



Economic and Fiscal Reconstruction Plan

*Puerto Rico Legislative Assembly
Public Hearing
March 5, 2009*



Agenda

1. Executive Summary

2. Current Situation

3. Plan for the Reconstruction of Puerto Rico

Main Goals

Goals of the Reconstruction Plan

1. Stabilize the fiscal situation
2. Save Puerto Rico's credit
3. Rebuild the local economy

Summary of Current Situation

- Puerto Rico is on the verge of an economic catastrophe
- Facing a deep recession, our economy requires stimulus and investment
- The fiscal deficit reaches \$3.2 billion, which gets us close to having our credit downgraded if we do not act promptly
- The government has kept a high level of expenditures in spite of a noticeable fall in revenues
- We are at risk of losing our credit rating
- We have lost a decade and, if we don't act, we will lose another

Agenda

1. Executive Summary

2. Current Situation

3. Plan for the Reconstruction of Puerto Rico

Puerto Rico is on the verge of an economic catastrophe

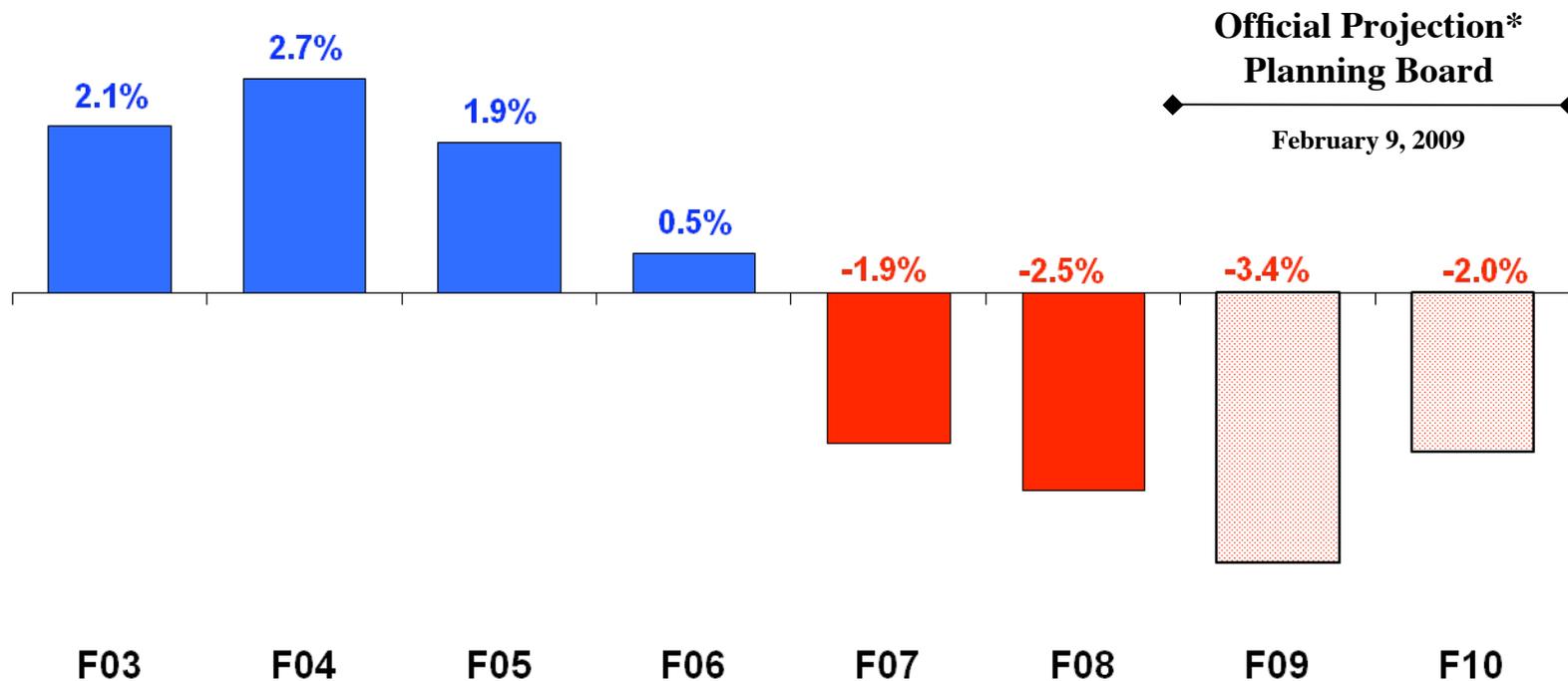
Three factors are pushing us to the edge

Worn out Economy	<ul style="list-style-type: none">• The deepest recession since the Great Depression the 1930s• Inability to create jobs and low workforce participation• Gradual reduction of global competitiveness• Financial sector – devalued and in crisis
Fiscal Deficit	<ul style="list-style-type: none">• Previous overestimations of economic growth have contributed to fiscal deficits• Government incapable of assuming forward looking projects• At risk of being downgraded
Out-Dated Government	<ul style="list-style-type: none">• Structure conceived more than 50 years ago• Lack of metrics for quality of service• Lacking emphasis and focus on productivity (cost/benefit)

Pressing Need to Restore Economic Growth

The Economy is free falling and requires stimulus and investment

Real GNP Projection – Fiscal Years

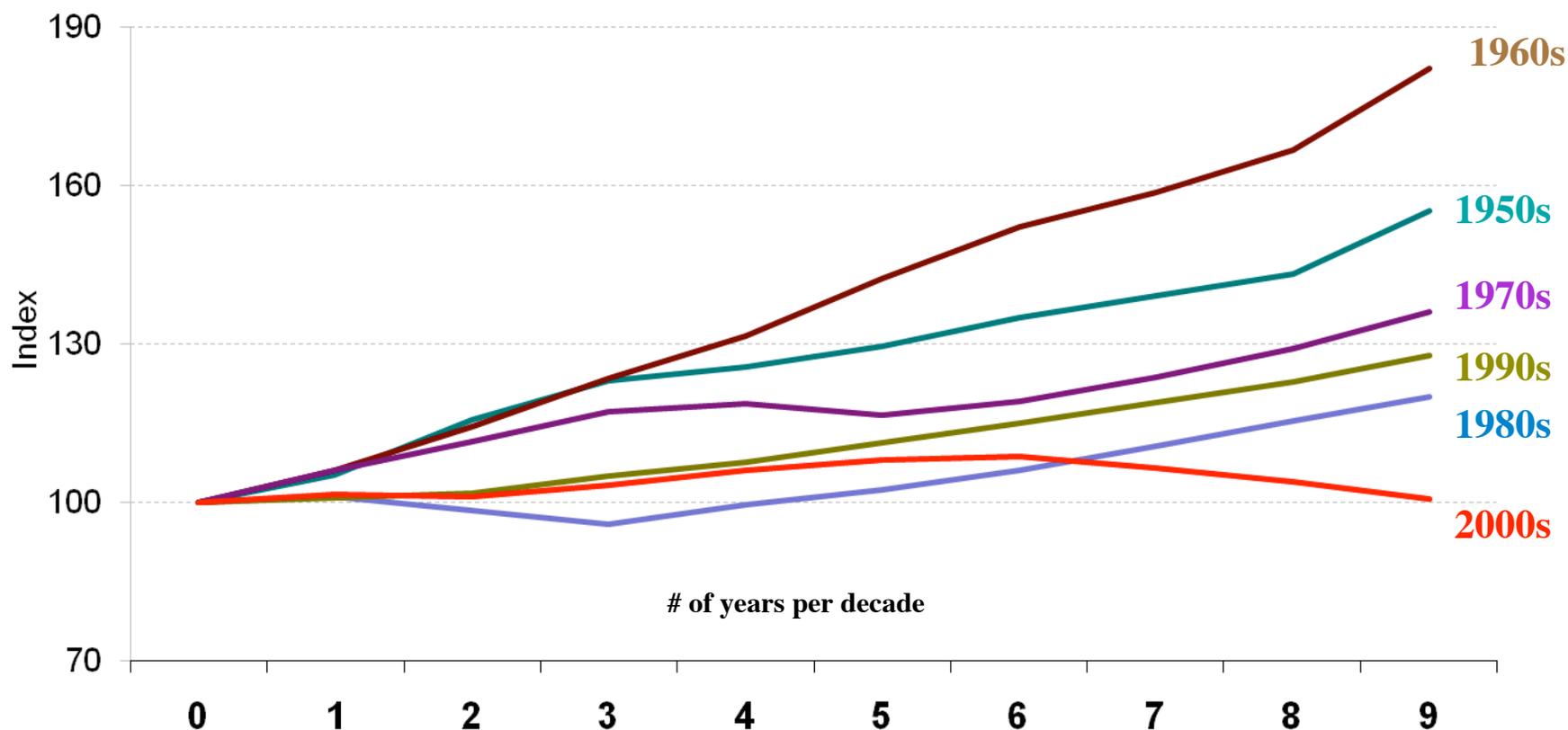


Source: Planning Board, Program of Economic Models and Forecast.
* Projections correspond to base case scenarios.

The 'lost decade'... We cannot lose another one...

We have gone back a decade with respect to our growth

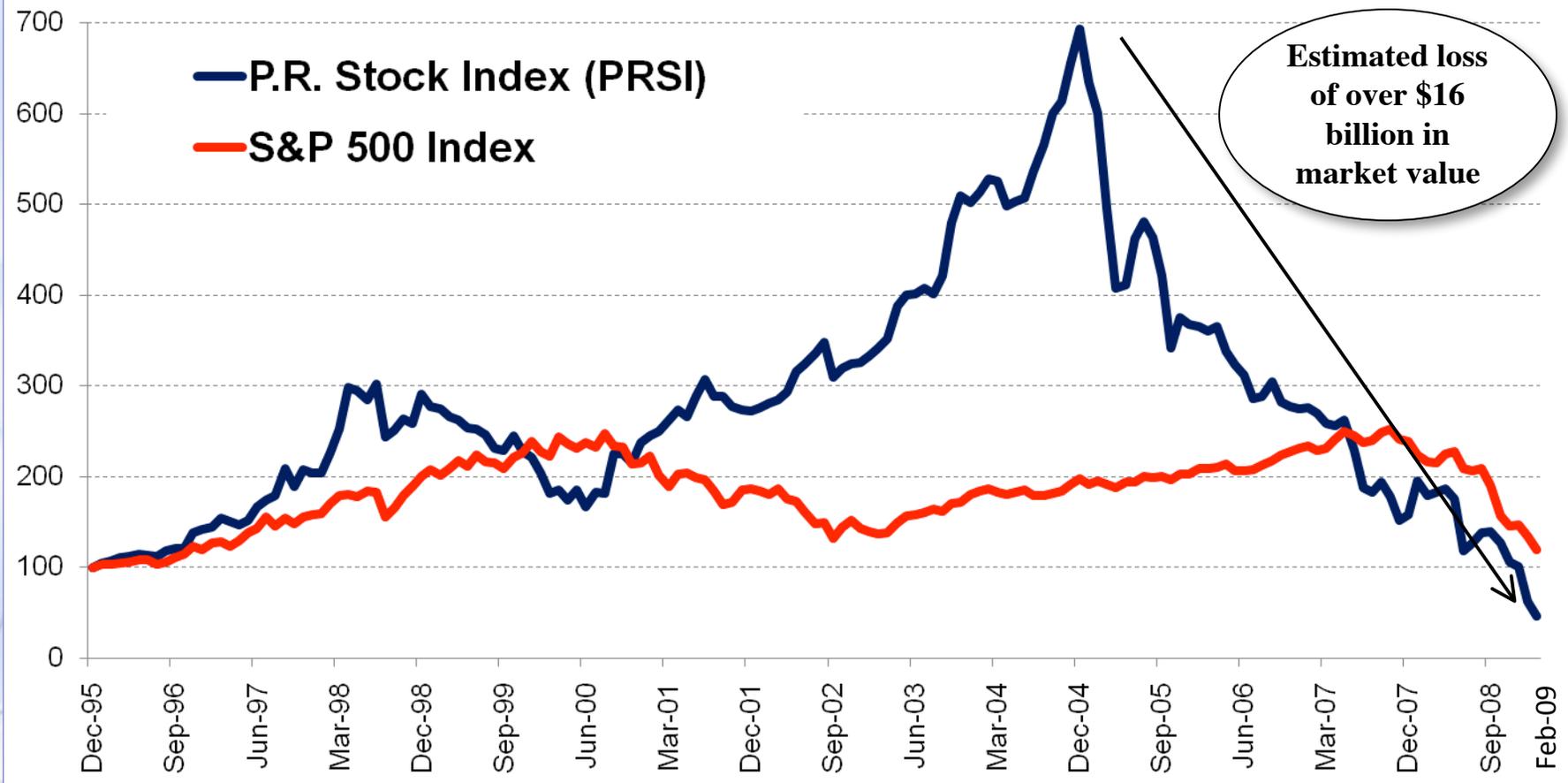
Real GNP annual growth by decade (annual growth indexed : base = 100)



Source: Government Development Bank, Division of Economic Analysis.

The financial system has also gone back in its development...

P.R. banks have gone back more than 13 years

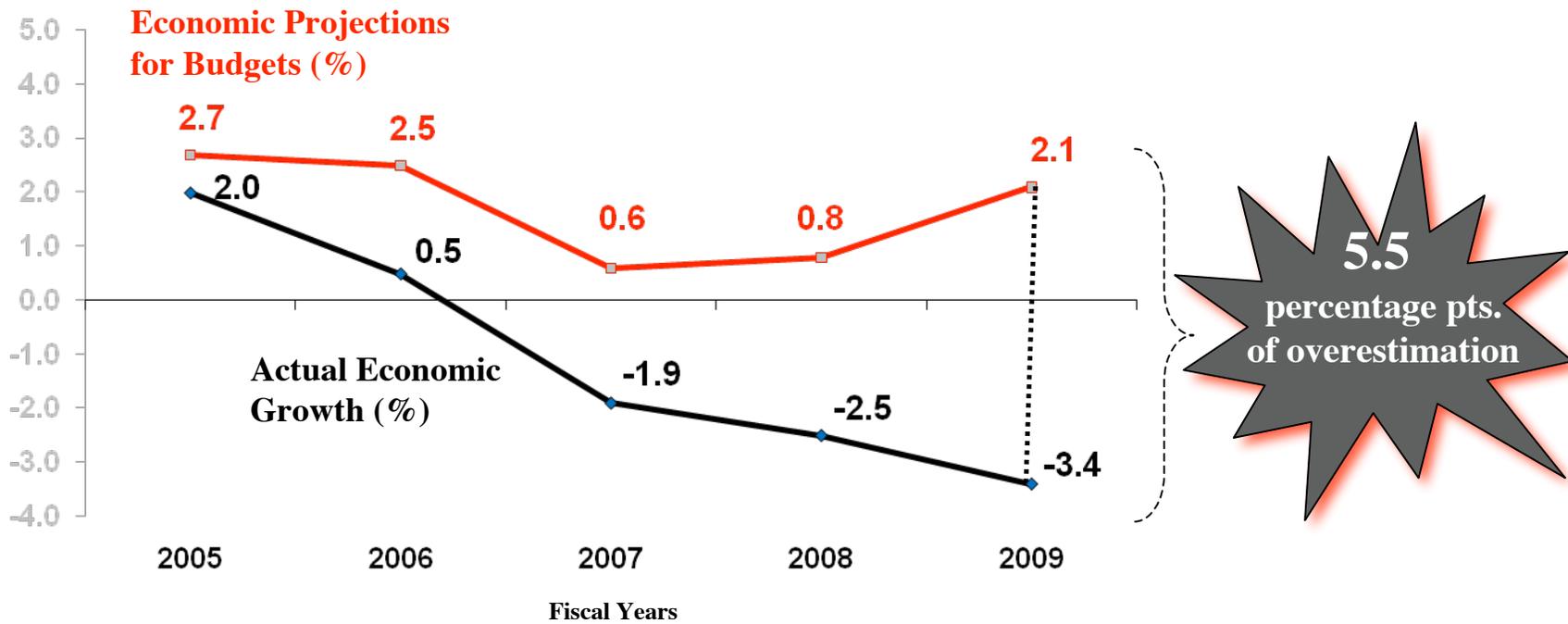


Source: Government Development Bank, Division of Economic Analysis.

Over-estimations of economic growth contributed to the fiscal deficit

- The Planning Board's projections over-estimated Puerto Rico's economic growth.
- These projections caused Treasury to over estimate revenues to the General Fund, which caused an abysmal gap of over \$3.2 billion.

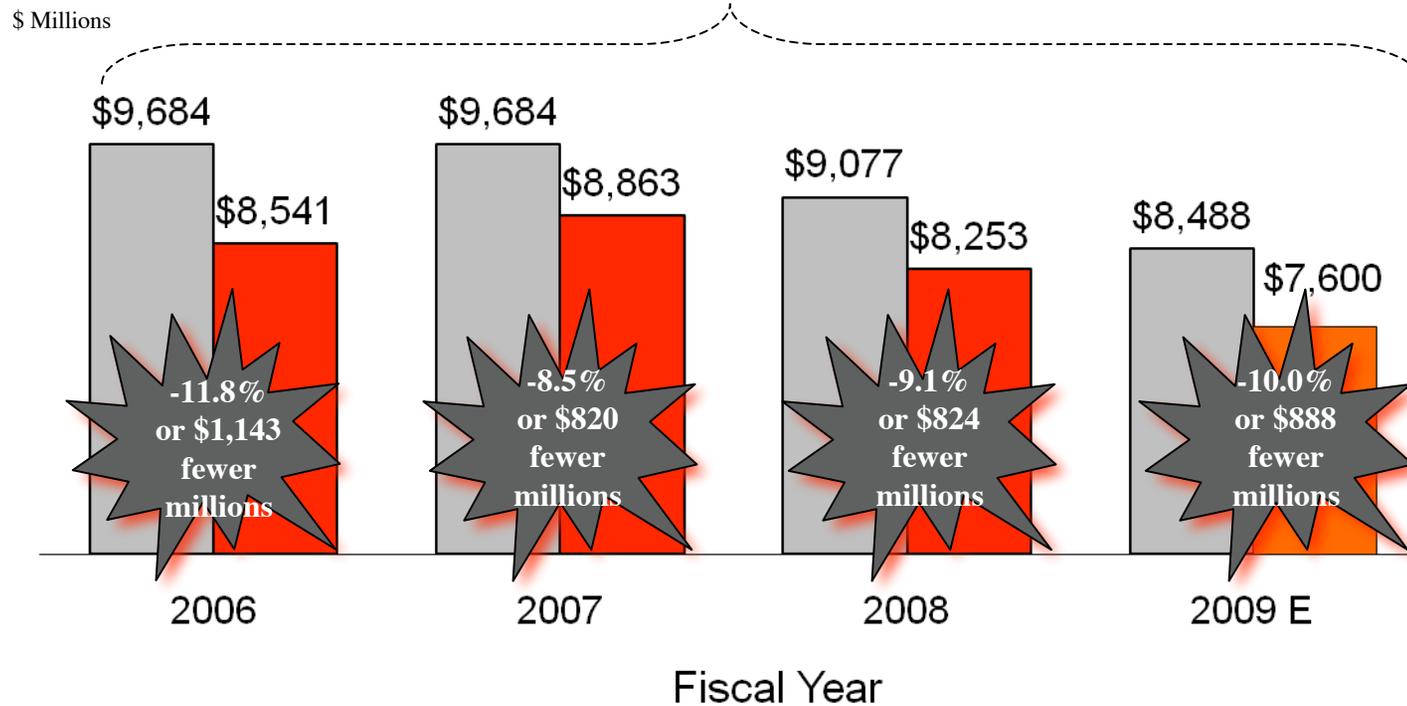
Comparison of Economic Projections for budget purposes and Actual Growth
(% Annual Growth)



Source: Puerto Rico Planning Board.

The Treasury Department has overestimated revenues for the last 4 fiscal years

\$3,765 million in total overestimate



- Revenue projections
- Collected revenue
- Projected revenue

Source: P.R. Government Budgets, OMB and Dept. of the Treasury.

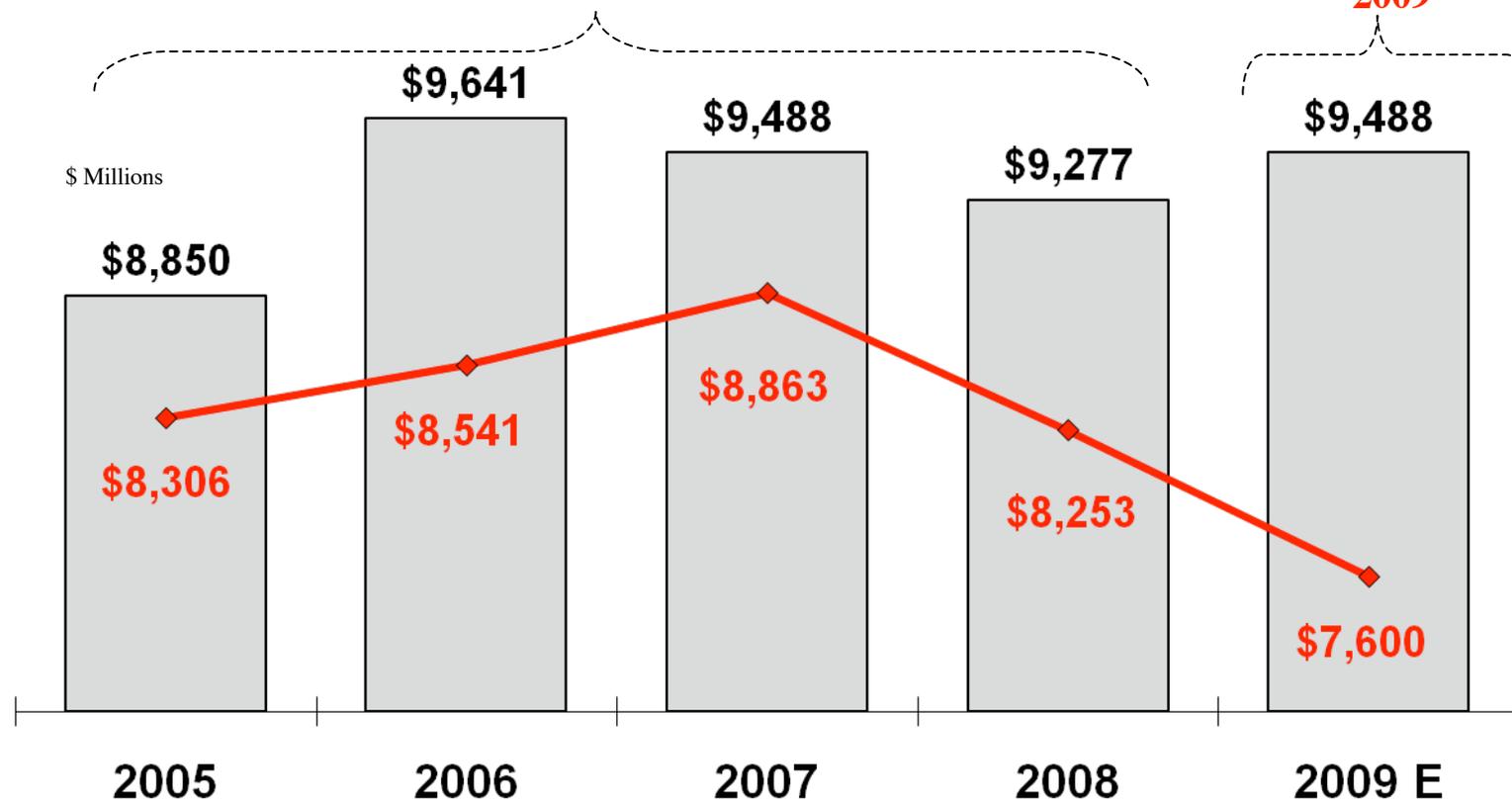
Overestimations of tax revenues allowed for annual budgets to have high levels of expenses

\$3,293 million in total overestimation

**Gap between Budget and Collected Revenues
from FY 2005 to FY 2008**

\$1,888 million*

**Gap between Budget and
Estimated Revenues for FY
2009**



Source: P.R. Government Budgets, OMB and Dept. of the Treasury.

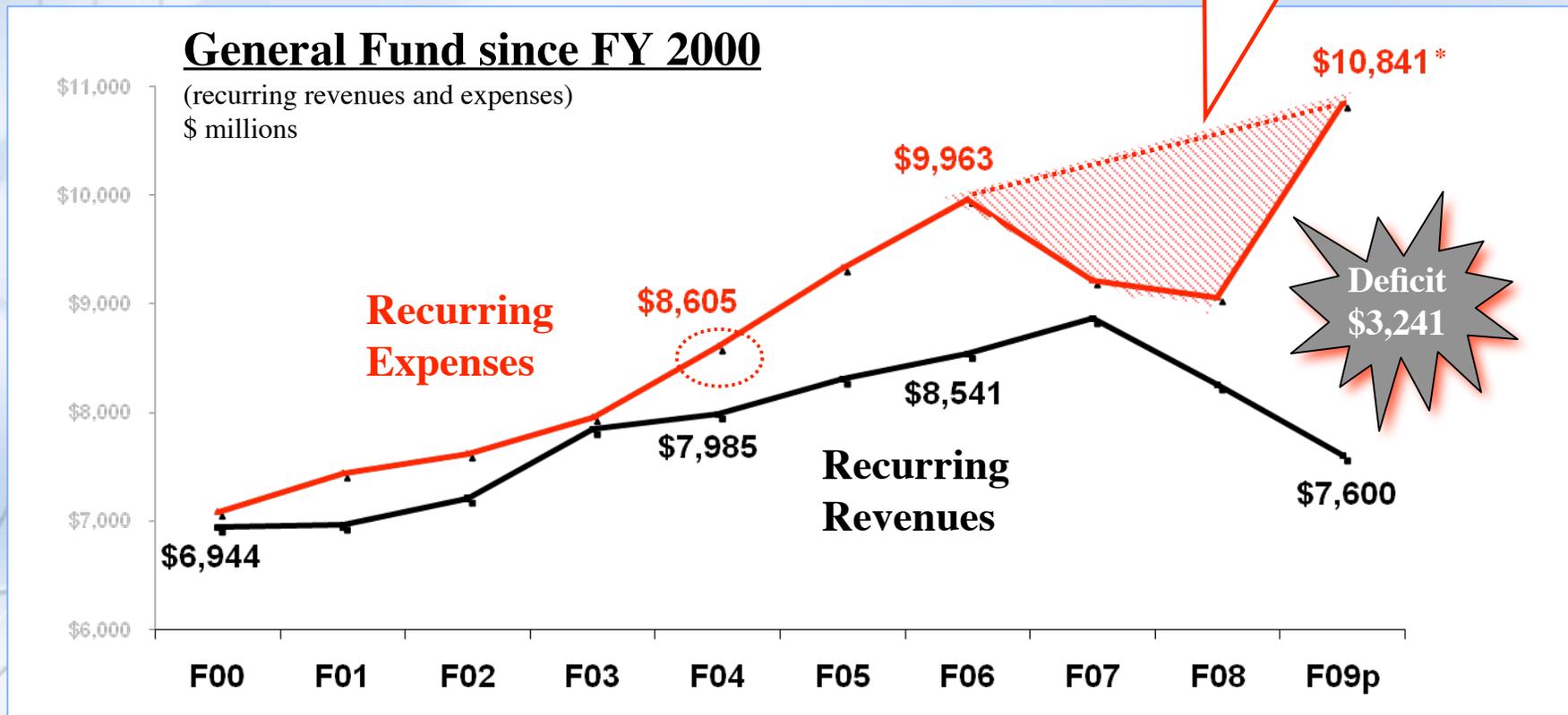
* Budget included the sale of \$1,000 million of a portfolio of tax receivables from the Dept. of Treasury, which could not be sold.

General Fund Budget
 Actual Net Revenues
 (2009's is estimated)

FISCAL EMERGENCY: the outcome is a breach between revenues and expenses

- In FY 2004, expense growth accelerated
- Temporary measures to postpone expenses in fiscal years 2007 and 2008 exploded in 2009
- Reported deficits were covered with non-recurring measures that have run out

Expenses not taken into account in the budget



Source: P.R. Planning Board, 2008 Transition Reports.

* Excludes payment for \$1,000 million of a portfolio of tax receivables from the PR Treasury Department.

Public corporations are in critical condition and urgently require new capital

(1) Downgraded by S&P, from 'A-' to 'BBB+' (Feb-27-09)

(2) Downgraded by S&P, from 'A-' to 'BBB-' (Feb-25-09)

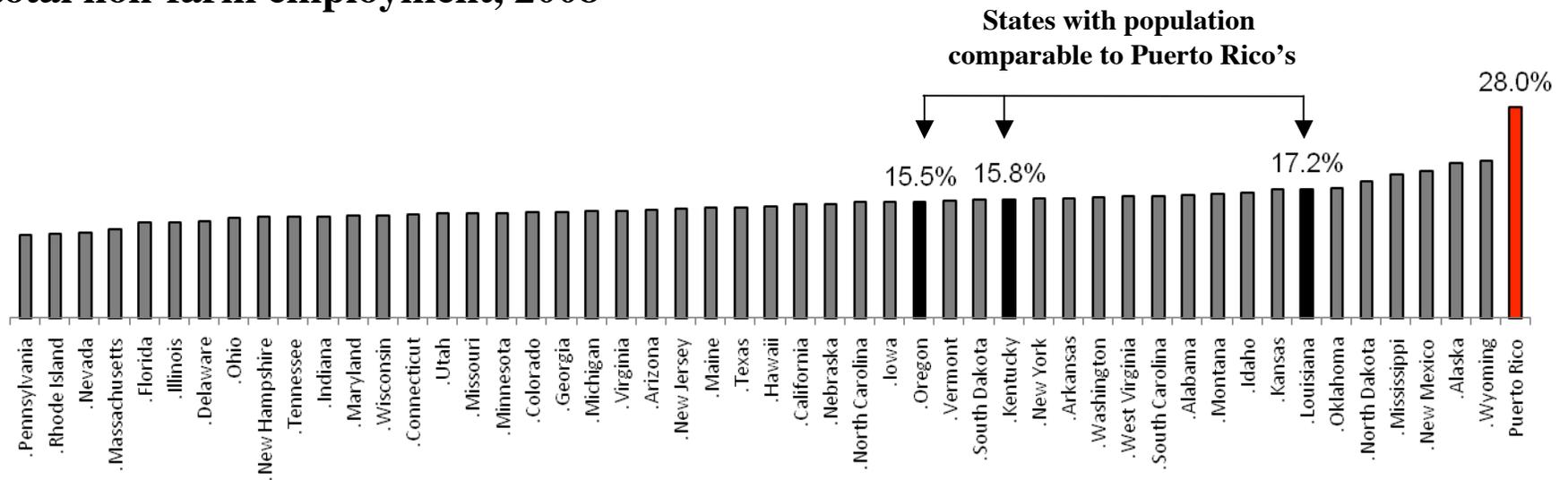
Public Corporation (\$ millions)	Net Revenues (Operational)	Debt as of Dec-31-08	Needed Funds (\$) * As of Jun-30-09	Credit Rating
PRASA	(\$103)	\$2,843	\$228	BBB-
PREPA	(\$181)	\$7,289	\$272	BBB+
PRHTA	(\$60)	\$7,168	\$252	BBB+ (1)
Ports Authority	(\$34)	\$704	\$170	BBB- (2)
Public Buildings (PBA)	(\$51)	\$3,135	\$306	BBB-
ACAA (Acronym in Spanish)	(\$19)	\$0	ND	ND
AMA (Acronym in Spanish)	ND	\$43	\$29	ND
ASSEM (Acronym in Spanish)	ND	ND	\$55	ND
TOTAL	(\$448)	\$21,182	\$1,312	

Source: GDB. The first five are the most important public corporations.

* Includes needed funds for operational expenses and capital investment programs.

Huge Government: PR's largest employer and, proportionally, employs more people than any other of the 50 states

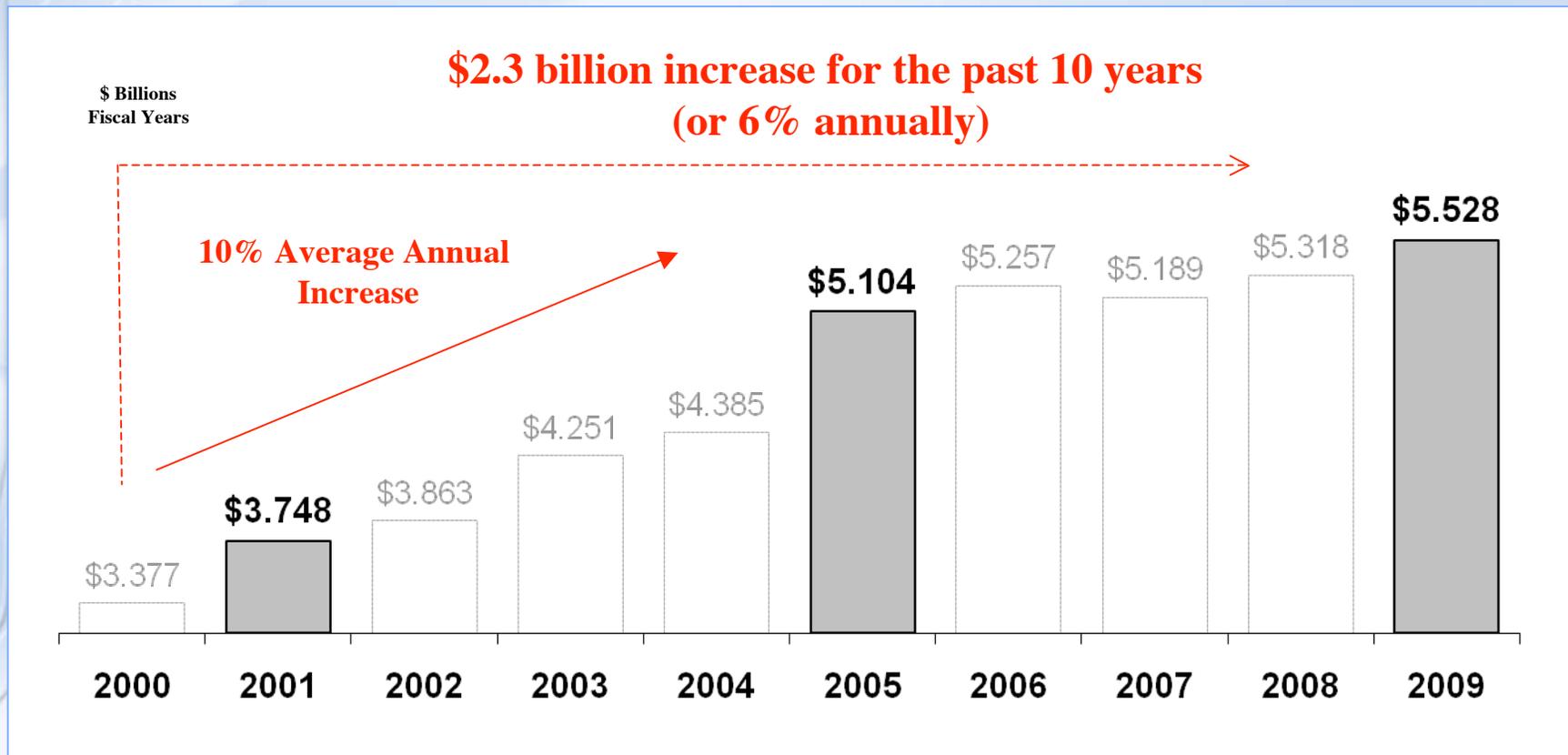
Government employment as a percent of total non-farm employment, 2008



States with similar population have between 70,000 and 120,000 state government employees, which is equivalent to between 45-64% fewer employees than P.R. (the states are: Oregon, Kentucky and Louisiana)

The central government payroll has grown extremely fast

- Government payroll expenses increased at a 6% average annual rate during the last 10 years, while revenues grew at 1%
- Between 2000 and 2005, the payroll grew at a 10% average annual rate

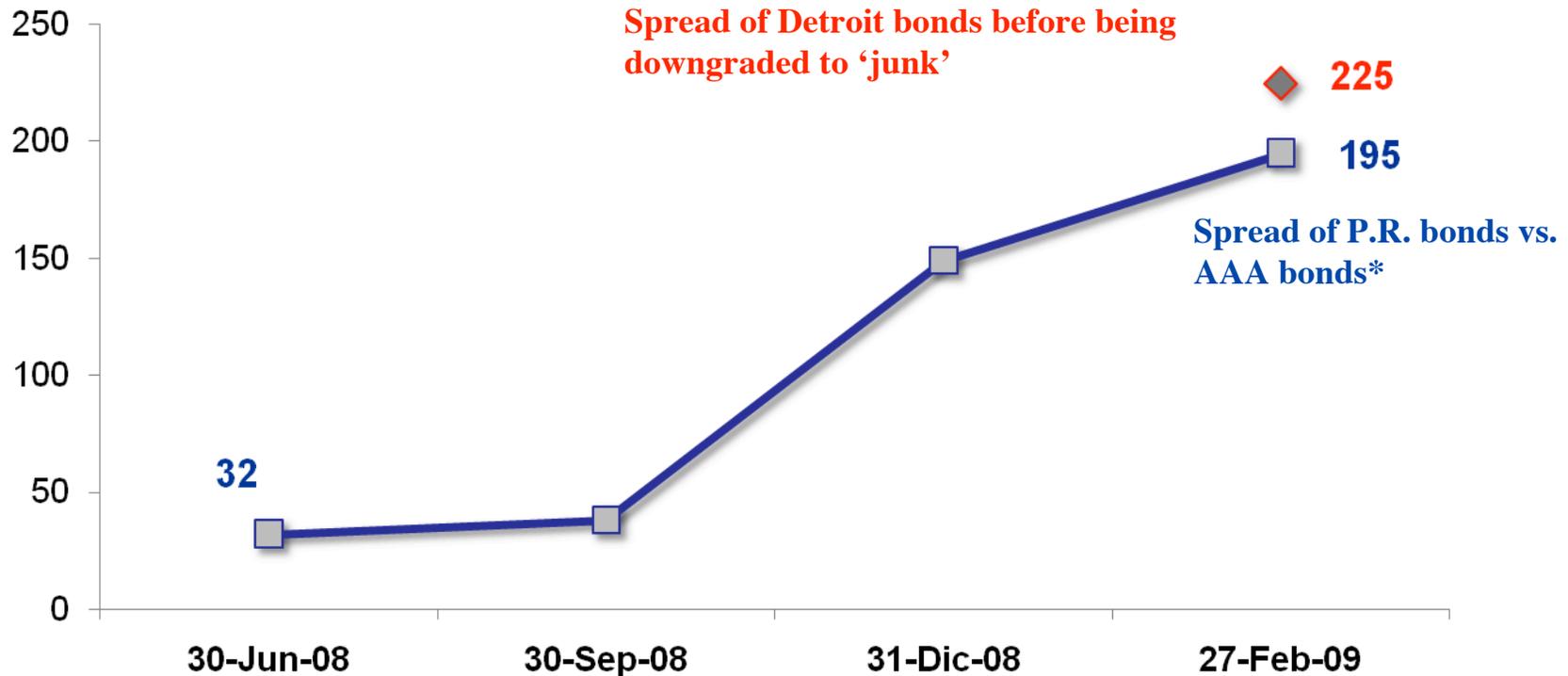


Source: P.R. Office of Management and Budget; Transition Presentations; P.R. Planning Board.

We are dangerously close to the risk of downgrade and the cost of credit has increased dramatically

The spread of P.R. bonds have increased because the market recognizes greater risks in P.R. debt

Basis Points (bps)



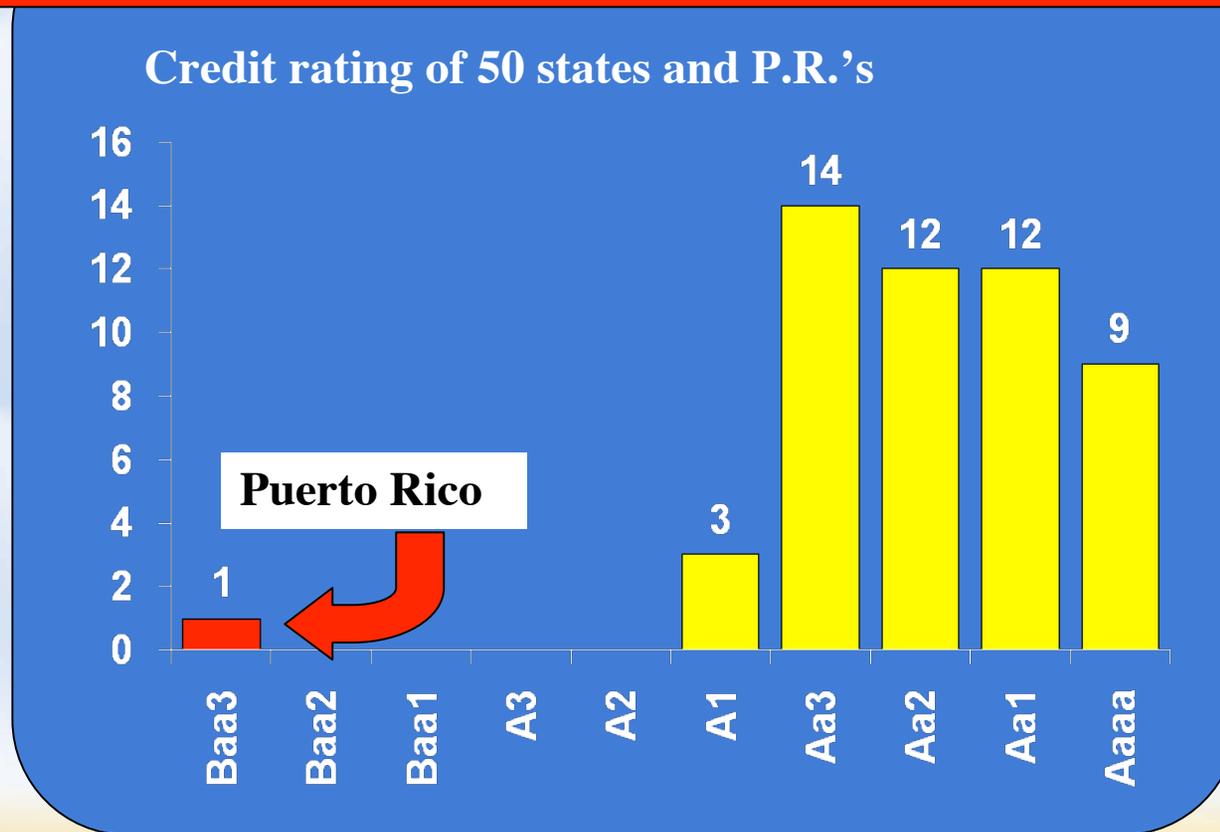
Source: Bloomberg.

* Comparison between US Muni General Obligation AAA Curve and US Muni Puerto Rico Curve.

How close are we to "junk"?

- P.R.'s credit is at the lowest (Baa3 / BBB-)
- The decline in P.R.'s credit has happened over the last 7 years
- Our credit rating is the lowest of all the States

**We are at the edge of being
Non-Investment Grade**

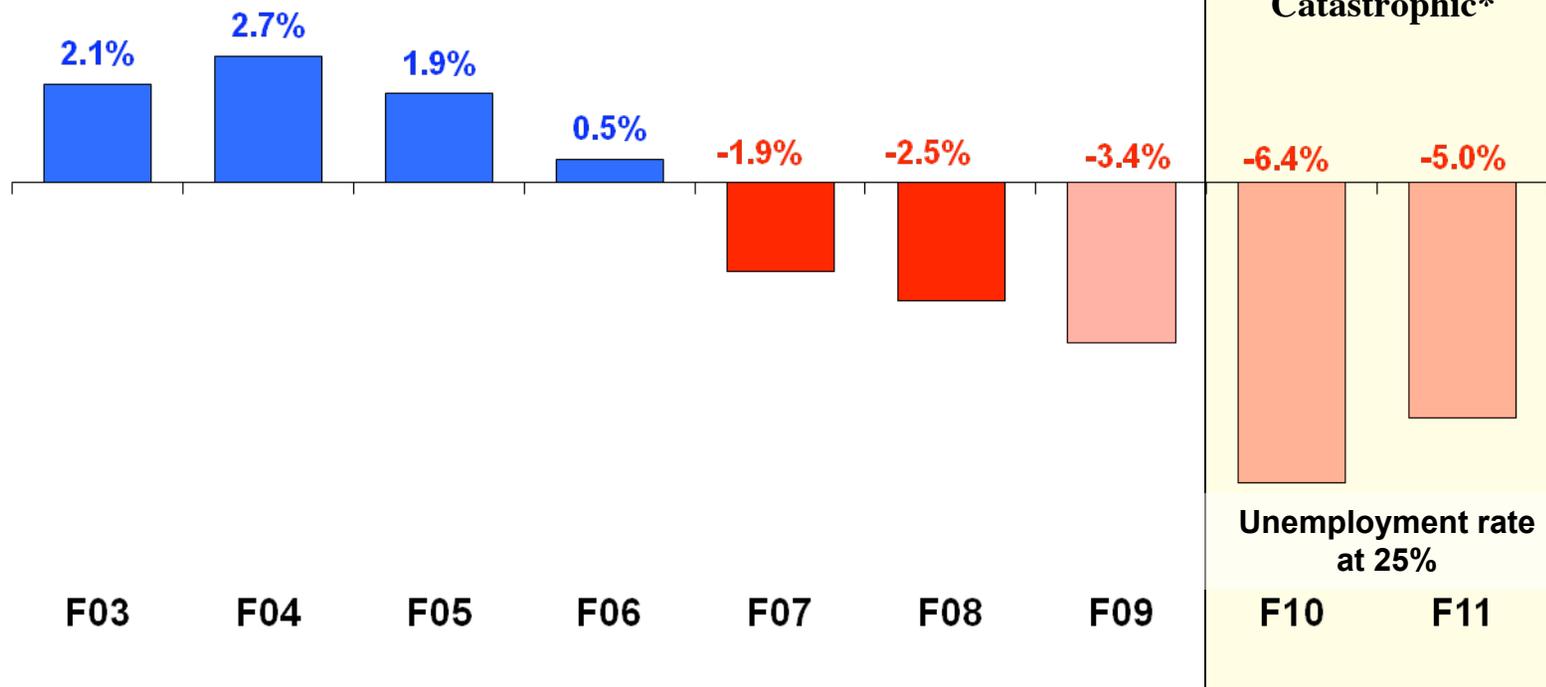


Doing nothing would cause a downgrade, which would generate an economic catastrophe for Puerto Rico

Downgrade => The recession will intensify, 130,000 jobs will be lost and the unemployment rate can reach 25%

Real GNP Estimate – Fiscal Years

Impact of downgrade, considering the reduction in public investment only



Source: Government Development Bank estimates.

* The impact is underestimated given that the simulated event would constitute a breakdown in the overall econometric relationships, which makes a more realistic simulation impossible to make.

Estimated deficit of \$3.2 billion for FY 2009*

Item	Quantity (\$ Millions)*	Description
Individuals	\$2,555	Shows decrease due to recession and high unemployment
Corporations	\$1,412	Dramatic fall due mainly to losses in the banking sector
Non-Resident Withholdings	\$891	Reduction due to fewer pharmaceutical sales
SUT (IVU, in Spanish)	\$911	Reduction due to recession and Sep-08 exemption window
Motor Vehicles	\$339	Significant fall due to recession and weak consumer
Others	\$1,492	Decrease in other areas
TOTAL REVENUE	\$7,600	Estimated 10% drop (estimate as of Feb-10-2009)
Base budget	\$9,484	Budgeted expense base for FY09 is maintained.
Environmental Quality Board's Retirement Plan	\$15	Act for early retirement was approved without source of re-payment.
Deficits: Health and Education Depts.	\$500	Excess expense on the public Health Plan and Education**
PBA non-budgeted revenue	\$145	Non budgeted revenue owed to Public Buildings Authority
Other deficits	\$118	Deficits attributed to agencies and excess payments for unused sick leave
GDB non-budgeted Notes	\$143	Non-budgeted loans payable to GDB
Non budgeted debt service PIF	\$350	Permanent Improvement Fund's debt service
TRANS debt service	\$86	Non budgeted TRANS debt service
TOTAL EXPENSES	\$10,841	Estimated Total Expenses, as of Mar-03-09*
DEFICIT	(\$3,241)	

Sources: Dept. of the Treasury, Office of Management and Budget, GDB and several agencies.

* Subject to final OMB revision and certification.

** Includes \$300 million in public Health Plan deficit and \$200 million deficit of Education Department.

Agenda

1. Executive Summary

2. Current Situation

3. Plan for the Reconstruction of Puerto Rico

Main Goals

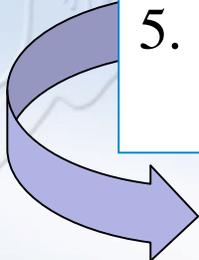
Goals of the Reconstruction Plan

1. Stabilize the fiscal situation
2. Save Puerto Rico's credit
3. Rebuild the local economy

Initiatives of the Reconstruction Plan

Main Initiatives

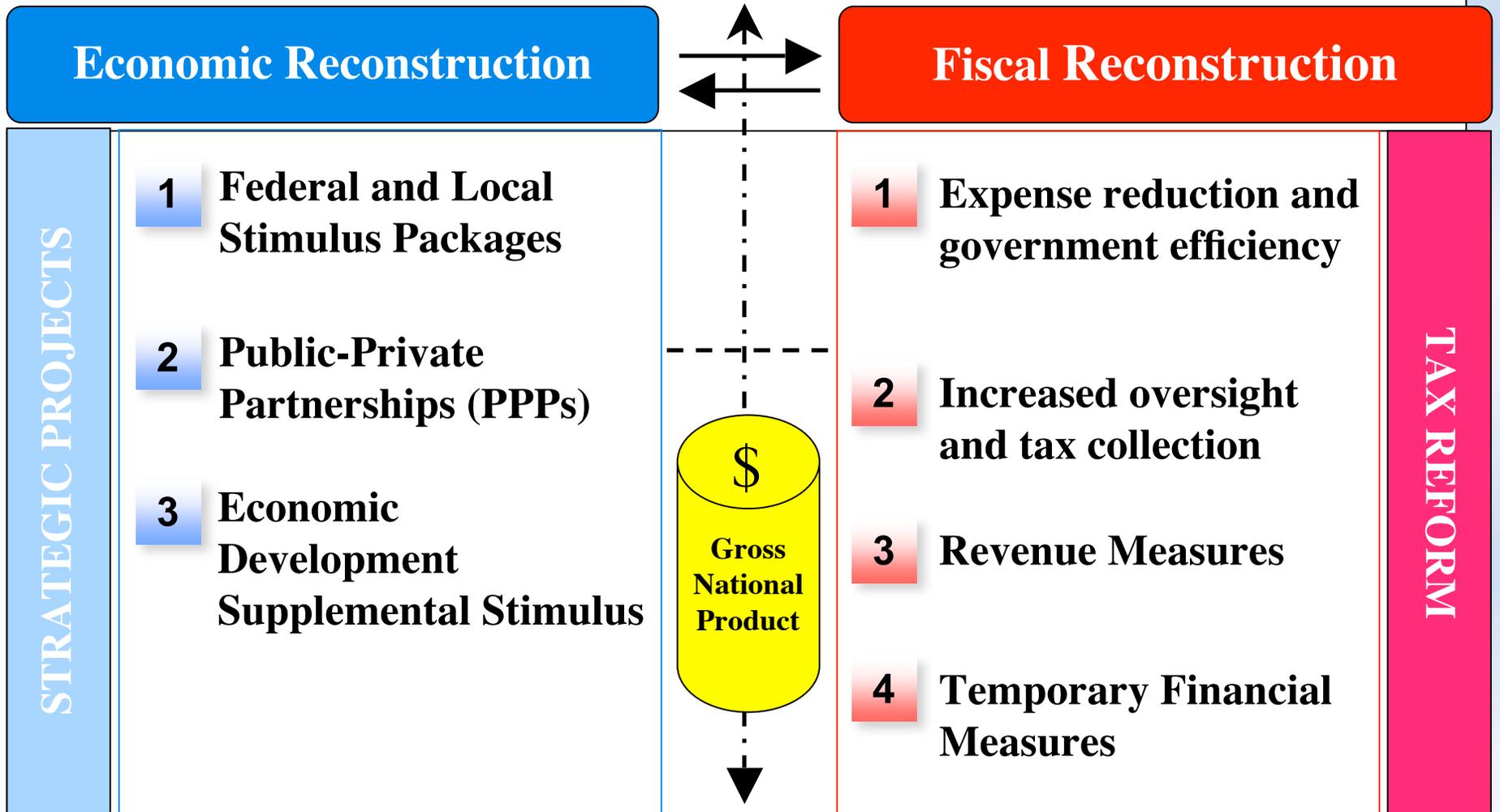
1. Formulate the first multi-annual budget with a zero-base methodology
2. Reorganize the Central Government
3. Adopt controls for the selection of capital investment projects and to manage the public debt
4. Revise the effectiveness of tax exemption, deduction and credit laws with respect to private investment
5. Begin the Tax Reform



A Puerto Rico with Sustainable Growth

Puerto Rico Reconstruction Plan

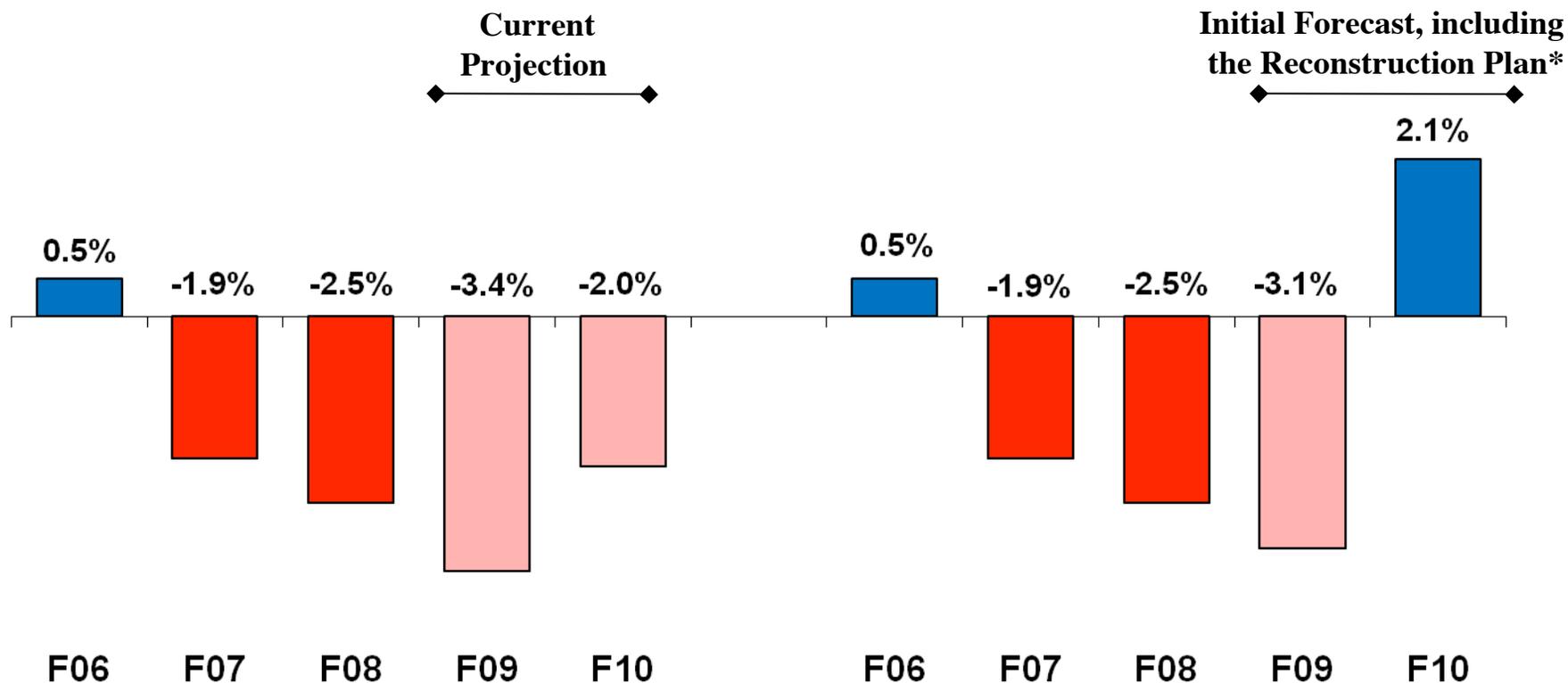
Goal: Stabilize the economy and restore public finances



Initial estimate of economic forecast taking into account the Reconstruction Plan... Economic forecasts are under revision in order to produce the best macroeconomic modeling as possible

Initial economic forecasts taking into account the Reconstruction Plan *

Real GNP Forecasts – Fiscal Years



Sources: PR Planning Board.
* Preliminary and subject to revision.

Plan for Economic Reconstruction

Economic Reconstruction:

- Federal and Local Stimuli
- Public-Private Partnerships
- Supplemental Stimulus
- Strategic Projects

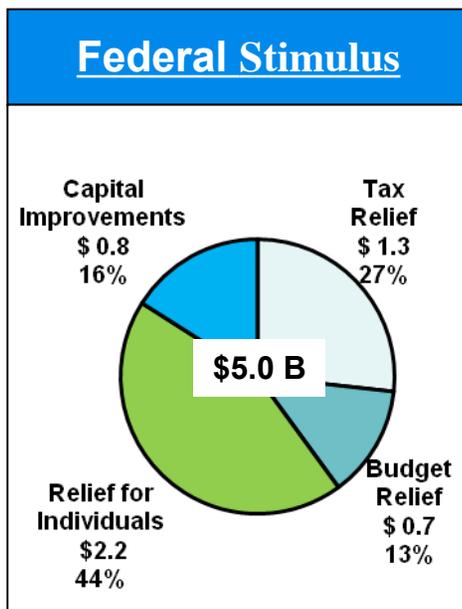
Economic Reconstruction: To provide stimulus for recovery

Jun-09 -----> Dec-10 -----> 2011

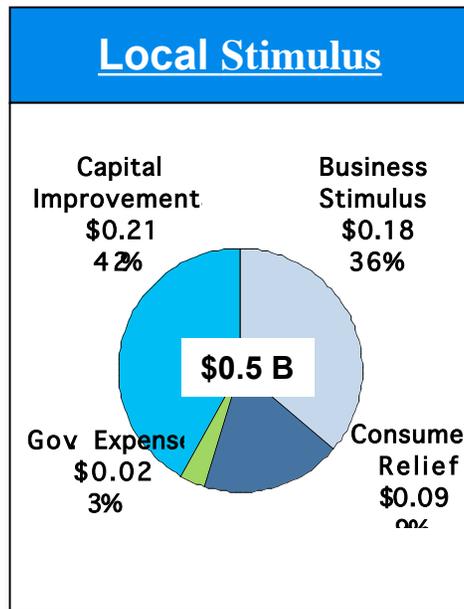
(\$ billions)

\$5.0 + \$0.5 + \$2.0 ≈ \$7.5 BN

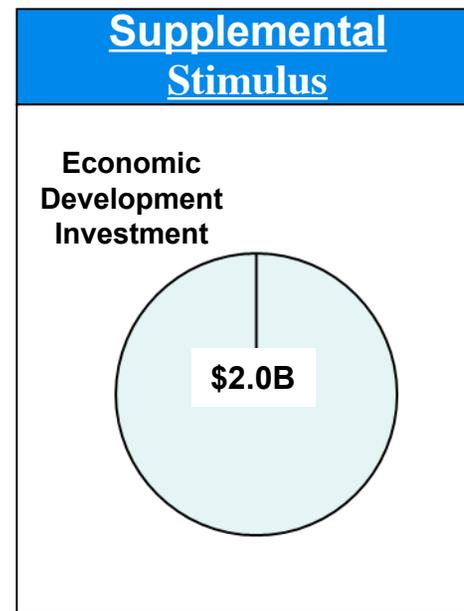
PHASE Ia



PHASE Ib



PHASE II



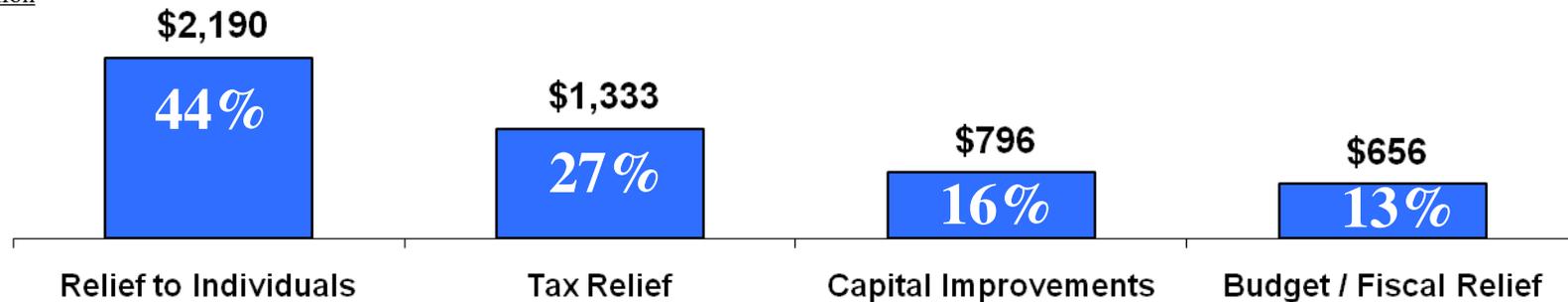
**12%
of GNP
in
Total
Stimulus**

Public-Private Partnerships

Federal Stimulus: Golden opportunity to implement a significant stimulus*

~\$5 billion for P.R. during the next 2 fiscal years*

\$ Million



Distribution* (\$ millions)	F 2009*	F 2010*	F 2011*	F 2012-14*	TOTAL*
Tax Relief	\$500	\$665	\$165	\$0	\$1,330
Budget / Fiscal Relief	\$60	\$298	\$298	\$0	\$656
Relief for Individuals	\$82	\$1,160	\$744	\$204	\$2,190
Capital Improvements	\$39	\$412	\$344	\$0	\$796
TOTAL*	\$681	\$2,535	\$1,552	\$204	\$4,972

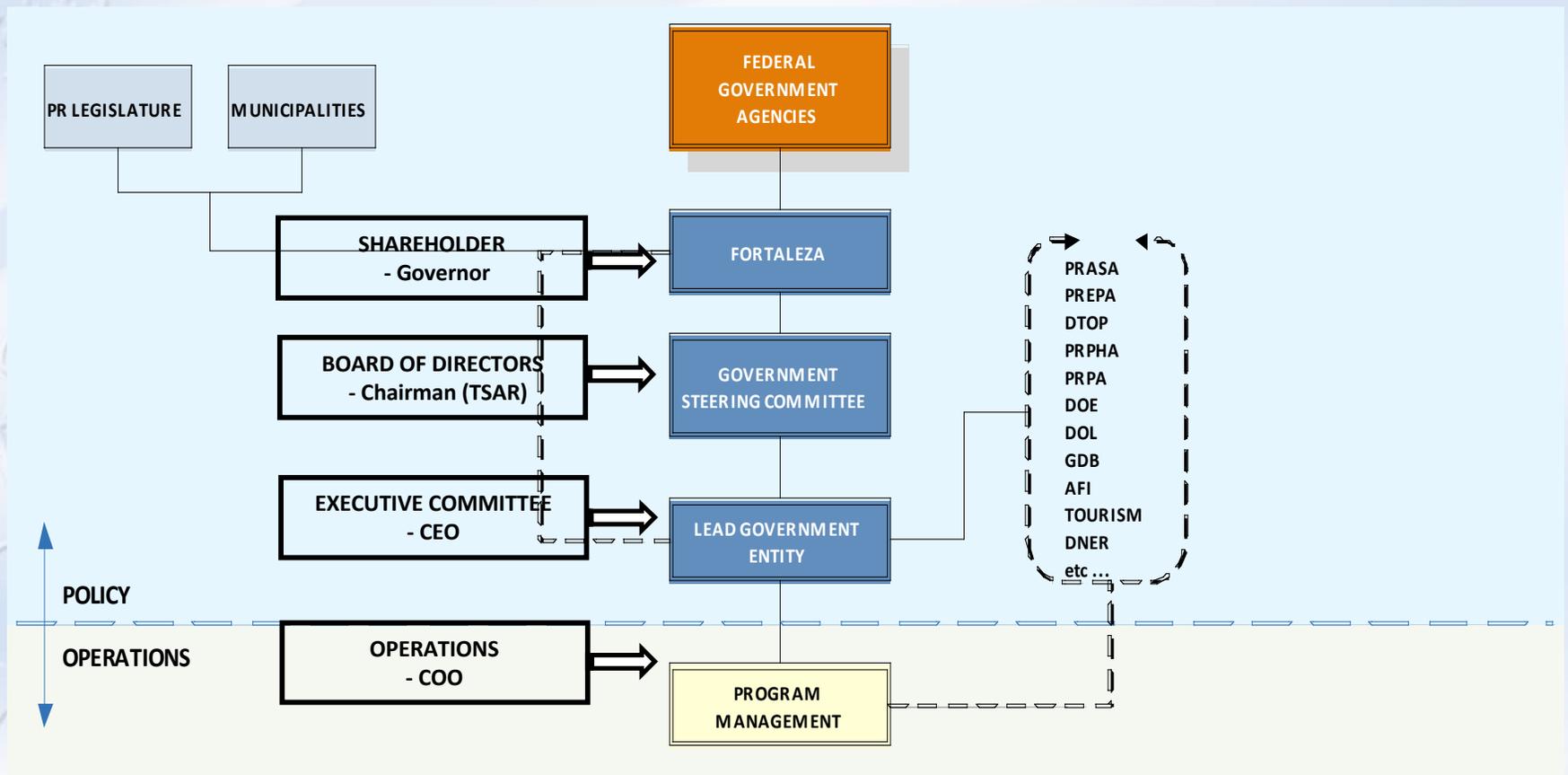
Source: P.R. Federal Affairs Administration, Fortaleza, GDB and Planning Board.

* Figures and funds distributions are preliminary estimates and subject to revision.

Federal Stimulus Plan

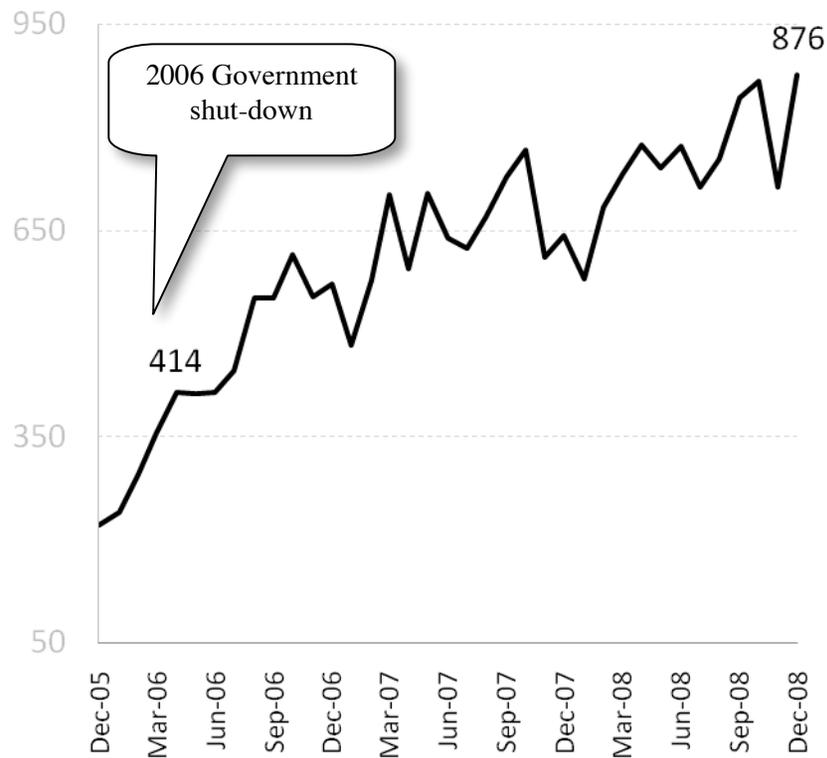
Organizational structure

- An organizational structure has been set to manage the implementation of the Federal stimulus in an orderly fashion

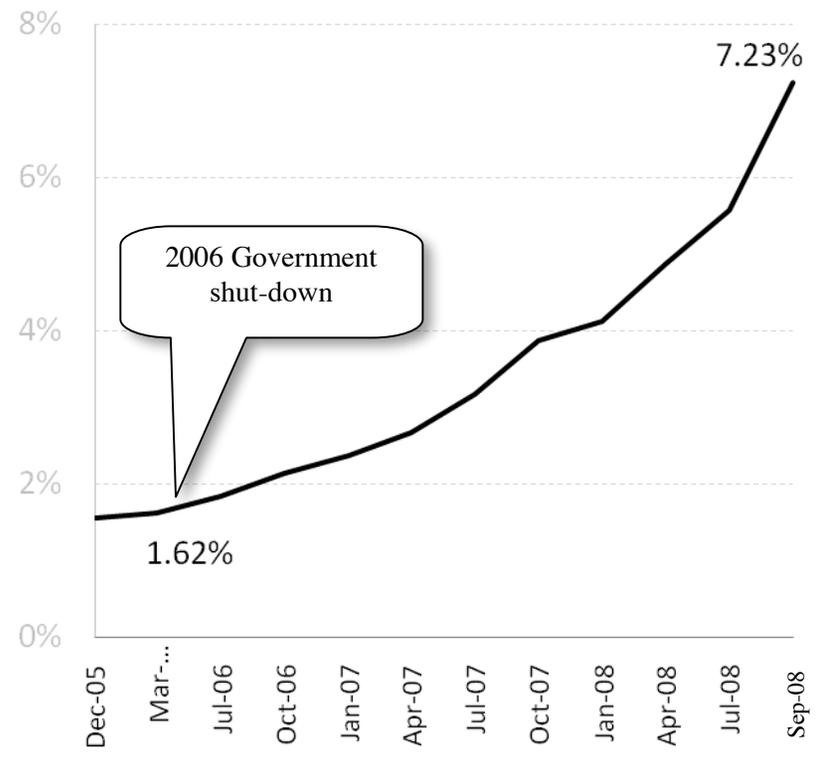


Besides the Federal Stimulus Plan, the Local Stimulus Plan provides assistance to the private sector and consumers...

Total in Total Bankruptcies



Trend in Total Non-Performing Loans

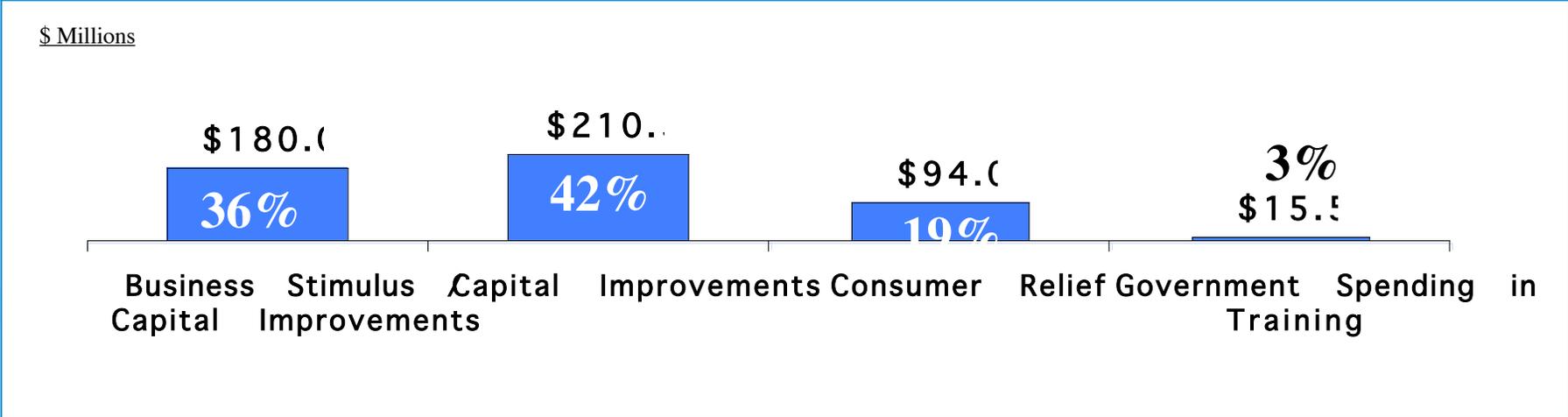


Local Stimulus Plan*

Estimated total economic impact of \$953 million

- A Local Plan that complements the Federal Stimulus Plan

\$500 million in relief and investment funds that will complement the Federal Plan



Distribution* (\$ millions)	F 2010 *	F 2011 *	TOTAL*
Business Stimulus/ Capital Improvements	\$90.0	\$90.00	\$180.0
Capital Improvements/ Infrastructure Projects	\$105.25	\$105.25	\$210.5
Consumer Relief	\$47.0	\$47.0	\$94.0
Government Spending on Training	\$15.5	-	\$15.5
LOCAL STIMULUS PLAN TOTAL	\$257.75	\$242.25	\$500.0

Source: Economic and Financial Affairs Office of Fortaleza, PR Planning Board and GDB.

* Figures and funds distributions are preliminary estimates and subject to revision.

Local Stimulus Plan

Summary of Programs

Business Stimulus (\$180MM)	Program	Investment	Economic Impact
	1. Small & Medium Businesses Program	\$180 million	\$383.9 million in loans and reach over 76,770 jobs and over 7,677 loans
Strategic Infrastructure Projects (\$142.5MM)	Program	Investment	Economic Impact
	2. PINI I	\$100 million	Economic Impact of \$163 million
	3. PINI II	\$25 million	Economic Impact of \$41 million
	4. PRASA	\$12.5 million	Economic Impact of \$20.4 million
	5. Mayagüez 2010	\$5 million	Support to carry out the Mayagüez 2010 Games
Consumer Relief (\$94MM)	Programs	Investment	Economic Impact
	6. Retirees Bonus	\$40 million	Benefit for 106 thousand retirees
	7. New Housing and Re-sale Stimulus	\$24 million	8,000 new units and 4,000 re-sales
	8. Mortgage Restructuring	\$30 million	Reach more than \$1,000 million in mortgages and more than 5,000 families
Housing Construction Stimulus (\$68MM)	Program	Investment	Economic Impact
	9. Low Cost Housing Construction Financing Plan	\$68 million	Build 6,488 new units, create over 40,303 jobs and over \$300 millions in loans
Streamline Permits Process (\$0.5MM)	Program	Investment	Economic Impact
	10. Inter-Agency Permits Office (CIPE)	\$0.5 million	Expedite over 900 projects pending at the Planning Board and 4,900 at ARPE, and over \$12,600 million in investment
Workforce Retraining (\$15MM)	Program	Investment	Economic Impact
	11. Re-training	\$15 million	Provide training for 9,975 citizens

Public-Private Partnerships provide a tool to jumpstart economic development amid fiscal scarcity

What are PPPs?

- Collaboration between the public sector, and the private sector, non profit entities, cooperatives and municipal corporations, via partnerships to:
 1. Develop infrastructure projects
 2. Manage a government assets
 3. Provide a service
- The non governmental partner takes on certain responsibilities and risks related to the development of project in exchange for getting the benefits of operating it.

The potential benefits for our government are considerable

Main benefits for the Government

- Lower costs to develop projects for the public sector
- Reduction of financial risk
- Creation of new sources of revenue
- Setting ways to measure quality of service
- Re-directing public resources to focus on the implementation of public policy
- Diversify partnerships participants throughout different sectors

Establish a process that is flexible, prompt and transparent...

Key to success

- A clear public policy that encourages PPPs
- Legal framework that is straightforward, flexible and deft
- Uniform procedures that foster the participation of the private sector
- Transparency
- On-time payments

Contract duration and the right to control charges and rates are fundamental for successful PPPs

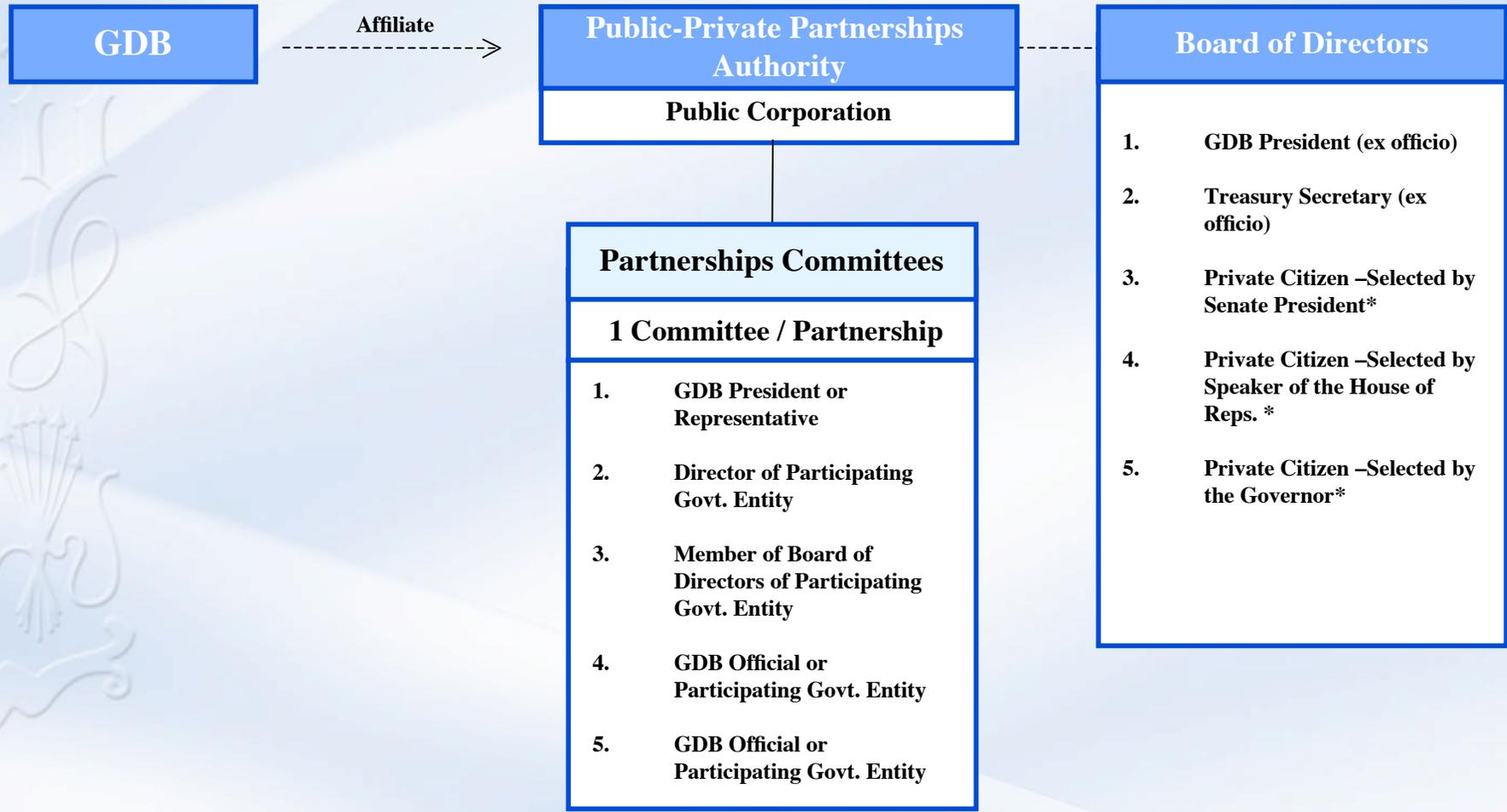
Flexibility in PPP Contracts

- Duration of contracts are highly variable: In some cases, long term contracts make sense because the investment required of the private participant is significant.
 - Example: education partnerships, up to 30 yrs.
 - Example: highways and transportation, typically, between 75 and 99 yrs.
- Increases in charges and rates, established by contract; typically linked to economic growth and inflationary factors.

An efficient scheme is proposed...

This structure protects the public interest

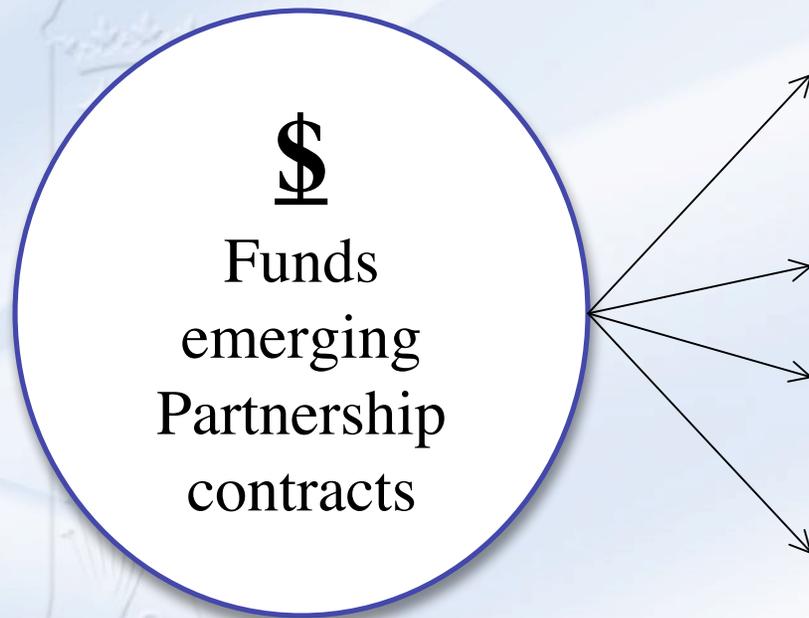
Creation of the Public-Private Partnerships Authority



* Designation for up to four years and/or until a successor is identified.

Using funds from PPPs will provide relief to the fiscal burden

What will be done with the funds derived from the Partnerships?



- 1. Pay off debt of Participating Government Entity or the Commonwealth's**
- 2. Cover operational expenses**
- 3. Create a capital improvements fund for the Participating Government Entity**
- 4. Create a fund to cover contracting expenses**

These payments will have the use that the Governor finally approves. The use of the funds related to the General Fund will have to be authorized by the Legislative Assembly.

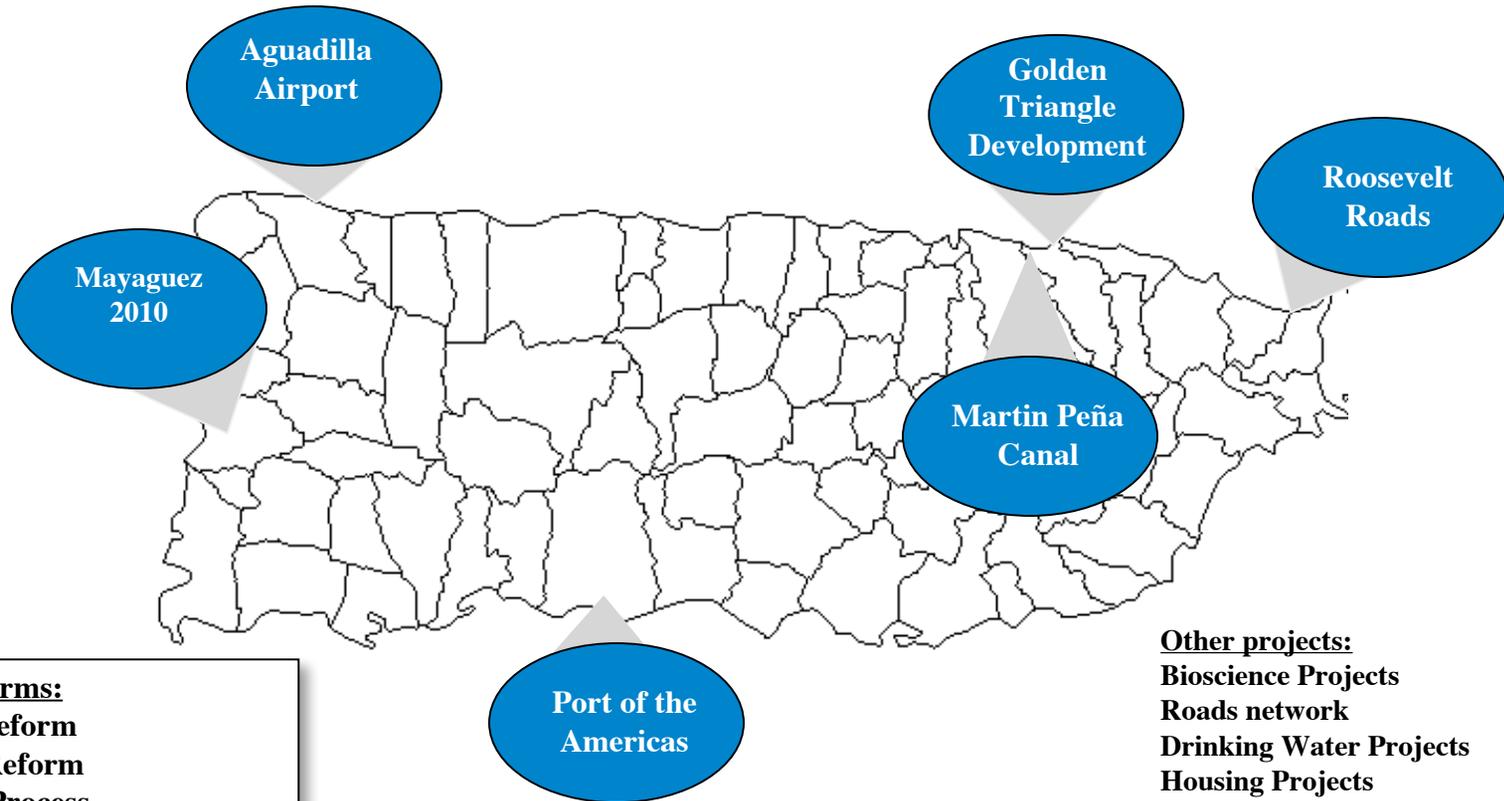
Currently, there are opportunities for partnerships in various areas

Areas of opportunity for Partnerships

- Highways
- Maritime Ports and Airports
- Transportation
- Lottery
- Solid waste
- Drinking Water
- Renewable energy
- Real estate development

Supplemental Stimulus: To promote economic development and strategic projects

Infrastructure Projects



Key Reforms:
Health Reform
Energy Reform
Permits Process
Non Profit Sector

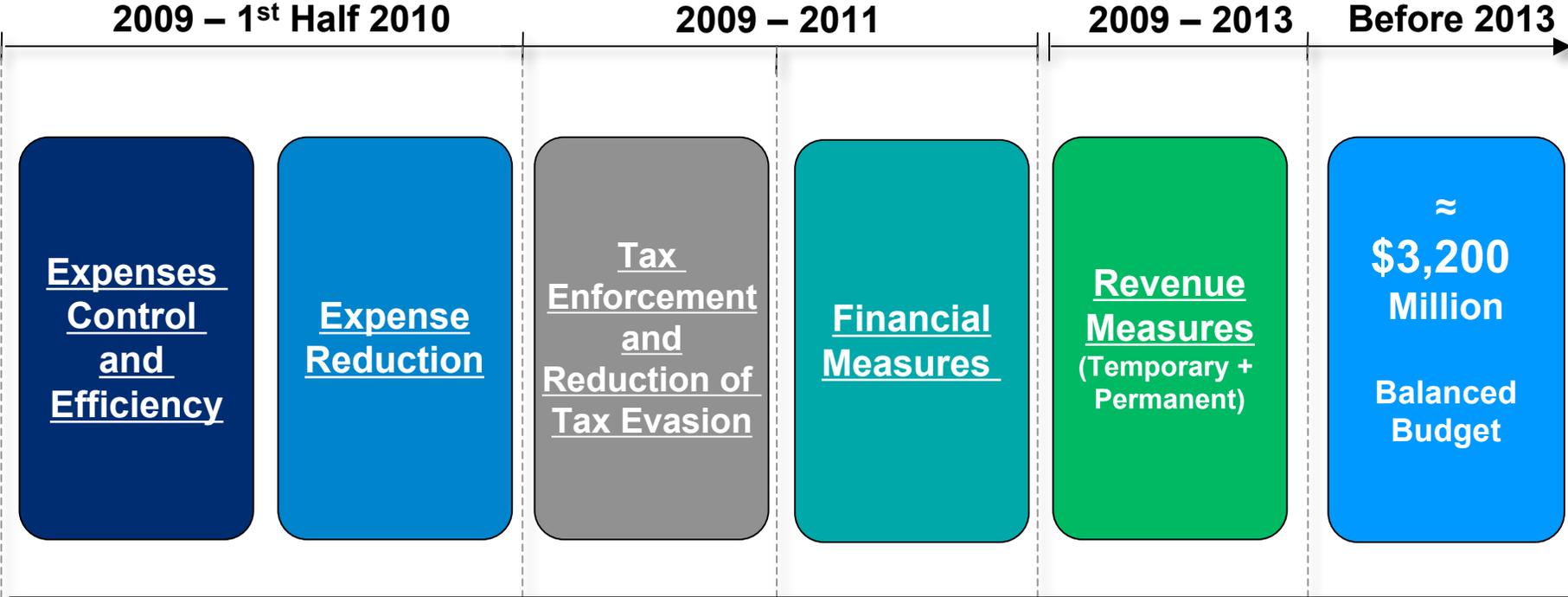
Other projects:
Bioscience Projects
Roads network
Drinking Water Projects
Housing Projects
Mass Transportation
Agriculture Projects

Plan for Fiscal Reconstruction

Fiscal Reconstruction :

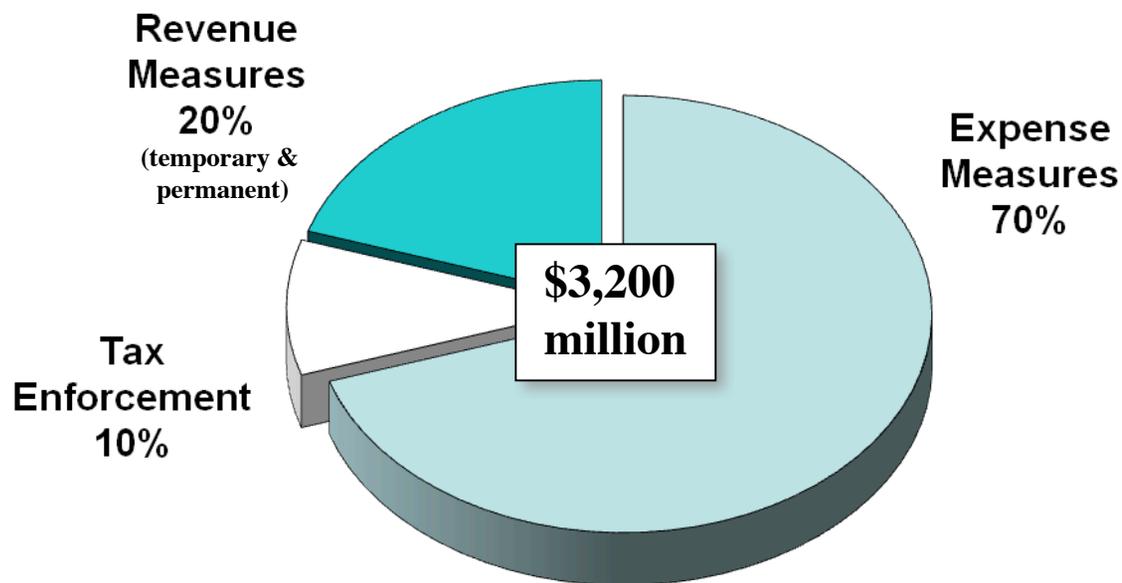
- Expense Measures
- Tax Enforcement and Compliance
- Revenue Measures
- Financial Measures

Fiscal Reconstruction: Through a series of fiscal measures



The size of the deficit forces us to consider all possible measures

Distribution of Fiscal Reconstruction Measures

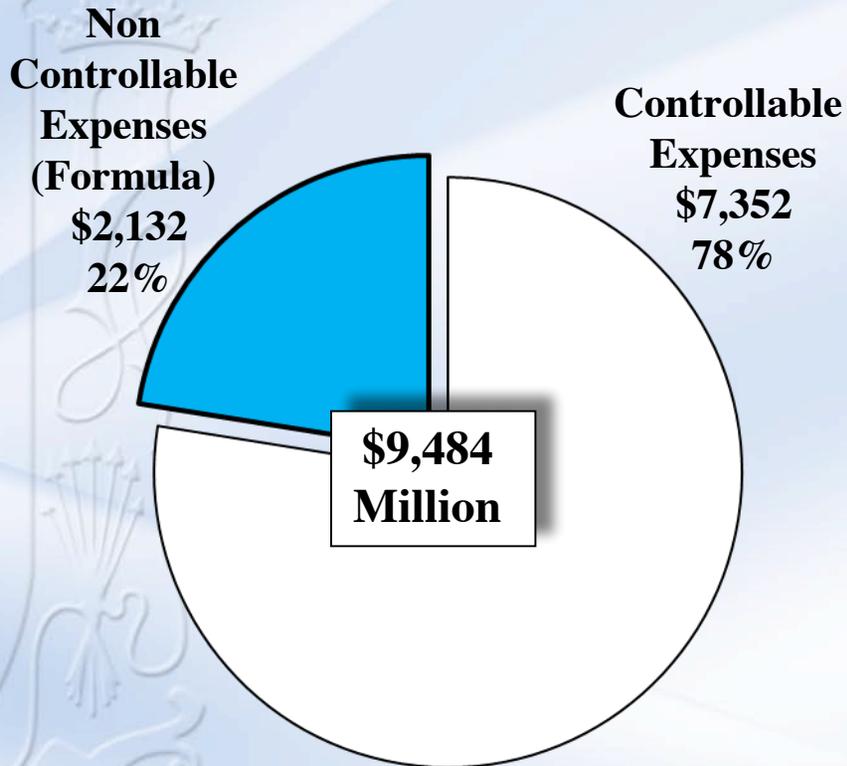


Financial Measures
(stabilization measures)

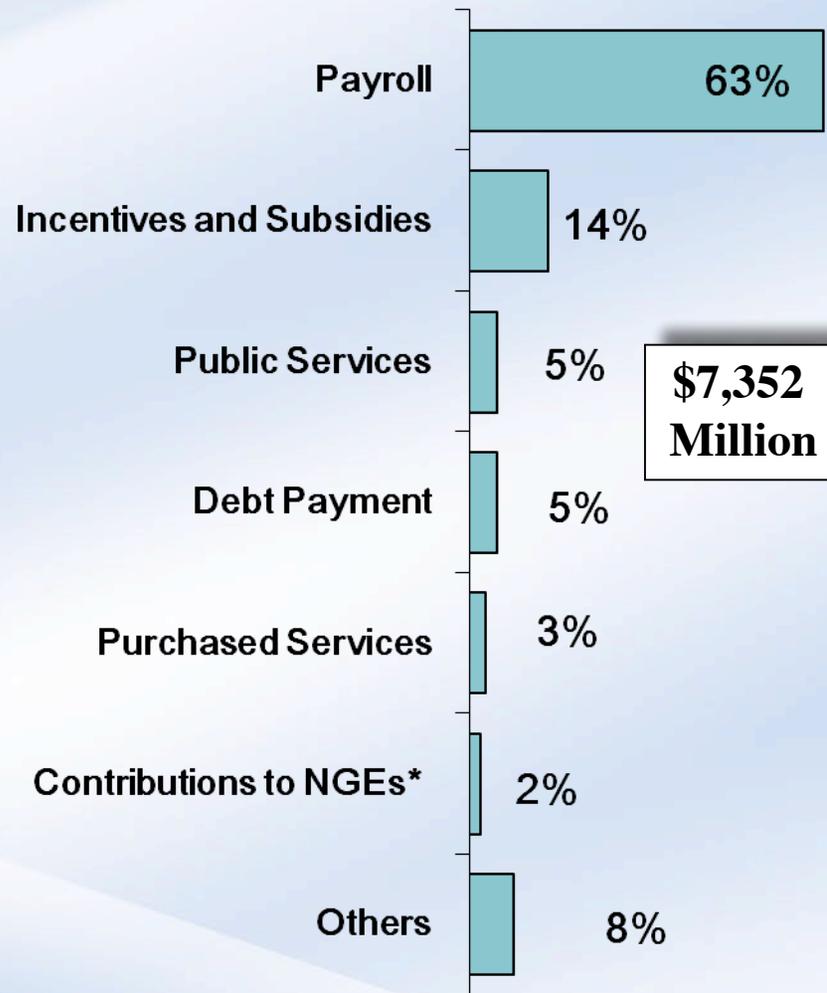
The Government Expense Base has opportunities for savings (Budget 2009)

FY2009 Total Expense Breakdown

\$ million



FY2009 Controllable Expense Breakdown



Source: OMB. * NGE = Non Governmental Entities (includes Planning Board, Education, Sports and Recreation)

Expense Reduction Measures

Goal: Get a \$2,000 million savings

Expense Reduction Measures

PAYROLL EXPENSES

- Reduction of politically appointed employees and agency heads' salaries
- Freezing of salaries, ban of new posts and elimination of vacant posts
- PHASE I: Encouraged resignations
- PHASE II: Voluntary reduction of work load of 10% of employees with 20+ years of service (1 day off every two weeks).
- PHASE II: Transition of employees

OPERATIONAL EXPENSES

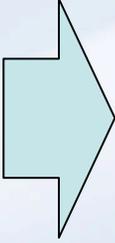
- Austerity: 10% cut in operational expenses, including reduction of cell phone use, credit cards and official vehicles.
- Reduction in public health plan costs
- Executive Branch reorganization

Phase I: Government Employee Alternatives Plan

1a

Voluntary Resignations with Incentives Program

Yrs. of Public Service	Gross Amount
Up to 1 year	1 month salary
From 1 year and 1 day to 3 yrs.	2 months salary
From 3 years and 1 day, and more	3 months salary

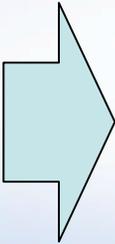


- Payment for vacation leave settlement in 30 days
- Payment for sick leave and accumulated overtime settlement in 30 days (eligible)
- Payment for health insurance premium for no more than 12 months
- Retirement funds transfer in agreement with the law, regulations or terms of the plan (as applicable)

1b

Voluntary employees participate in Alternatives Program

Once the 30-day term expires, OMB certifies the total amount of savings obtained through Phase 1, as reported by each agency



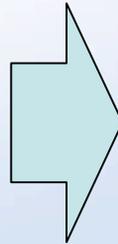
- Educational voucher or self-employment: \$5,000
- Voucher for vocational/technical training or relocation: \$2,500; or
- Subsidy of 50% of transition salary for job in the private sector or the non profit sector up to a maximum of \$15,000 or gross salary of \$30,000
- Direct payment to educational/vocational/technical institution, or new employer

Phase I: Government Employee Alternatives Plan

1c

Permanent Reduction of Working Days

- Employees will have 30 days, after publication of OMG circular letter, to subscribe to one of these programs.



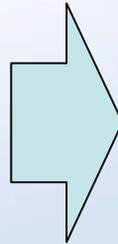
- Every employee of Agencies to which Fiscal Emergency Act applies, who has 20 or more years of public service is eligible.
- A 10% reduction, equivalent to 1 day of each every two weeks (or 2 days per month)
- The reduction of working days and its corresponding pay reduction are permanent in nature

Phase II: Government Employee Alternatives Plan

2

Transition Plan

- If the Objective of Phase I is not achieved, Phase II will enter into effect



- **Employees in essential classifications, those paid by federal funds and required to continue, in military leave and appointed are excluded**
- **Health coverage payment for six (6) months, or until the former employee is eligible for health insurance coverage at another job**
- **Regular vacation settlement, once all required documents are submitted.**
- **If eligible, settlement for sick leave and accumulated overtime.**
- **Transfer of retirement funds in agreement with the law, regulations or retirement plan terms.**
- **Participation in the Government Employee Alternatives Program**

Phase III: Government Employee Alternatives Plan

1. Temporary freeze of salary increases and other economic benefits
2. For a term no longer than 2 fiscal years.
3. Suspension for a maximum period of 2 fiscal years of applicable stipulations regarding promotions/demotions, retention and layoff norms; reinstallation rules; subcontracting; task consolidation; and seniority that are opposed to what is promulgated on the Fiscal Emergency Act.
4. Plan applies first to employees in transitory or non regular posts.
5. Eventually, Plan will apply to employees with permanent or career posts, strictly according to seniority in public service, starting with employees with least seniority.

Tax Enforcement Measures: Aggressive program

Goal: To increase annual revenues by reducing tax evasion and increasing tax enforcement and compliance

Permanent Measures

1. Modifications to Alternative Minimum Tax for individuals
2. Eliminate certain tax credits and exemptions against the Sales and Use Tax (SUT)
3. Advance SUT payment (to be payable on the 10th of each month instead of the 20th of each month)

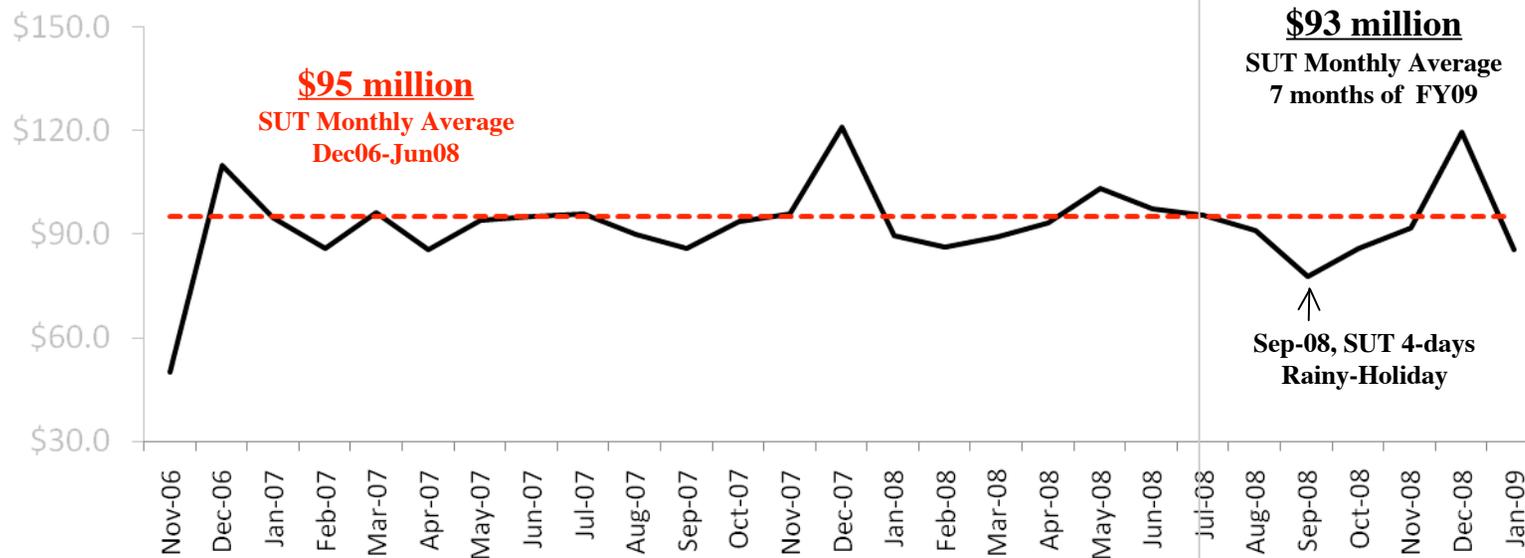
Temporary Measures

1. Limit Alternate Minimum Tax deductions for corporations.

We should strengthen SUT revenues*

- The SUT is the source of revenue that is showing the most strength and is the base of payment of the best Government credit

SUT monthly trend remains steady in spite of the recession



Source: P.R. Dept. of the Treasury

* Gross revenues without excluding the assignment to COFINA.

Financial Measures*

Goal: To stabilize the situation and the fiscal process

<u>Financial Measures</u>	<u>Estimate (\$million)*</u>	<u>Use of Funds</u>
1. Debt service restructuring	\$300	Savings in debt service
2. COFINA Bonds (1% to COFINA)	\$4,000	\$500 Local Stimulus Plan \$750 Govt. Suppliers \$1,000 Debt payment Treasury \$1,750 Debt payment/ deficit financing FY 09
3. COFINA Bonds (0.75% to COFINA)	\$3,000	\$1,000 Transition Fund \$2,000 Fiscal Stabilization FY10-FY13
4. Bonds on cigarette tax increase	\$385	Health Plan deficit and investment
5. Emergency Loans to Municipalities Temporary increase in loan capacity / margin	Pending	Local government fiscal stabilization

P.R. Savings Notes Campaign

- **6% Exempt Interest Rate**
- **5 Year Maturity**
- **Encourages savings and supports the Reconstruction Plan**

Source: GDB. * Figures are not final. They are subject to revision and market conditions.

Tax revenues have fallen by 6% during the first 7 months of fiscal year 2009*

Main Items	July-January (actual)	July-January (preliminary)	Annual Change	
	2008	2009	\$	%
Individuals	\$1,520	\$1,487	(\$34)	-2%
Corporations	\$846	\$744	(\$102)	-12%
Non-Resident Withholdings	\$562	\$508	(\$54)	-10%
SUT (Sales & Use Tax)	\$487	\$454	(\$32)	-7%
Motor Vehicles	\$230	\$200	(\$30)	-13%
Others	\$1,215	\$1,192	(\$23)	-2%
Total	\$4,860	\$4,585	(\$275)	-6%



The initial forecast of tax revenues show a decline by 2.5% in fiscal year 2010*

Categories	Estimated 2009	Estimated 2010	\$ Change	% Change
Individuals	\$2,555	\$2,499	(\$56)	-2.2%
Corporations	\$1,412	\$1,387	(\$25)	-1.8%
Non residents Withholdings	\$891	\$836	(\$55)	-6.2%
Sales and Use Tax 4.5%	\$911	\$931	\$20	2.2%
Alcoholic Beverages	\$282	\$277	(\$5)	-1.8%
Motor Vehicles	\$339	\$320	(\$19)	-5.6%
Excise Tax on Rum	\$394	\$356	(\$38)	-9.6%
Others	\$816	\$805	(\$11)	-1.3%
Total	\$7,600	\$7,411	(\$189)	-2.5%

Source: Dept. of the Treasury.
* Preliminary figures.

Revenue Measures

Goal: To increase annual revenues

Temporary Measures

1. Moratorium on tax credits
2. 5% Surtax on corporations
3. 5% Surtax on taxpayers with income higher than \$100 thousand and couples with over \$150 thousand
4. Increase on tax over residential real estate property on non exempt property (residential of >\$210 thousand)
5. 5% over International Banking Entities
6. 5% over Cooperatives

Permanent Measures

1. Excise tax on cigarettes
2. Excise tax on alcoholic beverages
3. Excise tax on motorcycles

Initial Forecast of the Fiscal Stabilization Plan

Initial forecast of the three components of the Fiscal Stabilization Plan: 1) revenue and tax enforcement measures, 2) expense reduction measures and 3) financial measures. Complemented by initial projection of revenues derived from economic reconstruction.

**Static macroeconomic model is used.
Projections will be reviewed periodically.**

Initial Forecast of Fiscal Stabilization Plan*

(\$ million)	<u>Type of Measure</u>	<u>FY 2009/ 2010</u>	<u>FY 2010/ 2011</u>	<u>FY 2011/ 2012</u>	<u>FY 2012/ 2013</u>
A. Permanent Revenue Measures					
1	Shift in Alternative Minimum Tax - Individuals	10	10	10	10
2	Eliminate Credit against SUT for products manufactured in P.R. for export	-	-	-	-
3	Enhancement of federal funds receipts	100	100	125	125
4	Excise Tax on cigarettes	75	72	70	69
5	Excise Tax on motor vehicles (to include motorcycles)	1	1	1	1
6	SUT amendments – capture rate/auditing	75	75	77	80
7	Excise Tax on alcoholic beverages	11	12	14	14
8	Voluntary tax compliance and oversight	75	100	125	150
	Subtotal	\$ 348	\$ 370	\$ 423	\$ 449
B. Temporary Revenue Measures					
1	Change in Alternative Minimum Tax – Corps.	10	10	10	-
2	Additional tax on individuals	66	66	66	-
3	Additional tax on corporations	46	46	46	-
4	Tax on Credit Unions (cooperatives)	5	5	5	-
5	Tax on International Banking Entities	30	30	30	-
6	Special Tax on residential real estate	230	237	242	244
7	Moratorium on tax credits	100	200	100	(250)
	Subtotal	\$ 487	\$ 593	\$ 499	\$ (6)
Revenue Measures Total		\$ 835	\$ 964	\$ 922	\$ 444

* Initial estimated figures subject to final revision.

Initial Forecast of Fiscal Stabilization Plan*

(\$million)		FY 2009/ 2010	FY 2010/ 2011	FY 2011/ 2012	FY 2012/ 2013
A. Revenue Measures Total		\$ 835	\$ 964	\$ 922	\$ 444
B. Financial Measures					
1 SUT Transfer to COFINA		\$ (275)	\$ (208)	\$ (214)	\$ (223)
2 Refinancing of debt service of General Obligation bonds		120	187		
3 COFINA Financing	\$2,956	2,463	-	493	-
Subtotal		2,308	(21)	279	(223)
C. Expense Measures					
1 Cost of Expenses Program (Transition of Employees)		\$ (1,000)			
2 Savings in Expenses		800	2,000	2,040	2,081
Subtotal		(200)	2,000	2,040	2,081
D. Federal budgetary relief		298	298		
GOAL: BUDGET STABILIZATION		\$ 3,241	\$ 3,241	\$ 3,241	\$ 2,301
Necessary increase in revenue base (Accumulated)	Base \$7,400	\$ -	\$ 275	\$ 567	\$ 901
COFINA Financing				(493)	-
Adjustment due to Temporary Revenue Measures					6
GOAL: STRUCTURAL BALANCE					\$ 3,208
Revenue Base		\$ 7,400	\$ 7,675	\$ 7,967	\$ 8,301
Accumulated Change			275	567	901
Annual Change			3.7%	3.8%	4.2%
Average annual increase required for FY 2011-13			3.9%		

* Initial estimated figures subject to final revision.

Main Goals

Goals of the Reconstruction Plan

1. Stabilize the fiscal situation
2. Save Puerto Rico's credit
3. Rebuild the local economy



Puerto Rico Economic and Fiscal Reconstruction Plan

March 2009