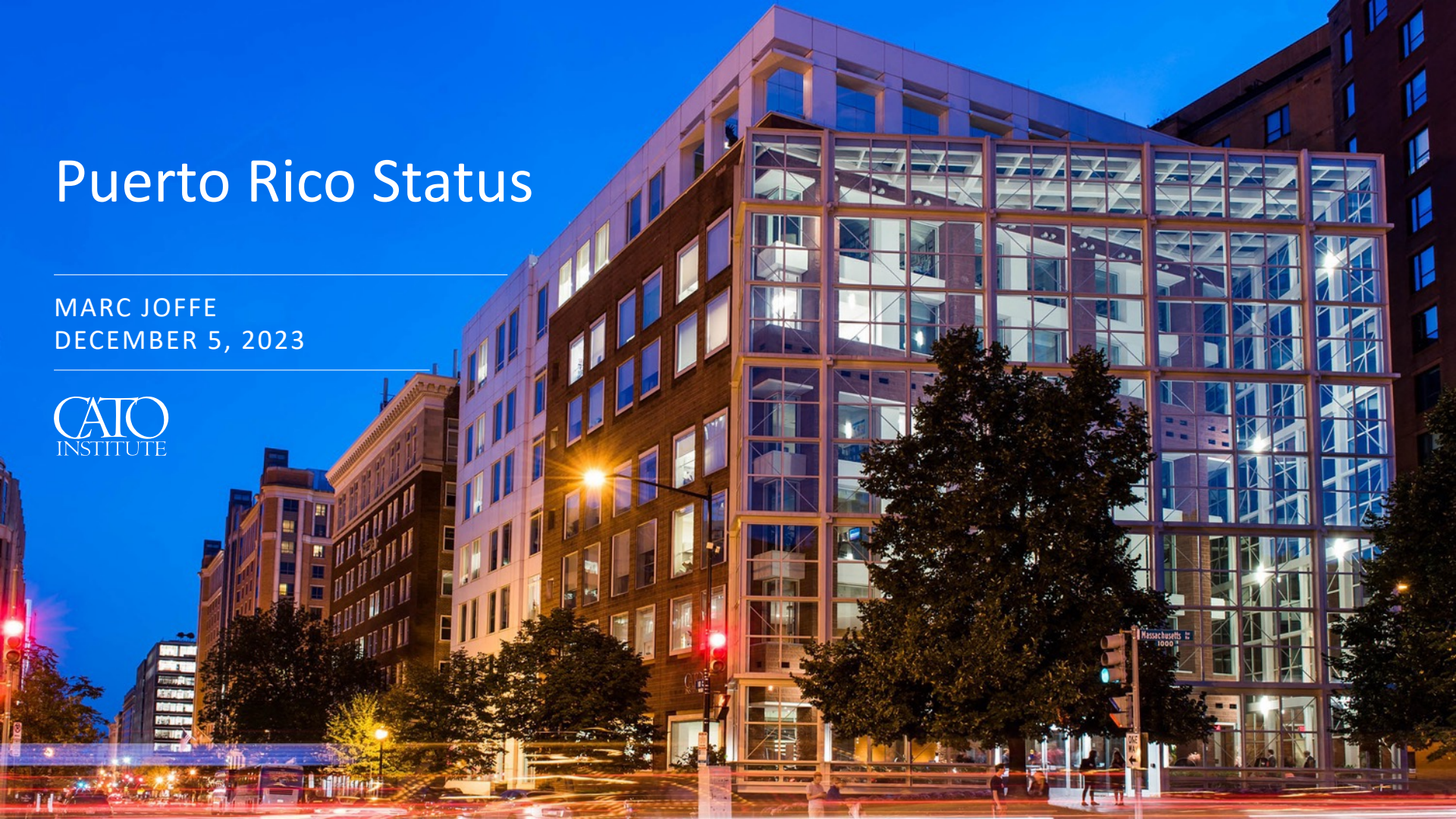


# Puerto Rico Status

MARC JOFFE  
DECEMBER 5, 2023

CATO  
INSTITUTE



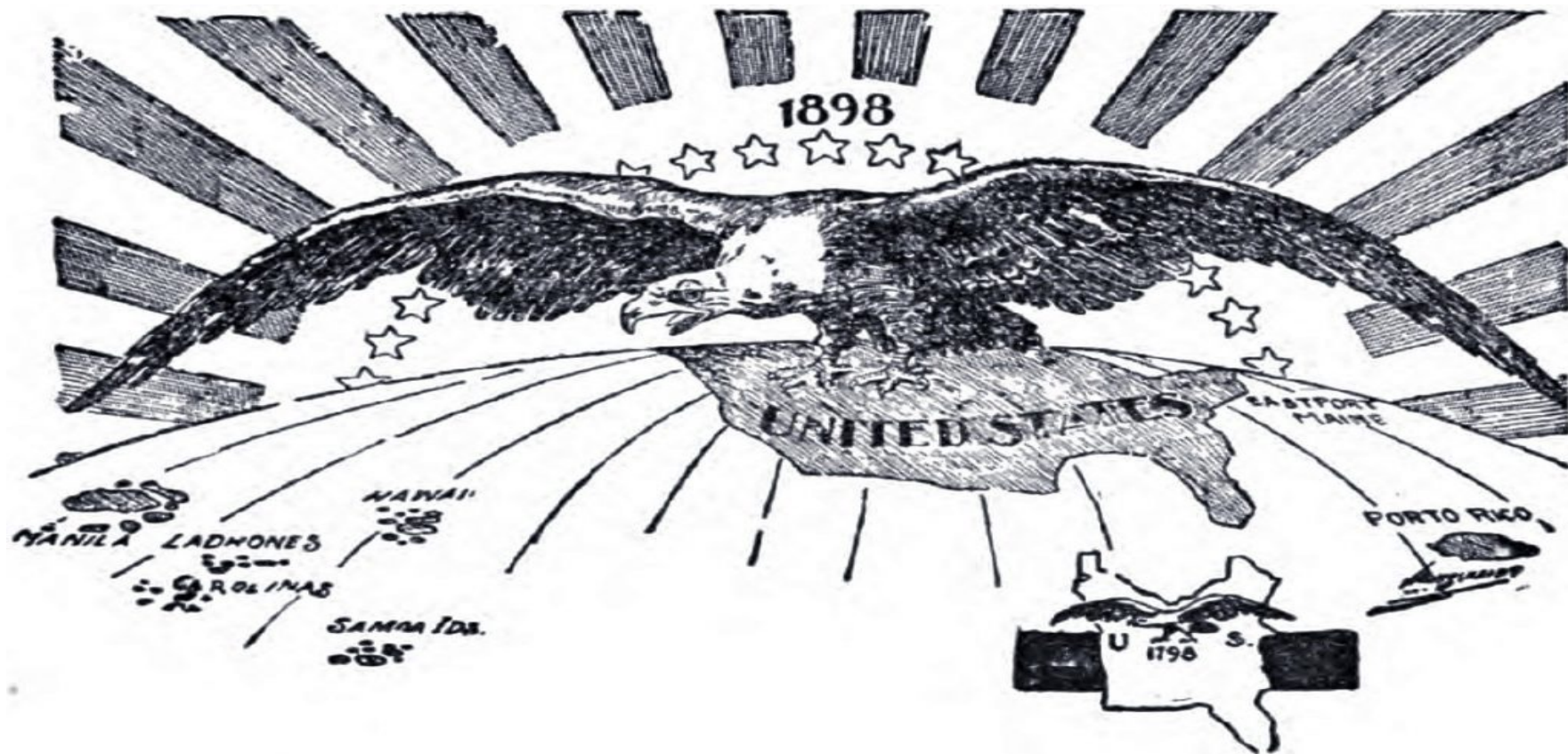
- Historical Background
- Can we learn anything from Newfoundland?
- Issues with Independence
- Statehood: Getting to Yes

## Origins of the Puerto Rico Fiscal Crisis

Marc D. Joffe and Jesse Martinez







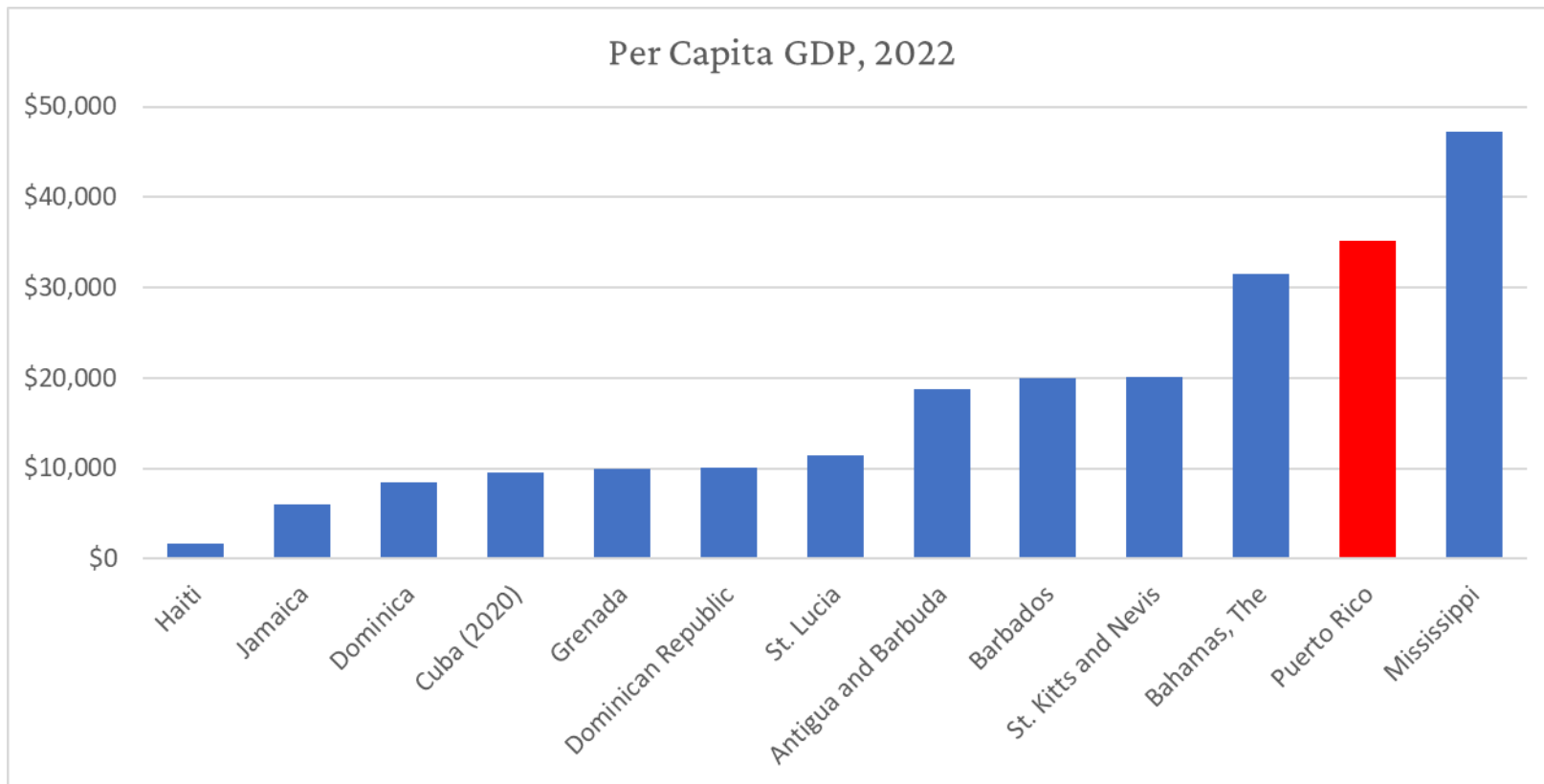
**Ten thousand miles from tip to tip.—Philadelphia Press.**

- “The people are a light-hearted, **simple-minded**, harmless, **indolent**, docile people, and while they gamble and are fond of wine, women, music, and dancing, they are honest and sober. They seem to realize that labor there has no reward, and that their existence is not much improved by the small share they receive of what they produce. Therefore they had just as well not labor at all. **As ignorant and simple as they are**, they hope a change of government will improve their miserable condition.”
  - S. S. Harvey, “Americanizing Puerto Rico,” New York Times, February 22, 1899

	Hawaii	Puerto Rico
Year Annexed	1898	1898
Initial Territorial Legislature	Both legislative houses elected.	Lower house elected. Upper house appointed by US President.
Citizenship Granted	1900	1917
Statehood Achieved	1959	N/A

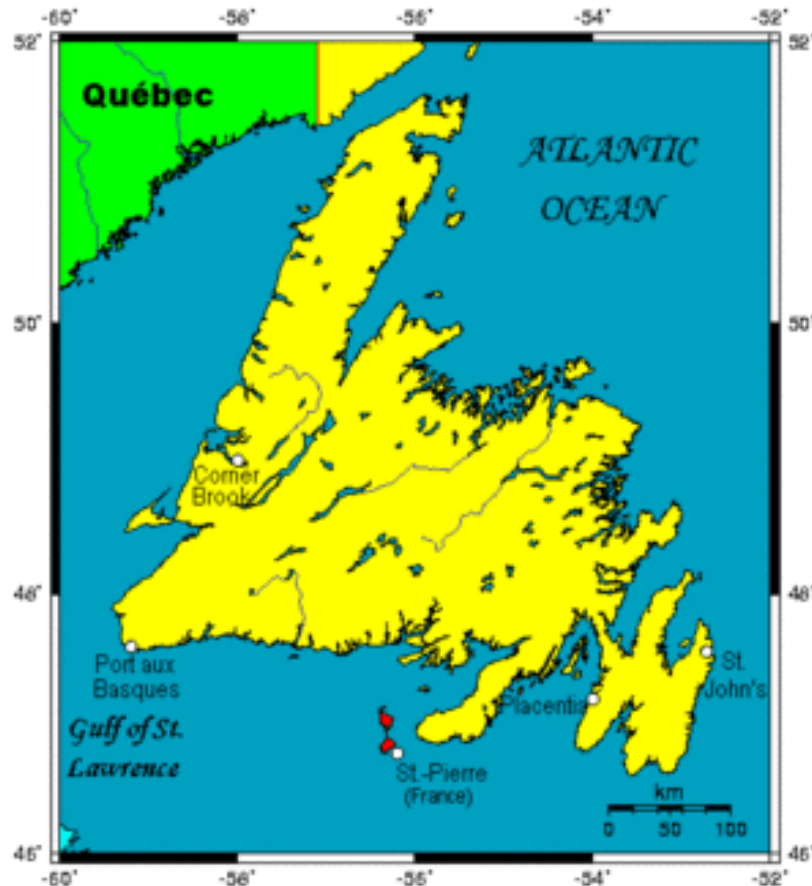
- The Jones Act
- State-Owned Enterprises
- Giving and Taking Away a Tax Break
- The Temptation of Access to a Deep Capital Market

# But Puerto Rico is Richer than Neighboring Countries



# Newfoundland and Labrador: A Possible Template

- 1907: Self governing British dominion
- 1932: Required bailout by British and Canadian governments
- 1934 – 1949: Ruled by appointed commission
- 1949: Voted to join Canada as a province





Newfoundland and Labrador	Puerto Rico
Appointed commission replaced elected government	Oversight board empaneled to work with elected government
Commission resolved Newfoundland's debt	Courts have partially resolved Puerto Rico's debt
Population Increase	Population Decline
British government authorized national convention and referendum	Six non-binding plebiscites since 1967

“After the effective date of independence citizens of Puerto Rico seeking to enter into the United States or obtain citizenship in the United States shall be subject to the immigration laws of the United States.”

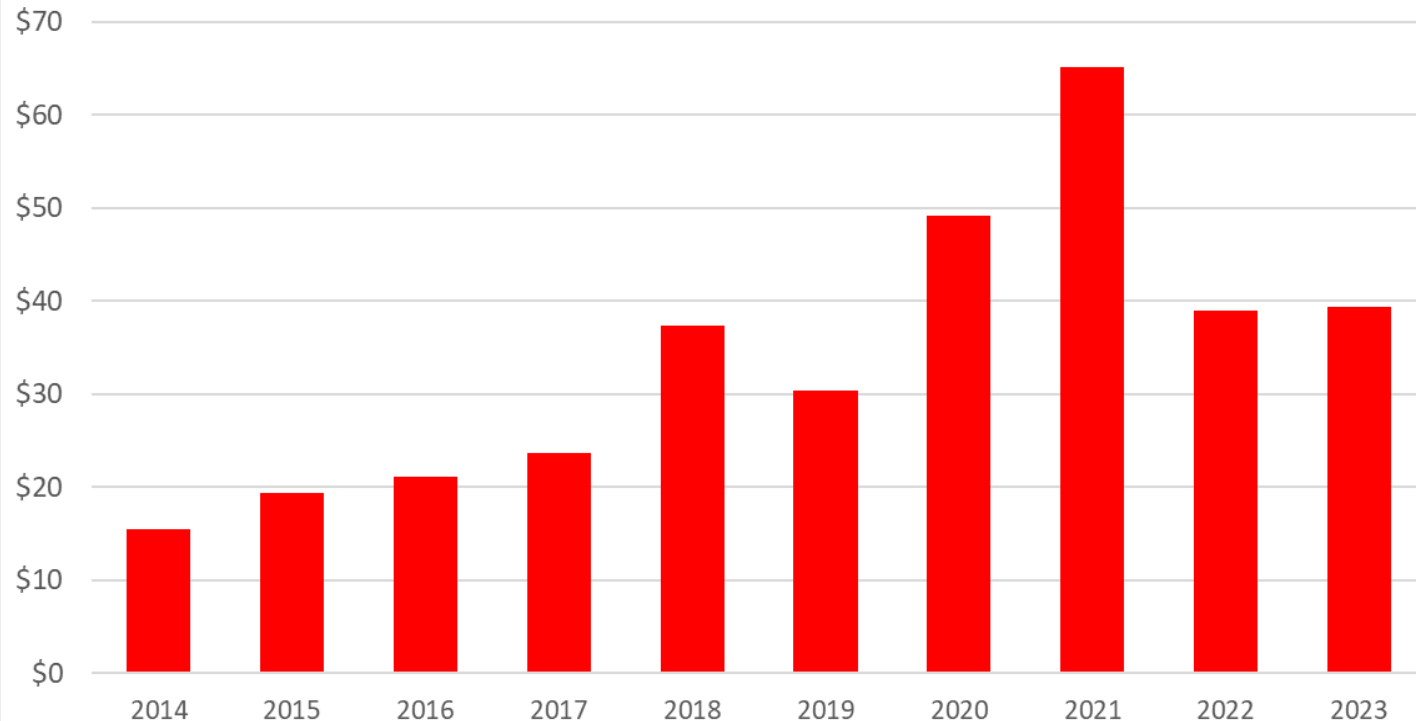
- Puerto Rico Status Act, S.3231 (Heinrich)

Will this trigger another brain drain?



# And What About all Those Federal Grants?

**Total Federal Grants to Puerto Rico Entities**  
**Amounts in Billions**



Source:  
USASpending.gov

- Get past the bankruptcy
- Prevent a future financial crisis, through:
  - Budget process reform
  - Improved financial reporting
  - Address problems at other public entities

- Bankruptcy process still ongoing after six years
- Need to finally resolve the PREPA bankruptcy
- And: Meet requirements to dissolve the Oversight Board

An Oversight Board shall terminate upon certification by the Oversight Board that ... [the] government has adequate access to short-term and long-term credit markets at reasonable interest rates to meet ... borrowing needs

- Text of PROMESA



- 49 of 50 US states have a constitutional balanced budget requirement
- Puerto Rico was supposed to have one as well, but it got lost in translation

“Total Revenues” <> “Recursos Totales”

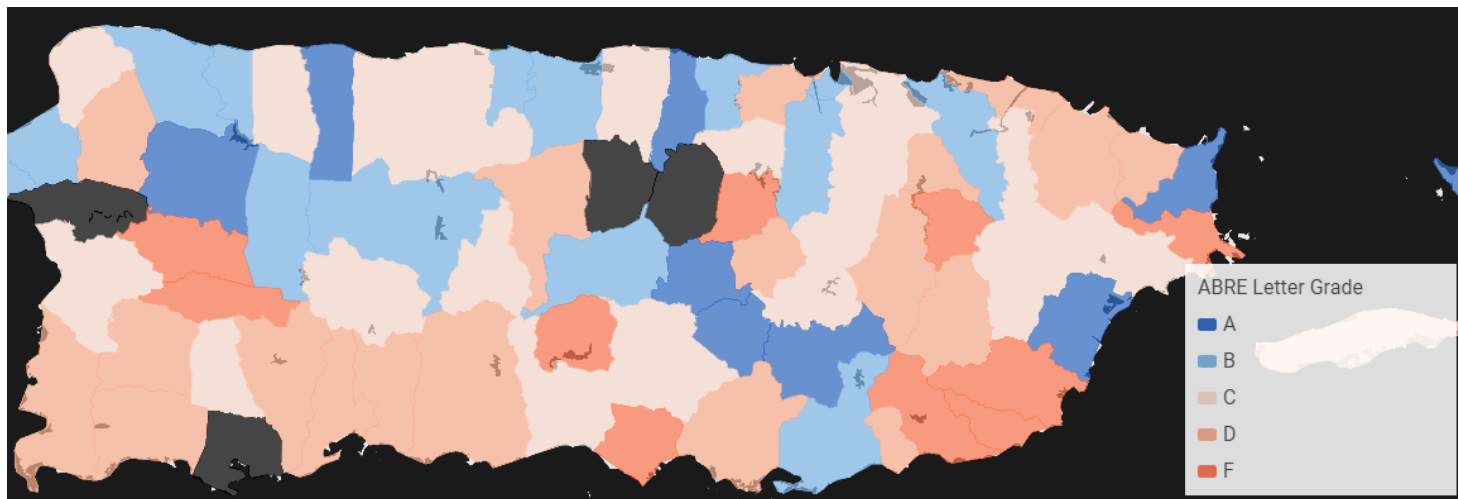
- Most states produce audited financial statements within **250** days of fiscal year end
- For FY 2021, Puerto Rico took **712** days

• Source: Truth in Accounting; MSRB EMMA

19 Timely States	Days to Release
South Carolina	152
Kansas	153
New York	154
North Carolina	158
Pennsylvania	162
Maine	167
Utah	167
Virginia	168
Minnesota	169
West Virginia	169
Colorado	173
Washington	173
Ohio	174
Tennessee	174
Wisconsin	174
Vermont	175
Idaho	176
New Hampshire	179
Michigan	180

17 Tardy States	Days to Release
Texas	181
Alabama	182
Hawaii	183
Indiana	183
South Dakota	183
Louisiana	184
North Dakota	197
Arkansas	209
Kentucky	209
Delaware	211
Nebraska	214
Maryland	215
Rhode Island	215
Wyoming	215
Connecticut	239
Oregon	242
Georgia	244

- Monitor municipio finances and be prepared to intervene
- Consolidate municipios that are “service insolvent”



- Perceived link to DC Statehood Effort
  - But DC was carved out of MD and could be returned

**BILL**

2. [H.R.472](#) — 117th Congress (2021-2022)  
**District of Columbia-Maryland Reunion Act**  
**Sponsor:** [Johnson, Dusty \[Rep.-R-SD-At Large\]](#) (Introduced 01/25/2021) **Cosponsors:** (25)  
**Committees:** House - Judiciary; Oversight and Reform  
**Latest Action:** House - 03/05/2021 Referred to the Subcommittee on the Constitution, Civil Rights, and Civil Liberties.  
**Tracker:** **Introduced**

- Would PR Vote Consistently for One Party?
  - Florida 2022 Senate exit poll suggests otherwise

## Are you of Puerto Rican descent?

Yes (6%)

43%

54%

No (94%)

42%

57%



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