



---

# **Fiscal Year 2015 Budget Highlights**

## Commonwealth of Puerto Rico

---

# Forward-Looking Statements

---

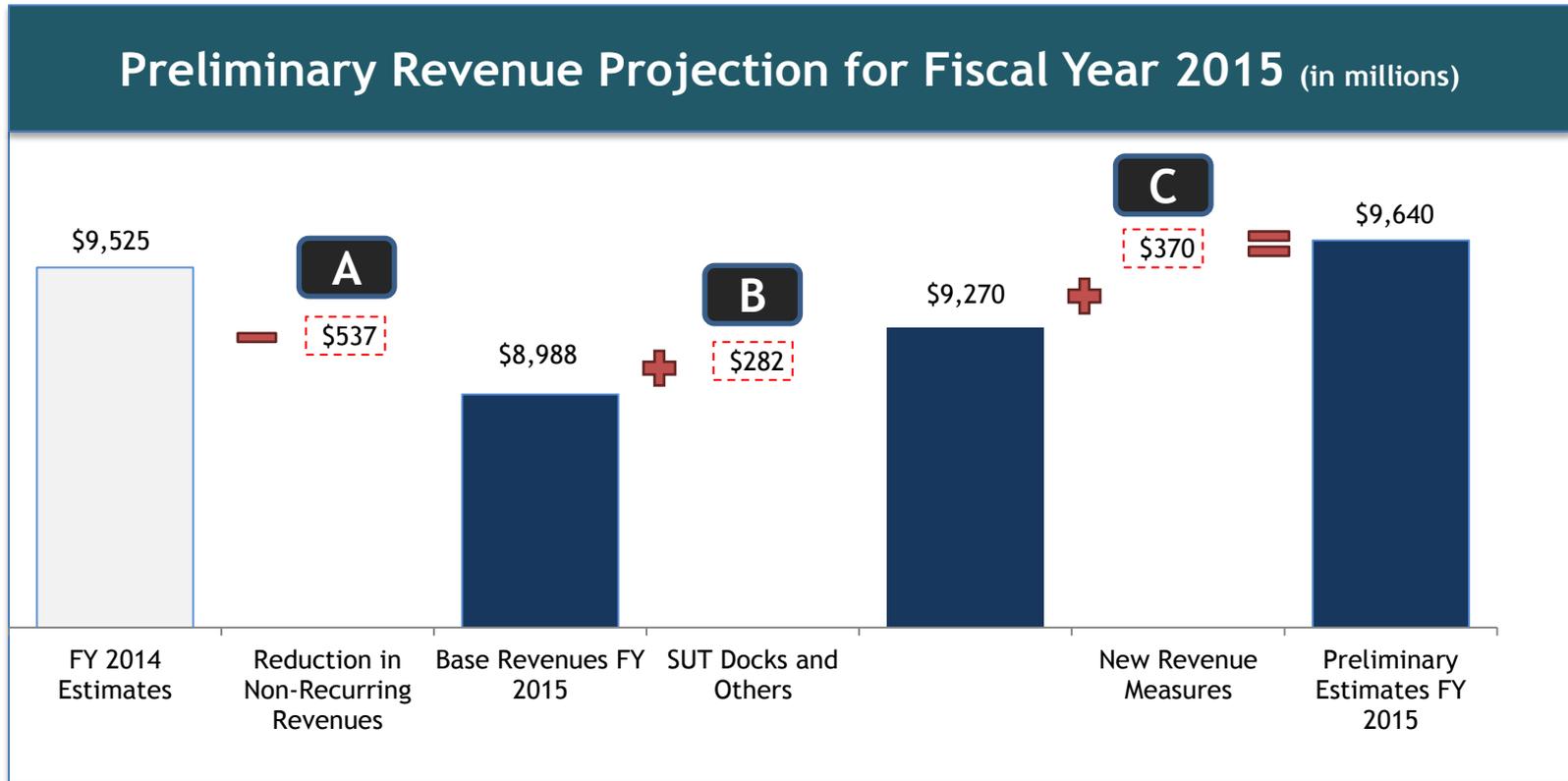
The information included in this presentation contains certain “forward-looking” statements. These forward-looking statements may relate to the fiscal and economic condition, economic performance, plans and objectives of the Commonwealth of Puerto Rico (the “Commonwealth”) and/or its agencies or instrumentalities. All statements contained herein that are not clearly historical in nature are forward-looking, and the words “anticipates,” “believes,” “continues,” “expects,” “estimates,” “intends,” “aims,” “projects,” and similar expressions, and future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may,” or similar expressions, are generally intended to identify forward-looking statements.

These statements are not guarantees of future performance and involve certain risks, uncertainties, estimates, and assumptions by the Commonwealth and/or its agencies or instrumentalities that are difficult to predict. The economic and financial condition of the Commonwealth and its agencies or instrumentalities is affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from one fiscal year to the next, and are frequently the result of actions taken or not taken, not only by the Commonwealth and/or its agencies or instrumentalities, but also by entities such as the government of the United States of America or other nations that are not under the control of the Commonwealth. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be included in the assumptions underlying the Commonwealth’s or its agencies or instrumentalities’ projections.

The projections set forth in this presentation were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the officers of the Commonwealth or its agencies or instrumentalities responsible for the preparation of such information, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of such officers’ knowledge and belief, the expected course of action and the expected future financial performance of the Commonwealth and/or its agencies or instrumentalities, as applicable. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this presentation are cautioned not to place undue reliance on the prospective financial information. Neither the Commonwealth’s nor any agency or instrumentality’s independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability and disclaim any association with the prospective financial information. Neither the Commonwealth’s nor any agency or instrumentality’s independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this presentation, which is solely the product of the Commonwealth and/or its agencies or instrumentalities, and the independent auditors assume no responsibility for its content.

# FY2015 Revenue Budget

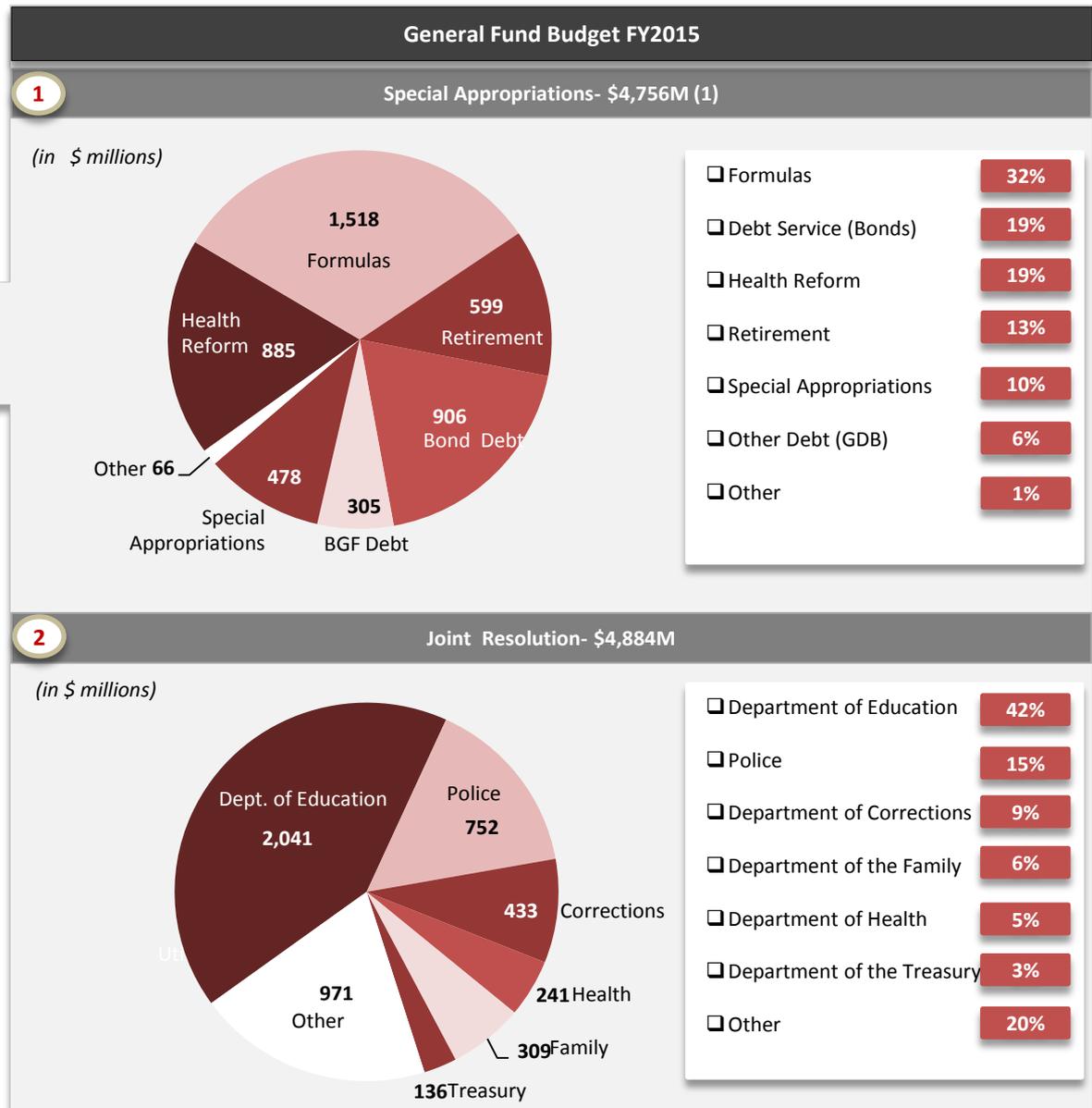
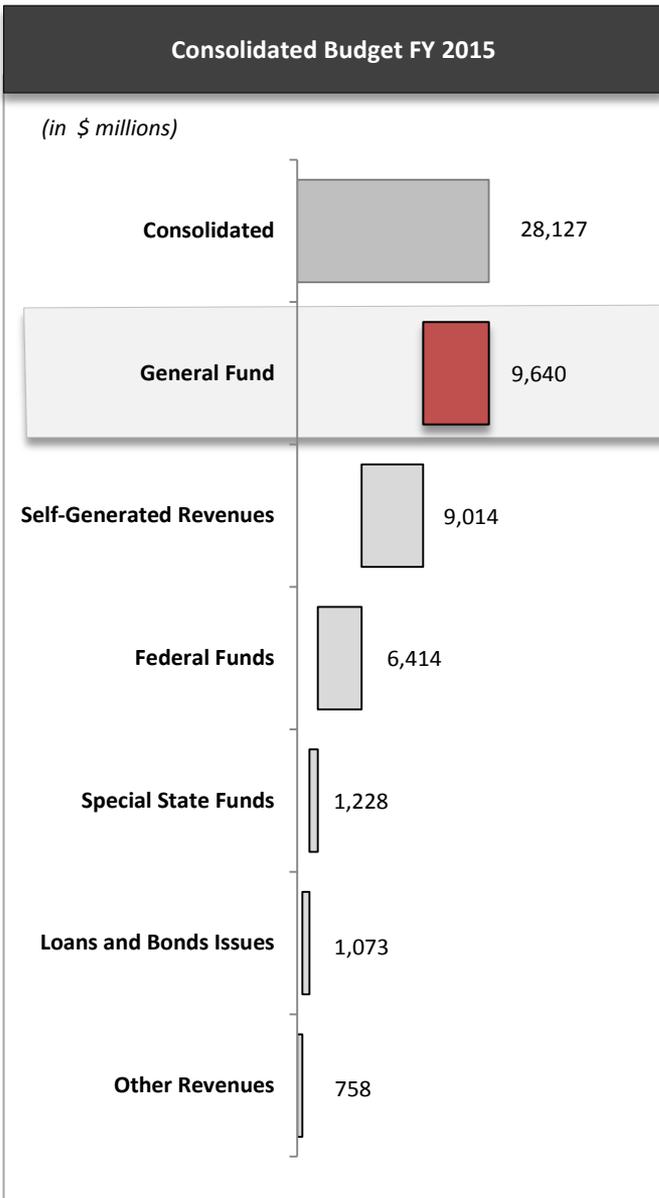
# Revenue Estimates for FY 2015



- A** Reduction of \$537 million = \$300 million in corporate tax payments, \$100 million increase in reserve for reimbursements, \$137 million in non-resident withholdings
- B** Increase of \$282 million = \$170 million SUT Docks + \$27 million increase in sales of rum subject to federal cover-over and \$85 million other adjustments
- C** Increase of \$370 million of new revenue legislative action

# FY2015 Expense Budget

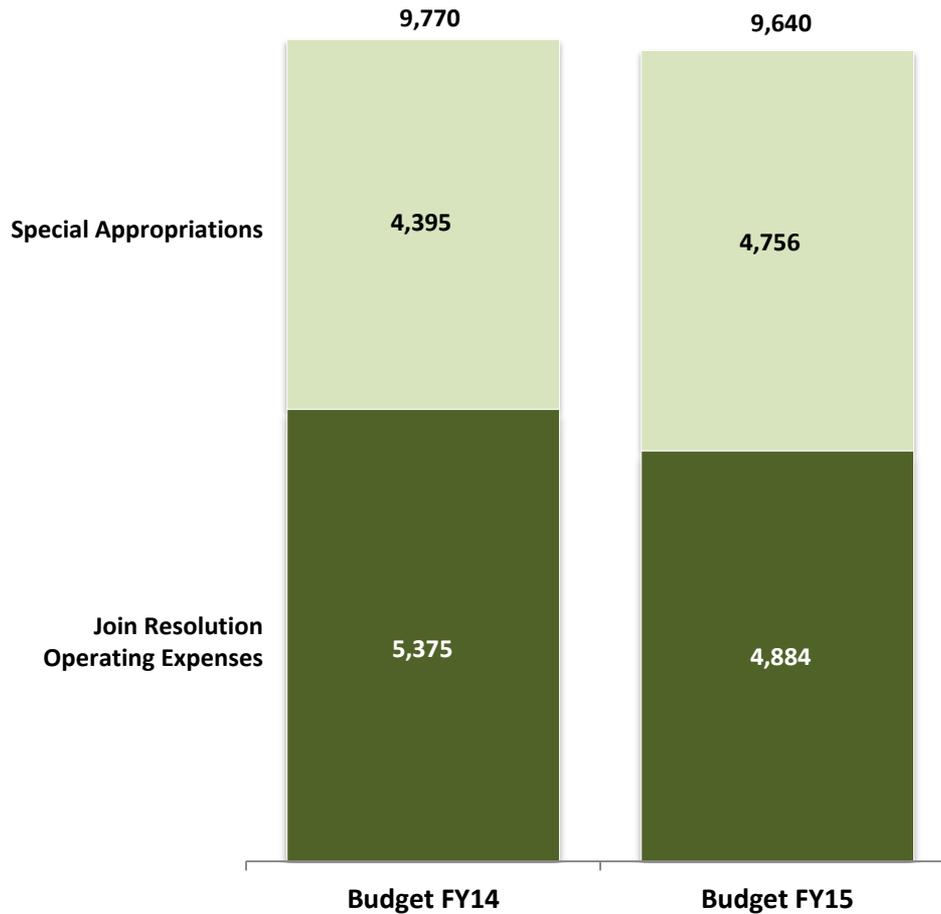
# DISTRIBUTION OF PROPOSED FY15 BUDGET – BY RECIPIENT AND AGENCY



(1) This distribution is used by OMB management for analytical purposes and is not found on the official "budget module" produced by OMB

# COMPARISON OF PROPOSED FY15 BUDGET WITH APPROVED FY14 BUDGET

(in \$ millions)



## CHANGE

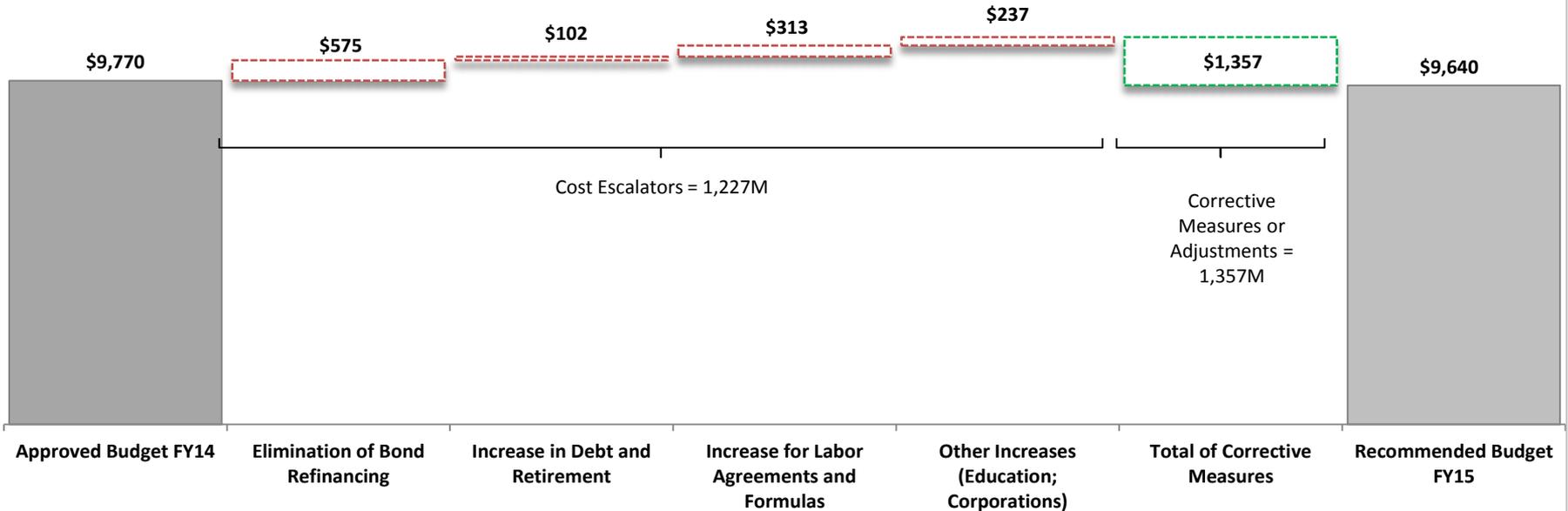
**-130M**

**-1%**

• Payroll	<b>-250M</b>	<b>-7%</b>
• Donations & Subsidies	<b>-184M</b>	<b>-7%</b>
• Non Distributed Appropriations	<b>-220M</b>	<b>-14%</b>
• Debt Service	<b>+631M</b>	<b>+96%</b>
• Facilities and Public Services	<b>-30M</b>	<b>-4%</b>
• Contracted Services	<b>-69M</b>	<b>-17%</b>
• Materials and Equipment	<b>+19M</b>	<b>+11%</b>
• Other	<b>+6M</b>	<b>+5%</b>
• Transportation Expenditures	<b>-31M</b>	<b>-27%</b>

# CONFIGURATION OF PROPOSED BUDGET FOR FY 2015

(In \$ millions)



**Main components:**

- Amount refinanced in FY14
- Increase in retirement employer contribution
- Higher TRANS interest
- Increase in GDB debt amortization
- Increase in retirement employer contribution
- Higher TRANS interest
- Increase in GDB debt amortization
- “Gross up” of Dep. Ed. budget due to non-recurring origins
- Operating deficit at subsidized public corporation
- Pre-legislated appropriations
- Others

- All numbers are OMB estimates and are provided for purposes of qualitative understanding only.
- We exercise qualitative judgment as to what constitutes a cost escalator or corrective measure, and how such are quantified.
- Estimates are iterative and limited by underlying reporting systems