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FACT SHEET: Possible Puerto Rico Statehood & Federal Spending

Full cost not known, but just 10 programs will cost \$4.5-7.7 Billion per year

What would statehood for Puerto Rico mean – the need for facts: The House of Representatives is expected to soon vote on H.R. 2499, the Puerto Rico Democracy Act. This bill would provide for a two-step vote process in Puerto Rico on their future political status, including the option of becoming the nation's 51st state. Puerto Rico is able to conduct its own local plebiscite or referendum, as they have done three times in the past, yet this bill specifically seeks to provide a Congressionally-sanctioned vote. If Congress is going to ask Puerto Rico if they want to become a state, as H.R. 2499 does, then Congress has an obligation to understand in advance what statehood would mean to both Puerto Rico and the existing 50 states. However, that information is not being discussed despite an imminent vote on H.R. 2499, nor is much information on the implications of statehood for Puerto Rico even publicly available. These Fact Sheets are an effort to provide some of this information for the consideration of Representatives and the public.

What would statehood cost taxpayers in increased federal spending in Puerto Rico?

Without question, statehood would result in higher federal expenditures in Puerto Rico – the real question is how much in higher spending? Regrettably, the answer is not specifically known. Despite a written request to the Congressional Budget Office (CBO), they have not provided an up-to-date analysis of the cost of statehood. A similar request to the Centers for Medicare and Medicaid Services (CMS) on the costs to these two programs was also not answered. It is important to note that the CBO analysis provided in the bill report relates only to the cost of conducting the vote process in Puerto Rico.

In an effort to quantify the costs, Committee staff reviewed information provided by the Congressional Research Service (CRS). Through information compiled from these sources on the spending of just ten federal programs (see chart), the cost per year is estimated to be at least \$4.5-7.7 billion. When all the costs of every federal program are calculated, the cost would clearly be significantly higher.

Some of the increased spending in Puerto Rico would result in higher overall spending, and some programs have a formula for dividing a set amount of money amongst the states, which means that adding a 51st state would result in less money going to the existing 50 states.

Sample Cost of Just 10 Programs if Puerto Rico Becomes 51st State

Program	Current Status (Commonwealth)	Statehood	
	<i>Current Cost</i>	<i>Estimated Cost</i>	<i>Estimated Increase</i>
Child Care Entitlement to States (CEES)	0	\$21 million	+\$21 million
Disproportionate Share Hospital Program (DSH)	0	\$145-400 million	+\$145-400 million
Earned Income Tax Credit (EITC)	0	\$2.7-5.2 billion	+\$2.7-5.2 billion
Education for Disadvantaged (ESEA)	\$532 million	\$603.4 million	+\$71 million
English Language Acquisition Program	\$3.4 million	\$96.4 million	+\$93 million
Enhanced Allotment Plan	\$42 million	\$335.8 million	+\$293 million
Medicaid	\$37 million	\$260.4 million	+\$223 million
Social Services Block Grant (SSBG)	\$8.8 million	\$21.8 million	+\$13 million
Supplemental Nutrition Assistance Program (SNAP)	\$2.1 billion	\$2.6-3.1 billion	+\$0.5-1 billion
Supplemental Security Income (SSI)	\$107 million	\$525 million	+\$418 million

TOTAL: \$4.5-7.7 BILLION PER YEAR FOR JUST 10 PROGRAMS

Chart compiled by Committee staff using Congressional Research Service (CRS) and Joint Committee on Taxation sources.

Wouldn't the increased spending be offset with increased tax collection from Puerto Rico? It is true that residents of Puerto Rico currently do not pay federal income tax on income earned in Puerto Rico. However, it is not known how much would be collected in such taxes. If Puerto Rico were to become a state, it would rank as the poorest in the nation and have the lowest percentage of its population in the workforce. Puerto Rico's personal income per capita is \$14,237—by comparison, Mississippi, the nation's current poorest state, has a personal income per capita of \$30,399 resulting in only 43% of Mississippi residents paying federal income taxes.

BOTTOM-LINE: While the annual cost of statehood for Puerto Rico is at a bare minimum \$4-7 billion per year, how much a new state would cost in higher spending and how much in new taxes would be collected shouldn't be the determining factor in whether statehood is granted. Yet it is absolutely information that Congress should have before voting on this bill. If Congress is going to ask Puerto Rico if they want to be a state, which is what H.R. 2499 does, then Congress has a duty to understand beforehand what that means and what it will cost the taxpayers and existing states. This information could be calculated and made available, but it is not being done. Without this information, H.R. 2499 should not be passed.

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House Natural Resources Committee Republican Press Office