

CONSOLIDATED RESOURCES

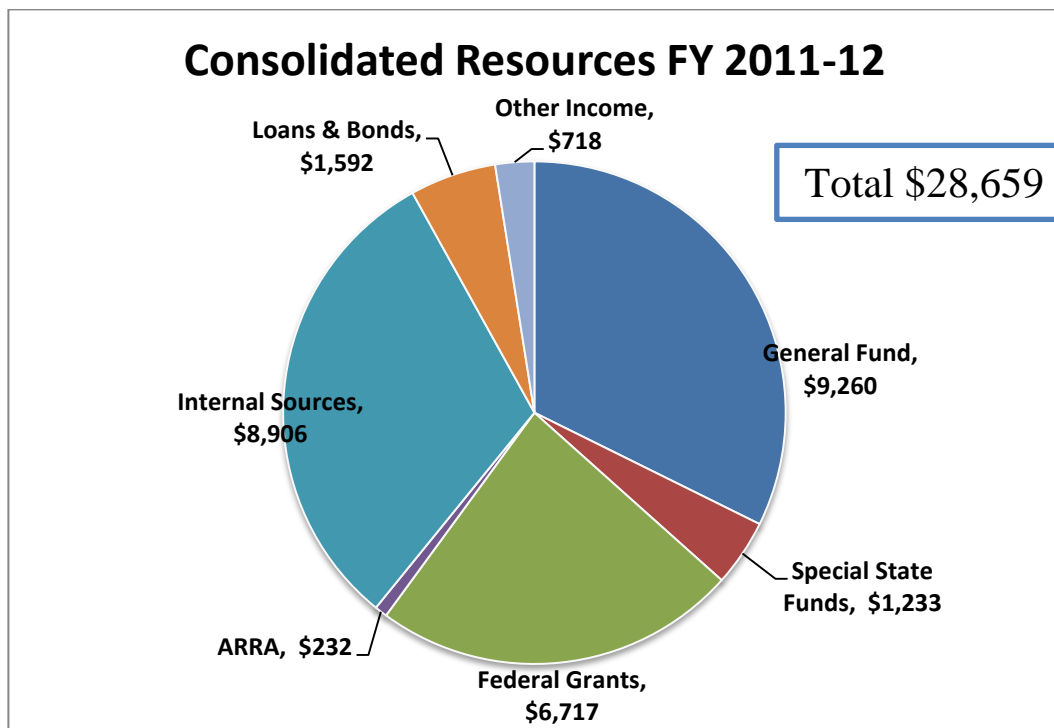
The Government of Puerto Rico has a number of funding sources to finance its work plan. These sources are: the General Fund, Special State Funds, Revenues from Internal Sources resulting from the sale of services, loans and bond issues, Federal Grants and other sources that can be trust funds or funds that ordinarily do not represent income from operations.

Government revenues, specifically those entering the General Fund, are affected by a number of internal factors, as well as others that are beyond government actions. Among the internal factors are, the actions taken by the Treasury Department, as well as those held by other agencies in coordination with the Department, which affect economic activity. The external factors include the natural behavior of the local economy as well as the effect of Federal Government policies.

In this section, we present a detail account of the Government's Consolidated Resources by type of fund, and explanatory information is provided about the source of funds and revenue estimates for each one of them.

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The consolidated resources of the Government of Puerto Rico for FY 2011-2012 amounted to 28.7 billion. The most significant sources of revenue for the Government are: General Fund, Revenues from Internal Sources, and Federal Contributions.



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GENERAL FUND

Resources coming into the General Fund consist of the various taxes collected by the government such as: income tax from individuals and corporations, excise taxes, sales and use tax, and licenses. In addition, the General Fund is funded by non-tax income such as: lotteries, fines, fees, among others. The Fund also receives revenue from the Federal Government which is returned to Puerto Rico, in the way of customs duties and federal excises on off-shore shipments of rum.

The resources obtained through the tax system structure are determined by three main factors: the general behavior of economic activity, the efficient administration of the tax system, and the fiscal effect of tax legislation.

During fiscal Year 2010-2011, various tax statues were passed that substantially alters the basis and distribution of the estimated General Fund revenues. The most significant piece of legislation is the Tax Reform. The tax reform grants tax relief to individuals and corporations in the amount of approximately \$1,200 million annually for the next six years.

The first phase of the reform, established under Act No. 171, of November 15, 2010, granted a 15%, 10% and 7% tax credit to individuals depending on the taxpayer's income. According to provisions under this Act, no income tax deduction was taken by the government on the Christmas Bonus and the employees' salaries for the month of December 2010. A tax credit of 7% was also applied to regular corporations.

Act No. 1 of January 31, 2011 established the "Internal Revenue Code for a new Puerto Rico." This Code provides tax relief for individuals and corporations, starting on 2010-2011. From January 2011, the tax contribution rates the employer retains from employees were substantially reduced.

One of the objectives of the reform is to redistribute the tax burden in a balanced manner among all economic sectors. In accordance with this purpose, Act No. 154 of 25 October 2010 established a six years temporary excise tax. This tax will decrease gradually during that period of time and is imposed on purchases of products manufactured in Puerto Rico, by non-resident corporations.

COMPARISON OF ESTIMATES OF GENERAL FUND REVENUE FISCAL YEARS 2009-2010 AND 2010-2011

The estimated distribution of net income to the General Fund for fiscal year 2010-2011, was reviewed to scale the effect of the approved legislation, the behavior of the revenues in the first eight months of the fiscal year and the monitoring and fiscal efforts of the Department of Treasury. The estimated net revenues from the General Fund for fiscal year 2010-2011 amount to \$8,133.5 million. This level of revenues is \$442.8 million or 5.8% higher than fiscal year 2009-2010 revenues. The main income

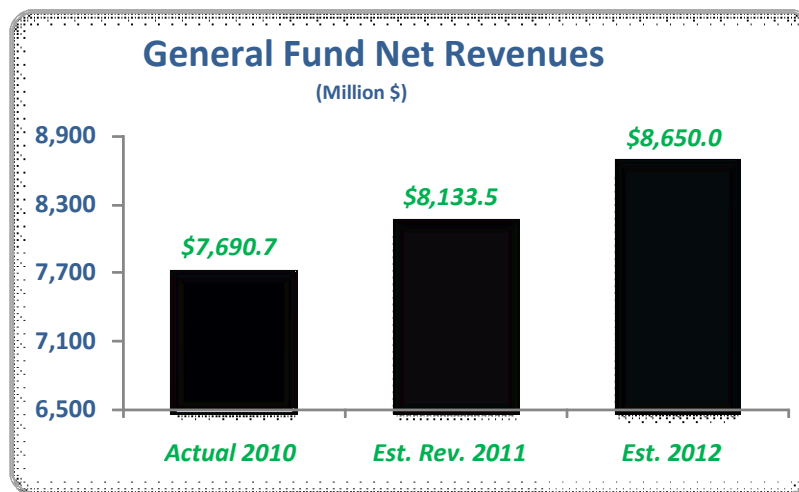
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concepts show mix variations, when compared with the previous year. These variations are attributed primarily to the effect of the reduction in tax contributions caused by the Tax Reform. Direct taxes such as individuals and corporations income tax, decreased \$226.5 million when compared to the previous fiscal year. Moreover, the estimated revenues from the new tax to foreign corporations represent additional General Fund revenues of \$609 million this fiscal year.

The revenue from indirect taxes such as excise and sales & use taxes, is expected to increase 3% in fiscal year 2010-2011. The estimate is based on the revenues rate of growth from such taxes in the first eight months of fiscal year 2010-2011. This behavior reflects a recovery of consumer confidence and in the commercial sector.

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

The estimated net revenues from the General Fund, prepared by the Treasury Department totals \$8.650 billion for FY 2011-2012. This amount represents an increase of \$516.5 million or 6.4% compared with the revised estimate of fiscal year 2010-2011. This revenue estimate considers the projections of key macroeconomic variables prepared by the Planning Board, the expected effect of approved tax legislation and multiple monitoring and control measures implemented, directed toward increasing compliance and reduce tax evasion.



The composition of fiscal year 2011-2012 revenues reflects the redistribution of the tax burden of the system as a result of the Tax Reform. The relative share of total tax revenues from individual income, decreased from 34% in FY 2009-2010, to 25% in FY 2011-2012. Moreover, the participation of

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corporations increased from 22% to 36% when considering the new Tax to foreign corporations. The following table compares the relative distribution of the new General Fund revenues.

**General Fund Net Revenue
Percent Distribution**

Income	2009-2010	2011-12
Individuals	34%	25%
Corporations ¹	22%	36%
Tax Withheld Non-Residents ¹	11%	11%
Excise Taxes	12%	11%
Sales & Use Tax (IVU)	7%	8%
Property Tax	3%	1%
Others	12%	8%

¹ Fiscal Year 2011-2012 includes \$ 1.578 million estimated revenues from the new tax to foreign corporations.

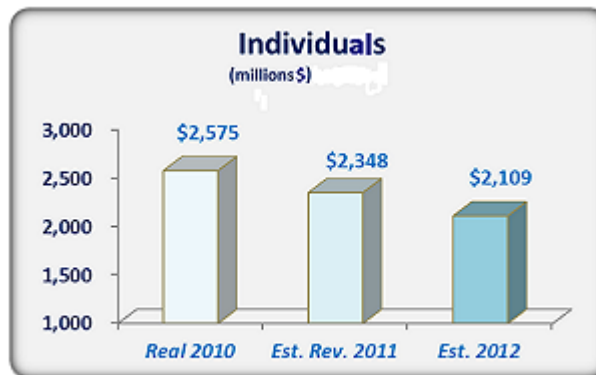
The following section presents an overview of the major revenue sources included for fiscal year 2011-2012.

INCOME TAXES

Taxes paid by individuals, corporations, and withholding tax to non-residents which are, for the most part, payments made by companies in the manufacturing field for the use of patents in the production process.

For fiscal year 2011-2012, the total estimated income tax revenues are \$4.647 million. Compared with the fiscal Year 2010-2011, those represent a decrease of \$265.5 million, which is attributed in part to the effect of the tax relief granted by the Tax Reform. The income tax collections of individuals are projected at \$2.109 million; corporate tax at \$1.515 million; and the retained tax to non-residents at \$980 million.

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SALES & USE TAX (IVU, SPANISH LANGUAGE ACRONYM)

Act No. 117 of July 4, 2006 established broad-based consumption tax on the sale and use of goods and services. This Act imposed a state tax rate of five point five (5.5%) percent of the purchase price of the taxable item, beginning on November 15, 2006.

Act No. 91 of May 13, 2006 establishes that one (1%) percent of the sales and use tax collections will be transferred to the Dedicated Sales Tax Fund (FIA, Spanish language acronym). The Act also established the FIA resources should be used for the payment of non- general obligation outstanding debt balances, as of June 30, 2006, against the General Fund.

Act No. 1 of January 14, 2009 amended Act No. 91 above, which provided a 2% increase in the amount of tax revenues from the sale & use tax, to be deposited in the Dedicated Sales Tax Fund and authorized the Puerto Rico Sales Tax Financing Corporation ("COFINA" by its Spanish-language acronym) to use the proceeds of any bond issue whose repayment is backed by the fund. These resources are to be used to cover operating expenses of the Government during fiscal Years 2008-2009 to 2011-2012, and to capitalize the Economic Stimulus Fund of Puerto Rico.

Act No. 7 of 9 May 2009 amended Act No. 91 of May 13, 2006, to provide COFINA an additional point seventy five (0.75%) percent from the tax levied on the sales & use tax to. This amendment helped to increase COFINA's ability to issue bonds, allowing the Corporation to use the proceeds to finance the costs of the Public Employees Alternatives Plan, created by Act No. 7.

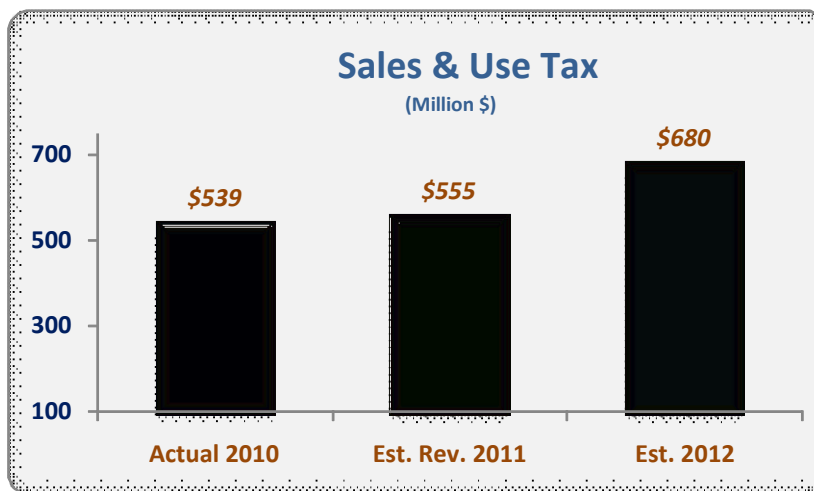
In Fiscal Year 2009-2010 total revenues from the sales and use tax, amounted to \$1,092.1 million. These resources were distributed as follows: \$550 million to FIA, \$538.9 million to the General Fund and a fixed annual amount of \$3.2 million to the Development of Arts and Film Industry Fund.

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For fiscal year 2010-2011, there is a projected growth of 3.2% and total revenues are expected to amount to \$1.132 billion. The FIA received the first \$572 million, and the General Fund will receive the remaining \$555 million.

One of the most important initiatives of the Department of the Treasury in fiscal year 2011-2012 is to increase the sales and use tax collections through the implementation of the "IVU LOTO" system. The objective of the "IVU LOTO" is to increase revenue collection through the implementation of monitoring measures, where the citizen is the main hub for compliance. This system requires the installation of an in-store device certified by the Department of Treasury. Once installed, the Department is able to calculate the total sales and the corresponding sales tax charged by the establishments. In addition, the system will issue a sales receipt with a series of numbers to allow buyers to participate in the "IVU LOTO" sweepstakes.

As a result of this initiative, the Department of Treasury projects an increase of \$235 million in revenues from the sales tax. The estimated \$683 million total revenues will enter the FIA and \$680 to the General Fund.



Excise on Motor Vehicles

Revenues from excise taxes on motor vehicles declined for four consecutive years during 2005 to 2009. However, fiscal year 2009-2010 saw a rise of 9.5%, reaching a total of \$344.4 million. In fiscal year 2010-2011, this tax is projected to continue increasing to the amount of \$369 million.

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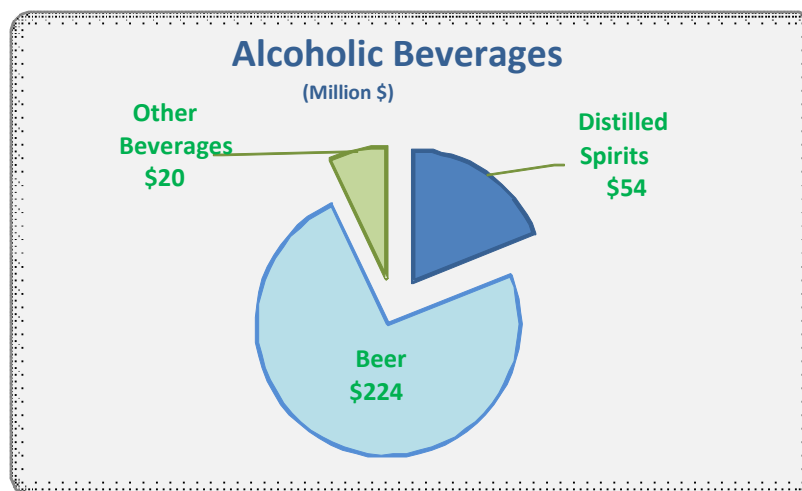
The provisions of Act No. 83 of July 19, 2010, which created the Green Energy Fund, will be effective beginning in fiscal year 2011-12. This Act provides that the first \$20 million collected in fiscal year 2011-2012 of the excise tax on motor vehicles will have to go into the Special Green Energy Fund. Considering the effect of this initiative, it is estimated that revenues from the General Fund by way of excise tax on motor vehicles, will reach the amount of \$361 million in fiscal year 2011-2012.

TEMPORARY EXCISE TAX ON FOREIGN CORPORATIONS

Act No. 154 of 2010 imposed a temporary excise tax to redistribute the tax burden and increase General Fund revenues. The excise tax will be in effect for six years decreasing gradually. During tax year 2010-2011, the excise tax rate is 4% and 3.75% for the tax year 2011-2012. The excise tax was effective on January 1, 2011, affecting five months of fiscal year 2010-2011. In Fiscal Year 2011-2012, the General Fund will receive the new tax revenue for 12 months and is estimated at \$1.578 million.

Excise Taxes on Alcoholic Beverages

The alcoholic beverages excise taxes are composed of three categories: beer, distilled spirits and wines. For fiscal year 2011-2012, the projected growth of 3.1% is expected to result in total revenues of \$298 million. The estimated distribution of alcoholic beverages collections is shown in the following chart:



CIGARETTES

Act No. 7 of March 9, 2009, as amended, increased the excise tax of \$6.15 to \$11.15 for each hundred or fraction of 100 cigarettes. The revenues are estimated at \$210 million for fiscal year 2010-2011, for an increase of \$27.5 million or 15.1%. A similar amount is projected for fiscal year 2011-2012.

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LOTTERIES

The Puerto Rico lottery system is composed of the Traditional Lottery and the Electronic Lottery. Income received by the Government from the operation of both lotteries is distributed to the General Fund, various special funds, and legislative appropriations. In fiscal year 2010-2011, the Special Fund for higher education scholarships at the University of Puerto Rico was established, which is capitalized annually from a \$30 million appropriation from the Electronic Lottery revenue.

For fiscal year 2011-2012, the amount of \$45 million from the Traditional Lottery and \$83 million from the Electronic Lottery is projected to go into the General Fund.

Federal Excise on Rum Shipments

Another General Fund source of income is the federal reimbursement of excise tax on off-shore shipments of rum. At the present time, the Federal Government reimburses \$13.25 per gallon of rum. Income received by the local government for this purpose, is distributed between the General Fund, the Conservation Trust Fund, the Science and Technology Fund and the Rums Promotion Program. For fiscal year 2010-2011, the General Fund is estimated to receive \$337 million.

The Virgin Islands reached an agreement signed on June 17, 2008 with one of the largest producers of rum in the world, who until then used for their products, bulk rum produced in Puerto Rico. This transaction may cause a partial loss of rum excise tax credits for Puerto Rico during fiscal year 2011-2012.

In response to this situation, Act No. 178 of December 1, 2010, increase from 10% to 25% the portion of funds allocated to promote the rum industry, and up to 46% later on. Considering this, we estimate the General Fund will receive \$271 million in federal reimbursement for fiscal year 2011-2012.

The following tables show the breakdown of net revenues from the General Fund for fiscal year 2009-2010, the revised estimate of fiscal year 2010-2011 and estimated net revenues for the Fiscal Year 2011-2012 adopted Budget. The estimates consider the tax effect of the approved legislation.

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FISCAL YEAR ESTIMATED REVENUE 2010 Vs. 2011 (IN MILLIONS OF DOLLARS)

CONCEPTS	REAL	REVISED ESTIMATE	CHANGE	
	2010	2011	ABSOLUTE	PERCENTAGE
NET GENERAL FUND CONTRIBUTION	7,690.7	8,133.5	442.8	5.8
FROM STATE SOURCES	7,338.4	7,792.5	454.1	6.2
TAX	6,894.0	7,343.5	449.5	6.5
PROPERTY TAX	227.5	238.0	10.5	4.6
TOTAL INCOME TAX	5,139.0	4,912.5	(226.5)	(4.4)
INDIVIDUALS	2,574.7	2,348.0	(226.7)	(8.8)
CORPORATIONS	1,677.7	1,566.0	(111.7)	(6.7)
FIRMS	1.6	3.0	1.4	87.5
WITHHELD FROM NON RESIDENTS	830.3	951.5	121.2	14.6
TOLLGATE TAX	15.0	9.0	(6.0)	(40.0)
INTERESTS	9.9	8.0	(1.9)	(19.2)
DIVIDEND TAX	29.8	27.0	(2.8)	(9.4)
INHERITANCE AND GIFT TAX	3.7	5.0	1.3	35.1
SALES & USE TAX	538.9	555.0	16.1	3.0
EXCISE TAX, GRAND TOTAL	889.6	1,556.0	666.4	74.9
ALCOHOLIC BEVEREGES, TOTAL	284.8	289.0	4.2	1.5
DISTILLED SPIRITS	53.9	53.0	(0.9)	(1.7)
BEER	211.8	217.0	5.2	2.5
OTHER BEVEREGES	19.1	19.0	(0.1)	(0.5)
TOTAL GENERAL EXCISE TAXES	604.8	1,267.0	662.2	109.5
FOREIGN (LAW 154)	-	609.0	609.0	-
CIGARETTES	182.5	210.0	27.5	15.1
PETROLEUM PRODUCTS	4.7	5.0	0.3	6.4
MOTOR VEHICLES	344.4	369.0	24.6	7.1
HORSE RACING	22.8	21.0	(1.8)	(7.9)
INSURANCE PREMIUMS	24.0	24.0	-	-
CEMENT	1.2	1.0	(0.2)	(16.7)
SLOT MACHINES	23.3	24.0	0.7	3.0
OTHER EXCISE TAXES	1.9	4.0	2.1	110.5
LICENCES	95.3	77.0	(18.3)	(19.2)
MOTOR VEHICLES	61.3	62.0	0.7	1.1
ENTERTAINMENT MACHINES	18.7	-	(18.7)	(100.0)
OTHER LICENSES	15.3	15.0	(0.3)	(2.0)
NON TAX	444.4	449.0	4.6	1.0
TRADITIONAL LOTTERY	45.6	43.0	(2.6)	(5.7)
ELECTRONIC LOTTERY	80.0	79.0	(1.0)	(1.3)
MISCELLANEOUS INCOME, TOTAL	318.8	327.0	8.2	2.6
FINES AND PENALTIES	81.8	60.0	(21.8)	(26.7)
RIGHTS RECORDS AND CERTS.	121.2	92.0	(29.2)	(24.1)
OTHERS	115.8	175.0	59.2	51.1
FROM OTHER SOURCES	352.3	341.0	(11.3)	(3.2)
CUSTOMS DUTIES	-	4.0		-
EXCISE TAX ON RUM SHIPMENTS	352.3	337.0	(15.3)	(4.3)

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FISCAL YEAR ESTIMATED REVENUE 2011 Vs. 2012 (IN MILLIONS OF DOLLARS)

CONCEPTOS	ESTIMATE		CHANGE	
	REVISED	RECOMENDED	ABSOLUTE	PERCENTAGE
	2011	2012		
NET GENERAL FUND CONTRIBUTION	8,133.5	8,650.0	516.5	6.4
STATE SOURCES	7,792.5	8,379.0	586.5	7.5
TAX	7,343.5	8,012.0	668.5	9.1
PROPERTY TAX	238.0	76.0	(161.0)	(67.9)
TOTAL INCOME TAX	4,913.5	4,647.0	(266.5)	(5.4)
INDIVIDUALS	2,348.0	2,109.0	(240.0)	(10.2)
CORPORATIONS	1,566.0	1,515.0	(51.0)	(3.3)
FIRMS	3.0	2.0	(1.0)	(33.3)
WITHHELD FROM NON RESIDENTS	951.5	980.0	28.5	3.0
TOLLGATE TAX	9.0	5.0	(4.0)	(44.4)
INTERETS	8.0	8.0	-	-
DIVIDEND TAX	27.0	28.0	1.0	3.7
INHERITANCE AND GIFT TAX	5.0	5.0	-	-
SALES & USE TAX	555.0	680.0	125.0	22.5
EXCISE TAX, GRAND TOTAL	1,556.0	2,525.0	969.0	62.3
ALCOHOLIC BEVERAGES, TOTAL	289.0	298.0	9.0	3.1
DISTILLED SPIRITS	53.0	54.0	1.0	1.9
BEER	217.0	224.0	7.0	3.2
OTHER BEVEREGES	19.0	20.0	1.0	5.3
TOTAL GENERAL EXCISE TAXES	1,267.0	2,227.0	960.0	75.8
FOREIGN(LAW 154)	609.0	1,578.0	969.0	159.1
CIGARETTES	210.0	210.0	-	-
PETROLEUM PRODUCTS	5.0	5.0	-	-
MOTOR VEHICLES	369.0	361.0	(8.0)	(2.2)
HORSE RACING	21.0	21.0	-	-
INSURANCE PREMIUMS	24.0	25.0	1.0	4.2
CEMENT	1.0	1.0	-	-
SLOT MACHINES	24.0	24.0	-	-
OTHER EXCISE TAXES	4.0	2.0	(2.0)	(50.0)
LICENSES	77.0	79.0	2.0	2.6
MOTOR VEHICLES	62.0	64.0	2.0	3.2
ENTERTAINMENT MACHINES	-	-	-	-
ALCOHOLIC BEVEREGES & OTHERS	15.0	15.0	-	-
NON TAX	449.0	367.0	(82.0)	(18.3)
TRDITIONAL LOTTERY	43.0	45.0	2.0	4.7
ELECTRONIC LOTTERY	79.0	83.0	4.0	5.1
MISCELLANEOUS INCOME, TOTAL	327.0	239.0	(88.0)	(26.9)
FINES & PENALTIES	60.0	62.0	2.0	3.3
RIGHTS RECORDS AND CERTS.	92.0	92.0	-	-
OTHERS	175.0	85.0	(90.0)	(51.4)
FROM OTHER SOURCES	341.0	271.0	(70.0)	(20.5)
CUSTOMS DUTIES	4.0	-	(4.0)	-
EXCISE TAX ON RUM SHIPMENTS	337.0	271.0	(66.0)	(19.6)

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STATE SPECIAL FUNDS

State Special Funds are estimated at \$1,198.6 million and \$1,349.9 million for fiscal years 2010-2011 and 2011-2012, respectively. The figure for 2011-2012 includes an \$85.0 million beginning balance.

BOND REDEMPTION FUND

This Fund is capitalized by a contribution of 1.03 percent of the value of all real state and personal property in Puerto Rico. The amount to enter this Fund is determined by the assessed value of the property. A base tax rate of 1.03 percent on non-exempt property is estimated to generate \$116.3 million for fiscal year 2011-2012.

HOTEL ROOM TAX

This Fund is capitalized from the 9% tax paid over the room occupancy charges in hotels. If the hotel has Casino, the tax is raised to 11%. For small hotels or guesthouses the tax is only 7% and for the motels the tax is 9% when the occupancy rate is over five dollars a day.

The Fund will be used for the following purposes:

1. Debt Payment associated with the construction of the Puerto Rico Convention Center.
2. The remainder is divided into the following uses:
 - a) 2% - to cover operating expenses, management and distribution of tax revenues.
 - b) 5% - will go into the General Fund to cover operational expenses of the Convention Center and during the subsequent 10 years will be available in a special reserve account to cover any operational deficit.
 - c) 9% - to cover the expenses of the Convention Center Bureau, for not less than \$4.5 million.
 - d) Up to \$2.5 million will be available for each fiscal year, in a special reserve account maintained by the Tourism Company, to cover any deficit that arises solely from the Centre's operations.
 - e) The remainder is allocated to the Tourism Company for the promotion, marketing, development and strengthening of the tourism industry in Puerto Rico.

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The Tourism Company projected collections of \$11.3 million for fiscal year 2011-2012.

DEDICATED SALES TAX FUND

Act No. 91 of May 13, 2006 established that one (1%) percent of the Sales and Use Tax, will be transferred to the Dedicated Sales Tax Fund (FIA). FIA resources will be used for the debt payment or refinancing of existing General Fund supported debt outstanding as of June 30, 2006. Act No. 1 of January 14, 2009 and Act No. 7 of May 9, 2009, as amended, amended Act No. 91 of May 13, 2006, in order to increase to two point seventy-five (2.75%) percent, the portion of the sales tax transferred to the FIA and expand the allowable uses for these resources. For fiscal year 2011-2012, the revenue for this fund is estimated in the amount of \$683.0 million.

TELECOMMUNICATIONS FUND

This fund will be set annually in proportion to the gross revenue generated by each telecommunications or cable companies providing telecommunications services in Puerto Rico. The charge may not exceed point twenty five (0.25%) percent of annual gross income, from providing telecommunications services in Puerto Rico. If the company annual gross income is less than twenty five thousand (\$25,000) dollars, will be exempt from the payment of such charge.

The Telecommunications Regulatory Board estimates collections of \$10.7 million and \$18.9 million for fiscal years 2010-2011 and 2011-2012, respectively.

REGULATION AND CONTROL OF THE INSURANCE INDUSTRY FUND

This fund is capitalized by:

- Examination fees, research and operation analysis of the insurance industry.
- Filing and registration fees of basic insurance policies.
- Publications sold by the of Insurance Commissioner Office.
- Registration fees for participation in courses and seminars offered by the Insurance Commissioner's Office.
- Filing, licensing and others fees.

The Insurance Commissioner Office projected revenues of \$9.4 million and \$11.9 million for fiscal years 2010-2011 and 2011-2012, respectively.

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GREEN ENERGY FUND

Pursuant to Act No. 83 of July 29, 2010 was created a special fund known as the Green Energy Fund of Puerto Rico to promote the establishment of green energy markets and the development of mechanisms to encourage the organization and operation of green energy production units on a commercial scale in Puerto Rico. Also to encourage the development of sustainable energy systems that promotes savings and the efficient use of energy.

Beginning with fiscal year 2011-2012, the first revenues from the excise tax on motor vehicles and motorcycles collected by the Department of Treasury will enter the "Green Energy Fund." The Energy Affairs Administration is the entity responsible for managing the Fund, which will allow granting of incentives for sustainable renewable energy projects. In fiscal year 2011-2012, \$20.0 million will be credited to the fund.

SCHOLARSHIP FUND FOR THE UNIVERSITY OF PUERTO RICO

The Special Fund for scholarships at the University of Puerto Rico was established pursuant to Act No. 46 of April 1, 2011 to provide a source of additional income to students who lack financial resources. The main objective is to raise the necessary funds to increase student's participation of the economic benefits granted through the scholarship program.

The revenues to capitalize this fund will come from a ten (10%) percent contribution of the revenues generated by the Extraordinary Lottery, computed as provided in Article 14 of Law No. 10 of May 24, 1989, as amended. The funds not used or committed for the purposes of this Act, will remain in available to grant scholarships to students at the University of Puerto Rico. For fiscal year 2011-2012, the amount of \$30.0 million will go into this fund.

REVENUES FROM INTERNAL SOURCES

These are resources generated through the sale of services or activities carried out in various government offices. For Fiscal Years 2010-2011 and 2011-2012, revenues from internal sources amounted to \$8,629.3 million and \$8,906.4 million, respectively.

LOANS AND BONDS ISSUES

Loans or bond issues are proceeds from the sale of bonds, loans or credit lines to finance capital improvements. This resource varies between different corporations, as it depends on their fiscal situation. For fiscal year 2011-2012, these resources amounted to \$1,592.0 million compared with \$1,389.8 million for fiscal year 2010-2011.

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OTHER INCOME

This source of funds includes trust funds and those that do not represent ordinary revenues. In fiscal year 2011-2012, these resources are estimated at \$718.4 million. Fiscal year 2009-2010 includes \$500 million from the Local Economic Stimulus Fund of Puerto Rico, which helped finance the Local Stimulus Program.

FEDERAL ECONOMIC STIMULUS

The American Reconstruction and Reinvestment Act (ARRA), was approved on February 17, 2009, in order to stimulate the U.S. economy at the federal, state and local level. This Act provides a package of economic measures including tax credits, funds for education, funding for infrastructure projects, and grants to promote scientific research, among others.

The Government of Puerto Rico expects to receive approximate \$6 billion. It is also eligible for additional funds through the competitive proposal process. Of the total funds, the amount of \$300.8 million and \$21.4 million are included in the Consolidated Budget for fiscal years 2010-2011 and 2011-2012, respectively. These amounts do not include the benefits offered through tax incentives, direct payments to individuals through the Department of Treasury and other entities, or direct allocations to municipalities because they are not resources available to finance the government operational budget expenditures.

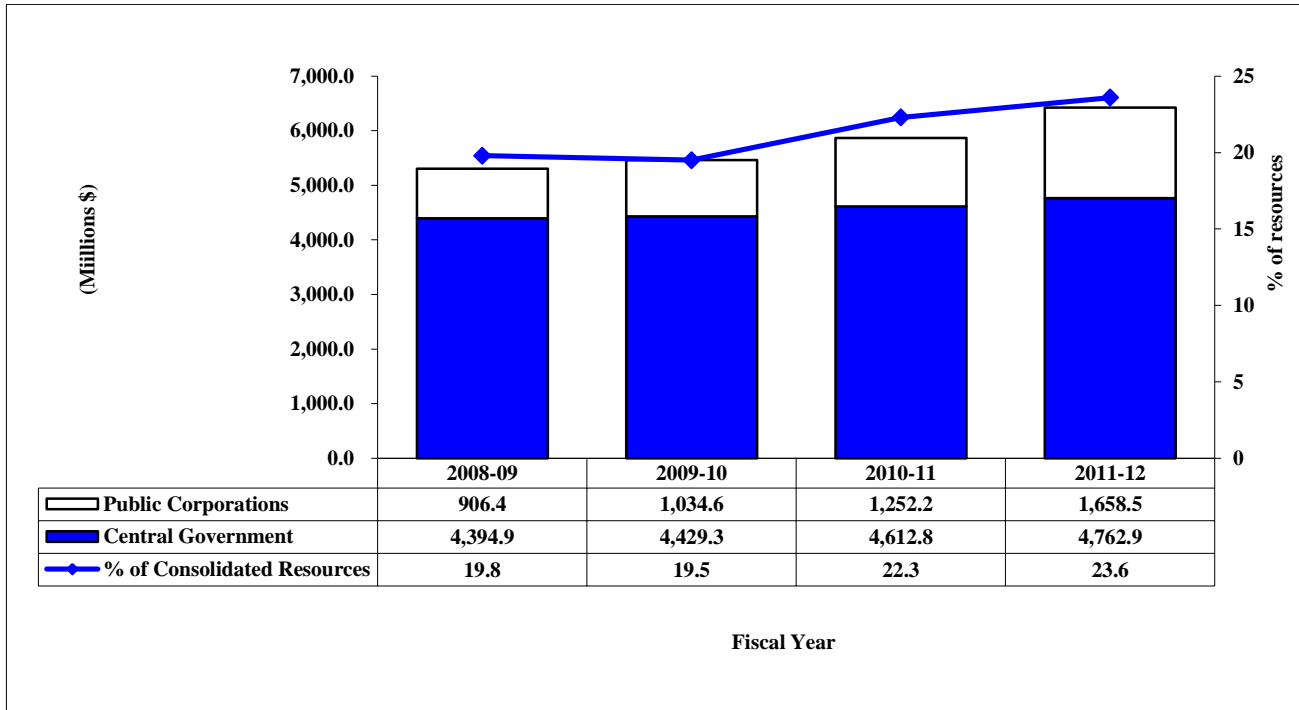
FEDERAL GRANTS

Grants from the Federal Government constitute a significant portion of the Government of Puerto Rico total resources. Federal Grants for fiscal year 2011-2012 are estimated at \$ 6,885.3 million, including a balance of \$463.8 million, that was available at the beginning of the fiscal year.

Federal contributions to the government budget are allocated to the Central Government agencies and public corporations. The Central Government is composed by entities created by law as agencies. Estimated federal grants for fiscal years 2010-2011 and 2011-2012 amounted to \$4,612.8 million and \$4,762.9 million, respectively. Most of these resources are under the custody of the Department of Treasury, with the exception of the Nutrition Assistance Program (PAN).

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**Federal Contributions as Percent of Consolidated Resources
Fiscal Years 2008-2009 to 2011-2012**



The federal grants for Public Corporations are estimated at \$1,252.2 million for fiscal year 2010-2011 and \$1,658.5 million for fiscal year 2011-2012, reflecting an increase of \$406.3 million.