



Statement of

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Puerto Rico's Fiscal Recovery Under PROMESA: A Look Back, Pending Obligations, and the Road Ahead

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Puerto Rico and PROMESA: Context, Recent History, and Prospects

Chairman Westerman, Ranking Member Huffman, Subcommittee Chairman Hurd, Subcommittee Ranking Member Fernández, Commissioner Hernández, and Members of the subcommittee:

My name is Andrew Austin. I am a Ph.D. economist at the Congressional Research Service and have been working on Puerto Rico's fiscal issues since 2014. Thank you for inviting me today to testify on behalf of CRS. CRS works to deliver objective, nonpartisan research and analysis to Congress.

Today I will discuss (1) what led to PROMESA, the 2016 law addressing Puerto Rico's fiscal challenges; (2) what happened after PROMESA's enactment; and (3) possible next steps.

What Led to PROMESA?

Puerto Rico's economic and fiscal challenges have deep roots in the island's history.¹

Puerto Rico was an impoverished island when it became part of the United States in 1898.² Before that, however, it had representation in the Spanish parliament. Since then, representation and economic development have been central issues for Puerto Rico.

In the 1940s, Puerto Rico, with the help of federal New Deal initiatives, formulated an economic development strategy to shift the island's economy from agriculture to manufacturing.³ For example, in 1942, the federal government used war powers to take over existing electric companies that were then transferred to a public corporation created by the Puerto Rican Legislature.⁴ That utility later became the Puerto Rico Electric Power Authority (PREPA). Luis Muñoz Marín, who led that legislative effort, later became the first popularly elected governor. His Operation Bootstrap initiative used both public corporations and tax incentives as instruments of economic development.⁵ Muñoz Marín also was instrumental in congressional approval of Puerto Rico's 1952 Constitution, which featured a strong governor form of government.

During the 1940s, 1950s, and 1960s, that strategy accelerated economic growth and helped raise living standards of Puerto Rican families. In the early 1970s, however, that economic development model faltered due to the energy crisis and changes in the global economy. PREPA kept rates low to shield its customers from elevated energy prices, in contrast to most mainland utilities that passed along higher fuel costs to consumers.⁶ Lower revenues, along with management issues and other factors, led to deferred maintenance and minimal investment in more efficient equipment. In the mid-1970s, to support the

¹ CRS Report R46788, *Puerto Rico's Public Debts: Accumulation and Restructuring*, by D. Andrew Austin.

² Fred K. Fleagle, *Social Problems in Porto Rico* (Boston: DC Heath, 1917), <https://www.gutenberg.org/cache/epub/42985/pg42985-images.html>. The United States gained possession of Puerto Rico through the 1898 Treaty of Paris, https://avalon.law.yale.edu/19th_century/sp1898.asp.

³ Reinerio Hernandez Marquez, "The Puerto Rican Industrial Policy Debate of 1940-1947: The Limits of Dependent Colonial Growth," *Berkeley Planning Journal*, vol. 3, no. 1 (1986), <https://escholarship.org/uc/item/8nf603h8>. Also see Rexford G. Tugwell, *The Stricken Land: the Story of Puerto Rico* (Doubleday, 1947). Also see Charles T. Goodsell, *Administration of a Revolution: Executive Reform in Puerto Rico under Gov. Tugwell, 1941-1946* (Harvard, 1965).

⁴ *Puerto Rico Railway Light Power Co. v. United States*, 131 F.2d 491 (1st Circ. 1942). Also see PREPA, "A Sketch of Our History," https://web.archive.org/web/20160202074716/http://www.prepa.com/historia_eng.asp; and Thomas Hibben and Rafael Pico, *Industrial Development of Puerto Rico and the Virgin Islands of the United States: Report of the U.S. Section, Caribbean Section*, July 1948, pp. 188-193.

⁵ In Spanish the initiative was known as La Operación Manos a la Obra. See César J. Ayala and Rafael Bernabe, *Puerto Rico in the American Century: A History Since 1898* (University of North Carolina Press, 2007), ch. 9.

⁶ National Academy of Sciences (NAS), *Energy in Puerto Rico's Future: Final Report of the Committee on Future Energy Alternatives for Puerto Rico*, 1980, http://www.isercaribe.org/wp-content/uploads/2015/08/1980_Energy_PR_Future_Nat_Aca_Sci.pdf.

island's economy, Congress extended the Food Stamp program⁷ and created the Section 936 possessions tax credit.⁸

By 2014, economic and fiscal problems had reached a crisis stage.⁹ Prices for Puerto Rico's bonds fell sharply and Puerto Rico lost access to capital markets, which had provided bond proceeds to help cover budget shortfalls and to support its public corporations.¹⁰ PREPA became unable to pay for oil and was obliged to enter into restructuring support agreements (RSAs) with fuel line lenders.¹¹ Widespread popular frustration with PREPA led to a modernization of energy policy, known as the ALIVIO or RELIEF Act (Act 57-2014), which established a utility regulator, renewable energy goals, and a path to separation of electric generation and transmission.¹²

In 2014, Puerto Rico also enacted a local bankruptcy law (Act 71-2014) to address debts of PREPA and other public corporations.¹³ Federal courts struck down the law, even though Puerto Rico lacked access to the federal bankruptcy code.¹⁴ By 2015, then-Governor García Padilla declared his government's debt "unpayable."¹⁵

On June 30, 2016, Congress enacted PROMESA (P.L. 114-187) after having studied Puerto Rico's fiscal crisis and discussed legislative options in 2015 and early 2016. PROMESA created debt adjustment

⁷ See archived CRS Report 79-244EPW, *A Concise History of the Food Stamp Program*, by Joe Richardson.

⁸ Section 936, created in P.L. 94-455, provided qualifying U.S. corporations or subsidiaries with a way to repatriate earnings to the mainland. See Ayala and Bernabe, *Puerto Rico in the American Century*, pp. 268-270; Barry Bosworth and Susan M. Collins, "Economic Growth," in *The Economy of Puerto Rico: Restoring Growth*, ed. Susan M. Collins et al. (Brookings, 2006), pp. 23-29; U.S. Government Accounting Office (GAO; now the Government Accountability Office), *Tax Policy: Puerto Rico and the Section 936 Tax Credit*, GAO/GCD-93-109. Also see Arthur MacEwan, "Quantifying the Impact of 936," Brandeis University Heller School working paper, 2016, http://heller.brandeis.edu/gds/eLibrary/pdfs/Godoy-Foreward-May_5_2016_PuertoRico_2.pdf.

⁹ See discussion in CRS Report R44095, *Puerto Rico's Current Fiscal Challenges*, by D. Andrew Austin.

¹⁰ See CRS Report R46788, *Puerto Rico's Public Debts: Accumulation and Restructuring*, by D. Andrew Austin, Figure 4.

¹¹ Testimony of Lisa J. Donahue, Chief Restructuring Officer, PREPA, before U.S. Congress, House Natural Resources Committee, Energy and Mineral Resources Subcommittee, *Exploring Energy Challenges and Opportunities Facing Puerto Rico*, 114th Cong., 2nd sess., January 12, 2016, http://naturalresources.house.gov/uploadedfiles/testimony_donahue.pdf.

¹² The preamble of the act stated "The high cost of energy limits our ability to stimulate the economy, strengthen small- and medium-sized business, as well as to attract private investors from abroad, develop commercial, industrial and manufacturing activities, and improve the quality of life of all Puerto Ricans. This prevents our Island from becoming a competitive and attractive place in all aspects. We have been held as hostages of a poorly efficient energy system that excessively depends on oil as fuel, and that does [not] provide the tools to promote our Island as a place of opportunities in the global market." The word "not" in brackets is missing in the official English language version. That sentence in the Spanish language version (<https://www.lexjuris.com/lexlex/leyes2014/lexl2014057.htm>) states "Esto es un obstáculo que impide convertir a nuestro País en un lugar competitivo y atractivo en todos los ámbitos. Somos rehenes de un sistema energético poco eficiente, que depende desmedidamente del petróleo como combustible, y que no provee las herramientas para promocionar a nuestro País como un lugar de oportunidades en el mercado globalizado."

For a summary of the act's original provisions, see McConnell & Valdés, "Act for the Transformation and Energy Relief of Puerto Rico Signed into Law," *Energy Alert*, May 30, 2014, http://www.mcvpr.com/media/publication/273_Act%2057.pdf.

¹³ "Puerto Rico Public Corporation Debt Enforcement and Recovery Act," *Harvard Law Review*, vol. 128 (February 2015), pp. 1320, <https://harvardlawreview.org/print/vol-128/puerto-rico-public-corporation-debt-enforcement-and-recovery-act/>. Also see discussion in CRS Report R44095, *Puerto Rico's Current Fiscal Challenges*, by D. Andrew Austin.

¹⁴ *Puerto Rico v. Franklin Cal. Tax-Free Tr.*, 136 S. Ct. 1938 (2016). Also see Stephen J. Lubben, "Puerto Rico and the Bankruptcy Clause," *American Bankruptcy Law Journal*, vol. 88, no. 4 (fall 2014), pp. 553-578 (at p. 573).

¹⁵ Mensaje del Gobernador Alejandro García Padilla Sobre Situación Fiscal de Puerto Rico (Governor Alejandro García Padilla's Message on the Fiscal Situation of Puerto Rico), June 29, 2015, <https://www.primerahora.com/noticias/gobierno-politica/notas/mensaje-completo-del-gobernador-alejandro-garcia-padilla/>.

processes and established the Financial Oversight and Management Board, which was granted broad powers over the island's public sector.¹⁶

What Happened Since Enactment of PROMESA?

One major responsibility of the Oversight Board is to certify fiscal plans and budgets of various public sector components ("covered instrumentalities" in the language of PROMESA) proposed by Puerto Rico's governor. Puerto Rico's governor and legislature retain substantial control over public priorities, within constraints of fiscal plans and other PROMESA provisions. Conflicts, however, have been frequent.¹⁷ Still, budgeting and financial control practices were modernized and spending was reduced, helping achieve balanced budgets.¹⁸

A second major responsibility of the board is representing Puerto Rico's public sector before the federal district court charged with overseeing the debt restructuring processes. PROMESA set out two debt adjustment processes. Title VI set out a process for voluntary collection action agreements, similar to collective action strategies used in sovereign debt workouts. This provision may have been aimed at grandfathering the PREPA RSA. Title III set out a process that draws on the U.S. Bankruptcy Code.

Major portions of Puerto Rico's debts have been restructured. In 2018, the Government Development Bank, which had been central to Puerto Rico's public sector finances, was wound up in a Title VI process.¹⁹ In 2019, bonds backed by sales taxes, known as COFINA bonds,²⁰ were exchanged for new bonds at the conclusion of that Title III case, thus resolving disputes among creditor groups that had challenged the legitimacy of bonds held by others.²¹ In January 2022, general obligation (GO) bonds of Puerto Rico's central government and other debts of entities closely tied to the central government were restructured.²² That restructuring encompassed a major reform of pension systems, which had faced

¹⁶ See discussion of Title II of PROMESA in CRS Report R44532, *The Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA; H.R. 5278, S. 2328)*, coordinated by D. Andrew Austin.

¹⁷ For example, then-Governor Ricardo Rosselló Nevares and Puerto Rico's legislature sued the Oversight Board to challenge its powers. In August 2018, the Title III District Court upheld the Oversight Board's powers: <https://www.reuters.com/article/us-usa-puertorico-lawsuit/puerto-rico-bankruptcy-judge-upholds-oversight-board-powers-over-government-idUSKBN1KS2GQ/>.

¹⁸ "How a Government Struggling with Debt Navigated Towards a Brighter Future," Ernst & Young Parthenon, https://www.ey.com/en_bg/insights/restructuring-turnaround/how-an-insolvent-government-found-a-path-to-a-brighter-future. Also see Oversight Board, "Government Discipline Necessary for Balanced Budgets," September 4, 2024, <https://oversightboard.pr.gov/government-discipline-necessary-for-balanced-budgets/>.

¹⁹ Arturo C. Porzecanski, "The Government Development Bank: At the Heart of Puerto Rico's Financial Crisis," American University working paper, September 18, 2014, <http://auapps.american.edu/aporzeca/www/The%20GDB%20at%20the%20Heart%20of%20Puerto%20Ricos%20Financial%20Crisis.pdf>. In 2017, the newly formed Fiscal Agency and Financial Advisory Authority (FAFAA) assumed most of the bank's functions. A case summary for the Title VI docket (Case # 18-01561) for the bank is here; <https://dm.epiq11.com/case/gdb/info>.

²⁰ COFINA (*Corporación del Fondo de Interés Apremiante*), known in English as the Puerto Rico Sales Tax Financing Corporation, was established by Act 91-2006, May 13, 2006, <http://www.lexjuris.com/lexlex/leyes2006/lexl2006091.htm>.

²¹ See section "Oversight Board Files PROMESA Title III Petitions in May 2017" in CRS Report R46788, *Puerto Rico's Public Debts: Accumulation and Restructuring*, by D. Andrew Austin. Also see Michael Cembalist, "Passage to Puerto Rico," J.P. Morgan, Eye on the Market, July 11, 2016, <https://web.archive.org/web/20220401000000/https://privatebank.jpmorgan.com/content/dam/jpm-wm-aem/global/pb/en/insights/eye-on-the-market/passage-to-puerto-rico.pdf>. See as well U.S. District Court for the District of Puerto Rico, *Memorandum Opinion and Order Approving Settlement between Commonwealth of Puerto Rico and Puerto Rico Sales Tax Financing Corporation*, Case 17-03283, February 4, 2019, <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTAzMDUx&id2=0>.

²² On January 18, 2022, the Title III court entered an order confirming the plan, which was consummated on March 15, 2022. See U.S. District Court for the District of Puerto Rico, *Order and Judgment Confirming Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico, and the Puerto Rico Public Buildings Authority*, case:17-03283-LTS, January 18, 2022, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTA4MTY5MQ==&id2=0>.

unfunded liabilities in the range of \$50 billion. According to the Oversight Board, Puerto Rico's debts, which had reached about \$73 billion, have been reduced by some \$40 billion.²³ Exactly how much those debts will have been reduced depends on how PREPA's debts are resolved.

A major responsibility that the Oversight Board did not anticipate was disaster response and recovery. In September 2017, hurricanes Irma and María swept across Puerto Rico causing catastrophic damages to lives, infrastructure, and the economy.²⁴ Most of the island was blacked out for months while PREPA's electric grid was patched back together.²⁵ More recently, the island also suffered from the 2020 earthquakes,²⁶ the COVID-19 pandemic,²⁷ and Hurricane Fiona in 2022.²⁸

Describing disaster recovery initiatives is beyond what I am addressing today, except to say that the funds Congress appropriated for recovery efforts were seen as central to the Oversight Board's optimistic post-María economic forecasts. The anticipated influx of federal funds was expected to boost economic activity and help generate revenues to pay for public services.²⁹ Pandemic response funding has increased the federal share of Puerto Rico's budget resources.³⁰ Disbursement of some disaster recovery funds, however, has been slow for several reasons, including rising costs and liquidity constraints,³¹ and the use of "alternative procedures" under Section 428 of the Stafford Act to govern disaster funding,³² all of which have complicated contracting and project completion. The uncertain future of Puerto Rico's electric power system, which has also been affected by the slow pace of disbursements, also complicates the path to recovery.³³

²³ Oversight Board, "Puerto Rico's Debt Restructuring Process," n.d., <https://oversightboard.pr.gov/debt/>. For a discussion of pre-PROMESA debts, see section entitled "Predefault Structure of Puerto Rico's Public Debts" in CRS Report R46788, *Puerto Rico's Public Debts: Accumulation and Restructuring*, by D. Andrew Austin.

²⁴ See Figure 1 in CRS Report R46609, *The Status of Puerto Rico's Recovery and Ongoing Challenges Following Hurricanes Irma and María: FEMA, SBA, and HUD Assistance*, coordinated by Elizabeth M. Webster.

²⁵ U.S. Army Corps of Engineers, "The Longest Blackout in U.S. History: Hurricane Maria," Headquarters website, September 2022, <https://www.usace.army.mil/About/History/Historical-Vignettes/Relief-and-Recovery/154-Hurricane-Maria/>.

²⁶ See Appendix A in CRS Report R46609, *The Status of Puerto Rico's Recovery and Ongoing Challenges Following Hurricanes Irma and María: FEMA, SBA, and HUD Assistance*, coordinated by Elizabeth M. Webster.

²⁷ U.S. Congress, House Natural Resources Committee, *PROMESA Implementation During the Coronavirus Pandemic*, 116th Cong., 2nd sess., June 11, 2020, Committee on Natural Resources Serial No. 116-35, <https://congressional.proquest.com/congressional/docview/t29.d30.hrg-2020-hnr-2011120>.

²⁸ U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Weather Service, "Hurricane Fiona—September 17-19, 2022," n.d., <https://www.weather.gov/sju/fiona2022>.

²⁹ "The fiscal stimulus from the Federal disaster recovery funds and the insurance proceeds has the impact of increased economic growth that translates into more tax revenues for the Commonwealth. While no Federal monies are being used to pay debt, the Commonwealth's new reality is that the Government will collect more revenue during the period of the Fiscal Plan." Testimony of Executive Director Natalie Jaresko, in U.S. Congress, House Committee on Natural Resources, Oversight Hearing on PROMESA, 116th Cong., 1st sess., May 2, 2019, written response to Rep. Horsford's question 13, Ser. 116-14, <https://www.govinfo.gov/content/pkg/CHRG-116hhrg36258/html/CHRG-116hhrg36258.htm>.

³⁰ Elisa Guardiola, Oversight Board Budget Manager Director, "Federal Funds Update," presentation at the 48th Public Board Meeting May 2025, <https://drive.google.com/file/d/1hmoRgqb5nItuQAfew0A64MXewiXTyMlr/view>. Video version at <https://www.youtube.com/watch?v=BynXkrRExFk>.

³¹ See "Causes for Delays in the Provision of Federal Assistance to Puerto Rico" in CRS Report R46609, *The Status of Puerto Rico's Recovery and Ongoing Challenges Following Hurricanes Irma and María: FEMA, SBA, and HUD Assistance*, coordinated by Elizabeth M. Webster. Also see GAO, *Puerto Rico Disasters: Progress Made, but the Recovery Continues to Face Challenges*, GAO-24-105557, February 13, 2024, <https://www.gao.gov/products/gao-24-105557>.

³² U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), *Public Assistance Alternative Procedures (Section 428): Guide for Permanent Work*, FEMA-4339-DR-PR, February 10, 2020, https://recovery.pr.gov/documents/PAAP_Guide_for_Permanent_Work_DR_4339_PR_V3_2_10_2020_FINAL_508.pdf.

³³ CRS In Focus IF12913, *Electric Reliability and Resiliency in Puerto Rico*, by Corrie E. Clark.

Next Steps?

Restructuring the \$10 billion owed by the island's legacy electric power utility PREPA is the final major Title III case. In December 2022, the Oversight Board proposed a settlement offering \$2.6 billion to creditors.³⁴ Bondholders challenged the board's assessment of terms of the underlying bond agreement, and the U.S. Court of Appeals for the First Circuit largely sided with those creditors.³⁵ The district court handling the case repeatedly urged the board and creditors to continue negotiations.³⁶

The physical restructuring of the island's electric power system is another outstanding issue. The poor condition of PREPA power plants, the fragile state of its grid, inherent difficulties of operating on an island, heavy reliance on oil, and the rugged geography of Puerto Rico's interior all pose technical challenges, aside from the serious financial challenges. Changes in political control in Puerto Rico have resulted in sharp redirections of energy policy.³⁷

In 2018, Puerto Rico moved (Act 120-2018) to privatize generation and transmission. In June 2020, the Canadian-American consortium LUMA was awarded a contract to operate and maintain the island's grid.³⁸ Although LUMA claims improvements in grid reliability, island-wide blackouts have made LUMA unpopular.³⁹ In January 2023, the New Fortress Energy (NFE) unit Genera won a 10-year contract to operate and maintain PREPA's power generation.⁴⁰ Recent changes (Act 1-2025) have pushed back renewable energy goals and redirected funds earmarked for renewable energy projects to grid stabilization.⁴¹ Genera, LUMA, and PREPA recently filed proposals with the Puerto Rico Energy Board to raise rates to fund grid improvements, capital investments, and pension obligations.⁴² In line with PREPA's certified fiscal plan, however, those proposed revenues would not be used to pay PREPA's legacy debts.⁴³

³⁴ Oversight Board, "Oversight Board Files Plan of Adjustment to Significantly Reduce PREPA's Debt," press release, December 16, 2022, <https://drive.google.com/file/d/15svM10SPfz4ngqdkrE23VLku79W7x2fn/view>.

³⁵ In re PREPA, 104 F.4th 367 (1st Cir. 2024), June 12, 2024, opinion withdrawn and replaced with revised opinion, November 13, 2024. For summary, see petition of FAFAA, U.S. Supreme Court, March 21, 2025, http://www.supremecourt.gov/DocketPDF/24/24A915/352756/20250321172515989_AAFAF%20-%20Lien%20Challenge%20Application%20for%20Cert%20Petition%20Extension_pdfa.pdf.

³⁶ In re PREPA, Mediation Team's 17th Notice and Report, December 9, 2024, <https://document.epiq11.com/document/getdocumentbycode?docId=4413655&projectCode=PR1&source=DM>.

³⁷ See Testimony of Lisa J. Donahue (2016), op. cit.

³⁸ Puerto Rico Transmission and Distribution System, *Operation and Maintenance Agreement*, June 22, 2020, <https://docs.pr.gov/files/P3-PublicaPrivadas/Projects/Projects/TD%20-%20LUMA/OM%20Agreement/executed-consolidated-om-agreement-td.pdf>.

³⁹ LUMA, "Building a Better Energy Future for Puerto Rico: Progress Dashboard," May 31, 2025, <https://progresodelumapr.com/en/progress-for-puerto-rico/>. Also see Gloria Gonzalez, "Trump, Bad Bunny and Puerto Rico's Perennially Broken Power Grid," *Politico Magazine*, March 30, 2025, <https://www.politico.com/news/magazine/2025/03/30/puerto-rico-electric-grid-blackouts-hurricanes-00257176>.

⁴⁰ New Fortress Energy (NFE), "NFE Subsidiary Genera Awarded Contract to Manage Puerto Rico's Power Generation System," press release, January 25, 2023, <https://ir.newfortressenergy.com/news-releases/news-release-details/nfe-subsidiary-genera-awarded-contract-manage-puerto-ricos-power>.

⁴¹ CRS In Focus IF12913, *Electric Reliability and Resiliency in Puerto Rico*, by Corrie E. Clark.

⁴² Manuel Guillama Capella, "Sobre la Mesa Aumento de 11 Centavos por Kilovatio Hora en la Propuesta Revisión de la Tarifa Base: Tanto LUMA Energy como Genera PR y la AEE Pidieron Incrementos Presupuestarios de Cientos de Millones de Dólares [Increase of 11 Cents per Kilowatt Hour are on the Table in a Proposed Revision to the Base Tariff: LUMA as Well as Genera, and PREPA Asked for Budgetary Increases of Hundreds of Millions of Dollars]," July 3, 2025, <https://www.elnuevodia.com/noticias/locales/notas/golpe-al-bolsillo-sobre-la-mesa-aumento-de-11-centavos-por-kilovatio-hora-en-la-propuesta-revision-de-la-tarifa-base/>.

⁴³ PREPA, *February 2025 Fiscal Plan for the PREPA*, February 2025, <https://drive.google.com/file/d/1WksRhtfmoLvaZFB-5pUNkFXGEiT3t6vp/view?usp=sharing>.

The Federal Reserve Bank of New York (NY Fed) recently raised several concerns and noted some bright spots regarding Puerto Rico's economy and competitiveness.⁴⁴ Other economic forecasters have been cautiously optimistic regarding growth prospects.⁴⁵ The unemployment rate (5.5% in May 2025) has fallen since the 2007-2009 Great Recession,⁴⁶ although the labor participation rate (45% in May 2025)⁴⁷ remains below the mainland rate (62% in June 2025).⁴⁸ Gross national product (GNP) had been falling from 2007 until 2021, but has grown in the past few years.⁴⁹ Many Puerto Ricans moved to the mainland after the 2017 hurricanes, but the island's population seems to have stabilized.⁵⁰

Tax incentives remain central to Puerto Rico's economic strategy. Changes in U.S. tax laws and laws of other countries could affect the island's hold on major employers.⁵¹ Some tax incentives (Act 60-2019) aimed at attracting high-net-worth individuals to Puerto Rico may raise issues with federal tax compliance,⁵² and some argue that they have been managed in a less than fully efficient or transparent way.⁵³

⁴⁴ Joelle Scally, "Update on the Puerto Rico Economy," NY Fed presentation, May 21, 2025, <https://www.newyorkfed.org/medialibrary/media/newsevents/speeches/2025/scally-presentation-puertorico-economy-05212025>. Also see Jack Gutt, "Puerto Rico Regional Visit: Economic Growth Followed Disaster. What Comes Next?" *Teller Window*, NY Fed, May 27, 2025, <https://tellerwindow.newyorkfed.org/2025/05/27/puerto-rico-regional-visit-economic-growth-followed-disaster-what-comes-next/>.

⁴⁵ Oversight Board, "Outlook for Puerto Rico's Economy: Insights from the First Economic Forecasting Symposium," June 9, 2025, <https://oversightboard.pr.gov/outlook-for-puerto-ricos-economy-insights-from-the-first-economic-forecasting-symposium/>.

⁴⁶ U.S. Bureau of Labor Statistics, "Unemployment Rate in Puerto Rico [PRUR]," retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/PRUR>, July 10, 2025.

⁴⁷ Government of Puerto Rico, Department of Labor and Human Resources, *Empleo y Desempleo en Puerto Rico* [Employment and Unemployment in Puerto Rico], May 2025, Table 3: Employment Status of Civilian Noninstitutional Population by Age and Sex, Not Seasonally Adjusted, <https://www.mercadolaboral.pr.gov/lmi/pdf/Default/Grupo%20Trabajador/EMPLEO%20Y%20DESEMPLEO%20EN%20PUERTO%20RICO.pdf>.

⁴⁸ U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey, Seasonally Adjusted Labor Force Participation Rate," Series Id: LNS11300000, <https://data.bls.gov/timeseries/LNS11300000>.

⁴⁹ Scally, "Update on the Puerto Rico Economy."

⁵⁰ U.S. Department of Commerce, U.S. Census Bureau, Population Division, "Annual Estimates of the Resident Population for Selected Age Groups by Sex for Puerto Rico Commonwealth: April 1, 2020 to July 1, 2024 (PRC-EST2024-AGESEX)," June 2025, <https://www2.census.gov/programs-surveys/popest/tables/2020-2024/puerto-rico/asrh/prc-est2024-agesex.xlsx>.

⁵¹ Alan Cole, "Puerto Rican Competitiveness and Pillar Two," Tax Foundation, July 11, 2024, <https://taxfoundation.org/research/all/federal/puerto-rico-tax-competitiveness-pillar-two/>.

⁵² U.S. Department of the Treasury, Internal Revenue Service, *Report to Congress Pursuant to P.L. 116-93 Regarding Interaction of Certain Puerto Rico and U.S. Tax Laws*, August 2020, https://ntc-prod-public-pdfs.s3.us-east-2.amazonaws.com/488JIAV8XE_s8XVhfo6PM6PdqvK.pdf.

⁵³ Sharon Minelli Pérez, "DDEC [Department of Economic Development and Commerce] Evaluates What Action to Take Regarding the Decree of Salvadoran Businessman José Ofilio Gurdian: The Investor Residing in Puerto Rico Received Benefits Under Act 60 While Imprisoned in Colombia," *El Nuevo Día*, July 3, 2025, <https://www.elnuevodia.com/english/business/story/ddec-evaluates-what-action-to-take-regarding-the-decree-of-salvadoran-businessman-jose-ofilio-gurdian/>.

Puerto Rico's FY2026 budget includes some contingencies to address changes in federal funding for Medicaid.⁵⁴ Medicaid funding is important to Puerto Rico because 40% of the population is below the poverty line.⁵⁵ Other recent changes could present fiscal challenges as well.⁵⁶

PROMESA commissioned a task force report on how the federal government could aid Puerto Rico's economic growth.⁵⁷ Among other recommendations, the report suggested strengthening the coverage of Puerto Rico in federal statistics.⁵⁸ In particular, renewing Puerto Rico's participation in the Census of Governments would provide greater clarity into Puerto Rico's public finances going forward.⁵⁹ The report also urged local policymakers to preserve the funding and independence of the Puerto Rico Institute of Statistics.

Congress may consider whether revisiting federal restrictions on water transportation could expand choices and lower costs by encouraging competition.⁶⁰

⁵⁴ Oversight Board, *Certified Budget for the Commonwealth of Puerto Rico*, June 30, p. 121, https://drive.google.com/file/d/1Lyx_CyXNN37FlkKg3OjOOKoe33a03ye/view?usp=sharing.

⁵⁵ CRS In Focus IF11012, *Medicaid Financing for the Territories*, by Alison Mitchell. Also see U.S. Department of Commerce, U.S. Census Bureau, *QuickFacts: Puerto Rico*, web page, n.d., <https://www.census.gov/quickfacts/PR>.

⁵⁶ José A. Delgado, "Increase in Rum Tax Refund and Changes to Pell Grants Remained in the Fiscal Reconciliation Bill: The Measure, Which Awaits President Donald Trump's Signature, Eliminates Preferences for Puerto Rico in Accessing the Opportunity Zones Program," *El Nuevo Día*, July 4, 2025, <https://www.elnuevodia.com/english/news/story/increase-in-rum-tax-refund-and-changes-to-pell-grants-remained-in-the-fiscal-reconciliation-bill/>.

⁵⁷ Congressional Task Force on Economic Growth in Puerto Rico, *Report to the House and Senate*, December 20, 2016, <https://www.finance.senate.gov/imo/media/doc/Bipartisan%20Congressional%20Task%20Force%20on%20Economic%20Growth%20in%20Puerto%20Rico%20Releases%20Final%20Report.pdf>.

⁵⁸ CRS Report R48522, *Federal Statistical Data for U.S. Territories: Issues and Resources*, by Taylor R. Knoedl and Ben Leubsdorf.

⁵⁹ Puerto Rico participated in the Census of Governments until 1982. See U.S. Department of Commerce, U.S. Census Bureau, Governments Division, *Census of Governments 1982: Puerto Rico, Virgin Islands, and Guam*, vol. 6, no. 2, GC82(6)-2, 1984, <https://www2.census.gov/programs-surveys/cog/tables/1982/public-employment/1982-vol6-no2-fin-puerto-rico-vi-%26-guam.pdf>.

⁶⁰ See CRS Report R45725, *Shipping Under the Jones Act: Legislative and Regulatory Background*, by John Frittelli.

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