

Island moving out of recession, say experts

Money men testify on budget before House

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The island is moving out of recession, with myriad indicators to prove it, Gov. Fortuño's top economic advisors agreed Tuesday.

For more than four hours, the joint Senate and House Treasury Committee grilled the new president of the Government Development Bank, Juan C. Batlle, Treasury Secretary Jesús Méndez, the head of the Planning Board, Rubén Flores Marzán and the director of the Office of Budget and Management, Juan C. Pavia.

"We took over a government in serious deficit back in 2009 and in less than four years, we have improved our position in nearly all aspects. Here is a brief list of the current situation in Puerto Rico and how we project our growth," Batlle said.

Exports, according to Batlle, increased 23.3 percent during the first half of fiscal 2011 (July to January) to reach \$36 billion.

Sales of non-perishable assets also increased — although a bit more modestly — by 1.2 percent, going from \$14 to \$14.2 billion during the first half of fiscal 2011.

The important sector of tourism also appears to have rebounded as Marzán claimed a growth of 2 percent between July to November in hotel occupancy. According to the Planning Board president, 837,233 tourists spent at least one night in an island hotel during the above mentioned period.

Overall, tourists spent \$3.6 billion in Puerto Rico in fiscal 2010, an increase of 3.6 percent compared to the previous year.

Projections had placed that number at \$3.8 billion or a 2.9 percent increase for fiscal 2012.

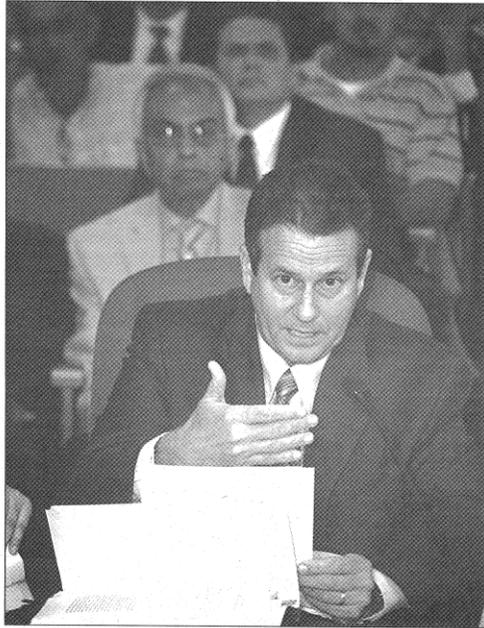
Among the data provided by the officials were several important numbers in light of today's opening of the budget hearings for government agencies.

Despite the firing of almost 30,000 public workers, the government payroll increased \$140 million for fiscal 2012, going from \$6.81 billion in 2011 to \$6.96 billion in the next fiscal year.

Funding for the University of Puerto Rico will increase slightly to \$704 million from its current level of \$691 million.

The Judicial Branch, which is set to add two new Supreme Court judges later this spring, will have to do it with \$20 million less in 2012, having seen its budget reduced from \$348 million last fiscal year to \$328 million.

The group even touted as a victory the drop in cement production — which registered a decrease of 6.7 percent in comparison to the previous year — because it



Treasury Secretary Jesús Méndez

Dolly Sun, files

was the smallest decrease registered since 2006.

Despite the rosy picture presented by the group, delegates of the Popular Democratic Party did not buy it, insisting once again that the administration's economic policies are placing the island in a severe fiscal position instead of improving the situation.

Rep. Luis Vega Ramos, the ranking PDP member on the committee said, "Those numbers mentioned by Batlle, and the rest of the Fortuño disaster team, are not only wrong but they point toward a country full of debt. This government needed to request money from the legislature to cover the payroll this year, meaning they did not have the money."

Other indicators that placed the island's economic recovery in doubt are the decrease in energy consumption which was down 2.8 percent during the first months (July to January) of fiscal 2011.

The Puerto Rico Electrical Power Authority confirmed that it produced around 13.5 million kilowatts per hour last year, a reduc-

tion from fiscal 2010 levels.

Projections for fiscal 2012 dominated the second part of the hearing as the quarter began to indicate how the island economy will grow next year.

Federal funds for individual services are expected to increase from \$15.6 billion in fiscal 2011 to \$17.1 billion during the next fiscal year, which represents an increase of 2.6 percent.

"The real national gross product for Puerto Rico decreased in fiscal 2011 by 1 percent to a total of \$6.1 billion," Batlle said. "We expect an increase of 0.7 percent to a total value of \$6.2 billion for 2012."

Personal expenditure for fiscal 2010 was \$57 billion, the quarter projecting an increase for 2012 of 3.7 percent to \$61.4 billion.

"We are clearly seeing a movement to stabilize the economic situation in Puerto Rico as indicated by income projection for fiscal 2012," Méndez said.

Overall, the Fortuño administration plans to collect \$8.6 billion in revenue during fiscal 2012, which starts in July 2011.

Of that amount, \$2.1 billion will come from individuals, \$1.5 billion from corporate taxes, another \$2.5 billion from regular taxes and \$680 million from the collection of the sales tax known as IVU by its Spanish acronym.

The rest will come from other tax sources such as tariffs.

IVU collections actually increased during fiscal 2011, reaching \$941.4 million as of April 2011 — in increase of 2 percent from the 2011 total of \$913.8 million.

January 2011 was the month that saw the biggest increase in IVU collections in history, with \$123.8 million.

As for the fiscal 2012 budget, Méndez told the committee, which is chaired by New Progressive Party Rep. Antonio "Toni-to" Silva and NPP Sen. Migdalia Padilla, that the total income from that budget will be \$9.26 billion.

That represents a 15 percent reduction from the \$10.9 billion budget the Fortuño administration inherited in 2009.

The consolidated government debt shrank in fiscal 2012 to \$1 billion, and, according to Pavia, it will be reduced again, to \$610 million.

"Payroll and the payment of the public debt represents 43 percent of the expenses in this budget for fiscal 2012," Méndez said. Public debt alone in 2012 will total \$4.3 billion.

According to Pavia, the governor instructed the officials to invest as much money as possible in social development.

Around \$14.7 billion alone are allocated to social interest programs including the improvement of current public housing projects. A total of \$6.1 billion will be allocated to economic development.

Public safety agencies, including the police and Department of Justice, saw an increase in funding for 2012 of four percent. The biggest beneficiary in new funds is the health care sector which was granted a robust 16 percent hike from 2010 levels.

The Department of Health alone will have an increase of \$285 million, while the Health Insurance Administration will have an increase of \$2 billion due to the funds coming from federal programs to manage the Mi Salud (My Health) government-run health care program.

On the thorny issue of the money used by the Corporation of Special Interest Funds (COFINA by its Spanish acronym), the administration divulged that 94 percent of its funds were used to pay the existing government debt.

Around \$7.9 billion was raised by COFINA in six bond issues since 2009.

One billion dollars was used to pay for a loan by the GDB, \$1.3 billion to cover the 2008-09 fiscal year deficit, \$756 million to cover bounced checks issued by the past administration to government suppliers and \$3.5 billion to the local stabilization fund.

Overall, the public debt was reduced by 10.2 percent from December 2008 to 2010.

The budget hearings will continue Thursday when the Department of Correction is slated to present its budget.