PUERTO RICO IN CRISIS
— TIMELINE —

1823
1933
1948
2017

1823
1948
Puerto Rico News provides current information about events related to Puerto Rico’s economic crisis. It is a repository that includes news briefs on recent developments, links to articles from media outlets across the United States, and other resources such as public records, reports, presentations, and documents related to events happening on the island.

Puerto Rico News is available on Centro’s website: https://centropr.hunter.cuny.edu/events-news/puerto-rico-news
Real Cédula de Gracias opened Puerto Rico's economy to trade, lowered tariffs and duties and stimulated immigration. Its trade with the United States and population increased as a result.

For the second time, Spain grants Puerto Rico autonomy, including the vote for all literate males. Puerto Rico can now establish its own import duties and foreign trade relations.

The Monroe Doctrine stated that further efforts by European governments to colonize land or interfere with states in the Americas would not be accepted by the U.S.; Spain's colony in Cuba was exempted.

Belief in Manifest Destiny gave support for U.S. expansion throughout the American continent, and justified the war with Mexico and the splitting of Oregon with the United Kingdom.

The Foraker Act, also known as the Organic Act of 1900, extended all federal laws of the United States to be in effect on the island. The Act also created a “Puerto Rican citizenship,” the nature of which was not defined.

• A governor and an executive council appointed by the President.
• A House of Representatives with 35 locally elected members.
• A non-voting Resident Commissioner in Congress.
• A judicial system with a Supreme Court.
• U.S. oversight of the National Guard and defense.

The Foraker Act Economic Structure:
• The application of U.S. maritime and international trade laws, and,
• Exemption from federal income taxes, including Section 931 of the U.S. Internal Revenue Code granting tax exemption to possessions' income.

The ten-week Spanish American War led to the Treaty of Paris, the agreement that gave the U.S. control of Cuba and indefinite colonial authority of Puerto Rico, Guam and the Philippines. The treaty transferred sovereignty from Spain to the U.S. That sovereignty is governed by the U.S. Congress.

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The U.S. Supreme Court, in its ruling on Gonzales v. Williams, reaffirmed Puerto Rican citizenship which denied that Puerto Ricans were United States citizens and labeled them as non-citizen US nationals.\[5\]

The Olmsted Act gives the U.S. president a direct role in Puerto Rican affairs. However, a majority of Puerto Ricans demands greater local control.

The Jones Act (1917) amends the Foraker Act to confer U.S. citizenship on Puerto Ricans.
- The Jones Act established **triple tax exempt bonds**: “All bonds issued by the Government of Puerto Rico, or by its authority, shall be exempt from taxation by the Government of the United States... or by any State, Territory, or possession, or by any county, municipality, or other municipal subdivision...”

The Revenue Act exempted from U.S. taxation all corporations that received at least 80% of their income from U.S. possessions, if at least 50% came from active business; income was taxable on repatriation but liquidated distributions were tax free.

Puerto Rican Emergency Relief Administration (1933) and The Puerto Rican Reconstruction Administration (1935), Infrastructure development after hurricane San Ciprián. Photos by FERA 1934

The Fair Labor Standards Act (1938) introduces federal minimum wage, industry committees are established.

As part of the New Deal, President Franklin D. Roosevelt creates the **Puerto Rican Reconstruction Administration (PRRA)**, which provides for agricultural development, public works, and electrification of the island.
President Harry S. Truman appoints the island’s first Puerto Rican governor, Jesús T. Piñero.

The United States allowed Puerto Ricans to elect their own governor, Luis Muñoz Marín (1898-1980).

The U.S. Congress approved Public Law 600 (P.L. 81-600), which led to Puerto Rico’s own local constitution but left most of the provisions of the Jones Act unchanged. Law 600 was ratified in plebiscite by the voters in Puerto Rico.

Puerto Rico adopted the name of Estado Libre Asociado (literally translated as “Free Associated State”), officially translated into English as Commonwealth.

Congress adopted Section 903(1) of the Bankruptcy Code and introduced a new definition of “State” that excluded Puerto Rico’s municipalities from municipal bankruptcy. Prior to 1984 Puerto Rico had the option of declaring municipal bankruptcy under the Bankruptcy Code.

Section 936 converts tax exemption to a foreign tax credit that exempts mainland companies from Federal taxes on income earned in Puerto Rico.

Amendments to Fair Labor Standards Act mandates increases to establish the U.S. minimum wage in Puerto Rico.

The Commonwealth of Puerto Rico (Estado Libre Asociado) is adopted (1952). Source: ipsnews.net
Puerto Rico Sales Tax Financing Corporation (COFINA, from Spanish Corporación del Fondo de Interés Apremiante) is created to issue government bonds paid for by Puerto Rico Sales and Use Tax (SUT) of 2.75%, or half of the out of the state government's portion of 6%.

As part of the Small Business Job Protection Act of 1996, Congress approved a 10-year phase-out of Sec. 936 tax credit; the program ended completely on December 31, 2005. A coalition of island-based pro-statehood supporters and conservative members of Congress prevailed in phasing out the tax credit. PR's economy entered into a recession earlier than the U.S., and factors other than the global financial crisis were at play. At least three major structural factors triggered the current economic crisis in Puerto Rico:

- The decline in manufacturing jobs induced by the elimination of Section 936 federal tax credits,
- The crisis in public finances and the rise of public debt, and
- Congressional and presidential neglect to enact effective policies toward the island.

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President Bill Clinton proposes for the first time to phase out Section 936 of the Internal Revenue Code. A state-side and island coalition of politicians and businesses lobbied to prevent the law from passing. An upcoming nonbinding plebiscite on whether the island should remain a commonwealth or become a state or new nation influenced Congress to extend the tax credits.

March 9, 2009
Governor Luis Fortuño signed Public Law 7, which declared a State of Fiscal Emergency and established a Comprehensive Fiscal Stabilization Plan. Thousands of government employees were laid off, causing many protests against these measures.
Puerto Rico’s debt (including those from municipalities, special authorities and public corporations) reaches $72 billion and is estimated that obligations to pension funds may exceed another $40 billion.

Puerto Rican bonds are downgraded to non-investment grade (better known as “junk status” or speculative grade) by three bond credit rating agencies.

Puerto Rico’s debt (1973-2014)

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The Puerto Rico government defaulted for the second time on payments of $35.9 million of non-Commonwealth-guaranteed Puerto Rico Infrastructure Financing Authority debt and $1.4 million of Public Finance Corp. bonds. The money is diverted to pay investors who are owed $328.7 million of interest on general-obligation debt, which has legal priority.

Enactment of the “Puerto Rico Oversight, Management, and Economic Stability Act” or PROMESA (Spanish for “promise”), which set a Financial Oversight and Management Board and granted debt restructuring authority to Puerto Rico. It includes a stay on debt payments.

Almost $2 billion in debt payments were due July 1 from various branches of the Puerto Rican government (general obligation bonds guaranteed by the full faith and credit of the Commonwealth government). The prospect of a disorderly default is likely since Puerto Rico does not have the liquidity to make these payments.

Between May and June 2010, Students from the University of Puerto Rico were part of a strike, which closed 10 of 11 campuses of the public system. Students fought against a tuition hike and other measures approved by the Board of Trustees.

Real GNP and Puerto Rico Unemployment rate 1952-2016
Source: Puerto Rico Planning Board
Puerto Rican Population in Puerto Rico and the United States
Source: US Census Bureau, ACS 2000-2015 (1-year estimates) and 2010 Intercensal Estimates

On November 5, different social groups participated of “Unidos por la Salud”, a march that urged U.S. Congress to support equal treatment for Puerto Rico and prevent cuts in programs such as Medicare and Medicaid.

Business owners, students, and other sectors protested against the implementation of a Value-Added Tax, which replaced the Sales tax with the purpose of increasing revenues for the government.

On 29 May 2015, Puerto Rican government enacted a new Value-Added Tax of 10.5% to become effective April 1, 2016. Business owners, students, and other sectors protested against the implementation of a Value-Added Tax, which would have replaced the Sales tax with the purpose of increasing revenues for the government. The VAT was eliminated before its implementation date of June 1, 2016.

The government of Puerto Rico releases the “Krueger Report.” It calls for structural reforms in government services, pension systems and public finances.

For the first time in history the Puerto Rico government defaults on $58 million of principal and interest due on Public Finance Corp. bonds (“moral obligation” bonds).

Source: newsismybusiness.com
The economic and fiscal crisis has led to an ensuing humanitarian crisis in Puerto Rico

- 46% live in poverty — the highest poverty rate of any state or territory
- At 12.2% in 2015, unemployment rate in Puerto Rico is two times the national average of 5.4%
- Median household income in Puerto Rico is $19,518, approximately one-third of the U.S. median
- Over $40 billion government obligations to pension funds, already sold assets and depleted reserves

2016
The economic and fiscal crisis has led to an ensuing humanitarian crisis in Puerto Rico

May 18, 2016
H.R. 5276 is introduced in U.S. House of Representatives. This is a second version of the PROMESA act.

April 12, 2016
H.R. 4900 is introduced in U.S. House of Representatives. This is the first version of the PROMESA act, which does not go to vote.

Mixed Reactions to PROMESA in Puerto Rico

- Protest camp is established in front of the Federal Court building in San Juan
- Majority of the public has “little knowledge of the law,” according to would have polls
- Support increased from 46% in poll prior to the enactment of PROMESA to 62% by the end of August, prior to the elections
- After elections, Governor García-Padilla submits budget that is rejected by Oversight Board

Curtisy of Claridad de Puerto Rico
June 29, 2016
The U.S. Senate votes to pass S. 2328 (H.R. 5276), the PROMESA act, with 68 votes in favor and 30 against the bill. The bill is passed to the Senate.

June 30, 2016
President Obama signs the PROMESA act, which establishes a Financial Oversight and Management Board and a mechanism to restructure Puerto Rico’s debt.

July 1, 2016
Almost $2 billion in debt payments were due July 1 from various branches of the Puerto Rican government (general obligation bonds guaranteed by the full faith and credit of the Commonwealth government). The prospect of a disorderly default is likely since Puerto Rico does not have the liquidity to make these payments. Source: El Nuevo Dia.com-Aug 18, 2016

August 18, 2016
“Mayor apoyo a la Junta después de aprobada,” Sources: El Nuevo Dia.com-Aug 18, 2016.
August 31, 2016
President Obama appoints the seven members of the Oversight Board.

September 30, 2016
The first public meeting of the PROMESA Oversight Board takes place at the Alexander Hamilton U.S. Custom House in New York City.

October 14, 2016
Governor Alejandro García Padilla presents his fiscal and economic growth plan to the Oversight Board. This plan presents an estimate of cumulative budget gap of around $59 billion until 2026.
Puerto Ricans Distrust Their Own Institutions
The Confidence Barometer reveals that Puerto Ricans do trust Federal agencies

- **Trust** of Federal Institutions:
  - FBI 84%
  - Supreme Court 81%
  - Oversight Board 79%

- **Distrust** of Puerto Rico Political leaders:
  - 95% agree Puerto Rico is governed by a few groups that seek their own benefit

Source: Comisión Estatal de Elecciones Puerto Rico

**November 8, 2016**
In an unusual election, Governor Candidate Ricardo Rosselló wins the election with only 42% of the votes. This is the lowest percent for a winning candidate in Puerto Rico's history. Surprisingly, two independent candidates received 17% of the votes. The number of registered voters who did not vote in this election is estimated to be between 877,566 and 1,277,566. This number depends on the number of registered voters that migrated and are not residing in Puerto Rico—representing a participation rate of between 55.45% to 64.43%. This is the lowest recorded voter turnout, possibly due to the effects of disillusionment with the political process.

El Nuevo Dia.com-22 de mayo de 2016

**November 23, 2016**
The Oversight Board sends a letter to Governor Alejandro García Padilla stating that more policy adjustment and debt sustainability analyses need to be made. At the same time, it asks the governor to present a revised fiscal plan by December 15, 2016.

El Nuevo Dia.com-22 de mayo de 2016
November 29, 2016

In response to the letter about the fiscal plan, Governor Alejandro Garcia Padilla, asks for Federal Action to extend Affordable Care Act funds and Medicaid parity for Puerto Rico. Also, he warns the Oversight Board not to consider austerity measures that can affect the people of Puerto Rico.

December 20, 2016

The Oversight Board changes the estimate of the cumulative budget gap to $67.5 billion.

January 18, 2017

The Oversight Board sends a letter to Governor Ricardo Rosselló recommending deep cuts to the government right-sizing, reduction on health care spending and higher education, and a pension reform in order to meet a balance budget by fiscal year 2019. On January 21, Governor Rosselló rejects most of the Oversight Board recommendations.

December 20, 2016

The Congressional Task Force on Economic Growth released its final report about policy options for the economic growth of Puerto Rico.
January 25, 2017
Governor Ricardo Rosselló signed Public Law 4, known as Labor Transformation and Flexibility Act, which looks to reduce benefits to workers in the private sector.

February 28, 2017
Governor Rosselló presents his fiscal plan to the Oversight Board.

March 13, 2017
Fifth public meeting of the Oversight Board. The Oversight Board approves the Governor’s Fiscal Plan, which includes more taxes and cutbacks.

January 28, 2017
The fourth public meeting of the Oversight Board is held at El Conquistador, Puerto Rico. The Oversight Board presents targets, objectives, and fiscal guidelines for the fiscal plan to be submitted by the Commonwealth government, and selects Ramon Ruiz Comas as interim executive director.

Se aprueba la cuestionada reforma laboral y denuncian recorte de derechos (2017) Source: nodal.am

Source: Fiscal Plan for Puerto Rico submitted by Governor Ricardo Rossello Nevares, and approved by the Oversight Board.
May 5, 2017
U.S. Chief Justice John Roberts appointed a federal judge based in Manhattan to oversee Puerto Rico’s landmark bankruptcy case.

In a brief statement, Roberts said he had designated U.S. District Judge Laura Taylor Swain of the Southern District of New York to oversee what could be the biggest municipal debt reorganization in U.S. history. Puerto Rico has $70 billion in debt.

May 3, 2017
In an unprecedented move, the Fiscal Oversight Board requests for bankruptcy-like protection under Title III of the PROMESA Act.

The petition was made in Puerto Rico’s federal district court after members of the FOB determined that this was the best option to solve Puerto Rico’s debt crisis. According to law, this request needed the approval of at least 5 members of the FOB. Nevertheless, the decision was approved by all members of the FOB.

May 1, 2017
The end of the stay on bondholders’ litigations. After this bondholders can take the government of Puerto Rico to a federal court for its payments. At the same time, the government can use Title III of the PROMESA act, which authorizes the government of Puerto Rico to take negotiations to the federal court.

May 1, 2017
Unions, political leaders, and students’ organizations participated in a march against austerity measures recommended by the Fiscal Oversight Board, and in favor of an audit of Puerto Rico’s public debt. Groups from the diaspora supported the cause by doing the same in New York.

March 23, 2017
The Oversight Board appoints Natalie Jaresko, former minister of finance of Ukraine, as executive director.

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Our Mission
The Center for Puerto Rican Studies at Hunter College-CUNY is a research institute that is dedicated to the study and interpretation of the Puerto Rican experience in the United States and that produces and disseminates relevant interdisciplinary research. Centro also collects, preserves, and provides access to library resources documenting Puerto Rican history and culture. We seek to link scholarship to social action and policy debates and to contribute to the betterment of our community and enrichment of Puerto Rican studies.

Research
Our research department investigates, documents, and broadens the understanding of the Puerto Rican experience in the U.S. We heighten the impact of the data by sharing it in research-based conferences and publishing in original publications and refereed journals.

Library and Archives
The Centro Library and Archives is the world’s only institution solely dedicated to collecting, preserving, and disseminating the story of the stateside Puerto Rican. Our collections include audio and video oral histories, photographs, original works by prominent writers and artists, papers of elected officials, early records of major community organizations, and other primary materials available nowhere else. A major strength of the Library collection is the history of Puerto Ricans in the United States, particularly in New York and the Northeast region, and also in all the areas of the humanities, the social sciences and the arts.

Education
We support and expand the area of Puerto Rican Studies by offering opportunities for students and educators. Our Cultural Ambassadors Program educates our young people to be ambassadors of our rich history. For more information: centropr.nationbuilder.com/ambassador

Visit us on the web at:
https://centropr.hunter.cuny.edu

Publications
Centro Press enables us to engage in robust participation in the fields of Puerto Rican, Latino, New York City, and American Studies. By taking advantage of our vast archival resources and connections in the Puerto Rican community, we disseminate crucial information about the Puerto Rican experience and contribution to the political, economic, and social cultures of the United States through the following mediums:

- CENTRO Journal - the premier journal of Puerto Rican studies and the place to go for contemporary analyses of the Puerto Rican experience.
- Centro Voices – our e-magazine profiles the multiple manifestations of Puerto Rican identity and culture.
- Puerto Rican Voices – videos highlighting the contributions of Puerto Ricans in the U.S.

Data Center
The Data Center packages and disseminates the most current information about Puerto Ricans. This information is provided to present socioeconomic and demographic portraits of the Puerto Rican population. The purpose is to provide basic descriptive information to scholars, policy makers and the public in general. The sources for this information are publicly available repositories, such as the U.S. Census Bureau.

Events
Centro events look into our past, portray our present and explore our future, with lectures, panel discussions, performances, art exhibits and more.

The series Puerto Rico, Puerto Ricans conferences bring together stateside Puerto Ricans to gain a broader understanding of how the economic and humanitarian crisis in Puerto Rico have affected those stateside.