

CONSOLIDATED RESOURCES

The Government of Puerto Rico draws on a variety of sources to finance its plan of operations. These sources are: the General Fund, Special State Funds, Revenue from Internal Sources obtained from the Sale of Services, Loans and Bond Issues, Federal Grants, and Other Sources which could be Trust Funds or funds that normally do not represent Revenue from operations.

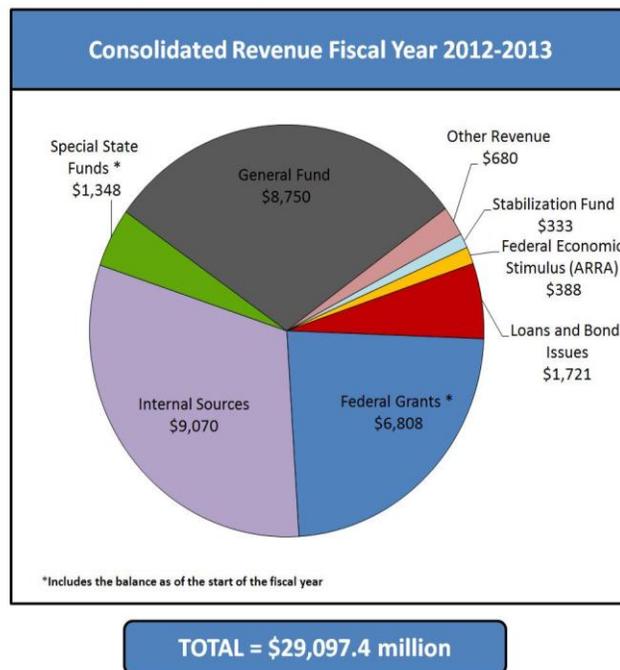
Government revenue, specifically what is allocated to the General Fund, is subject to a series of factors of internal origin, as well as others which lie outside government administration. Among these internal factors, we can point out actions taken by the Department of Treasury, as well as actions carried out by other agencies in coordination with the Department, which have an effect on economic activity. Among external factors, we could highlight the natural performance of the local economy, as well as the effect exerted at the local level by policies of the Federal Government.

Below is a breakdown of Government Consolidated Revenue, categorized by type of fund and accompanied by explanatory notes regarding the source and the estimated revenue.

CONSOLIDATED RESOURCES

The consolidated resources of the Government of Puerto Rico for the 2012-2013 fiscal year amount to \$29.1 billion. The most significant sources of funds for the Government are: the General Fund, Revenue from Internal Sources and Federal Grants.

**Consolidated Revenue by Source
Fiscal Year 2012-2013
(in millions of \$)**



CONSOLIDATED RESOURCES

GENERAL FUND

The revenue received by the Government is registered in the General Fund and originates mainly from the collection of various taxes that comprise the tax system. The primary taxes levied are those on individual and corporate income. Other important taxes are taxes on goods and services, including several categories of municipal taxes and the sales and use tax (IVU, by its Spanish acronym). The General Fund also derives revenue from non-tax sources such as lotteries, fines, duties and certifications. Other revenue from external sources consists of monies returned to the federal government from custom duties and the tax on exported rum.

BASIC FACTORS USED TO CALCULATE REVENUE

Fiscal resources obtained through the structure of the tax system are determined mainly by three factors: the general behavior of economic activity, the fiscal effect of tax legislation, and efficient administration of the tax system. The economic scenario in which the estimated tax revenue unfolds is discussed in the Chapter on the Economy of Puerto Rico. The most recent behavior of macroeconomic indicators is described in detail there, as well as assumptions shaping the economic outlook for fiscal years 2011-12 and 2012-13.

During fiscal year 2010-11, several tax laws were approved that substantially modified the structure of revenue sources that comprise the General Fund. The legislative measure of greatest significance was the Tax Reform. Act 1-2011 established the "Internal Revenue Code for a New Puerto Rico". The Reform granted tax relief to individuals and corporations beginning in fiscal year 2010. It is estimated that these benefits will average around \$1,200 million per year over the course of the next six years.

One of the objectives of the Reform is to redistribute the tax burden in a more balanced way among all the economic sectors. Consistent with this goal, Act 154-2010 was approved, which established a temporary tax, valid for six years, to gradually decrease over time. This tax is imposed on the acquisition of products manufactured in Puerto Rico by non-resident corporations connected to corporate manufacturers.

Another relevant piece of tax legislation was Act 218-2011 known as the "Law to Strengthen Security and Public Health". The Law was passed in consonance with the public policy on Tax Reform, intended to reduce the tax burden on citizens. This Law exempted from the payment of interest, surcharges, penalties and any other supplementary taxes to any taxpayer who, on or before February 29, 2012, paid taxes that were owed by way of tax on Revenue, inheritance and donations, and special real estate. The preliminary revenue collected as the result of this Law amounted to about \$103 million. Ninety percent (90%) of these resources were allocated to the security and public health sectors. The remaining 10% of these resources was channeled into a plan to clean up the tax records, strengthen inspection functions and fight tax evasion, with the aim of improving the administration of the tax system and increasing the collection capacity of the General Fund.

In this context, during this fiscal year and the next, the Treasury Department will focus and direct many of its inspection strategies on the intensive use of technology. One of the most important initiatives of the Treasury Department in fiscal year 2011-12 is directed at completing implementation of the IVU Lotto system. The purpose of the IVU Lotto system is to increase the collection of the sales and use tax, in which citizens play an active role in compliance. This system requires installation of a device in certain businesses and in others which already have point-of-sale devices that can be used once they have been certified by the Treasury Department. The devices are connected to the Department and transmit information on the amount of the sale and the IVU charged. In addition, a sales receipt is issued to the customer with a numeric coding showing participation in the IVU Lotto random draw.

CONSOLIDATED RESOURCES

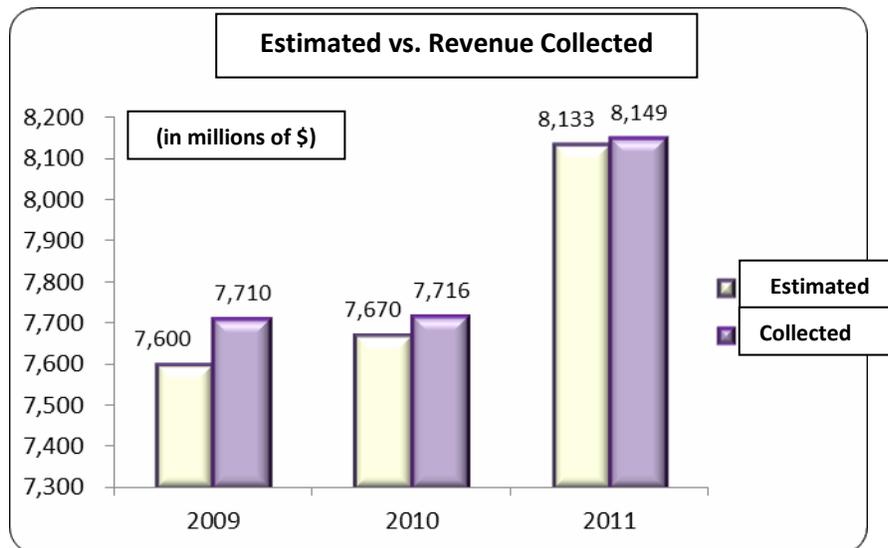
During fiscal year 2011-12, the IVU-Lotto system was implemented throughout the country. As of April 13, 2012, 81,323 fiscal devices were installed in 51,051 locations, representing 77% of the total. Completion of the process of developing and activating the system is projected for June 30, 2012. The Department is planning to undertake multiple initiatives and the management of collections to increase capture of IVU using up-to-date information from the fiscal devices.

Another technological device that supplements IVU control efforts are laptops or tablets, to be used by Internal Revenue Agents in their on-site visits to stores. Starting in March 2012, agents are being issued and trained in the use of these tablets, which will allow them online access to the Treasury's information system, thereby giving them the ability to confirm whether the storeowner is in compliance.

To back up management of tax information in the selection of audit cases and in order to detect evasion in the payment of various taxes, the Treasury Department in February 2012 acquired a computer program to be used as a technological tool for analyzing economic and tax information by drawing on several databases.

COMPARISON OF ESTIMATED GENERAL FUND REVENUE FISCAL YEARS 2010-11 AND 2011-12

During the last three fiscal years from 2008-09 to 2010-11, the Treasury Department has consecutively surpassed the estimated Revenue targets for the General Fund.



The total estimate of the General Fund's net Revenue for fiscal year 2011-12 amounts to \$8,650 million. This level of collection represents \$500.5 million, or 6.1%, of collections for fiscal year 2010 -11. Distribution of the estimated line items of Revenue comprising the General Fund was revised to assess the preliminary collection for fiscal year 2010-11, the fiscal effects of approved legislation, the level of collections during the current fiscal year, the behavior of economic indicators and the result of control efforts. The estimate for the main components of revenue shows mixed results when compared with last year's collections. (See Table 1)

These variations in results are due mainly to the effect of the approved tax laws, as mentioned above. Direct taxes, such as individual and corporate income tax, dropped by \$286.3 million, when compared to the prior fiscal year. On the other hand, estimates for the new tax on foreign corporations will represent additional revenue to the General Fund of

CONSOLIDATED RESOURCES

\$1,121.2 million this fiscal year. The line item for special property taxes fell by \$206.6 million as a result of the repeal of this legal provision.

Regarding the collection of indirect taxes, such as municipal taxes and the sales and use tax, collections are expected to reach the level of \$1,492 million in fiscal year 2011-12.

COMPARISON OF PROJECTED REVENUE TO THE GENERAL FUND FISCAL YEARS 2011-12 Y 2012-13

The estimated net revenue of the General Fund prepared by the Treasury Department for fiscal year 2012-13 totals \$8,750 million. This amount represents an increase of \$100 million, or 1.2%, when compared to the revised estimates for fiscal year 2011-12. The fiscal exercise for calculating estimated revenue is based on a combination of various factors. These factors include a review of the distribution of estimated revenue for fiscal year 2011-12, projections of primary macroeconomic variables prepared by the Planning Board, expected effects of the tax law, multiple control measures and tax collection measures aimed at increasing compliance and reducing tax evasion.

The composition of collections for this fiscal year 2012-13 reflects the new distribution of the tax burden as a result of the Tax Reform. The share of total revenue collections for individuals decreased from 34% in fiscal year 2009-10 to 24% in fiscal year 2012-13. On the other hand, the share of corporate tax increased from 22% to 39%, in light of the new tax on foreign corporations.

The following table compares the new distribution as a ratio of the General Fund revenue for the applicable fiscal years.

Revenue	2009-10	2012-13
Individual Revenue	34%	24%
Corporate Revenue tax ^{1-/}	22%	39%
Withheld from non-residents	11%	11%
Fees	12%	11%
Sales and Usage Tax (IVU)	7%	8%
Property Tax	3.0%	0%
Other	12%	8%

1-/ Included in this category are collections and estimated collections of the new excise tax on foreign corporations in 2011-12 and 2012-13

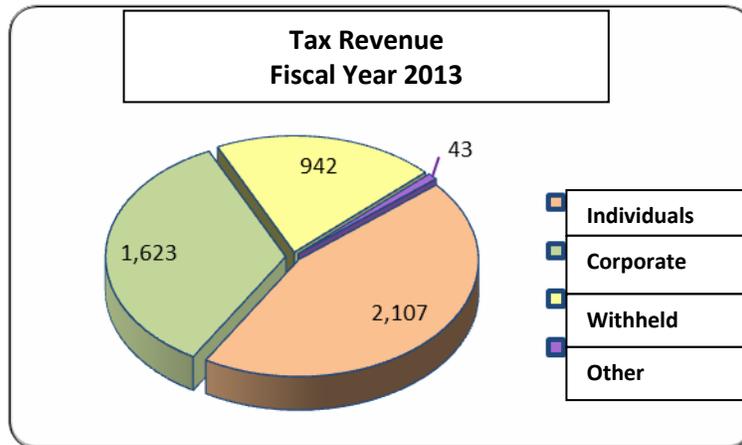
The general estimates for the main line items comprising net Revenue in fiscal year 2012-13 are shown below.

TAX REVENUE

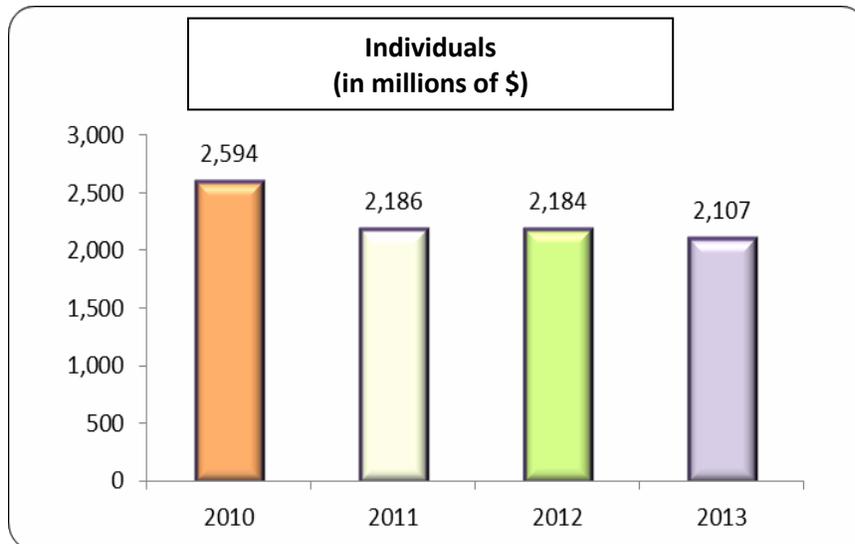
The category of tax revenue includes taxes paid by individuals, corporations and withholding at the place of origin for non-residents. The latter primarily reflects payments made by manufacturing corporations for the use of patents in the production process.

For fiscal year 2012-13, the collection of tax revenue is estimated at \$4,715 million. The collection of tax revenue from individuals is projected at \$2,107 million and represents 45% of the total tax collected. In the case of corporations, the tax revenue is estimated at \$1,623 million, or 34% of total tax revenue, and taxes withheld from non-residents are calculated to be \$942 million.

CONSOLIDATED RESOURCES



The following graph shows the down ward trend in individual revenue tax as a result of the Tax Reform. In fiscal year 2009-10, collections on individual tax revenue amounted to \$2,594 million, while this same tax was estimated at \$2.1 million for fiscal year 2012-13.



SALES AND USE TAX (IVU)

ACT 117-2006 established a widely-based consumption tax on the sale and use of goods and services. It provided for a state tax of five point five percent (5.5%) on the taxable portion of the purchase price. This tax began to be levied on November 15, 2006.

Act 91-2006 established that one percent (1%) of the Sale and Use Tax will be allocated to the Dedicated Sales Tax Fund (or FIA, by its Spanish acronym). This Law established that FIA resources will be used to pay advances from the Government Development Bank and repay or refinance existing debt outside the constitutional margin, as of June 30, 2006. Act 1-2009 amended Act No. 91 *supra*, to increase the level of collections for the Sales and Use Tax to 2%, which

CONSOLIDATED RESOURCES

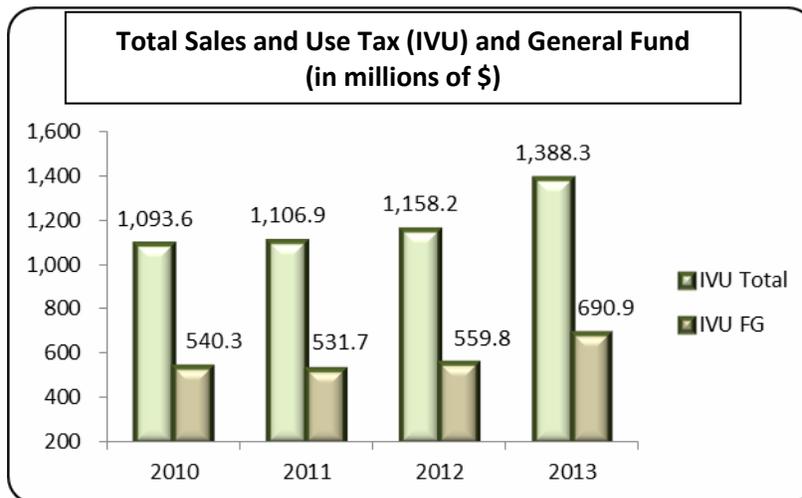
would be deposited in the Dedicated Sales Tax Fund, and to authorize the Dedicated Sales Tax Fund Corporation (COFINA) to use the proceeds of any bond issue whose repayment was guaranteed by this Fund to cover operational expenses in fiscal years 2009, 2010, 2011 and 2012, as well as to supplement the Economic Stimulus Fund of Puerto Rico.

Act 7-2009 further amended Act 91-2006 to allocate an additional one point seventy-five percent (0.75%) to the proceeds levied from the Sales and Use Tax to the Dedicated Sales Tax Fund Corporation.

In fiscal year 2010-11, total collections for the Sales and Use Tax increased to \$1,106.9 million. These monies were distributed as follows: \$572 million to the FIA, \$531.7 million to the General Fund, and a yearly fixed allotment of \$3.2 million to the Arts and Film Development Fund.

For fiscal year 2011-12, a growth rate of 4.6% was projected, for total collections amounting to \$1,158.2 million. Of these proceeds, the FIA received the first \$595.2 million collected and the General Fund will receive \$560.0 million.

For fiscal year 2012-13, the collection capacity of the IVU tax is expected to grow as a result of initiatives associated with implementing the IVU Lotto system. Inconsistencies and discrepancies have been identified in the information provided by the IVU-Lotto system and reported by the stores on their returns, in addition to failure to comply with the registration and filing of returns. As a result of these efforts and the use of technology, the Treasury Department projected that IVU collections would increase to \$230.0 million for fiscal year 2012-13. The total is distributed as follows: \$694.1 million to be allocated to the FIA, a yearly fixed allotment of \$3.2 million to the Arts and Film Development Fund, and \$691.0 to the General Fund.

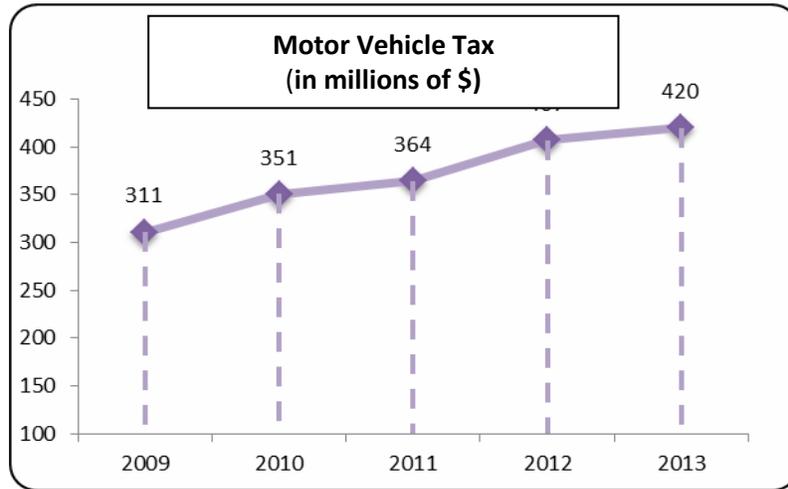


MOTOR VEHICLE TAX

During the period from 2005-06 to 2008-09, collections of motor vehicle taxes dropped year after year. Nevertheless, in fiscal year 2009-10, an increase of 12.8% was recorded, reaching a total of \$350.8 million. In fiscal year 2011-12, according to the industry, it is projected that the sale of automobiles will continue to rise and collections will reach \$387 million.

In fiscal year 2011-12, the provisions in Act 83-2010 which created the Green Energy Fund took effect. This law provides that, starting in fiscal year 2011-12, the first \$20 million of the motor vehicle tax will be allocated to a special fund. Taking this into account, it is estimated that the revenue collections of the General Fund as a result of the motor vehicle tax will rise to \$400 million for fiscal year 2012-13.

CONSOLIDATED RESOURCES



TEMPORARY TAX ON FOREIGN CORPORATIONS

Act 154-2010 imposed a temporary tax to redistribute the tax burden and collect resources for the Treasury. The tax will be in effect for six years, during which time it will be progressively reduced.

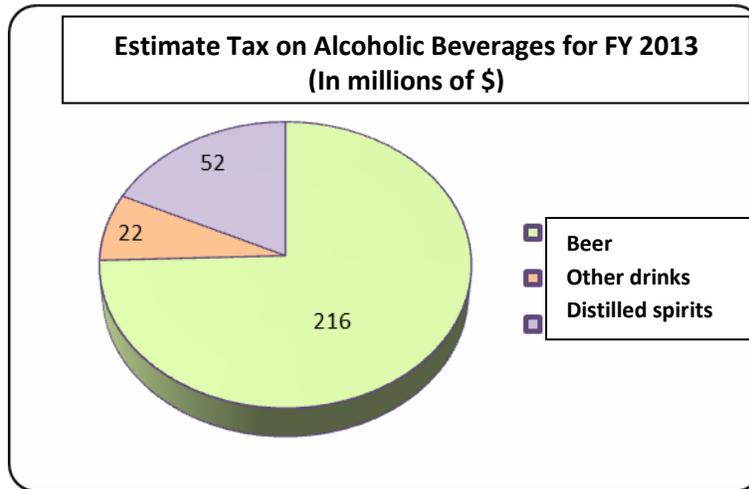
In fiscal year 2011, the tax rate was 4%; in 2012, it is 3.75%, while it will be 2.75% in 2013. The tax took effect on January 1, 2011, and payments applicable to the five months of fiscal year 2010-11 were received, amounting to \$677.8 million. In fiscal year 2011-12, the General Fund will collect revenue from the new tax for 12 months. Taking into account the behavior observed in the collection of this tax, estimated collections for fiscal year 2011-12 were revised from \$1,578 million to \$1,799 million, showing an increase of \$1,121.2 million. Among the control and compliance efforts, a mechanism has been established to evaluate filings of companies on a quarterly basis. For the coming fiscal year 2012-13, the level of revenue collected is anticipated at \$1,750 million.



TAX ON ALCOHOLIC BEVERAGES

Tax on alcoholic beverages is comprised of three categories: beer, distilled spirits and wines. For fiscal year 2012-13, a growth rate of 2.1% is projected, for total collections on alcoholic beverages of \$290 million. Distribution of the estimated collection on beverages is illustrated in the following graph.

CONSOLIDATED RESOURCES



Collection of beer tax is the main source of revenue from the tax on alcoholic beverages. The beer tax is scaled upwards, depending on the level of production of the companies.

CIGARETTES

Act 7-2009 increased the tax on each hundred cigarettes or fraction of thereof from \$6.15 to \$11.15. The collection of cigarette tax in fiscal year 2008-09, prior to the tax increase, was \$129.4 million. In fiscal year 2010-11, the highest level of collection was recorded at \$202.0 million. The increased collections in these years are attributed to the tax increase. For fiscal year 2011-12, the level of collections is projected at \$185 million, while for fiscal year 2012-13; tax collection is estimated at \$173 million. According to industry sources, the market is undergoing an annual shrinkage of around 6%.

LOTTERY

The Puerto Rican lottery consists of the Traditional Lottery and the Additional Lottery, this last one also known as the Electronic Lottery. The revenue collected by the government from the operation of both lotteries is distributed into various funds and legislative allocations for different needs related to municipalities, housing, education and sports, among others. During fiscal year 2010-11, the Special Fund for University Scholarships of Puerto Rico was created. This Fund is financed with \$30 million, allocated on an annual basis using net proceeds from the Electronic Lottery.

For fiscal year 2012-13, collections for the General Fund from the Traditional Lottery were projected in the amount of \$43 million and from the Electronic Lottery, the amount of \$65 million.

FEDERAL TAX ON RUM SHIPMENTS

Another source of revenue for the General Fund is the federal reimbursement of the tax on exported rum. The revenue received by the local government under this category is distributed among the General Fund, the Conservation Trust, the Science and Technology Fund, and the Program for the Promotion of Rum. In fiscal year 2010-11, the General Fund received \$328.5 million.

On June 17, 2008, the Virgin Islands signed an agreement with one of the largest producers of rum in the world who, until then, had been using bulk rum produced in Puerto Rico for its products. It is estimated that, beginning in 2012, this agreement will result in the partial loss of reimbursement of the rum tax received by Puerto Rico.

CONSOLIDATED RESOURCES

Act 178-2010 was approved because of this situation. This law increased the tax rate from 10% to 25% and authorized a subsequent increase of 46% of a portion of the funds in order to promote and incentivize the rum industry. Taking all this into account, as well as the behavior of the levies, the General Fund is estimated to receive about \$291 million in federal reimbursement in fiscal year 2011-12 and \$219 million in fiscal year 2012-13.

The following tables show the net revenue distribution comprising the General Fund, as of the close of fiscal year 2010-11, the revised estimates for fiscal year 2011-12, and the estimates for the Recommended Budget for fiscal year 2012-13.

Table 1
FY 2011 & 2012 GENERAL FUND NET REVENUE
(in millions of dollars)

Categories	Estimated		Change	
	Actual 2011	Revised 2012	Absolute	Percent
Net Revenue to the General Fund	8,149.5	8,650.0	500.5	6.1
From State Sources:	7,820.9	8,351.0	530.1	6.8
Taxes	7,376.0	8,036.0	660.0	8.9
Property Tax	246.6	40.0	(206.6)	(83.8)
Revenue Tax, Total	4,910.3	4,624.0	(286.3)	(5.8)
Individual	2,186.2	2,134.0	(52.2)	(2.4)
Corporate	1,674.1	1,531.0	(143.1)	(8.5)
Partnerships	3.2	2.0	(1.2)	(38.4)
Withheld from non-Residents	1,000.4	917.0	(83.4)	(8.3)
Tollgate Tax	12.6	7.0	(5.6)	(44.5)
Interest	7.0	7.0	0.0	0.2
Tax on Dividends	26.8	26.0	(0.8)	(2.8)
Inheritance and Donation Tax	3.1	5.0	1.9	61.2
Sales and Use Tax	531.7	560.0	28.3	5.3
Taxes, Grand Total	1,602.9	2,731.0	1,128.1	70.4
Alcoholic Beverages, Total	281.0	284.0	3.0	1.1
Distilled Spirits	51.2	51.0	(0.2)	(0.5)
Beer	209.6	211.0	1.4	0.7
Other Beverages	20.2	22.0	1.8	9.1
General Taxes, Total	1,322.0	2,447.0	1,125.0	85.1
Foreign (Act 154)	677.8	1,799.0	1,121.2	165.4
Cigarettes	202.0	185.0	(17.0)	(8.4)
Petroleum Products	4.2	4.0	(0.2)	(4.8)
Motor Vehicles	364.2	387.0	22.8	6.3
Horse Races	21.0	19.0	(2.0)	(9.5)
Insurance Premiums	23.8	25.0	1.2	5.1
Cement	1.1	1.0	(0.1)	(11.3)
Slot Machines	24.1	24.0	(0.1)	(0.3)
Other Taxes	3.8	3.0	(0.8)	(21.3)

CONSOLIDATED RESOURCES

Categories	Actual 2011	Estimated Revised 2012	Change	
			Absolute	Percent
Licenses	81.3	76.0	(5.3)	(6.6)
Motor Vehicles	62.9	61.0	(1.9)	(3.1)
Alcoholic Beverages and Other	18.4	15.0	(3.4)	(18.5)
Non-tax	444.9	315.0	(129.9)	(29.2)
Traditional Lottery	46.2	45.0	(1.2)	(2.5)
Electronic Lottery	55.7	53.0	(2.7)	(4.8)
Miscellaneous Revenue, Total	343.1	217.0	(126.1)	(36.7)
Fines and Penalties	57.5	55.0	(2.5)	(4.3)
Fees, Registrations and Certifications	90.4	104.0	13.6	15.1
Other	195.2	58.0	(137.2)	(70.3)
From Other Sources	328.5	299.0	(29.5)	(9.0)
Customs Duties	0.0	8.0	8.0	0.0
Tax on Rum Shipments	328.5	291.0	(37.5)	(11.4)

Table 2
ESTIMATED REVENUE FY 2012 VS. FY 2013
(in millions of dollars)

Categories	Estimated		Change	
	Revised	Proposed	Absolute	Percent
	2012	2013		
Net Revenue to the General Fund	8,650.0	8,750.0	100.0	1.2
From State Sources:	8,351.0	8,527.0	176.0	2.1
Taxes	8,036.0	8,181.0	145.0	1.8
Property Tax	40.0	0.0	(40.0)	(100.0)
Revenue Tax, Total	4,624.0	4,715.0	91.0	2.0
Individual	2,134.0	2,107.0	(27.0)	(1.3)
Corporate	1,531.0	1,623.0	92.0	6.0
Partnerships	2.0	2.0	0.0	0.0
Withheld from non-Residents	917.0	942.0	25.0	2.7
Tollgate Tax	7.0	7.0	0.0	0.0
Interest	7.0	7.0	0.0	0.0
Tax on Dividends	26.0	27.0	1.0	3.8
Inheritance and Donation Tax	5.0	5.0	0.0	0.0
Sales and Usage Tax	560.0	691.0	131.0	23.4
Taxes, Grand Total	2,731.0	2,691.0	(40.0)	(1.5)
Alcoholic Beverages, Total	284.0	290.0	6.0	2.1
Distilled Spirits	51.0	52.0	1.0	2.0
Beer	211.0	216.0	5.0	2.4

CONSOLIDATED RESOURCES

Categories	Estimated		Change	
	Revised	Proposed	Absolute	Percent
	2012	2013		
Other Beverages	22.0	22.0	0.0	0.0
General Taxes, Total	2,447.0	2,401.0	(46.0)	(1.9)
Foreign (Law 154)	1,799.0	1,750.0	(49.0)	(2.7)
Cigarettes	185.0	173.0	(12.0)	(6.5)
Petroleum Products	4.0	5.0	1.0	25.0
Motor Vehicles	387.0	400.0	13.0	3.4
Horse Races	19.0	20.0	1.0	5.3
Insurance Premiums	25.0	25.0	0.0	0.0
Cement	1.0	1.0	0.0	0.0
Slot Machines	24.0	24.0	0.0	0.0
Other Taxes	3.0	3.0	0.0	0.0
Licenses	76.0	79.0	3.0	3.9
Motor Vehicles	61.0	63.0	2.0	3.3
Alcoholic Beverages and Other	15.0	16.0	1.0	6.7
Non-tax	315.0	346.0	31.0	9.8
Traditional Lottery	45.0	43.0	(2.0)	(4.4)
Electronic Lottery	53.0	65.0	12.0	22.6
Miscellaneous Taxes, Total	217.0	238.0	21.0	9.7
Fines and Penalties	55.0	58.0	3.0	5.5
Fees, Registrations and Certifications	104.0	110.0	6.0	5.8
Other	58.0	70.0	12.0	20.7
From Other Sources	299.0	223.0	(76.0)	(25.4)
Customs Duties	8.0	4.0	(4.0)	(50.0)
Taxes on Rum Shipments	291.0	219.0	(72.0)	(24.7)

SPECIAL STATE FUNDS

Special State Funds are estimated at \$1,422.0 million and \$1,347.7 million for fiscal years 2011-2012 and 2012-2013, respectively. The 2012-2013 amount includes a balance of \$154.6 million, as of the start of the fiscal year. We describe below the composition of the most significant components of Special State Funds.

BOND REDEMPTION FUND

This Fund is drawn from taxes of 1.03% on the value of all property, both real estate and personal property in Puerto Rico, that is non-tax exempt.

The amount of this Fund calculated on the basis of the appraised property value. Based on a tax rate of 1.0% on non-tax exempt property, revenue is estimated at \$116.8 million for fiscal year 2012-2013.

TAX ON OCCUPANCY FEES

This Fund is drawn from a tax of 9% on room occupancy fees at hotels. When it involves lodging authorized by the

CONSOLIDATED RESOURCES

Financial Institutions Committee to operate gaming rooms, the tax will be 11%. For lodging authorized by the Tourism Company to operate as *paradores*,¹ the tax will be 7%. Motels will pay a tax of 9%, when the room charge exceeds five dollars daily.

The Fund will be used for the following purposes:

1. Payment of depreciation and interest on the construction of the Convention Center.
2. The rest will be divided as follows:
 - a) 2% - to cover the operation, management and distribution of tax collection.
 - b) 5% - will be allocated to the General Fund to start up operations of the Convention Center and will be available during the next 10 years to cover any deficit that might arise solely from its operations. It will be held each year in a Special Reserve account.
 - c) 9% - to cover the costs of the Convention Center Bureau for not less than \$4.5 million.
 - d) Up to a maximum of \$2.5 million will be kept available during each fiscal year in a special reserve account maintained by the Tourism Company to cover any deficit that might arise solely from the Center's operations.
 - e) The remaining balance will be allocated to the Tourism Company for the promotion, marketing, development and boosting of the tourism industry in Puerto Rico.

The Tourism Company projects collections of \$15.1 million for fiscal year 2012-2013.

DEDICATED SALES TAX FUND

Act 91-2006 established that one percent (1%) of the Sales and Usage Tax (IVU) will be allocated to the Dedicated Sales Tax Fund (FIA). FIA resources will be used to pay advances from the Government Development Bank and to repay or refinance the current debt outside the constitutional margin, as of June 30, 2006. Acts 1-2009 and 7-2009, as amended, modified Act 91 - 2006 to increase to two point seventy-five percent (2.75%) the portion of the tax to be allocated to the FIA and to expand the uses for which these resources are intended.

For fiscal year 2012-2013, collections of \$694.1 million are projected for this category.

TELECOMMUNICATIONS FUND

This annual Fund will be proportionally set on the basis of gross earnings generated by each telecommunication or cable company providing telecommunications services in Puerto Rico. The charges will not exceed point twenty-five percent (0.25%) of annual gross earnings, stemming from telecommunications services in Puerto Rico. If annual gross earnings are less than twenty-five thousand (\$25,000) dollars, the company will be exempt from paying this tax.

The Telecommunication Regulatory Board projects collections for fiscal years 2011-2012 and 2012-2013 at \$13.8 million and \$14.1 million, respectively.

FUND FOR CONTROL AND REGULATION OF THE INSURANCE INDUSTRY

This Fund is sustained by the:

- Examination, analysis and research fees in insurance industry operations.
- Presentation and registration fees for basic insurance policy forms.

¹ "Paradores", are a group of 18 state sponsored inns located throughout the island.

CONSOLIDATED RESOURCES

- Publications sold by the Office of the Insurance Commission.
- Fees for participation in courses and seminars offered by the Office of the Insurance Commission.
- Revenue generated from payment of presentation fees, licenses and other fees.

The Office of the Insurance Commission projects revenue of \$10.9 million for fiscal year 2012-2013.

GREEN ENERGY FUND

In order to promote the creation of green energy markets and the development of mechanisms to incentivize the establishment, organization and operation of green energy production units on a commercial scale in Puerto Rico and to stimulate the development of sustainable energy systems promoting energy savings and efficiency in the use of energy, the Special Green Energy Fund is established, pursuant to Act 83-2010.

For fiscal year 2011-2012, the first round of motor vehicle and motorcycle taxes collected by the Treasury Department will be allocated to the "Green Energy Fund". The Energy Administration will be the entity responsible for managing the Fund, which will allow fiscal incentives to be granted for renewable sustainable and renewable alternative energy projects. In fiscal year 2012-2013, \$20.0 million will be allocated to this Fund.

UNIVERSITY SCHOLARSHIP FUND OF PUERTO RICO

In order to serve as an additional source of income for students who lack the necessary economic resources, the Special University Scholarship Fund of Puerto Rico was created under the management of the University of Puerto Rico, pursuant to Act 46-2011. Its main purpose is to collect the funds needed to ensure greater participation by students in the benefits provided to them from the scholarship program, as established in this Law.

Revenue for this Fund will be drawn from ten percent (10%) of net revenue from the operations of the Additional Lottery, to be calculated as provided in Article 14 of Act No. 10 of May 24, 1989, as amended, and after compliance with the line items in the Article cited above. The remaining funds that have not been used or that are not otherwise allocated, for purposes of this Law, will remain in the Fund to be used as scholarships for students attending the University of Puerto Rico, on June 30, of each fiscal year. In fiscal year 2012-2013, this Fund will receive \$30.0 million.

REVENUE FROM INTERNAL SOURCES

This category is represented by resources generated from the sale of services or various activities pursued by different sectors of the Government. For fiscal years 2011-2012 and 2012-2013, the category of Revenue from Internal Sources increased to \$9,364.9 million and \$9,070.0 million, respectively.

LOANS OR BOND ISSUES

Loans or bond issues are resources obtained from the sale of bonds, lines of credit and loans issued to fund ongoing improvements. This source varies among different corporations, since it depends on their particular fiscal situation. For fiscal year 2012-2013, will amount to \$1,721.2 million, compared with \$2,020.9 million for fiscal year 2011-2012.

OTHER REVENUE

The source of this resource reflects revenue by way of funds held in trust and revenue that does not normally represent operational Revenue. In fiscal year 2012-2013, these resources are estimated at \$680.4 million. In fiscal year 2009-2010, \$500 million was included, drawn from the Economic Stimulus Fund of Puerto Rico, which helped finance the National Stimulus Program.

FEDERAL ECONOMIC STIMULUS FUND

CONSOLIDATED RESOURCES

The American Recovery and Reinvestment Act (“ARRA”, for its initials in English), was approved February 17, 2009, for the purpose of stimulating the American economy on federal, state and local levels. This Law allocates a package of economic measures, which include tax credits, educational funds, funding for infrastructure projects, and scholarships granted to promote scientific research, among other activities.

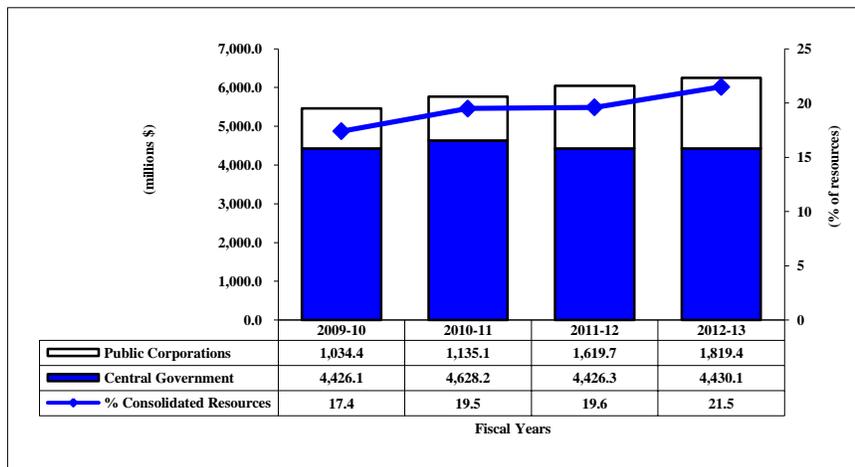
The Government of Puerto Rico estimates that receipts of these funds will amount to over \$6 billion. It is also eligible for additional funds through a competitive bidding process. Out of these total, \$205.2 million and \$206.5 million are included in the Government Expense Budget for fiscal years 2011-2012 and 2012-2013, respectively. These amounts do not include benefits offered through tax incentives, direct payments to individuals through the Treasury Department and other entities, nor direct allocations to municipalities, since the latter do not constitute resources available to finance the Government Expense Budget.

FEDERAL GRANTS

Federal Grants constitute a significant source of the total resources of the Government of Puerto Rico. The consolidated resources from Federal Contributions for fiscal year 2012-2013 are estimated at \$6,807.5 million, including a balance of \$558.0 million, available at the beginning of the fiscal year.

Federal Contributions included in the government budget are intended for agencies of the Central Government and Public Corporations. All resources of those entities established as agencies flow into the Central Government, depending on their legal basis. The estimates for fiscal years 2011-2012 and 2012-2013 amount to \$4,426.3 million and \$4,430.1 million, respectively. These resources are primarily under the control of the Treasury Department, with the exception of the Nutritional Assistance Program (PAN).

**Federal Contributions as a Percent of Consolidated Resources
Fiscal Years 2009-2010 to 2012-2013**



Resources arising from Federal Contributions to Public Corporations are estimated at \$1,619.7 million for fiscal year 2011-2012 and \$1,819.4 million for fiscal year 2012-2013, reflecting an increase of \$199.7 million.