$857,670,000

Puerto Rico Municipal Finance Agency

$564,715,000 1999 Series A Bonds
$292,955,000 1999 Series B Refunding Bonds

The Series A Bonds are being issued to provide funds for the purchase by the Agency from Government Development Bank for Puerto Rico of general obligation municipal bonds and notes of various municipalities of the Commonwealth of Puerto Rico. The Series B Refunding Bonds are being issued to provide funds that will be used, together with other available moneys, to advance refund all of the outstanding 1992 Series A Bonds and 1994 Series A Bonds of the Agency, the proceeds of which provided funds for the purchase of other general obligation municipal bonds and notes.

The Bonds will be secured by and payable from the following:

- The payment of principal and interest on general obligation municipal bonds and notes that are being pledged by the Agency under the indenture. The general obligation municipal bonds and notes are secured by ad valorem taxation, without limitation as to rate or amount, on all taxable property within the issuing municipalities. The good faith, credit and unlimited taxing power of each issuing municipality are pledged to the payment of its general obligation municipal bonds and notes.
- The moneys in a Reserve Account created under the indenture. The Agency's Enabling Act provides that the Commonwealth shall annually apportion and pay to the Agency such sum as shall be necessary to maintain the Reserve Account in the required amount (as described herein). The payment of such sum by the Commonwealth is subject to appropriation by the Legislature of Puerto Rico, which appropriation is authorized but not legally required to be made.
- The scheduled payment when due of principal of and interest on the 1999 Series A Bonds maturing on August 1 of the years 2003 through 2023 and on the 1999 Series B Refunding Bonds maturing on August 1 of the years 2003 through 2019 will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc.

The Bonds will have the following characteristics:

- The Bonds will be dated December 1, 1999.
- The Bonds will be registered under the Depository Trust Company's book-entry only system. Purchasers of the Bonds will not receive definitive Bonds.
- The Bonds are subject to redemption prior to maturity as set forth herein, the earliest possible date of redemption being August 1, 2009.
- Interest on the Bonds will be payable on August 1, 2000 (representing 8 months' interest) and on each February 1 and August 1 thereafter.
- Page (i) hereto contains information respecting the maturity schedules, interest rates, yield and bond insurance on the Bonds.
- Subject to continuing compliance with certain tax covenants, interest on the Bonds will not be includable in gross income for federal income tax purposes and interest on the Bonds is exempt from state, Commonwealth and local income taxation under existing law. However, see "TAX EXEMPTION" for alternative minimum tax consequences with respect to interest on the Bonds and other tax considerations.
- It is expected that settlement for the Bonds will occur on or about December 21, 1999.

NEITHER THE CREDIT OF THE COMMONWEALTH NOR THAT OF ANY OF ITS POLITICAL SUBDIVISIONS OR INSTRUMENTALITIES WILL BE PLEDGED FOR THE PAYMENT OF THE BONDS. THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM PRINCIPAL AND INTEREST PAYMENTS RECEIVED BY THE TRUSTEE FROM THE MUNICIPAL BONDS PLEDGED UNDER THE INDENTURE AND FROM MONEYS HELD IN THE RESERVE ACCOUNT AND OTHER FUNDS AND ACCOUNTS UNDER THE INDENTURE.

Merrill Lynch & Co.
Morgan Stanley Dean Witter

Bear, Stearns & Co., Inc.
PaineWebber Incorporated

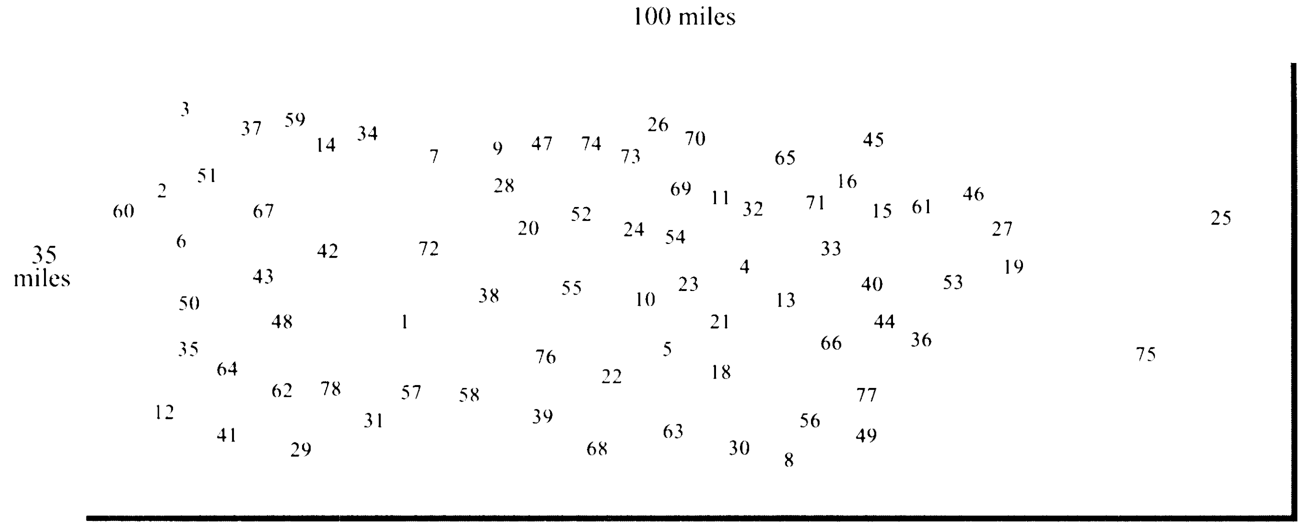
Goldman, Sachs & Co.
Salomon Smith Barney, Inc.

JP Morgan & Company, Inc.
Raymond James & Assoc., Inc.

Prudential Securities Incorporated
Ramirez & Co., Inc.

December 1, 1999

Map of Puerto Rico and its 78 Municipalities

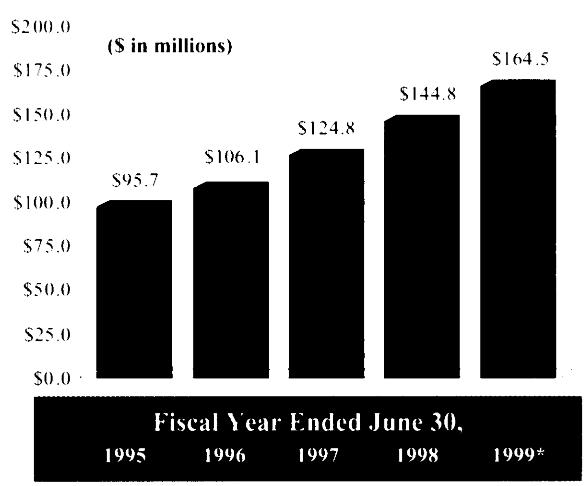


1. Adjuntas	11. Bayamón	21. Cidra	31. Guayanilla	41. Lajas	51. Moca	61. Rio Grande	71. Trujillo Alto
2. Aguada	12. Cabo Rojo	22. Coamo	32. Guaynabo	42. Lares	52. Morovis	62. Sabana Grande	72. Utuado
3. Aguadilla	13. Caguas	23. Comerio	33. Gurabo	43. Las Marías	53. Naguabo	63. Salinas	73. Vega Alta
4. Aguas Buenas	14. Camuy	24. Corozal	34. Hatillo	44. Las Piedras	54. Naranjito	64. San Germán	74. Vega Baja
5. Aibonito	15. Canóvanas	25. Culebra	35. Hormigueros	45. Loíza	55. Orocovis	65. San Juan	75. Vieques
6. Añasco	16. Carolina	26. Dorado	36. Humacao	46. Luquillo	56. Patillas	66. San Lorenzo	76. Villalba
7. Arecibo	17. Cataño	27. Fajardo	37. Isabela	47. Manatí	57. Peñuelas	67. San Sebastián	77. Yabucoa
8. Arroyo	18. Cayey	28. Florida	38. Jayuya	48. Maricao	58. Ponce	68. Santa Isabel	78. Yauco
9. Barceloneta	19. Ceiba	29. Guánica	39. Juana Díaz	49. Maunabo	59. Quebradillas	69. Toa Alta	
10. Barranquitas	20. Ciales	30. Guayama	40. Juncos	50. Mayaguez	60. Rincón	70. Toa Baja	

Special Additional Tax

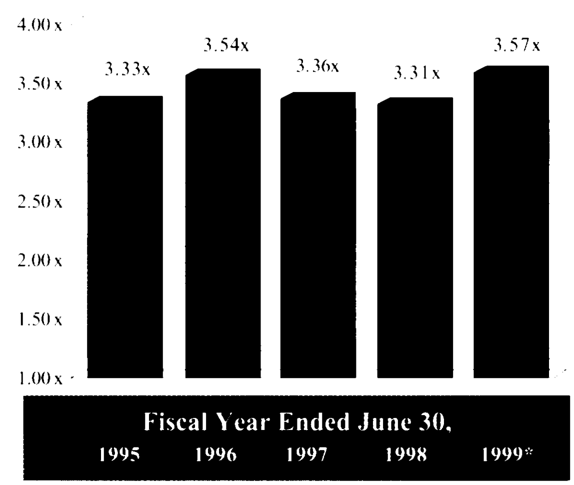
- **Dedicated property tax levied for the payment of municipal general obligation debt**
- **Unlimited as to rate and amount**
- **Centrally collected and deposited by the Municipal Revenues Collection Center in a redemption fund at the Government Development Bank for Puerto Rico**

Historical Special Additional Tax Collections for the 78 Municipalities



* Estimated collections for fiscal year ended June 30, 1999 (subject to final audit) and including $21,948,311 from the sale of delinquent tax liens.

Historical Redemption Fund G.O. Debt Service Coverage Ratio for the 78 Municipalities



* Based on the estimated balance of the Redemption Fund (subject to final audit), including $21,948,311 from the sale of delinquent tax liens, and the general obligation debt service payments of January 1, 1999 and July 1, 1999.

$857,670,000
PUERTO RICO MUNICIPAL FINANCE AGENCY

AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

$564,715,000 1999 Series A Bonds

Amount	Maturity Date-August 1	Interest Rate	Yield	Amount	Maturity Date-August 1	Interest Rate	Yield
$ 19,695,000	2000	5 %	4.125 %	$ 27,655,000	2010*	5 ⅝%	5.12 %
25,395,000	2001	5	4.43	30,860,000	2011*	5 ¾	5.20
24,920,000	2002	5	4.58	32,255,000	2012*	5 ¾	5.30
21,615,000	2003*	5	4.45	40,480,000	2013*	5 ¾	5.37
21,035,000	2004*	5	4.55	26,385,000	2014*	5 ⅞	5.45
26,710,000	2005*	5	4.68	27,450,000	2015*	6	5.55
25,655,000	2006*	5 ¼	4.78	33,655,000	2016*	6	5.60
26,775,000	2007*	5 ½	4.88	23,305,000	2017*	5 ½	5.67
29,325,000	2008*	5 ½	4.95	20,430,000	2018*	5 ½	5.72
28,485,000	2009*	5 ½	5.04	15,780,000	2019*	5 ½	5.77

$36,850,000 5½% Term Bonds due August 1, 2023 - Yield 5.82 %*
(plus accrued interest)

$292,955,000 1999 Series B Refunding Bonds

Amount	Maturity Date-August 1	Interest Rate	Yield	Amount	Maturity Date-August 1	Interest Rate	Yield
$ 28,305,000	2000	5 %	4.125 %	$ 7,530,000	2010*	5 ⅝%	5.12 %
25,290,000	2001	5	4.43	7,975,000	2011*	5 ¾	5.20
26,980,000	2002	5 ½	4.58	8,470,000	2012*	5 ¾	5.30
28,380,000	2003*	5	4.45	9,010,000	2013*	5 ¾	5.37
30,260,000	2004*	5	4.55	4,150,000	2014*	5 ⅞	5.45
31,815,000	2005*	5	4.68	2,500,000	2015*	6	5.55
26,030,000	2006*	5 ¼	4.78	2,645,000	2016*	6	5.60
21,005,000	2007*	5 ½	4.88	2,800,000	2017*	5 ½	5.67
12,800,000	2008*	5	4.95	2,955,000	2018*	5 ½	5.72
11,190,000	2009*	5 ½	5.04	2,865,000	2019*	5 ½	5.77

(plus accrued interest)

* The scheduled payment when due of principal of and interest on the 1999 Series A Bonds maturing on August 1 of the years 2003 through 2023 and on the 1999 Series B Refunding Bonds maturing on August 1 of the years 2003 through 2019 will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc.

No dealer, broker, sales representative or other person has been authorized by the Agency or the Underwriters to give any information or make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Agency or any Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Agency, the Commonwealth, the Municipality of San Juan and various other agencies of the Commonwealth and includes information obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriters. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency, the Commonwealth or the Municipality of San Juan since the date hereof. Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix D specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security, and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Puerto Rico Municipal Finance Agency
$564,715,000 1999 Series A Bonds
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INTRODUCTORY STATEMENT

This Official Statement of Puerto Rico Municipal Finance Agency (the "Agency") is provided to furnish information with respect to its $564,715,000 Puerto Rico Municipal Finance Agency 1999 Series A Bonds (the "Series A Bonds") and $292,955,000 Puerto Rico Municipal Finance Agency 1999 Series B Refunding Bonds (the "Series B Refunding Bonds" and, together with the Series A Bonds, the "Bonds"). The Bonds will be issued pursuant to a Trust Indenture, dated as of December 1, 1999 (the "1999 Indenture"), between the Agency and State Street Bank and Trust Company, N.A., as trustee (the "Trustee"). The Series A Bonds maturing on August 1 of the years 2003 through 2023 and the Series B Refunding Bonds maturing on August 1 of the years 2003 through 2019 (collectively the "Insured Bonds") will be guaranteed as to scheduled payments of principal and interest by a Municipal Bond Insurance Policy (the "Policy") to be issued by Financial Security Assurance Inc. ("Financial Security" or the "Insurer") concurrently with the delivery of the Bonds.

This Official Statement includes the cover page, its appendices and the following documents, which have been filed with each nationally recognized municipal securities information repository ("NRMSIR") and are incorporated herein by reference:

(1) the Comprehensive Annual Financial Report of the Commonwealth for the fiscal year ended June 30, 1998 prepared by the Department of the Treasury (the "Commonwealth's Annual Financial Report"), which is contained as Appendix III to the Official Statement of the Puerto Rico Public Finance Corporation, dated January 27, 1999, relating to the sale of $265,000,148.85 Puerto Rico Public Finance Corporation 1999 Series A and Series B Bonds (Commonwealth Appropriation Bonds) and includes the general purpose financial statements of the Commonwealth for the fiscal year ended June 30, 1998, together with the independent auditor's report thereon, dated December 18, 1998, of Deloitte & Touche, LLP, San Juan, Puerto Rico, certified public accountants;

(2) the Municipality of San Juan ("San Juan") Comprehensive Annual Financial Report for the fiscal year ended June 30, 1998 prepared by San Juan's Finance Department and dated December 28, 1998 (the "San Juan Annual Financial Report"), which includes the general purpose financial statements of San Juan for the fiscal year ended June 30, 1998, together with the independent auditor's report thereon, dated September 23, 1998, of KPMG LLP, San Juan, Puerto Rico, certified public accountants; and

(3) the Municipality of San Juan's general purpose financial statements for the fiscal year ended June 30, 1999, together with the independent auditor's report thereon, dated September 17, 1999, of KPMG LLP, San Juan, Puerto Rico, certified public accountants ("San Juan's 1999 Financial Statements")

Any Appendix of an Official Statement of the Commonwealth or any appendix of an Official Statement of any instrumentality of the Commonwealth containing the same information as the Commonwealth's Annual Financial Report, filed with each NRMSIR and the Municipal Securities Rulemaking Board ("MSRB") after the date hereof and prior to the termination of any offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be part of this Official Statement from the date of filing of such document. Any filing with each NRMSIR by San Juan of a document containing the same information as the San Juan Annual Financial Report or San Juan's 1999 Financial Statements after the date hereof and prior to the termination of any offering of the Bonds shall also be deemed to be incorporated by reference into this Official Statement and to be part of this Official Statement from the date of filing of such document. Any statement contained herein or in any of the above described documents incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Commonwealth will provide without charge to any person to whom this Official Statement is delivered, on the written or oral request of such person, a copy of any of the documents incorporated herein by reference. Requests for such documents should be directed to Director-New York Office, Government Development Bank for Puerto Rico, 140 Broadway, 38th Floor, New York, New York 10005, telephone number (212) 422-6420.

A copy of the Commonwealth's Annual Financial Report, the San Juan Annual Financial Report and/or San Juan's 1999 Financial Statements may be obtained by contacting a NRMSIR. The address of each NRMSIR is set forth in "CONTINUING DISCLOSURE" below. The address of the MSRB is 1640 King Street, Suite 300, Alexandria, VA 22314, telephone number (202) 223-9503.

THE AGENCY

The Agency, a public corporation and governmental instrumentality of the Commonwealth, was created by Act No. 29 of the Legislature of Puerto Rico, approved June 30, 1972, as amended (the "Enabling Act"), to allow the municipalities of Puerto Rico to access the capital market so that such municipalities might finance more effectively their public improvement programs.

The Agency is authorized to issue bonds for the following purposes: (i) purchasing bonds and notes of municipalities within the Commonwealth secured by *ad valorem* taxation, without limitation of rate or amount, on all taxable property within each such municipality and issued in accordance with applicable law, (ii) making payments into the Bond Service Account, the Operating Fund or the Reserve Account (as described herein) of any trust indenture under which bonds of the Agency are issued, (iii) funding bond anticipation notes theretofore issued by the Agency to provide funds to purchase municipal bonds and notes, and (iv) refunding any outstanding bonds of the Agency.

The Agency is located in the Minillas Government Center in San Juan, Puerto Rico. Its mailing address is P.O. Box 42001, San Juan, Puerto Rico 00940-2001, telephone (787) 722-2525.

Organization and Membership of the Agency

The Agency is governed by a Board of Directors, which is composed of the President of GDB, an instrumentality and public corporation of the Commonwealth, the Commissioner of Municipal Affairs and three additional members appointed by the Governor of Puerto Rico, one of whom must be either the mayor or chief financial officer of a municipality. The Commissioner of Municipal Affairs, the President of GDB, and the municipal officer appointed by the Governor of Puerto Rico shall be members of the Board during the period of their respective incumbencies. The other two members shall be appointed for a period of five years. The President of GDB serves as the Chairman of the Board and President of the Agency.

The Board currently consists of the following members:

Member	Occupation
Lourdes M. Rovira, *Chairman of the Board and President*	President of GDB
María Rosa Ortiz	Commissioner of Municipal Affairs
Hon. Ferdín Carrasquillo Ayala	Mayor, Municipality of Loiza
Roque Otero Cortés	Businessman
José Dapena Thompson	Lawyer

Prior Bond Issues

As of November 1, 1999, the Agency had outstanding $101,855,000 in 1992 Series A Bonds, $191,690,000 in 1994 Series A Bonds, $189,880,000 in 1997 Series A Bonds and $36,155,000 in 1997 Series B Refunding Bonds (collectively, the "Outstanding Bonds"). The Outstanding Bonds were authorized and issued pursuant to trust indentures separate from and unrelated to the 1999 Indenture. Simultaneously with the issuance of the Bonds, all of the outstanding 1992 Series A Bonds and 1994 Series A Bonds will be advance refunded and defeased with part of the proceeds of the Series B Refunding Bonds and other available moneys. See "PLAN OF FINANCING - The Series B Refunding Bonds."

PLAN OF FINANCING

The Series A Bonds

The portion of the proceeds of the Series A Bonds deposited to the credit of the Acquisition Fund will be used by the Trustee to purchase from GDB general obligation municipal bonds and notes of various Puerto Rico municipalities (the "1999 Municipal Bonds"). See "SOURCES OF PAYMENT FOR THE BONDS- The Municipal Bonds" and "THE 1999 INDENTURE- Acquisition Fund."

The Series B Refunding Bonds

A portion of the proceeds of the Series B Refunding Bonds will be used, together with other available moneys, for the purpose of advance refunding the following outstanding Agency Bonds: (i) the remaining $101,855,000 aggregate principal amount of 1992 Series A Bonds (the "1992 Refunded Bonds") and (ii) the remaining $191,690,000 aggregate principal amount of 1994 Series A Bonds (the "1994 Refunded Bonds," and together with the 1992 Refunded Bonds, the "Refunded Bonds").

1992 Refunded Bonds

The proceeds of the Series B Refunding Bonds to be used for advance refunding the 1992 Refunded Bonds will be transferred to and held by the trustee (the "1992 Trustee") under the trust indenture for such bonds (the "1992 Indenture") in a special escrow fund, appropriately designated, for the sole and exclusive purpose of paying the principal of and redemption premium, if any, and interest to accrue to the redemption date on the 1992 Refunded Bonds (the "1992 Escrow Fund").

The 1992 Refunded Bonds will be paid as follows: (i) the serial bonds maturing on July 1, 2000, 2001 and 2002, inclusive, in the aggregate principal amount of $34,360,000, will be paid at their respective maturities; and (ii) the serial bonds maturing on July 1, 2003 through 2008, inclusive, in the aggregate principal amount of $67,495,000, will be called for redemption on July 1, 2002, at a redemption price of 102% of the principal amount thereof.

Upon the deposit of a portion of the proceeds of the Series B Refunding Bonds and other available moneys in the 1992 Escrow Fund, all of the 1992 Refunded Bonds will, in the opinion of bond counsel, be no longer outstanding under the 1992 Indenture and the 1992 Refunded Bonds will be thereupon defeased. Such proceeds and other available moneys will be invested in direct, non-callable and non-prepayable obligations of the United States (or obligations unconditionally guaranteed by the United States), the principal of and interest on which, with any remaining moneys not so invested, will be sufficient to pay the principal of and premium on the 1992 Refunded Bonds at their redemption date, and to pay interest on the 1992 Refunded Bonds as such interest becomes due until the redemption date. The mathematical accuracy of the sufficiency of the amounts so deposited, and investment earnings thereon, to pay the principal of and redemption premium, if any, and interest on the 1992 Refunded Bonds as such amounts become due until the redemption date, will be verified by Deloitte & Touche LLP, verification agent.

Upon the defeasance of the 1992 Refunded Bonds, the outstanding general obligation municipal bonds and notes (the "1992 Municipal Bonds") held by the 1992 Trustee as security for the 1992 Series A Bonds will be released and, in turn, will be pledged by the Agency under the 1999 Indenture and transferred to the Trustee as additional security for the Bonds.

1994 Refunded Bonds

The proceeds of the Series B Refunding Bonds to be used for advance refunding the 1994 Refunded Bonds will be transferred to and held by the trustee (the "1994 Trustee") under the trust indenture for such bonds (the "1994 Indenture") in a special escrow fund, appropriately designated, for the sole and exclusive purpose of paying the principal of and redemption premium, if any, and interest to accrue to the redemption date on the 1994 Refunded Bonds (the "1994 Escrow Fund").

The 1994 Refunded Bonds will be paid as follows: (i) the serial bonds maturing on July 1, 2000 through 2004, inclusive , in the aggregate principal amount of $61,775,000, will be paid at their respective maturities; (ii) the serial bonds maturing on July 1, 2005 through 2009, inclusive, in the aggregate principal amount of $68,180,000, will be called for redemption on July 1, 2004, at a redemption price of 101 1/2% of the principal amount thereof; and (iii) the term bonds maturing on July 1, 2019, in the aggregate principal amount of $61,735,000, will be called for redemption on July 1, 2004 at a redemption price of 101 1/2% of the principal amount thereof.

Upon the deposit of a portion of the proceeds of the Series B Refunding Bonds and other available moneys in the 1994 Escrow Fund, all of the 1994 Refunded Bonds will, in the opinion of bond counsel, be no longer outstanding under the 1994 Indenture and the 1994 Refunded Bonds will be thereupon defeased. Such proceeds and other available moneys will be invested in direct, non-callable and non-prepayable obligations of the United States (or obligations unconditionally guaranteed by the United States), the principal of and interest on which, with any remaining moneys not so invested, will be sufficient to pay the principal of and premium on the 1994 Refunded Bonds at their redemption date, and to pay interest on the 1994 Refunded Bonds as such interest becomes due until the redemption date. The mathematical accuracy of the sufficiency of the amounts so deposited, and investment earnings thereon, to pay the principal of and redemption premium, if any, and interest on the 1994 Refunded Bonds as such amounts become due until the redemption date, will be verified by Deloitte & Touche LLP, verification agent.

Upon such defeasance of the 1994 Refunded Bonds, the outstanding municipal bonds and notes (the "1994 Municipal Bonds", and together with the 1992 Municipal Bonds and the 1999 Municipal Bonds, the "Municipal Bonds," and the municipalities issuing the Municipal Bonds herein called collectively the "Municipal Issuers") held by the 1994 Trustee as security for the 1994 Series A Bonds will be released and, in turn, will be pledged by the Agency under the 1999 Indenture and transferred to the Trustee as additional security for the Bonds.

Sources and Uses of Funds

Sources:

Principal amount of Series A Bonds	$564,715,000
Principal amount of Series B Refunding Bonds	292,955,000
Net original issue premium	16,815,238
Available Moneys under 1992 and 1994 Indentures	55,755,929
Total Sources	$930,241,167

Uses:

Deposit to the Acquisition Fund	$532,690,000
Deposit to the Reserve Account	48,598,600
Deposit to the 1992 Escrow Fund	106,541,804
Deposit to the 1994 Escrow Fund	201,126,861
Deposit to the Bond Service Account	1,128,327
Funds for municipalities	25,200,000
Underwriting discount, municipal bond insurance premium and legal, printing and financing expenses	14,955,575
Total Uses	$930,241,167

The amount deposited to the credit of the Reserve Account under the 1999 Indenture will be equal to the Required Debt Service Reserve (as defined herein). See "SOURCES OF PAYMENT FOR THE BONDS- The Reserve Account." The amount deposited in the Reserve Account will be invested in a guaranteed investment contract (approved by Financial Security) with a highly rated financial institution. In addition, the Agency will enter into another guaranteed investment contract (approved by Financial Security) with a highly rated financial institution covering certain balances to be retained while the Bonds are outstanding in the Bond Service Account of the Sinking Fund (including the deposit shown above). See

"SOURCES OF PAYMENT FOR THE BONDS" and "THE 1999 INDENTURE-Investment of Funds." The item "Funds for municipalities" represents a distribution of moneys to be derived from the refunding of the Refunded Bonds that will be proportionately made available for qualifying uses to municipalities that participated in those bond issues.

THE BONDS

General

The Bonds will be dated December 1, 1999. Interest on the Bonds (at the respective rates set forth on page (i) of this Official Statement) will be payable on August 1, 2000 (representing 8 months' interest) and on each February 1 and August 1 thereafter. The Bonds are subject to redemption at the times and at the prices set forth in "Redemption" below.

Book-Entry Only System

The following information concerning DTC and DTC's book-entry system has been obtained from DTC, and the Agency, the Underwriters and the Trustee do not take any responsibility for its accuracy.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds in the name of Cede & Co., DTC's partnership nominee. One fully registered Bond will be issued for each maturity and series of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each purchaser of a Bond (a "Beneficial Owner") is in turn to be recorded in the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds will be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive definitive Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the Bonds of a maturity and series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co., will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct and Indirect Participants.

Each person for which a Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, forwarded in writing by such Participant and to have notification made of all interest payments.

So long as Cede & Co., as nominee of DTC (or any other nominee of DTC), is the registered owner of the Bonds, all references herein to the Bondholders, owners or registered owners of the Bonds (other than under the heading "TAX EXEMPTION") shall mean Cede & Co., or such other nominee, in the capacity as nominee of DTC, and shall not mean the Beneficial Owners of the Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Authority and the Trustee to DTC only.

Year 2000 Matters-DTC management is aware that some computer systems for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000 may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and interest payments) to security holders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's program includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform its services properly is also dependent upon other parties, including but not limited to issuers and their agents, as well as Direct Participants, Indirect Participants and third party vendors from whom DTC licenses software and hardware and third party vendors from whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

THE AGENCY, THE TRUSTEE, AND THE UNDERWRITERS WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (i) SENDING TRANSACTION STATEMENTS; (ii) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (iii) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (iv) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE 1999 INDENTURE TO BE GIVEN TO THE REGISTERED OWNERS OF THE BONDS; OR (v) ANY CONSENT GIVEN OR ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

Transfers

For every transfer and exchange of the Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Discontinuance of the Book-Entry Only System

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, definitive Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, definitive Bonds will also be printed and delivered.

In the event that such book-entry only system is discontinued, the following provisions will apply: principal of and redemption premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the corporate trust office of the Trustee in New York, New York. Interest on the Bonds will be payable by check mailed to the respective addresses of the registered owners thereof as shown on the registration books of the Agency maintained by the Trustee as of the record date therefor (January 15 and July 15). The Bonds will be issued only as registered Bonds without coupons in denominations of $5,000 or any multiple thereof. The transfer of the Bonds will be registrable and they may be exchanged at the corporate trust office of the Trustee in New York, New York, upon the payment of any taxes or other governmental charges required to be paid with respect to such transfer or exchange.

Redemption

Optional Redemption. The Bonds maturing after August 1, 2009 may be redeemed, at the option of the Agency, upon not less than 30 days' prior notice by mail to DTC or, if the book-entry system is discontinued, to the registered owners thereof from any available moneys (other than moneys deposited in the Sinking Fund in respect of an amortization requirement) either in whole or in part, as directed by the Agency, on any date not earlier than August 1, 2009, at the following prices (expressed as percentages of the principal amount) plus accrued interest to the redemption date:

Period During Which Redeemed	Redemption Price
August 1, 2009 through July 31, 2010	101 %
August 1, 2010 through July 31, 2011	100 1/2
August 1, 2011 and thereafter	100

Mandatory Redemption. The term Series A Bonds maturing August 1, 2023 are subject to redemption to the extent of the respective amortization requirements therefor set forth below (less the amount applied to the purchase of any such Bonds and otherwise subject to adjustment as described below), upon not less than 30 days' prior notice by mail to DTC or, if the book-entry system is discontinued, to the registered owners thereof on August 1, 2020 and on August 1 in each year thereafter from moneys in the Redemption Account at a redemption price of par plus accrued interest to the date fixed for redemption:

August	Amortization Requirements for Term Series A Bonds due August 1, 2023
2020	$ 10,110,000
2021	9,005,000
2022	11,030,000
2023	6,705,000*
Average life (years)	22.00

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* Maturity

If the amount of the term Series A Bonds retired by purchase or redemption during any fiscal year exceeds the amount of the amortization requirement for such fiscal year, the remaining amortization requirements shall be decreased for such subsequent fiscal years and in such amounts aggregating the amount of such excess as the Agency shall determine.

Effect of Calling for Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the 1999 Indenture, the Bonds or portions of Bonds so called for redemption will become and be due and payable at the redemption price of such Bonds or portions thereof to be redeemed on such date, and, if sufficient moneys, or Government Obligations (as defined herein) the principal of and interest on which when due will provide sufficient moneys, for payment or the redemption price are held in separate accounts by the Trustee in trust for the holders of the Bonds or portions thereof to be redeemed, as provided in the 1999 Indenture, interest on the Bonds or portions thereof so called for redemption will cease to accrue, such Bonds or portions thereof will cease to be entitled to any benefit or security under the 1999 Indenture, and the registered owners of such Bonds or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof and the accrued interest and, to the extent provided in the 1999 Indenture, to receive Bonds of the same series and maturity for any unredeemed portions of the Bonds.

Additional Bonds

No additional bonds may be issued under the 1999 Indenture except to refund any bonds issued under the 1999 Indenture (including the Bonds). All such refunding bonds will be issued on a parity with the Bonds and will be entitled to the same benefit and security under the 1999 Indenture as the Bonds. In addition, the Agency may from time to time issue additional bonds and notes as authorized under the Enabling Act, which bonds and notes would be authorized and issued pursuant to trust indentures or authorizing resolutions separate from and unrelated to the 1999 Indenture and would be secured by general obligation municipal bonds and notes other than those pledged or to be pledged, as applicable, to secure payment of the Bonds or any such refunding bonds.

SOURCES OF PAYMENT FOR THE BONDS

The Bonds and any refunding bonds issued under the 1999 Indenture are equally and ratably secured by and payable from (i) payments of principal of and interest on the Municipal Bonds held by the Trustee under the 1999 Indenture (see "The Municipal Bonds" below); and (ii) moneys in and investment income from the Reserve Account (including any moneys paid to the Agency by the Commonwealth) (see "The Reserve Account" below) and the Acquisition Fund (see "THE 1999 INDENTURE-Acquisition Fund"). Some or all of the Municipal Bonds may be released from the lien of the 1999 Indenture if certain requirements are met. See "THE 1999 INDENTURE-Release of Municipal Bonds."

The principal amount of the municipal bonds and notes issued by San Juan that are or will be included in the Municipal Bonds totals $295,770,000 or 37.9% of the total $779,530,000 in principal amount of Municipal Bonds to be pledged as security for the Bonds under the 1999 Indenture. For additional information on San Juan, please refer to "APPENDIX B - THE MUNICIPALITY OF SAN JUAN" and to the San Juan Annual Financial Report and San Juan's 1999 Financial Statements, which have been incorporated by reference into this Official Statement

The Trustee is required to collect the principal of and interest on all Municipal Bonds held by it on behalf of the Agency under the 1999 Indenture as such principal and interest become due and payable and deposit the moneys so received to the credit of the following Accounts within the Sinking Fund (as defined herein) and to the Operating Fund (as defined herein) created under the 1999 Indenture in the following order:

(a) the Bond Service Account, such amount as may be required to make the total amount then in the Bond Service Account equal to the amount of interest then or to become within the next ensuing six months due and payable on all Bonds and any refunding bonds and the amount of principal then or to become within the next ensuing twelve months due and payable on all serial Bonds and serial refunding bonds then outstanding plus such additional amount, if any, of any surplus cash flow from the Municipal Bonds as may be specified in a certificate of the Agency filed with the Trustee upon the issuance of the Bonds, or any such refunding bonds necessary, together with future amounts to be received on the Municipal Bonds to provide for future interest on all outstanding Bonds and any refunding bonds and future principal on all outstanding serial Bonds or any serial refunding bonds as so specified by the Agency;

(b) the Redemption Account, such amount as may be required to make the amount deposited in the Redemption Account in such fiscal year equal to the Amortization Requirements, if any, for such fiscal year for the term Bonds and term refunding bonds then outstanding plus such additional amount, if any, of any surplus cash flow from the Municipal Bonds as may be specified in a certificate of the Agency filed with the Trustee upon the issuance of the term Bonds or any term refunding bonds necessary, together with future amounts to be received on the Municipal Bonds to equal any future Amortization Requirements for the term bonds or any term refunding bonds as so specified by the Agency;

(c) the Reserve Account, such amount as may be required to make the amount then in the Reserve Account equal to the Required Debt Service Reserve; and

(d) the Operating Fund.

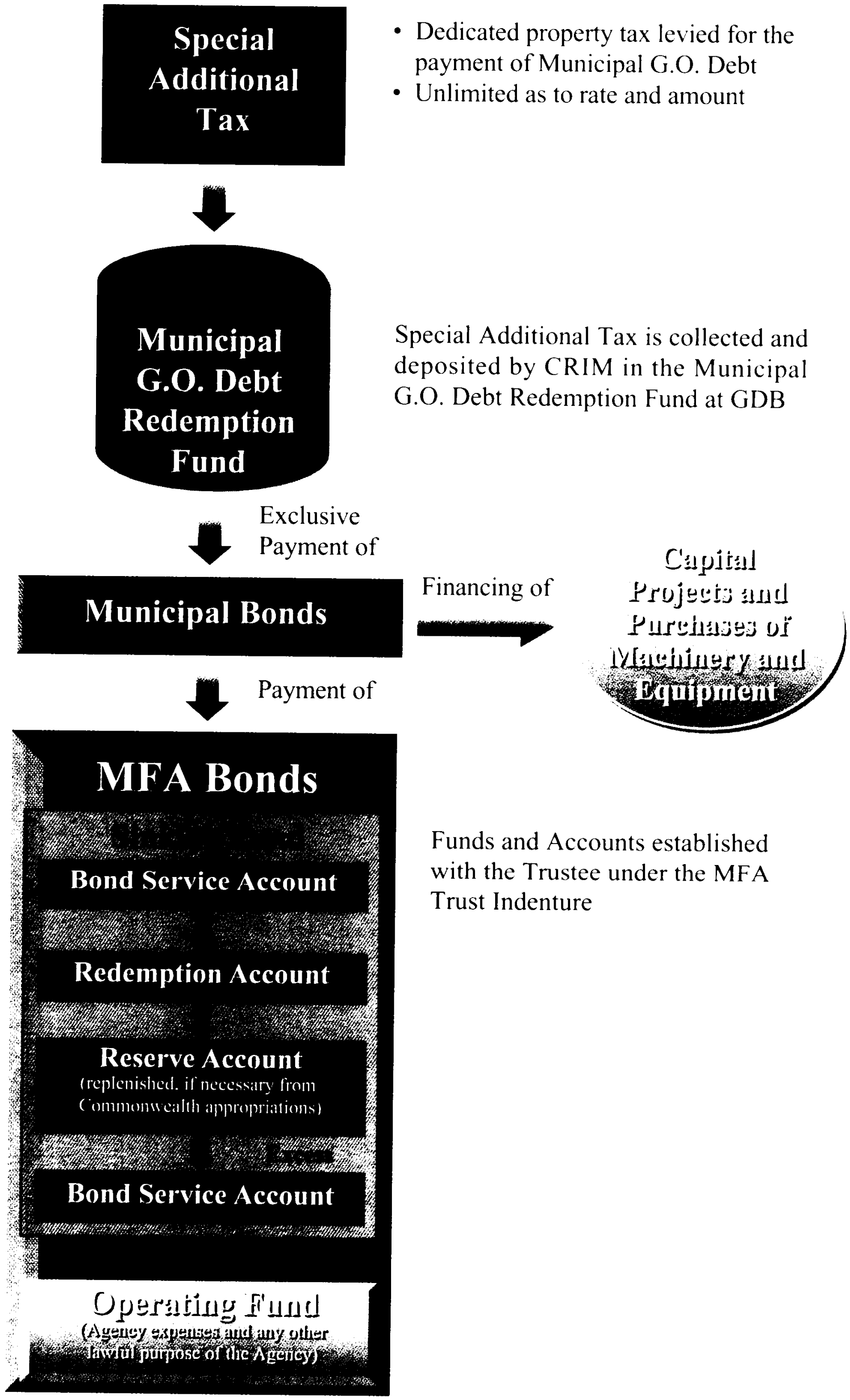
Any amounts in the Reserve Account in excess of the Required Debt Service Reserve shall be transferred to the Bond Service Account.

All moneys paid to the Agency by the Commonwealth pursuant to the Enabling Act for the purpose of restoring the Reserve Account to the Required Debt Service Reserve are to be paid to the Trustee for deposit to the credit of the Reserve Account.

Neither the credit of the Commonwealth nor that of any of its political subdivisions or instrumentalities will be pledged for the payment of the Bonds. The Bonds are limited obligations of the Agency payable solely from principal and interest payments under the pledged Municipal Bonds and from moneys held in the Reserve Account and other funds and accounts under the 1999 Indenture. The good faith, credit and unlimited taxing power of each Municipal Issuer will, however, be pledged to the payment of each of its Municipal Bonds that is being pledged by the Agency to secure payment of the Bonds and any refunding bonds issued under the 1999 Indenture.

PRINCIPAL SOURCE OF PAYMENT FOR MFA BONDS

The following diagram demonstrates the principal source of payment for the Municipal Bonds of each Municipal Issuer and how payments on the Municipal Bonds are allocated to the above mentioned funds and accounts.



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The Municipal Bonds

General. As required by the 1999 Indenture and the Enabling Act, the Municipal Bonds are general obligation bonds or notes of a Municipal Issuer secured by *ad valorem* taxation, without limitation as to rate or amount, on all taxable property within the boundaries of the applicable Municipal Issuer. The good faith, credit and unlimited taxing power of each Municipal Issuer are pledged to the payment of its Municipal Bonds. The Municipal Bonds have been issued pursuant to Act No. 64 of the Legislature of Puerto Rico, approved July 3, 1996, as amended ("Act No. 64"), or its predecessor statute, Act No. 7 of the Legislature of Puerto Rico, approved October 28, 1954, as amended ("Act No. 7"). Act No. 64 incorporated into a single statute the provisions of Act No. 7 and of several other laws relating to municipal finance and municipal taxes and made certain changes to such provisions to, among other things, expedite and streamline the procedures for the issuance of municipal obligations, including general obligation municipal bonds and notes.

Limitations on Ability of Municipalities to Issue General Obligation Debt. GDB is required by Act No. 64 to give its prior approval to all proposed issues of general obligation bonds and notes by the municipalities of Puerto Rico. Prior to approving any proposed issue of general obligation debt, GDB is required to verify that the municipality has Available Legal Margin and Payment Capacity (as such terms are defined below) to incur such additional general obligation debt.

As provided by the Commonwealth Constitution, the Legislature of Puerto Rico has fixed a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged. The principal amount outstanding of any such bonds and notes may not exceed 10% of the aggregate assessed valuation of the taxable property within such municipality (the "Legal Margin," and the amount by which such municipality's Legal Margin exceeds a municipality's outstanding general obligation debt, the "Available Legal Margin"). Act No. 64 provides that in calculating the Available Legal Margin of a municipality, the amount of outstanding general obligation bonds and notes of such municipality is reduced by the amount of the excess, if any, of the funds deposited in such municipality's Redemption Fund (as defined herein) with GDB over the amount of accrued but unpaid interest on such general obligation debt. For a discussion of the operation of the Redemption Fund see "Redemption Fund Deposits and Application" below.

Act No. 64 also requires that in order for a municipality to be able to issue additional general obligation bonds and notes such municipality must have sufficient "payment capacity." Act No. 64 provides that a municipality has sufficient "payment capacity" to incur additional general obligation debt if the deposits in such municipality's Redemption Fund and the annual amounts collected with respect to such municipality's Special Additional Tax (as defined below), as projected by GDB, will be sufficient to service to maturity the municipality's outstanding general obligation debt and the additional proposed general obligation debt ("Payment Capacity").

Special Additional Tax. The principal source of payment for municipal general obligation bonds and notes is a special additional property tax (the "Special Additional Tax"), which as provided by Act No. 83 of August 30, 1991 ("Act No. 83"), as amended, may be imposed by a municipality without limitation as to rate or amount. Under Acts No. 7 and No. 64, each municipality is required to levy the Special Additional Tax in such amounts as shall be required for the payment of its outstanding general obligation municipal bonds and notes. The current Special Additional Tax rates for municipalities vary from 0.50% to 1.75% of applicable assessed valuation in the case of both real and personal property. The Special Additional Tax is collected on behalf of the municipalities by the Municipal Revenues Collection Center, an independent municipal entity ("CRIM"). The Special Additional Tax is available exclusively for the payment of debt service on general obligation debt of the municipalities, except for any Special Additional Tax collected on the real and personal property of the newly privatized Puerto Rico Telephone Company ("PRTC") for those municipalities that elect not to deposit such PRTC property taxes in their Redemption Funds. See "Special Additional Tax on PRTC Property" below.

Redemption Fund Deposits and Application. CRIM is required to deposit into each municipality's Redemption Fund with GDB the amounts collected with respect to such municipality's Special Additional Tax (including the annual appropriations from the Commonwealth's General Fund to compensate each municipality for the exemption from the Special Additional Tax portion of the $15,000 Real Property Exemption (as defined below) and the $50,000 Personal Property Exemption (as defined below)) and any additional amount derived from such municipality's Basic Tax (as defined below) and other available revenues to the extent necessary to pay principal of and interest on all general obligation indebtedness of such municipality. It has never been necessary to transfer into any municipality's Redemption Fund moneys derived from such municipality's Basic Tax.

Act No. 64 provides that the Special Additional Tax and other amounts deposited in a municipality's Redemption Fund are to be used exclusively to pay the principal of and premium, if any, and interest on its general obligation bonds and notes (except that interest earnings on Redemption Fund balances are remitted to such municipality quarterly). This was also the general practice followed by GDB under Act No. 7 prior to the enactment of Act No. 64.

In May 1996, the Puerto Rico Supreme Court ruled in a lawsuit filed by San Juan that GDB had the obligation under Act No. 7 to return to San Juan funds held in such municipality's Redemption Fund to the extent that such funds exceeded the amount necessary to cover twelve months' debt service on such municipality's then outstanding general obligation indebtedness and future deficiencies in Special Additional Tax collections based on current tax rates, and that such "excess" could be used by San Juan to pay operating expenses. As a result of such decision, GDB initially returned in approximately $21.5 million to San Juan from its Redemption Fund. GDB subsequently returned approximately $3 million from San Juan's Redemption Fund corresponding to the Special Additional Tax for fiscal year 1995-1996 that was collected by CRIM and deposited in San Juan's Redemption Fund in 1997.

Based on the Puerto Rico Supreme Court's decision, four other municipalities asked GDB prior to enactment of Act No. 64 to return to them "excess" funds, if any, in their respective Redemption Funds. Three of these municipalities had an "excess" in their respective Redemption Funds, and all three of these municipalities, after consultation with GDB, agreed to maintain such "excess" deposited in their respective Redemption Funds. In addition, six other municipalities asked GDB, after the enactment of Act No. 64, to return their "excess" funds, if any, in their respective Redemption Funds, of which only two had "excess" funds. Given the exclusive use of such money to pay debt service on general obligation municipal debt provided in Act No. 64, GDB will not return "excess funds" to any municipality that requested the moneys after the enactment of Act No. 64. No municipality has contested GDB's determination.

Municipal Revenues. Revenues of the municipalities of Puerto Rico are principally derived from *ad valorem* property taxes and Commonwealth contributions.

Act No. 83 authorizes municipalities to impose the following property taxes: (i) the Special Additional Tax, without limitation as to rate or amount, which as mentioned above is available exclusively for the payment of a municipality's general obligation debt; and (ii) a basic property tax to fund operating expenses up to a maximum amount of 6% of the assessed valuation on all real property within such municipality and up to a maximum amount of 4% of the assessed valuation on all personal property within such municipality (collectively, the "Basic Tax"). Act No. 83 also continued in effect a special property tax imposed by the Commonwealth of 1.03% of the assessed valuation of all real and personal property within the Commonwealth (other than exempted property) (the "Special Tax") for the exclusive purpose of servicing the Commonwealth's general obligation debt. A portion of the Basic Tax levied by a municipality may be transferred to other municipalities by virtue of the operation of the Matching Fund (as defined herein). See "Matching Fund and Equalization Moneys" below.

The current Basic Tax rates for municipalities vary from 5% to 6% of the assessed valuation in the case of real property, and from 3% to 4% of the assessed valuation in the case of personal property. In the aggregate, current property tax rates (including the Special Additional Tax and the Basic Tax) for the municipalities vary from 5.75% to 7.75% of the assessed valuation in the case of real property, and from 3.75% to 5.75% of the assessed valuation in the case of personal property. Interest is charged on delinquent taxes at the rate of 10%, with a penalty of up to 10% of the tax owed in the case of real property and up to 15% of the tax owed (or up to 40% if the delinquency also involves failure to file the required tax return) in the case of personal property.

As mentioned above, under Acts No. 7 and No. 64, each municipality is required to levy the Special Additional Tax in such amounts as shall be required for the payment of its general obligation municipal bonds and notes. Principal of and interest on all general obligation municipal bonds and notes and on all municipal notes issued in anticipation of the issuance of general obligation bonds also constitute a first lien on the municipality's Basic Tax. Accordingly, the municipality's Basic Tax would be available to make debt service payments on general obligation municipal bonds and notes to the extent that the Special Additional Tax, together with moneys on deposit in the municipality's Redemption Fund, are not sufficient to cover such debt service. It has never been necessary to apply Basic Taxes to pay debt service on general obligation municipal bonds and notes.

Act No. 83 provides for an exemption from the Special Additional Tax and Basic Tax on the first $15,000 of assessed valuation of primary personal residences of individuals (the "$15,000 Real Property Exemption") and an exemption from personal property taxes on the first $50,000 of assessed valuation of property owned by businesses that have gross revenues of less than $150,000 per annum (the "$50,000 Personal Property Exemption"). Recognizing the importance of the real and personal property tax for the fiscal requirements of the municipalities, the Commonwealth makes annual appropriations to the municipalities from its General Fund as compensation for the amount of the revenues foregone owing to these exemptions. However, under Act No. 83 appropriations from the Commonwealth will not be provided to cover any amount of property taxes which any municipality elects to forgive for primary personal residences registered for the first time after January 1, 1992 and personal property of certain businesses registered for the first time after July 1, 1991.

Act No. 83 and Act No. 80, approved by the Legislature of Puerto Rico on August 30, 1991, as amended ("Act No. 80"), also provide for the following Commonwealth contributions to the municipalities: (i) 2.02% of the net internal revenues of the Commonwealth's General Fund; (ii) 35% of the annual net revenues (up to a maximum of $26 million) derived from the operation of the additional lottery system created by Act No. 10, approved by the Legislature of Puerto Rico, on May 24, 1989, as amended (the amounts in clauses (i) and (ii), the "Designated Commonwealth Contributions"); (iii) an annual amount from the Commonwealth's General Fund to compensate the municipalities for the $15,000 Real Property Exemption and the $50,000 Personal Property Exemption; and (iv) an annual amount from the Commonwealth's General Fund to compensate the municipalities for the exemption of 0.20% of the assessed valuation of all taxable property within the municipalities (the amounts in clauses (i) through (iv), with the exception of the annual contributions from the Commonwealth with respect to the compensation to the municipalities for the Special Additional Tax portion of the $15,000 Real Property Exemption and the $50,000 Personal Property Exemption, are defined as the "Commonwealth Contributions").

An amendment to Act No. 80 was recently enacted increasing the Commonwealth contribution corresponding to clause (i) of the preceding paragraph in the following manner: (i) from 2.02% to 2.10% of the net internal revenues of the Commonwealth's General Fund for fiscal year 2000-2001; (ii) from 2.10% to 2.20% of the net internal revenues of the Commonwealth's General Fund for fiscal year 2001-2002; (iii) from 2.20% to 2.30% of the net internal revenues of the Commonwealth's General Fund for fiscal year 2002-2003; (iv) from 2.30% to 2.40% of the net internal revenues of the Commonwealth's General Fund for fiscal year 2003-2004; and (v) from 2.40% to 2.50% of the net internal revenues of the Commonwealth's General Fund for fiscal year 2004-2005 and subsequent fiscal years.

The municipal revenues described above are collected or received by the CRIM on behalf of the levying municipality and are deposited by CRIM into the Redemption Fund and the Matching Fund, with the exception of the Special Tax which is deposited into the Commonwealth's debt redemption fund.

Matching Fund and Equalization Moneys. Act No. 80 also established the Municipal Matching Fund (the "Matching Fund") into which CRIM is required to deposit with GDB the total amount collected on account of Basic Taxes and the Commonwealth Contributions. Certain moneys in the Matching Fund (the "Equalization Moneys") are available to CRIM in order to guaranty that each municipality will receive revenues in an amount at least equivalent to that received from Equalization Moneys in the previous fiscal year. The Equalization Moneys are made up of: (i) the Designated Commonwealth Contributions; and (ii) a portion of the Basic Tax equal to 1% of the assessed value of personal property and 3% of the assessed value of real property collected by each municipality (the "Designated Basic Tax").

All Equalization Moneys are allocated to the municipalities as follows: first, as may be required so that each municipality receives at least the same amount of aggregate revenues received during the previous fiscal year on account of Equalization Moneys, using first the Designated Commonwealth Contributions, and then, to the extent necessary, the Designated Basic Tax (it has never been necessary to use the Designated Basic Tax to perform such equalization); second, Designated Basic Taxes remaining in the Equalization Moneys are allocated to the municipalities in proportion to the amount by which revenues from their Basic Taxes in such fiscal year exceed their revenues from Basic Taxes in the previous fiscal year; and third, to all municipalities based on certain economic and demographic criteria specified in Act No. 80. The remaining Matching Fund moneys are returned to the municipalities whose Basic Tax levies gave rise to such remaining moneys, and are used, with their other revenues, to meet operating expenses.

CRIM. Prior to July 1, 1993, the Secretary of the Treasury collected all municipal taxes upon real and personal property (which includes intangible property) in each municipality. Since July 1, 1993, and pursuant to Act No. 80, CRIM has undertaken all of the Secretary of the Treasury's responsibilities relating to the collection and distribution of such taxes. CRIM is responsible for the appraisal, assessment, notice of imposition, and collection of all municipal property taxes. All property taxes collected by CRIM are deposited at GDB, which acts as fiscal agent to the Commonwealth and its municipalities.

CRIM is governed by a board (the "CRIM Board") composed of the President of GDB, the Commissioner of Municipal Affairs and seven mayors of municipalities of the Commonwealth. The mayors appointed as members of the CRIM Board shall hold office for a term of four years (and not more than two consecutive terms) and until their successors have been appointed. The Acting Executive Director of CRIM is Cándida Rodríguez, CPA, and CRIM's principal offices are located at 1130 Muñoz Rivera Avenue, First Floor, San Juan, Puerto Rico 00919. In addition, CRIM operates nine Regional Centers located throughout the Commonwealth in the municipalities of Aguadilla, Arecibo, Bayamon, Caguas, Carolina, Humacao, Mayagüez, Ponce and San Juan.

Real property is assessed by CRIM and personal property is self-assessed. The current gross assessed valuation figures for real property and personal property taxes for all municipalities are approximately $10.3 billion and $10.2 billion, respectively. These assessment values have not been adjusted to reflect the various applicable real property and personal property exemptions, such as those described under "Municipal Revenues" above and other exemptions granted to tax-exempt entities under Commonwealth tax incentives laws. No real property reassessment has been made in the Commonwealth since 1958. All real property taxes are assessed on the basis of the replacement cost of the related real property in fiscal year 1957-58, regardless of when such property was constructed.

CRIM acquired during fiscal year 1996-97 a multi-functional, multi-disciplinary computer system known as LIMS (Land Information Management System) whose primary purpose is the development, maintenance, updating and automation of the land maps for Puerto Rico. CRIM recently completed the phase of taking aerial photographs of all of Puerto Rico, which photographs are in the process of being superimposed on the existing land maps for Puerto Rico. This phase of the implementation of LIMS is expected to be completed by early next year. Once the LIMS is fully operational, it is expected to improve CRIM's ability to identify and assess new construction and improvements on real property and to impose and collect real property taxes on such new construction and improvements.

In addition, CRIM has recently undertaken a Property Tax Review, Appraisal and Collection Plan involving a strategic alliance between CRIM, those municipalities that decide to participate and the private sector. The program is aimed at the following: (i) assessing all new construction projects and improvements to existing properties to include them in the tax rolls; (ii) investigating the incorrect use of the $15,000 Real Property Exemption by targeting areas where properties are generally rented for business and residential use; and (iii) improving collection efforts in the area of personal property taxes. CRIM expects that after full implementation of the program, which is expected to take 18 to 24 months and involve approximately fifty of the Commonwealth's seventy-eight municipalities, it would collect approximately $80 million annually in additional real and personal property taxes.

Sale of Real Property Taxes. Act No. 21 of June 26, 1997, as amended ("Act No. 21"), authorizes CRIM, on behalf of the Government of Puerto Rico and the municipalities of Puerto Rico, to sell real property taxes (i) that remain unpaid for more than one year from the date on which they became delinquent and (ii) for which the related statute of limitations has not expired. Act No. 21 also authorizes the purchaser of such real property taxes to collect amounts in respect thereof, sets forth the procedures for such collections and provides special rules regarding the continuation, for the purchaser of such real property taxes, of the statutory lien imposed upon the related real property.

Pursuant to Act No. 21, CRIM sold as of June 30, 1998 to the Puerto Rico Public Finance Corporation, a public corporation and instrumentality of the Commonwealth ("PFC"), approximately $324 million in past due real property taxes, which real property taxes were used by PFC as security for its $228,318,000 Tax Debt Collateralized Bonds, Series 1999-1 issued on February 25, 1999. The net proceeds of such Bonds were transferred to CRIM for the benefit of the Government of Puerto Rico and the municipalities.

Special Additional Tax on PRTC Property. On May 27, 1998, the Governor of Puerto Rico approved the sale of a controlling interest in PRTC to a consortium led by GTE International Telecommunications Incorporated, which sale was closed in March 1999. Prior to such sale, the real and personal property of PRTC was exempt from the payment of the property taxes described above. Nonetheless, PRTC made through the years certain payments in lieu of taxes to the various municipalities, which funds were generally used by the municipalities to pay for their operating expenses.

The Puerto Rico Legislature approved various statutes in June 1998 relating to the PRTC privatization process. One of those statutes was Act No. 95 of the Legislature of Puerto Rico, approved June 24, 1998 ("Act No. 95"), which established various mechanisms relating to the appraisal by CRIM of the real and personal property of PRTC and how certain real and personal property of PRTC would be apportioned among the various municipalities. Act No. 95 also included a provision amending Act No. 83 to the effect that each municipality would have the option of either: (i) depositing the amounts collected by CRIM relating to the Special Additional Tax on the real and personal property of PRTC in the municipality's Redemption Fund; or (ii) using the amounts collected by CRIM relating to the Special Additional Tax on the real and personal property of PRTC for any other purpose such as the payment of its operating expenses.

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Special Commission to Evaluate Municipal Reform Laws. Pursuant to a joint resolution adopted by the Puerto Rico Legislature on August 9, 1998 (the "Joint Resolution"), a special commission (the "Special Commission") was created to evaluate the implementation and results of the various municipal reform laws adopted in 1991, which are generally described above, and to formulate a series of recommendations to broaden and diversify the sources of municipal revenues and design strategies that contribute to the improvement of the financial and administrative affairs of the municipalities. The Special Commission is composed of the Secretary of the Treasury (who chairs the commission), the President of GDB, the Director of the Office of Management and Budget, the Executive Director of CRIM, the Commissioner of Municipal Affairs, the President and a member of the Puerto Rico Mayors Association and the President and a member of the Puerto Rico Mayors Federation. The Resolution requires that the Special Commission submit a final report of its findings to the Puerto Rico Legislature and the Governor of Puerto Rico in order for them to consider if further legislative action is necessary to implement any of the recommendations. Although the final report was initially required to be filed on or before April 30, 1999, the Special Commission requested an extension to October 31, 1999 and it is expected that an additional extension until next year will be requested by the Special Commission.

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The following table shows for each Municipal Issuer: (i) the amount of property taxes collected from municipal taxpayers (excluding the Special Tax) and (ii) the amount of funds contributed by the Commonwealth to each Municipal Issuer, for each of the fiscal years indicated below.

	Fiscal Year Ended June 30,								
	1997			1998			1999 [1]		
Municipality	From Municipal Taxpayers	From Commonwealth Contributions	Total	From Municipal Taxpayers	From Commonwealth Contributions	Total	From Municipal Taxpayers [2]	From Commonwealth Contributions	Total
ADJUNTAS	$452,664	$2,633,526	$3,086,190	$610,991	$2,765,043	$3,376,034	$918,140	$2,767,266	$3,685,406
AGUADA	1,796,233	2,797,876	4,594,109	2,082,528	2,889,462	4,971,990	2,547,103	2,907,913	5,455,016
AGUADILLA	6,074,162	3,275,857	9,350,019	6,928,826	3,248,334	10,177,160	8,512,075	3,297,012	11,809,088
AGUAS BUENAS	794,677	2,877,213	3,671,890	1,058,779	2,990,899	4,049,678	1,489,315	3,024,525	4,513,840
AIBONITO	1,166,159	2,518,500	3,684,659	1,239,665	2,647,981	3,887,646	1,792,518	2,639,213	4,431,731
AÑASCO	1,346,046	2,385,585	3,731,631	1,494,974	2,471,988	3,966,962	2,112,757	2,458,308	4,571,065
ARECIBO	8,627,614	3,279,381	11,906,995	8,738,683	3,504,361	12,243,044	10,997,975	3,752,625	14,750,600
ARROYO	534,096	2,683,058	3,217,154	674,724	2,812,808	3,487,532	1,718,649	2,822,534	4,541,183
BARCELONETA	5,888,985	934,401	6,823,386	5,703,250	1,046,418	6,749,668	4,698,999	1,341,830	6,040,830
BARRANQUITAS	856,823	2,810,088	3,666,911	864,397	3,045,342	3,909,739	1,252,618	3,016,094	4,268,711
BAYAMON	32,800,477	14,263,231	47,063,708	34,397,627	14,808,008	49,205,635	46,405,484	14,861,727	61,267,211
CABO ROJO	3,245,398	2,764,903	6,010,301	4,139,405	2,665,092	6,804,497	5,270,279	2,679,562	7,949,841
CAGUAS	20,940,571	7,708,264	28,648,835	24,698,337	8,174,262	32,872,599	27,586,561	8,658,063	36,244,624
CAMUY	910,774	2,787,857	3,698,631	1,095,588	2,952,625	4,048,213	1,516,886	3,002,701	4,519,586
CANOVANAS	2,332,065	2,444,182	4,776,247	2,422,897	2,605,434	5,028,331	3,182,100	2,605,818	5,787,918
CAROLINA	37,349,278	13,714,277	51,063,555	38,480,920	13,686,254	52,167,174	49,514,443	14,739,758	64,254,201
CATAÑO	13,668,891	1,864,926	15,533,817	15,307,736	2,153,428	17,461,164	15,486,848	2,339,928	17,826,776
CAYEY	5,394,799	1,668,570	7,063,369	5,318,746	1,848,761	7,167,507	6,829,125	1,831,502	8,660,627
CEIBA	441,921	2,643,516	3,085,437	532,844	2,756,444	3,289,288	707,262	2,780,228	3,487,490
CIALES	613,680	2,466,144	3,079,824	668,758	2,587,233	3,255,991	1,196,648	2,590,105	3,786,753
CIDRA	4,311,986	1,708,813	6,020,799	4,763,662	1,673,841	6,437,503	5,530,197	1,742,128	7,272,325
COAMO	1,181,256	2,945,977	4,127,233	1,337,065	3,071,559	4,408,624	2,038,651	3,122,908	5,161,558
COMERIO	293,420	3,095,537	3,388,957	405,847	3,348,217	3,754,064	609,510	3,320,554	3,930,063
COROZAL	896,940	2,896,524	3,793,464	979,749	3,124,885	4,104,634	1,655,722	3,083,024	4,738,745
CULEBRA	221,922	1,316,063	1,537,985	226,803	1,381,489	1,608,292	184,925	1,397,350	1,582,275
DORADO	5,498,419	1,528,731	7,027,150	4,973,547	1,684,230	6,657,777	5,270,732	1,966,421	7,237,154
FAJARDO	6,535,071	2,266,081	8,801,152	6,111,600	2,420,184	8,531,784	8,212,080	2,410,074	10,622,154
FLORIDA	262,747	2,454,340	2,717,087	329,578	2,585,682	2,915,260	456,580	2,552,036	3,008,617
GUANICA	633,025	2,428,113	3,061,138	813,657	2,586,372	3,400,029	971,314	2,609,755	3,581,069
GUAYAMA	6,361,089	1,532,909	7,893,998	5,822,165	1,682,747	7,504,912	6,813,995	1,918,584	8,732,579
GUAYANILLA	1,350,562	2,110,999	3,461,561	1,228,217	2,289,277	3,517,494	1,426,104	2,310,444	3,736,548
GUAYNABO	33,495,052	7,059,868	40,554,920	39,036,951	7,255,661	46,292,612	43,368,074	8,580,988	51,949,061
GURABO	1,947,243	2,390,471	4,337,714	2,105,201	2,512,533	4,617,734	3,115,505	2,506,781	5,622,286
HATILLO	4,045,021	1,495,869	5,540,890	4,127,079	1,697,079	5,824,158	4,671,496	1,706,875	6,378,371
HORMIGUEROS	2,008,317	1,663,348	3,671,665	2,055,635	1,774,587	3,830,222	2,918,122	1,664,294	4,582,416
HUMACAO	8,687,594	2,571,068	11,258,662	9,517,507	2,687,215	12,204,722	11,006,957	3,010,434	14,017,391
ISABELA	3,032,042	2,525,134	5,557,176	3,135,474	2,622,040	5,757,514	3,237,034	2,759,543	5,996,577
JAYUYA	668,481	2,487,987	3,156,468	702,725	2,642,527	3,345,252	1,023,829	2,633,476	3,657,305
JUANA DIAZ	2,654,491	2,603,573	5,258,064	2,413,334	2,886,689	5,300,023	3,190,334	2,929,065	6,119,399
JUNCOS	1,351,209	2,660,492	4,011,701	1,757,006	2,765,369	4,522,375	3,674,352	2,729,633	6,403,986
LAJAS	1,159,634	2,399,150	3,558,784	1,248,665	2,524,293	3,772,958	1,460,438	2,557,701	4,018,139
LARES	726,592	3,174,653	3,901,245	918,126	3,324,822	4,242,948	1,477,461	3,366,997	4,844,458
LAS MARIAS	270,968	2,380,469	2,651,437	354,941	2,507,922	2,862,863	395,037	2,519,257	2,914,294
LAS PIEDRAS	3,327,890	1,589,430	4,917,320	3,167,391	1,733,871	4,901,262	3,187,800	1,892,027	5,079,827
LOIZA	572,235	3,184,978	3,757,213	586,283	3,456,648	4,042,931	1,150,721	3,419,709	4,570,429
LUQUILLO	1,730,938	1,915,132	3,646,070	2,202,719	1,841,831	4,044,550	2,900,576	1,940,418	4,840,995
MANATI	4,831,970	2,563,947	7,395,917	4,751,516	2,627,318	7,378,834	6,216,403	2,703,855	8,920,258
MARICAO	426,757	2,270,645	2,697,402	398,347	2,353,615	2,751,962	500,550	2,362,048	2,862,598
MAUNABO	170,011	2,831,909	3,001,920	239,416	2,995,272	3,234,688	284,536	2,984,098	3,268,635
MAYAGUEZ	16,457,266	4,594,926	21,052,192	19,658,324	4,440,681	24,099,005	20,804,802	5,079,057	25,883,859
MOCA	1,291,409	2,619,092	3,910,501	1,419,983	2,765,537	4,185,520	1,838,372	2,783,935	4,622,306
MOROVIS	491,794	3,033,135	3,524,929	479,679	3,277,119	3,756,798	795,322	3,254,280	4,049,602
NAGUABO	697,083	2,675,448	3,372,531	833,892	2,754,549	3,588,441	1,176,179	2,787,647	3,963,826
NARANJITO	621,330	3,118,357	3,739,687	802,794	3,340,744	4,143,538	983,437	3,352,987	4,336,424
OROCOVIS	465,945	3,070,360	3,536,305	436,903	3,345,051	3,781,954	673,042	3,301,764	3,974,806
PATILLAS	607,847	2,800,570	3,408,417	706,119	2,931,273	3,637,392	1,049,294	2,952,508	4,001,802
PEÑUELAS	2,685,800	2,040,369	4,726,169	2,103,037	2,367,317	4,470,354	3,523,681	2,212,060	5,735,741
PONCE	28,244,320	7,791,021	36,035,341	28,598,607	7,855,532	36,454,139	35,188,134	8,121,458	43,309,592
QUEBRADILLAS	982,470	2,535,558	3,518,028	1,175,115	2,644,557	3,819,672	1,324,601	2,714,392	4,038,993
RINCON	683,347	2,417,495	3,100,842	840,474	2,497,518	3,337,992	1,053,421	2,494,164	3,547,585
RIO GRANDE	2,701,199	3,150,809	5,852,008	2,915,840	3,217,738	6,133,578	4,956,885	3,274,501	8,231,386
SABANA GRANDE	909,575	2,703,690	3,613,265	970,276	2,852,994	3,823,270	1,281,395	2,806,457	4,087,852
SALINAS	1,086,937	2,806,384	3,893,321	1,244,517	2,922,575	4,167,092	2,237,166	2,962,495	5,199,661

Municipality	1997 From Municipal Taxpayers	1997 From Commonwealth Contributions	1997 Total	1998 From Municipal Taxpayers	1998 From Commonwealth Contributions	1998 Total	1999 (1) From Municipal Taxpayers (2)	1999 (1) From Commonwealth Contributions	1999 (1) Total
SAN GERMAN	2,475,516	2,515,864	4,991,380	3,169,764	2,561,991	5,731,755	4,058,812	2,617,121	6,675,933
SAN JUAN	118,089,696	25,107,776	143,197,472	135,327,791	26,363,417	161,691,208	161,204,469	29,763,458	190,967,927
SAN LORENZO	1,349,220	3,164,022	4,513,242	1,452,931	3,297,822	4,750,753	2,044,021	3,336,544	5,380,564
SAN SEBASTIAN	2,066,365	2,940,206	5,006,571	2,576,865	2,882,846	5,459,711	2,977,445	2,999,416	5,976,862
SANTA ISABEL	901,274	2,115,159	3,016,433	1,297,895	2,126,399	3,424,294	2,007,951	2,169,978	4,177,929
TOA ALTA	1,609,525	2,962,397	4,571,922	1,680,797	3,195,048	4,875,845	2,572,441	3,167,694	5,740,135
TOA BAJA	12,046,446	5,130,619	17,177,065	14,253,544	5,558,874	19,812,418	15,099,944	5,773,105	20,873,049
TRUJILLO ALTO	3,782,255	4,252,133	8,034,388	4,101,184	4,381,416	8,482,600	6,828,206	4,347,590	11,175,796
UTUADO	1,127,561	3,191,403	4,318,964	1,530,700	3,303,429	4,834,129	2,190,256	3,366,545	5,556,801
VEGA ALTA	2,699,424	2,095,251	4,794,675	2,307,872	2,301,946	4,609,818	2,957,468	2,298,787	5,256,255
VEGA BAJA	3,948,668	3,813,269	7,761,937	4,104,403	3,893,879	7,998,282	5,802,276	3,930,666	9,732,942
VIEQUES	338,571	2,289,683	2,628,254	475,927	2,352,573	2,828,500	689,565	2,346,309	3,035,874
VILLALBA	437,781	3,096,367	3,534,148	641,149	3,301,822	3,942,971	914,299	3,279,075	4,193,375
YABUCOA	1,922,765	2,516,037	4,438,802	1,720,189	2,722,357	4,442,546	2,251,022	2,711,409	4,962,431
YAUCO	2,538,761	2,361,612	4,900,373	2,609,488	2,465,640	5,075,128	3,314,221	2,497,617	5,811,838
TOTAL	$457,148,345	$263,482,577	$720,630,922	$501,605,940	$275,640,596	$777,246,536	$612,482,947	$285,520,205	$898,003,152
Percent	63%	37%	100%	65%	35%	100%	68%	32%	100%

Fiscal Year Ended June 30,

Source: CRIM

(1) Preliminary, subject to final audit.

(2) Includes $137,215,439 from the sale of delinquent tax liens.

The following table presents the Special Additional Tax collections and debt service coverage ratio analysis based on the estimated collections and fund balances listed below for fiscal year ended June 30, 1999.

Fiscal Year Ended June 30, 1999
(estimated, subject to final audit)

Municipality	A Special Additional Tax Collections	B Municipality's Redemption Fund	C Matching Fund	D = (B+C+E) Available for the Payment of G.O. Debt	E Debt Service Payments on G.O. Debt	Debt Service Coverage Ratio based on: F = D / E Available for the Payment of G.O. Debt	Debt Service Coverage Ratio based on: G = (B+E) / E Redemption Fund
Notes:		(1)	(2)	(3)	(4)	(5)	(6)
ADJUNTAS	$239,246	$563,123	$3,446,160	$4,188,335	$179,052	23.39 x	4.15 x
AGUADA	752,042	1,195,703	4,702,974	6,969,697	1,071,020	6.51	2.12
AGUADILLA	2,616,960	7,963,483	9,192,128	18,523,442	1,367,831	13.54	6.82
AGUAS BUENAS	434,110	512,441	4,079,730	5,003,138	410,966	12.17	2.25
AIBONITO	494,189	1,324,733	3,937,542	5,692,213	429,938	13.24	4.08
AÑASCO	551,547	911,556	4,019,518	5,309,116	378,041	14.04	3.41
ARECIBO	2,969,060	3,062,869	11,781,540	17,561,355	2,716,945	6.46	2.13
ARROYO	429,725	640,775	4,111,457	4,969,281	217,049	22.89	3.95
BARCELONETA	1,124,448	3,201,330	4,916,382	9,823,268	1,705,556	5.76	2.88
BARRANQUITAS	312,193	1,249,994	3,956,519	5,324,273	117,760	45.21	11.61
BAYAMON	14,880,887	14,192,478	46,386,325	70,330,007	9,751,204	7.21	2.46
CABO ROJO	1,424,525	2,919,448	6,525,316	10,599,551	1,154,788	9.18	3.53
CAGUAS	8,132,624	16,270,669	28,112,000	50,821,667	6,438,998	7.89	3.53
CAMUY	355,657	714,656	4,163,929	5,195,186	316,601	16.41	3.26
CANOVANAS	840,942	1,250,450	4,946,976	6,956,738	759,312	9.16	2.65
CAROLINA	15,713,158	40,881,018	48,541,043	101,210,480	11,788,418	8.59	4.47
CATAÑO	3,709,268	17,177,429	14,117,508	33,516,507	2,221,570	15.09	8.73
CAYEY	1,954,051	4,912,077	6,706,576	13,837,812	2,219,159	6.24	3.21
CEIBA	250,372	459,083	3,237,118	4,033,280	337,079	11.97	2.36
CIALES	300,892	575,230	3,485,860	4,301,868	240,778	17.87	3.39
CIDRA	1,314,837	2,315,166	5,957,488	9,336,830	1,064,176	8.77	3.18
COAMO	466,666	888,930	4,694,893	5,916,664	332,842	17.78	3.67
COMERIO	136,014	182,063	3,794,050	4,110,298	134,185	30.63	2.36
COROZAL	362,227	817,793	4,376,518	5,481,806	287,495	19.07	3.84
CULEBRA	40,496	48,028	1,541,778	1,693,878	104,072	16.28	1.46
DORADO	1,474,155	2,455,436	5,762,999	9,940,653	1,722,219	5.77	2.43
FAJARDO	2,178,863	6,335,500	8,443,291	15,984,884	1,206,093	13.25	6.25
FLORIDA	106,925	235,239	2,901,692	3,254,277	117,347	27.73	3.00
GUANICA	215,839	326,326	3,365,230	3,884,873	193,318	20.10	2.69
GUAYAMA	1,740,992	5,157,555	6,991,587	13,328,719	1,179,576	11.30	5.37
GUAYANILLA	285,426	494,231	3,451,122	4,179,742	234,389	17.83	3.11
GUAYNABO	10,571,168	20,535,173	41,377,894	70,496,767	8,583,700	8.21	3.39
GURABO	681,668	1,210,448	4,940,617	6,803,581	652,516	10.43	2.86
HATILLO	1,156,638	3,547,554	5,221,733	9,530,956	761,669	12.51	5.66
HORMIGUEROS	766,261	2,168,369	3,816,155	6,340,591	356,067	17.81	7.09
HUMACAO	3,037,500	5,997,587	10,979,891	19,601,844	2,624,367	7.47	3.29
ISABELA	683,255	1,520,478	5,313,322	7,431,769	597,969	12.43	3.54
JAYUYA	285,684	686,173	3,371,621	4,417,680	359,887	12.28	2.91
JUANA DIAZ	962,633	2,195,333	5,156,766	8,470,787	1,118,688	7.57	2.96
JUNCOS	942,916	2,243,113	5,461,070	8,075,392	371,209	21.75	7.04
LAJAS	297,530	890,924	3,720,609	4,769,613	158,081	30.17	6.64
LARES	443,458	987,951	4,401,000	5,708,072	319,122	17.89	4.10
LAS MARIAS	103,633	254,909	2,810,660	3,215,930	150,361	21.39	2.70
LAS PIEDRAS	877,957	1,831,511	4,201,871	6,996,317	962,935	7.27	2.90
LOIZA	324,107	1,223,097	4,246,323	5,678,475	209,055	27.16	6.85
LUQUILLO	638,522	651,204	4,202,473	5,359,278	505,602	10.60	2.29
MANATI	1,689,255	3,364,337	7,231,003	12,185,692	1,590,352	7.66	3.12
MARICAO	89,613	235,506	2,772,985	3,130,681	122,190	25.62	2.93
MAUNABO	65,052	228,925	3,203,583	3,543,224	110,717	32.00	3.07
MAYAGUEZ	5,510,405	12,046,750	20,373,455	36,743,480	4,323,275	8.50	3.79
MOCA	460,765	1,060,396	4,161,542	5,623,208	401,270	14.01	3.64
MOROVIS	240,479	317,295	3,809,123	4,473,780	347,362	12.88	1.91
NAGUABO	313,298	1,021,391	3,650,528	4,923,966	252,047	19.54	5.05
NARANJITO	196,524	714,855	4,139,900	4,959,948	105,193	47.15	7.80
OROCOVIS	153,282	681,422	3,821,525	4,678,792	175,846	26.61	4.88
PATILLAS	260,397	1,163,277	3,741,405	5,053,452	148,770	33.97	8.82
PEÑUELAS	840,177	1,361,564	4,895,564	6,641,798	384,670	17.27	4.54
PONCE	9,305,771	11,393,520	34,003,820	55,022,672	9,625,332	5.72	2.18
QUEBRADILLAS	313,796	934,417	3,725,197	4,863,396	203,782	23.87	5.59
RINCON	304,647	232,783	3,242,938	3,840,066	364,346	10.54	1.64
RIO GRANDE	1,416,819	3,635,941	6,814,567	11,394,735	944,227	12.07	4.85
SABANA GRANDE	340,793	1,050,892	3,747,059	5,052,618	254,667	19.84	5.13

Fiscal Year Ended June 30, 1999
(estimated, subject to final audit)

Municipality	A Special Additional Tax Collections	B Municipality's Redemption Fund	C Matching Fund	D = (B+C+E) Available for the Payment of G.O. Debt	E Debt Service Payments on G.O. Debt	Debt Service Coverage Ratio based on F = D / E Available for the Payment of G.O. Debt	Debt Service Coverage Ratio based on G = (B+E) / E Redemption Fund
Notes:		(1)	(2)	(3)	(4)	(5)	(6)
SALINAS	532,015	838,954	4,667,646	5,968,859	462,259	12.91	2.81
SAN GERMAN	1,216,101	2,564,815	5,459,831	8,877,456	852,810	10.41	4.01
SAN JUAN	38,945,320	66,676,281	152,022,607	242,398,535	23,699,647	10.23	3.81
SAN LORENZO	647,529	1,012,536	4,733,035	6,088,037	342,466	17.78	3.96
SAN SEBASTIAN	883,866	1,603,576	5,092,996	7,546,342	849,769	8.88	2.89
SANTA ISABEL	490,825	883,429	3,687,103	4,808,045	237,512	20.24	4.72
TOA ALTA	916,322	2,048,639	4,823,813	7,602,878	730,426	10.41	3.80
TOA BAJA	4,780,713	6,933,300	16,092,336	27,590,967	4,565,331	6.04	2.52
TRUJILLO ALTO	2,187,380	3,850,689	8,988,416	14,936,393	2,097,288	7.12	2.84
UTUADO	549,458	707,081	5,007,343	6,081,013	366,589	16.59	2.93
VEGA ALTA	709,895	1,752,845	4,546,360	6,850,203	550,998	12.43	4.18
VEGA BAJA	2,035,817	5,088,482	7,697,124	14,770,280	1,984,674	7.44	3.56
VIEQUES	130,681	238,174	2,905,193	3,241,746	98,379	32.95	3.42
VILLALBA	242,111	237,607	3,951,263	4,437,871	249,002	17.82	1.95
YABUCOA	615,617	569,567	4,346,813	5,761,527	845,146	6.82	1.67
YAUCO	549,283	2,923,436	5,262,555	8,797,358	611,367	14.39	5.78
Total [7] Average	$164,515,272	$322,551,314	$733,487,880	$1,182,065,908	$126,026,713	9.38 x	3.56 x

Source: CRIM and GDB

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(1) Funds on deposit or to be deposited in the Redemption Fund for fiscal year ended June 30, 1999 after (i) the remittance by CRIM of Special Additional Taxes collected in connection with fiscal year 1999 and (ii) the payment of general obligation debt due in January 1, 1999 and July 1, 1999. Includes $21,948,311 in connection with the sale of delinquent tax liens.

(2) Funds deposited in the Matching Fund during fiscal year ended June 30, 1999, including $115,267,128 from the sale of delinquent tax liens.

(3) Represents the sum of funds available in the Redemption Fund and Matching Fund during fiscal year 1999 for the payment of general obligation debt of the Municipalities.

(4) Represents debt service payments due on each Municipality's general obligation debt on January 1, 1999 and July 1, 1999.

(5) Debt service coverage ratio based on the amount of funds available in the Redemption Fund and the Matching Fund during fiscal year 1999 for the payment of general obligation debt of each Municipality.

(6) Debt service coverage ratio based on the amount of funds available in the Redemption Fund during fiscal year 1999 for the payment of general obligation debt of each Municipality.

(7) Totals include information for the municipalities whose Municipal Bonds will not be purchased or transferred to the 1999 Indenture.

The proceeds from the issuance and sale of the 1999 Series A Bonds will be used by the Trustee to purchase the 1999 Municipal Bonds from GDB. Upon the refunding of the 1992 Series A Bonds and 1994 Series A Bonds, the 1992 and 1994 Municipal Bonds will be released and, in turn, transferred and pledged by the Agency as additional security for the Bonds. The Municipal Bonds listed below may include more than one issue of a Municipal Issuer.

	1999 Municipal Bonds to be purchased		1992 Municipal Bonds to be Transferred		1994 Municipal Bonds to be Transferred		Total Municipal Bonds		Total Outstanding General
Municipality	Principal Amount	Final Maturity of July 1,	Principal Amount	Final Maturity of July 1,	Principal Amount	Final Maturity of July 1,	Principal Amount	% of Total Bonds	Obligation Debt as of July 1, 1999
ADJUNTAS	-	-	-	-	-	-	-	0.00%	$1,249,000
AGUADA	3,425,000	2021	$295,000	2006	$1,850,000	2018	5,570,000	0.71%	6,548,000
AGUADILLA	9,820,000	2023	640,000	2002	-	-	10,460,000	1.34%	16,585,000
AGUAS BUENAS	410,000	2005	210,000	2004	-	-	620,000	0.08%	2,463,000
AIBONITO		-	650,000	2005	295,000	2007	945,000	0.12%	3,559,000
AÑASCO		-	400,000	2005	1,685,000	2009	2,085,000	0.27%	2,490,000
ARECIBO	-	-	1,310,000	2006	-	-	1,310,000	0.17%	19,931,000
ARROYO	335,000	2003	-	-	-	-	335,000	0.04%	676,000
BARCELONETA	7,785,000	2022	755,000	2007	575,000	2013	9,115,000	1.17%	13,626,000
BARRANQUITAS	175,000	2003	-	-	475,000	2019	650,000	0.08%	717,000
BAYAMON	18,505,000	2023	13,290,000	2006	28,450,000	2019	60,245,000	7.73%	68,235,000
CABO ROJO	3,150,000	2023	465,000	2006	-	-	3,615,000	0.46%	9,282,000
CAGUAS	12,945,000	2016	8,260,000	2007	15,955,000	2013	37,160,000	4.77%	59,128,000
CAMUY	-	-	-	-	-	-	-	0.00%	1,898,000
CANOVANAS	780,000	2002	1,405,000	2006	-	-	2,185,000	0.28%	4,070,000
CAROLINA	16,180,000	2022	11,835,000	2005	31,230,000	2009	59,245,000	7.60%	86,441,000
CATAÑO	18,285,000	2022	-	-	12,660,000	2014	30,945,000	3.97%	30,945,000
CAYEY	8,495,000	2022	1,945,000	2007	-	-	10,440,000	1.34%	13,377,000
CEIBA	-	-	-	-	-	-	-	0.00%	552,000
CIALES	-	-	-	-	-	-	-	0.00%	529,000
CIDRA	2,180,000	2021	980,000	2006	-	-	3,160,000	0.41%	4,040,000
COAMO	610,000	2017	510,000	2006	1,260,000	2014	2,380,000	0.31%	2,598,000
COMERIO	310,000	2005	-	-	-	-	310,000	0.04%	676,000
COROZAL	545,000	2004	-	-	-	-	545,000	0.07%	864,000
CULEBRA	-	-	-	-	-	-	-	0.00%	140,000
DORADO	7,685,000	2013	1,300,000	2007	635,000	2008	9,620,000	1.23%	12,100,000
FAJARDO	11,130,000	2016	2,430,000	2006	345,000	2019	13,905,000	1.78%	14,834,000
FLORIDA	205,000	2005	-	-	-	-	205,000	0.03%	370,000
GUANICA	220,000	2004	-	-	-	-	220,000	0.03%	1,384,000
GUAYAMA	-	-	-	-	3,735,000	2009	3,735,000	0.48%	9,706,000
GUAYANILLA	-	-	-	-	190,000	2008	190,000	0.02%	773,000
GUAYNABO	36,575,000	2023	7,205,000	2007	24,945,000	2013	68,725,000	8.82%	94,190,000
GURABO	-	-	-	-	-	-	-	0.00%	3,379,250
HATILLO	7,900,000	2023	-	-	-	-	7,900,000	1.01%	8,481,000
HORMIGUEROS	160,000	2021	-	-	55,000	2008	215,000	0.03%	1,663,000
HUMACAO	10,110,000	2018	-	-	-	-	10,110,000	1.30%	20,170,000
ISABELA	-	-	-	-	-	-	-	0.00%	1,429,000
JAYUYA	620,000	2022	-	-	-	-	620,000	0.08%	1,814,200
JUANA DIAZ	2,700,000	2019	-	-	560,000	2018	3,260,000	0.42%	8,136,000
JUNCOS	-	-	-	-	-	-	-	0.00%	1,984,000
LAJAS	-	-	-	-	330,000	2008	330,000	0.04%	1,656,000
LARES	1,035,000	2022	-	-	695,000	2007	1,730,000	0.22%	2,424,000
LAS MARIAS	350,000	2005	-	-	-	-	350,000	0.04%	610,000
LAS PIEDRAS	-	-	915,000	2006	820,000	2008	1,735,000	0.22%	9,615,000
LOIZA	-	-	25,000	2003	-	-	25,000	0.00%	638,000
LUQUILLO	435,000	2003	-	-	-	-	435,000	0.06%	2,060,000
MANATI	3,300,000	2022	3,145,000	2006	3,345,000	2014	9,790,000	1.26%	10,398,000
MARICAO	260,000	2004	-	-	-	-	260,000	0.03%	266,000
MAUNABO	105,000	2005	-	-	-	-	105,000	0.01%	271,000
MAYAGUEZ	9,380,000	2021	-	-	7,540,000	2008	16,920,000	2.17%	24,550,000
MOCA	-	-	-	-	-	-	-	0.00%	2,750,000
MOROVIS	310,000	2002	-	-	-	-	310,000	0.04%	629,000
NAGUABO	320,000	2007	260,000	2006	-	-	580,000	0.07%	1,130,000
NARANJITO	390,000	2005	-	-	-	-	390,000	0.05%	730,000
OROCOVIS	-	-	-	-	-	-	-	0.00%	986,000
PATILLAS	-	-	-	-	-	-	-	0.00%	400,000
PEÑUELAS	260,000	2002	165,000	2004	-	-	425,000	0.05%	1,200,000
PONCE	12,830,000	2013	10,245,000	2007	-	-	23,075,000	2.96%	57,060,000
QUEBRADILLAS	420,000	2003	-	-	-	-	420,000	0.05%	654,000
RINCON	125,000	2005	-	-	-	-	125,000	0.02%	1,443,000
RIO GRANDE	330,000	2012	90,000	2005	45,000	2000	465,000	0.06%	4,953,000
SABANA GRANDE	355,000	2023	-	-	-	-	355,000	0.05%	1,738,000
SALINAS	75,000	2001	-	-	-	-	75,000	0.01%	3,332,000
SAN GERMAN	415,000	2003	435,000	2004	35,000	2000	885,000	0.11%	6,009,000
SAN JUAN	285,840,000	2019	9,930,000	2005	-	-	295,770,000	37.94%	261,510,000
SAN LORENZO	1,985,000	2021	1,050,000	2006	-	-	3,035,000	0.39%	3,035,000
SAN SEBASTIAN	2,050,000	2021	-	-	-	-	2,050,000	0.26%	6,560,000

Municipality	1999 Municipal Bonds to be purchased Principal Amount	Final Maturity of July 1,	1992 Municipal Bonds to be Transferred Principal Amount	Final Maturity of July 1,	1994 Municipal Bonds to be Transferred Principal Amount	Final Maturity of July 1,	Total Municipal Bonds Principal Amount	% of Total Bonds	Total Outstanding General Obligation Debt as of July 1, 1999
SANTA ISABEL	195,000	2022	-	-	-	-	195,000	0.03%	2,035,000
TOA ALTA	2,705,000	2022	620,000	2007	305,000	2019	3,630,000	0.47%	5,747,550
TOA BAJA	5,920,000	2020	-	-	21,320,000	2019	27,240,000	3.49%	37,696,000
TRUJILLO ALTO	12,300,000	2022	-	-	2,910,000	2013	15,210,000	1.95%	15,530,000
UTUADO	515,000	2005	-	-	-	-	515,000	0.07%	1,606,000
VEGA ALTA	805,000	2021	-	-	-	-	805,000	0.10%	5,065,000
VEGA BAJA	7,365,000	2022	1,865,000	2006	1,435,000	2014	10,665,000	1.37%	17,881,000
VIEQUES	710,000	2023	-	-	-	-	710,000	0.09%	855,000
VILLALBA	365,000	2005	-	-	-	-	365,000	0.05%	786,000
YABUCOA	-	-	325,000	2006	-	-	325,000	0.04%	5,757,000
YAUCO	-	-	205,000	2004	-	-	205,000	0.03%	4,717,000
Total	$532,690,000		$83,160,000		$163,680,000		$779,530,000	100.0%	$1,035,315,000
Percent	68.3%		10.7%		21.0%		100.0%		

Source: GDB

Additional Tests and Covenants Relating to the Municipal Issuers

In connection with the issuance of the Bonds, GDB and CRIM will enter into an agreement that will provide, among other things, as follows:

Additional general obligation bonds or notes of any municipality in Puerto Rico (a "Proposed Issue") will be approved by GDB only if the following two tests are satisfied: (i) for each fiscal year that the current outstanding general obligation debt of said municipality and the Proposed Issue will be outstanding, the balance of the moneys in the municipality's Redemption Fund as of the beginning of each such fiscal year plus the estimated Special Additional Tax collections for such fiscal year is not less than the sum of the principal and interest due on the municipality's current outstanding general obligation debt and the Proposed Issue for the corresponding fiscal year; and (ii) as of June 30 of the fiscal year preceding the fiscal year in which the Proposed Issue will be issued, the ratio of the sum of beginning balance of the municipality's Redemption Fund for such preceding fiscal year and the municipality's actual Special Additional Tax collections, actual Basic Tax collection and Commonwealth Contributions for such preceding fiscal year to maximum annual debt service on all outstanding general obligation debt of the municipality (including the Proposed Issue) is not less than two times. For purposes of test (i) above, "estimated Special Additional Tax collections" for any fiscal year shall equal the average of the collections of the Special Additional Tax for the two fiscal years preceding the fiscal year in which the Proposed Issue is to be issued.

GDB will undertake the following monitoring tests: (i) as of the end of each fiscal year (currently June 30) for each municipality which has not issued general obligation debt during the twelve months ended on such June 30, GDB will determine the ratio of the sum of the beginning balance of the municipality's Redemption Fund for such fiscal year and the municipality's actual Special Additional Tax collections, actual Basic Tax collections and Commonwealth Contributions for such fiscal year to maximum debt service on such municipality's general obligation debt; and (ii) not later than three months prior to any interest or principal payment date on general obligation debt of any municipality, it will determine the balance in the Redemption Fund for such municipality.

GDB will also undertake that: (i) in the event the ratio calculated in clause (i) of the preceding paragraph or clause (ii) of the second preceding paragraph is less than two times, it will immediately notify Moody's Investors Service (as defined below), Standard & Poor's Ratings Service (as defined below) and the Trustee, and (ii) in the event that the determination in clause (ii) of the preceding paragraph shows that the balance in a municipality's Redemption Fund will not be sufficient to pay the principal of and interest on general obligation debt on the next interest or principal payment date, GDB will immediately notify CRIM and the Trustee in writing of such deficiency, and request CRIM, as provided in Act No. 64, to transfer to GDB any available moneys from Basic Taxes (which are subject to a first lien to cover general obligation debt of municipalities) and other available and unencumbered moneys in the Matching Fund sufficient to cover said deficiency. CRIM will covenant that it will make such transfer not later than 5 business days prior to the applicable interest or principal payment date.

The Trustee is given authority under the agreement to enforce its provisions.

The Reserve Account

The Agency will cause to be deposited in the Reserve Account under the 1999 Indenture from the proceeds of the Bonds an amount to the sum of (i) 50% of the maximum principal and interest payments requirement for any fiscal year on the Bonds and (ii) 50% of the annual earnings for such fiscal year on the amount in clause (i) above based on the assumption that said amount in clause (i) is invested in Investment Obligations (as defined herein) with a yield (determined in accordance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code")) equal to the yield from time to time on the Bonds. The Agency is required to maintain in the Reserve Account an amount equal to the sum of (i) the higher of (a) 50% of the maximum principal and interest payments requirement for any fiscal year on all bonds outstanding under the 1999 Indenture and (b) the largest amount of the maximum principal and interest payments requirement for any fiscal year on the Municipal Bonds of any Municipal Issuer, and (ii) 50% of the annual earnings for such fiscal year on the larger of the amounts in clauses (a) and (b) above based on the assumption that said amount in clause (a) or (b) is invested in Investment Obligations with a yield (determined in accordance with the provisions of the Code) equal to the yield from time to time on all the bonds outstanding under the 1999 Indenture (the "Required Debt Service Reserve").

Moneys in the Reserve Account shall be applied first to the payment of interest on the Bonds and any refunding bonds and maturing principal of all serial Bonds and any serial refunding bonds whenever moneys in the Bond Service Account are insufficient for such purpose, and then for the purpose of making the required deposits to the Redemption Account established thereunder whenever moneys received by the Trustee from the payments of principal of and interest on the Municipal Bonds are insufficient for such purpose. Whenever moneys in the Reserve Account exceed the Required Debt Service Reserve, such excess shall be transferred to the Bond Service Account.

The Enabling Act provides that, in order to assure the maintenance of the Reserve Account in an amount equal to the Required Debt Service Reserve, there shall be annually apportioned and paid to the Agency by the Commonwealth for deposit in the Reserve Account such sum, if any, as shall be certified by the President of the Agency to the Secretary of the Treasury of the Commonwealth as necessary to restore the Reserve Account to the amount of the Required Debt Service Reserve. The President of the Agency shall in each year, on or before December 1, deliver to the Secretary of the Treasury his certificate stating the sum, if any, required to restore the Reserve Account to the Required Debt Service Reserve, and the sum so certified shall be apportioned and paid to the Agency from any available or uncommitted funds in the General Fund of the Treasury during the then current fiscal year of the Commonwealth without further action by the Legislature. If there are no such available funds, the Secretary of the Treasury shall request the amount so certified from the Director of the Office of Management and Budget of the Commonwealth, who shall include it in the General Budget of the Commonwealth for the coming fiscal year. The payment of such amount is subject to appropriation by the Legislature, which appropriation is authorized but not legally required to be made.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security will issue the Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is a New York Stock Exchange listed company whose major shareholders include White Mountains Insurance Group, Inc., XL Capital Ltd, The Tokio Marine and Fire Insurance Co., Ltd. and MediaOne Capital Corporation. The shareholders of Holdings are not liable for the obligations of Financial Security.

At September 30, 1999, Financial Security's total policyholders' surplus and contingency reserves were approximately $1,136,027,000 and its total unearned premium reserve was approximately $655,723,000 in accordance with statutory accounting principles. At September 30, 1999, Financial Security's total shareholders' equity was approximately $1,148,705,000 and its total net unearned premium reserve was approximately $550,165,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of such materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Agency the information presented under this caption and in the footnote on page (i) hereto for inclusion in this Official Statement.

Information regarding Financial Security's Year 2000 compliance program is available at Financial Security's website, www.fsa.com/Y2K.

DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table presents debt service requirements for: (i) the Series A Bonds; (ii) the Series B Refunding Bonds; and (iii) all the Bonds. Debt service requirements for each fiscal year, as shown in the following table, include principal and interest due on February 1 of such fiscal year and August 1 of the following fiscal year.

Debt Service Requirements*

Fiscal Year Ending June 30	Debt Service on the Series A Bonds**	Debt Service on the Series B Refunding Bonds***	Total Debt Service on the Bonds****
2000	$40,359,242	$38,556,692	$78,915,933
2001	55,406,613	39,252,288	78,915,933
2002	53,661,863	39,677,788	93,339,650
2003	49,110,863	39,593,888	88,704,750
2004	47,450,113	40,054,888	87,505,000
2005	52,073,363	40,096,888	92,170,250
2006	49,682,863	32,721,138	82,404,000
2007	49,455,975	26,329,563	75,785,538
2008	50,533,350	16,969,288	67,502,638
2009	48,080,475	14,719,288	62,799,763
2010	45,683,800	10,443,838	56,127,638
2011	47,333,206	10,465,275	57,798,481
2012	46,953,756	10,501,713	57,455,469
2013	53,324,094	10,554,688	63,878,781
2014	36,901,494	5,176,613	42,078,106
2015	36,416,375	3,282,800	39,699,175
2016	40,974,375	3,277,800	44,252,175
2017	28,605,075	3,274,100	31,879,175
2018	24,480,300	3,275,100	27,723,400
2019	18,674,650	3,022,575	21,697,225
2020	12,136,750	-	12,136,750
2021	10,475,700	-	10,475,700
2022	12,005,425	-	12,005,425
2023	7,073,775	-	7,073,775
Total	$916,821,492	$391,246,204	$1,308,067,696

* Totals may not add due to rounding.

** Principal and interest payments on the Series A Bonds.

*** Principal and interest payments on the Series B Refunding Bonds.

**** Principal and interest payments on the Bonds.

RECENT DEVELOPMENTS

The following information supplements some of the information appearing in the section referenced below of Appendix A relating to the Commonwealth.

Major Sources of General Fund Revenues - *Other Taxes and Revenues*

Legislation was approved by the United States Congress on November 19, 1999 increasing the amount returned by the United States to Puerto Rico of the federal excise taxes on certain alcoholic products from \$10.50 to \$13.25 per proof gallon (the "rum cover over"). The legislation is pending signature by the President of the United States. The provision increasing the amount of the rum cover over will be effective from July 1, 1999 to December 31, 2001. Based on current shipments of rum from Puerto Rico to the United States, this increase is expected to provide approximately \$55 million per year in additional revenues to the Puerto Rico Treasury Department, and approximately \$140 million in additional revenues over the period of the increase in the rum cover over provision. The payments by the United States to the Puerto Rico Department of Treasury will be partially deferred until October 1, 2000 because of United States budgetary constraints. The approved legislation provides up to \$20 million within 15 days of its enactment, but the amounts in excess of that amount representing excise taxes collected from July 1, 1999 through September 30, 2000 will not be paid over to the Puerto Rico Treasury Department until October 1, 2000. See "Major Sources of General Fund Revenues - Other Taxes and Revenues" in Appendix A hereto.

THE 1999 INDENTURE

The following is a summary of certain provisions of the 1999 Indenture. References in this summary to Bonds include the Bonds to which the Official Statement relates and any refunding bonds referred to below under "Refunding Bonds" that may be issued under the 1999 Indenture. This summary does not purport to be complete, and reference is made to the 1999 Indenture for its complete terms. See "MISCELLANEOUS." Certain provisions summarized below will be modified for the benefit of the Insurer in consideration of its issuance of the Policy.

Funds and Accounts

The 1999 Indenture establishes a Sinking Fund to be held by the Trustee. The Sinking Fund is composed of three separate accounts: the Bond Service Account, the Redemption Account and the Reserve Account. The Trustee is required to deposit moneys received from payments on the Municipal Bonds in such accounts as described above under "SOURCES OF PAYMENT FOR THE BONDS."

Moneys in the Bond Service Account will be applied to the payment of the interest on all the outstanding Bonds and the principal of all serial Bonds.

Moneys in the Redemption Account will be applied to the purchase or redemption of term Bonds, including the retirement of term Bonds to the extent of the Amortization Requirements under the 1999 Indenture.

The Agency will cause to be deposited, from the proceeds of the Bonds, to the credit of the Reserve Account, an amount equal to the Required Debt Service Reserve. Thereafter, the Agency will cause to be deposited to the credit of the Reserve Account to the extent of any deficiency therein (i) all moneys paid to the Agency pursuant to the Enabling Act for the purpose of restoring the Reserve Account to the required amount (see "SOURCES OF PAYMENT FOR THE BONDS- The Reserve Account" above) and (ii) any other moneys which may be made available to the Agency for the purposes of the Reserve Account from any other source. Moneys in the 1999 Reserve Account will be applied first to the payment of interest on the Bonds and maturing principal of the serial Bonds whenever and to the extent moneys in the Bond Service Account are insufficient for such purpose, and then for the purpose of making the required deposits to the Redemption Account whenever and to the extent moneys received by the Trustee from the payments of principal of and interest on the Municipal Bonds are insufficient for such purpose. The Agency may at any time deliver to the Trustee for deposit to the credit of the Reserve Account, with the prior approval of the Insurer, in lieu of cash or Investment Obligations (as defined below) a qualifying insurance policy or a letter of credit, the issuer of whose policy or letter of credit results in the rating of municipal obligations secured by such policy or letter of credit, at the time of deposit in the Reserve Account, in any of the three highest rating categories (without regard to any gradations within such category) by both Moody's Investors Service and Standard & Poor's Ratings Service as provided in the 1999 Indenture.

A special fund is created under the 1999 Indenture to be held by the Trustee and designated "Puerto Rico Municipal Finance Agency Series 1999 Operating Fund" (herein called the "Operating Fund"). Moneys held for the credit of the Operating Fund may be used for the payment of the fees and expenses of the Trustee, amounts due to the Insurer, administrative expenses of the Agency and GDB in relation to its monitoring of the Agency and the Municipal Bonds, the fees, expenses and other obligations of the Agency in respect of any credit facility held in the Reserve Account, and financing costs incurred with respect to the Bonds and for such other lawful purposes of the Agency as the President of the Agency shall direct.

Acquisition Fund

The Series A Bond proceeds remaining after the required deposit to the Reserve Account and after the payment of financing expenses will be deposited in the Acquisition Fund. The Trustee shall apply moneys in the Acquisition Fund to acquire the 1999 Municipal Bonds from GDB only upon proper requisition by the Agency. Moneys in the Acquisition Fund may also be used to pay maturing principal of and interest on the Bonds (whether at maturity or by redemption) whenever moneys in the Sinking Fund are insufficient for such purpose.

Escrow Funds

The Series B Refunding Bonds proceeds remaining after any required deposit to the Reserve Account, the payment of financing expenses and the distribution of moneys to certain municipalities derived from the refunding of the Refunded Bonds will be: (i) transferred to and held by the 1992 Trustee in the 1992 Escrow Fund for the sole purpose of paying the principal of and redemption premium, if any, and interest on the 1992 Refunded Bonds as described herein; and (ii) transferred to and held by the 1994 Trustee in the 1994 Escrow Fund for the sole purpose of paying the principal of and redemption premium, if any, and interest on the 1994 Refunded Bonds as described herein. See "PLAN OF FINANCING - The Series B Refunding Bonds."

Release of Municipal Bonds

The Agency may direct the Trustee to release from the lien and charge under the 1999 Indenture all or any of the Municipal Bonds then held by the Trustee in trust thereunder provided that the following requirements have been met:

(1) The following shall have been filed with the Trustee:

(a) a certificate signed by the President of the Agency setting forth (i) the name of each Municipal Issuer whose Municipal Bonds are to be released and a brief description of such Municipal Bonds containing, among other things, the dated date, the aggregate principal amount, the maturity date or dates and the interest rate or rates corresponding thereto; (ii) for each fiscal year after the fiscal year in which such release is to occur the sum of moneys to be received by the Trustee in such fiscal year from the payments of principal of and interest on the Municipal Bonds to be held by the Trustee after said release and any other available moneys under the 1999 Indenture; and (iii) the amount of the principal and interest requirements for each such fiscal year on account of all Bonds then outstanding under the 1999 Indenture; and

(b) an opinion of bond counsel to the Agency, in form and substance satisfactory to the Trustee, to the effect that such release will not cause interest on the Bonds then outstanding under the 1999 Indenture to be includable in the gross income of the recipients thereof for federal income tax purposes to the extent that such interest was not so includable on the respective dates of issuance of said Bonds; and

(2) in each fiscal year after the fiscal year in which such release is to occur the amount shown in item (iii) of the certificate mentioned in clause (1)(a) above shall not be greater than the amount shown in item (ii) of said certificate.

Investment of Funds

Any moneys in the Bond Service Account, the Redemption Account, the Reserve Account, the Acquisition Fund, and the Operating Fund will as nearly as may be practicable (except as provided in the 1999 Indenture with respect to defeasance and with respect to Bonds issued thereunder to refund any outstanding Bonds), be invested and reinvested by the Trustee, at the direction of the Agency and with the approval of the Insurer, in Investment Obligations listed in clauses (i), (ii), (iii), (iv), (ix), (x) and (xi) below or any other Investment Obligations listed below permitted in writing by Moody's Investors Service and Standard & Poor's Rating Service (the eligible provider of any investment agreement listed in said clause (ix) being limited to those whose unsecured long-term debt obligations are rated in the highest rating category by Moody's Investors Service and Standard & Poor's Rating Service or which investment agreement is collateralized at all times in a manner sufficient to result in such agreement being rated in the highest such rating category by such rating services), which mature, or which are subject to redemption at the option of the holder thereof, not later than the respective dates when the moneys held for the credit of such Funds and Accounts will be required for the purposes intended. Investment Obligations so purchased with moneys in any Account or Fund will be deemed at all times to be part of such Account or Fund, and the interest accrued thereon and any profit or loss resulting from such investment will be credited to or charged against such Account or Fund.

"Investment Obligations" for purposes of the 1999 Indenture include:

(i) direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States Government;

(ii) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any of the following agencies or instrumentalities of the United States Government: Banks for Cooperatives, Federal Farm Credit Banks, Federal Home Loan Banks, Export-Import Bank of the United States, Federal Financing Bank, Government National Mortgage Association, Federal National Mortgage

Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation, and Federal Housing Administration;

(iii) obligations issued or unconditionally guaranteed as to principal and interest by any agency or instrumentality controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress (the obligations referred to in clauses (i) through (iii) and receipts evidencing the ownership of payments of principal of or interest on any such obligations being called "Government Obligations");

(iv) time deposits, certificates of deposit or similar arrangements with, or banker's acceptances issued by, any bank, banking association or trust company, including the Trustee, which is a member of the Federal Deposit Insurance Corporation having a combined capital and surplus aggregating not less than $150,000,000 and reported deposits of not less than $250,000,000.

(v) repurchase agreements with banks mentioned in (iv) above or with primary government dealers having a capital and surplus in excess of $150,000,000 with respect to any of the securities mentioned in (i), (ii) and (iii) above, provided such securities are on deposit with the Trustee and such agreements are structured as sale-purchase agreements rather than secured loans;

(vi) obligations issued by the Commonwealth or any state or territory of the United States, which are rated in one of the three highest rating categories (without regard to any gradations within such categories) by both Moody's Investors Service and Standard & Poor's Ratings Service;

(vii) municipal obligations, the payment of the principal of and the interest on which is insured, which are rated in one of the three highest rating categories (without regard to any gradations within such categories) by both Moody's Investors Service and Standard & Poor's Ratings Service;

(viii) commercial paper rated, or backed by a letter of credit or line of credit the provider or which is rated, in the highest rating category (without regard to any gradations within such category) by both Moody's Investors Service and Standard & Poor's Ratings Service;

(ix) an agreement for the investment of moneys entered into by the Trustee with a bank, trust company or national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, or an insurance company, financial corporation or primary securities dealer (A) having a capital and surplus in excess of $150,000,000, provided that the equity or unsecured long-term debt obligations of such institution, or of such institution's parent or holding company, are rated in one of the three highest rating categories (without regard to any gradations within such categories) by both Moody's Investors Service and Standard & Poor's Rating Service or (B) collateralized at all times by such obligations as are described in clauses (i) through (iii) above, having a market value at least equal to the principal amount of such agreement, as to which collateral the Trustee has a perfected first priority security interest and which collateral is held by the Trustee or its agent, free and clear of claims by third parties;

(x) units of beneficial interest in any non-arbitrage investment program pools created by GDB or any of its subsidiaries or affiliates;

(xi) certain highly rated taxable or tax-exempt money-market funds;

(xii) any other obligations permitted under the laws of the Commonwealth which are rated in any of the three highest rating categories (without regard to any gradations within such category) by both Moody's Investors Service and Standard & Poor's Ratings Service; and

(xiii) any securities otherwise permitted as eligible collateral under Act No. 69 of the Legislature of Puerto Rico, approved August 14, 1991, as amended.

Refunding Bonds

The Agency may issue Bonds under the 1999 Indenture for the purpose of providing funds, together with any other available funds, to pay at or redeem prior to their maturity or maturities all or any part of the Bonds outstanding under the 1999 Indenture, including the payment of any redemption premium thereon, the interest thereon to the date fixed for their payment or redemption and any expenses incurred in connection with such refunding.

The Trustee shall not authenticate and deliver such refunding Bonds unless it receives evidence that, among other things, the payments to be received by the Trustee in any fiscal year on the Municipal Bonds, together with any available moneys specified for such purpose by the Agency, will be at least equal to the principal and interest requirements in such fiscal year for all Bonds outstanding under the 1999 Indenture.

Enforcement of Municipal Bonds

The Agency has agreed to take any and all actions available to it under the laws of the Commonwealth to assure that payment of the principal of and interest on the Municipal Bonds held by the Trustee will be timely paid, and that if payment of such principal and interest is not made when the same become due and payable, the Agency has agreed to take any and all actions available to it under the laws of the Commonwealth to enforce such payment.

Additional Indebtedness

The Agency has agreed not to incur any additional indebtedness secured by a lien on the Municipal Bonds and payments in respect thereof or which indebtedness will be payable from the Sinking Fund or the Acquisition Fund; provided, however, that additional series of refunding bonds may be issued from time to time as permitted under "Refunding Bonds" above on a parity with the Bonds.

Accounting

The Agency has covenanted that it will keep accurate records and accounts of the moneys collected and of the application of such moneys. Such records and accounts will be open at all reasonable times to the inspection of the Bondholders and their agents and representatives.

The Agency has further covenanted that promptly after the close of each fiscal year an audit of its books and accounts for such fiscal year will be made by an independent firm of certified public accountants of recognized ability and standing to be chosen by the Agency.

Events of Default; Remedies

The 1999 Indenture provides for each of the following events to be declared as an "event of default" under the 1999 Indenture:

(a) payment of principal of and redemption premium, if any, or any installment of interest on the Bonds was not made when the same became due and payable (whether at maturity or upon redemption), or

(b) there was a failure to retire Bonds by purchase or redemption in any fiscal year in a principal amount at least equal to the applicable amortization requirement under the 1999 Indenture for such fiscal year, or

(c) the amount on deposit to the credit of the Reserve Account was less than the Required Debt Service Reserve, and the President of the Agency failed or refused to comply with the provisions of the Enabling Act which require him to certify the amount of such deficiency to the Secretary of the Treasury, or the Commonwealth failed to apportion and pay to the Agency for deposit in the Reserve Account such amount as certified by the President of the Agency pursuant to such provisions of the Enabling Act, or

(d) the Agency was, for any reason, rendered incapable of fulfilling its obligations under the 1999 Indenture, or

(e) the Agency defaulted in the due and punctual performance of any other of its covenants, conditions, agreements and provisions contained in the Bonds or the 1999 Indenture to be performed and such default continued for thirty (30) days after written notice to the Agency by the holders of not less than 10% in aggregate principal amount of the Bonds then outstanding.

Upon the happening and the continuance of any event of default under the 1999 Indenture, the Trustee may, and upon the request of the holders of 25% in aggregate principal amount of the Bonds then outstanding must, proceed to protect and enforce its rights and the rights of the Bondholders by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the 1999 Indenture or in aid or execution of any power granted in the 1999 Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee deems most effectual to protect and enforce such rights.

No holder of any of the Bonds has any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the 1999 Indenture or for any other remedy under the 1999 Indenture unless such holder has given to the Trustee written notice of such event of default on account of which suit, action or proceeding is to be instituted and unless also the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding have made written request of the Trustee after the right to exercise such power or right of action accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise such powers or to institute such suit, action or proceeding, and unless, also, there has been offered to the Trustee reasonable security and indemnity against the cost and liabilities to be incurred therein or thereby, and the Trustee refused or neglected to comply with such request within a reasonable time. The 1999 Indenture provides, however, that notwithstanding any other provision therein, the owner of any Bond has the absolute and unconditional right to receive payment of the principal of and the premium, if any, and the interest on such Bond when due and to institute suit for the enforcement of any such payment, and such right may not be impaired without the consent of such owner.

Defeasance

Any outstanding Bond will be deemed to have been paid within the meaning of the 1999 Indenture when the whole amount of the principal of and interest on such Bond has been paid or duly provided for and the conditions set forth in clause (c) below have been satisfied or when, among other things, (a) such Bond has been duly called for redemption or irrevocable instructions to call such Bond for redemption have been given to the Trustee, (b) there have been deposited with the Trustee either moneys in an amount which will be sufficient, or Government Obligations, which do not contain provisions permitting redemption at the option of the issuer, the principal of and interest on which when due, and without reinvestment, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee available therefor, will be sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on such Bond on or prior to the redemption date thereof, and (c) in the event such Bond does not mature and is not to be redeemed within the next succeeding 60 days, the Agency has given the Trustee irrevocable instructions to give, as soon as practicable, a notice to the holder of such Bond stating that the deposit of moneys or Government Obligations described above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the 1999 Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on such Bond.

Supplemental Indentures

The Agency and the Trustee, without the consent of the holders of the Bonds, may enter into supplemental indentures to (i) cure any ambiguity, correct or supplement any provision in the 1999 Indenture which may be inconsistent with any other provision in the 1999 Indenture, or to make any other provisions with respect to matters or questions arising under the 1999 Indenture which shall not be inconsistent with the provisions of the 1999 Indenture; (ii) grant or to confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee; (iii) add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the 1999 Indenture, other conditions, limitations and restrictions thereafter to be observed; or (iv) add to the covenants and agreements of the Agency in the 1999 Indenture other covenants and agreements thereafter to be observed by the Agency, or to surrender any right or power conferred upon the Agency in the 1999 Indenture.

All other supplemental indentures require the consent of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding; provided, however, that no such supplement shall permit (a) an extension of the time for payment of the principal of or interest on any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of funds other than the lien and pledge created by the 1999 Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplement or any waiver under the 1999 Indenture.

Notwithstanding the foregoing, all amendments or supplements to the 1999 Indenture which adversely affect the Insurer's interest shall not become effective until the Insurer shall have consented thereto.

Concerning the Insurer

For purposes of giving notice, making a request, granting consent and giving directions under the 1999 Indenture, the Insurer shall be deemed to be the sole owner of the Insured Bonds. Any exercise by the Insurer of such rights shall not be construed as taken for the benefit of the owners of the Insured Bonds and shall not be construed as a determination by the Insurer as to whether the additional consent of any such owner is or is not required.

UNDERWRITING

The Underwriters have jointly and severally agreed under a Purchase Contract with the Agency, subject to certain conditions, to purchase the Bonds from the Agency at an aggregate discount of $5,308,399.61 from the initial public offering prices of the Bonds set forth or derived from information set forth on page (i) hereof. The Agency has agreed to pay the Underwriters $502,581.25 as additional compensation for their underwriting of the Bonds. The obligations of the Underwriters are subject to certain conditions precedent, and under said Purchase Contract with the Agency, the Underwriters will be obligated to purchase all the Bonds, if any Bonds are purchased. The Purchase Contract provides for indemnification of the Underwriters by the Agency, to the extent permitted by law, against certain civil liabilities. The Underwriters may offer to sell the Bonds to certain dealers and others at prices lower than the initial public offering prices (or at yields greater than such yields), and such offering prices (or yields) may be changed, from time to time, by the Underwriters.

Merrill Lynch & Co. ("Merrill Lynch"), the senior managing underwriter, has entered into a written agreement with Santander Securities Corporation of Puerto Rico ("Santander Securities") pursuant to which Santander Securities has agreed to cooperate in connection with Merrill Lynch's provision of underwriting and investment banking services to the Agency with respect to the Bonds. Pursuant to this arrangement, the existence of which has been disclosed to the Agency and GDB, Santander Securities will be entitled to receive a portion of Merrill Lynch's actual net profits, if any, in connection with the underwriting of the Bonds. Comparable agreements have been entered into and disclosed to the Agency and GDB by Morgan Stanley Dean Witter and Popular Securities Inc. and, Goldman Sachs & Co. and FirstBank Puerto Rico.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Agency and each Municipal Issuer must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Agency and each Municipal Issuer have covenanted to comply to the extent permitted by the Constitution and the laws of the Commonwealth with requirements of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. Bond Counsel is not aware of any provision of the Constitution or laws of the Commonwealth which would prevent the Agency and each Municipal Issuer from complying with the requirements of the Code.

In the opinion of Bond Counsel, subject to continuing compliance by the Agency and each Municipal Issuer with the tax covenant referred to above, under the provisions of the Acts of Congress now in force and under existing regulations, rulings and court decisions, interest on the Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be includable in the computation of the alternative minimum tax on corporations imposed by the

Code. No opinion is rendered by Bond Counsel as to the exclusion from gross income of the interest on the Bonds for federal income tax purposes (a) in the event that the 1999 Indenture or Municipal Bonds shall have been modified or amended in any manner that affects the exclusion from gross income of the interest on the Bonds without the approval of such counsel or (b) on or after the date on which any action is taken upon the approval of counsel other than such firm. Bond Counsel is further of the opinion that the Bonds and the interest thereon are exempt from state, Commonwealth and local income taxation.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations, certain corporations with excess passive income, individual recipients of Social Security or Railroad Retirements benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such consequences and other state and local tax consequences of owning the Bonds. Ownership of the Bonds may also result in collateral income tax consequences under Puerto Rico law to financial institutions doing business in Puerto Rico. Prospective purchasers of the Bonds should consult their tax advisors as to applicability and impact of any collateral consequences.

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status of the Bonds. Legislative or regulatory actions and proposals may also affect the economic value of tax exemption or the market prices of the Bonds.

Discount Bonds

The excess, if any, of the amount payable at maturity of any maturity of the Bonds over the initial public offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of such maturity is sold constitutes original issue discount. The amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. Original issue discount accruing pursuant to the constant yield method described above will be excluded from gross income to the same extent as interest on the Bonds for federal income tax purposes. A portion of the original issue discount that accrues in each year to the owners of Bonds with original issue discount (the "Discount Bonds") that are corporations will be included in the calculation of the corporations' federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to owners of Discount Bonds is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed herein. Consequently, an owner of a Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although he has not received cash attributable to such original issue discount in such year.

A purchaser in the initial offering who acquires a Discount Bond at an issue price equal to the initial offering price thereof as set forth or derived from information set forth on page (i) hereto will be treated as receiving an amount of interest not includable in gross income for federal income tax purposes equal to the original issue discount accruing during the period he holds such Discount Bond and will increase his adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond for federal income tax purposes. The accrual of original issue discount and its effect on redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at its initial offering price may be determined according to rules that differ from those described above.

Owners of Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds and with respect to Commonwealth, state, and local income tax consequences of owning and disposing of Discount Bonds.

Premium Bonds

The difference between the amount payable at maturity of the Bonds maturing on August of the years 2000 through 2016, inclusive, and the tax basis of such Bond to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) who purchases such Bond at its initial offering price is "Bond Premium." Bond Premium is amortized over the term of such Bonds for federal income tax purposes. No deduction is allowed for such amortization of Bond Premium; however, Bond Premium is treated as an offset to qualified stated interest received on the Bonds. Owners of such Bonds are required to decrease their adjusted basis in such Bonds by the amount of amortizable bond premium attributable to each taxable year such Bonds are held. Owners of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Bonds and with respect to Commonwealth, state, and local income tax consequences of owning and disposing of such Bonds.

LEGAL MATTERS

The authorization and issuance of the Bonds are subject to the approval of legality by Brown & Wood LLP, New York, New York, Bond Counsel, whose proposed form of opinion is set forth in Appendix C hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Fiddler, González & Rodríguez, LLP, San Juan, Puerto Rico.

LEGAL INVESTMENT

The Bonds will be eligible for deposit by banks in Puerto Rico to secure public funds and will be approved investments for insurance companies to qualify them to do business in Puerto Rico as required by law.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Deloitte & Touche LLP will verify from the information provided to them the mathematical accuracy as of the closing of the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits in such schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements of the 1992 Refunded Bonds and the 1994 Refunded Bonds (see "PLAN OF FINANCING"), and (2) the computations of yield on both the securities and the Bonds contained in such schedules used by Bond Counsel in its determination that interest on the Bonds is excludable from gross income for federal income tax purposes. Deloitte & Touche LLP will express no opinion on the assumptions provided to them, nor as to the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

As required by Act No. 272 of the Legislature of Puerto Rico, approved May 15, 1945, as amended, GDB has acted as financial advisor to the Agency in connection with the Bonds offered hereby. As financial advisor, GDB participated in the selection of the Underwriters of the Bonds. Certain of the Underwriters have been selected by GDB to serve from time to time as underwriters of its obligations and the obligations of the Commonwealth, its instrumentalities and public corporations. Certain of the Underwriters or their affiliates participate in other financial transactions with GDB.

RATINGS

Moody's Investors Service and Standard & Poor's Rating Services have given the Bonds ratings of Baa1 and A-, respectively. Moody's Investors Service and Standard & Poor's Rating Services have given the Insured Bonds ratings of Aaa and AAA, respectively, on the understanding that the standard municipal bond insurance policy of the Insurer insuring the scheduled payment of principal and interest on the Insured Bonds will be issued by the Insurer concurrently with the issuance of the Bonds. Such ratings reflect only the respective views of such organizations and the explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. There is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market prices of the Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"):

(a) the Commonwealth has covenanted for the benefit of the Beneficial Owners of the Bonds (generally, the tax owners of the Bonds): (i) to file, within 305 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 1999, annual financial statements, prepared in accordance with generally accepted accounting principles, and operating data generally consistent with the information included in Appendix A to this Official Statement and the Commonwealth Annual Financial Report, which has been incorporated by reference herein, with each NRMSIR and with any Commonwealth state information depository ("SID"), and (ii) to file, in a timely manner, with each NRMSIR or with the MSRB, and with any Commonwealth SID, notice of a failure by the Commonwealth to provide the financial statements and operating data described in clause (i) on or before the date specified above;

(b) San Juan has covenanted for the benefit of the Beneficial Owners of the Bonds: (i) to file, within 305 days after the end of each fiscal year of San Juan, commencing with the fiscal year ending June 30, 1999, annual financial statements, prepared in accordance with generally accepted accounting principles, and operating data generally containing the information set forth in the San Juan Annual Financial Report, which has been incorporated by reference therein, and the other information included in Appendix B to this Official Statement, with each NRMSIR and with any Commonwealth SID, and (ii) to file, in a timely manner, with each NRMSIR or with the MSRB, and with any Commonwealth SID, notice of a failure by San Juan to provide the financial statements and operating data described in clause (i) on or before the date specified above; and

(c) the Agency has covenanted for the benefit of the Beneficial Owners of the Bonds:

(i) to file, within 305 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2000, with each NRMSIR and with any Commonwealth SID, a report setting forth with respect to such fiscal year the following information: (1) the amount of all deposits to the credit of, and the amount of the withdrawals from, each fund or account created under the provisions of the 1999 Indenture; (2) a brief description of the bonds issued, paid, purchased or redeemed under the 1999 Indenture during such fiscal year and the outstanding principal amount of the bonds under the 1999 Indenture; (3) a brief description of the Municipal Bonds held by the Trustee under the 1999 Indenture and the outstanding principal amount of the Municipal Bonds so held; and (4) a balance sheet as of the end of such fiscal year for each fund or account created under the provisions of the 1999 Indenture, which balance sheet shall set forth the amount held for the credit of each such fund or account at the end of such fiscal year;

(ii) to file, within 305 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2000, with each NRMSIR and with any Commonwealth SID, a report updating the information contained in the tables found on pages 22 through 25 of this Official Statement;

(iii) to file with each NRMSIR and with any Commonwealth SID, within 305 days after the end of each fiscal year commencing with the fiscal year ending June 30, 2000, in the event that at the end of any such fiscal year Municipal Bonds issued by any one Municipal Issuer (other than San Juan) come to represent twenty percent (20%) or more of the aggregate outstanding principal amount of the Municipal Bonds under the 1999 Indenture, annual financial statements for such Municipal Issuer, prepared in accordance with generally accepted accounting principles, for the most recently ended fiscal year of such Municipal Issuer and each fiscal year thereafter until such time that at the end of any such fiscal year Municipal Bonds issued by such Municipal Issuer come to represent less than twenty percent (20%) of the aggregate outstanding principal amount of the Municipal Bonds under the 1999 Indenture;

(iv) to file, in a timely manner, with each NRMSIR or with the MSRB, and with any Commonwealth SID, notice of a failure by the Agency to provide any of the information required in clauses (i), (ii) or (iii) on or before the date specified above; and

(v) to file, in a timely manner, with each NRMSIR or with the MSRB, and with any Commonwealth SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

a. principal and interest payment delinquencies;
b. non-payment related defaults;
c. unscheduled draws on debt service reserves reflecting financial difficulties;
d. unscheduled draws on credit enhancements reflecting financial difficulties;
e. substitution of credit or liquidity providers, or their failure to perform;
f. adverse opinions or events affecting the tax exempt status of the Bonds;
g modifications to rights of the holders (including Beneficial Owners) of the bonds;
h. bond calls;
i. defeasances;
j. release, substitution, or sale of property securing repayment of the Bonds; and
k. rating changes.

With respect to the following events:

Events d. and e. The Agency does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Agency applies for or participates in obtaining the enhancement.

Event f. For information on the tax status of the Bonds, see "TAX EXEMPTION."

Event h. The Agency does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail in this Official Statement under "The Bonds-Redemption," the only open issue is which Bonds will be redeemed in the case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Bonds and the Indenture, and public notice of redemption is given pursuant to Securities Exchange Act of 1934 Release No. 34-23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or bond purchases.

As of December 1, 1999, there was no Commonwealth SID, and the nationally recognized municipal securities information repositories are: Bloomberg Municipal Repositories, P.O. Box 840, Princeton, New Jersey 08541-0840; Kenny Information Systems, Inc., Attn. Kenny Repository Service, 65 Broadway, 16th Floor, New York, New York 10006; Thompson NRMSIR, Attn. Municipal Disclosure, 395 Hudson Street, New York, New York 10004; and DPC Data, Inc., One Executive Drive, Fort Lee, New Jersey 07024.

The Commonwealth expects to provide the information described in (a)(i) above by delivering the first bond official statement of the Commonwealth or of any instrumentality of the Commonwealth that includes its financial statements for the preceding fiscal year and operating data generally containing the information set forth in Appendix A or, if no official statement is issued by the 305-day deadline, by delivering its Comprehensive Annual Financial Report and Appendix A by such deadline.

The Agency may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the Agency, such other events are material and with respect to the Bonds, but the Agency does not undertake to provide any such notice of the occurrence of any material event except those listed above.

The Commonwealth, San Juan and the Agency acknowledge that their undertakings described above are intended to be for the benefit of the Beneficial Owners of the Bonds, and shall be enforceable by any such Beneficial Owner, provided that the right to enforce the provisions of their respective undertakings shall be limited to a right to obtain specific performance of such provisions.

No Beneficial Owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the foregoing covenant (the "Covenant") or for any remedy for breach thereof, unless such Beneficial Owner shall have filed with the Commonwealth, with San Juan or with the Agency, as applicable, written notice of any request to cure such breach, and the Commonwealth, San Juan or the Agency, as the case may be, shall have refused to comply within a reasonable time. All proceedings shall be instituted only in a Commonwealth court located in San Juan for the equal benefit of all Beneficial Owners of the outstanding Bonds benefitted by the Covenant, and no remedy shall be sought or granted other than specific performance of the Covenant at issue. Moreover, Proceedings filed by Beneficial Owners against the Commonwealth are subject to the sovereign immunity provisions of Section 2 of Act No. 104, approved June 19, 1955, as amended (32 L.P.R.A. §3077 and §3077a), which governs the scope of legal actions against the Commonwealth, and provides certain notice provisions, the failure to comply with which may further limit any recovery.

The Covenant may only be amended if:

(1) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Commonwealth, San Juan or the Agency, as the case may be, or type of business conducted; the Covenant, as amended, would have complied with the requirements of the Rule at the time of award of the Bonds, after taking into account any amendments or change in circumstances; and the amendment does not materially impair the interest of Beneficial Owners, as determined by parties unaffiliated with the Commonwealth, San Juan or the Agency, as the case may be, or

(2) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the adoption of such Rule, ceases to be in effect for any reason, and the Commonwealth, San Juan or the Agency, as the case may be, elects that the Covenant shall be deemed amended accordingly.

The Commonwealth, San Juan and the Agency have further agreed that the annual financial information containing any amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request described above.

The Covenant has been made in order to assist the Underwriters in complying with the Rule.

MISCELLANEOUS

The foregoing references to and summaries of certain provisions of the 1999 Indenture, the various acts and the Bonds do not purport to be complete statements of any or all of such provisions and are made subject to all the detailed provisions thereof, to which reference is hereby made for further information. Copies of the foregoing documents are available from GDB, upon written request directed to: Government Development Bank for Puerto Rico, 140 Broadway, 38th floor, New York, New York 10005, Attention: Director-New York Office or Government Development Bank for Puerto Rico, P.O. Box 42001, San Juan, Puerto Rico 00940-2001, Attention: Public and Private Finance Director. Appended to and constituting a part of this Official Statement are certain information on the Commonwealth of Puerto Rico (Appendix A), the Municipality of San Juan (Appendix B), the proposed form of opinion of Brown & Wood LLP, Bond Counsel (Appendix C) and the specimen of the municipal bond insurance policy of Financial Security (Appendix D). The information set forth in, or incorporated by reference into, this Official Statement, except for information pertaining to DTC and Financial Security, was supplied by certain officials of the Agency, San Juan, the Commonwealth or certain of the Commonwealth's other agencies or instrumentalities, in their respective official capacities, or was obtained from publications of San Juan or of the Commonwealth or the Commonwealth's other agencies or instrumentalities, and is included in this Official Statement on the authority of such officials or the authority of such publications as public official documents. The information pertaining to DTC was supplied by DTC, and the information relating to Financial Security and the Policy was supplied by Financial Security.

This Official Statement will be filed with each NRMSIR and with the MSRB.

This Official Statement has been duly authorized, executed and delivered by the Agency.

PUERTO RICO MUNICIPAL FINANCE AGENCY

By: ______________________________

Lourdes M. Rovira
Chairman of the Board and President

APPENDIX A

COMMONWEALTH OF PUERTO RICO

Financial Information and Operating Data Report
June 30, 1999

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COMMONWEALTH OF PUERTO RICO

Financial Information and Operating Data Report
June 30, 1999

Geographic Location and Demography

Puerto Rico, the fourth largest of the Caribbean islands, is located approximately 1,600 miles southeast of New York City. It is approximately 100 miles long and 35 miles wide.

According to the United States Census Bureau, the population of Puerto Rico was approximately 3,522,000 in 1990, compared to 3,196,520 in 1980. According to estimates of the Planning Board, the population of Puerto Rico increased to 3,851,500 in fiscal 1999. As of 1990, the population of San Juan, the island's capital and largest city, was approximately 437,000.

Relationship with the United States

Puerto Rico was discovered by Columbus in 1493 and shortly thereafter the island was conquered and settled by the Spaniards. It remained a Spanish possession for four centuries.

Puerto Rico came under United States sovereignty pursuant to the Treaty of Paris, signed on December 10, 1898, which ended the Spanish-American War. Puerto Ricans became citizens of the United States in 1917, with the approval of the Jones Act by the United States Congress. In 1950, after a long evolution toward greater self-government, Congress enacted Public Law 600 which provided that the existing political, economic and fiscal relationship between Puerto Rico and the United States would remain the same, but Puerto Rico would be authorized to draft and approve its own Constitution, guaranteeing a republican form of government. The Constitution was drafted by a popularly elected constitutional convention, approved in a special referendum by the people of Puerto Rico, amended and ratified by the United States Congress, and subsequently approved by the President of the United States. Puerto Rico's constitutional status is that of a territory of the United States and, pursuant to the territorial clause of the Federal Constitution, the ultimate source of power over Puerto Rico is the United States Congress. The relationship between the United States and Puerto Rico is referred to herein as commonwealth status.

Puerto Rico exercises virtually the same control over its internal affairs as do the fifty states; it differs from the states, however, in its relationship with the federal government. The people of Puerto Rico are citizens of the United States but do not vote in national elections. They are represented in Congress by a Resident Commissioner who has a voice in the House of Representatives and limited voting power. Most federal taxes, except those such as Social Security taxes, are not levied in Puerto Rico. No federal income tax is collected from Puerto Rico residents on income earned in Puerto Rico, except for certain federal employees who are subject to taxes on their salaries. Income earned by Puerto Rico residents from sources outside of Puerto Rico, however, is subject to federal income tax. Federal excise taxes on shipments of alcoholic beverages from Puerto Rico and other rum producing countries (which were at $11.30 per gallon through October 1, 1998, and thereafter at $10.50 per gallon) and other taxes on shipments of tobacco products from Puerto Rico to the mainland are returned to the Treasury of Puerto Rico.

The official languages of Puerto Rico are Spanish and English. Although the culture of Puerto Rico is mostly Hispanic, a considerable intermingling of Hispanic and United States cultures has occurred.

On February 26, 1997 legislation was introduced in the U.S. House of Representatives (the "Political Status Act") proposing a mechanism to settle permanently the political relationship between Puerto Rico and the United States, either through full self-government (e.g., statehood or independence, including, as an alternative, free association via a bilateral treaty) or continued commonwealth status. Under the proposed legislation, failure to settle on full self-government after completion of the referenda process provided therein would result in retention of the current commonwealth status. On March 19, 1997, similar legislation was introduced in the U.S. Senate. On March 4, 1998, the U.S. House of Representatives voted in favor of the Political Status Act. The Senate, however, failed to act upon the Political Status Act prior to the end of the Congressional session.

Pursuant to legislation approved by the Puerto Rico Legislature, a local plebiscite was held on December 13, 1998 in which voters expressed their preference among the following four generally recognized political status options: statehood, independence, free association, and the existing commonwealth status. Voters were also allowed to vote for "none" of these four options in a space provided therefor in the ballot. The results of the plebiscite were as follows:

	Votes	Percentage
Option 1 (Existing Commonwealth)	993	0.1
Option 2 (Free Association)	4,536	0.3
Option 3 (Statehood)	728,157	46.5
Option 4 (Independence)	39,838	2.5
None of the above	787,900	50.3
Others (Null and void; blank)	4,846	0.3

Any change in the existing commonwealth status would require an Act of Congress.

Governmental Structure

The Constitution of the Commonwealth of Puerto Rico (the "Commonwealth" or "Puerto Rico") provides for the separation of powers of the executive, legislative, and judicial branches of government. The Governor is elected every four years. The Legislature consists of a Senate and a House of Representatives, the members of which are elected for four-year terms. The highest court within the local jurisdiction is the Supreme Court of Puerto Rico. Decisions of the Supreme Court of Puerto Rico may be appealed to the Supreme Court of the United States under the same terms and conditions as decisions from state courts. Puerto Rico constitutes a District in the Federal Judiciary and has its own United States District Court. Decisions of this court may be appealed to the United States Court of Appeals for the First Circuit and from there to the Supreme Court of the United States.

Governmental responsibilities assumed by the central government of Puerto Rico are similar in nature to those of the various state governments. In addition, the central government assumes responsibility for local police and fire protection, education, public health and welfare programs, and economic development.

Pedro Rosselló was sworn in as Governor of Puerto Rico on January 2, 1993. He was re-elected for a second four year term in the November 1996 elections and sworn in again as Governor of Puerto Rico on January 2, 1997. He obtained a medical degree from Yale University in 1970, after completing his undergraduate studies at Notre Dame University in 1966. He specialized in General and Pediatric Surgery at Harvard University. In 1985, he was appointed Director of San Juan's Health Department, a position which he held for three years. As a member of the New Progressive Party, he was the party's candidate for Resident Commissioner to the United States Congress in 1988. In 1991, he was elected President of the New Progressive Party.

Xenia Vélez Silva, Secretary of the Treasury, took office on November 20, 1997. She is a graduate of the University of Puerto Rico, where she obtained a bachelor's degree in Business Administration and a Juris Doctor degree. Prior to her appointment, she was a partner in a San Juan law firm, where she practiced tax law.

Jorge E. Aponte Hernández, Director of the Office of Management and Budget, took office in January 1993. In November 1996, he was re-appointed by the Governor to continue in his position. He is a certified public accountant and a graduate of the University of Puerto Rico, where he obtained a bachelor's degree in Business Administration and Accounting. Prior to his appointment, he worked for twenty years as an accountant and auditor for various accounting firms.

Lourdes M. Rovira, President of Government Development Bank for Puerto Rico ("Government Development Bank" or "GDB"), took office in October 1998. She is a graduate of the University of Puerto Rico, where she obtained a bachelor's degree in Business Administration. Ms. Rovira had served as Executive Vice President of GDB since early 1997 and prior thereto had occupied the position of Principal. Prior to her appointment at GDB in 1996, Ms. Rovira had been the Chief Financial Officer of the University of Puerto Rico system.

Political Trends

For many years there have been two major views in Puerto Rico with respect to the island's relationship with the United States: one favoring statehood, represented by the New Progressive Party, and the other favoring the existing commonwealth status, represented by the Popular Democratic Party. The following table shows the percentages of the total vote received by the gubernatorial candidates of the various parties in the last five elections by voter preference with respect to statehood, commonwealth status, and independence. While the electoral choices of Puerto Rico's voters are not based solely on preferences regarding the island's relationship with the United States, candidates who support a continuing relationship between Puerto Rico and the United States have prevailed in elections for many years.

	1980	1984	1988	1992	1996
New Progressive Party	47.3%	45.5%	45.8%	49.9%	51.1%
Popular Democratic Party	47.0	48.5	48.7	45.9	44.5
Puerto Rico Independence Party	5.4	3.9	5.4	4.2	3.8
Others	0.3	2.1	0.1	--	0.6

With the results of the 1996 election, control of the executive and legislative branches continued under the New Progressive Party. The composition of the Senate and House by the several political parties is as follows:

	Senate	House
New Progressive Party	19	37
Popular Democratic Party	8	16
Puerto Rico Independence Party	1	1
	28	54

The next general election (gubernatorial, municipal, and legislative) in Puerto Rico will be held in November 2000. Voter participation in Puerto Rico is substantially higher than in the United States, averaging 85% since 1972.

THE ECONOMY

General

The Government of Puerto Rico has established policies and programs directed at developing the manufacturing and service sectors (with emphasis on the tourism industry) of the economy and expanding and modernizing the island's infrastructure. Domestic and foreign investment has been stimulated by selective tax exemption, development loans, and other financial and tax incentives. Infrastructure expansion and modernization have been to a large extent financed by bonds and notes issued by the Commonwealth, its public corporations and municipalities. Economic progress has been aided by significant increases in the levels of education and occupational skills of the island's population.

The economy of Puerto Rico is fully integrated with that of the United States mainland. During fiscal 1998, approximately 90% of Puerto Rico's exports went to the United States mainland, which was also the source of approximately 61% of Puerto Rico's imports. In fiscal 1998, Puerto Rico experienced an $8.5 billion positive merchandise trade balance.

The dominant sectors of the Puerto Rico economy are manufacturing and services. The manufacturing sector has experienced a basic change over the years as a result of increased emphasis on higher wage, high technology industries, such as pharmaceuticals, electronics, computers, microprocessors, professional and scientific instruments, and certain high technology machinery and equipment. The services sector, including finance, insurance, real estate, wholesale and retail trade, and hotel and related services, also plays a major role in the economy. It ranks second only to manufacturing in contribution to the gross domestic product and leads all sectors in providing employment.

Fiscal 1995 to 1999

Puerto Rico's more than decade-long economic expansion continued throughout the five-year period from fiscal 1995 through fiscal 1999. Almost every sector of the economy participated, and record levels of employment were achieved. Factors behind this expansion included government-sponsored economic development programs, periodic declines in the exchange value of the United States dollar, increases in the level of federal transfers, the relatively low cost of borrowing and low oil prices.

Gross product in fiscal 1995 was $28.4 billion ($25.9 billion in 1992 prices) and gross product in fiscal 1999 was $38.1 billion ($29.7 billion in 1992 prices). This represents an increase in gross product of 34% from fiscal 1995 to 1999 (14.5% in 1992 prices).

Since fiscal 1985, personal income, both aggregate and per capita, has increased consistently each fiscal year. In fiscal 1998, aggregate personal income was $33.7 billion ($30.8 billion in 1992 prices) and personal income per capita was $8,817 ($8,063 in 1992 prices). The difference in the statistics of 1992 prices for gross product and personal income is attributable to the difference in the price deflators used for each.

Personal income includes transfer payments to individuals in Puerto Rico under various social programs. Total federal payments to Puerto Rico, which include transfers to local government entities and expenditures of federal agencies in Puerto Rico, in addition to federal transfer payments to individuals, are lower on a per capita basis in Puerto Rico than in any state. Transfer payments to individuals in fiscal 1998 were $7.5 billion, of which $5.3 billion, or 71.3%, represented entitlements to individuals who had previously performed services or made contributions under programs such as Social Security, Veterans' Benefits, Medicare and U.S. Civil Service retirement pensions.

According to the Labor Department's Household Employment Survey, average employment increased from 1,051,000 in fiscal 1995, to 1,147,000 in fiscal 1999. Average unemployment decreased from 13.8% in fiscal 1995, to 12.5% in fiscal 1999.

The following table shows the gross product for the five fiscal years ended June 30, 1999.

Puerto Rico

Gross Product

	1995	1996	1997	1998(p)	1999(p)
Gross product — $ millions	$28,452	$30,331	$32,096	$34,817	$38,098
Real gross product — $ millions (1992 prices)	25,968	26,827	27,672	28,540	29,730
Annual percentage increase in real gross product (1992 prices)	3.4%	3.3%	3.2%	3.1%	4.2%
U.S. annual percentage increase in real gross product (1992 prices)(1)	2.9%	2.7%	3.6%	3.7%	3.8%

(p) Preliminary.
(1) Restated to correspond to Puerto Rico's fiscal year ending June 30.

Sources: Planning Board and Data Resources Inc.

Since the 1950's the Planning Board has prepared a complete set of macroeconomic measures like those prepared for the United States by the Bureau of Economic Analysis ("BEA") of the Department of Commerce. In contrast with the BEA, which computes the economic accounts on a quarterly basis, the Planning Board computes the economic accounts on an annual basis. Like the BEA, the Planning Board revises the macroeconomic numbers on a regular basis. The Planning Board has always classified the latest annual numbers as preliminary until they are revised and made final in conjunction with the release of the new data each year. At present, all macroeconomic accounts for fiscal 1998 and fiscal 1999 are preliminary until the revised figures are released.

Fiscal 2000

The Planning Board's gross product forecast for fiscal 2000, made in October 1999, projected an increase of 2.7% over fiscal 1999.

Economic Development Program - New Economic Model

Governor Rosselló's administration has developed and is implementing a new economic development program which is based on the premise that the private sector should provide the primary impetus for economic development and growth. This new program, referred to as the New Economic Model, promotes changing the role of the government from one of a provider of most basic services, to that of a facilitator for private sector initiatives, and encourages private sector investment by reducing government-imposed regulatory constraints.

The New Economic Model contemplates the development of initiatives that will foster private investment in, and private management of, sectors that are served more efficiently and effectively by private enterprise. One of the initiatives that has already been implemented is the adoption of a new tax code intended to expand the tax base, reduce top personal and corporate tax rates and simplify the tax system. Another initiative consists of improving and expanding Puerto Rico's infrastructure to facilitate private sector development and growth, such as the construction of the water pipeline and cogeneration facilities described below and the construction of a light rail system for the San Juan metropolitan area.

The New Economic Model seeks to identify and promote those areas in which Puerto Rico can compete more effectively in the global markets. In this regard, tourism has been targeted as a priority because of its potential for job creation and increased contribution to the gross product stemming from Puerto Rico's natural competitive advantage. As part of the initiatives directed at promoting the tourism sector, in 1993 a new Tourism Incentives Act was enacted providing special tax incentives for the development of new hotel projects. See "Tax Incentives" below. Also, in November 1993, the Tourism Development Fund was created for the purpose of promoting capital investments in and providing financing to entities that contribute to the development of the tourism industry. As a result of these initiatives, several new hotels have been constructed or are in the process of being constructed, increasing the number of total rooms on the island from 8,415 at the end of fiscal 1992 to 11,095 at the end of fiscal 1999 and to a projected 12,650 by the end of fiscal 2000. Similar tax incentives have been enacted in other areas targeted by the New Economic Model as areas of opportunity for the promotion of local and foreign investment in Puerto Rico, such as agriculture, solid waste management and venture capital. In 1998, a new tax incentives law was enacted designed to attract and retain foreign investment in manufacturing and other activities, including the performance of services for markets outside Puerto Rico. See "Tax Incentives" below.

The New Economic Model also seeks to reduce the size of government's direct contribution to gross domestic product. As part of this goal, the Government has transferred certain governmental operations and sold a number of its assets to private parties. On March 3, 1995, the Government completed the sale of the assets of the Maritime Shipping Authority to a private purchaser. On January 31, 1996, the Aqueduct and Sewer Authority executed a construction and operating agreement with a private consortium for the design, construction, and operation of an approximately 75 million gallon per day pipeline to deliver water to the San Juan metropolitan area and other municipalities along the north coast from Dos Bocas reservoir in Utuado. The Electric Power Authority has entered into power purchase agreements with private power producers under which two cogenerating plants (with a total capacity of approximately 874 megawatts) using fuels other than oil will be constructed, operated and owned by these producers. The Administration of Corrections has entered into operating agreements with two private companies whereby three new correctional facilities are being operated by these companies. In 1995, the Government sold to private companies certain government owned mango growing operations. The Government has also transferred to local sugar cane growers the sugar processing facilities formerly operated by the Sugar Corporation and has sold certain assets of the pineapple juice processing business formerly operated by the Land Authority. The Government has also sold three hotel properties formerly owned by a subsidiary of the Tourism Company and is currently negotiating the sale of a complex consisting of two hotels and a convention center to a Florida-based corporation. On March 2, 1999, the Government sold a controlling interest in the Puerto Rico Telephone Company ("PRTC"), a subsidiary of the Telephone Authority, to a consortium led by GTE International Telecommunications Incorporated.

One of the goals of the Rosselló administration is to change Puerto Rico's public health care system from one in which the government provides free health services to low income individuals through public health facilities owned and administered by the government to one in which all medical services are provided by the private sector and the government provides comprehensive health insurance coverage for qualifying (generally low income) Puerto Rico residents. Under this new system, the Government selects, through a bidding system, one private health insurance company in each of several designated regions of the island and pays such insurance company the insurance premium for each eligible beneficiary within such region. This new health insurance system is now covering 77 municipalities out of a total of 78 on the island. It is expected that the last municipality will be added on July 2000. The total cost of this system depends on the number of municipalities included in the system, the number of participants receiving coverage, and the date coverage commences. As of August 1, 1999, approximately 1.7 million persons were participating in the system at an estimated annual cost for fiscal 2000 of approximately $994 million to be covered by appropriations from the General Fund. In conjunction with this system, the operation of certain public health facilities has been transferred to private entities. The Government's current privatization plan for health facilities provides for the transfer of ownership of all public health facilities to private entities. The Government has sold forty-four health facilities to private companies and is currently in the process of closing the sale of fourteen additional health facilities to other private companies.

Employment and Unemployment

The number of persons employed in Puerto Rico during fiscal 1999 averaged 1,147,000. Unemployment, although at relatively low historical levels, remains above the average for the United States.

The following table presents annual statistics of employment and unemployment from fiscal 1994 through fiscal 1999 and monthly statistics for July through September 1999.

Puerto Rico

Employment and Unemployment

Fiscal Years Ended June 30	Labor Force(1)	Employed(1)	Unemployed(1)	Unemployment Rate(2)
		(Annual Average)		
1994	1,204	1,011	193	16.0%
1995	1,219	1,051	168	13.8
1996	1,268	1,092	175	13.8
1997	1,298	1,128	170	13.1
1998	1,317	1,137	179	13.6
1999	1,310	1,147	163	12.5
Fiscal 2000		(Seasonally Adjusted)		
July	1,284	1,154	131	10.2%
August	1,294	1,143	151	11.7
September	1,285	1,135	151	11.7

(1) Thousands of persons age 16 years and over. Totals may not add due to rounding.
(2) Unemployed as percentage of labor force.

Source: Department of Labor and Human Resources — Household Survey.

Economic Performance by Sector

Puerto Rico has a diversified economy. During the period between fiscal 1994 and 1998, the manufacturing and services sectors generated the largest portion of gross domestic product. Three sectors of the economy provide the most employment: manufacturing, services and government.

The following table presents annual statistics of gross domestic product by sector and gross product for the five fiscal years ended June 30, 1998.

Puerto Rico

Gross Domestic Product by Sector and Gross Product
(in millions at current prices)

	Fiscal Year Ended June 30				
	1994	1995	1996	1997	1998(p)
Manufacturing	$16,748	$17,867	$19,040	$19,797	$23,016
Services(1)	14,782	15,972	16,955	17,859	19,081
Government(2)	3,987	4,440	4,841	5,220	5,246
Transportation, communication and public utilities	3,134	3,276	3,557	3,726	4,069
Agriculture, forestry and fisheries	369	318	375	368	402
Construction (3)	928	1,005	1,095	1,217	1,323
Hotels	432	471	495	506	566
Statistical discrepancy	(689)	(703)	(846)	(597)	123
Total gross domestic product(4)	39,691	42,647	45,511	48,096	53,825
Less: net payment abroad	13,050	14,195	15,181	16,001	19,008
Total gross product(4)	$26,641	$28,452	$30,331	$32,096	$34,817

(p) Preliminary.
(1) Includes wholesale and retail trade, finance, insurance, real estate and other services.
(2) Includes the Government of Puerto Rico, its municipalities and the federal government; excludes public corporations.
(3) Includes mining.
(4) Totals may not add due to rounding.

Source: Planning Board

The following table presents annual statistics of average employment by sector for the five fiscal years ended June 30, 1998.

Puerto Rico

Average Employment by Sector
(thousands of persons age 16 and over)

	1994	1995	1996	1997	1998
Manufacturing	166	172	167	162	161
Services(1)	478	496	527	550	573
Government(2)	224	232	246	261	244
Transportation, communication and public utilities	55	60	61	59	59
Construction(3)	54	57	59	65	69
Agriculture, forestry and fisheries	34	34	32	31	31
Total(4)	1,011	1,051	1,092	1,128	1,137

(1) Includes wholesale and retail trade, finance, insurance, real estate, hotels and related services and other services.
(2) Includes the Government of Puerto Rico, its municipalities and the federal government; excludes public corporations.
(3) Includes mining.
(4) Totals may not add due to rounding.

Source: Department of Labor and Human Resources — Household Survey.

Manufacturing

Manufacturing is the largest sector in the economy of Puerto Rico, in terms of gross domestic product. The Planning Board estimates that in fiscal 1998 manufacturing generated $23.0 billion, or 42.8% of gross domestic product. The manufacturing sector employed 141,068 workers as of March 1999 (as reported in the Department of Labor and Human Resources — Monthly Survey on Employment Hours and Earnings). Most of the island's manufacturing output is shipped to the United States mainland, which is also the principal source of semifinished manufactured articles on which further manufacturing operations are performed in Puerto Rico. The United States minimum wage laws are applicable in Puerto Rico. As of March 1999 the average hourly manufacturing wage rate in Puerto Rico was 62.5% of the average mainland United States rate.

Manufacturing in Puerto Rico is now more diversified than during the earlier phases of the industrial development program. In the last two decades, industrial development has tended to be more capital intensive and more dependent on skilled labor. This gradual shift in emphasis is best exemplified by the heavy investment in the pharmaceuticals, scientific instruments, computers, microprocessors, medical products, and electrical products industries in Puerto Rico over the last decade.

The following table sets forth gross domestic product by manufacturing sector for the five fiscal years ended June 30, 1998.

Puerto Rico

Gross Domestic Product by Manufacturing Sector
(in millions at current prices)

	Fiscal Year Ended June 30				
	1994	**1995**	**1996**	**1997**	**1998(p)**
Pharmaceuticals	$8,229	$8,994	$9,489	$9,847	$12,328
Machinery and metal products	3,310	3,371	4,215	4,476	4,809
Food products	2,694	2,707	2,686	2,729	3,037
Apparel	504	624	653	627	625
Other(1)	2,010	2,173	1,997	2,119	2,216
Total gross domestic product of manufacturing sector(2)	$16,748	$17,867	$19,040	$19,797	$23,016

(p) Preliminary.
(1) Includes petroleum products; petrochemicals and other chemical products; tobacco products; stone, clay and glass products; textiles and others.
(2) Totals may not add due to rounding.

Source: Planning Board.

The following table sets forth manufacturing employment by industry group as of March for the last five years.

Puerto Rico

Manufacturing Employment by Industry Group
(persons age 16 years and over)

Industry Group	As of March 31, 1995	1996	1997	1998	1999
Apparel and related products	26,034	23,918	21,750	19,039	18,067
Food and related products	20,882	20,343	19,949	17,816	16,038
Electrical machinery, equipment and supplies	22,928	23,464	24,671	22,728	20,050
Chemicals and related products (includes pharmaceuticals)	28,104	28,047	27,235	27,524	26,555
Professional and scientific instruments	14,390	15,131	14,914	15,105	14,948
Machinery, except electrical equipment	2,612	3,824	3,755	3,068	3,522
Petroleum refining and related industries; rubber and miscellaneous plastic products	4,983	5,268	5,768	5,994	5,893
Leather and leather products	7,282	6,636	6,566	5,834	4,749
Paper and related products; printing, publishing and related industries	6,628	7,184	7,441	8,698	8,694
Metal products	4,740	5,157	5,683	6,159	6,302
Stone, clay and glass products	4,708	4,825	4,972	5,217	5,544
Lumber and wood products; furniture and fixtures	2,894	3,183	3,352	3,538	3,571
Textile mill products	3,403	3,841	3,627	3,282	2,827
Tobacco products	953	989	1,206	1,285	1,297
Miscellaneous manufacturing industries	3,069	2,134	2,384	3,558	3,011
Total	153,610	153,944	153,273	148,845	141,068

Sources: Department of Labor and Human Resources — Census of Manufacturing, except for March 1999, which information was derived from the "Monthly Survey" on Employment, Hours and Earnings.

While total employment in the manufacturing sector decreased by 12,205 from March 1997 to March 1999, other indicators of the manufacturing sector suggest that manufacturing production did not decrease. Average weekly hours worked increased 5.2%, industrial energy consumption increased 0.7% and exports increased 45.7% from fiscal 1997 to fiscal 1999. Thus, the reduction in manufacturing employment occurred during a period of significant expansion in real manufacturing output, as reflected in the growth of exports. Most of the decreases in employment have been concentrated in the labor intensive industries, particularly apparel, textile and tuna manufacturing. When compared to the reduction of employment in the U.S. manufacturing sector, the sharper reduction in Puerto Rico is probably due to the island's larger share of employment in declining industries. Apart from this trend, in fiscal 1998 two large companies in the electronic industry closed their local operations due in part to the decline in the demand from Asian markets.

Leading United States and Foreign Companies with Manufacturing Operations in Puerto Rico

Employment 2,500 and over	Product
Baxter International	Pharmaceuticals
Eaton Corp.	Electronic Instruments
General Electric Co.	Electrical Instruments
H. J. Heinz Co.	Food
Johnson and Johnson	Pharmaceuticals
Sara Lee Corp.	Apparel

Employment 1,500 to 2,499	
Abbott Laboratories, Inc.	Pharmaceuticals
American Home Products	Pharmaceuticals
Bristol-Myers Squibb	Pharmaceuticals
Hewlett-Packard	Computers
Hubell Incorporated	Electrical Instruments
Intel.	Computers
Merck & Co.	Chemicals
Warner-Lambert Co.	Pharmaceuticals

Employment 1,000 to 1,499	
Bumble Bee Seafoods	Food
Hampshire Designers Group	Textiles
Ingersoll-Rand Co	Electrical Instruments
MacAndrews & Forbes Holdings	Tobacco Products
Monsanto	Pharmaceuticals
Pfizer	Pharmaceuticals
Propper International	Apparel
Schering-Plough Corp.	Pharmaceuticals
Sensormatic Electronics	Electronic Components

Employment 500 to 999	
Allergan	Pharmaceuticals
Aramark	Apparel
Atlantron Inc.	Communications
B.Braun Medical Systems	Medical Equipment
Becton-Dickinson & Co.	Scientific Instruments
Coleman Co.	Luggage
Conagra	Food
DSC Communication Corp.	Communication Equipments
Dexter Shoe	Footwear
Dooney & Bourke	Leather
DuPont (E.I.) de Nemours	Chemicals
Eli Lilly and Co.	Pharmaceuticals
Isla Verde Investment	Apparel
Medtronics	Surgical and Medical Instruments
Nestle S.A.	Pharmaceuticals
Nypro	Medical Devices
Ocular Science-American Hydron	Ophthalmic Products
Owens Illinois	Glass and Plastics
Penn-State Coats & Aprons	Apparel
Pharmacia Up-John Co.	Pharmaceuticals
R.J.R. Nabisco	Food and Cigarettes
Seaboard Fluor Corp.	Food
Smart Modular Technologies	Electronic
SmithKline Beecham	Pharmaceuticals
Suiza Foods	Food
Sundstrand Corp.	Electrical Instruments
Thomas & Betts	Electrical Instruments
Timberland Company (The)	Leather
U.S. Surgical Corp.	Scientific Instruments
Unilever PLC	Consumers & Medicals
Welsh, Carson Anderson Towe	Services
Wesley Jessen Corp.	Ophthalmic Products
Zeneca Group PLC	Pharmaceuticals

Employment 300 to 499	
AMP Incorporated	Electronic Connectors
Amgen Manufacturing Co.	Pharmaceuticals
Avon Products Inc.	Costume Jewelry
Carolina Underwear Co.	Apparel
Checkpoint Systems Inc.	Electronic
Coca-Cola Company (The)	Food
Colgate-Palmolive Co.	Consumers Products
Dana Corp.	Motor Vehicles Parts
Eagle Work Clothes	Apparel
Emerson Electric	Electronic and Scientific Instruments
Esco Co.	Filters
Essilor International	Ophthalmic Products
General Signal	Electronic
Guidant Corp.	Medical Instruments
H.H. Brown Shoes Co. Inc.	Footwear
Hoffman - La Roche	Pharmaceuticals
Kayser Roth Corp.	Apparel
Kendall Healthcare Co.	Medical Instruments
Lawson Mardon Wheaton	Glass and Plastics
Loctite Corp.	Chemicals
Lutron Electronics Co.	Electronics
Millipore Corp.	Scientific Instruments
Pall Corp.	Filters
PepsiCo	Food
Phillips Van-Heusen	Apparel and Footwear
Procter & Gamble Co.	Pharmaceuticals
Rhone-Poulenc	Pharmaceuticals
Siecor Corp.	Optic Fibers
Siemens AG	Electrical Instruments
Stryker Corp.	Surgical and Medical Instruments
Unifirst Corp.	Work Garment
Viasystems	Electronics
Wolverine World Wide	Footwear

Source: Puerto Rico Industrial Development Company, Office of Economic Research (as of July 1999).

Services

Puerto Rico has experienced significant growth in the services sector (including finance, insurance, real estate, wholesale and retail trade, hotels and related services and other services) in terms of both income and employment over the past decade, showing a favorable trend as compared with certain other industrialized economies. During the period between fiscal 1994 and 1998, the gross domestic product in this sector increased at an annual average rate of 5.2%, while employment increased at an annual average rate of 3.7%. The development of the services sector has shown a strong interaction among the following important sectors: manufacturing, tourism, construction, and agriculture. The services sector in Puerto Rico has a diversified base.

The high degree of knowledge, skills, and expertise in professional and technical services available in Puerto Rico places the island in a favorable competitive position with respect to Latin America and other trading countries throughout the world. A major element in the economic program of the present administration is the further development of the local services sector which has the capacity to increase its export potential and to generate more income and jobs during the coming years.

The services sector ranks second to manufacturing in its contribution to gross domestic product, and it is the sector with the greatest employment. In fiscal 1998, services generated $19.6 billion of gross domestic product, or 36.5% of the total. Service employment grew from 478,079 in fiscal 1994 to 572,765 in fiscal 1998, a cumulative increase of 19.8%, which increase was greater than the 12.5% cumulative growth in total employment over the same period. Wholesale and retail trade, finance, insurance and real estate have experienced significant growth in the fiscal 1994 to 1998 period, as measured by gross domestic product. Gross domestic product in wholesale and retail trade increased from $5.6 billion in fiscal 1994 to $7.0 billion in fiscal 1998. In finance, insurance and real estate, gross domestic product increased from $5.2 billion in fiscal 1994 to $6.9 billion in fiscal 1998. There are now seventeen commercial banks and trust companies currently operating in Puerto Rico of which one is a U.S. major money center bank, three are foreign banks and thirteen are local banks and trust companies. Total assets of these institutions as of June 30, 1999 were $45.3 billion. In addition, six major securities firms operate on the island.

The following tables set forth gross domestic product and employment for the services sector for the five fiscal years ended June 30, 1998.

Puerto Rico

Gross Domestic Product by Services Sector
(in millions at current prices)

	Fiscal Year Ended June 30				
	1994	**1995**	**1996**	**1997**	**1998(p)**
Wholesale and retail trade	$5,635	$5,989	$6,290	$ 6,495	$ 6,990
Finance, insurance and real estate	5,246	5,730	6,084	6,522	6,898
Hotels	432	471	495	506	566
Other services	3,901	4,253	4,580	4,842	5,192
Total[1]	$15,214	$16,443	$17,450	$18,365	$19,646

(p) Preliminary.
(1) Totals may not add due to rounding.

Source: Planning Board.

Puerto Rico

Average Employment by Services Sector (thousands of persons age 16 and over)

	Fiscal Year Ended June 30				
	1994	**1995**	**1996**	**1997**	**1998**
Wholesale and retail trade	201	211	218	228	236
Finance, insurance and real estate	33	36	39	37	40
Other services(1)	244	249	270	285	297
Total(2)	478	496	527	550	573

(1) Includes hotels and related services.
(2) Totals may not add due to rounding.

Source: Department of Labor and Human Resources — Household Survey.

Hotels and Related Services - Tourism

Total visitors' expenditures accounted for 6.4% of the island's gross product in fiscal 1998. Visitors' expenditures and the number of visitors to the island have grown consistently since 1985, reaching $2.2 billion, and more than 4.6 million, respectively, in fiscal 1998. During fiscal 1999 the number of persons registered in tourist hotels was 1,431,415, an increase of 4.2% over the number registered for fiscal 1998. The average occupancy rate in tourist hotels during fiscal 1999 was 75.4% compared to 70.9% in fiscal 1998. The average number of rooms rented in tourist hotels increased 6.6% during fiscal 1999 compared with fiscal 1998. These increases are due in part to the increased marketing by the Government of Puerto Rico, the trends in the U.S. economy and increased hotel usage by Puerto Rico residents. The average number of tourist hotel rooms available in fiscal 1999, was 8,413. Since fiscal 1992, a number of major hotels have undergone substantial renovation and more than 3,432 new rooms have been added with the opening of several major hotels. Various international hotel corporations have recently made substantial capital investments to develop additional tourist facilities. At June 30, 1999, the total number of hotel rooms was 11,095 and is expected to increase to 12,658 during fiscal 2000 with the completion and renovation of several new hotels. A major reason for this increase in rooms has been the initiatives of the New Economic Model that encourage private development in tourism projects. See "Economic Development Program—New Economic Model" above and "Tax Incentives" below.

San Juan has become the largest home port for cruise ships in the Caribbean and the second largest home port for cruise ships in the world.

The following table presents data relating to visitors to Puerto Rico and tourist expenditures for the five fiscal years ended June 30, 1998.

Puerto Rico

Tourism Data

	Number of Visitors				
Fiscal Year Ended June 30	Tourist Hotel(1)	Cruise Ship	Other(2)	Total	Total Visitors' Expenditures (in millions)
1994	702,310	980,220	2,340,065	4,022,595	$1,728.3
1995	774,040	955,917	2,356,622	4,086,579	1,827.6
1996	828,251	1,045,104	2,236,805	4,110,160	1,898.3
1997	906,706	1,107,913	2,335,068	4,349,687	2,046.3
1998(p)	1,030,500	1,274,700	2,365,600	4,670,800	2,232.9

(p) Preliminary.
(1) Includes visitors in guest houses.
(2) Including visitors in homes of relatives, friends, and in hotel apartments.

Sources: Puerto Rico Tourism Company and the Planning Board.

Government

The government sector of Puerto Rico plays an important role in the economy. In fiscal 1998, government accounted for $5.2 billion of Puerto Rico's gross domestic product, or 9.8% of the total. The government is also a significant employer, providing jobs for 244,300 workers, or 21.5% of total employment in fiscal 1998. The government sector employment does not include data relating to public corporations which are included in other sectors. These public corporations include significant employers such as the Electric Power Authority and the Aqueduct and Sewer Authority.

On February 25, 1998, the Governor signed into law Act No. 45, which permits the unionization of government employees (excluding municipal employees). Under this law, government employees are given collective bargaining rights subject to a number of limitations. Among those limitations are: employees cannot go on strike; annual salary increases are limited; employees cannot be required to become union members and pay union dues; and collective bargaining negotiations cannot occur in an election year. Negotiations of non-economic conditions with government employees pursuant to this bill will commence in fiscal 2000 and negotiations of economic conditions will commence in fiscal 2001.

Transportation

Thirty-four shipping lines offer regular ocean freight service to eighty United States and foreign ports. San Juan is the island's leading seaport, but there are also seaport facilities at other locations on the island including Arecibo, Culebra, Fajardo, Guayama, Guayanilla, Mayagüez, Ponce, Vieques, and Yabucoa.

The Luis Muñoz Marín International Airport is currently served by 24 United States and international airlines. At present, there is daily direct service between San Juan and New York, Chicago, Dallas, Los Angeles, Miami, Atlanta, Boston, and numerous other destinations within the United States. There is also regularly scheduled service between Puerto Rico and other Caribbean islands and major Latin American and European cities. Two major United States airlines use San Juan as a hub for their intra-Caribbean service. Several smaller airports serve intra-island traffic.

The island's major cities are connected by a modern highway system which, as of December 31, 1998, totaled approximately 4,616 miles.

Construction

The construction industry has experienced substantial real growth since fiscal 1987. In fiscal 1999, investment in construction rose to an unprecedented level of $6.6 billion, a nominal increase of 23.9%, as compared to $5.4 billion for fiscal 1998. The strong growth in the construction industry resulted from increased public and private investment in the past few years. Nominal public investment in key infrastructure projects increased 9.1% in fiscal 1999 and 5.7% in fiscal 1998. Private construction investment, particularly in housing and hotels, increased 41.0% in fiscal 1999 and 28.9% in fiscal 1998. The growth in private construction investment during fiscal 1999 is attributable primarily to the high level of housing reconstruction carried out in response to the damages caused by Hurricane Georges. During fiscal 1998, the total value of construction permits decreased 6.9% and cement sales increased 2.9% in comparison with fiscal 1997. During fiscal year 1999, the total value of construction permits increased 17.2% and cement sales increased 6.7% in comparison with fiscal 1998. In fiscal 1998, the average employment in the construction sector was 69,000, an increase of 7.1% over fiscal 1997. During fiscal 1999, the average employment in the construction sector was 77,771, an increase of 12.7% over fiscal 1998. The Planning Board's construction investment forecast for fiscal 2000, made in July 1999, projected a nominal increase of 11.9% attributable primarily to the construction of large infrastructure projects, commercial projects and other investments related to the damages caused by Hurricane Georges.

Agriculture

The Department of Agriculture and related agencies have directed their efforts at increasing and improving local agricultural production, increasing efficiency and quality of produce, and stimulating import substitution where economically feasible. During fiscal 1998, gross income from agriculture was $708.3 million, an increase of $7.1 million in comparison with fiscal 1997. Agriculture gross income consists of the total value of production in the principal agricultural sectors, which include traditional crops, cattle products, farinaceous, vegetables, fruits, and other products. Recently, cattle products, non-traditional crops, and livestock products have contributed a higher percentage of the sector's income.

The Government of Puerto Rico supports agricultural activities through incentives, subsidies, and technical and support services, in addition to income tax exemptions for qualified income derived by bona fide farmers. Act No. 225, approved on December 1, 1995, increased the tax benefits available to bona fide farmers. The Act provides a 90% income tax exemption for income derived from agricultural operations, an investment tax credit equal to 50% of the investment in qualified agricultural projects, and a 100% exemption from excise taxes, real and personal property taxes, municipal license taxes and tariff payments. It also provides full income tax exemption for interest income from bonds, notes and other debt instruments to be issued by financial institutions to provide financing to agricultural businesses. Recent legislation imposes an aggregate annual limitation of $15 million on the investment tax credits available under Act No. 225.

As part of the programs embodied in the New Economic Model, the Government of Puerto Rico sold to private entities various agricultural operations previously conducted by governmental entities. These include certain assets of the pineapple processing operation and a mango growing facility. The Government has transferred to local private sugarcane growers the sugar processing facilities formerly operated by the Sugar Corporation.

Higher Education

During the four decades from 1950 to 1990, Puerto Rico made significant advances in the field of education, particularly at the college and graduate school level. The transformation of Puerto Rico during the 1950's and 1960's from an agricultural economy to an industrial economy brought about an increased demand for educational services at all levels. During the 1970's and 1980's, certain higher wage, higher technology industries became more prominent in Puerto Rico. More recently, employment in the services sector has increased significantly. This has resulted in an increased demand for workers having a higher level of education, in general, and, in particular, greater expertise in various technical fields. During the same time period, enrollments in institutions of higher learning rose very rapidly due to growth in the college-age population, and the increasing proportion of college attendance by such population. After the 1980's, college attendance has remained relatively stable as a percentage of the college age population, generally following the trend in the United States.

The University of Puerto Rico, the only public university in Puerto Rico, includes eleven campuses located throughout the island. Total enrollment of the University was 69,272 students during academic year 1998-1999. The government of Puerto Rico is legally bound to appropriate annually to the University an amount equal to 9.60% of the average annual revenue from internal sources for each of the two fiscal years immediately preceding the current fiscal year.

The following table presents comparative trend data for Puerto Rico and the United States with respect to college age population and percentage of such population attending institutions of higher learning.

Trend in College Enrollment

	Puerto Rico			Mainland United States		
Academic Year	Population 18-24 Years of Age	Higher Education Enrollment	Percent(1)	Population 18-24 Years of Age	Higher Education Enrollment	Percent(1)
1970	341,448	57,340	16.8%	23,714,000	8,580,887	36.2%
1980	397,839	130,105	32.7	30,022,000	12,096,895	40.3
1990	417,636	156,147	37.4	26,950,000	13,820,000	51.3
1997	454,670	172,935	38.0	24,979,000	14,351,000	57.5
1998(e)	455,321	175,633	38.6	25,160,000	14,589,000	58.0
1999(e)	456,007	174,348	38.2	25,710,000	14,758,000	57.4

(e) Estimated.
(1) Number of persons of all ages enrolled in institutions of higher education as percent of population 18-24 years of age.

Sources: Planning Board, U.S. Bureau of the Census, U.S. National Center for Education Statistics and Council on Higher Education of Puerto Rico.

In addition to the University of Puerto Rico, there are 37 private institutions of higher education located in Puerto Rico. Such institutions have current enrollment in excess of 109,180 students and provide programs of study in liberal arts, education, business, natural sciences, technology, secretarial and computer sciences, nursing, medicine, and law. Degrees are offered by these institutions at the associate, bachelor, master, and doctoral levels.

Tax Incentives

One of the factors assisting the development of the manufacturing sector in Puerto Rico has been the various local and federal tax incentives available, particularly those under Puerto Rico's Industrial Incentives Program and Sections 30A and 936 of the United States Internal Revenue Code of 1986, as amended (the "Code"). New tax and other incentives have been established to promote the development of the tourism industry. These incentives are summarized below.

Industrial Incentives Program

Since 1948, Puerto Rico has had various industrial incentives laws designed to stimulate industrial investment in the island. Under these laws, companies engaged in manufacturing and certain other designated activities were eligible to receive full or partial exemption from income, property, and other local taxes. The most recent of these industrial incentives laws is Act No. 135 of December 2, 1997 (the "1998 Tax Incentives Law"), a new industrial incentives law aimed at attracting and retaining foreign investment in Puerto Rico.

The benefits provided by the 1998 Tax Incentives Law are available to new companies as well as companies currently conducting tax exempt operations in Puerto Rico which choose to renegotiate their existing tax exemption grant. The activities eligible for tax exemption include manufacturing, certain designated services performed for markets outside Puerto Rico, the production of energy from local renewable sources for consumption in Puerto Rico and laboratories for scientific and industrial research. For companies qualifying thereunder, the 1998 Tax Incentives Law imposes income tax rates ranging from 2% to 7%. In addition, it grants 90% exemption from property taxes, 100% exemption from municipal license taxes during the first eighteen months of operation and between 80% and 60% thereafter, and 100% exemption from municipal excise taxes. The 1998 Tax Incentives Law also provides various special deductions designed to stimulate employment and productivity, research and development and capital investment in Puerto Rico.

Under the 1998 Tax Incentives Law, companies can repatriate or distribute their profits free of dividend taxes. In addition, passive income derived from the investment of eligible funds in Puerto Rico financial institutions, obligations of the Government of Puerto Rico and other designated investments are fully exempt from income and municipal license taxes. Individual shareholders of an exempted business are allowed a credit against their Puerto Rico income taxes equal to 30% of their proportionate share of the exempted business' income tax liability. Gain from the sale or exchange of shares of an exempted business by its shareholders during the exemption period is subject to a 4% income tax rate.

Tourism Incentives Program

For many years Puerto Rico has also had incentives laws designed to stimulate investment in hotel operations on the island. The most recent of these laws, the Tourism Incentives Act of 1993, provides exemptions from income, property, and municipal license taxes for a period of up to 10 years. In addition, it provides certain tax credits for qualifying investments in hotel development projects.

As part of the incentives to promote the tourism industry, the Government of Puerto Rico established the Tourism Development Fund as a subsidiary of GDB with the authority to make investments in or provide financing to entities that contribute to the development of the tourism industry. The Fund was initially capitalized with $50,000,000 and was authorized to provide financial guarantees for financing hotel development projects. To date the Fund has provided financial guarantees to private entities issuing bonds or borrowing funds to finance the development of six hotel projects which provided approximately 1,350 new hotel rooms.

Sections 30A and 936 of the Code

For many years, United States companies operating in Puerto Rico enjoyed a special tax credit that was available under Section 936 of the Code. Originally, the credit provided an effective 100% federal tax exemption for operating and qualifying investment income from Puerto Rico sources. Amendments to Section 936 made in 1993 (the "1993 Amendments") instituted two alternative methods for calculating the tax credit and limited the amount of the credit that a qualifying company could claim. These limitations are based on a percentage of qualifying income (the "percentage of income limitation") and on qualifying expenditures on wages, other wage related benefits and other qualifying expenditures (the "economic activity limitation", also known as the "wage credit limitation"). As a result of amendments incorporated in the Small Business Job Protection Act of 1996 enacted by the United States Congress and signed into law by President Clinton on August 20, 1996 (the "1996 Amendments"), as described below, the tax credit is now being phased out over a ten-year period for existing claimants and is no longer available for corporations that establish operations in Puerto Rico after October 13, 1995 (including existing Section 936 Corporations (as defined below) to the extent substantially new operations are established in Puerto Rico). The 1996 Amendments also moved the credit based on the economic activity limitation to Section 30A of the Code and phased it out over 10 years. In addition, the 1996 Amendments eliminated the credit previously available for income derived from certain qualified investments in Puerto Rico. The Section 30A Credit and the remaining Section 936 credit are discussed below.

Section 30A. The 1996 Amendments added a new Section 30A to the Code. Section 30A permits a "qualifying domestic corporation" ("QDC") that meets certain gross income tests (which are similar to the 80% and 75% gross income tests of Section 936 of the Code discussed below) to claim a credit (the "Section 30A Credit") against the federal income tax imposed on taxable income derived from sources outside the United States from the active conduct of a trade or business in Puerto Rico or from the sale of substantially all the assets used in such business ("possession income").

A QDC is a United States corporation which (i) was actively conducting a trade or business in Puerto Rico on October 13, 1995, (ii) had a Section 936 election in effect for its taxable year that included October 13, 1995, (iii) does not have in effect an election to use the percentage limitation of Section 936(a)(4)(B) of the Code, and (iv) does not add a "substantial new line of business."

The Section 30A Credit is limited to the sum of (i) 60% of qualified possession wages as defined in the Code, which includes wages up to 85% of the maximum earnings subject to the OASDI portion of Social Security taxes plus an allowance for fringe benefits of 15% of qualified possession wages, (ii) a specified percentage of depreciation deductions ranging between 15% and 65%, based on the class life of tangible property, and (iii) a portion of Puerto Rico income taxes paid by the QDC, up to a 9% effective tax rate (but only if the QDC does not elect the profit-split method for allocating income from intangible property).

A QDC electing Section 30A of the Code may compute the amount of its active business income eligible for the Section 30A Credit by using either the cost sharing formula, the profit-split formula or the cost-plus formula, under the same rules and guidelines prescribed for such formulas as provided under Section 936 (see discussion below). To be eligible for the first two formulas, the QDC must have a significant presence in Puerto Rico.

In the case of taxable years beginning after December 31, 2001, the amount of possession income that would qualify for the Section 30A Credit would be subject to a cap based on the QDC's possession income for an average adjusted base period ending before October 14, 1995 (the "income cap").

Section 30A applies only to taxable years beginning after December 31, 1995 and before January 1, 2006.

Section 936. Under Section 936 of the Code, as amended by the 1996 Amendments, United States corporations that meet certain requirements and elect its application ("Section 936 Corporations") are entitled to credit against their United States corporate income tax, the portion of such tax attributable to income derived from the active conduct of a trade or business within Puerto Rico ("active business income") and from the sale or exchange of substantially all assets used in the active conduct of such trade or business. To qualify under Section 936 in any given taxable year, a corporation must derive for the three-year period immediately preceding the end of such taxable year, (i) 80% or more of its gross income from sources within Puerto Rico, and (ii) 75% or more of its gross income from the active conduct of a trade or business in Puerto Rico.

Under Section 936, a Section 936 Corporation may elect to compute its active business income, eligible for the Section 936 credit, under one of three formulas: (i) a cost-sharing formula, whereby it is allowed to claim all profits attributable to manufacturing intangibles and other functions carried out in Puerto Rico provided it makes a cost sharing payment in the amount required under Section 936; (ii) a profit-split formula, whereby it is allowed to claim 50% of the combined net income of its affiliated group from the sale of products manufactured in Puerto Rico; or (iii) a cost-plus formula, whereby it is allowed to claim a reasonable profit on the manufacturing costs incurred in Puerto Rico. To be eligible for the first two formulas, the Section 936 Corporation must have a significant business presence in Puerto Rico for purposes of the Section 936 rules.

As a result of the 1993 Amendments and the 1996 Amendments, the Section 936 credit is only available to companies that were operating in Puerto Rico on October 13, 1995 and had elected the percentage of income limitation, and is limited in amount to 40% of the credit allowable prior to the 1993 Amendments, subject to a five-year phase-in period from 1994 to 1998 during which the percentage of the allowable credit is reduced from 60% to 40%.

In the case of taxable years beginning on or after 1998, the possession income subject to the 936 credit will be subject to a cap based on the Section 936 Corporation's possession income for an average adjusted base period ending on October 14, 1995. The 936 credit is eliminated for taxable years beginning in 2006.

Proposal to Extend the Phaseout of Section 30A. During 1997, Governor Rosselló proposed to Congress the enactment of a new permanent federal incentive program similar to what is now provided under Section 30A. Such program would provide U.S. companies a tax credit based on qualifying wages paid and other wage related expenses, such as fringe benefits, as well as depreciation expenses for certain tangible assets and research and development expenses. Under the Governor's proposal, the credit granted to qualifying companies would continue in effect until Puerto Rico shows, among other things, substantial economic improvements in terms of certain economic parameters. The fiscal 1998, fiscal 1999 and fiscal 2000 budgets submitted by President Clinton to Congress included a proposal to modify Section 30A to (i) extend the availability of the Section 30A Credit indefinitely, (ii) make it available to companies establishing operations in Puerto Rico after October 13, 1995, and (iii) eliminate the income cap. This proposal was not included in the 1998 or 1999 budgets approved by Congress. While the Government of Puerto Rico plans to continue lobbying for this proposal, it is not possible at this time to predict whether the Section 30A Credit will be so modified.

Outlook. It is not possible at this time to determine the long-term effect on the Puerto Rico economy of the enactment of the 1996 Amendments. The Government of Puerto Rico believes that during the phase-out period sufficient time exists to implement additional incentive programs to safeguard Puerto Rico's competitive position.

DEBT

Public Sector Debt

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-bond debt regardless of maturity), subject to the exclusions described in the following paragraph. Direct debt of the Commonwealth is supported by Commonwealth taxes. Debt of municipalities, other than bond anticipation notes, is supported by real and personal property taxes, and municipal license taxes. Debt of public corporations, other than bond anticipation notes, is generally supported by the revenues of such corporations from rates charged for services or products. See *Public Corporations*. However, certain debt of public corporations is supported, in whole or in part, directly or indirectly, by Commonwealth appropriations or taxes.

The following table presents a summary of public sector debt as of June 30, 1999. Excluded from this table is debt not primarily payable from either Commonwealth or municipal taxes, Commonwealth appropriations or rates charged by public corporations for services or products. Also excluded from this table is debt the inclusion of which would reflect double counting, including, but not limited to, \$560,540,000 of bonds issued by the Municipal Finance Agency to finance its purchase of bonds of Puerto Rico municipalities, and \$1,225,144,000 of obligations of GDB issued to purchase certain Commonwealth public sector debt and for other purposes, of which \$267,000,000 is guaranteed by the Commonwealth.

Puerto Rico

Public Sector Debt
(in thousands)

	June 30, 1999
Puerto Rico direct debt[1]	\$ 5,096,970
Municipal debt	1,275,405
Public corporations debt	
Puerto Rico guaranteed debt[2]	423,505
Debt supported by Puerto Rico appropriations or taxes[3]	9,606,308
Other non-guaranteed debt[4]	6,276,179
Total public corporations debt	16,305,992
Total public sector debt	\$22,678,367

(1) Includes a \$21,415,921 loan from GDB to the Department of the Treasury to settle certain property tax claims of the municipalities (the "GDB Tax Claims Loan") and \$107,598,397 of certain indebtedness originally issued by Urban Renewal and Housing Corporation that was transferred to the Commonwealth by virtue of Act No. 134 of the Legislature of Puerto Rico, approved on December 13, 1994 ("Act No. 134 of 1994") (such indebtedness referred to as "Transferred CRUV Debt"). Excludes the issuance on December 3, 1998 of \$600,000,000 Tax and Revenue Anticipation Notes, Series 1999, which matured on July 30, 1999.

(2) Consists of bonds issued by Housing Bank and Finance Agency and Aqueduct and Sewer Authority. Excludes \$1,762,056,000 of Public Buildings Authority bonds and notes which are primarily payable from Commonwealth appropriations and \$267,000,000 of GDB bonds payable from available moneys of GDB.

(3) Represents, among others, bonds and notes issued by Aqueduct and Sewer Authority, Highway and Transportation Authority, Public Buildings Authority, Public Finance Corporation, Infrastructure Financing Authority, Health Facilities and Services Administration, and Housing Bank and Finance Agency.

(4) Excludes outstanding debt of Telephone Authority as of the date of its sale.

Source: GDB.

No deductions have been made in the above table for debt service funds and debt service reserve funds. The table above and the amounts shown throughout this section as representing outstanding debt include outstanding capital appreciation bonds at their respective original principal amounts and do not include any accretion thereon.

Debt Service Requirements for Commonwealth General Obligation Bonds and Certain Guaranteed Debt

The following table presents debt service requirements for Commonwealth general obligation bonds and bonds of Aqueduct and Sewer Authority for which debt service payments are being made under the Commonwealth guaranty, in each case outstanding on June 30, 1999. See "Commonwealth Guaranteed Debt" below. With respect to other debt of Aqueduct and Sewer Authority, see *Public Corporations*. Debt service requirements for each fiscal year, as shown in the following table, include principal and interest due on July 1 immediately following the close of such fiscal year.

Puerto Rico
Debt Service Requirements*
(in thousands)

Fiscal Year Ending June 30	Outstanding Bonds Principal	Outstanding Bonds Interest	Total	Aqueduct and Sewer Authority Bonds Debt Service	Grand Total
1999	$ 204,366	$ 257,532	$ 461,898	$ 33,530	$ 495,429
2000	243,590	255,204	498,794	33,509	532,303
2001	250,361	242,238	492,600	33,473	526,073
2002	252,124	230,895	483,020	33,542	516,561
2003	186,269	296,868	483,137	32,745	515,882
2004	158,100	289,680	447,780	30,125	477,905
2005	234,077	210,139	444,216	30,127	474,343
2006	196,503	222,695	419,198	30,121	449,319
2007	171,544	227,398	398,942	30,126	429,068
2008	146,378	190,804	337,182	30,131	367,313
2009	156,605	162,320	318,925	30,123	349,048
2010	167,935	151,063	318,998	29,984	348,982
2011	176,632	141,873	318,505	29,928	348,433
2012	186,485	124,976	311,461	30,127	341,588
2013	178,585	115,203	293,788	30,128	323,915
2014	148,598	124,526	273,124	30,125	303,249
2015	155,265	118,043	273,308	30,126	303,434
2016	161,525	111,713	273,238	30,121	303,358
2017	169,687	103,722	273,409	30,122	303,531
2018	176,950	96,366	273,316	30,126	303,441
2019	189,285	63,110	252,395	30,125	282,519
2020	199,885	53,642	253,527	0	253,527
2021	166,895	43,380	210,275	0	210,275
2022	153,125	35,104	188,229	0	188,229
2023	137,430	27,518	164,948	0	164,948
2024	120,920	20,524	141,444	0	141,444
2025	104,055	14,132	118,187	0	118,187
2026	85,065	8,739	93,804	0	93,804
2027	60,170	4,486	64,656	0	64,656
2028	29,550	1,478	31,028	0	31,028
Total	$4,967,956	$3,945,374	$8,913,330	$648,464	$9,561,794

* Totals may not add due to rounding.

Sources: GDB and Department of the Treasury.

Commonwealth Guaranteed Debt

As of June 30, 1999, $35,495,000 of Commonwealth guaranteed bonds of Housing Bank and Finance Agency were outstanding. These bonds were originally issued by Urban Renewal and Housing Corporation and refinanced in fiscal 1992 by Housing Bank and Finance Agency. Annual debt service on these bonds is $13,250,225 in fiscal 2000, which constitutes the maximum annual debt service on the outstanding bonds. Their final maturity is October 1, 2001.

As of June 30, 1999, $1,762,056,000 of Commonwealth guaranteed bonds of Public Buildings Authority were outstanding. Annual debt service on these bonds is $165,902,625 in fiscal year ending June 30, 2000, with their final maturity being July 1, 2027.

No payments under the Commonwealth guaranty have been required to date for bonds of Housing Bank and Finance Agency or Public Buildings Authority.

As of June 30, 1999, $267,000,000 of Commonwealth guaranteed obligations of GDB were outstanding. No payments under the Commonwealth guaranty have been required for any obligations of GDB to date.

As of June 30, 1999, the Commonwealth had guaranteed certain outstanding revenue bonds of the Aqueduct and Sewer Authority in the aggregate principal amount of $388,010,000. On January 2, 1997, the Commonwealth began to make debt service payments under the Commonwealth guaranty and expects to make all debt service payments required on these revenue bonds.

The Farm Credit Corporation ("Farm Credit"), created pursuant to Act No. 68, approved on June 8, 1960, as amended, assumed responsibility in 1971 for the administration of the Farm Credit Security Fund (the "Security Fund") from the Department of Agriculture. The Security Fund has guaranteed, under the good faith and credit of the Commonwealth, certain loans made by financial institutions and Farm Credit to farmers. The Security Fund is authorized to guarantee loans, of which approximately $8,302,692 has been committed as of June 30, 1999. As of June 30, 1999, $6,328,524 was available in the Security Fund to cover loan payment defaults by farmers.

The functions of Farm Credit and the administration of the Security Fund were transferred to Commercial and Agricultural Credit and Development Corporation, a new public corporation (which is an affiliate of Economic Development Bank) created to provide, among other things, loans to the commercial and agricultural sectors. Simultaneously with the creation of this new corporation, the amount of guarantees was limited to the outstanding loans which carry such guaranty. A joint resolution adopted by the Legislature on August 19, 1990, appropriated $8,000,000 per year beginning in fiscal 1993, to provide funds for the Security Fund. The proceeds of these appropriations were used to pay a $40,000,000 loan made by GDB to the Security Fund used to cover payment on loans guaranteed by the Security Fund. The GDB loan was fully repaid on November 4, 1996.

Trends of Public Sector Debt

Historically, Puerto Rico has maintained a fiscal policy which provides for a prudent relationship between the growth of public sector debt and the growth of the economic base required to service that debt. During fiscal 1995 to fiscal 1999, however, public sector debt increased 42% while gross product increased 34%. This higher level of growth of public sector debt over the growth of gross product was due to the increase during fiscal 1996, 1997 and 1998 in the amount of debt incurred to finance certain key infrastructure projects, which were important to the development of the economy and were expected to produce long term economic benefits, and debt incurred to refinance outstanding debt to enable Puerto Rico to benefit from historically low levels of interest rates and to realize debt service savings. For fiscal 1996, 1997 and 1998, public sector debt increased 10.2%, 10.7% and 14.4%, while gross product increased 6.6%, 5.5% and 8.5%, respectively. During fiscal 1999, however, gross product increased 9.4%, while public sector debt only increased 1.6%.

As of June 30, 1999, outstanding short-term debt, relative to total debt, was 7.8%.

The following table shows the trends in gross product (in current dollars) and public sector debt for the five fiscal years ended June 30, 1999.

Puerto Rico
Public Sector Debt and Gross Product
(dollars in millions)

	Public Sector Debt					Gross Product(1)	
June 30	Long Term	Short Term(2)	Short Term as % of Total	Total*	Rate of Increase	Amount	Rate of Increase
1995	14,688	1,305	8.2	15,993	4.8	28,452	6.8
1996	16,316	1,310	7.4	17,626	10.2	30,331	6.6
1997	17,865	1,642(3)	8.4	19,507	10.7	32,096	5.5
1998	20,759	1,563(3)	7.0	22,322	14.4	34,817(p)	8.5
1999	20,905	1,772(3)	7.8	22,678	1.6	38,098(p)	9.4

* Totals may not add due to rounding.
(p) Preliminary.
(1) In current dollars.
(2) Obligations (other than bonds) issued with an original maturity of three years or less and lines of credit with a remaining maturity of three years or less are considered short term debt.
(3) Does not include the tax and revenue anticipation notes which were outstanding at the close of the indicated fiscal years because prior to the end of said fiscal years sufficient funds had been set aside for the payment of such notes in full.

Source: GDB.

The following table shows the trend of public sector debt by major category for the five fiscal years ended June 30, 1999.

Puerto Rico
Public Sector Debt by Major Category
(dollars in millions)

	Commonwealth			Municipalities			Public Corporations(1)			Total*		Grand Total*
June 30	Long Term	Short Term(2)	Total*	Long Term	Short Term(2)	Total*	Long Term	Short Term(2)	Total*	Long Term	Short Term(2)	
1994	$3,713	$120(3)	$3,833	$571	$47	$618	$ 9,792	$1,014	$10,807	$14,077	$1,181(3)	$15,257
1995	4,236	30	4,266(4)	679	53	732	9,773	1,222	10,995	14,688	1,305	15,993(4)
1996	4,203	0	4,203(4)	706	58	765	11,405	1,251	12,657	16,316	1,310	17,625(4)
1997	4,512	0(3)	4,512(4)	843	51	894	12,509	1,590	14,100	17,865	1,642(3)	19,507(4)
1998	4,819	0(3)	4,819(4)	973	57	1,030	14,967	1,506	16,473	20,759	1,563(3)	22,322(4)
1999	5,097	0(3)	5,097(4)	1,215	60	1,275	14,593	1,713	16,306	20,905	1,773(3)	22,678(4)

* Totals may not add due to rounding.
(1) Includes Commonwealth guaranteed debt.
(2) Obligations (other than bonds) issued with an original maturity of three years or less and lines of credit with a remaining maturity of three years or less are considered short term debt.
(3) Does not include the tax and revenue anticipation notes which were outstanding at the close of the indicated fiscal years because prior to the end of said fiscal years sufficient funds had been set aside for the payment of such notes in full.
(4) Includes the GDB Tax Claims Loan and the Transferred CRUV Debt.

Source: GDB.

PUBLIC CORPORATIONS

In Puerto Rico, many governmental or quasi-governmental functions are performed by public corporations. These are governmental entities created by the Legislature with varying degrees of independence from the central government. Public corporations are generally created to perform a single function or a limited number of related functions. Most public corporations obtain revenues from rates charged for services or products, but many are subsidized to some extent by the central government. Most public corporations are governed by boards appointed by the Governor with the advice and consent of the Senate, but some public corporations are subsidiaries of departments of the central government. Capital improvements of most of the larger public corporations are financed by revenue bonds under trust agreements or bond resolutions or notes under loan agreements. The following table presents the outstanding bonds and notes of certain of the public corporations as of June 30, 1999 ("notes" as used in this section refers primarily to certain types of non-bonded debt regardless of maturity). Debt of certain other public corporations is excluded from this table because such debt is payable primarily from the Federal government or is payable from sources other than Commonwealth appropriations or taxes, or revenues of public corporations, or is payable from revenues derived from services or products, such as industrial development bonds. Also excluded from this table is debt of certain public corporations the inclusion of which would reflect double counting. No deductions have been made in the table for debt service funds and debt service reserve funds. More detailed information about the major public corporations is presented in the following sections.

Outstanding Debt
June 30, 1999
(in thousands)

	Bonds			Notes			Total Bonds and Notes		
	With Guaranty	Without Guaranty	Total	With Guaranty	Without Guaranty	Total	With Guaranty	Without Guaranty	Total
Agricultural Services Administration	$ -	$ -	$ -	$ -	$ 40,007	$ 40,007	$ -	$ 40,007	$ 40,007
Aqueduct and Sewer Authority	388,010	83,464[1]	471,474	0	681,498	681,498	388,010	764,962	1,152,972
Agricultural and Commercial Credit and Development Corporation	0	0	0	0	15,589	15,589	0	15,589	15,589
Electric Power Authority(2)	0	3,960,303	3,960,303	0	160,000	160,000	0	4,120,303	4,120,303
Health Facilities and Services Administration	0	0	0	0	713,247[3]	713,247	0	713,247	713,247
Highway and Transportation Authority	0	3,477,059	3,477,059	0	95,046	95,046	0	3,572,465	3,572,465
Housing Bank	35,495	689,870	725,365	0	99,618	99,618	35,495	789,488	824,983
Industrial Development Company(2)	0	192,233	192,233	0	17,357	17,357	0	209,590	209,590
Infrastructure Financing Authority	0	1,006,425	1,006,425	0	0	0	0	1,006,425	1,006,425
Public Finance Corporation(2)	0	1,674,146[3]	1,674,146	0	41,871	41,871	0	1,716,017	1,716,017
Office for the Improvement of Public Schools	0	0	0	0	0	0	0	0	0
Ports Authority	0	116,240	116,240	0	212,709	212,709	0	328,949	328,949
Public Buildings Authority(2)	1,762,056	0	1,762,056	0	77,231	77,231	1,762,056	77,231	1,839,287
Sugar Corporation	0	0	0	0	58,107[3]	58,107	0	58,107	58,107
University of Puerto Rico	0	303,140	303,140	0	36,337	36,337	0	339,477	339,477
Others	0	0	0	0	368,754	368,754	0	368,574	368,574
Total	$2,185,561[4]	$11,502,880	$13,688,441	$ -	$2,617,551	$2,617,551	$2,185,561[4]	$14,120,431	$16,305,992

(1) Principal of and interest on this debt is reimbursed from Commonwealth appropriations.

(2) Does not include accretion of interest from the respective issuance dates on capital appreciation bonds as follows: Electric Power Authority $133,233,980 as of June 30, 1999; Industrial Development Company $13,482,745, as of June 30, 1999; Public Buildings Authority $55,281,698, as of June 30, 1999; and Public Finance Corporation $13,357,823 as of August 1, 1999.

(3) Payable primarily from Commonwealth appropriations.

(4) Authorization for Commonwealth guarantee of debt as of June 30, 1999, was $3,483,000,000. Excludes $8,302,692 of loans from lending institutions to farmers guaranteed by the Security Fund as of June 30, 1999.

Source: GDB

Government Development Bank for Puerto Rico

The principal functions of GDB are to act as financial advisor to and fiscal agent for the Commonwealth, its municipalities and public corporations in connection with the issuance of bonds and notes, to make loans and advances to public corporations and municipalities, and to make loans to private enterprises to aid in the economic development of Puerto Rico.

As of June 30, 1999, \$1,664,591,000 of bonds and notes of GDB were outstanding. As of said date, GDB also had \$3,067,869,000 in loans to local public corporations and municipalities. Act No. 12 of May 9, 1975, as amended, provides that the payment of principal of and interest on specified notes and other obligations of GDB, not exceeding \$550,000,000, may be guaranteed by the Commonwealth, of which \$267,000,000 were outstanding as of June 30, 1999.

GDB has the following principal subsidiaries:

Housing Finance Corporation was created in November 1977 to provide needed rental housing units and stimulate the construction industry under federally subsidized programs. The Corporation has issued tax-exempt revenue bonds and notes to finance the construction of housing units approved for federal rental subsidies, which bonds and notes are limited obligations of the Corporation payable solely from revenues collected in respect of such housing units. The Federal Housing Administration has insured mortgages on certain of the housing units. As of June 30, 1999, \$1,261,201,922 of bonds of Housing Finance Corporation were outstanding.

Tourism Development Fund was created in November 1993 to promote the hotel and tourism industry of Puerto Rico, primarily by making available guarantees to secure the payment of private financing used for new hotel development projects. The Tourism Development Fund is also authorized to make capital investments and provide direct financing to tourism related projects. As of June 30, 1999, the Tourism Development Fund had issued six (6) guarantees totaling \$312,374,370.

Development Fund was created in 1977 to provide an alternate source of financing to private enterprises in Puerto Rico that have difficulties in obtaining financing from traditional sources. The Development Fund may also guarantee obligations of these enterprises and invest in their equity securities.

Capital Fund was created in November 1993 for trading in debt obligations and publicly traded shares of domestic and foreign corporations.

Public Finance Corporation was established in December 1984 to provide agencies and instrumentalities of Puerto Rico with alternate means of meeting their financing requirements. On June 30, 1995, the Corporation issued \$296,393,974 of bonds to purchase from GDB certain debt issued by Maritime Shipping Authority, a portion of which bonds was subsequently refunded. On April 23, 1996, the Corporation issued \$192,108,735 of bonds to purchase from GDB a portion of a debt of the Secretary of the Treasury relating to advances made to the municipalities to settle certain property tax claims.

GDB Holdings was created in 1999 to hold, administer, and dispose of any or all of the shares of any corporation which may be transferred to the Bank by Puerto Rico Telephone Authority ("PRTA"), for the exclusive benefit of the Retirement System of the Commonwealth and its instrumentalities. PRTA still held the shares at June 30, 1999.

On January 1999 the Corporation issued \$618,085,149 of bonds payable from Commonwealth appropriations, the proceeds of which were utilized to refinance a portion of the outstanding indebtedness of Health Facilities and Services Administration ("AFASS"). In connection with the revamping of the island's public health system as part of the Health Reform, AFASS is being dissolved and its administrative responsibilities are being transferred to the Department of Health. Act No. 187 of the Legislature of Puerto Rico, approved on August 17, 1998, authorizes the Secretary of Health to consolidate into the Department of Health all the programs formerly conducted by AFASS and provides that all agreements and contracts of AFASS and claims to which it was subject shall remain valid and shall be honored by the Department of Health.

On February 25, 1999 the Corporation issued \$228,318,000 of bonds to refund a GDB line of credit utilized by the Corporation to purchase certain property tax liens from the Municipal Revenues Collection Center and the

Department of the Treasury. Said bonds are limited obligations payable solely from collections on the property tax liens purchased by the Corporation.

As of June 30, 1999, the Corporation had $1,674,145,857 aggregate principal amount of bonds outstanding.

A description of certain other affiliates of GDB is provided in "Other Public Corporations."

Other Public Corporations

Aqueduct and Sewer Authority owns and operates a system of public water supply and sanitary sewer facilities. Capital expenditures are financed by revenues of the system, debt issuances, and federal and Puerto Rico grants. Debt service on revenue bonds is payable from net revenues of the system after payment of current expenses.

Facilities and operations of the Authority's system are subject to regulation under numerous federal and Puerto Rico environmental laws, including the federal Clean Water Act administered by the United States Environmental Protection Agency ("EPA"). The Authority has embarked on an extensive capital improvement program for the five-year period ending June 30, 2003, that is estimated to cost approximately $1.4 billion. A portion of the capital improvement program is designed to enable the Authority to comply with federal and Commonwealth laws and regulations.

The Authority needs to make a substantial investment in infrastructure and a major overhaul of its operations to maintain the viability of the existing system and to finance its expansion for new users. Funds for this investment are expected to be provided through a combination of bond issues, legislative appropriations and federal grants. Due to the Authority's financial difficulties (discussed below) and its inability to access the bond market, Act No. 45 was enacted in July 1994 to provide a Commonwealth guaranty of the principal and interest payments to the bondholders of all outstanding debt previously issued by the Authority which, at that time, amounted to $388 million, and to also guarantee all future bonds or any other similar obligations incurred by the Authority to refinance such debt. In December 1995, the Authority issued $400,340,000 of its Refunding Bonds, Series 1995 (the "Series 1995 Bonds") to refund all of the Authority's outstanding revenue and revenue refunding bonds. The Series 1995 Bonds are guaranteed by the Commonwealth pursuant to Act No. 45. On January 2, 1997, the Commonwealth began making all debt service payments under said guaranty in respect of the Series 1995 Bonds.

The Authority has reported net losses of approximately $91.0 million, $55.2 million and $94.9 million during fiscal years 1996, 1997 and 1998, respectively. These losses reflect the continuing financial and operating difficulties that the Authority has experienced in recent years. These losses were aggravated in recent years by extraordinary items, including the required adoption of new government accounting requirements relating to required expense reserves, the posting of previous years' non-registered entries and adjustments, employees' salary increases and early retirement bonuses, non-budgeted or underestimated expenses relating to the PSG Agreement (described below), increased maintenance costs and additional non-budgeted reserves. Legislation was approved in July 1994 providing for annual Commonwealth appropriations to the Authority to pay a portion of the principal of and interest on the Authority's indebtedness and/or to defray a portion of the Authority's operating and maintenance expenses, as follows: $20 million for fiscal 1995, $25 million for fiscal 1996, $30 million for fiscal 1997, and $35 million for fiscal 1998. Additional legislation was approved in August 1997 providing for annual Commonwealth appropriations of $35 million annually through fiscal 2008.

On May 26, 1995, the Authority and Professional Services Group, Inc. ("PSG") entered into a five-year agreement (the "Agreement") for the operation, management, repair and maintenance of the Authority's public water supply and sanitary sewer systems, and for its customer service systems (the "Authority System"). PSG, which is headquartered in Houston, Texas, is a subsidiary of Air Water Technologies Corporation ("AWT"), which in turn is a subsidiary of Compagnie Générale des Eaux-SAHIDE ("CGE"), a member of the Vivendi Group, a French based international conglomerate of environmental, utility, energy, construction and communication companies. CGE guaranteed PSG's performance obligations under the Agreement. PSG commenced management of the Authority Systems in September 1995. Under the Agreement, all employees remained employees of the Authority, and the Authority retained management responsibilities for the capital planning, construction and environmental compliance departments. The management of certain departments, such as finance and management information systems, was shared by the Authority and PSG.

In September 1998, the Authority, PSG, AWT and CGE entered into an amendment to the Agreement (the "Amended Agreement"), that assigned all of PSG's obligations under the Agreement to CGE and AWT, with CGE being primarily responsible. The Amended Agreement extended the term of the Agreement by one year, transferred the management responsibility for the shared departments to CGE, and modified certain terms and conditions of the Agreement. The Amended Agreement includes performance incentives and penalties in the event that CGE fails to operate the Authority Systems within specified parameters, and establishes a contract administrator to oversee and monitor CGE's performance under the Amended Agreement. Fees and costs payable to CGE under the Amended Agreement for fiscal years 1999 to 2002 are approximately \$376.5 million, plus amounts for maintenance, repairs and improvements to the Authority Systems. The annual fees payable to CGE may be adjusted to provide for certain unforeseen events and circumstances, such as additional operations expenses due to hurricanes, and for adding facilities to the Authority Systems. The Amended Agreement gives the Authority the right to terminate the Amended Agreement, without cause or penalty, at the end of the fifth contract year.

On March 1, 1999 the Authority entered into a further amendment to the Amended Agreement, which transferred to CGE responsibility of the departments that had remained under the Authority's control. In connection with such amendment, the fees and costs payable to CGE were adjusted to reflect the additional responsibilities assumed by CGE and the increased efficiencies of a private management company.

The Authority has entered into an agreement with Thames-Dick Superaqueduct Partners, Inc. for the planning, design, construction, operation and maintenance of the North Coast Superaqueduct Project (the "Project") to supply additional potable water to certain municipalities, mainly in the San Juan Metropolitan Area. The total estimated cost of the Project is approximately \$372 million. GDB is providing interim financing for this Project, which is being paid over time from Commonwealth General Fund appropriations and is expected to be permanently financed with the proceeds of a bond issue payable from Commonwealth appropriations. The Project is now almost complete and is expected to be completed for commencement of operation during the third quarter of fiscal year 2000.

Included in the Authority's strategic projects is a major dredging program of the Carraízo Reservoir with an estimated cost of \$60 million. The Carraízo Reservoir is the main water supply source for the San Juan Metropolitan Area. This dredging project is directed at recovering reservoir storage capacity by removing approximately 6 million cubic meters of sediment. Under the agreement signed on October 7, 1996 with Weeks Marine Corporation, with headquarters in New Jersey, the Authority entered into a multi-year dredging program to remove sediment from the Carraízo Reservoir which includes the construction, operation, and maintenance of the areas that will be used to dispose of the dredged materials. GDB approved a \$50 million line of credit to the Authority to provide partial interim financing to pay for the dredging and related costs. This financing is being paid from the proceeds of Commonwealth appropriations. The dredging commenced in August, 1997 and is expected to be completed during the first quarter of fiscal 2000.

Economic Development Bank was created in July 1985 to engage primarily in granting small direct loans, providing loan guarantees to private enterprises, and making equity investments in such enterprises. Its initial capital was provided by a transfer of loans in the principal amount of \$15,000,000 previously administered by a now inactive subsidiary of GDB. As of June 30, 1999, Economic Development Bank had outstanding \$33,800,000 of collateralized Promissory Notes with certain financial institutions.

Electric Power Authority owns and operates the island's electric system. Capital improvements are financed primarily by borrowed funds, supplemented by internally generated funds. The Authority's bonded debt consists of Power Revenue Bonds, secured by a lien on net revenues of the electric system. As of June 30, 1999, the Authority had \$3,960,303,000 in bonds outstanding (not including accretion of interest from the respective issuance dates on capital appreciation bonds). The Authority has entered into power purchase contracts relating to the construction of certain cogeneration plants that will use fuels other than oil. See "Economic Development Program—New Economic Model" under *The Economy* above.

Health Facilities and Services Administration was created by Act No. 26 of November 13, 1975, as amended, for the purpose of carrying out the following functions: planning, evaluation and development of health services, alleviation of environmental contamination, operation of public hospitals and other health facilities, prevention and treatment of mental illness and administration of family planning programs and maternal and child care activities. The operations of AFASS are funded substantially by appropriations from the Commonwealth and lines of credit provided by GDB. AFASS' aggregate outstanding indebtedness to GDB as of June 30, 1999 was \$713,246,481, payable primarily from

Commonwealth appropriations. Such indebtedness is expected to be paid also from the proceeds of the sale of certain health facilities. In connection with the revamping of the island's public health system as part of the Health Reform, AFASS was dissolved and its administrative responsibilities were transferred to the Department of Health. Act No. 187 of the Legislature of Puerto Rico, approved on August 17, 1998, authorized the Secretary of Health to consolidate into the Department of Health all the programs formerly conducted by AFASS and provides that all agreements and contracts of AFASS and claims to which it was subject shall remain valid and shall be honored by the Department of Health.

Highway and Transportation Authority is responsible for highway construction in Puerto Rico. Such construction is financed by debt (interim notes and revenue bonds), revenues of the Authority, and federal and Puerto Rico grants. Debt service on the Authority's revenue bonds constitutes a first lien on its gross revenues, which consist currently of all the proceeds of the gasoline tax, one-half of the proceeds of the tax on gas oil or diesel oil, all the proceeds of the excise taxes on crude oil, unfinished oil and derivative products, up to $120 million per fiscal year, highway toll revenues, and the gross receipts of $15.00 per vehicle per year from certain motor vehicle license fees. Such revenues (except for toll revenues) may be applied first to the payment of debt service on general obligation bonds and notes of the Commonwealth and payments required to be made by the Commonwealth under its guarantees of bonds and notes to the extent that no other revenues are available for such purpose. The Government of Puerto Rico has never applied such revenues for such payment. As of June 30, 1999, the Highway and Transportation Authority had $3,477,059,000 in bonds outstanding.

The Authority has under construction the first phase of a new mass transit system, known as Tren Urbano, to serve a portion of metropolitan San Juan. The first phase of Tren Urbano is being constructed under several design/build contracts, including a design/build/operate contract covering the design and construction of the system and the operation of Tren Urbano for five years with an additional five-year option at the Authority's election. The cost of the first phase is estimated to be $1.675 billion, which cost will be financed by Federal Transit Administration grants, other federal funding sources and the Authority's own resources. An extension of the first phase of Tren Urbano to serve the area of Minillas Government Center is currently in the planning stage.

The Authority is a party to a concession agreement under which a private company designed, constructed and currently is operating a toll bridge spanning the San José Lagoon. The toll bridge was financed with special facility revenue bonds of the Authority payable by the private company principally from toll revenues. The concession is for a term of 35 years, subject to earlier termination or extension. The bridge opened for traffic in February 1994. In certain circumstances as described in the concession agreement, including where toll revenues are insufficient to generate certain rates of return to the private operator, the private company may require the Authority, among other things, to assume the private company's obligations with respect to the special facility revenue bonds. Some of those circumstances, including low toll revenues, exist at this time, but the Authority does not currently anticipate that the private company will exercise its remedy against the Authority.

Housing Bank and Finance Agency is engaged in insuring mortgages and servicing mortgages originated by Urban Renewal and Housing Corporation and issues bonds and notes to provide interim and permanent financing for low-income housing projects and single-family home ownership programs. The Agency obtains funds from legislative appropriations, sales of mortgages, mortgage repayments and other sources.

As of June 30, 1999, the Agency had outstanding $725,365,000 of bonds (of which $35,495,000, originally issued by the Urban Renewal and Housing Corporation, are guaranteed by the Commonwealth) issued to pay obligations of the Commonwealth under law, otherwise payable from Commonwealth appropriations, to fund certain payments of the Commonwealth under its mortgage subsidy program for low and moderate income families, to guarantee certain insurance obligations of the Agency under certain programs, and to refund bonds originally issued by Urban Renewal and Housing Corporation to carry out activities related to the provision of low-cost housing for moderate income families, federally aided public housing for low income families, and urban renewal, housing and related activities. These bonds are payable principally from appropriations in substantially the amount that the Commonwealth would otherwise have been bound to appropriate for such purposes.

Industrial Development Company participates in the Commonwealth-sponsored economic development program by providing physical facilities, general assistance, and special incentive grants to manufacturers. The Company was merged with the Economic Development Administration on January 1998. Rentals derived from the leasing of specified facilities of the Company are pledged to the payment of the Company's revenue bonds. As of June 30, 1999, the

Company had $192,233,000 in bonds outstanding (not including accretion of interest from the respective issuance dates on capital appreciation bonds).

Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority was created in June 1977. The Authority has issued revenue bonds to finance industrial, tourist, pollution control, medical, and educational facilities in Puerto Rico for the use of private companies, non-profit entities, or government agencies. The bonds are payable solely from payments to be made to the Authority by such private companies, non-profit entities, or government agencies, and do not constitute a debt of the Commonwealth or any of its other public corporations or municipalities. As of June 30, 1999, $2,367,260,000 of the Authority's bonds were outstanding.

Infrastructure Financing Authority was created in June 1988 by virtue of Act No. 44 of June 21, 1988, as amended ("Act No. 44"), to provide financial, administrative, consulting, technical, advisory, and other types of assistance to other public corporations and governmental instrumentalities of Puerto Rico authorized to develop infrastructure facilities and to establish alternate means for financing infrastructure facilities. The Authority is authorized to issue bonds and provide loans, grants and other financial assistance for the construction, acquisition, repair, maintenance and reconstruction of infrastructure projects by public corporations and instrumentalities of the Commonwealth. Act No. 44 also established the Puerto Rico Infrastructure Fund, funded in the amount of $30 million during fiscal 1989 and $40 million for the following twenty-nine fiscal years with the first proceeds of federal excise taxes imposed on rum and other articles produced in Puerto Rico and sold in the United States which are transferred to Puerto Rico pursuant to the United States Internal Revenue Code of 1986, as amended. On July 7, 1997, Act No. 44 was amended to increase to $60 million for fiscal year 1998 and $70 million for each subsequent year until fiscal year 2028 the amount of federal excise taxes transferred to the Authority. The increased level of appropriations was used by the Authority to provide additional financial support to Aqueduct and Sewer Authority.

In November 1988, the Authority issued $327,740,000 of Special Tax Revenue Bonds, Series 1988A to refund in advance certain outstanding revenue bonds and other debt of the Aqueduct and Sewer Authority. The Authority's Special Tax Revenue Bonds, Series 1988A are secured by a pledge of a portion of said federal excise taxes, subject to the prior application of such taxes to the payment of Puerto Rico's general obligation bonds and notes and certain other obligations guaranteed by Puerto Rico.

In December 1997, the Authority issued $801,760,000 Special Tax Revenue Bonds, Series 1997A and 1997B, to finance certain capital projects and working capital needs of Aqueduct and Sewer Authority. The Authority also issued $134,660,000 Special Tax Revenue Refunding Bonds, Series 1998A, on April 2, 1998, to refund certain of its outstanding revenue bonds. The Authority had $1,006,425,000 in bonds outstanding as of June 30, 1999.

In January 1998, the Authority expanded the assistance given to Aqueduct and Sewer Authority to include assistance covering the design and construction of various strategic regional water and sewer projects intended to provide improved services to targeted regions throughout the island, the implementation of an immediate action plan to address a number of small water and sewer rehabilitation projects and legal and technical assistance in achieving compliance with certain environmental laws and in establishing a prioritized capital program. The Authority is undertaking such projects at the request of the Aqueduct and Sewer Authority.

In June 1998 Act No. 44 was amended to establish the Infrastructure Development Fund, a permanent trust fund to be utilized by the Authority for the purpose of financing infrastructure projects. The Infrastructure Development Fund was initially funded in March 1999 with $1.2 billion of proceeds received by the Telephone Authority from the sale of a controlling interest in PRTC. This initial amount will remain permanently deposited in a segregated, perpetual account, denominated the "corpus account". Funds in the corpus account must remain intact and must be invested exclusively in U.S. government or U.S. government-backed obligations. The income from such investment may only be used to finance infrastructure projects related to the Commonwealth's water and sewer systems. Other moneys in the Infrastructure Development Fund not attributable to the corpus account or the investment income thereon may be used for other infrastructure projects. The Authority is the custodian and administrator of the Infrastructure Development Fund.

Maritime Shipping Authority commenced operations in 1974 upon the acquisition of three shipping lines serving Puerto Rico and the United States mainland. The Authority acquired vessels and other equipment financed by the issuance of notes on a secured basis to the previous owners. As of the date of the sale of the Authority's assets referred to below, the Authority carried approximately 30% of the total cargo shipped between Puerto Rico and the United States mainland.

On March 3, 1995, the assets and operations of Maritime Shipping Authority were acquired by an investor group headed by BTIP, a subsidiary of Bankers Trust New York Corporation, under the terms and conditions approved by the Legislature of Puerto Rico and signed by the Governor on September 27, 1994.

Act No. 112 of September 27, 1994, restructured the operations and administration of the Authority by creating the Maritime Shipping Authority as a public corporation affiliated with GDB, subject to the control of the President of GDB, but as a separate legal entity, apart from GDB and any of its other affiliates and subsidiaries. The remaining debt of the Authority was refinanced, as allowed under Act No. 113 of September 27, 1994, by the issuance of bonds by Public Finance Corporation, a subsidiary of GDB. The aggregate principal amount of such bonds as of June 30, 1999, was $283,463,974. The bonds are payable from funds to be appropriated annually by the Legislature of Puerto Rico.

Municipal Finance Agency was created in 1972 as a municipal "bond bank" for Puerto Rico. The Agency is authorized to issue bonds to purchase general obligation bonds and notes of Puerto Rico municipalities and to fund a debt service reserve. Debt service on the Agency's bonds is payable from debt service payments on municipal bonds held by the Agency and from the reserve, including investment income thereon. The Government of Puerto Rico has agreed to pay such amounts to the reserve as may be necessary to maintain it at its required level, subject to appropriation by the Legislature, which appropriation is not legally required to be made. To date no such payments have been required.

Ports Authority owns and operates the major airport and seaport facilities in Puerto Rico. The Authority derives revenues from a variety of sources, including charges on airplane fuel sales, air terminal space rentals, landing fees, wharfage, dockage and harbor fees, and rentals for the lease of seaport equipment and property. The Authority has lines of credit from GDB for various capital improvements to the Authority's facilities, of which approximately $212.7 million was outstanding as of June 30, 1999. The Authority had total net losses of approximately $70 million during fiscal years 1993 and 1994, and, as a result, was not in compliance with its rate covenant with bondholders. After reducing its operating losses through a comprehensive rate revision process, including the implementation of annual (instead of triennial) rate revision analyses, the Authority is currently in compliance with its rate covenant. The Authority is implementing a plan to restructure its operations which, among other things, encompasses revisions to its capital improvement program, measures to increase collections from certain users of its facilities and proposals to improve the efficiency of its operations. The Authority reported net losses during the fiscal years ended June 30, 1996, 1997 and 1998 of $1.6 million, $11.3 million and $28.8 million, respectively. As of June 30, 1999, the Authority had $116,240,000 in bonds outstanding.

Public Buildings Authority is authorized to construct, purchase or lease office, school, health, and social welfare facilities for lease to departments, public corporations, and instrumentalities of the Government of Puerto Rico. Bonds that have been issued by the Authority to finance such facilities (through retirement of interim notes or otherwise) are payable from lease payments, which are largely derived from legislative appropriations, and are further secured by the Commonwealth's guaranty. The Authority is authorized by Act No. 17 of 1968, as amended, to have outstanding at any one time up to $2,100,000,000 of bonds guaranteed by the Commonwealth. As of June 30, 1999, $1,762,056,000 of such bonds of the Authority were outstanding (not including accretion of interest from the respective issuance dates on capital appreciation bonds). The Authority has four lines of credit for its capital improvement program totaling $646,498,538, of which $77,231,000 was outstanding as of June 30, 1999.

The Authority is undertaking a program to construct additional correctional facilities to be completed by the end of fiscal 2001 at an estimated cost of $187,000,000. The Authority has previously issued $126,972,552 in bonds to finance the construction of three correctional facilities, which are being operated by private companies.

At present, several officers of the Commonwealth are defendants in a lawsuit filed in United States District Court in which they are charged with violating the constitutional rights of correctional system inmates as a result of severe overcrowding in the island's correctional system. Fines to assure compliance with minimum space standards have been assessed in the past against the defendants, such fines being paid by the Government of Puerto Rico. Most of these fines have been earmarked for improving the conditions of inmates but not for construction of additional correctional facilities to alleviate prison overcrowding. The Government of Puerto Rico can give no assurance that additional fines will not be levied in connection with this lawsuit.

Sugar Corporation was created in 1973 to consolidate ownership and management of the Government of Puerto Rico's interests in Puerto Rico's sugar industry. Until February 27, 1998, Sugar Corporation owned or leased and operated virtually all the sugar production facilities on the island. Sugar Corporation bought all cane grown by private growers, processed the cane, and sold crude and refined sugar and molasses. For many years, its operations produced substantial operating deficits. For fiscal 1998 appropriations of approximately $10,000,000 were made to cover its operating deficit. As of June 30, 1999, the total debt of the Corporation was $58,106,869. Of this amount $51,257,341 is payable primarily from Commonwealth appropriations.

On September 5, 1996, the Governor of Puerto Rico signed into law Act No. 189, as amended, which authorized the transfer, for a nominal sum, of certain assets and liabilities of the Corporation to entities created by the sugar cane growers. Pursuant thereto, the Government of Puerto Rico has transferred the operations of the Corporation to certain entities formed by sugar cane growers. The Corporation retained substantially all its liabilities.

Telephone Authority was created in July 1974 when the Government of Puerto Rico purchased Puerto Rico Telephone Company ("PRTC") from International Telephone and Telegraph Corporation. Puerto Rico Telephone Company operates the principal telephone system in Puerto Rico.

On March 2, 1999, the Telephone Authority sold a controlling interest in PRTC to a consortium led by GTE International Telecommunications Incorporated. The net proceeds of the sale received at closing were applied to defease outstanding bonds of the Authority in the principal amount of $756 million, to make a $1.2 billion deposit to the Infrastructure Development Fund and to pay certain benefits to PRTC employees. The Government retained a 43% stock participation in PRTC. The proceeds from the sale of such participation will be applied to reduce the unfunded pension benefits obligations of the Employees Retirement System of the Government of Puerto Rico and its instrumentalities.

University of Puerto Rico, with 69,272 students during academic year 1998-1999, is by far the largest institution of higher education on the island. Government appropriations are the principal source of University revenues, but additional revenues are derived from tuition, student fees, auxiliary enterprises, interest income, federal grants, and other sources. University capital improvements have been financed mainly by revenue bonds of which $303,140,000 were outstanding as of June 30, 1999.

Public corporations, in addition to those mentioned above, have outstanding debt in the aggregate amount of $336,111,000 as of June 30, 1999. Debt service on $97,386,000 of such outstanding debt is being paid from legislative appropriations. However, the Government of Puerto Rico is not obligated to make any such appropriations. Additional legislative appropriations are made to enable certain of such corporations to pay their operating expenses.

INSURANCE MATTERS

Government-owned property is insured through policies obtained by the Secretary of the Treasury and through self-insurance, except for property owned by the Electric Power Authority, the Aqueduct and Sewer Authority, and the Telephone Authority, which are insured through arrangements and policies obtained by the respective Authorities. Personal injury awards against the Government of Puerto Rico are limited by law to $150,000 per occurrence.

RETIREMENT SYSTEMS

Public employees of the Government of Puerto Rico and its instrumentalities are covered by five retirement systems: the Employees Retirement System of the Government of Puerto Rico and its Instrumentalities (the "Employees Retirement System"), the Annuity and Pension System for the Teachers of Puerto Rico (the "Teachers Retirement System"), the Commonwealth of Puerto Rico Judiciary Retirement System (the "Judiciary Retirement System"), the Retirement System of the University of Puerto Rico (the "University Retirement System"), and the Employees Retirement System of Puerto Rico Electric Power Authority (the "Electric Power Authority Retirement System").

The University Retirement System and the Electric Power Authority Retirement System apply to employees of the University of Puerto Rico and Electric Power Authority, respectively. The Government of Puerto Rico is not required to contribute directly to those two systems, although a large portion of University revenues are derived from legislative appropriations.

The Teachers Retirement System covers primarily public school teachers, the Judiciary Retirement System covers judges, and the Employees Retirement System covers all other employees of the Government of Puerto Rico, its municipalities and instrumentalities. As of March 31, 1999, the total number of active members of the three systems was as follows: Employees Retirement System, 162,600; Teachers Retirement System, 66,181 and Judiciary Retirement System, 316. The three systems are financed by contributions made by employers (the Government of Puerto Rico, public corporations, or municipalities), employees, and investment income. The government is responsible for approximately 66% of total employer contributions to the Employees Retirement System and 100% and 99% of total employer contributions to the Judiciary and Teachers Retirement Systems, respectively. Retirement and related benefits provided by the systems and required contributions to the systems by employees are determined by statute. Required contributions to the systems by employers are determined by statute with respect to the Teachers Retirement System and, with respect to the Employees and Judiciary Retirement Systems, by the Administrators of the Systems.

According to the most recent actuarial valuation of the Employees Retirement System and Judiciary Retirement System submitted by a firm of independent consulting actuaries, as of July 1, 1998, the total pension benefit obligation for the Employees Retirement System and Judiciary Retirement System was $7,638,000,000 and $95,600,000, respectively. The unfunded pension benefit obligation of the Employees Retirement System and Judiciary Retirement System for the same period was $5,963,000,000 and $28,400,000, respectively. The actuarial valuation was completed in accordance with the "Projected Unit Credit" method. An investment return of 8.5% per year, a salary increase of 5% per year and a post-retirement benefit increase of 3% every third year were assumed. This benefit increase was provided by the Legislature of Puerto Rico by Act No. 10 of May 10, 1992. The first 3% increase was granted to retirees who have been receiving their annuities for three or more years as of that date. The second 3% increase was granted to retirees who have been receiving their annuities for three or more years as of January 1, 1995. This increase is being financed by additional contributions from the employers. Subsequent increases will depend upon the explicit approval of the System's Board of Trustees and the Legislature, based on a favorable recommendation from the System's independent consulting actuary and given a minimum of 24 months of benefit payment reserves.

On February 1, 1990, the Legislature of Puerto Rico enacted Act No. 1 amending the organic act of the Employees Retirement System to reduce the future pension liabilities of the Employees Retirement System. Among other provisions, the legislation increases the level of contribution to the System and limits benefits for new employees by increasing the length of time for the vesting of certain benefits and reducing the level of benefits in the case of early retirement. The legislation also reduces the level of occupational disability benefits and death benefits received by new employees.

Act No. 305 of September 24, 1999 further amends the organic act of the Employees Retirement System to change it, prospectively, from a defined benefit system to a defined contribution system. An individual account will be established for each employee hired by the Government after December 31, 1999 and for those current employees who elect to transfer from the existing defined benefit system. The individual account of each current employee will be credited initially with an amount equal to his aggregate contributions to the Employees Retirement System, plus interest. Current employees who do not elect to transfer to the new defined contribution system will continue accruing benefits under the current defined benefit system. The individual account of each participant of the new defined contribution system will be credited annually with the participant's contribution and a rate of return based on either of two notional investment returns. Such accounts will not be credited with any contribution by the Government. Instead, Government contributions will be used to reduce the unfunded accumulated pension liability of the Employees Retirement System.

Based on actuarial studies conducted by the actuary of the Employees Retirement System, it is expected that the implementation of the defined contribution system will allow the Government to reduce the current actuarial deficit of the Employees Retirement System.

The law approving the sale of a controlling interest in PRTC to a consortium led by GTE International Telecommunications Incorporated provides that any future proceeds received by the government from the sale of its remaining stock ownership in PRTC will be transferred to the Employees Retirement System to reduce its accumulated unfunded pension benefit obligation.

According to the most recent actuarial valuation of the Teachers Retirement System submitted by a firm of independent consulting actuaries, as of June 30, 1998, the accrued pension liability of the system was $3,154,678,299, the value of assets amounted to $2,135,436,000, and the resulting unfunded accrued liability was $1,019,242,299 an increase of $48,437,260 from the prior valuation made as of June 30, 1997. It is recognized that it will be necessary to further strengthen the finances of the Teachers Retirement System in order to assure that combined contributions and investment income continue to exceed benefit payments, avoiding the possible future drawdown of assets.

The following table presents in summary form, income and expenses of the retirement systems for the fiscal years ended June 30, 1998 and June 30, 1999 and estimates for the fiscal year ending June 30, 2000.

Retirement Systems
Income and Expenses
(in thousands)

	Employees Retirement System	Judiciary Retirement System	Teachers Retirement System
Fiscal Year Ended June 30, 1998	Actual	Actual	Actual
Income:			
Employers contributions	$284,200	$4,239	$ 81,949
Employee contributions	217,890	1,873	68,445
Investment income	229,130	12,047	282,443
Total	731,220	18,159	432,837
Expenses:			
Benefit payments	467,696	6,550	184,571
Administrative and other expenses	32,565	1,685	14,905
Total	500,261	8,235	199,476
Net Income	$230,959	$9,924	$233,361
Fiscal Year Ended June 30, 1999	Actual	Actual	Actual
Income:			
Employers contributions	$312,620	$ 4,451	$ 89,503
Employee contributions	234,450	1,990	64,860
Investment income	248,606	13,070	314,686
Total	795,676	19,511	469,050
Expenses:			
Benefit payments	505,112	7,056	191,548
Administrative and other expenses	36,431	1,518	32,542
Total	541,543	8,574	224,090
Net Income	$254,133	$10,937	$244,960
Fiscal Year Ending June 30, 2000	Estimated	Estimated	Estimated
Income:			
Employers contributions	$343,882	$ 4,674	93,342
Employee contributions	253,206	2,109	69,816
Investment income	255,042	14,116	295,650
Total	852,130	20,899	458,808
Expenses:			
Benefit payments	545,521	7,620	203,315
Administrative and other expenses	31,933	1,680	29,791
Total	577,454	9,300	233,106
Net Income	$274,676	$11,599	$225,702

Sources: Employees Retirement System, Judiciary Retirement System and Teachers Retirement System.

SUMMARY OF COMMONWEALTH FINANCIAL STATEMENTS

Since fiscal 1990, the complete financial statements of the Commonwealth have been audited. For fiscal 1998, such financial statements were audited by Deloitte & Touche LLP, whose report thereon is dated December 18, 1998. Preparation of the audited financial statements of the Commonwealth involves the collection and combination of audited financial statements from 50 separate reporting entities.

PUERTO RICO TAXES, OTHER REVENUES AND EXPENDITURES

The Secretary of the Treasury has custody of the funds of the central government and is responsible for the accounting, disbursement and investment of such funds. Central government funds are grouped into three major categories or "types" of funds, as follows: (i) Governmental Fund Types, which include the General, Special Revenue, Debt Service (also referred to herein as Redemption), and Capital Project Funds; (ii) Proprietary Fund Types, which include the Enterprise and Internal Service Funds; and (iii) Fiduciary Fund Types, which include the Trust and Agency Funds. These funds do not include funds of the municipalities, because the municipalities are governmental entities with independent treasuries. The Special Revenue Fund was incorporated into the General Fund commencing in fiscal 1993.

The General Fund is the primary operating fund of the Government of Puerto Rico. General Fund revenues are broadly based and include revenues raised internally as well as those from non-Puerto Rico sources. Internal revenues consist principally of income taxes and excise taxes. Revenues from non-Puerto Rico sources are derived from federal excise taxes and customs duties returned to the Government of Puerto Rico. The primary expenditures of the Government of Puerto Rico through the General Fund are for grants and subsidies, and personal and other services.

Summary and Management Discussion of General Fund Results

The following table presents the Commonwealth revenues and expenditures of the General Fund on a cash basis for fiscal 1996 through fiscal 2000. The information relating to fiscal 2000 is based on estimates provided by the Secretary of the Treasury as of September 1999. The information for fiscal 1999 is preliminary and does not take into account any audit adjustments. The information for fiscal 1996 through fiscal 1998 is based on actual fiscal year end results.

To improve the presentation of the following table, the Department of the Treasury has eliminated the use of line items identified as "Operating Transfers In" and "Operating Transfers Out" in the financial statements of the Commonwealth and has assigned the amounts previously listed under these two categories to the following revenue and expenditure line items according to the purpose and amount of each transfer: "Other Income", "Other Expenditures", "Capital Outlays and Other Debt Service" and "Transfers to Agencies". Amounts listed under "Other Income" represent recurring General Fund revenues not appropriately attributable to other revenue line items such as repayment of General Fund advances to municipalities and government agencies and funds. "Other Expenditures" represent recurring General Fund expenditures not appropriately attributable to other expenditures line items such as advances to government agencies and municipalities which advances are to be reimbursed to the General Fund by law. Amounts listed under "Capital Outlays and Other Debt Service" represent debt service on obligations and capital expenditures for which the Legislature has by resolution agreed to appropriate funds. "Transfers to Agencies" represent moneys appropriated for the operation of the Health Facilities and Services Administration and for repayment of certain advances to the General Fund from certain public pension funds. General Fund revenues, expenditures and transfers as presented in the table differ from the General Fund revenues, expenditures and transfers as presented in the financial statements of the Commonwealth, as the latter statements reflect an expanded General Fund entity in accordance with generally accepted accounting principles.

Puerto Rico
General Fund Revenues, Expenditures, and Changes in Cash Balance
(in thousands)

	1996	1997	1998	1999(p)	2000(1)
Beginning cash balance	$ 534,929	$ 147,066	$ 127,477	$ 340,771	$ 231,313
Revenues from internal sources:					
Income Taxes:					
Individuals	1,709,116	1,825,337	2,026,612	2,284,966	2,484,000
Corporations	1,348,160	1,440,691	1,527,415	1,544,762	1,647,000
Partnerships	3,323	2,120	4,404	2,087	3,000
Withheld from non-residents	78,235	88,603	192,463	369,384	413,000
Tollgate taxes	179,454	210,245	170,953	114,533	99,000
Interest	6,662	7,582	11,406	10,666	11,000
Dividends	43,225	35,438	39,616	38,996	47,000
Total income taxes	3,368,175	3,610,016	3,972,869	4,365,394	4,704,000
Commonwealth excise taxes					
Alcoholic beverages	237,915	229,043	238,118	243,465	256,000
Cigarettes	107,177	120,287	111,094	119,105	113,000
Motor vehicles	307,931	365,820	350,004	411,573	434,000
Other excise taxes	651,001	704,203	613,500	699,685	785,000
Total Commonwealth excise taxes	1,304,024	1,419,353	1,312,716	1,473,828	1,588,000
Property taxes	5,107	8,286	5,673	2,213	0
Inheritance and gift taxes	1,547	4,028	1,380	1,811	2,000
Licenses	50,467	53,535	66,167	70,848	72,000
Other:					
Lottery	60,856	52,829	57,986	63,799	58,000
Electronic Lottery	57,008	47,994	54,681	59,646	59,000
Miscellaneous non-tax revenues	127,734	139,838	158,568	175,464	186,000
Total other	245,598	240,661	271,235	298,909	303,000
Total revenues from internal sources	4,974,918	5,335,879	5,630,040	6,213,003	6,669,000
Revenues from non-Commonwealth sources:					
Federal excise taxes	194,917	203,755	200,260	233,293	209,000
Customs	77,781	61,114	72,206	60,342	64,000
Total revenues from non-Commonwealth sources	272,698	264,869	272,466	293,635	273,000
Sub-total revenues	5,247,616	5,600,748	5,902,506	6,506,638	6,942,000
Proceeds from special funds	20,716	23,217	50,253	32,705	
Total Revenues	5,268,332	5,623,965	5,952,759	6,539,343	6,942,000
Other Income	113,515	80,388	482,120	238,681	69,000
Transfers to redemption fund (2)	(359,638)	(375,000)	(368,544)	(320,240)	(410,046)
Note proceeds (3)	0	551,186	601,892	600,000	600,000
Repayment of notes (4)	0	(563,628)	(617,775)	(611,410)	(615,000)
Adjusted revenues	5,022,209	5,316,911	6,050,452	6,446,374	6,585,954
Expenditures:					
Grants and subsidies	1,620,347	1,676,929	2,118,266	2,773,586	1,678,180
Personal services	1,993,176	2,164,007	2,197,903	2,411,072	3,288,691
Other services	602,460	666,004	698,446	830,629	828,119
Materials and supplies	86,370	84,789	84,451	122,842	226,708
Equipment purchases	54,685	37,507	31,626	56,794	131,316
Capital outlays and other debt service	116,863	47,269	253,962	274,821	405,129
Transfers to agencies	564,360	355,213	131,174	86,088	143,000
Other expenditures	371,811	304,782	321,330	0	0
Total expenditures	5,410,072	5,336,500	5,837,158	6,555,832	6,701,143
Adjusted revenues less expenditures	(387,863)	(19,589)	213,294	(109,458)	(115,189)
Ending cash balance	$ 147,066	$ 127,477	$ 340,771	$ 231,313	$ 116,124

(p) Preliminary.
(1) Budget, as adopted.
(2) Consists of amounts to pay principal of and interest on general obligation bonds and notes of the Commonwealth. Does not include amounts deposited directly to the redemption fund from non-General Fund revenues.
(3) Consists of proceeds from Commonwealth tax and revenue anticipation notes issued in each such fiscal year.
(4) Consists of amounts deposited for the repayment of Commonwealth tax and revenue anticipation notes issued in each such fiscal year.

Source: Department of the Treasury

Estimated Fiscal 2000 Compared to Preliminary Fiscal 1999

General Fund estimated total revenues for fiscal 2000 are forecast at $6,942 million, an increase of $436 million (6.7%) over preliminary estimates for fiscal 1999. The major projected changes are: an increase in income taxes of $339 million, and an increase in excise taxes of $114 million.

Total projected expenditures for fiscal 2000 are estimated at $6,701 million, an increase of $145 million (2.2%) from fiscal 1999. The ending cash balance for the General Fund for fiscal 2000 is estimated to be $116 million, a decrease of $115 million from fiscal 1999.

Preliminary Fiscal 1999 Compared to Fiscal 1998

General Fund preliminary total revenues for fiscal 1999 are $6,507 million, an increase of $604 million (10.2%) over fiscal 1998. Major projected changes are: an increase in income taxes of $393 million and an increase in excise taxes of $161 million.

Total preliminary expenditures for fiscal 1999 are $6,556 million, an increase of $719 million (12.3%) from fiscal 1998. The ending cash balance for the General Fund for fiscal 1999 is estimated to be $231 million, a decrease of $109 million from fiscal 1998.

Fiscal 1998 Compared to Fiscal 1997

General Fund total revenues for fiscal 1998 were $5,903 million, an increase of $301.7 million (5%) over fiscal 1997. Major changes were: an increase in income taxes of $362.9 million; an increase in licenses of $12.6 million; an increase in lottery revenues of $11.8 million; and a decrease in excise taxes of $106.6 million (due to the transfer of $120 million to Puerto Rico Highways and Transportation Authority and $16.9 million to Metropolitan Bus Authority).

Total expenditures for fiscal 1998 were $5,837 million, an increase of $500.6 million (9.3%), when compared to fiscal 1997. The ending cash balance for the General Fund for fiscal 1998 was $340 million, an increase of $213 million from fiscal 1997.

Fiscal 1997 Compared to Fiscal 1996

General Fund total revenues for fiscal 1997 were $5,601 million, an increase of $353.1 million (6.7%) over fiscal 1996. Major changes were an increase in total income taxes and excise taxes of $241.8 million and $115.3 million, respectively.

Total expenditures for fiscal 1997 were $5,337 million, a decrease of $74 million when compared to fiscal 1996. The ending cash balance for the General Fund for fiscal 1997 was $127.5 million, a decrease of $19.6 million from fiscal 1996.

Major Sources of General Fund Revenues

Income Taxes

The Commonwealth's income tax law, the Internal Revenue Code of 1994, as amended (the "PR Code"), imposes a tax on the income of individual residents of Puerto Rico, trusts, estates, and domestic and foreign (if engaged in a trade or business in Puerto Rico) corporations and partnerships. A withholding tax is imposed on certain payments made to non-residents of Puerto Rico.

Individuals. Resident individuals are subject to tax on their taxable income from all sources. The PR Code has five tax brackets for individuals with tax rates of 8%, 12%, 18%, 31% and 33%. Dividend income from Puerto Rico corporations and certain qualifying foreign corporations is taxed at a rate of 10%. Gains realized from the sale or exchange of a capital asset, if held for more than 6 months, are taxed at a rate of 20%. Gains realized from the sale of stock of certain Puerto Rico corporations in an initial public offering between June 30, 1997 and December 31, 2000 are subject to a special capital gains rate of 7%.

Interest income in excess of $2,000 on deposits with Puerto Rico financial institutions is taxed at a rate of 17%; the first $2,000 of interest income from such institutions is exempt from taxation. Interest income on certain qualifying debt obligations issued by Puerto Rico corporations and certain qualifying foreign corporations and paid to resident individuals, trusts and estates is subject to a special 17% tax rate.

Corporations and Partnerships. Puerto Rico corporations and partnerships are subject to tax on income from whatever source; foreign corporations and partnerships that are engaged in a trade or business in Puerto Rico are subject to tax on their income from Puerto Rico sources and on income from sources outside Puerto Rico that is effectively connected with the conduct of their trade or business in Puerto Rico. Unless a corporation or partnership qualifies for partial exemption from corporate income and other taxes under the industrial incentives program (see "Tax Incentives" under *The Economy* above), it is subject to tax at graduated rates.

The PR Code provides for six income tax brackets for corporations and partnerships, with the highest rate (39%) applicable to taxable income in excess of $275,000. Certain corporations and partnerships covered by the tax incentives acts continue to be subject to a maximum tax rate of 45% on their taxable income. Corporations and partnerships covered by the Puerto Rico Tourism Incentives Act of 1993, as amended, are subject to a maximum tax rate of 42% on their taxable income. The PR Code also provides for an alternative minimum tax of 22%. Corporations and partnerships operating under a new grant of tax exemption issued under the 1998 Tax Incentives Act are subject to a maximum income tax rate of 7%.

The PR Code imposes a branch profits tax on resident foreign corporations less than 80% of whose gross income qualifies as income effectively connected with a Puerto Rico trade or business. The branch profits tax is 10% of an annual dividend equivalent amount, and it applies without regard to the Puerto Rico source of income rules.

Interest from Puerto Rico sources paid to non-resident non-affiliated corporate recipients is not subject to any income or withholding tax. Interest paid to certain related non-resident recipients continues to be subject to a withholding tax of 29%. Dividends paid to non-resident corporate recipients are subject to a withholding tax of 10%. Dividends distributed by corporations (including Section 936 Corporations) operating under new grants of tax exemption issued under the 1998 Tax Incentives Act are not subject to Puerto Rico income tax. The basic tax on dividends paid to foreign corporate shareholders of Section 936 Corporations operating under grants of tax exemption issued under prior incentives laws is 10% but is subject to reduction with respect to dividends paid from profits invested in certain eligible instruments for specified periods of time. Gains realized from the sale or exchange of a capital asset, if held for more than six months, are taxed at a maximum rate of 25%. Payments in excess of $1,000 made by the Government of Puerto Rico and persons engaged in a trade or business in consideration of the receipt of services are now subject to a 7% withholding tax.

Excise Taxes

The PR Code imposes a tax on articles and commodities that are imported into or manufactured in Puerto Rico for consumption in Puerto Rico and a tax on certain transactions, such as hotel occupancy, public shows, and horse racing. The excise tax on certain articles and commodities, such as cigarettes and petroleum products, is based upon the quantity of goods imported. The excise tax on motor vehicles is based on suggested retail price. The PR Code imposes a tax at an effective rate of 6.6% of the F.O.B. factory price for imported goods and 3.6% of the sales price of goods manufactured in Puerto Rico, except sugar, cement, cigarettes, motor vehicles and certain petroleum products, which are taxed at different rates. Goods to be used by the government, except for motor vehicles and construction equipment, are not exempt. Exemptions apply to certain articles, such as food and medicines, and to articles designated for certain users.

Other Taxes and Revenues

Motor vehicle license plate and registration fees comprise the major portion of license tax receipts.

Non-tax revenues consist principally of lottery proceeds, documentary stamps, permits, fees and forfeits, proceeds of land sales and receipts from public corporations in lieu of taxes.

Revenues from non-Commonwealth sources include customs duties collected in Puerto Rico and excise taxes on shipments of alcoholic beverages from the island to the mainland United States. The customs duties and excise taxes on shipments are imposed and collected by the United States and returned to the Commonwealth.

Property Taxes

Personal property, which accounts for approximately 55% of total collections of taxable property, is self-assessed. Real property taxes are currently assessed at 1958 values. No real property reassessment has been made since 1958, and construction taking place after that year has been assessed on the basis of what the value of the property would have been in 1958. Accordingly, the overall assessed valuation of real property for taxation purposes is substantially lower than the actual market value. Also, an exemption on the first $15,000 of assessed valuation in owner-occupied residences is available.

On August 30, 1991, legislation was adopted in Puerto Rico providing a municipal reform program which also involved the creation of the Municipal Revenues Collection Center to collect property taxes. The program transferred the previous functions of the Department of the Treasury with respect to real and personal property tax assessment, notification, determination, and collection to the Municipal Revenues Collection Center, as of July 1, 1993. The special 1.03% tax on the assessed value of all property (other than exempted property) imposed by the Commonwealth for purposes of paying the Commonwealth's general obligation debt continues to be deposited in the Commonwealth's Redemption Fund.

Puerto Rico

Assessed Valuations and Real and Personal Property Taxes
(Commonwealth and Municipalities Combined)
(in thousands)

Fiscal Year Ended June 30	Assessed Valuations(1)	Taxes Levied	Collections of Current Year	Collections of Previous Years	Total
1995	$12,508,656	$505,793	$370,029	$54,241	$424,270
1996	13,052,524	416,881	400,207	70,571	470,778
1997	17,499,974	533,362	437,178	82,435	519,613
1998	19,272,428	619,343	510,999	90,311	601,310
1999(2)	20,042,738	642,555	520,645(p)	43,869(p)	564,514(p)

(p) Preliminary.
(1) Valuation set as of July 1 of fiscal year.
(2) Municipal Revenues Collection Center Distribution Report September 1999.

Source: Municipal Revenues Collection Center.

During 1997, legislation was enacted authorizing the Municipal Revenues Collection Center to sell past due property taxes on residential, commercial and industrial properties to persons who, after payment of the purchase price to the Municipal Revenues Collection Center, would then be responsible for collecting such taxes from the delinquent property taxpayers. Pursuant to this legislation, in February 1999 the Government securitized eligible property tax debts of the Municipal Revenues Collection Center. The proceeds of the securitization were paid to the Municipal Revenues Collection Center for the benefit of the Commonwealth and the municipalities of the Commonwealth.

Collections of Income and Excise Taxes

The Department of the Treasury has continued its program for improving tax collections which began in fiscal 1986. The program has consisted, in part, of taking the initiative in sponsoring and implementing tax reform, particularly in the areas of excise taxes and income taxes, in order to decrease the incidences of nonpayment of taxes, and to expand the taxpayer base. The program has also included (a) improving the methods by which delinquent taxpayers are identified, primarily through the use of computer analyses, (b) computerizing the processing of tax returns, and (c) identifying and eliminating taxpayer abuses of the existing tax laws.

Transfers to General Obligation Redemption Fund

These consist of transfers from the General Fund to the Redemption Fund for the amortization of the principal of and interest on general obligation bonds and notes of the Commonwealth.

Components of General Fund Expenditures

Grants and Subsidies

This category includes grants and contributions to municipalities, public corporations with independent treasuries, and contributions to charitable institutions. It also includes items for or included in court awards, damage awards for personal injury or property damage, as well as payment of taxes and payment in lieu of taxes.

Personal Services

This category includes compensation paid for personal services rendered to the Government of Puerto Rico and its public instrumentalities by individuals or firms in the form of salaries, wages, *per diems*, fees, commissions, or other forms of compensation.

Other Services

This category includes the payment of services other than the services referred to above, including advertising, printing, communications, legal expenses, utilities, building and equipment rental and maintenance expenses, insurance premiums and miscellaneous services.

Materials and Supplies

This category includes all articles which ordinarily have short life and durability, lose their characteristic identity in the process of use, have only nominal value ($25 or less), or are not otherwise chargeable as equipment.

Equipment Purchases

The category includes items which have three special characteristics which distinguish them from materials; durability, long useful life, and high unit cost. In addition, these items are subject to centralized inventory control as fixed assets.

Other Debt Service and Capital Outlays

Includes payments on notes held by GDB to be paid from the balance in the General Fund and payments for the amortization of the principal of and interest on non-general obligations payable from Commonwealth appropriations. Capital outlays are made primarily for land acquisition or interests in land, construction of buildings, roads, bridges and other structures, as well as permanent improvements and additions.

Transfers to Agencies

Includes repayment of loans and advances to other funds, certain refunds, advances from other funds and other receipts, repayment of advances from other funds, grants and contributions to other funds under the custody of the Secretary of the Treasury and other items. The major portion of grants and contributions in recent fiscal years consists of transfers to the Health Facilities and Services Administration and advances to the municipalities.

Other Expenditures

This category represents recurring General Fund expenditures not appropriately attributable to other expenditures line items, such as advances to government agencies and municipalities which advances are to be reimbursed to the General Fund by law.

Federal Grants

Puerto Rico receives federal grants under numerous programs. The following table presents revenues from federal grants by broad program areas which are accounted in the central accounting system of the Department of the Treasury.

Puerto Rico

Federal Grants
(in thousands)

	Fiscal Year Ending June 30				
	1996	1997	1998	1999(p)	2000(e)
Education	$ 529,084	$ 518,254	$ 504,296	$ 571,758	$ 597,516
Social Services	1,463,802	1,514,773	1,592,607	1,606,303	1,612,178
Health	382,892	371,889	361,513	332,874	326,005
Labor and Human Resources (1)	136,508	144,228	170,941	251,260	189,679
Public Works and Transportation(2)	136	39	0	0	0
Crime	20,876	39,453	37,681	29,772	32,411
Housing(3)	239,586	224,965	224,787	245,181	245,181
Drug and Justice	5,893	23,594	32,738	27,908	36,480
Agriculture and Natural Resources	11,546	14,516	6,771	6,898	6,934
Contributions to Municipalities	66,389	64,911	64,911	58,865	58,865
Other	4,624	4,958	6,337	5,806	5,845
TOTAL	$2,861,336	$2,921,580	$3,002,582	$3,136,625	$3,111,094

(p) Preliminary
(e) Estimated
(1) Amounts include grants to the Right to Work Administration, and the Occupational Development and Human Resources Council.
(2) Amounts of federal grants to the Highway and Transportation Authority are not included in the Public Works and Transportation area.
(3) Amounts include grants to the Public Housing Administration.

BUDGET OF THE GOVERNMENT OF PUERTO RICO

Office of Management and Budget

The fundamental objective of the Office of Management and Budget ("OMB") is to improve and strengthen the relationship between policy formulation and budgetary and fiscal management. The law creating OMB also strengthened budgetary controls and created an Operational Audit Division with the primary function of evaluating government operations and programs.

Budgetary Process

The fiscal year of the Government of Puerto Rico begins each July 1. The Governor is constitutionally required to submit to the Legislature an annual balanced budget of capital improvements and operating expenses of the central government for the ensuing fiscal year. The annual budget is prepared by OMB, working with the Planning Board, the Department of the Treasury, and other government offices and agencies. Section 7 of Article VI of the Constitution provides that "The appropriations made for any fiscal year shall not exceed the total revenues, including available surplus, estimated for said fiscal year unless the imposition of taxes sufficient to cover said appropriations is provided by law."

The annual budget, which is developed utilizing elements of program budgeting and zero-base budgeting, includes an estimate of revenues and other resources for the ensuing fiscal year under (i) laws existing at the time the budget is submitted, and (ii) legislative measures proposed by the Governor and submitted with the proposed budget, as well as the Governor's recommendations as to appropriations that in his judgment are necessary, convenient, and in conformity with the four-year investment plan prepared by the Planning Board.

The Legislature may amend the budget submitted by the Governor but may not increase any items so as to cause a deficit without imposing taxes to cover such deficit. Upon passage by the Legislature, the budget is referred to the Governor who may decrease or eliminate any item but may not increase or insert any new item in the budget. The Governor may also veto the budget in its entirety and return it to the Legislature with his objections. The Legislature, by a two-thirds majority in each house, may override the Governor's veto. If a budget is not adopted prior to the end of the fiscal year, the annual budget for the preceding fiscal year as originally approved by the Legislature and the Governor is automatically renewed for the ensuing fiscal year until a new budget is approved by the Legislature and the Governor. This permits the Government of Puerto Rico to continue to make payments of its operating and other expenses until a new budget is approved.

Financial Control and Adjustment Procedures

Revenue estimates for budgetary purposes are prepared by the Department of the Treasury, except for estimates of federal grants, which are prepared by OMB and various departments and other recipients of such grants. Revenue and federal grant estimates are under continuous review and, if necessary, are revised at least quarterly during the fiscal year. Fiscal control over expenditures is exercised severally by the Governor, through the Director of OMB, and the Secretary of the Treasury. Quarterly reviews and expenditure cut-off procedures are designed to prevent expenditures in excess of appropriations.

During any fiscal year in which the resources available to the Commonwealth are insufficient to cover the appropriations approved for such year, the Governor may take administrative measures to reduce expenses and submit to both houses of the Legislature a detailed report of any adjustment necessary to balance the budget, or make recommendations to the Legislature for new taxes or authorize borrowings under provisions of existing legislation or take any other necessary action to meet the estimated deficiency. Any such proposed adjustments shall give effect to the "priority norms" established by law for the disbursement of public funds in the following order of priority: first, the payment of the interest on and amortization requirements for public debt (Commonwealth general obligations and guaranteed debt for which the Commonwealth's guarantee has been exercised); second, the fulfillment of obligations arising out of legally binding contracts, court decisions on eminent domain, and certain commitments to protect the name, credit and good faith of the Commonwealth; third, current expenditures in the areas of health, protection of persons and property, education, welfare and retirement systems; and fourth, all other purposes.

A Budgetary Fund was created by Act No. 147 of June 18, 1980, as amended (the "Budgetary Fund Act"), to cover the appropriations approved in any fiscal year in which the revenues available for such fiscal year are insufficient, honor the public debt, and provide for unforeseen circumstances in the provision of public services. The Budgetary Fund Act was amended in 1994 to require that an annual legislative appropriation equal to one third of one percent (.33%) of the total budgeted appropriations for each fiscal year be deposited in the Budgetary Fund. In 1997, the Budgetary Fund Act was further amended to increase the annual legislative appropriation required to be deposited in the Budgetary Fund to one percent (1%) of the total revenues of the preceding fiscal year, beginning in fiscal year 2000. In addition, other income (not classified as revenues) that is not assigned by law to a specific purpose is also required to be deposited in the Budgetary Fund. The maximum balance of the Budgetary Fund may not exceed six percent (6%) of the total appropriations included in the budget for the preceding fiscal year.

Appropriations

Appropriations in the central government budget of Puerto Rico consist of the following:

(i) General Fund appropriations for recurring ordinary operating expenses of the central government and for contributions to public corporations, municipalities, and private organizations. Such appropriations are made by a single annual law known as the Joint Resolution of the General Budget.

(ii) General Fund appropriations for special operating expenses and for capital expenditures. Such appropriations are authorized by separate laws for one or more years for special programs or activities, which may be permanent or transitory.

(iii) Disbursements of Special Funds for operating purposes and for capital improvements. For the most part, such disbursements do not require annual legislative authorization, because they are authorized by previous legislation or by the United States Congress. Federal grants constitute the major part of the resources of the Special Funds.

(iv) Bond Fund appropriations for capital expenditures financed by bonds. Such expenditures may occur in one or more years.

In Puerto Rico, the central government has many functions which in the fifty states are the responsibility of local government, such as providing public education and police and fire protection. The central government also makes large annual grants to the University of Puerto Rico and to the municipalities. In the summaries of the budgets of the central government presented below, grants to the University of Puerto Rico are included in current expenses for education and debt service on general obligation bonds is included in current expenses for debt service. Debt service on Sugar Corporation notes paid by the Government of Puerto Rico is included in current expenses for economic development, and debt service on Urban Renewal and Housing Corporation bonds and notes and on Housing Bank and Finance Agency mortgage subsidy bonds paid by the Government of Puerto Rico is included in current expenses for housing.

Approximately 25.2% of the General Fund is committed, including debt service on direct debt of the Commonwealth and on the debt of the Sugar Corporation, municipal subsidies, grants to the University of Puerto Rico, contributions to Aqueduct and Sewer Authority, and rental payments to Public Buildings Authority, among others.

Fiscal 1999 Budget

The following table presents a summary of the Commonwealth budget for the fiscal year ended June 30, 1999.

Puerto Rico
Summary of Central Government Annual Budget
Fiscal Year Ended June 30, 1999
(in thousands)

	General Fund	Bond Fund	Special Funds	Total
Resources:				
Revenues from internal sources:				
Property taxes	$ 2,213	$ -	$ 94,927	$ 97,140
Personal income taxes	2,284,966	-	-	2,284,966
Income tax withheld from non-residents	369,384	-	-	369,384
Corporation income taxes	1,544,762	-	-	1,544,762
Partnership income taxes	2,087	-	-	2,087
Tollgate taxes	114,533	-	-	114,533
17% withholding tax on interest	10,666	-	-	10,666
10% withholding tax on dividends	38,996	-	-	38,996
Inheritance and gift taxes	1,811	-	-	1,811
Excise taxes:				
Alcoholic beverages	243,465	-	-	243,465
Motor vehicles and accessories	411,573	-	200	411,773
Cigarettes	119,105	-	-	119,105
Special excise tax on certain petroleum products	71,918	-	-	71,918
General 5% excise tax	528,684	-	-	528,684
Other	99,083	-	69,115	168,198
Licenses	70,848	-	-	70,848
Miscellaneous non-tax revenues:				
Contributions from lottery fund	63,799	-	-	63,799
Electronic lottery	59,646	-	-	59,646
Registration and document certification fees	129,877	-	-	129,877
Other	45,587	-	219,051	264,638
Total revenues from internal sources	6,213,003	-	383,293	6,596,296
Revenues from non-Commonwealth sources:				
Federal excise taxes on off-shore shipments	233,293	-	17,000	250,293
Federal grants	0	-	3,136,625[1]	3,136,625
Customs	60,342	-	0	60,342
Total revenues from non-Commonwealth sources	293,635	-	3,153,625	3,447,260
Total revenues	6,506,638	-	3,536,918	10,043,556
Other:				
Miscellaneous income	76,135	-	0	76,135
Total other income	76,135	-	-	76,135
Payment in lieu of taxes PRTC	36,773	-	-	36,773
Recover for Department of the Treasury	55,514	-	-	55,514
Housing Financial Bank and Agency	25,000	-	-	25,000
Others income	11,100	-	-	11,100
Assets sales (TLD)	60,000	-	-	60,000
Balance from previous year	91,722	-	277,961	369,683
Bonds authorized	0	475,000	-	475,000
Total other sources	356,244	475,000	277,961	1,109,205
Total resources	6,862,882	475,000	3,814,879	11,152,761

	General Fund	Bond Fund	Special Funds	Total
Appropriations:				
Current expenses:				
General government	606,384	-	35,253	641,637
Education	2,102,784	-	635,506	2,738,290
Health	1,088,922	-	346,262	1,435,184
Welfare	331,647	-	1,933,444	2,265,091
Economic development	241,189	-	34,165	275,354
Public safety and protection	1,213,182	-	62,458	1,275,640
Transportation and communications	62,067	-	7,429	69,496
Housing	18,231	-	136,217	154,448
Contributions to municipalities	226,840	-	2,088	228,928
Special pension contributions	35,710	-	0	35,710
Debt service	320,242	-	94,927	415,169
Other debt service	464,816	-	51,244	516,060
Total appropriations—current expenses	6,712,014	-	3,338,993	10,051,007
Capital improvements	1,430	475,000	160,432	636,862
Total appropriations	6,713,444	475,000	3,499,425	10,687,869
Year-end balance	149,438	-	315,454	464,892
Total appropriations and year-end balance	$6,862,882	$475,000	3,814,879	$11,152,761

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

Sources: Department of the Treasury and Office of Management and Budget as reported on September , 1999.

In the fiscal 1999 budget revenues and other resources of all budgetary funds total $10,308,078,000 excluding balances from the previous fiscal year and general obligation bonds authorized. The estimated net increase in General Fund revenues in fiscal 1999 are accounted for by increases in personal income taxes (up 258,354,000), retained non-resident income tax (up $176,921,000), general excise of 5% (up $60,259,000), motor vehicles and accessories (up $61,569,000), federal excise taxes on off-shore shipments (up $33,033,000), special excise tax on certain petroleum products (up $20,282,000), corporation income taxes (up $17,347,000), registration and document certification fees (up $13,433,000), alcoholic beverages (up $5,347,000), licenses (up $4,681,000), electronic lottery (up $4,965,000) and decreases in property taxes (down $3,460,000), customs (down $11,864,000) and tollgate taxes (down $56,420,000).

Current expenses and capital improvements, of all budgetary funds total $10,687,869,000, an increase of $951,255,000 from fiscal 1998. The major changes in General Fund expenditures by program in fiscal 1999 are: public safety and protection (up $187,444,000), education (up $165,661,000), health (up $160,256,000), general government (up $77,714,000), other debts (up $69,721,000), welfare (up $24,182,000), economic development (up $15,865,000), special pension contributions (up $6,115,000), and decreases in transportation and communications (down $83,000), housing (down $620,000), debt service (down $13,849,000) and contributions to municipalities (down $37,969,000).

The general obligation bond authorization for the fiscal 1999 budget was $475,000,000.

Proposed Fiscal 2000 Budget

The following table presents a summary of the proposed Commonwealth budget for the fiscal year ending June 30, 2000.

Puerto Rico
Summary of Central Government Annual Budget
Fiscal Year Ending June 30, 2000
(in thousands)

	General Fund	Bond Fund	Special Funds	Total
Revenues from internal sources:				
Property taxes	$ 0	$ -	$ 99,673	$ 99,673
Personal income taxes	2,484,000	-	-	2,484,000
Income tax withheld from non-residents	413,000	-	-	413,000
Corporation income taxes	1,647,000	-	-	1,647,000
Partnership income taxes	3,000	-	-	3,000
Tollgate taxes	99,000	-	-	99,000
17% withholding tax on interest	11,000	-	-	11,000
10% withholding tax on dividends	47,000	-	-	47,000
Inheritance and gift taxes	2,000	-	-	2,000
Excise taxes:				
Alcoholic beverages	256,000	-	-	256,000
Motor vehicles and accessories	434,000	-	200	434,200
Cigarettes	113,000	-	-	113,000
Special excise tax on certain petroleum products	69,000	-	-	69,000
General 5% excise tax	594,000	-	-	594,000
Slot machines and machines for entertainment	0	-	-	0
Other	122,000	-	72,345	194,345
Licenses	72,000	-	-	72,000
Miscellaneous non-tax revenues:				
Contributions from lottery fund	58,000	-	-	58,000
Electronic lottery	59,000	-	-	59,000
Registration and document certification fees	140,000	-	-	140,000
Other	46,000	-	184,163	230,163
Total revenues from internal sources	6,669,000	-	356,381	7,025,381
Revenues from non-Commonwealth sources:				
Federal excise taxes on off-shore shipments	209,000	-	17,000	226,000
Federal grants	0	-	3,111,094[1]	3,111,094
Customs	64,000	-	0	64,000
Total revenues from non-Commonwealth sources	273,000	-	3,128,094	3,401,094
Total revenues	6,942,000	-	3,484,475	10,426,475
Other:				
Miscellaneous income	0	-	0	0
Total other income	0	-	-	0
Payment of lieu of taxes PRTC	0	-	-	0
Housing Bank and Finance Agency	0	-	-	0
Recover for Department of the Treasury	0	-	-	0
Balance from previous year	149,438	-	315,454	464,892
Bonds authorized	0	475,000	-	475,000
Total other sources	149,438	475,000	315,454	939,892
Total resources	7,091,438	475,000	3,799,929	11,366,367

	General Fund	Bond Fund	Special Funds	Total
Appropriations:				
Current expenses:				
General government	761,298	-	37,604	798,902
Education	2,151,206	-	662,119	2,813,325
Health	1,186,359	-	332,135	1,518,494
Welfare	360,893	-	1,904,666	2,265,559
Economic development	216,531	-	28,622	245,153
Public safety and protection	1,183,864	-	64,777	1,248,641
Transportation and communications	70,240	-	12,892	83,132
Housing	19,586	-	130,217	149,803
Contributions to municipalities	293,136	-	2,088	295,224
Special pension contributions	39,502	-	0	39,502
Debt service	410,046	-	99,673	509,719
Other debt service	390,572	-	19,000	409,572
Total appropriations—current expenses	7,083,233	-	3,293,793	10,377,026
Capital improvements	0	475,000	160,140	635,140
Total appropriations	7,083,233	475,000	3,453,933	11,012,166
Year-end balance	8,205	-	345,996	354,201
Total appropriations and year-end balance	$7,091,438	$475,000	3,799,929	$11,366,367

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

Sources: Department of the Treasury and Office of Management and Budget as reported on September, 1999.

In the fiscal 2000 budget proposal revenues and other resources of all budgetary funds total $10,426,475,000 excluding balances from the previous fiscal year and general obligation bonds authorized. The estimated net increase in General Fund revenues in fiscal 2000 are accounted for by increases in personal income taxes (up $199,000,000), corporation income taxes (up $102,000,000), general excise of 5% (up $65,000,000), income tax withheld from non-residents (up $44,000,000), motor vehicles and accessories (up $22,000,000), alcoholic beverages (up $13,000,000), registration and document certification fees (up $10,000,000), and decreases in property taxes (down $2,000,000), special excise tax on certain petroleum products (down $3,000,000), cigarettes (down $6,000,000), federal excise taxes on off-shore shipments (down $24,000,000), and tollgate taxes (down $14,000,000).

Current expenses and capital improvements, of all budgetary funds total $11,012,166,000, an increase of $324,297,000 from fiscal 1999. The major changes in General Fund expenditures by program in fiscal 2000 are: general government (up $157,265,000), health (up $83,310,000), debt service (up $94,550,000), contributions to municipalities (up $66,296,000), education (up $75,035,000), transportation and communications (up $13,636,000), special pension contributions (up $3,792,000), housing (down $4,645,000), economic development (down $30,201,000), public safety and protection (down $26,999,000), and other debts service (down $106,488,000).

The general obligation bond authorization for the fiscal 2000 budget is $475,000,000.

Differences between Budget and General Purpose Financial Statements

Revenues and expenditures, as reported by the Department of the Treasury in its General Purpose Financial Statements, may differ substantially from resources and appropriations in the annual budget for a number of reasons, including the following:

(i) The budgetary accounts are on a cash basis, while the financial statements prepared by the Department of the Treasury include accruals and other adjustments as required by government accounting standards.

(ii) Expenditures for current purposes in a particular fiscal year may include amounts appropriated for earlier periods but not previously expended and, conversely, may exclude amounts appropriated for such fiscal year but not expended until later periods.

(iii) Bonds are authorized by the Commonwealth in accordance with a four-year capital improvement program. Since bond sales are determined by bond market conditions and other factors, the amount of bonds sold in any year does not necessarily equal the amount of bonds authorized in the budget for that year. Expenditures for capital improvements are financed by advances from the General Fund to the Capital Projects Fund, which are later reimbursed from proceeds of bond or note sales.

YEAR 2000 MATTERS

Many existing computer programs use only the last two digits to refer to a year. Therefore, these computer programs do not properly recognize a year that begins with "20" instead of the familiar "19" (the "Year 2000 Problem"). If not corrected, many computer applications could fail or create erroneous results at or during the year 2000. The extent of the potential impact of the Year 2000 Problem is not yet known, and if not timely corrected, it could affect the global economy.

Each department, agency and instrumentality of the Commonwealth has been directed to implement a program intended to assess and remedy the Year 2000 Problem in its respective unit. In addition, each such unit has been directed to seek assurances from service providers that they are taking all necessary steps to ensure that their computer systems will accurately reflect the Year 2000 and to continue to monitor the situation. The Office of Management and Budget has been charged with the responsibility for auditing the progress being made by each governmental unit in having its computer programs become Year 2000 compliant.

As of June 30, 1999, the stages of the Commonwealth's Year 2000 Compliance Project (the "Project") and their percentage of completion were as follows:

Awareness stage	100%
Assessment stage	99%
Remediation stage	87%
Validation/Testing stage	69%
Implementation stage	66%

As of June 30, 1999, the Commonwealth had incurred expenses amounting to approximately $51 million in equipment upgrades related to the Project. The Commonwealth estimates that it will incur future costs amounting to approximately $22 million related to services required to complete the Project.

The Commonwealth believes that it will be able to implement any systems modifications necessary to resolve the Year 2000 Problem. There can be no assurance, however, that the Commonwealth will be completely Year 2000 compliant by January 1, 2000. Furthermore, there can be no assurance that other organizations or governmental agencies with which the Commonwealth interacts electronically, including vendors and the federal government, will be Year 2000 compliant. In the event the Commonwealth or such other organizations are not Year 2000 compliant by January 1, 2000, the Commonwealth may face material adverse consequences with respect to its revenues and operations.

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APPENDIX B

THE MUNICIPALITY OF SAN JUAN

General

The Municipality of San Juan ("San Juan"), founded in 1521, is the capital city of the Commonwealth of Puerto Rico (the "Commonwealth" or "Puerto Rico") and is the largest of the seventy-eight municipalities of Puerto Rico in terms of population. San Juan's boundaries encompass an area of approximately 47.8 square miles and according to the most recent estimates of the U.S. Census Bureau the population of San Juan was approximately 439,427 at July 1, 1998. San Juan is bounded on the North by the Atlantic Ocean and San Juan Bay, on the South by the Municipalities of Caguas and Trujillo Alto, on the East by the Municipalities of Carolina and Trujillo Alto, and on the West by the Municipality of Guaynabo.

Form of Government and Services Offered by San Juan

San Juan's municipal government consists of its Mayor and a seventeen-member Municipal Assembly, all of which are elected by the residents of San Juan every four years. The Mayor is responsible, among other matters, for: (i) establishing and carrying out the policies and the ordinances of the Municipal Assembly, (ii) overseeing the day-to-day operations of the municipal government, and (iii) appointing the heads of the various municipal departments. The Municipal Assembly is responsible, among other matters, for (i) adopting municipal ordinances and resolutions, (ii) adopting the budget for each fiscal year, and (iii) approving the appointment by the Mayor of the heads of the various municipal departments.

San Juan provides a full range of services to its residents including, among others, the following: (i) public health facilities including the Municipal Hospital and nine diagnostic and treatment centers (an additional diagnostic and treatment center is under construction); (ii) public safety; (iii) street and road maintenance; (iv) human services for children, the elderly and the homeless; (v) parks, recreational facilities, and cultural programs and facilities; (vi) garbage and solid waste collection and disposal; (vii) alcohol and business licenses; (viii) environmental control; (ix) building inspection and code enforcement; and (x) economic development and tourism.

Population, Income and Employment

According to figures published by the U.S. Census Bureau, San Juan has maintained a lower than average population growth compared to that of Puerto Rico for the period from 1970 to 1998. The table below shows the total population numbers and population percentage changes of San Juan and Puerto Rico for the period from 1970 to 1998.

POPULATION

Year	San Juan	Total % Change	Puerto Rico	Total % Change
1970	463,242	---	2,712,033	---
1980	434,849	(6.2%)	3,196,520	17.9%
1990	437,745	0.7%	3,522,037	10.2%
1998(est)	439,427	0.4%	3,860,091	9.6%

Source: U.S. Census Bureau

The average family income of families in San Juan has been one of the highest of any of the municipalities of Puerto Rico, and during the period from 1970 to 1990 the growth rate for average family income in San Juan was comparable to that of Puerto Rico. The table below shows average family income figures of San Juan and Puerto Rico for the period from 1970 to 1990.

AVERAGE FAMILY INCOME

Year	San Juan	Total % Increase	Puerto Rico	Total % Increase
1970	$6,464	---	$4,411	---
1980	$11,608	79.6%	$8,271	87.5%
1990	$20,481	76.4%	$14,866	79.7%

Source: Puerto Rico Planning Board Census

San Juan has one of the lowest unemployment rates of any of the municipalities in Puerto Rico. The tables below provide comparable employment figures for San Juan and Puerto Rico for 1990, 1995 and 1999.

SAN JUAN

Year	Labor Force	Employed	Unemployed	Percentage Unemployed
1990	152,400	139,600	12,800	8.40%
1995	157,000	141,900	15,100	9.62%
1999	164,800	151,000	13,800	8.37%

Source: Puerto Rico Department of Labor and Human Resources

PUERTO RICO

Year	Labor Force	Employed	Unemployed	Percentage Unemployed
1990	1,131,000	971,000	160,000	14.15%
1995	1,219,000	1,051,000	168,000	13.78%
1999	1,310,000	1,147,000	163,000	12.44%

Source: Puerto Rico Department of Labor and Human Resources

Education

Elementary and secondary education in San Juan is provided by the public school system of the Commonwealth's Department of Education and various private schools. There are currently 134 public schools in San Juan.

Protection

San Juan is served by a Municipal Police Department and by the Police Department of the Commonwealth. The Municipal Police Department operates out of 10 police stations, of which two are mobile police stations, which are staffed by approximately 1,073 municipal police officers and supervisory personnel. The Commonwealth Police Department in conjunction with the Municipal Police Department closely coordinate crime prevention and law enforcement activities within San Juan.

San Juan also has a Municipal Civil Defense Department which works in conjunction with the Commonwealth Civil Defense Agency in implementing emergency management programs and the handling of emergencies involving life and/or property within San Juan.

The Fire Department of the Commonwealth provides service to San Juan through truck and ladder companies located in San Juan and in adjoining municipalities.

Health

The San Juan Health Department provides primary, secondary and tertiary health services to the residents of San Juan at the Municipal Hospital and nine diagnostic and treatment centers located throughout the municipality (an additional diagnostic and treatment center is under construction). The San Juan Health Department is responsible for establishing and developing strategies and programs designed to promote health, prevent diseases, early detection and diagnosis of health problems, adequate treatment of health problems and rehabilitation services.

San Juan is expected to be included in the Commonwealth's health reform program by the end of fiscal year 1999-2000. The Commonwealth's health reform program consists of providing comprehensive health insurance coverage for qualifying (generally low income) residents of Puerto Rico. Under the health reform program, the Government of Puerto Rico selects, through a bidding system, one private health insurance company in each of several designated regions of Puerto Rico and pays such insurance company the insurance premiums for each eligible beneficiary within such region. The municipalities pay a negotiated amount to the Government of Puerto Rico to cover part of the insurance premium paid by the Government of Puerto Rico for its citizens. San Juan and the Government of Puerto Rico have commenced the negotiation of the various terms and conditions for San Juan's inclusion in the Commonwealth's health reform program.

Utilities

Electricity is supplied to businesses and residents of San Juan by Puerto Rico Electric Power Authority. Water and sewage services are provided to businesses and residents of San Juan by Puerto Rico Aqueduct and Sewer Authority.

Recreation And Parks

Through its Recreation and Sports Department and its Urban Department, San Juan presently administers and maintains, among other things, approximately 2 track-and-field facilities, 9 baseball and softball parks, 49 basketball and volleyball courts, 17 tennis courts, 2 multi-sport complexes, 23 parks, 4 community centers and 6 recreation centers.

Cultural

Through its Cultural Department, San Juan develops and promotes a variety of cultural activities and projects that contribute to the development in all sectors of the population of San Juan of an appreciation for, among other things, the following: (i) history of San Juan and Puerto Rico, (ii) the arts, (iii) literature, (iv) cinema, (v) folklore and (vi) other cultural areas.

Environmental Control and Public Works

San Juan's Environmental and Public Works Department is responsible for coordinating, among other things, garbage collection, cleaning and maintenance of municipal parks, streets, canals, streams, flood pumps and roads and other services relating to the construction, renovation and maintenance of the municipality's infrastructure.

San Juan recently executed an agreement with E.C. Waste of Puerto Rico, Inc. ("E.C. Waste"), a subsidiary of Waste Management Inc. (the "Waste Agreement"). The Waste Agreement, which has a term of seven years, involves an annual cost to the Municipality of approximately $7.2 million relating to the design, construction and operation of a waste transfer facility at San Juan's existing landfill. San Juan's existing landfill is scheduled to close in the year 2000, and the waste transfer facility is expected to be completed by the time of the final closing of the landfill. The Waste Agreement also includes the shipment and final disposal by E.C. Waste of San Juan's solid waste at the company's landfill located in the Municipality of Humacao or another site to be agreed upon by the parties, at a price of $33 per ton. The cost of the design and construction of the waste transfer facility is expected to be financed by San Juan through the issuance of general obligation debt during fiscal year 1999-2000. See "General Obligation Debt and Sources for Payment" below.

Summary of Results of Operation

The following tables present a schedule of Revenues and Expenditures of San Juan's Government Funds (includes the General, Special Revenue, Debt Service and Capital Project Funds) for the fiscal year ended June 30, 1999 and the four previous fiscal years.

Municipality of San Juan General Governmental[1]

Revenues by Source
(In Thousands)
Fiscal Year ended June 30

	1999	1998	1997	1996	1995
Property Taxes	$195,111	$170,650	$133,585	$116,149	$108,981
Municipal License Taxes	68,190	63,468	60,215	52,810	52,324
Licenses and Permits	2,420	1,702	1,439	947	797
Federal Grants	116,312	98,140	101,415	91,034	88,051
Charges for Services	6,913	7,351	7,044	6,547	7,099
Fines and Penalties	2,601	3,160	3,749	3,770	4,314
Interest	12,929	7,516	5,486	3,097	2,547
Intergovernmental	21,874	19,481	17,255	15,736	16,340
Miscellaneous	5,820	3,754	4,207	2,786	2,845
Total[2]	$432,170	$375,222	$334,395	$292,876	$283,298

Source: Municipality of San Juan

Expenditures by Function
(In Thousands)
Fiscal Year ended June 30

	1999	1998	1997	1996	1995
General Government	$85,952	$55,289	$57,417	$39,230	$44,199
Public Safety	21,235	17,083	12,618	11,635	11,092
Public Works and Environmental Control	42,330	40,484	40,024	35,558	36,258
Culture and Recreation	3,916	3,092	3,831	3,302	3,506
Urban Development	57,796	49,628	46,866	43,822	35,419
Welfare	60,157	51,208	48,827	43,476	47,994
Education	6,912	5,950	4,855	4,271	4,423
Economic Development[3]	8,587	7,545	----	----	----
Miscellaneous	3,738	1,538	443	1,740	1,310
Capital Outlays	56,885	27,779	27,298	8,638	12,817
Debt Service	24,622	16,058	15,427	14,065	15,655
Total[4]	$372,131	$275,654	$257,606	$205,737	$212,673

Source: Municipality of San Juan

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1 Includes the general, special revenue, debt service and capital projects funds of San Juan. Does not include an enterprise fund (proprietary fund) in which operations of San Juan's Health Department are presented. Operating transfers from San Juan's general fund subsidize the operations of the enterprise fund. The operating transfers from San Juan's general fund to subsidize the operations of San Juan's Health Department totaled $72,415,501 in fiscal 1999, $82,137,340 in fiscal 1998, $70,724,168 in fiscal 1997, $67,676,098 in fiscal 1996, and $69,854,553 in fiscal 1995.

2 Totals may not add due to rounding.

3 Economic Development Department was created in fiscal year 1998.

4 Totals may not add due to rounding.

Sources of Revenue

The principal sources of revenue for San Juan, as is the case with the other municipalities of Puerto Rico, are *ad valorem* property taxes, municipal license taxes, contributions by the Commonwealth government and Federal grants.

The current Special Additional Tax rate for San Juan is 1.47% in the case of both real and personal property. Such rate was increased from 0.43% to the current rate during 1997. The current Basic Tax rates imposed by San Juan to its taxpayers are 5.55% in the case of real property and 3.55% in the case of personal property. There are no current plans on the part of San Juan to increase these property tax rates. See "SOURCES OF PAYMENT FOR THE BONDS-The Municipal Bonds" for a general description of these property taxes.

San Juan imposes a volume of business or municipal license tax pursuant to Act No. 82 of August 30, 1991, as amended ("Act No. 82"), on all business entities that operate within San Juan and that are not exempt from the tax pursuant to the Commonwealth's tax incentives laws. The municipal license taxes are collected directly by San Juan. The municipal license tax is applied to gross revenues, as defined in Act No. 82, computed at the rate of 1.35% for financial institutions and savings and loans associations, 0.27% for non-financial entities with gross revenues under $1,000,000 and 0.35% for non-financial entities with gross revenues in excess of $1,000,000. There are no current plans on the part of San Juan to increase these license tax rates.

San Juan is also the beneficiary of various contributions that are made by the Commonwealth to all of the municipalities. See "SOURCES OF PAYMENT FOR THE BONDS-The Municipal Bonds" for a general description of these Commonwealth contributions.

Federal and other Commonwealth agency contributions are an important additional source of revenues for San Juan. San Juan receives assistance from the federal government in the form of grants or entitlements. The most important federal grants and entitlements received by San Juan are under programs operated by the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, U.S. Department of Education, U.S. Department of Labor and U.S. Department of Agriculture, U.S. Department of Justice and U.S. Department of Transportation. In addition, San Juan receives payments in lieu of taxes from Puerto Rico Electric Power Authority, and received payments in lieu of taxes from Puerto Rico Telephone Company until its recently completed privatization. The privatized Puerto Rico Telephone Company will now be required to pay property taxes and municipal license taxes to the municipalities including San Juan.

Budgeting Process

The Mayor is responsible for preparing and submitting a draft balanced general budget resolution to the San Juan Municipal Assembly no later than May 31 of each year. The draft budget resolution must by law include a budget message and a financing plan. The budget message must include a summary of its principal aspects and justification for the principal budget requests. The financial plan must provide, among other things, a summary of municipal expenditures by categories such as salaries, wages, materials, services and permanent works for the upcoming fiscal year, a detailed estimate of resources to cover expenditures, a comparative statement of proposed appropriations and information with respect to each program and its objectives.

The Mayor is obligated to include in the draft general budget resolution, and in order of priority, the following items:

1. interest and amortization payments on public municipal debt;
2. other statutory obligations or expenses;
3. payment of judgments;
4. amounts necessary to cover any prior year deficit;
5. amounts required to be paid by the municipality under established contractual commitments;
6. expenses and obligations required to be included by law; and
7. other operating expenses.

The Municipal Assembly may amend the budget resolution, but it may not eliminate or reduce the items set forth in items 1. through 5. above. The Municipal Assembly is required to approve and submit the budget to the Mayor no later than June 13 of each year, and the Mayor has six days to approve it or return it to the Municipal Assembly for amendments.

In the event the Municipal Assembly does not approve the budget, the budget presented by the Mayor shall apply for the following year. If the Mayor does not submit a draft budget resolution to the Municipal Assembly, the previous year's budget shall apply.

Described in the table below are the projected revenues and expenditures in the budget for San Juan's General Fund for fiscal year 1999-2000 approved by the San Juan Municipal Assembly together with the comparable figures for the General Fund's budget approved by the San Juan Municipal Assembly for fiscal year 1998-1999 and the actual results for fiscal year 1998-1999.

	Budget 99-00	Budget 98-99	Actual 98-99
Revenues			
Property Tax	$164,975,138	$138,063,021	$139,742,388
License Tax	75,500,000	66,500,000	68,166,776
Licenses and Permits	1,878,000	1,884,000	2,420,082
Charges for Services	16,535,900	12,608,895	11,029,543
Fines and Penalties	3,680,000	3,680,000	2,601,470
Interest	9,000,000	8,500,000	12,562,223
Inter-governmental	36,856,531	42,385,023	43,351,009
Miscellaneous	1,440,431	3,189,000	3,490,877
Total	$309,866,000	$276,809,939	$283,364,368
Expenditures			
General Government	$ 69,878,000	$ 69,107,453	$ 65,788,540
Public Safety	27,180,000	23,122,765	22,680,697
Public Works and Environmental Control	48,373,000	41,940,667	43,023,835
Cultural and Recreation	13,345,000	7,678,622	8,370,405
Health	111,579,000	105,071,461	105,555,989
Urban Development	10,580,000	5,831,764	5,598,687
Welfare	14,308,000	11,107,783	10,901,777
Education	4,530,000	4,090,702	3,796,538
Economic Development	10,093,000	8,858,722	8,026,307
Total	$309,866,000	$276,809,939	$273,742,775

Source: Municipality of San Juan

General Obligation Debt and Sources for Debt Service

The Puerto Rico Legislature has fixed a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged. The principal amount outstanding of any such bonds and notes may not exceed 10% of the aggregate assessed valuation of the property within such municipality (the "Legal Margin," and the amount by which such municipality's Legal Margin exceeds a municipality's outstanding general obligation debt, the "Available Legal Margin"). Act No. 64 provides that in calculating the Available Legal Margin of a municipality, the amount of outstanding general obligation bonds and notes of such municipality is reduced by the amount of the excess, if any, of the funds deposited in such municipality's general obligation debt redemption fund (the "Redemption Fund").

Based on the current total net assessed valuation of real and personal property in San Juan provided by the Municipal Revenues Collection Center ("CRIM") of approximately \$3.477 billion, the Legal Margin of San Juan as of September 1999 was \$347,704,635. San Juan's Available Legal Margin as of September 1999 was calculated by Government Development Bank for Puerto Rico ("GDB") to equal \$53,670,175 after subtracting from the Legal Margin the amount of \$268,550,000 in issued and authorized general obligation debt and \$65,515,000 in proposed general obligation debt as of September 1999 and adding to the Legal Margin the excess amount in its Redemption Fund of \$40,030,540 as of September 1999.

The applicable law also requires that in order for a municipality to be able to issue additional general obligation bonds and notes such municipality must have sufficient "payment capacity." Act No. 64 provides that a municipality has sufficient "payment capacity" to incur additional general obligation debt if the deposits in such municipality's Redemption Fund and the annual amounts collected with respect to such municipality's Special Additional Tax (as defined below), as projected by GDB, will be sufficient to service to maturity the municipality's outstanding general obligation debt and the additional proposed general obligation debt ("Payment Capacity").

San Juan is required under applicable law to levy the Special Additional Tax in such amounts as shall be required for the payment of its general obligation municipal bonds and notes. In addition, principal of and interest on all general obligation municipal bonds and notes and on all municipal notes issued in anticipation of the issuance of general obligation bonds issued by San Juan constitute a first lien on San Juan's Basic Tax. Accordingly, San Juan's Basic Tax would be available to make debt service payments on general obligation municipal bonds and notes to the extent that the Special Additional Tax levied by San Juan, together with moneys on deposit in San Juan's Redemption Fund, are not sufficient to cover such debt service. It has never been necessary to apply Basic Taxes to pay debt service on general obligation debt of San Juan.

Additional Information

For additional information on San Juan, please refer to the following documents, which have been filed with each nationally recognized municipal securities information repository ("NRMSIR") and are incorporated by reference into this Official Statement:

(1) the Municipality of San Juan Comprehensive Annual Financial Report for the fiscal year ended June 30, 1998 prepared by San Juan's Finance Department and dated December 28, 1998 (the "San Juan Annual Financial Report"), which includes the general purpose financial statements of San Juan for the fiscal year ended June 30, 1998, together with the independent auditor's report thereon, dated September 23, 1998, of KPMG Peat Marwick LLP, San Juan, Puerto Rico, certified public accountants; and

(2) the Municipality of San Juan's general purpose financial statements for the fiscal year ended June 30, 1999, together with the independent auditor's report thereon, dated September 17, 1999, of KPMG LLP, San Juan, Puerto Rico, certified public accountants ("San Juan's 1999 Financial Statements")

The Commonwealth will provide without charge to any person to whom this Official Statement is delivered, on the written or oral request of such person, a copy of the San Juan Annual Financial Report and/or San Juan's 1999 Financial Statements incorporated herein by reference. Requests for such documents should be directed to Director New York Office, Government Development Bank for Puerto Rico, 140 Broadway, 38^{th} Floor, New York, New York 10005, telephone number (212) 422-6420. A copy of the San Juan Annual Financial Report and/or San Juan's 1999 Financial Statements may also be obtained by contacting each NRMSIR. The address of each NRMSIR is set forth in "CONTINUING DISCLOSURE."

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APPENDIX C

December__, 1999

PUERTO RICO MUNICIPAL FINANCE AGENCY
San Juan, Puerto Rico

Gentlemen:

We have examined Act No. 29 of the Legislature of Puerto Rico, approved June 30, 1972, as amended (the "Act"), creating Puerto Rico Municipal Finance Agency (the "Agency"), a body corporate and politic constituting a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth").

We have also examined certified copies of the proceedings of the Board of Directors of the Agency authorizing the execution and delivery of a Trust Indenture, dated as of December 1, 1999 (the "Trust Indenture"), by and between the Agency and State Street Bank and Trust Company, N.A., trustee (the "Trustee"), and other proofs submitted relative to the authorization, issuance and sale of the following described bonds (individually, the "1999 Series A Bonds" and the "1999 Series B Bonds" and collectively, the "1999 Bonds")

$564,715,000

PUERTO RICO MUNICIPAL FINANCE AGENCY

1999 SERIES A BONDS

and

$292,955,000

PUERTO RICO MUNICIPAL FINANCE AGENCY

1999 SERIES B REFUNDING BONDS

Each dated: December 1, 1999.

Maturing in such principal amounts and subject to redemption, all as set forth in the Trust Indenture, and bearing interest at the rates set forth in the resolution of the Agency awarding the 1999 Bonds.

The proceeds of the 1999 Series A Bonds are to be used to acquire municipal bonds of various municipalities of the Commonwealth and to make a deposit to the Reserve Account established under the Trust Indenture in an amount (with other moneys deposited therein) equal to the Required Debt Service Reserve (as defined in the Trust Indenture).

The proceeds of the 1999 Series B Bonds are to be used, with other available moneys, to refund all of the Agency's outstanding 1992 Series A Bonds and 1994 Series A Bonds (the "Refunded Bonds") and to make a deposit to said Reserve Account in an amount (with other moneys deposited therein) equal to the Required Debt Service Reserve. Upon the refunding of the Refunded Bonds, the respective trust indentures pursuant to which the Refunded Bonds were issued and secured will be defeased and the municipal bonds purchased and held by the trustees thereunder will, in consideration of their receipt of a portion of the proceeds of the 1999 Series B Bonds to effect such defeasance, be acquired by the Trustee, and will be held by the Trustee, together with the municipal bonds acquired by it with a portion of the 1999 Series A Bonds.

Pursuant to the Trust Indenture, the Agency is authorized to issue additional series of bonds from time to time upon the terms and conditions set forth therein, and any such bonds will be on a parity with the 1999 Bonds and all other bonds issued under the Trust Indenture (all such additional series of bonds together with the 1999 Bonds being herein collectively called the "Bonds").

The principal of and the interest on the 1999 Bonds and all other bonds issued by the Agency under the Trust Indenture are payable from payments of principal of and interest on the municipal bonds held by and pledged to the Trustee and other funds of the Agency available therefor, all as provided in the Trust Indenture.

We have also examined one of each of the 1999 Series A Bonds and the 1999 Series B Bonds as executed and authenticated.

From such examination we are of the opinion that:

1. The Act is valid.

2. Said proceedings have been validly and legally taken.

3. As authorized by the Act and by said proceedings, the Trust Indenture has been duly executed and delivered and contains reasonable and sufficient covenants and provisions in accordance with law with respect to the payments of principal of and interest on the municipal bonds acquired by the Trustee, the conservation and application of all funds, the safeguarding of moneys on hand or on deposit and the rights and remedies of the Trustee and the holders of the Bonds.

4. The 1999 Series A Bonds have been duly authorized and issued, among other things, to provide funds for the purchase of municipal bonds and to make a deposit to the Reserve Account. The 1999 Series B Bonds have been duly authorized and issued, among other things,

to provide funds, with other available moneys, to refund all of said 1992 Series A Bonds and 1994 Series A Bonds and to make a deposit to the Reserve Account.

5. The 1999 Bonds are valid and binding obligations of the Agency, payable from funds of the Agency, including, but without limitation, (i) payments of principal of and interest on municipal bonds acquired and held by the Trustee, (ii) moneys in and investment income on the Reserve Account established under the Trust Indenture held by the Trustee, (iii) the proceeds of the sale of any such municipal bonds and (iv) any moneys appropriated or transferred to the Agency by the Commonwealth pursuant to the Act. The Trust Indenture provides for the creation of a special fund designated "Puerto Rico Municipal Finance Agency Series 1999 Interest and Sinking Fund" (herein called the "Sinking Fund") and for the payment into said special fund of a sufficient amount of the payments of principal of and interest on municipal bonds held by the Trustee on behalf of the Agency and moneys available in the Reserve Account in the Sinking Fund to pay the principal of and interest on all Bonds issued under the Trust Indenture as the same become due and payable, which fund is pledged to and charged with the payment of the principal of and interest on all Bonds issued under the Trust Indenture.

6. The 1999 Bonds, together with all other bonds issued by the Agency under the Trust Indenture, are additionally secured by a pledge and assignment of all municipal bonds acquired and held by the Trustee pursuant to the Trust Indenture and all payments of principal and interest made in respect of any municipal bonds so held.

7. The Agency in the Trust Indenture has validly covenanted and will be legally obligated diligently to enforce and take all reasonable steps, actions and proceedings for the enforcement of the terms, covenants and conditions of all municipal bonds acquired and held by the Trustee on behalf of the Agency, including the prompt collection, and the giving of notice to the Secretary of the Treasury of the Commonwealth (the "Secretary") of any failure or default of any municipality in the payment, of the principal of and the interest on such municipal bonds.

8. The Agency is authorized and under the Trust Indenture has covenanted to cause to be made by its President and delivered to the Secretary annually, on or before December 1, his certificate as provided for by the Act, stating the sum, if any, required to restore the Reserve Account to an amount equal to the Required Debt Service Reserve. The sum or sums so certified are required to be apportioned and paid to the Agency from any available or uncommitted funds in the General Fund of the Commonwealth during the then current fiscal year of the Commonwealth. Such apportionment does not require legislative action. If there are no such available or uncommitted funds, the Secretary is required to request the amount so certified from the Director of the Office of Management and Budget, who shall include it in the General Budget of the Commonwealth for the next fiscal year. The Legislature of Puerto Rico is authorized but not legally required to appropriate such sum.

9. The Bonds do not constitute a debt of the Commonwealth or of any of its municipalities or other political subdivisions, other than the Agency, and neither the Commonwealth nor any of such municipalities or other political subdivisions, other than the Agency, shall be liable thereon. The good faith, credit and unlimited taxing power of each municipality are, however, pledged to the payment of its municipal bonds which secure the Bonds.

10. Under the provisions of the Acts of Congress now in force and under existing regulations and judicial decisions, (i) subject to compliance with the covenant referred to below and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States, if required, interest on the 1999 Bonds is not includable in gross income for federal income tax purposes, and (ii) the 1999 Bonds and the interest thereof are exempt from state, Commonwealth and local income taxation.

Interest on the 1999 Bonds is not an item of tax preference for the purpose of computing the alternative minimum tax on individuals and corporations imposed by the Code. Such interest will, however, be includable in the computation of the alternative minimum tax on corporations imposed by the Code. The Code contains other provisions that could result in tax consequences, upon which we express no opinion, as a result of (a) ownership of the 1999 Bonds or (b) the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is not included in gross income. No opinion is rendered by the undersigned as to the exclusion from gross income of the interest on the 1999 Bonds for federal income tax purposes (a) in the event that the Trust Indenture or the municipal bonds shall have been modified or amended in any manner that affects the exclusion from gross income of the interest on the 1999 Bonds without the approval of such counsel or (b) on or after the date on which any action is taken upon the approval of counsel other than such firm.

The Agency and the issuers of the municipal bonds purchased and held by the Trustee have covenanted to comply to the extent permitted by the Constitution and laws of the Commonwealth, with the requirements of the Code, so that interest on the 1999 Bonds will remain exempt from federal income taxes to which it is not subject on the date of issuance of the 1999 Bonds. We are not aware of any provision of the Constitution or laws of the Commonwealth which would prevent the Agency and said issuers from complying with the requirements of the Code.

Respectfully submitted,

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By ______________________

By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

SPECIMEN