the No Child Left Behind Act, the number of failing schools has fallen.

Look at CROEM in Mayagüez, a public school. It is a point of pride, a model of success in the work of the public schools. We are going to replicate CROEM. It is a pleasure to announce to you that we have already begun the process of opening similar schools in Barrio Aguirre in Salinas and Roosevelt Roads in Ceiba.

Schools are responding, offering better and more timely services to the children of Special Education. In San Juan, the Service Center for Special Education was recently inaugurated, followed by other centers in Villalba, Mayagüez, Comerío, and Aguada. Projects such as Mi Casa Independiente and Espacios de Vida have begun functioning for young people over the age of 16. Soon they will be expanded to Ponce and Mayagüez with the collaboration of Wilma, the First Lady, to whom I'm so grateful for this work.

The fraud committed by so many tutorial services has been halted. In my view, this was large-scale child abuse, a mockery of the students, their parents, and the government. The funds we recovered will now go to the schools, where they should be.

The tutorial project in Fine Arts, with the collaboration of the municipalities, is a success that comes in addition to the hiring of more than 500 teachers in Fine Arts and 200 in Health. The municipal collaboration has been essential, too, in the area of the physical and electronic security of our schools and students.

The support of parents is essential to the transformation of our schools. Attendance by 98% of parents and guardians at the beginning of the school year, plus regulations requiring notification of student absences, have made a great difference. In January of 2013, only 20% of parents picked up their children's grades, while now it's 70% and rising.

The changing profile of Puerto Rico and the transformation of models for the work of government in driving the island's recovery are evidenced also in the area of Health. Access to health services for one hundred percent of the population is our goal. I want to give you a status report on this area: of the almost 263,000 people without public or private health insurance in Puerto Rico in 2012, we have lowered the figure to 231,766. Most of the uninsured are young and male. Some of them say they aren't insured because they never get sick. If that's the way you lay your bets, one day you're going to lose. There is access to insurance. For some, it's the government plan. For others, whose income does not qualify them for the public plan but is not sufficient for purchasing a private policy, we have good news. In January of 2015 we will have health insurance for this segment of the population, with sixty percent of the cost subsidized. This will give more than 75,000 people access to a health insurance policy. But individual responsibility is key.

Moving toward prevention instead of waiting for people to arrive at the emergency room means transforming the paradigm of health services in Puerto Rico. It saves money; it saves lives. Access to services

is worth nothing if we do not reduce the number of diabetics, people who are overweight, dependent on tobacco, alcohol, and drugs.

One hundred percent of the population will have access to a medical plan.

How can we create infrastructure to move forward the projects of a changing Puerto Rico, infrastructure responsive to the island's new profiles and aspirations?

First is the individual residence. I am pleased to report that the Housing Bank will offer refinancing at 4.5% to the 10,000 Puerto Rican families with homes valued at \$250,000 or less who are now paying more than 7% on their home mortgages. This represents over \$2,000 a year in those families' pockets.

We cannot allow the debts of the past to cause us to abandon the investment in infrastructure that the future requires. The solidity of our infrastructure is part of the debt that we have to the future, and that we are going to honor, without reservation. Infrastructure means the foundations of our island, that which is fundamental. And these are times for dealing with fundamentals.

Investments in infrastructure will be made in transportation, energy, water, communities, education, and the sciences. We are going to construct the train from Caguas to San Juan and, especially now when the airport in Aguadilla is about to be developed at last, we will complete the expressway between Hatillo and Aguadilla. We will continue improvements on the Muñoz Marín International Airport and several regional airports, as well as Docks 1, 3, and 4 in San Juan. The entrance to San Juan, Barrio Puerta de Tierra, will be significantly modernized.

Bringing down the cost of electricity requires that we convert the Aguirre power plant to gas and build the gas-delivery port in Aguirre. There are no gas pipelines— not in the north, not in the south. We are going to bring down the cost of electricity without risk to the people and while protecting the environment. To ensure that, I am confident that very soon I will be able to sign into law the bill that we have been working on.

The University of Puerto Rico's Cancer Center hospital is under construction; the Las Amapolas buildings have been demolished and demolition has started on Oso Blanco. The former prison, symbol of a time when people were afraid to leave their homes, will cease to exist, and in its place will be the City of Science. The symbols of confinement will give way to symbols of creation and creativity, of a search for life, employment—that is our debt to the future, that is the road forward. We are going to get rid of the ruins of CORCO in Guayanilla and Peñuelas and repair some thirty schools. We are going to improve community facilities, invest in housing for senior citizens, and support crime fighting and prevention efforts with a new jail for women.

Infrastructure is fundamental to development. And our investments, as I said at the beginning, will go toward fundamentals.

My fellow Puerto Ricans, a nine-year-old girl understood her social and civic responsibility and made a contribution to her island, her community. That is the example to follow. Gabriela, you're right—as

you say in your letter, “if we all pitch in and join together, we can do it.” Let us all harken to that call for solidarity. Let us all, united, confront our challenges and as a people we will triumph.

And so, fellow Puerto Ricans, with our eyes on the foundations, the fundamentals, of our community, the foundations of a better future, let us pay the debts of our past without neglecting the debts we owe to our common future. . . so that all our children, and the children of our children, may feel a passion at being Puerto Rican, and so that seeing themselves always as citizens of the world, they may find in their land, on their island, a great place of prosperity and peace, and so that here or wherever they may choose to live their lives, they may always feel proud to be Puerto Rican.

May God bless us all!