COMMONWEALTH OF PUERTO RICO
Government Development Bank for Puerto Rico

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Treasury Department

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September 25, 2013

TREASURY SECRETARY AND INTERIM GDB PRESIDENT ANNOUNCE AMENDMENTS TO COFINA ACT THAT WILL FACILITATE MORE COST-EFFECTIVE FINANCING FOR THE COMMONWEALTH

Legislative Bill Aims to Facilitate Capital Injection to the Economy and Long-term Bond Issuance that will Result in Significant Savings to the General Fund

San Juan – Today, Treasury Secretary Melba Acosta Febo and Government Development Bank for Puerto Rico (GDB) Interim President José V. Pagán Beauchamp announced the introduction of a bill to amend Act 91-2006, as amended, known as the "Dedicated Sales Tax Fund Act." The bill will expand the Sales Tax Fund Financing Corporation's (COFINA, by its Spanish acronym) capacity to issue bonds and will facilitate the execution of a more cost-effective financing for the Commonwealth. These amendments seek to increase the Sales and Use Tax percentage allocated to COFINA from 2.75 percent to 3.50 percent and to allow the use of these funds for financings related to the FY 2011-12, FY 2012-13 and FY 2013-14 budgets.

"Puerto Rico continues to move swiftly towards economic growth and job creation, and a well-financed and stable GDB is critical to continuing the progress the Commonwealth has made to date," said Acosta Febo. "The proposed amendments are an important step in this direction and will provide a more cost-effective capital injection to support the services Puerto Ricans deserve and to develop the infrastructure projects that will lay the foundation for economic growth."

The Commonwealth plans to refinance approximately $1,223 million in debts incurred by the previous administration and finance another $820 million related to the FY 2014 budget. Certain debts incurred before 2014 are on the GDB's books.

"We want to use our most cost-effective financing tool to facilitate the General Fund's ability to continue meeting its budget obligations and to finance this Administration's new infrastructure projects," said Acosta Febo. "Since they are backed by sales and use tax revenues, COFINA bonds are the best financing source for the Commonwealth."

Pagán Beauchamp noted that total net savings from issuing COFINA bonds, compared to other available options, are estimated between $66 million and $132 million for every $1 billion issued in bonds. "Using COFINA will not have an impact on the General Fund, because sales tax receipts allocated to COFINA will be offset by an equivalent reduction in the debt service payable from the General Fund," he said.

"The new COFINA structure may increase COFINA's capacity to issue debt by up to approximately $2 billion," said Pagán Beauchamp. "However, as we've said, the Commonwealth plans to issue between $500 million $1.2 billion in aggregate, including COFINA, during the rest of the calendar year".

"The bonds issued under the proposed COFINA transaction would be subordinated to current COFINA bondholders. Additional protections would also be included so as to protect the interests of current holders of COFINA bonds," said Pagán Beauchamp.

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