

▶ RECENT ECONOMY GROWTH	1
▶ THE DEBT ISSUE	2
▶ RESTRUCTURING	2
▶ FINDINGS OF THE REPORT	2
▶ RECOMMENDATIONS	3
▶ THE BUDGET FOR FISCAL 2016	4
▶ THE U.S. ECONOMY	4

Econews

○ ISSUE 2 | ○ VOLUME 37 | ○ JUNE 2015

Puerto Rico The Krueger Report

On June 29th, the much-expected Krueger Report on the economy of Puerto Rico was made public.¹ The purpose of the report is to analyze the island's economic and financial stability, and growth prospects, and propose recommendations. Broadly it says that the economy of Puerto Rico requires both structural reforms and debt restructuring to fix the general obligation debt, which could be a precedent-setting move within U.S. jurisdictions. As solutions, it proposes, for instance, implementing substantial measures to eliminate a fiscal deficit that is much larger than what is currently estimated, suspending the minimum wage, and reducing electricity and transport costs, the latter echoing the report issued by the Federal Reserve Bank of New York in 2012 and updated last year.²

The report was released just as the government faced a serious fiscal situation, running low on cash, several bond payments due in the coming weeks and months, PREPA in talks struggling to avoid a possible default, a \$72.2 billion debt load, with its ability to pay rapidly deteriorating. On July 1st, the government paid \$1,327 million in scheduled payments due to existing bondholders.³ Indeed, in a recent interview the governor recognized that payment of all the debt is impossible, setting the stage for a restructuring of the debt, or at least part of it. The governor's announcement caused the value of Puerto Rico bonds and local stocks to fall sharply.

Puerto Rico - A Way Forward

June 26, 2015 ANNE O. KRUEGER, RANJIT TEJA, AND ANDREW WOLFE

EXECUTIVE SUMMARY

- Puerto Rico faces hard times. Structural problems, economic shocks and weak public finances have yielded a decade of stagnation, outmigration and debt. Financial markets once looked past these realities but have since cut off the Commonwealth from normal market access. A crisis looms.
- For its part, the administration has worked hard to stave off a financing crisis with important measures since 2013, including higher taxes, pension reforms and spending cuts. However, as much as these are needed, much remains to be done to build on this progress. Given the economic downturn, the coming years will be difficult. But it is within the power of this government, which has repeatedly demonstrated a willingness to act, to set the economy on a sustainable path.
- Puerto Rico has advantages it can parlay into market confidence and durable growth if decades-old policy failings are fully addressed. The debt cannot be made sustainable without growth, nor can growth occur in the face of structural obstacles and doubts about debt sustainability. The strategy here is an integrated package, indicative of the scope and order of magnitude of needed policies:
 - **Structural reforms.** Restoring growth requires restoring competitiveness. Key here is local and federal action to lower labor costs gradually and encourage employment (minimum wage, labor laws, and welfare reform), and to cut the very high cost of electricity and transportation (Jones Act). Local laws that raise input costs should be liberalized and obstacles to the ease of doing business removed. Public enterprise reform is also crucial.
 - **Fiscal reform and public debt.** Probably the most startling finding in this report will be that the true fiscal deficit is much larger than assumed. Even a major fiscal effort leaves residual financing gaps in coming years, which can be bridged by debt restructuring (a voluntary exchange of existing bonds for new ones with a longer/lower debt service profile). Public enterprises too face financial challenges and are in discussions with their creditors. Despite legal complexities, all discussions with creditors should be coordinated.
 - **Institutional credibility.** The legacy of weak budget execution and opaque data – our fiscal analysis entailed many iterations – must be overcome. Priorities include legislative approval of a multi-year fiscal adjustment plan, legislative rules on deficits, a fiscal oversight board, and more reliable and timely data.
- This is a daunting agenda politically, legally, and organizationally. It is also an urgent one: the government's cash balances can evaporate in the face of delays, reducing the room for maneuver and intensifying the crisis.

Krueger, Teja, and Wolfe

1

The fiscal panorama for 2016 is not favorable. In its latest Quarterly Financial Report (May 7th), the GDB stated that Act 154 would not in all likelihood be extended beyond December 31, 2017.⁴ In the absence of this excise tax, which represents 21.0% of the net revenues to the General Fund (as of fiscal 2015), and “to the extent that the revenues could not be replaced, the government would have to implement emergency measures in fiscal 2016 and thereafter, which could include a moratorium on the payment of debt service or debt adjustment.” According to the report, Puerto Rico may confront budget deficits reaching \$3.5 billion when factoring in rising health-care costs and the loss of the Law 154 excise tax in 2017.⁵ Already for fiscal year 2015, the fiscal deficit, estimated initially at \$191.0 now will increase to \$740.0 million.⁶

In order to analyze the Krueger report, it is convenient to first refresh three key developments that set the basis for the analysis and recommendations: economic stagnation since 2007, the public debt, and fiscal problems.

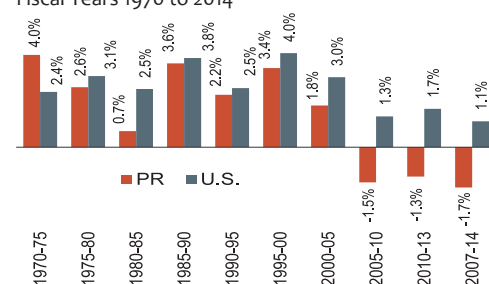
RECENT ECONOMIC GROWTH

As the report points out, the economy has been on a contraction phase since fiscal 2007. With the exception of 2012, when real GNP increased at an annual rate of 0.5%, economic activity has contracted at an accumulated rate of 13.9%. For the period (2007 – 2014), real growth declined at an annual average rate of 1.7%.

Growth expectations are not good. Based on the historical trend (2007 – 2014), our forecasts for 2015 – 2018, and assuming afterwards a conservative annual rate of growth of 1.8%, it will take the economy 23 years (in 2029) just to achieve the real GNP level of 2006, the last year prior to the prolonged contraction. And this does not take into consideration the scenario described here of the impact of the proposed debt restructuring.

Average Annual Growth of Real GNP: Puerto Rico and U.S.

Fiscal Years 1970 to 2014*

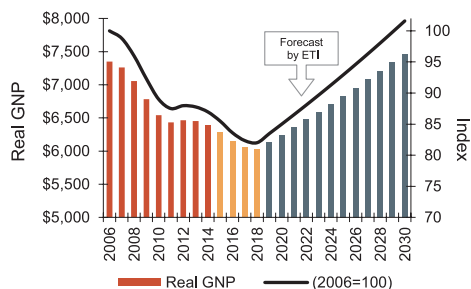


Sources: P.R. Planning Board; U.S. BEA. * U.S. data on P.R.'s fiscal year basis.



How Much Does the Economy Have to Grow to Achieve the Real GDP Level of 2006

(Assuming annual growth of 1.8% for 2019 - 2030)

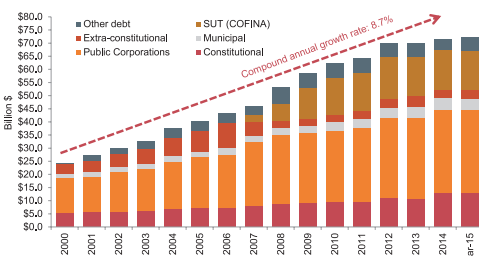


Sources: P.R. Planning Board (2015); Estudios Técnicos, Inc.

THE DEBT ISSUE

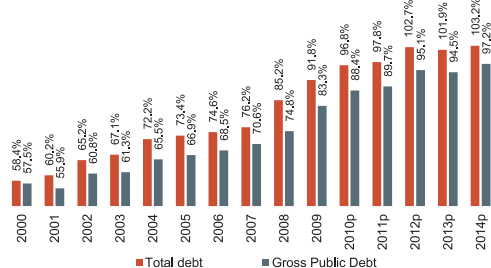
As of March 2015, the total public debt in circulation amounted to \$72.2 billion, from \$23.8 billion in fiscal 2000, representing 103.2% of the GNP in 2014, from 58.4% in 2000. The debt of public corporations represents 47.1% of the total, and that of the central government 46.8%. While nominal net revenues to the General Fund increased at a compound rate of 1.9% during 2000 – 2014, total public debt increased at an annual rate of 8.7%.

Total Public Debt in Circulation



Sources: Government Development Bank; OMB, Budget Requests, various years.

Ratio of Total Gross Debt in Circulation and Gross Public Debt to GNP

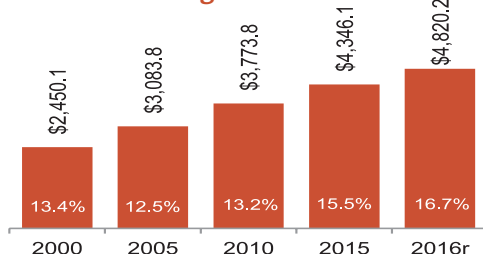


Sources: Office of Management and Budget (2015); Planning Board (2015); Government Development Bank (2015).

As a result, debt service has increased. Between fiscal 2000 and 2015, the proportion of the consolidated budget dedicated to debt service, increased, from 13.4% to 15.5%.

For incoming fiscal 2016 that share would increase to 16.7%. Of that total (\$4,820.2 million), 32.0% corresponds to debt service of the central government in fiscal 2016.⁷ That increase translates into fewer funds dedicated to current spending, especially in key areas such as health and safety.

Total Debt Service and as a Share of the Consolidated Budget*



Source: Office of Management and Budget. Consolidated Budget, several years. *Corresponds to amount actually spent.

RESTRUCTURING

In May, the governor, indicated in his annual speech to the Legislature that defaulting on the commonwealth's bonds would be a mistake. On June 29th the governor announced that the debt as it is today "is not payable". The governor is talking about restructuring general obligations and the other types of debt (not covered by the constitutional provision), a change from his earlier stance to protect Puerto Rico's direct debt.⁸ This is one of the key issues considered in the Krueger report, that recommends that Puerto Rico swap current debt to delay maturities, that is, exchange old bonds for new ones with later maturities and lower debt payments. Bondholders could be asked for significant concessions, including suspension of debt payments for 5 years.

But already, some attempts at restructuring of public debt were taking place, with PREPA renegotiating part of its current debt of \$9.2 billion.⁹ In May, when the GDB had \$778.0 million of net liquidity, down from \$2.0 billion in October 2014, officials were considering offering to exchange GDB bonds due in the next three years for new debt with longer maturities.

Still, Puerto Rico will be in uncharted waters, as there is no precedence in the U.S. and in the Island for this. To restructure government debt it will need to reach a negotiated settlement with creditors or modify its constitution. It would have to be this way, because anything other than a

consensual restructuring would fall short of Puerto Rico's own constitution. Changing the constitution would need a two-thirds majority in both houses.

According to Steven Rhodes, the advisor recently hired by the government for this task, "the island's future hinges on gaining eligibility for debt restructuring," under U.S. bankruptcy code by amending Chapter 9.¹⁰ The proposal is under consideration but has met opposition.¹¹ Consequently, a consensual restructuring, negotiating with its creditors, would be the most effective way, since Puerto Rico does not have the option of using the bankruptcy process, and it will be a long and contentious process, with its ability to pay greatly reduced.¹²

FINDINGS OF THE REPORT

Starting with the crisis of market confidence on Puerto Rico, given the problems with the sustainability of public debt, and of economic stagnation and persistent fiscal deficits, the report addresses what the authors believe are three key areas for which specific policies are needed in order to implement a long-term growth and competitiveness strategy. These are more or less in line with traditional structural adjustment policies of the International Monetary Fund (IMF):

1. Structural reforms to restore competitiveness, specifically in the areas of labor costs, electricity, and transportation costs (with respect to the Jones Act):
 - The U.S. minimum wage is high relative to the local average wage.
 - Local regulations in terms of benefits and dismissal are more costly relative to the Mainland.
 - The welfare system acts as a disincentive to work or remain working. (Although there is no definitive finding on the subject, a similar argument has been presented in the case of the U.S. economy).¹³
 - Maritime transportation costs are disproportionately high on account of the Jones Act (They do not provide an economic analysis of such impact), plus local laws, which add to the costs.¹⁴
 - A number of local laws and regulations (they are not identified) act as barriers to competition and business activity¹⁵
2. Fiscal reform and public debt, estimating that the true fiscal deficit is much larger, and the current level of public debt is not sustainable:

- Public debt has increased considerably since 2000 (see section above on the public debt).
- Persistent fiscal deficits reflect institutional factors, not just the weak economy, as a result of overly optimistic revenue projections and budget requests. For example, between fiscal year 2000 and 2014 the budget requests approved exceeded final expenditures by \$11.3 billion, and the gap between final expenditures and net revenues to the General Fund was \$21.5 billion. The graph below illustrates this situation. According to the report (p. 9), revenue forecasts by Hacienda have exceeded actual collections by \$1.5 billion each year (2004 - 2014).

inflation rate. It should be mentioned that this is a very optimistic scenario, as the economy is expected to contract by more than 1.0% on average over the next five years.

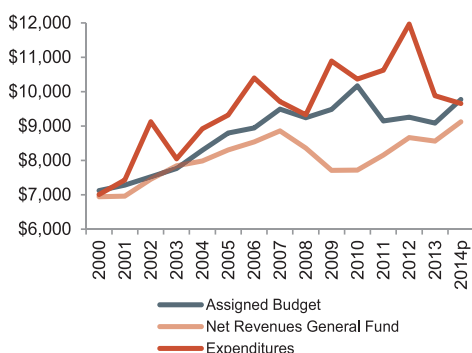
- Under these assumptions the total financial gap for the central government (as defined by the authors), is estimated to be \$2.0 billion in fiscal year 2015, \$3.7 billion in 2016 and \$4.2 billion in 2017. This would continue to increase thereafter as revenues from Law 154 are lost, funding from the Affordable Care Act is reduced, and additional budgetary support for the retirement funds is required. Estimates show that if the government were able to continue to have access to the financial markets, the debt would effectively double by 2025.

confidence in public finances. Yet, these reforms must be stretched out across several years to avoid too much fiscal tightening in the short term, which could affect growth. Partial or gradual solutions are not recommended, in view of the record of unsuccessful measures previously adopted.

- The reforms should take advantage of Puerto Rico's college-educated labor force, bilingual population, and sizable manufacturing base. It could also leverage upon Puerto Rico's institutional coherence with the U.S. in terms of legal framework, federal programs, etc.
- To raise employment and attract investment, the report recommends lowering the current minimum wage to 50.0% or even a third of its current value. One problem with this recommendation is that it is not accompanied by an economic analysis of the potential impacts. As they mention, the proportion of those working receiving wages close to the minimum wage is high. That would increase the number of those receiving lower wages, with a consequent impact on welfare costs.¹⁷
- As part of labor reform, the mandatory bonus at the end of the year would be eliminated and treatment of overtime would be restructured to be more similar to that of the U.S. mainland.
- Replace widespread exemptions for corporations with a low flat rate of 10-15%; this measure is expected to yield \$250.0 million starting in fiscal 2017 and increase afterwards.
- Puerto Rico should be exempted from the Jones Act to reduce transport costs and open up new sectors for growth.
- Reduce the high-energy costs, which limit competitiveness.
- The government should also consider raising property taxes, which are currently calculated taking into account 1954 prices.
- Restructure Puerto Rico's debt. This could be done through a program to exchange old bonds for new ones with more favorable terms for Puerto Rico, such as a later and lower debt service profile.

Assigned Budget, Actual Expenditures and Net Revenues to the General Fund

Fiscal Years

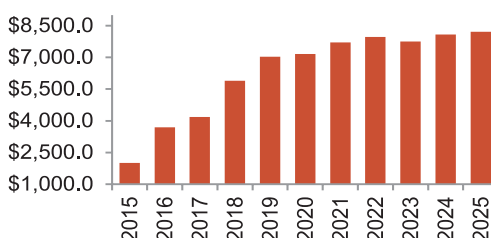


Sources: Office of Management and Budget, Peticiones Presupuestarias, various years; Presupuesto Aprobado Año Fiscal 2015; Presupuesto Propuesto AF 2016 (May 20, 2015).

- The fiscal deficit is much greater than estimated, as the measure currently used greatly understates its true size. For this the authors developed a measure of the deficit used by the IMF which incorporates estimates of non-cash spending, adopt a broader definition of central government, and includes tax revenues that would be lost after 2016 (those from Law 154), funding from the Affordable Care Act is reduced, and additional budgetary support for the pension funds is required (p. 15).¹⁶
- To determine the deficit for the next decade a baseline macroeconomic scenario was created, which assumed a -1.0% real growth and a 2.0%

Total Estimated Financing Gap (Fiscal Deficit)

Fiscal Years



Source: A. Krueger, R. Teja, and A. Wolfe (2015).
Puerto Rico - A Way Forward (January 29), p. 15.

3. Institutional credibility, specifically the need of a multi-year fiscal adjustment plan, legislative rules on deficits, and of more reliable and timely data:

- Legislative approval of a long-term fiscal plan of five years.
- There is no clear definition, or information, as to the real fiscal deficit.
- There is the need of deficit monitoring, as the current accounting system does not allow for a timely and reliable monitoring of trends.

RECOMMENDATIONS

Krueger's report provides several recommendations as to how to cut the deficit, manage the debt, and generate growth. These are highlighted as follows:

- First, a comprehensive set of complementary structural reforms is needed. These must reduce the financial gap in the long term by lowering spending and strengthening

- Puerto Rico, following the lessons from Ireland, should reduce its fiscal deficit gradually. This is a departure from the usual IMF recommendations to deficit-ridden economies, like Spain and Greece.
- The report also recommends the implementation of an independent fiscal oversight board to improve fiscal outcomes.
- Another recommendation highlighted in the report is the need to significantly improve Puerto Rico's statistics. These should be made more transparent and published on a regular basis, starting with the National Accounts, and including metrics that capture the full financing needs.

As the report points out, the government has adopted to various degrees traditional measures to stabilize public finances – higher taxes, spending cuts, and some pension reforms. But the problems are not merely of a fiscal nature, they also reflect structural problems, which are at the center of a long-term growth policy. And there lies the biggest challenge.

THE BUDGET FOR FISCAL 2016

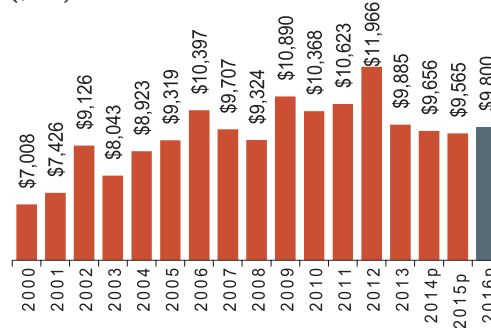
As requested by the governor, the General Fund budget for incoming fiscal year 2016 will amount to \$9.8 billion, \$235.0 million less than that for fiscal 2015.¹⁸ The increase reflects a rise in the amount dedicated to payment of the debt, which will account for over 16.0% of the General Fund budget.¹⁹

The estimate of revenues is the same as that for total expenditures, \$9,800 million. It reflects the enacted changes to the Internal Revenue Code through Law 72, approved on May 29, which included an expanded Sales and Use Tax (IVU) to 11.5% starting in July 1st, which will transition into a Value Added Tax on April 1st, 2016, at 11.5% (10.0% going to the government and 1.5% at the municipal level), and certain exclusions and additions in the tax base.

The revenue estimates hinge on the changes enacted in the tax rate, in the type of consumption tax, and in the introduction of changes in the minimum

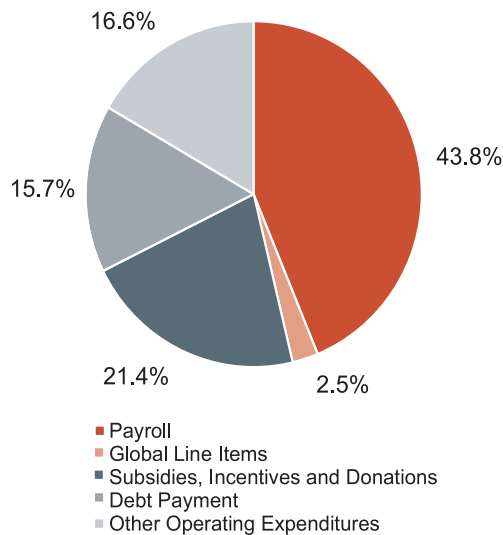
alternative contribution. In all, Treasury estimated revenues of \$2,560.2 million, of which \$1,738 million will accrue to the General Fund. Judging by the experience with the budget for fiscal 2015, which ended with an estimated deficit of \$191.0 million, and taking into consideration the economic realities forecast for 2016, we believe these estimates to be overly optimistic. Another deficit in fiscal 2016 is likely, compounding the already serious fiscal situation.

General Fund Expenditures and Approved Budget for Fiscal Year 2016
(\$Mm)



Sources: Office of Management and Budget.

Distribution of General Fund Budget
Fiscal Year 2016



Source: Office of Management and Budget (2015).

As of the date in which this is being written, Hacienda still faced a serious cash problem to finance the first three months of the budget, which usually is done through the sale of TRAN's (short-term notes). Besides requesting a loan through these notes from J.P. Morgan, it also requested from GDB a loan of \$300.0 million, although the Bank itself is financially strapped. The government needs \$669.0 million, including the \$300.0 million for the TRAN's, which go to finance current expenditures.

THE U.S. ECONOMY

At the end of June Congress finally granted President Obama the fast-track legislation he requested for the negotiations of the Trans-Pacific Partnership (TPP) trade agreement.²⁰ The negotiations have been ongoing for five years. They were started in 2003 by Chile, New Zealand, and Singapore, and in 2008 the U.S. joined. The fast-track legislation enables the President to negotiate a trade agreement and submit the final result to Congress, without this body changing it, only voting yes or no.

The Trans-Pacific Partnership (TPP) is a proposed regional free trade agreement (FTA) being negotiated among the United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.²¹ It aims to liberalize trade in nearly all goods and services and includes rules-based commitments beyond those currently established in the World Trade Organization (WTO). The TPP could eliminate tariff and nontariff barriers to trade and investment among the parties. It would provide the U.S. access for goods, services, and agricultural products in these countries, which would be reciprocated by the United States.

For Puerto Rico, the implications are important. It opens further the U.S. market to goods and services of these countries, translating into further competition, and also the island, since it is part of the U.S. trade area, and all trade agreements signed by the U.S. are applicable to Puerto Rico.²²



Notes:

1. Anne O. Krueger, R. Teja, and A. Wolfe (2015), *Puerto Rico – A Way Forward* (June 29). At: <http://recend.apextech.netdna-cdn.com/docs/editor/Informe%20Krueger.pdf>
2. Federal Reserve Bank of New York (2014). *An Update on the Competitiveness of Puerto Rico's Economy*. New York, FRBNY (July 31). At: <http://www.newyorkfed.org/outreach-and-education/puerto-rico/2014/Puerto-Rico-Report-2014.pdf>
3. On July 1st the corporation made a \$415.0 million debt payment that was due on that date after reaching a deal with its bond insurers to borrow more money. The utility's bond insurers agreed to buy \$128.0 million in new bonds that will help it keep operating. The newly issued bonds are due on December 15th, creating another debt deadline for the utility. PREPA is still working on a long-term restructuring with its creditors.
4. Government Development Bank (2015), p. 20. At: <http://www.gdbpr.com/documents/CommonwealthQR-5-7-15.pdf>
5. In 2018 Puerto Rico will stop receiving \$1.8 billion in Obamacare funds, which go to finance the health reform, so it will have to provide the money from the General Fund.
6. See Government Development Bank, *Commonwealth of Puerto Rico – Supplement Dated June 30, 2015 to Quarterly Report Dated May 7, 2015*, p. 3. At: <http://www.gdbpr.com/documents/SupplementtoQuarterlyReport6-30-15.pdf>
7. It includes the U.P.R., the Highway and Transportation Authority, plus notes of the GDB and Treasury Department.
8. The first recorded sovereign debt default was in the 4th century BC when ten Greek cities failed to honor loans from the temple of Delos.
9. Negotiations between creditors and government officials have been taking place for more than a year.
10. An important point to consider with respect to Chapter 9 of the U.S. Bankruptcy Code, and with the proposal to include Puerto Rico, is that "... Chapter 9 does not apply to states. It can only be used by municipalities, including cities, counties, state agencies, not the states themselves."

Moreover, "since the debt issued by the public corporations are "special revenue" bonds, "they cannot be adjusted under Chapter 9." See Matt Levine, *Puerto Rico Could Really Use a Bankruptcy*, *Bloomberg View* (June 30, 2015). At: <http://www.bloombergview.com/articles/2015-06-30/puerto-rico-could-really-use-a-bankruptcy>

11. Reuters (2015), Puerto Rico governor calls for bankruptcy; adviser says island 'insolvent' (June 30). At: <http://www.reuters.com/article/2015/06/30/us-usa-puertorico-idUSKCN0P91QA20150630> Even U.S. bankruptcy law recognizes that when public authorities restructure their debt, there are claimants besides the creditors, that there is a social contract that may ensure the continued provision of pension, education, food, or health benefits.
12. Debt restructuring under U.S. law can be a contentious and long-lasting process. In June of last year the U.S. Supreme Court ruled that Argentina could not pay the 92.0% of creditors who accepted big reductions in the amount they were owed, unless it also paid the litigant "holdouts" the full value of their original claims plus interest. The triumph of the minority came at the expense of the majority who accepted the restructuring. The new precedent will probably involve more restructurings in litigation, and make bondholders very cautious in agreeing to restructure their claims in the first place, although the economic and legal costs to litigants can represent constraints to litigation. See Laura Alfaro, "Sovereign Debt Restructuring: Evaluating the Impact of the Argentina Ruling," *Harvard Business Law Review* Vol. 50 (2015). At: <http://www.hblr.org/wp-content/uploads/2015/03/HBLR-5.1-Alfaro-Sovereign-Debt.pdf> Already Oppenheimer Rochester Funds, one of the main holders of P.R.'s bonds, announced its intention to sue the government given its decision to restructure the debt.
13. See Michael D. Tanner and Charles Hughes (2013), *The Work versus Welfare Trade-Off: 2013*, CATO Institute (August 19). At: <http://www.cato.org/publications/white-paper/work-versus-welfare-trade>.
14. A study done by Estudios Técnicos, Inc. in 2013, on the maritime industry in Puerto Rico, does not support that contention. See Estudios Técnicos, Inc., *The Maritime Industry in Puerto Rico* (January 10).

15. According to the position of Puerto Rico in the *Doing Business Index 2014* of the World Bank. See *Doing Business Index 2015* at <http://www.doingbusiness.org/reports/global-reports/doing-business-2015>.
16. It defines the central government as including all parts of the public sector, with the exception of the municipalities, the retirement funds, and the three large public corporations (PREPA, PRASA, and Highway and Transportation Authority).
17. A case in point. A 2014 study shows, in the case of Wal-Mart, for instance, how given the low wages it pays (at the federal minimum wage level), the cost to taxpayers of Wal-Mart workers relying on public assistance programs and benefits was \$6.2 billion. Interestingly, it also estimated that it had in 2013 annual revenue from food stamp sales of \$13.5 billion. See *American Tax Payers for Fairness (2014), Walmart on Tax Day (April)*. At: www.AmericansForTaxFairness.org
18. The approved budget for fiscal 2015 was for \$9,565 million, but it will change once all expenditures are taken into consideration, so total expenditures could be higher.
19. Considering the Consolidated Budget, which comprises that of the General Fund, plus the corporations and federal funds, and amount to \$28.8 billion, total debt payment for fiscal 2016 will amount to \$4.8 billion, representing 16.7% of the total budget.
20. See Congressional Research Service (2015). *The Trans-Pacific (TPP) Negotiations and Issues for Congress*. CRS (March 20). At: <https://www.fas.org/sgp/crs/row/R42694.pdf>
21. South Korea, Colombia and Costa Rica have expressed an interest in joining. With six of the countries the U.S. has a free trade agreement (FTA): Australia, Canada, Chile, Mexico, Peru, and Singapore.
22. The goods from Canada and México already enter Puerto Rico under preferential treatment, as part of the North American Free Trade Agreement (NAFTA), and under the FTA with the previous six countries mentioned above.

Comparative Perspectives: Puerto Rico and the States, 2015

Total State and Local Spending (\$Mm)		Total public spending per cápita (\$Th's)		Total Public Debt (\$Mm)	
All States	3,113,687.1	All States	9,765	All States	3,066,281.6
California	454,003.1	Alaska	21,005	California	424,903.5
New York	316,104.0	Wyoming	17,996	New York	359,901.8
Texas	252,055.5	New York	16,008	Texas	275,372.4
Florida	162,548.3	North Dakota	15,522	Florida	148,225.8
Illinois	140,072.6	Connecticut	12,520	Illinois	145,929.4
Pennsylvania	129,455.4	New Jersey	12,249	Pennsylvania	142,080.0
Ohio	119,560.4	Massachusetts	12,136	New Jersey	110,963.2
New Jersey	109,488.1	Vermont	12,104	Ohio	91,080.6
North Carolina	94,126.0	Delaware	11,935	Massachusetts	90,355.4
Michigan	90,346.7	Nebraska	11,705	Washington	89,590.1
Washington	82,212.2	California	11,700	Michigan	77,834.8
Massachusetts	81,859.4	Washington	11,642	Virginia	74,163.3
Georgia	80,925.8	Rhode Island	11,520	Puerto Rico	72,204.0
Virginia	76,661.0	Louisiana	11,436	Colorado	57,396.9
Tennessee	60,596.8	Illinois	10,875	Georgia	55,767.3
Minnesota	58,410.5	Minnesota	10,703	North Carolina	52,300.7
Indiana	58,334.9	Oregon	10,589	Minnesota	52,203.3
Wisconsin	57,252.2	Hawaii	10,492	Indiana	50,117.4
Maryland	54,865.6	Utah	10,434	Maryland	48,633.8
Missouri	54,069.5	Iowa	10,352	Louisiana	48,471.0
Louisiana	53,171.7	Ohio	10,312	Wisconsin	47,337.2
Colorado	51,599.0	Pennsylvania	10,124	Arizona	46,872.8
Arizona	50,936.7	Mississippi	10,054	Missouri	46,740.9
Alabama	45,148.0	Montana	9,987	Connecticut	44,612.2
Connecticut	45,029.7	West Virginia	9,986	Tennessee	43,180.9
Oregon	42,039.9	Wisconsin	9,944	Kentucky	42,808.4
South Carolina	39,797.1	Colorado	9,634	South Carolina	40,094.2
Kentucky	39,030.6	Maine	9,555	Oregon	35,025.0
Oklahoma	34,772.1	North Carolina	9,466	Alabama	32,753.8
Iowa	32,164.8	New Mexico	9,447	Kansas	27,574.6
Puerto Rico (a)	31,163.8	Texas	9,350	Nevada	27,075.2
Utah	30,707.4	Alabama	9,310	Utah	23,072.0
Mississippi	30,102.7	Tennessee	9,252	Iowa	22,318.2
Arkansas	24,179.1	Virginia	9,207	Oklahoma	19,421.3
Kansas	24,066.6	Maryland	9,180	Arkansas	17,197.6
Nevada	24,055.7	Michigan	9,117	Mississippi	16,934.1
Nebraska	22,023.2	Oklahoma	8,966	New Mexico	15,507.9
New Mexico	19,702.7	New Hampshire	8,938	Nebraska	15,413.0
West Virginia	18,477.8	Missouri	8,917	Hawaii	14,103.9
Alaska	15,475.3	Kentucky	8,844	Rhode Island	12,661.8
Hawaii	14,894.7	Indiana	8,843	West Virginia	11,518.0
Maine	12,708.5	Puerto Rico (b)	8,783	Alaska	10,873.0
Rhode Island	12,155.6	South Dakota	8,713	New Hampshire	10,575.6
Idaho	12,057.1	Nevada	8,473	Delaware	8,477.1
New Hampshire	11,859.7	Kansas	8,287	Maine	7,881.1
North Dakota	11,478.1	South Carolina	8,235	South Dakota	6,787.5
Delaware	11,166.9	Florida	8,171	Montana	6,022.0
Wyoming	10,512.3	Arkansas	8,151	North Dakota	6,007.8
Montana	10,222.8	Georgia	8,015	Idaho	5,962.2
Vermont	7,583.9	Arizona	7,567	Vermont	4,706.3
South Dakota	7,434.1	Idaho	7,377	Wyoming	2,580.6

Sources: http://www.usgovernmentsspending.com/compare_state_spending_2015mH0a; U.S. Bureau of the Census; Office of Management and Budget of PR (2015); BGF (2015); Office of the Controller Puerto Rico (2014); Estudios Técnicos, Inc. (a) Includes budgeted expenditures for the municipalities, fiscal year 2013. (b) Central government and municipalities. (c) GNP. (d) Corresponds to GNP and is Estudios Técnicos' forecast as of May 15.

Comparative Perspectives: Puerto Rico and the States, 2015 (cont.)

Total State Public Debt per cápita (\$ Th's)		Total Debt/GDP		Real GDP Growth (%)	
All States	9,616	All States	17.0%	All States	2.1
Puerto Rico	20,348	Puerto Rico (c)	103.2%	North Dakota	6.1
New York	18,226	New York	25.9%	Wyoming	5.2
Alaska	14,758	Rhode Island	22.3%	West Virginia	4.1
Massachusetts	13,395	Kentucky	21.9%	Oklahoma	3.8
Washington	12,687	Pennsylvania	20.8%	Idaho	3.7
New Jersey	12,415	South Carolina	20.5%	Colorado	3.6
Connecticut	12,404	Washington	20.3%	Texas	3.6
Rhode Island	12,000	Nevada	19.3%	Utah	3.6
Illinois	11,329	New Jersey	19.2%	South Dakota	3.4
Pennsylvania	11,111	Illinois	19.1%	Nebraska	3.3
California	10,950	Massachusetts	18.9%	Montana	3.3
Colorado	10,717	Louisiana	18.3%	Iowa	3.3
Louisiana	10,425	California	18.0%	Washington	3.2
Texas	10,215	Kansas	17.8%	Minnesota	3.2
Hawaii	9,935	Colorado	17.8%	Oregon	3.2
Kentucky	9,700	Alaska	17.7%	Arkansas	3.1
Minnesota	9,566	Hawaii	17.5%	North Carolina	3.1
Nevada	9,537	Florida	17.2%	California	3.0
Kansas	9,495	Connecticut	16.8%	Florida	3.0
Delaware	9,060	Michigan	16.7%	Michigan	3.0
Virginia	8,907	Texas	16.6%	Indiana	3.0
Oregon	8,822	Alabama	16.0%	Kansas	2.9
South Carolina	8,297	Missouri	15.9%	Hawaii	2.9
Wisconsin	8,222	Arizona	15.8%	Ohio	2.9
Nebraska	8,192	New Mexico	15.7%	Vermont	2.9
Maryland	8,138	Wisconsin	15.6%	Georgia	2.9
North Dakota	8,124	Virginia	15.5%	Kentucky	2.8
New Hampshire	7,971	Minnesota	15.4%	Massachusetts	2.8
South Dakota	7,956	Ohio	15.1%	New Mexico	2.8
Ohio	7,856	Utah	15.0%	Wisconsin	2.8
Michigan	7,854	Mississippi	15.0%	Mississippi	2.8
Utah	7,840	Vermont	14.8%	Delaware	2.8
Missouri	7,708	Indiana	14.8%	Rhode Island	2.7
Indiana	7,597	Oregon	14.8%	South Carolina	2.7
Vermont	7,511	New Hampshire	14.7%	Louisiana	2.7
Florida	7,451	West Virginia	14.2%	Nevada	2.6
New Mexico	7,436	Tennessee	14.1%	New Jersey	2.6
Iowa	7,183	Maine	13.5%	Illinois	2.6
Arizona	6,963	Maryland	13.5%	Connecticut	2.6
Alabama	6,754	South Dakota	13.1%	Arizona	2.6
Tennessee	6,593	Arkansas	12.8%	New Hampshire	2.6
West Virginia	6,225	Nebraska	12.8%	Maine	2.6
Maine	5,925	Montana	12.7%	New York	2.5
Montana	5,883	Delaware	12.6%	Pennsylvania	2.5
Arkansas	5,798	Iowa	12.3%	Alabama	2.5
Mississippi	5,656	Georgia	11.4%	Missouri	2.5
Georgia	5,523	North Carolina	10.3%	Tennessee	2.5
North Carolina	5,260	Oklahoma	9.7%	Virginia	2.3
Oklahoma	5,008	North Dakota	9.0%	Maryland	2.3
Wyoming	4,418	Idaho	8.7%	Alaska	1.4
Idaho	3,648	Wyoming	5.0%	Puerto Rico (d)	-1.7

Sources: http://www.usgovernmentspending.com/compare_state_spending_2015mH0an; U.S. Bureau of the Census; Office of Management and Budget of PR (2015); BGF (2015); Office of the Controller Puerto Rico (2014); Estudios Técnicos, Inc. (a) Includes budgeted expenditures for the municipalities, fiscal year 2013. (b) Central government and municipalities. (c) GNP. (d) Corresponds to GNP and is Estudios Técnicos' forecast as of May 15.