



The General Fund revenue estimates for FY 2012 totaled \$9.260 billion, including a one-time allocation of \$610 million from the State Stabilization Fund in order to achieve budget balance. Fiscal year to date revenues as of February 2012, totaled \$4,947.4 million, a 15% increase over fiscal year 2011. Revenue estimates are expected to be on target for FY 2012.

**GENERAL FUND EXPENDITURES FOR THE THIRD QUARTER ARE
2% BELOW AMOUNTS BUDGETED**

Fiscal Year 2011-12
(thousands of dollars)

General Fund	Jan-Mar
Budgeted Expenditures	\$2,433,092
Actual Expenditures	\$2,381,425
Variance \$	\$51,667
Variance %	2%

Source: Office of Management and Budget (OMB)

The following table shows 3rd Quarter actual expenditures by expense category.

**ACTUAL RESULTS BY EXPENSE CATEGORY SHOW PAYROLL
EXPENSES 1% BELOW PLAN**

FY 2012 Budget vs. Actual by Expense Category
(thousands of dollars)

Expense Category	Jan-March – Q3		Variance ¹	
	Budget	Actual	\$	%
Payroll ²	\$ 675,197	\$670,240	\$4,957	1%
Utilities	103,081	97,602	5,479	5%
Purchased Services	63,016	44,795	18,221	29%
Donations & Contributions	31,228	17,790	13,438	43%
Transportation	21,161	31,562	-10,401	-49%
Professional Services	26,811	22,266	4,545	17%
Other Expenses	10,583	7,404	3,179	30%
Debt Service	5,020	5,020	0	0%
Materials	17,331	10,514	6,817	39%
Equipment	6,524	2,012	4,512	69%
Advertising	534	760	-226	-42%
Incentives & Subsidies to Citizens	7,362	8,908	-1,546	-21%
Contributions to non-Government Entities	3,934	4,207	-273	-7%
Non Distributed Appropriations	1,458,139	1,455,461	2,678	0%
State Matching Funds	2,810	1,826	984	35%
Previous Year's Payables	261	1,058	-797	-305%
Budget Reserve	100	0	100	100%
Total	\$2,433,092	\$2,381,425	\$51,667	2%

Source: OMB, preliminary and unaudited

¹Positive operating results are believed to be time related and do not provide a basis for revising annual estimates.

² Positive variance due to attrition, deferred overtime payments, and savings associated with hiring delays.

Third quarter shows positive operating results in payroll expenses due to attrition savings, deferred overtime payments in various agencies, and other savings associated with hiring delays of authorized positions during the fiscal year. Payroll related costs continue to be under OMB's strict monitoring through monthly reporting of new hires and terminations and preauthorization of new hires. A non-recurrent expense reflected mainly during this third quarter, is the payment of sick leave in excess of 90 days to eligible public employees.

The negative variance of 49% in the Transportation expense category is caused by increased spending in transportation costs for special education students. Fiscal year 2012 modified budget already reflects budget transfers from payroll savings in the Department of Education to cover the cost associated with this issue. This is an ongoing matter directly related to changes in special education enrollment and gas prices. Other negative budget variances, including advertising, incentives and subsidies, contributions to non-government entities, and previous year payables should be offset by savings carryover from prior quarters. Agencies are spending conservatively as they can still maintain the established levels of service.

Other operational expenses are at levels consistent with expectations, with variance due mainly to the timing of disbursements as several payments originally anticipated in the third quarter of the fiscal year will occur in later months. Other variances are due to billing delays which are not reflective of budget surpluses. The following table shows Budget vs. Actual expenses by programmatic sectors.

FY 2012 Budget vs. Actual by Programmatic Sector
(thousands of dollars)

Sector	Jan-March Q3		Variance ³	
	Budget	Actual	\$	%
Special Pension Contributions	\$ 37,638	\$ 60,676	-\$23,038	-61%
Contributions to Municipalities	119,373	119,931	-558	0%
Welfare	115,091	88,894	26,197	23%
Economic Development	42,113	39,856	2,257	5%
Education	979,467	1,048,481	-69,014	-7%
General Government	248,569	233,365	15,204	6%
Safety & Protection	386,710	350,517	36,193	9%
Health	460,725	394,850	65,875	14%
Transportation & Communications	38,889	40,294	-1,405	-4%
Housing	4,517	4,561	-44	-1%
Total	\$ 2,433,092	\$ 2,381,425	\$ 51,667	2%

Source: OMB, preliminary and unaudited

³ Positive operating results are believed to be timing related and do not provide a basis for revising annual estimates.

By programmatic sector, expenses are within budgeted levels for this third quarter of fiscal year 2012, with the exception of Special Pension Contributions, Education, Housing and Transportation. The negative variance in these sectors will be offset by savings or positive variances achieved in previous quarters.

No year-end variance is forecasted at this time for the Safety & Protection, Welfare, and Health sectors. The budgetary impact resulting from their respective operational reforms has been fully mitigated. The Police Department identified and transferred excess funds in various expense categories to cover unanticipated disbursements associated with their undergoing reform. Additionally, the Puerto Rico Health Insurance Administration implemented expense control initiatives to offset and minimize additional discretionary expenditures resulting from changes in the risk allocation model.

OMB is requesting all budget liaisons in the agencies to review budgets and expenditures variances, report explanations, and the impact (if any) on the year-end budget results. Agencies are processing the appropriate budget transfers to better match the distribution and timing of actual spending to monthly budgets. They continue to monitor actual spending and open purchase orders against unexpended and available budget amounts.

The FY 2012 budget provides for total expenditures of \$9.260 billion, which are 1% higher than budgeted total expenditures of \$9.150 billion for fiscal year 2011. Accumulated year to date expenditures add up to \$6,190,584. This amount does not include an estimated \$223 million from the Department of Education Schoolwide Program since these expenses are not yet registered in the central government accounting system. General Fund expenses from the Schoolwide Program must be allocated by school before they are reflected in the accounting system, according to a matching formula approved by the federal government. Including the Schoolwide Program, accumulated expenses represent approximately 69% of the adopted budget.

Estimated expenditures show total expenses within the FY 2012 budget. OMB is confident that all budget risks have been mitigated at this time, and do not foresee any difficulties in closing fiscal year 2012 balanced.

FY 2012 Budget vs. Estimated Expenditures* by Expense Category

(thousands of dollars)

Expense Category	Modified Budget	YTD Expenses	Total Estimated Expenses
Payroll	\$ 2,991,899	\$ 2,244,275	\$ 2,991,899
Utilities	417,902	276,549	417,902
Purchased services	203,156	122,219	203,156
Donations & Contributions	144,915	115,008	144,915
Transportation	90,341	57,680	90,341
Professional services	121,085	51,872	121,085
Other expenses	36,669	18,722	36,669
Debt payment	788,077	288,105	788,077
Materials	65,779	30,595	65,779
Equipment	18,049	8,212	18,049
Advertising	2,047	1,169	2,047
Incentives and subsidies to citizens	35,379	20,495	35,379
Contributions to non-government entities	17,549	8,718	17,549
Non distributed appropriations**	4,291,370	2,932,166	4,291,370
State matching funds	14,500	5,126	14,500
Previous year payables	13,449	9,673	13,449
Budget reserve	7,834	0	7,834
Total	\$9,260,000	\$ 6,190,584	\$9,260,000

*Source: OMB; preliminary and unaudited.

** YTD Expenses do not include an estimated \$223 million from the Department of Education Schoolwide Program. Funds for this program were included in the adopted budget, but total expenses are not yet reflected in the accounting system.

FORWARD LOOKING STATEMENT: Information contained in this report includes certain statements not historical in nature. These statements are based on the Government of Puerto Rico and OMB's current beliefs regarding future events, and are based upon a number of estimates and assumptions that are subject to significant uncertainties, many of which are outside the control of the Office of Management and Budget and its agencies. This report has been prepared solely for information purposes, and should not be construed as a recommendation to buy or sell any securities or to participate in any particular trading.

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