



To: Members, US House of Representatives Committee on Financial Services  
From: Dr. Yarimar Bonilla, Director, Center for Puerto Rican Studies at Hunter College  
Date: November 14, 2022  
Subject: Written testimony for Congressional Hearing on “Persistent Poverty in America: Addressing Chronic Disinvestment in Colonias, the Southern Black Belt, and the U.S. Territories”

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My name is Yarimar Bonilla, I am the Director of CENTRO: The Center for Puerto Rican Studies at CUNY Hunter College, the largest research institute and archive devoted to the Puerto Rican Experience in the United States. I am grateful for the opportunity to testify today on the question of Persistent Poverty and Chronic Disinvestment in the US territories.

As the Committee memorandum notes, there are particular data challenges in regards to the US territories given the lack of current, consistent, and comprehensive data for these areas. At CENTRO we are currently working on a Dashboard featuring government-produced data across all US territories, but for today my remarks will be mostly focused on Puerto Rico.

## I. What does Persistent Poverty mean in the context of the US Territories?

This testimony was prepared collaboratively with scholars and students at the Center for Puerto Rican Studies at Hunter College.<sup>1</sup> When our team met to produce this text one of the first questions a student in our working group asked was: *What is persistent poverty? Is this the best term to address the systemic dispossession produced by imperialism?*

The US government defines “persistent poverty counties” as those that maintained poverty rates of 20% or more for at least 30 years.<sup>2</sup> But the fact is that Puerto Rico has had twice that poverty rate for over half a century (See Figure 1). Indeed, all US territories are currently well over the national poverty rate (See Table 1). We must thus ask if the challenges that Puerto Rico and the other US territories face are best understood through the framework of persistent poverty, or if it is best to think of their condition as one of **systemic poverty** rooted in their political relationship to the United States.

Moreover, if the US government has recognized that a poverty rate of over 20% for three decades warrants federal action, we must ask what actions should be taken to address the historic impact of communities that have lived with over 40% poverty rate for more than three generations.

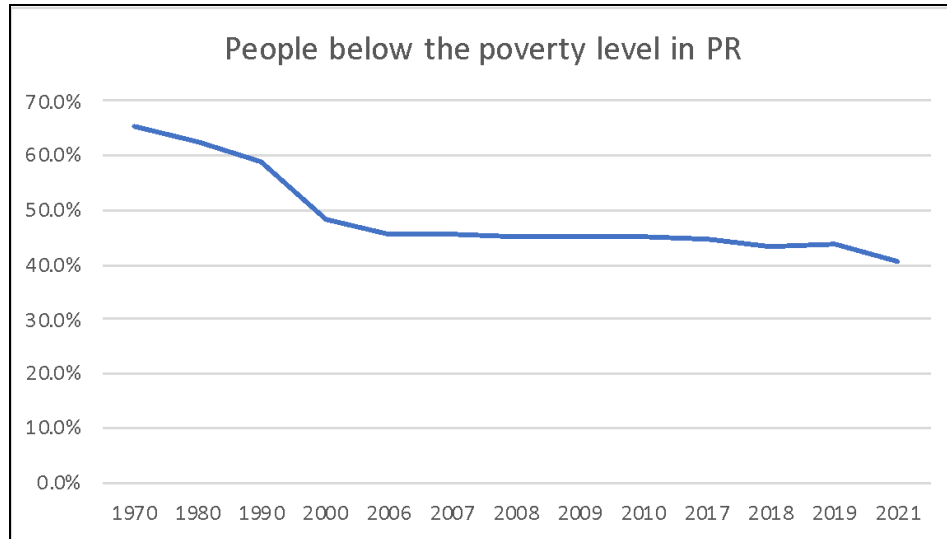
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<sup>1</sup> This testimony was prepared by the following team: Yarimar Bonilla, Carlos Vargas-Ramos, Jennifer Hinojosa, Kathya Severino Pietri, Jorge Soldevila-Irrizary, and Kenismael Santiago-Pagán.

<sup>2</sup> <https://sgp.fas.org/crs/misc/R45100.pdf>

**Figure 1: Percentage of the Population below the Poverty Level for Puerto Rico, 1970-2021**

Source: US Census Bureau, Census of the Population 1970-2000;  
American Community Survey (1-yr estimates), 2006-2021



**Table 1: Poverty Rates and Median Household Income for US territories**

Source: US Census Bureau 2021 American Community Survey; 2020 Decennial Survey of Island Areas

	US National Average	Guam	US Virgin Islands	Northern Marianas	Puerto Rico	American Samoa
<b>Poverty Level (%)</b>	12.8%	20.2%	22.8%	38%	40.5%	54.6%
<b>Median Household Income (\$)</b>	\$69,717	\$58,289	\$40,408	\$31,362	\$22,237	\$28,352

Puerto Rico has the second highest poverty rate of any US jurisdiction, with the exception of American Samoa (54.6%), and the absolute lowest median income of any jurisdiction at \$22,237. **We ask the members of the committee to pause for a moment and contemplate how one might live on an annual income of \$22,237.**

Some might assume that these depressed incomes are tied to a lower cost of living, but the fact is that rent, mortgage, and utility burdens are all higher in Puerto Rico than in the states (see Table 2).

**Table 2: Cost of Living Indicators for Puerto Rico vs The General United States**

Source: US Census Bureau 2021 American Community Survey (1-year estimates); Department of Energy (DOE); U.S. Energy Information Administration (EIA)

Link to Centro Tool: <https://centropr.hunter.cuny.edu/tools/state-of-puerto-ricans-in-the-us-dashboard/>

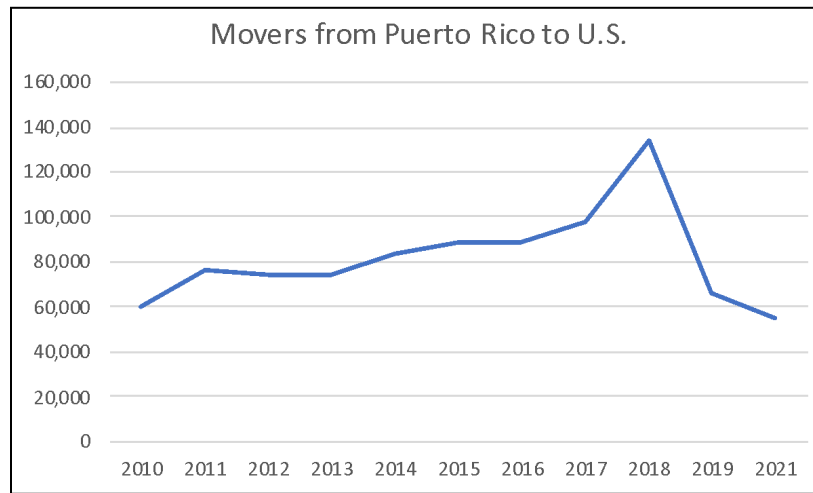
	<b>US National Average</b>	<b>Puerto Rico</b>
Rent Burden	51.1%	51.7%
Mortgage Burden	27.6%	38.1%
Energy Burden (percentage of household income towards energy costs)	2.8%	4.0%
Residential Electricity cost (as of July 2022)	15.46 cents/kWh	35.45 cents/kWh

In Puerto Rico persistent poverty has led to persistent migration: data shows that as local economic conditions worsen migration rises. From 2010 to 2011 the number of Puerto Ricans who emigrated increased from 60,000 to 75,000 a year, and then to nearly 90,000 a year by 2016 (see Figure 2). This was in direct relationship to the downturn in the Puerto Rican economy following the congressional action eliminating IRC section 936, which was sunset in 2006 and the subsequent Great Recession. In the aftermath of hurricanes Irma and Maria, more than 133,000 persons emigrated from Puerto Rico. Since then, emigration has abated to rates between 50,000 and 60,000 persons a year, presumably stymied by the COVID-19 pandemic.

**Figure 2: “Movers from Puerto Rico”**

Source: US Census Bureau, American Community Survey (1-yr estimates), 2010-2021

Link to Centro Tool: <https://centropr.hunter.cuny.edu/tools/state-of-puerto-ricans-in-the-us-dashboard/>



## II. Persistent Poverty and Persistent Inequality

We would also like to point out that Puerto Rico has a higher rate of income inequality than any other US jurisdiction, with a 2021 GINI index rate of .542 compared with the national average of .485.<sup>3</sup> This means that the distribution of the wealth that does exist in Puerto Rico is *extremely* concentrated, resulting in widespread poverty. While many argue that the United States has an untenable distribution of wealth with only 10% of households earning over \$200,000 a year, in Puerto Rico only 1.4% of households make over \$200,000 a year. Meanwhile poverty is widespread: 25% (a full quarter of the population) lives with incomes of \$10,000 a year or less (as compared to 6% in the general US)<sup>4</sup>.

Furthermore, wealth and poverty are not equally distributed geographically. As shown in figures 3 and 4, rural areas in Puerto Rico, particularly in the central and western highland regions, have disproportionate rates of poverty, with the highest incomes being concentrated in the San Juan metropolitan area.

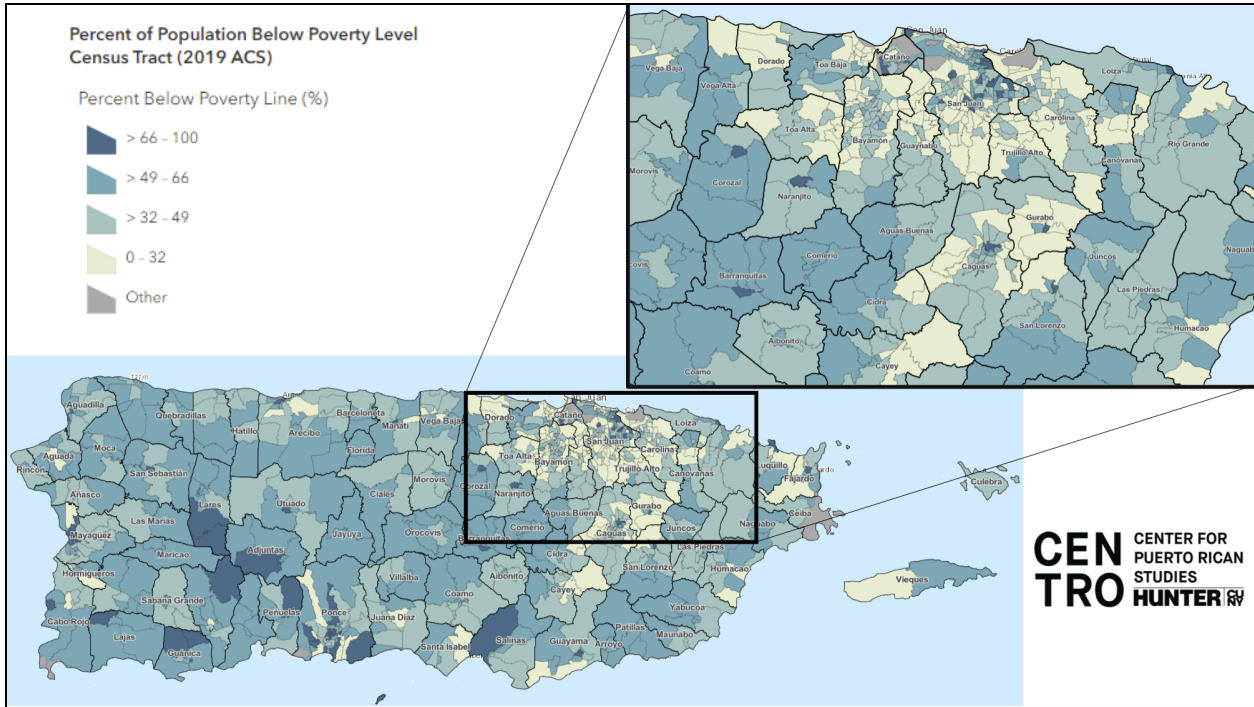
<sup>3</sup> <https://www.census.gov/content/dam/Census/library/publications/2022/acs/acsbr-011.pdf>

<sup>4</sup> US Census Bureau, American Community Survey (1-yr estimates), 2021, Table CP03

**Figure 3. Percent of the Population below Poverty Level by Census Tract, 2019**

Source: US Census Bureau 2019 American Community Survey (5-year estimates)

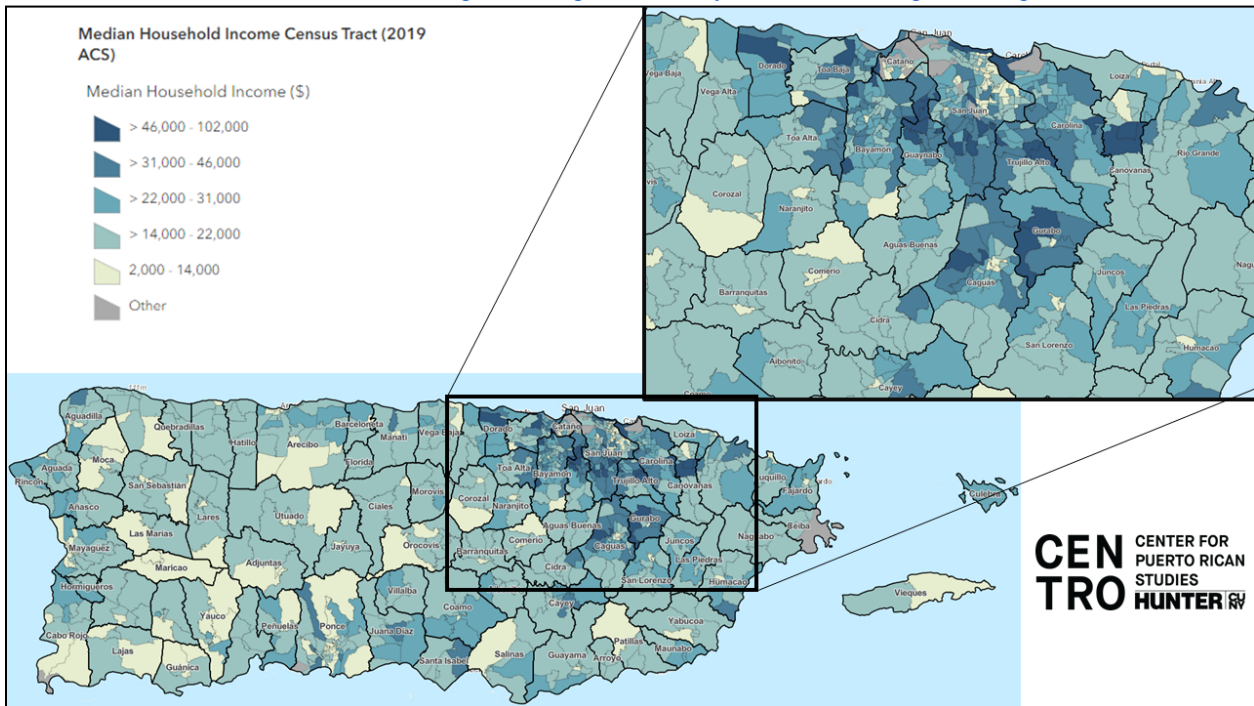
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**Figure 4. Puerto Rico's Median Household Income by Census Tract, 2019**

Source: US Census Bureau 2019 American Community Survey (5-year estimates)

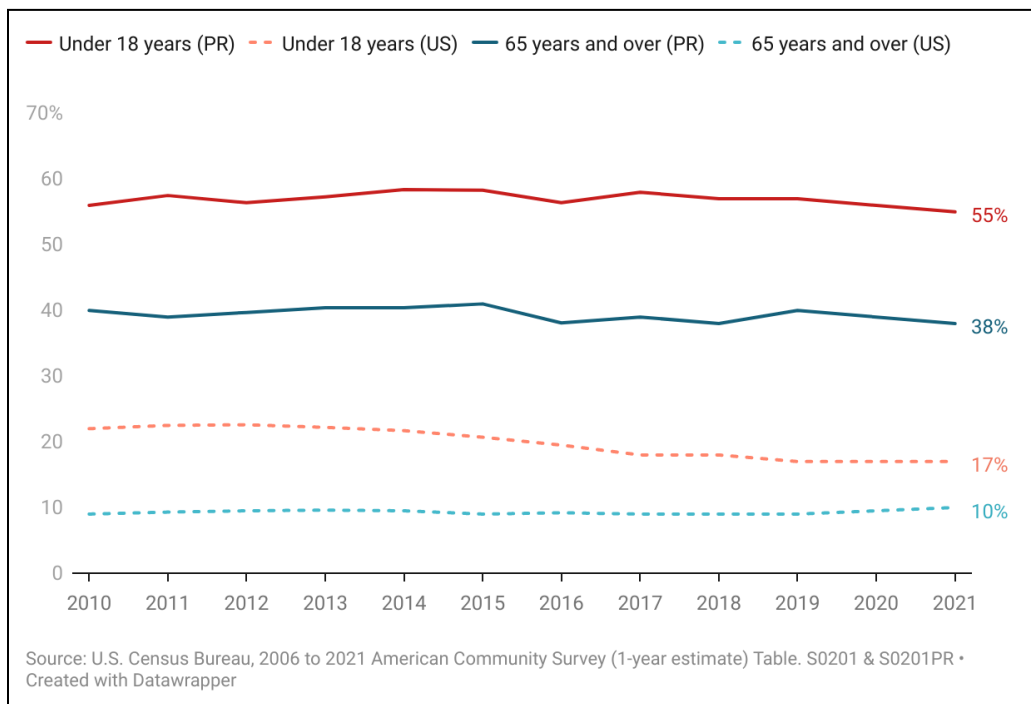
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Sadly, those most impacted by poverty and inequality are Puerto Rico’s children. Across the United States households with children are consistently the most impacted by poverty, but in Puerto Rico the rates are astronomical. Whereas in the 50 states 17% of children under 18 live below the poverty rate, in Puerto Rico a whopping 55% of children are living in poverty; this rate is 60% for rural areas.<sup>5</sup> **In other words, the absolute majority of children in Puerto Rico are experiencing persistent and acute poverty. A data point which we feel requires immediate attention and action.**

Moreover, while in the 50 states, only 10% of the seniors live below the poverty rate, in Puerto Rico 38% of the senior age population (65 years and over) are living in poverty (see figure 5). This also requires attention and action, as Puerto Rico’s senior age population is only increasing due to low fertility rates and skyrocketing outmigration by working-age individuals seeking to escape poverty.

**Figure 5: Poverty Rates by Age in Puerto Rico compared to US National Average**  
 Source: US Census Bureau 2010-2021 American Community Survey (1-year estimates)



### Utility and Housing Burdens

Persistent poverty and persistent inequality among Puerto Rico’s households is also attributed to energy and housing burden.

<sup>5</sup> Source: <https://data.ers.usda.gov/reports.aspx?StateFIPS=72&StateName=Puerto%20Rico&ID=17854>

According to the U.S. Energy Information Administration (EIA), as of July 2022, residential households in Puerto Rico paid 35.45 cents/kWh while the national average is 15.46 cents/kWh (Table 2). All in all, Puerto Rican households pay twice as much than U.S. residents in the 50 states (Table 2). Between 2001 and 2021 energy prices in Puerto Rico increased by 10.4 cents while in the U.S. they only increased by 3.8 cents. Following the transfer of energy distribution to a private company, Puerto Rican households have been experiencing more frequent power outages and higher energy utility bills. Thus has impacted the quality of education, healthcare, communications, and sales revenue.

Further, 38.1% of Puerto Rico's households experience rent burden (as shown in table 2) while the national average is 27.6%, a difference of 10.5 percentage points.<sup>6</sup> Unaffordable housing as a result of low stock of both available and affordable homes and a very slow reconstruction is a reality for many low-income families within Puerto Rico and for young adults who wish to come back to Puerto Rico. In a soon to be released study, we find that there is a positive correlation between displacement (or people moving out) in areas with high rent burden.

#### **IV. Impact of Federal Policy on Puerto Rico's Poverty Rate**

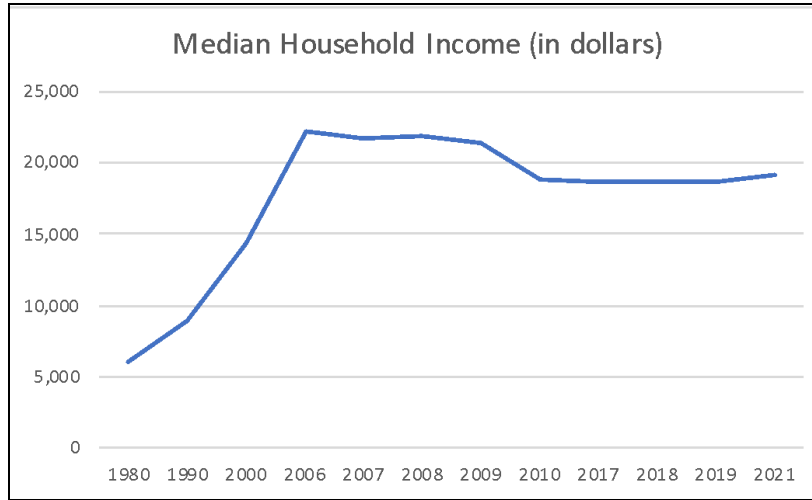
Although there is no doubt that Puerto Rico has had ongoing persistent and systemic poverty, it is important to note that there were some significant reductions in the poverty rate during the second half of the twentieth century, with the poverty rate dropping from 62% in 1970 to 48% in 2000 (see figure 6) in tandem with federal incentives for economic development. Those gains were lost once tax exemptions for US corporations were removed with the elimination of IRC section 936 and the loss of preferential access to the US market following the implementation of NAFTA/CAFTA. Both of these federal policies were implemented with no consideration of their impact on the Puerto Rican economy leading to a drastic economic downward spiral (see figure 7). These most recent policies added to a longer history of federal measures that have led to systematic poverty and dispossession in Puerto Rico. (See Appendix 1)

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<sup>6</sup> Rent burden is defined as having to use more than 30% of income on rent.

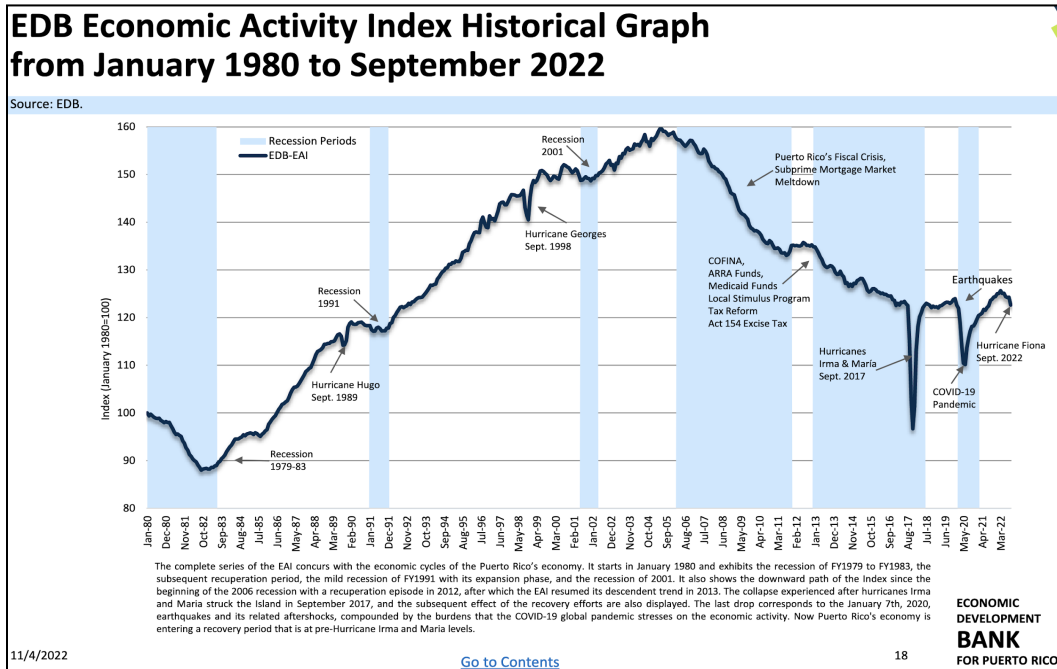
**Figure 6 Median Household income in Puerto Rico from 1980 to 2021**

Source: US Census Bureau, Census of the Population 1970-2000; American Community Survey (1-yr estimates), 2006-2021



**Figure 7: Puerto Rico Economic Activity 1980 to 2022**

Source: Puerto Rico Economic Development Bank



By 2013 it was clear that Puerto Rico was in the midst of an economic crisis. Yet the Puerto Rican government was limited in its ability to handle the debt crisis due to the specificities of Puerto Rico's territorial status. Puerto Rico's territorial status contributed to the island's indebtedness in multiple ways. Firstly, Puerto Rico's triple tax exempt bonds propelled unchecked



overborrowing.<sup>7</sup> Secondly, the clause in Puerto Rico’s federally approved constitution in 1952 set debt service as a top priority, above other public outlays and raised the limit of debt that Puerto Rico could take on.<sup>8</sup> Thirdly, the Puerto Rican government was written out of the US bankruptcy code without explanation in 1984 removing it from the protection offered to US states.<sup>9</sup> At the same time, the local government was not allowed to establish its own bankruptcy procedures.<sup>10</sup> Instead, the federal government passed the 2016 PROMESA law which created and imposed a Fiscal Oversight and Management Board that was excluded from requirements of conflicts of interest hearings, and for which there are no accountability mechanisms, save for congressional oversight hearings. The oversight board has focused on imposing austerity measures to address public debt that have insufficiently addressed Puerto Rico’s already stark inequality and systemic poverty. In particular it has failed to recognize and protect essential services required to spur economic growth and combat poverty such as basic infrastructure and access to public education.

## V. What can be done?

The U.S. Supreme Court has established (in *Vaello-Madero v U.S.*, 2022) that congress has the power and authority to treat Puerto Rico differently than the states. Until now, this has been interpreted as a congressional right to treat Puerto Rico *worse* than a state by leaving it out of critical federal programs (such as SSI). However, Congress could just as easily lean on the territorial clause to treat Puerto Rico *better*, by addressing its particularities and the historic legacies of systemic poverty. We wish to remind the committee that equality is not the same as equity.

Puerto Rico does not merely need more congressional funds – currently many funds allocated are not being spent. Puerto Rico needs better policy and accountability. Congress needs to exercise its oversight role to critically examine the impact of the Fiscal Oversight Board it created: what has been the tangible impact and long-term consequences of the board’s focus on austerity and privatization? Further, if the Fiscal Oversight Board agreed that a large portion of Puerto Rico’s debt was unconstitutional, why has it not refused its payment, or at least audited it?

Further, HUD and FEMA need to account for the existing bureaucratic hurdles that have stymied the release of appropriated funds for reconstruction and resilience in P.R. in the aftermath of the natural disasters. Congress should also address the exclusion of Puerto Rico and other US territories from federal programs and legislation such as the application for Child Tax Credit and federal Earned Income Tax Credits, and Social Security benefits.

Lastly, we ask the Federal government to attend to the data gaps that hamper research on the conditions of the US territories. For example, the fact that Puerto Rico no longer participates in the American Housing Survey.

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<sup>7</sup> Mary Williams Walsh “The Bonds that Broke Puerto Rico” New York Times June 30, 2015  
<https://www.nytimes.com/2015/07/01/business/dealbook/the-bonds-that-broke-puerto-rico.htm>

<sup>8</sup> Elizabeth Whiting, Puerto Rico Debt Restructuring: Origins of a Constitutional and Humanitarian Crisis, 50 U. Miami Inter-Am. L. Rev. 237 (2019) Available at: <https://repository.law.miami.edu/umialr/vol50/iss1/8>

<sup>9</sup> <https://crsreports.congress.gov/product/pdf/R/R46788/1>

<sup>10</sup> [https://www.supremecourt.gov/opinions/15pdf/15-233\\_i42j.pdf](https://www.supremecourt.gov/opinions/15pdf/15-233_i42j.pdf)