

## DEFINITION OF TERMS

### *FISCAL YEAR*

**Economic Fiscal Year** - Period of 12 months from July 1 to June 30.

### *BUDGET*

**Budget** - Plan expressed in financial terms by which a program is made operational by a given time period, in order to meet the needs of its clientele.

**Consolidated Government Budget** - Set of responsibilities and resources of the Government of Puerto Rico that includes all operational and recurrent costs and permanent improvements from the General Fund, Contributions of the United States Government, Public Improvement Fund, Special State Funds and the operating budget of public corporations, including inputs and compensations that the Central Government provides. The Consolidated Budget excludes municipal budgets.

**Consolidated Central Government Budget** - General Fund allocations provided by the Joint Resolution of the General Fund Budget for operational and recurrent costs, Special Allocations from the General Fund, the Public Improvement Fund, and State and Federal Special Funds for operating expenses and improvements, Self-generated Income and Other Sources.

**Consolidated Budget Public Corporations** - Operational costs and investment in capital improvements under the Joint Resolution of the General Fund Budget, Special Appropriations, self-generated income, loans and bond issues, Contributions of the United States Government and Other Resources.

**Joint Resolution** - Legislation for a specific purpose which ends when the work is performed or the objective is completed. Follows the same procedures as the regular bills, and is approved and signed by both bodies and the Governor. Allocates funds for a specific purpose, such as appropriations for the district of a legislator, to extend a regular session of the Legislature or, although less frequently, to establish a committee or special joint committee of the Legislative and Executive Branches to carry out a specific task, among others. Most of them are resolutions allocating funds to the Secretary of the Treasury, municipalities, government agencies and semi-public institutions or private sector for carrying out permanent improvements or for costs and activities which foster the social, cultural, educational, interest. It is not part of Puerto Rico's permanent statutes.

**Line Item Veto** - The Governor has authority to remove or reduce one or more items in any bill that allocates funds.

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### ***PUBLIC POLICY, GOVERNMENT PROGRAM, MISSION AND A VISION***

**Public Policy** - Position or course of action selected by the government to guide decisions about a need or situation of public interest. The main sources of expression of public policy are the Constitution, the Political Code, the laws, the Government Program and official government pronouncements. Define a public policy priority and scope of government action in dealing with social problems or needs, according to its nature and urgency.

**Government Program** - Elected governor's four years Strategic Roadmap to establish public policies that will guide the actions of government.

**Programmatic Commitments** – Executive Branch Priorities for each fiscal year, according to the Government Program.

**Mission** - corresponds to the function or fundamental responsibility of an agency. It refers to its reason for existence and what distinguishes it from others. Answer in general terms, what purpose the agency was created for, who it serves, the main objective, policy and institutional identity. Presents the Government's course of action selected to guide decisions about a need or problem of public interest.

**Strategic Goals** - These are statements of results, describing the achievements, effects or consequences expected as a result of implementing more than one strategy over a relatively long time, usually over a year. Express what the expected result is, and when it will be reached. It is expressed in a way that allows assessing whether the outcome was achieved. The agency's Strategic Goals are derived from the following sources: (1) Government Program , 2) Commitments of the agency's management team, both programmatic fiscal and management, (3) Long-term results to be achieved to comply with orders of courts, standards of accrediting agencies or similar organizations and (4) Commitments made by the Governor through special messages.

**Vision** - The desired future. An image or comprehensive and positive statement of what you want to achieve, what we want to transform our organization into.

### ***LEGAL BASIS AND STRUCTURE***

**Legal Base** - Refers to the Act, Executive Order or Resolutions which provide for the creation of an agency, program or fund appropriation.

**Organizational Structure** – The system use to distribute, integrate and coordinate the functions, powers and responsibilities, and agencies operations.

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**Reorganization Plan** - Legislation that provides for the organization or reorganization of the Departments of the Executive Branch. It originates in the Executive Branch as a result of previously approved legislation.

### ***AREA AND PROGRAMMATIC SECTOR***

**Program Area** - Set of government programs for related purposes. The budget document identifies six program areas: Government Management, Social Development, Safety and Security of Persons and Property, Economic Development, Economic and Technical Assistance to Municipalities and Judicial Branch. These areas are broken down into programmatic sectors.

**Programmatic Sector** – It is a set of specific objectives within a program area. In each programmatic sector a number of programs are grouped with similar purposes. An agency may have programs that correspond to different sectors and programmatic areas.

### ***PROGRAMMATIC STRUCTURE***

**Program** - is a set of projects aimed at one or more common goals. Is divided into, one agency program exclusive to the agency itself, and multi-agency program aimed at achieving a coordinated action involving the participation of several agencies to achieve the goals or purposes pursued.

**Program Structure** - Refers to the set of programs which are grouped under the agency's organizational structure. This group is framed within goals and objectives.

**Managing for Results** - is an instrument of objective and systematic evaluation for the purpose of providing evidence about the achievements of the executions carried out or proposed by the government, organization, program and activity. In this way information can be provided to help decision making and increase the reliability and credibility of the Government.

**Work Plan** - is an organized response by the agency to meet the needs of citizens, in a period of time. This response includes assessing strengths and weaknesses, taking into account available resources and setting goals and objectives, the selection and implementation of some activities, and use of resources.

**Program Description** – Narrative expression that presents the services provided by the program. The description should answer what it does and the clientele it serves or benefits.

**Purpose of the Program** - Represents the goal to be achieved within the agency's mission. It sets the course of action, and it must indicate why the program exists, and the results to be achieved.

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**Clientele** – users, or potential beneficiaries, or those required by law to attend the program.

**Goal** - The overall result or desired purpose to be achieved over a period of time, in care of a necessity which give basis to a project and falls within the mission of the agency. It includes what is achieved, the result or condition to be achieved.

**Objective** - Is the specific result that has to be reached at a shorter term for the goal to be reachable. It is quantifiable or classifiable, concise and comprehensive, viable and realistic, acceptable and located within a fiscal year.

**Activity** - A set of tasks or actions taken as part of efforts to achieve the goal or end product of a program. It results in the provision of a service or product.

**Indicators** - quantitative or qualitative measures are used to analyze the progress obtained in terms of desired outcomes. They are instruments to measure the inputs that go into producing a good or service. They can also measure the efficiency and effectiveness in terms of quality, satisfaction and service.

**Input Indicators** - A measure of the resources used for a year to provide program services. Give an idea of the magnitude of the investment and can be expressed in monetary and nonmonetary terms. Represent all the elements involved in the process of operation of a program, such as personnel, resources and support services that are invested in the program.

**Production Indicators** - Express the work done with the resources allocated. Measure the amount of services provided.

**Efficiency Indicators (Unit Cost)** - Establishes the relationship between input and output, measuring the cost per unit of production or service. Provide information on investment performance.

**Effectiveness indicators** - measure the result with the services offered. Express the achievement of the objectives or outcomes of a program or activity. Indicate if the production has achieved the standards proposed.

**Projects** - is an autonomous set of resources and institutional measures, designed to achieve one or several goals and objectives in a period of time.

### **FUNDS**

**General Fund** - The fund into which the moneys collected by the Department of Treasury enter. Afterwards, the Legislature makes appropriations to cover the various service programs and public

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investment for each fiscal year. These resources come from taxation, mainly on income, inheritance and donations, taxes on alcohol, cigarettes, petroleum products, motor vehicles and accessories, sales and use taxes, among others. Contributions are levied on account of motor vehicle licenses and other licenses, rights, penalties and forfeitures, revenues from the lottery, customs duties, and excise taxes on shipments, are also sources of Government revenue.

**Fiscal Stabilization Fund-** The resources of the Fiscal Stabilization Fund are proceeds of bond issues from the COFINA authorized by Act No. 7 of March 9, 2009.

**Public Improvement Fund** - This consists of proceeds from the sale of bonds authorized by the Legislature. These resources are used to finance capital improvement program and can not be used for operational costs of the agencies.

**State Special Funds** - Funds authorized for specific purposes in accordance with current legislation. Originate from income tax collections, fees and licenses, service charges, contributions from individuals and grants from private organizations, and other collections typical of some government agencies. The expenditures from special state funds do not require annual legislative action, because disbursements are already authorized by the enacting legislation.

**Federal Funds** - Contributions made by the Government of the United States for education, health, social welfare, employment, and other permanent improvements. These resources do not require legislative action, since their use is determined by federal law.

**Federal Reinvestment and Economic Stimulus Program, ARRA by its initials in English** - ARRA is the acronym for the federal law of 17 February 2009, which by its full name is known as the "American Recovery and Reinvestment Act, for the purpose of establishing a program for recovery and reconstruction of the U.S. economy.

**Budgetary Fund** – It is capitalized annually by an amount not less than one percent of total net revenues of the last fiscal year. In addition, receives all income other than the General Fund net revenues not earmarked by law for a particular purpose. The maximum balance of the Fund shall not exceed six percent of the funds in the Budget Joint Resolution for the year it was allocated. It is used to cover appropriations approved for any fiscal year when available revenue is not sufficient to cover them, and to honor the payment of the debt. This fund was created by Act No. 147 of June 18, 1980, as amended. Act No. 106 of May 25, 2006 states that it may be used to cover appropriations approved for any fiscal year in which the available revenue for that year is not enough to pay debt. It also provides the financial resources to meet obligations or disbursements of programs with grants from the U.S. Government, approved and pending receipt, and payment of contracts for capital improvements under construction, as allocations are made effective and determinations of State and Federal Courts.

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**Emergency Fund** - Fund to meet the needs caused by natural disasters such as hurricanes, earthquakes, floods, droughts and others. It is capitalized annually by an amount not less than one percent of last fiscal year total net revenues. The balance of the Emergency Fund will never exceed one hundred fifty million dollars. This fund was created by Act No. 91 of June 21, 1966, as amended. The Emergency Fund can not be used to cover recurring operating expenses except as provided by Joint Resolution.

**Public Debt Redemption Fund** - receives funding generated by taxes imposed on non-exempt property, equivalent to one point zero three (1.03) percent, and General Fund contributions for the payment of principal and interest of the Central Government long-term debt.

**Municipal Redemption Fund** - is administered by the Government Development Bank of Puerto Rico. This fund was created by Act No. 80 of July 29, 2007 for granting loans for the sole benefit of the municipalities of Puerto Rico. The resources of this fund come from the imposition of a uniform municipal tax on sales and use of one point five (1.5) percent, from which municipalities charge a one (1) percent of the sales tax and use and Secretary of the Treasury will charge point five (.5) percent excluding food. This fund nurtures specifically from point two (.2) percent of the sales and use tax, of the point five (.5) percent collected by the Secretary.

**Municipal Development Fund** - This fund was created by Act No. 80 of July 29, 2007 to be distributed to all municipalities according to the formula established as part of the Act. It managed by the Government of Puerto Rico Development Bank. The resources of this fund come from the imposition of a uniform municipal tax on sales and use of one point five (1.5) percent, from which municipalities charge a one (1) percent of the sales tax and use and Secretary of the Treasury will charge point five (.5) percent excluding food and foodstuff. This fund nurtures specifically from point two (.2) percent of the sales and use tax, of the point five (.5) percent collected by the Secretary.

**Municipal Improvement Fund** - This fund is administered by the Puerto Rico Government Development Bank and was created by Act No. 80 of July 29, 2007 for distribution through legislation by the Legislature to carry out public works projects in their own municipalities. The resources of this fund come from the imposition of a uniform municipal tax on sales and use of one point five (1.5) percent, from which municipalities charge a one (1) percent of the sales tax and use and Secretary of the Treasury will charge point five (.5) percent excluding food and foodstuff. This fund nurtures specifically from point two (.1) percent of the sales and use tax, of the point five (.5) percent collected by the Secretary.

**Dedicated Sales Tax Fund (FIA, Spanish acronym)** – It is administered by the Government of Puerto Rico Development Bank and the Secretary of the Treasury. This fund was created by Act No. 91 of May 13, 2006. Its use will be consistent with the fund's resources, according to the provisions of the Act, as described below:

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- (a) the primary source of resources will be the first revenues from sales and use tax approved by the "Tax Fairness Act of 2006" Act No. 117 of July 4, 2006, for the Commonwealth of Puerto Rico until the following amount: (i) the product of the amount of tax collected during that fiscal year multiplied by a fraction whose numerator shall be one percent and the denominator is the rate of such tax, such fraction being referred to hereafter as "the one percent Tax ", or (ii) the applicable Fixed Income, whichever is greater.
- (b) The second source of income will be generated by the tax revenues that exceed the estimated annual revenues to be generated by this tax in the Budget Resolution of that fiscal year, after the revenues identified in clause are applied (a) above.

**Revolving Funds or Industrial Capital** - Created especially for recording all income and expenditure on transport services, printing and others such as those attached to the General Services Administration, offered to government agencies themselves. These are fueled by charging for services provided to agencies.

**Equity income** - Is used to cover the operating expenses of the Public Corporations, and feed resources from charging for services they provide to the public and the government.

**National Insurance Fund** - Resources from the proceeds of employers and employees contributions for retirement purposes, Social Security, compensations, unemployment and the like.

**Trust Funds** - Resources in the custody of the Central Government for the benefit of other agencies or individuals and not part of the government budget.

### **APPROPRIATIONS**

**Special Appropriations** – Resources from the General Fund, approved by the Legislature, to develop special programs or activities, either permanent or temporary.

**Self-renewing Appropriation** - General Fund resources approved by the Legislature for specific purposes which are repeated annually, with no need to legislate to that effect.

**Non-departmental Appropriation** - General Fund resources allocated under the custody of an agency to cover the cost of approved legislation. They are not resources intended to cover operational costs.

**Allocations under the custody of the Office of Budget and Management** - Resources allocated to the custody of the Office of Management and Budget for different purposes or uses, from the General Fund or Public Improvement Fund, for which to maintain control is desired due to the nature and

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complexity of the proposed use (cost reimbursement for salary increases, technology, payment of debt service, etc.).

### *RESOURCES*

**Public Debt** - the amount of money owed as a result of bonds issues and notes in general obligations which have committed the credit and good faith of the Government of Puerto Rico, where payments are paid from the General Fund and Special State Fund.

**Appropriations Debt** - Is the amount of money owed by the administration of a public instrumentality, whether for services rendered or loans which do not involve the credit and good faith of the Government of Puerto Rico, which are covered by contributions from the General Fund or Dedicated Sales Tax Fund (FIA, Spanish acronym).

**Human Resources** - Group of people performing certain work to fulfill the mission of the agency.

**Monetary Resources** - Amount of money needed by each organizational unit to carry out their programs.

**Debt Service** - Total disbursements directed to pay the public and appropriations debt of the agencies. The public corporations debts are funded with their self-generated income.

### *ALLOCATION ITEMS*

**Concepts of Expenditures**- expense categories sorted by similar purpose. Correspond to the appropriation line included in Regulation No. 49 of the Department of Treasury.