

**PRESS RELEASE ISSUED BY THE DEPARTMENT OF THE TREASURY  
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**SECRETARY OF THE TREASURY INFORMS PRELIMINARY REVENUES  
TO THE GENERAL FUND FOR FEBRUARY**

San Juan. PR - Secretary of Treasury Juan Carlos Méndez announced Friday that revenues for the month of February reached \$488 million, an increase of \$36 million over the previous year and \$52 million below estimate for the current year.

The increase over the previous year is attributable to a mix of factors but mainly to the fact that the Sales and Use Tax is producing about twice as much as the previous General Excise Tax that has since been repealed and replaced by the Sales Tax.

On the other hand, the \$52 million below current year estimate is due primarily to lower than estimated revenues from the following:

- Withholding Tax on Non-Residents, -\$34.9 million;
- Vehicle Excise Taxes, -\$13.5 million and;
- Sales and Use Tax, -\$7.6 million.

Total Sales Tax collections for February were \$86 million, of which \$70 million go to the General Fund and \$16 million go to the Dedicated Sales Tax Fund to pay extra-constitutional debt service as required by Law 91. These amounts do not include 0.2% of the sales taxes imposed by each Municipality that is supposed to be remitted to the General Fund and is currently being withheld by the cities. The total due, year to date, to the General Fund from the cities is estimated at \$67 million.

Total revenue for the first eight months of the year reached \$5,138 million which is \$77 million or 1.4% less than the estimate.

The Secretary of Treasury also announced he has revised the revenue estimate for the year downward by \$280 million. "This revision was requested from our Office of Economic and Financial Affairs based on the revised economic projections announced by the Planning Board". The Planning Board recently revised its economic growth estimate for the fiscal year from real growth of 0.6% to negative growth of 1.4%. Treasury's adjustment is based on the revision of the macroeconomic variables that affect revenues and the recent behavior of General Fund collections.

Another factor taken into account in the revenue revision was the fact that certain taxes which would normally accrue to the General Fund were diverted through legislation for other purposes, such as the \$240 million collected from special tax measures passed late last year, which are destined to repay part of the \$741 million loan from GDB to balance the FY06 budget.

Total revenues for the year had been estimated at \$9,163 million, which when compared to the original spending estimate of \$9,488 million produced a budget gap of \$325 million. Since then, OMB had reduced spending for the year by \$160 million, leaving a gap of \$165 million. Based on this latest reduction of \$280 million in estimated revenues, the budget gap would increase to \$445 million.

The Secretary of Treasury indicated that he would be meeting next week with the Chairmen of the Finance and Budget Committees of both the House and Senate to discuss alternatives for meeting the budget gap. "The alternatives we will propose do not include either additional taxes or loans but instead a responsible plan to address the budget gap", said the Secretary.

Finally, the Secretary emphasized that under no circumstances would there be a Government shut down this year. "We have been very responsible and have taken every measure so that does not occur", he said.

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