

Why GAO Did This Study

Puerto Rico, the largest and most populous territory of the United States, is subject to congressional authority, although it has broad authority over matters of internal governance. After it defaulted on over \$1.5 billion in public debt since 2015, Congress passed PROMESA to establish federal oversight of fiscal affairs. This debt crisis coincided with DOL finalizing the 2016 Overtime Rule, which was invalidated in federal court and is being appealed. PROMESA included a provision for GAO to assess the rule's impact on Puerto Rico and examine its economic condition.

This report (1) examines the economic conditions in Puerto Rico as of the end of 2016, and (2) assesses the potential effects of applying the 2016 Overtime Rule to Puerto Rico. GAO analyzed 1990-2016 economic data and replicated DOL's impact analysis of the 2016 Overtime Rule using 2015 ACS data, the same year used by DOL in its analysis. GAO also reviewed federal laws, regulations, court documents, agency guidance, and criteria related to the federal overtime rule; facilitated group discussions with employers in Puerto Rico from industries most likely to be impacted by the rule; and interviewed relevant stakeholders and labor groups.

What GAO Recommends

GAO recommends that BEA include Puerto Rico in its reporting on GDP and that Census and BLS study the feasibility of including Puerto Rico in the CPS. Commerce agreed with our recommendations and DOL did not have any comments on the report.

View [GAO-18-483](#). For more information, contact Cindy Brown Barnes at (202) 512-7215 or BrownBarnesC@gao.gov or Oliver Richard at (202) 512-8424 or RichardO@gao.gov.

PUERTO RICO

Limited Federal Data Hinder Analysis of Economic Condition and DOL's 2016 Overtime Rule

What GAO Found

Unreliable economic and limited labor data make conditions in Puerto Rico difficult to evaluate.

- Puerto Rico Planning Board data show that from 2005 to 2016 Puerto Rico's gross domestic product (GDP), a principal economic indicator, decreased by over 9 percent, after adjusting for inflation, and the devastation brought by Hurricane Maria in 2017 has worsened economic conditions. While the overall downward trend is reliable, GAO found that the Planning Board uses outdated methods to calculate GDP, which results in unreliable data from year to year and can make it difficult for policymakers to fully analyze specific economic needs and develop long-range plans. The Bureau of Economic Analysis (BEA), within the U.S. Department of Commerce (Commerce), does not calculate GDP for Puerto Rico, as it does for the other U.S. territories. For 6 years, BEA has provided technical support to the Planning Board to update its methods and Planning Board officials described plans to do so, but its methods remain outdated. A 2016 Congressional Task Force recommended that BEA calculate Puerto Rico's GDP, and BEA considers it a long-term goal; however, BEA has not taken steps to do so.
- Further, Puerto Rico has limited labor statistics because it is not included in the Current Population Survey (CPS), which is produced by Commerce's Census Bureau (Census) and Department of Labor's (DOL) Bureau of Labor Statistics (BLS). CPS provides detailed information about employment, such as hours of work and earnings. The Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) suggested that Census conduct a study to determine the feasibility of expanding data collection to include Puerto Rico. Census officials said that they estimated the cost of such a study but have not yet conducted it. Census officials also cited concerns with data collection burdens. However, without CPS data on Puerto Rico, policymakers are limited in estimating the full economic impact of different policy changes. For example, DOL did not have the data needed to include Puerto Rico in its assessment of the economic impact of DOL's 2016 Overtime Rule. Conducting such a study would help policymakers consider the tradeoffs of including Puerto Rico in the CPS.

GAO used a different dataset—American Community Survey (ACS)—to assess the potential effects of applying the 2016 Overtime Rule, which would have increased the salary level threshold from \$23,660 to \$47,476 at which executive, administrative, and professional workers would not be eligible for overtime pay. GAO estimated that about 47,250 of 1.06 million workers in Puerto Rico would be affected—that is, they would become eligible for overtime pay. In response to a salary level threshold increase, employers from selected industries in Puerto Rico told GAO that they might increase certain workers' salaries, but cut overtime hours for other workers, and adjust the number of staff. An economist and a labor group official said that employers could respond by adjusting the number of staff or their hours, but the impacts to employers may be limited and the workforce could benefit. In 2017, a federal district court invalidated the 2016 Overtime Rule and the overtime salary threshold remains at \$23,660, but that decision is currently on appeal.