

COMMONWEALTH OF PUERTO RICO
Supplemental Financial Information Report

August 15, 2013

General Fund Preliminary Revenues for Fiscal Year 2013 Compared to Fiscal Year 2012

General Fund preliminary total revenues (including lottery revenues) for fiscal year 2013 were \$8.503 billion, representing a decrease of \$155 million, or 1.8%, from fiscal year 2012 revenues. The major change from fiscal year 2012 was a decrease in income taxes from corporations of \$154.1 million, or 12%.

General Fund Preliminary Revenues for Fiscal Year 2012 Compared to Fiscal Year 2011

General Fund preliminary total revenues (including lottery revenues) for fiscal year 2012 were \$8.658 billion, representing an increase of \$500 million, or 6.1%, from fiscal year 2011 revenues. The major changes from fiscal year 2011 were: (i) decreases in income taxes from corporations of \$236.7 million, or 14.1%, (ii) a decrease of \$109.7 million in taxes withheld from non-residents, (iii) a decrease of \$204.9 million in the temporary special property tax and (iv) an additional \$1.2 billion from the excise tax imposed on entities that purchase products manufactured in Puerto Rico by their affiliates under the provisions of Act 154.

Five-Year Table of General Fund Revenues

The following table presents the revenues of the General Fund on a cash basis for Fiscal years 2009 through 2013. General Fund revenues as presented in the table differ from the General Fund revenues as presented in the financial statements of the Commonwealth, as the financial statements reflect an expanded General Fund entity in accordance with generally accepted accounting principles.

Please refer to the Commonwealth Report for further information on the major sources of General Fund revenues:

Commonwealth of Puerto Rico
General Fund Revenues
(Cash Basis)
(in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues					
Income Taxes					
Individuals	2,648,261	2,593,598	2,187,080	2,142,876	2,079,285
Corporations	1,375,596	1,682,321	1,677,345	1,440,664	1,286,506
Partnerships	1,839	1,688	3,249	1,330	756
Withheld from non-residents	1,081,739	830,352	1,000,428	890,759	982,896
Tollgate taxes	19,372	15,034	12,607	27,673	8,903
Interest	11,738	9,902	6,985	6,807	5,425
Dividends	48,663	29,774	26,756	35,087	34,064
Total income taxes	<u>5,187,208</u>	<u>5,162,669</u>	<u>4,914,450</u>	<u>4,545,196</u>	<u>4,397,835</u>
Sales and use tax	797,194	540,348	531,837	543,241	553,370
Commonwealth excise taxes:					
Alcoholic beverages	277,401	284,796	280,963	286,131	282,335
Foreign (Act 154)	-	-	677,565	1,882,621	1,677,291
Cigarettes	129,429	182,501	201,965	172,192	185,309
Motor vehicles	310,920	350,764	364,170	386,815	410,831
Other excise taxes	86,874	77,978	77,649	75,912	71,535
Total Commonwealth excise taxes	<u>804,624</u>	<u>896,039</u>	<u>1,602,312</u>	<u>2,803,671</u>	<u>2,627,301</u>
Property Taxes	1,011	227,812	246,619	41,662	34,035
Inheritance and gift taxes	5,064	3,617	3,101	4,729	1,834
Licenses	96,243	95,768	81,381	77,642	80,835
Other:					
Traditional Lottery	51,480	42,826	46,165	38,225	24,322
Electronic Lottery	75,213	80,006	55,690	55,746	38,876
Miscellaneous non-tax revenues	284,436	314,754	346,580	237,920	498,542
Total Other	411,129	437,586	448,435	331,891	561,740
Total revenues from internal sources	<u>7,302,473</u>	<u>7,363,839</u>	<u>7,828,135</u>	<u>8,348,032</u>	<u>8,256,950</u>
Revenues from non-Commonwealth sources:					
Federal excise taxes	404,265	352,301	330,181	302,308	245,879 (a)
Customs	3,269	-	-	7,739	-
Total revenues from non-Commonwealth sources	<u>407,534</u>	<u>352,301</u>	<u>330,181</u>	<u>310,047</u>	<u>245,879</u>
Total revenues	<u>7,710,007</u>	<u>7,716,140</u>	<u>8,158,316</u>	<u>8,658,079</u>	<u>8,502,829</u>

(a) Includes a transfer of \$240 million in excess of funds in the Redemption Fund to the General Fund

* Unaudited Information

Source: Puerto Rico Treasury Department.

Commonwealth Audited Financial Statements

The Commonwealth anticipates that its audited financial statements for fiscal year 2012 will be filed no later than September 16, 2013. The Commonwealth has been unable to finalize its audited financial statements for fiscal year 2012 principally due to (i) delays in the audit of such financial statements as a result of the governmental transition process, (ii) the adoption of new government accounting pronouncements (iii) the restatement of the financial statements of the Puerto Rico Ports Authority, a discretely component unit, and (iv) the failure of the University of Puerto Rico, a discrete component unit, to finalize its corresponding audited financial statement. These discretely presented component units are generally separate legal entities that are part of the Commonwealth's financial reporting entity under governmental accounting standards. The Commonwealth is evaluating the implementation of measures to ensure future timely filings of its audited financial statements.

Public Sector Debt as of June 30, 2013

Public sector debt comprises bonds and notes of the Commonwealth, its municipalities and public corporations ("notes" as used in this section refers to certain types of non-bonded debt regardless of maturity), subject to the exclusions described below.

The following table presents a summary of public sector debt as of June 30, 2013. This table includes debt primarily payable from Commonwealth or municipal taxes, Commonwealth appropriations and rates charged by public corporations for services or products, as well as debt payable from other sources, some of which debt is set forth in the footnote below. The table excludes debt, the inclusion of which would reflect double counting including, but not limited to \$821.9 million of outstanding bonds (as of June 30, 2013) issued by Municipal Finance Agency to finance its purchase of bonds of Puerto Rico municipalities, and \$1.1 billion of obligations of Public Finance Corporation issued to purchase certain Commonwealth public sector debt.

Commonwealth of Puerto Rico
Public Sector Debt*
(in millions)

	June 30, 2013
GENERAL FUND RELATED DEBT	
Direct full faith and credit obligations ⁽¹⁾	\$ 10,599
Puerto Rico guaranteed debt ⁽²⁾	5,634
Debt supported by Puerto Rico appropriations or taxes ⁽³⁾	4,043
	\$20,276
Sales and Use Taxes debt	\$15,224
Public corporations and agencies	25,242
Municipal debt	3,882
Limited obligations/non-recourse debt ⁽⁴⁾	5,086
	\$69,710
TOTAL PUBLIC SECTOR DEBT	

* Totals may not add due to rounding.

⁽¹⁾ Includes general obligation bonds, tax and revenue anticipation notes (“TRANS”) and related short-term financings.

⁽²⁾ Consists of \$651 million of bonds issued by Aqueduct and Sewer Authority, \$470 million of State Revolving Fund Loans incurred under various federal water laws, \$220.4 million of bonds issued by Port of the Americas Authority and \$4,293.5 million of PBA bonds. Excludes \$267 million of GDB bonds payable from available moneys of GDB.

⁽³⁾ Represents bonds and notes payable from the Commonwealth General Fund and Public Improvement Fund. Includes Public Finance Corporation bonds.

⁽⁴⁾ Includes the following: \$1.2 billion of Children’s Trust bonds, which are payable solely from the payments to be received pursuant to the tobacco litigation settlement; \$161.2 million of Housing Finance Authority bonds, which are payable from Puerto Rico Housing Administration’s annual allocation of Public Housing Capital Funds from the United States Department of Housing and Urban Development (“HUD”); \$319.9 million of Capital Fund Modernization Program Subordinate Bonds, Series 2008 issued by the Housing Finance Authority and payable primarily from federal housing assistance payments made available by HUD; \$145.9 million of Special Facilities Revenue Bonds issued by Highways and Transportation Authority, which are payable from net toll revenues collected from the Teodoro Moscoso Bridge; \$155 million of Special Facilities Bonds issued by Ports Authority, which are solely payable from the pledge of certain payments made by a private corporation under a special facilities agreement; \$72.7 million of Educational Facilities Revenue Bonds, 2000 Series A (University Plaza Project) issued by Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (“AFICA”), which are payable from rent payments made by the University of Puerto Rico; and approximately \$39.1 million of bonds issued by AFICA to finance the construction of various government infrastructure projects, which are payable from rent payments made by various government entities.

Source: Government Development Bank for Puerto Rico

Approved Budget for Fiscal Year 2014

The approved budget for fiscal year 2014 provides for total resources of \$15.985 billion, of which \$9.770 billion are General Fund resources. General Fund resources include \$245 million in deficit financing to be provided by GDB or third party lenders.

The principal changes in the fiscal year 2014 budgeted General Fund revenues compared to fiscal year 2013 are accounted mainly by the projected collections from Sales and Use Taxes (up \$208.0 million attributed mostly to the elimination of various exemptions to the application of Sales and Use Taxes), corporate income tax (up \$466.0 million), withholding taxes on non-residents (down \$122.0 million), alcoholic beverage (down \$6.0 million), excise taxes on motor vehicles and accessories (up \$32.0 million), projected increases in excise tax under Act 154 (up 206 million), and personal income taxes (down \$19.0 million).

The approved budget for fiscal year 2014 provides for total expenditures of \$15.826 billion (of which \$9.770 billion correspond to the General Fund), consisting of \$4.637 billion for education, \$3.066 billion for welfare, \$1.673 billion for public safety and protection, and \$6.450 billion for other expenses. The approved budget includes a projected \$159 million year-end balance. The increase in the approved budget General Fund expenses for fiscal year 2014 totals \$687.0 million.

Approved incremental retirement system contributions from the General Fund of \$202 million includes additional appropriations of \$120 million to enhance the liquidity and solvency of the Employees Retirement System (“ERS”), and additional \$20 million for municipal retirees benefits; an additional \$46 million for a 1% additional employer contribution to ERS and the Teachers Retirement System (“TRS”) pursuant to Act 114 and Act 116; additional \$37 million to increase annuity payments for employees retired during Fiscal Year 2013 pursuant to Act 70; and a net decrease of \$21 million payable from the General Fund for special laws payable to ERS and TRS, after implementation of Act 3.

Commonwealth of Puerto Rico
Summary of Central Government Annual Budget
Fiscal Year Ending June 30, 2014
(in thousands)*

	General and Stabilization Fund	Bond Fund	Special Funds	Total
Revenues from internal sources:				
Property taxes	\$ 0	-	\$ 113,526	\$ 113,526
Personal income taxes	2,088,000	-	-	2,088,000
Retained non-resident income tax	820,000	-	-	820,000
Corporate income taxes	2,089,000	-	-	2,089,000
Partnership income taxes	1,000	-	-	1,000
Tollgate taxes	4,000	-	-	4,000
17% withholding tax on interest	6,000	-	-	6,000
10% withholding tax on dividends	37,000	-	-	37,000
Inheritance and gift taxes	3,000	-	-	3,000
Sales and use taxes	899,000	-	-	899,000
Excise taxes:				
Alcoholic beverages	284,000	-	-	284,000
Foreign (Act 154)	1,956,000	-	-	1,956,000
Motor vehicles and accessories	432,000	-	-	432,000
Cigarettes	186,000	-	-	186,000
Other (excise taxes)	140,000	-	653,616	793,616
Licenses	14,000	-	-	14,000
Miscellaneous non-tax revenues:				
Contributions from lottery fund	19,000	-	-	19,000
Electronic lottery	101,000	-	-	101,000
Registration and document certification fees	100,000	-	-	100,000
Other	124,000	-	474,909	598,909
Total revenues from internal sources	<u>9,303,000</u>	-	<u>1,242,051</u>	<u>10,545,051</u>
Revenues from non-Commonwealth sources:				
Federal excise taxes on off-shore shipments	222,000	-	-	222,000
Federal grants ⁽¹⁾	0	-	4,599,017	4,599,017
Customs	0	-	-	0
Total revenues from non-Commonwealth sources	<u>222,000</u>	-	<u>4,599,017</u>	<u>4,821,017</u>
Total revenues	<u>9,525,000</u>	-	<u>5,841,068</u>	<u>15,366,068</u>
Other:				
Balance from previous year	0	-	373,589	373,589
Reconstruction Fund (Financing)	245,000	-	-	245,000
Bonds authorized	0	-	-	0
Total other sources	<u>245,000</u>	-	<u>373,589</u>	<u>618,589</u>
Total resources	<u>9,770,000</u>	-	<u>6,214,657</u>	<u>15,984,657</u>
Appropriations:				
Current expenses:				
General government	963,665	-	69,908	1,033,573
Education	3,383,997	-	1,252,719	4,636,716
Health	1,387,641	-	492,499	1,880,140
Welfare	437,261	-	2,628,994	3,066,255
Economic development	162,452	-	113,759	276,211
Public safety and protection	1,561,793	-	111,368	1,673,161
Transportation and communication	137,734	-	59,642	197,376
Housing	20,233	-	408,991	429,224
Contributions to municipalities	444,620	-	567	445,187
Special pension contributions	691,354	-	0	691,354
Debt service	162,237	-	113,526	275,763
Other debt service (appropriations)	417,013	-	679,831	1,096,844
Total appropriations – current expenses	<u>9,770,000</u>	-	<u>5,931,804</u>	<u>15,701,804</u>
Capital improvements	0	-	123,720	123,720
Total appropriations	<u>9,770,000</u>	-	<u>6,055,524</u>	<u>15,825,524</u>
Year-end balance	0	-	159,133	159,133
Total appropriations and year-end balance	<u>\$9,770,000</u>	-	<u>\$6,214,657</u>	<u>\$15,984,657</u>

* Totals may not add due to rounding.

(1) Does not include grants received by agencies whose accounting systems are not centralized in the Treasury Department.

Sources: Treasury Department and Office of Management and Budget