Federal funds to island surpass $23.324 billion in FY '07

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Up 4.7% from '06; Census report shows Puerto Rico's proportionate share lower than any state

According to the latest Consolidated Federal Funds Report (CFFR) for federal FY '07 (Oct. 1, 2006 to Sept. 30, 2007), Puerto Rico received a record $23.324 billion in federal funds and programs, representing a $1.056 billion increase, or 4.7% over the $22.268 billion in FY '06.

Total direct federal funds to Puerto Rico reached $16.798 billion in FY '07. The amount represents an increase of $560 million, or 3.4%, over the $16.238 billion Puerto Rico received during FY '06.

An additional $6.526 billion represented other federal assistance programs to the island, such as loans, loan guarantees and insurance coverage. These federal programs increased $496 million, or 8.2%, over the $6.030 billion in FY '06.

Although $16.798 billion is a substantial amount, representing more than 30% of the island's gross product, Puerto Rico's share of the total federal government's domestic expenditures was just 0.7% of the $2.556 trillion in direct funds the federal government distributed in FY '07 (excluding other federal assistance programs such as loans, loan guarantees and insurance coverage).

As of July 2007, Puerto Rico's population of 3,942,375 people represented 1.3% of the total U.S. population of 301,621,157 people. The island received a lower per capita share of federal-funds distribution than any state.

Therefore, on a per capita basis, Puerto Rico's share of direct federal funds was $4,261, which is lower than any of the 50 states. The average per capita expenditure in the 50 states was $8,339 or almost twice Puerto Rico's allocation.

The CFFR divides direct federal expenditures into five major categories: direct payments to individuals for retirement and disability (mainly Social Security programs); direct payments to individuals other than for retirement and disability; grants; procurement contracts; and federal government salaries and wages.

The FY '07 breakdown of the $16.798 billion was as follows:

- $6.764 billion for direct retirement and disability payments to individuals, mainly Social Security;
- $3.233 billion for direct payments to individuals other than for retirement and disability (such as Medicare and unemployment compensation);
- $4.796 billion for grants which, in Puerto Rico, includes the Nutritional

Assistance Program (PAN by its Spanish acronym);
- $915 million for federal procurement contracts; and
- $1.091 billion for federal-employee salaries and wages.

Retirement and disability

The major components of direct Social Security payments were retirement insurance ($2.827 billion), survivors' insurance ($1.229 billion) and disability insurance ($1.815 billion). The Social Security program provides benefits to retirees and families when a worker retires, dies or becomes disabled. States with populations similar to Puerto Rico's all received substantially greater retirement and disability benefits.

On a per capita basis, Puerto Rico received $1,716 compared with the national average of $2,571. This is due to a historically lower participation rate of workers in the labor force and lower income levels in Puerto Rico compared with the 50 states. More jobs translates into more income and more income means additional contributions to Social Security and, therefore, more retirement benefits.

Puerto Rico also is ineligible to receive funds from Supplemental Social Security Insurance (SSI), which the CFFR includes in this category. SSI is a federal cash-assistance program that provides monthly payments to low-income elderly, blind and disabled citizens.

Other direct payment to individuals

Puerto Rico residents also received $3.233 billion in other direct payments to individuals, such as Medicare, unemployment compensation and housing assistance. On a per capita basis, Puerto Rico received $820 compared with $1,926 in the States.

Food Stamp payments, which are included in the CFFR in this category for the 50 states, Commonwealths and territories, don't include Puerto Rico since it is accounted for as a block grant to the local government and not as a direct transfer to individuals.

The Earned Income Tax Credit (EITC), which is also included in this category, only reflected expenditures of $2.5 million in Puerto Rico. Island residents generally aren't eligible for this federal program. The EITC is a refundable credit for low-income working individuals and families in the States.

Grants, contracts, salaries and wages

The CFFR also provides information on the $4.796 billion in grants awarded by different federal agencies to state and local governments, nonprofit organizations and the private sector. In FY '07, most of that funding went to the Commonwealth central government.

Even with the inclusion of PAN in this category, on a per capita basis, Puerto Rico received $1,216 compared to $1,624

in the States.

Procurement contracts represent another main category in the report. According to the CFFR, in FY '07, the federal government spent approximately $915 billion in procurement contracts in Puerto Rico or $232 on a per capita basis versus $1,382 in the States.

The federal government spent another $1.091 billion on salary and wages to military and nonmilitary personnel in Puerto Rico during FY '07 or $277 per capita compared to the national per capita average of $825.

Other federal programs

Total federal assistance through loans and insurance programs was an additional $6.526 billion. During FY '07, the federal government provided $37.9 million in direct loans in Puerto Rico. Federal loan guarantees amounted to $1.02 billion. The volume of coverage through insurance programs, such as flood, crop and life insurance for veterans, was $4.97 billion.