

# Economic Quantification of Puerto Rico's Second-Class Citizenship

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In *The New York Times* on May 22, 2022, Yarimar Bonilla, the Director of Centro, the Center for Puerto Rican Studies at Hunter College, published the article "For Puerto Ricans, Another Reminder That We Are Second-Class Citizens." She explains the harm it does to Puerto Ricans on the island to be treated as second-class citizens, pointing out how they "do not have access to the same social safety net as other U.S. citizens." She goes on to say that the real question is "whether the United States should continue to treat Puerto Rico as a colony, arbitrarily deciding the future of its residents while denying them both sovereignty and democracy."

Dr. Bonilla makes her points effectively, and those points highlight the human cost of Puerto Rican's second-class citizenship. The purpose of this note is to examine the dollar cost to Puerto Ricans of their second-class citizenship. This cost is important partly because it is extremely large, but also because there is a myth in Washington and in the media that in economic terms Puerto Rico is treated "generously" by the federal government. Consider federal support for these five major social support programs:

- Puerto Ricans on the island are not eligible for Supplemental Security Income (SSI), the federal program designed to help aged, blind, and disabled people who have little or no income; and it provides cash to meet basic needs for food, clothing, and shelter. In March 2022, 7.649 million people in the states were receiving support at an annual rate of (on average) \$7,506. In Puerto Rico, nothing.
- Puerto Ricans on the island are not eligible for the federal Earned Income Tax Credit (EITC), which provides low and moderate income workers with a tax credit, which they can receive even if they have no tax liability. Across the states during 2021, 25 million eligible workers and families received about \$60 billion in EITC. The average amount of EITC received nationwide was about \$2,411. In Puerto Rico, nothing.
- There is a federally funded Nutritional Assistance Program (NAP) on the island, but it provides less than the Supplemental Nutritional Assistance Program (SNAP) in the states. In Puerto Rico during 2021, on average, a NAP recipient was receiving \$1,955 for food, while in the states the figure was \$2,618 – 34% more.
- With Medicaid, the federal funding difference between Puerto Rico and the states has been especially large. In 2020, the federal government was providing \$2,027 per recipient, while the states were receiving \$6,671 per recipient. With Medicaid, the difference between what the federal government provides and the actual cost of treatment is made up by the state government or Puerto Rican government. The Puerto Rican government, however, has long paid a higher share of costs than it would pay if the formula for determining a state government's share were applied to the Puerto Rican government.

- With Medicare, the difference in federal funding is also large. Medicare, it should be emphasized, is a special case, because Puerto Ricans pay the Medicare tax at the same rate as do people in the states. Yet, in 2020, the federal government paid \$8,848 per enrollee in Puerto Rico, while it paid \$13,208 per enrollee in the states.

The federal payments in the states and Puerto Rico for these five programs are shown in Table 1 below.\*

Table 1: Federal Funds Provided Annually to Eligible Individual Recipients in Five Major Programs in the States and Puerto Rico (2020 or 2021)

	States	Puerto Rico
Supplemental Security Income	\$7,506	0
Earned Income Tax Credit	\$2,411	0
Nutritional Assistance	\$2,618	\$1,955
Medicaid	\$6,671	\$2,027*
Medicare	\$13,208	\$8,848

\* The figure here is for 2020, and in the period since 2020, Puerto Rico was provided with an additional 20% in federal Medicaid funding.

There has, however, been some improvement in recent years. With Medicaid, the federal government increased payments by 20% in 2021 and 2022, as part of the response to the Covid pandemic. Regarding the EITC, in 2022 Puerto Rico is receiving \$600 million in federal funds to support expansion of its own EITC. The \$600 million for support of Puerto Rico's own EITC merits special emphasis because it is a permanent allocation, will be adjusted for inflation each year, and will make a large difference. Also, the federal child tax credit, that was formally available in Puerto Rico only for families with three or more children has now also been made available to families with one or two children, as is the case in the states. These recent changes are significant, but they do not come close to creating an equitable situation between Puerto Rico and the states.

The inequitable treatment of Puerto Rico in these social support programs not only affects individuals and families on the island, but it also denies a major stimulus to the Puerto Rican economy. Taken together, were Puerto Rico treated the same as the states, these programs would provide an additional \$10.7 billion to each year to the island, a huge stimulus for an economy with a GNP of about \$70 billion. The figures are provided in Table 2 below. (The \$10.7 figure is obtained by multiplying the number of participants in each program in Puerto Rico by the difference between the federal funding for the state program and the Puerto Rican program.)

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\* For sources and methods for the figures presented in the text and in Tables 1 and 2, see the Appendix to "Puerto Rico: The Myth of 'Generous' Treatment by the Federal Government" at [https://www.puertoricofax.com/files/ugd/8c271c\\_492944fc04214ef28e442710378943b6.pdf](https://www.puertoricofax.com/files/ugd/8c271c_492944fc04214ef28e442710378943b6.pdf).

Table 2: Estimates Based on 2020 Data of the Additional Federal Funds that Would Come to Puerto Rico Were Puerto Rico Treated in the Same Manner as the States in Five Major Programs (millions of dollars); and Year of Each Federal Program's Inception

		<u>Year of Program's Inception</u>
Supplemental Security Income (SSI)*	\$970	1972
Nutritional Assistance*	\$85	1964
Medicaid**	\$5,767	1965
Medicare	\$3,052	1965
EITC <sup>#</sup>	\$800	1975
Total	\$10,674	

\* The Nutritional Assistance and SSI figures are based on 2022 data.

\*\* In 2021 & 2022, federal funds for Medicaid in Puerto Rico have been increased 20%.

<sup>#</sup> In 2022, \$600 in federal funds is being provided to Puerto Rico to increase its own EITC. The \$600 is included in the \$800 figure.

Furthermore, as these five programs have existed for roughly 50 years, the accumulated lost stimulus is huge, perhaps as large as \$175 billion in today's prices. This figure is more than twice the size of the public debt of Puerto Rico before the government was forced into effective bankruptcy.

Finally, it is interesting and useful to consider the overall picture, how Puerto Rico compares to the states in the amount of support it receives from the federal government in a year. The most relevant measure of the economic support that Puerto Rico or a state receives from the federal government is the per capita Net Federal Expenditures (NFE) – that is, the federal expenditures going to Puerto Rico or a state minus the taxes going from Puerto Rico or a state to the federal government.

In fiscal year 2019 (the most recent year for which full data are available), the NFE coming to Puerto Rico was \$7,087 per capita, while Kentucky received \$14,153 per capita. Kentucky was at the top of the list, but the NFE to Alaska was \$10,144, and \$8,261 went to Maryland; West Virginia and New Mexico received \$7,681 and \$7,179, respectively. Mississippi and Alabama were just below Puerto Rico, at \$7,007 and \$6,737, respectively. Table 3 provides the figures for Puerto Rico and all states.

Moreover, in fiscal year 2019 Puerto Rico received an unusually large amount of federal funds because of federal assistance for recovery and reconstruction after the hurricanes of September 2017. If Puerto Rico's NFE for fiscal year 2019 is adjusted downward by estimating and eliminating much of federal transfers and FEMA grants to Puerto Rico that were hurricane related, most states received a larger NFE per capita in 2019 than did Puerto Rico. The adjusted figure is shown in Table 3.

The numbers in Table 3 suggest that, in part, federal funds are distributed in accord with the needs of the states – that is, with low-income states generally near the top of the list. If this criterion were applied to Puerto Rico, with its per capita income about half of that of the lowest-income states and its poverty rate at about 45%, it would be at the top of list in Table 3.

**Table 3: Net Federal Expenditures Per Capita (Expenditures Minus Taxes),  
States, Puerto Rico, and Puerto Rico Adjusted, FY 2019**

	Net Federal Expenditures Per Capita (NFE)	NFE Rank		Net Federal Expenditures Per Capita (NFE)	NFE Rank
Kentucky	\$14,153	1	Wyoming	\$2,796	26
Virginia	\$13,096	2	Oregon	\$2,684	27
Alaska	\$10,144	3	Indiana	\$2,445	28
Maryland	\$8,261	4	Michigan	\$2,419	29
West Virginia	\$7,681		Florida	\$2,375	30
New Mexico	\$7,179	6	Georgia	\$2,337	31
<b>Puerto Rico</b>	<b>\$7,087</b>		Kansas	\$2,160	32
Mississippi	\$7,007	7	South Dakota	\$2,037	33
Alabama	\$6,737	8	North Dakota	\$1,607	34
Hawaii	\$6,116	9	Iowa	\$1,492	35
South Carolina	\$5,479	10	<b>PR Adjusted*</b>	<b>\$1,390</b>	
Arkansas	\$4,761	11	New Hampshire	\$1,363	36
Maine	\$4,705	12	Wisconsin	\$1,227	37
Oklahoma	\$4,638	13	Nevada	\$1,217	38
Louisiana	\$4,534	14	Texas	\$673	39
Delaware	\$4,284	15	Nebraska	\$397	40
Arizona	\$4,246	16	Illinois	\$342	41
Montana	\$4,221	17	Washington	\$45	42
Tennessee	\$4,108	18	Utah	-\$130	43
Vermont	\$3,984	19	California	-\$168	44
Idaho	\$3,951	20	Colorado	-\$239	45
Missouri	\$3,837	21	Minnesota	-\$336	46
Ohio	\$3,593	22	New Jersey	-\$1,163	47
North Carolina	\$3,379	23	New York	-\$1,172	48
Pennsylvania	\$3,243	24	Massachusetts	-\$1,439	49
Rhode Island	\$3,205	25	Connecticut	-\$1,614	50

\* Adjusted to eliminate the especially large and unusual federal funds coming to Puerto Rico for recovery and reconstruction after the hurricanes of September 2017.

Source: Rockefeller Institute of Government, *Giving or Getting? New York's Balance of Payments with the Federal Government* (January 2021), Table 4; for Puerto Rico adjustment, calculated from data in *Apéndice Estadístico del Informe Económico al Gobernador 2020*, Tablas 20, 21, and 22.