

Government of Puerto Rico

FY 2009-2010 Budget

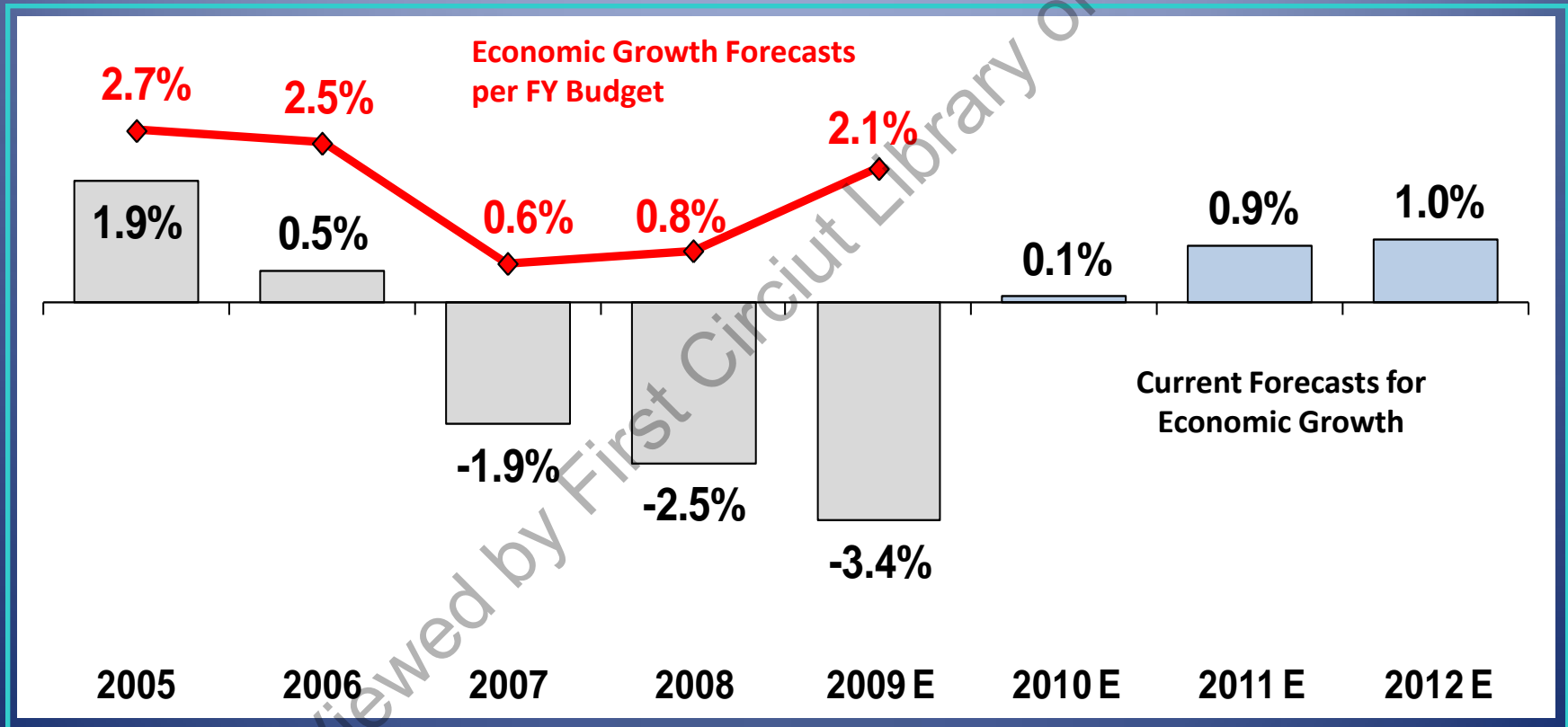
Executive Summary

April 29, 2009

San Juan, Puerto Rico

The Puerto Rico Economy: Gross National Product, FYs 2005 – 2012

Growth Rates at Constant Prices*

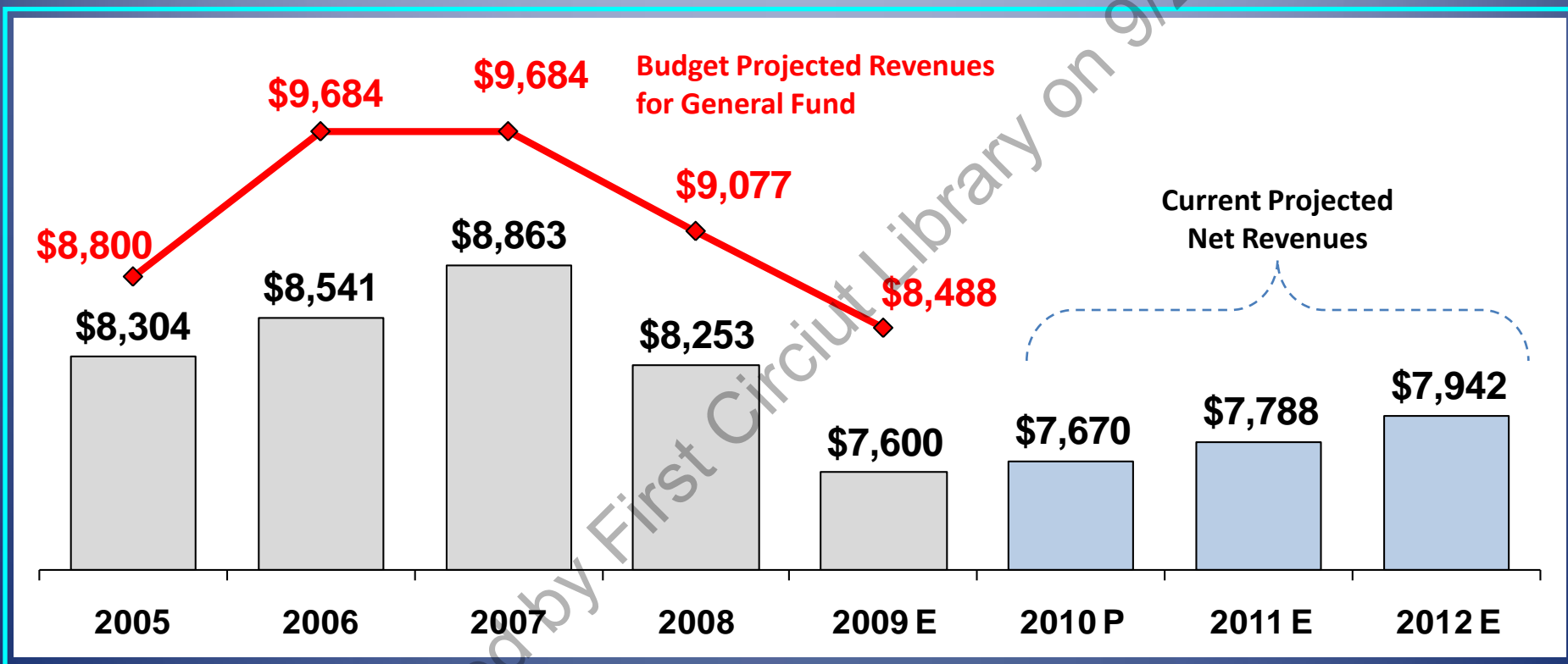


- Actual Economic Growth
- Economic Growth Forecasts per FY Budget
- Current Forecasts for Economic Growth

Source: P.R. Planning Board
* Prices, adjusted for the effect of inflation.

General Fund Net Revenues: FYs 2005 -2012

\$ in millions



- Actual Revenues for the General Fund
- Budget Projected revenues for the General Fund
- Current Projected Net Revenues for the General Fund

Source: P.R. Department of Treasury.

Summary of Main Budget Items

- **General Fund:** Internal resources
- **Stabilization Fund:** Provisional resources for transition to balanced budget
- **Special Funds:** Temporary resources allocated by legislative mandate
- **ARRA Funds:** Temporary funds from Federal Stimulus package (American Recovery and Reinvestment Act)
- **Federal Funds:** Annual Federal Government grants
- **Internally-Generated Revenues:** Revenue from public corporations
- **Loans/Bond Issuances:** Debt payment

FY 2009 Structural Budget Deficit General Fund

	<u>\$ in millions</u>
Estimated Expenditure Base for FY 2009	\$ 10,833
Total Revenues	<u>\$ 7,600</u>
Structural Budget Deficit	\$ (3,233)

Source: OGP, Department of Treasury and Government Development Bank (GDB).

Resources Available for FY 2010

\$ in millions

	Total Resources	Resources GF + SF	Transitory Expenses FY 2009-10	
General Fund	\$ 7,670	<div> <div>Recurring</div> <div>Transitory</div> </div> <div>\$10,170</div>	-	\$2,000
Stabilization Fund	\$ 2,500			
ARRA (Federal Stimulus)	\$ 1,727			
Other Funds	\$ 17,367			
TOTAL RESOURCES	\$ 29,264			
				minus \$7,670 Recurring Revenues
				\$8,170

- General Fund (GF) = Internal revenues from Treasury Secretary
- Stabilization Fund (SF) = Provisional resources provided through an additional SUT appropriation to the P.R. Sales Tax Financing Corporation (COFINA by its Spanish acronym)
- \$1,000 million in costs for the reduction in payroll and the Program for Alternatives for Public Employees of fiscal year 2009-2010.
- \$1,000 million in expense reduction, an annual saving that will not take place in FY 2009-10, but in the next fiscal year

=
**Structural
Deficit
\$500**

Source of FY 2010 Consolidated Resources

\$ in millions

	2007 A	2008 A	2009 P	2010 P	Change	Percentage
General Fund	\$ 9,224	\$ 9,087	\$ 9,484	\$ 7,670	\$ (1,814)	-19%
Federal Funds	\$ 4,950	\$ 5,561	\$ 5,643	\$ 5,587	\$ (56)	-1%
Public Improvement Fund	\$ 500	\$ 250	\$ -	\$ -	\$ -	0%
Other Revenue	\$ 1,225	\$ 1,397	\$ 1,047	\$ 1,273	\$ 226	0%
Internally-Generated Revenue	\$ 7,594	\$ 8,279	\$ 8,695	\$ 8,187	\$ (508)	-6%
Special Local Funds	\$ 518	\$ 520	\$ 524	\$ 1,162	\$ 638	122%
Stabilization Fund	\$ -	\$ -	\$ -	\$ 2,500	\$ 2,500	
Federal Economic Stimulus – ARRA			\$ 265	\$ 1,727	\$ 1,462	552%
Loans and Bond Issuances	\$ 2,461	\$ 2,474	\$ 1,777	\$ 1,158	\$ (619)	-35%
TOTAL CONSOLIDATED BUDGET	\$ 26,472	\$ 27,568	\$ 27,435	\$ 29,264	\$ 1,829	7%

Source: OGP

FY 2010 Consolidated Expenses by Item

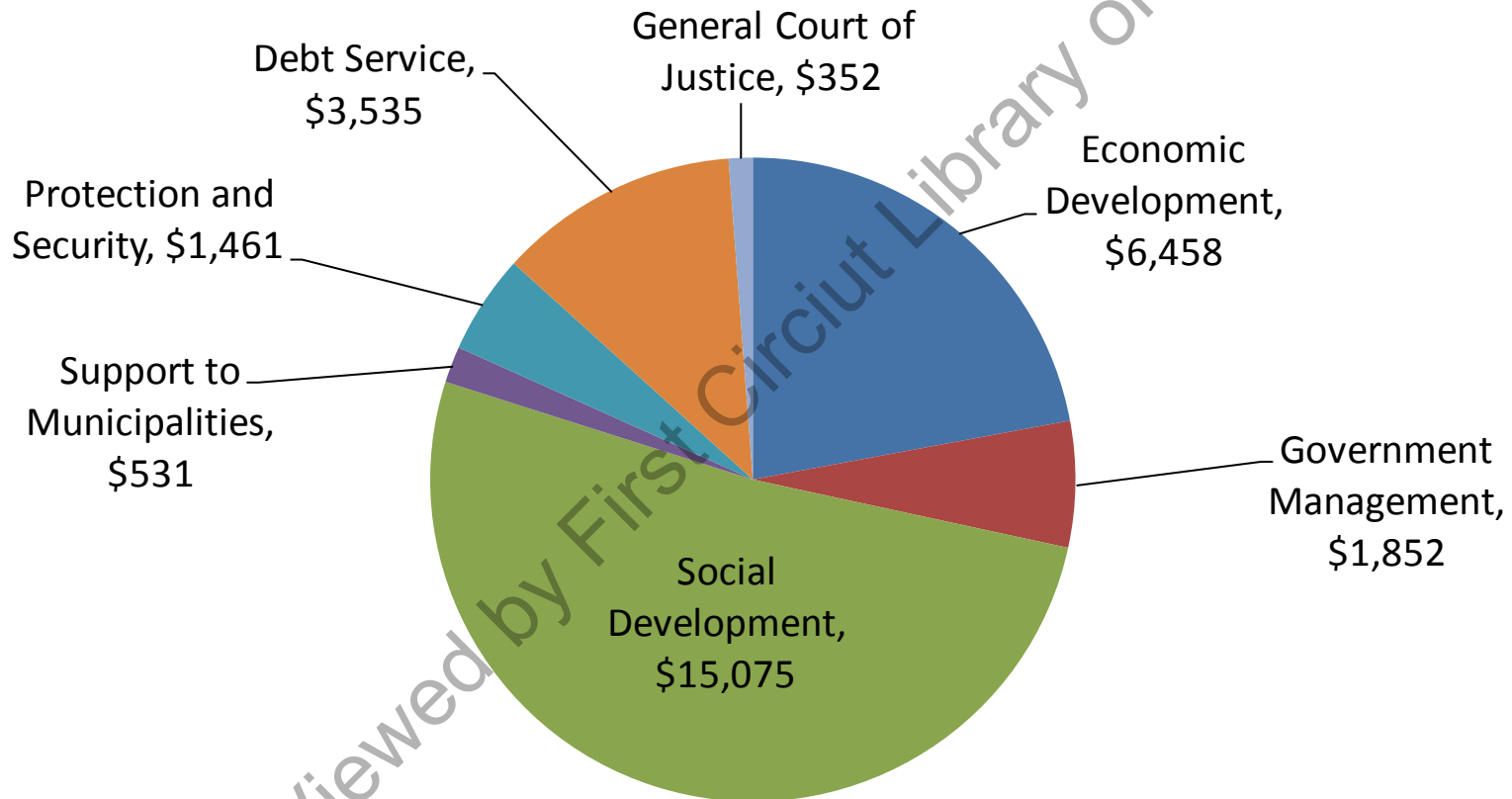
\$ in millions

	2007 A	2008 A	2009 P	2010 P	Change	Percentage
Payroll and Related Costs	\$ 8,207	\$ 8,286	\$ 8,702	\$ 7,569	\$(1,133)	-13%
Donations, Subsidies and Distributions	\$ 2,753	\$ 3,218	\$ 3,085	\$ 3,296	\$ 211	7%
Materials and Supplies	\$ 2,324	\$ 2,984	\$ 3,234	\$ 3,056	\$ (178)	-6%
Purchased Services	\$ 1,543	\$ 1,588	\$ 1,600	\$ 1,558	\$ (42)	-3%
Payments for Public Services	\$ 762	\$ 796	\$ 786	\$ 899	\$ 113	14%
Other Operational Expenses	\$ 2,231	\$ 2,488	\$ 2,602	\$ 2,597	\$ (5)	0%
Stabilization Fund – Employee Program				\$ 1,000	\$ 1,000	
ARRA Funds (Federal Stimulus)				\$ 1,727	\$ 1,727	
Subtotal, Operational Expenses	\$17,820	\$19,360	\$20,009	\$ 21,702	\$ 1,693	8%
Contributions to Non Governmental Entities	\$ 167	\$ 166	\$ 175	\$ 141	\$ (34)	-19%
Incentives and Subsidies	\$ 1,996	\$ 1,886	\$ 1,925	\$ 1,986	\$ 61	3%
Permanent Improvements	\$ 2,987	\$ 3,115	\$ 2,488	\$ 1,900	\$ (588)	-24%
Debt Payment	\$ 3,502	\$ 3,041	\$ 2,838	\$ 3,535	\$ 697	25%
TOTAL CONSOLIDATED BUDGET	\$26,472	\$27,568	\$27,435	\$ 29,264	\$ 1,829	7%
TOTAL (excl. ARRA + Employee Program + ΔDebt Payment)			\$27,435	\$ 25,840	\$- 1,595	- 6%

Consolidated Resources Distribution by Area

Total Resources: \$29,264

\$ in millions



Source: OGP

Comparison of Consolidated Resources by Area: FY 2010 versus FY 2009

\$ in millions

	2009 P	2010 P	Change	Percentage
Social Development	\$14,719	\$15,075	\$356	2 %
Economic Development	\$6,558	\$6,458	(\$100)	-2 %
Debt Service	\$2,838	\$3,535	\$697	25 %
Government Management	\$726	\$1,852	\$1,126	155 %
Protection y Security	\$1,816	\$1,461	(\$355)	-20 %
Support for Municipalities	\$426	\$ 531	\$105	25 %
General Court of Justice	\$351	\$352	\$1	.01%
TOTAL CONSOLIDATED BUDGET	\$ 27,434	\$ 29,264	\$ 1,830	7%

General Fund + Stabilization Fund Multi-Year Forecast: FY 2009 – FY 2012

\$ in millions

	2009 E	2010 P	2011 E	2012 E
Internal Revenues – General Fund	\$ 7,600	\$ 7,670	\$ 7,788	\$ 7,942
Expenses – General Fund + Stabilization Fund	(10,833)	(10,170)	(8,247)	(8,095)
Internal Revenues <i>versus</i> Expenses	(3,233)	(2,500)	(459)	(153)
Transitory Expenses				
Cost of payroll reduction		1,000		
Cost of expense reduction (Act #7 FY2010)		1,000		
Efficiency and Government Re-Organization			200	153
STRUCTURAL DEFICIT	\$ (3,233)	\$ (500)	\$ (259)	-