

P R E S S R E L E A S E

For immediate release

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Governor signs budget for fiscal year 2009-2010

San Juan, PR- The Chairman and President of the Government Development Bank, Carlos M. García, announced that Governor Luis G. Fortuño today signed the General Budget for the Government of Puerto Rico approved last night by the Legislative Assembly. The spending budget of the General Fund for fiscal year 2009-2010 amounts to \$7.670 billion. In addition, the approved budget establishes a Fiscal Stabilization Fund, which will allow for an orderly expense reduction process. Moreover, the approved budget does not engage in the practice of covering recurrent expenses with non-recurrent revenues.

“Approval of this budget represents a commitment to achieve fiscal balance, a significant achievement at a time where states like Pennsylvania, California, Ohio and Connecticut are experiencing deadlocks between their respective executive and legislative branches, a situation that increases credit risks for those states,” García mentioned.

The approved budget is about \$1.8 billion, or almost 20 per cent less than the \$9.5 billion spending budget that was approved for fiscal year 2008-2009. The budget allows a reduction in the structural deficit, in addition to guaranteeing fiscal stability and continuation of essential services for the people of Puerto Rico.

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The priorities in the Education area will be supported by the funds obtained through the American Reinvestment and Recuperation Act (ARRA), and for Police and for Health areas, through the Stabilization Fund included in the approved budget. Meanwhile, Art and Cultural programs will continue due to a special assignment of \$17 million from the Culture and the Arts Fund, an initiative of Governor Fortuño.

The approved budget was based on multi-year conservative projections and allows for a transition year towards a fiscal balance in Puerto Rico. The approved General Fund budgeted revenues for fiscal year 2009-2010 is only \$70 million or 0.9% higher than the General Fund net revenues projected for fiscal year 2008-2009. Moreover, the approved budget integrates a Stabilization Fund, which constitutes a financial mechanism that will allow for implementation of the expense reduction measures adopted by virtue of Act 7 of 2009. The Stabilization Fund amounts to \$2.5 billion and will be used to finance the Public Employees Alternatives Program and for covering expenses that will be gradually reduced throughout fiscal year 2009-2010.

“The budget for fiscal year 2009-2010 is clear evidence of the commitment of the present Administration to bring about fiscal balance and financial discipline to the Government. The team work between the Executive and Legislative branches has been outstanding and has been instrumental in setting Puerto Rico towards financial stabilization and economic recovery”, stated García.

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This week the Government Development Bank for Puerto Rico will be releasing a Progress Report that will include further details and analysis on the approved measures of the General Budget for fiscal year 2009-2010.

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