



2018: Restarting Puerto Rico

The end of the year serves as a moment of reflection. During the past three months, thoughts of my friends and relatives enduring more than 100 days without electricity still keep me up at night.

I've spent tireless days fighting for the people in the island. And when things seem less hopeful, like when Congress passed a tax bill that has the potential to kill 30 percent of the Island's economy, I'm reminded by those on Island that we must continue.

Despite the difficult circumstances, I've seen entire communities organize to assist in recovery efforts: neighbors extending help and food to the most needy, non-for-profits and restaurateurs delivering food in hard to reach areas, and small business owners offering aid despite meager account balances. It's shown to the rest of the United States what I've long known about the Puerto Rican spirit for many years now: its nobility.

For those who have in some way contributed to Puerto Rico's recovery: thank you.

Those steps were essential band-aids, but we must focus on creating a sustainable, long-lasting solution for Puerto Rico.

Amidst all recovery efforts, I have yet to see an articulate, long-term recovery plan for the Island. Formulating such a plan, and correctly implementing it, prevents the Island from making abrupt policy changes following election cycles and responding to immediate pressures in an ad-hoc fashion.

This New Year affords us an opportunity to rethink the future. Below is my vision for Puerto Rico laid out through five basic principles: 1) permanently addressing healthcare inequities, 2) rebuilding an energy grid resistant to future storms, 3) investing in resilient homes and public buildings, 4) adopting fiscal transparency, and 5) enabling tools for economic development.

HEALTHCARE

Permanently Address Healthcare Inequities

The Island's already fragile health infrastructure was devastated precisely at a time when, if not appropriately addressed, many more public health challenges are expected to arise. Puerto Rico still faces many complications contributing to long-term health problems including extended power outages, poor hygiene, illegal dumping, improper disposal of animal carcasses, standing water, tropical temperatures, and mosquito-borne illnesses.

Clearly, Puerto Rico's healthcare system must be carefully rebuilt to tend to those most in need. All Puerto Ricans, especially the 1.4 million residents that rely on the Island's Medicaid program, are at risk of another catastrophic blow to their well-being. If Congress fails to provide a long-term solution once and for all, many Puerto Ricans will continue the out-migration to the mainland, where healthcare is more expensive. Doctors will also continue leaving, causing permanent damage to the Island's economy and the well-being of those dedicated to staying.

Such large-scale movement will be costly to states and the federal government. Research indicates that over a 10 year period, the cost for providing Medicaid to Puerto Ricans living in the U.S. will be \$19.4 billion for the federal government and \$12.3 billion shared among states. In contrast, the cost is only \$7.8 billion if they stay in Puerto Rico¹. However, such estimates were based on migration trends studied prior to Hurricane Maria wherein data showed over 354,000 Puerto Ricans migrating to the mainland over a five year period with roughly 35 percent relying on Medicaid.²

Congress's failure to address Puerto Rico's Medicaid cliff and the broader health crisis will not only exacerbate the Island's already fragile fiscal state but will deny adequate health coverage to American citizens and cause state Medicaid costs to skyrocket. The consequences of inaction are too high and it deserves Congress's full attention. Anything other than a permanent fix to the Medicaid funding shortfall is inadequate. Now is the time to solve this problem

¹ Center for Economic and Policy Research (2017). More Trouble Ahead: Puerto Rico's Impending Medicaid Crisis.

² JEL Consulting, Inc. July 2016.

ENERGY

Rebuild a Clean Energy Grid to Withstand Future Hazards

The path to sustainable economic growth must include diversification of the energy portfolio and investments that enable businesses and consumers to access reliable and affordable electricity. Even before Hurricanes Irma and Maria, the Puerto Rico Electric Power Authority (PREPA), a public corporation, was \$9 billion in debt with minimal ability to make necessary investments to modernize its fragile grid.

Unfortunately, existing grid vulnerabilities, long felt by residents, were exposed by the hurricanes. Electricity costs in Puerto Rico rank as one of the highest in the nation and has caused the Island to become increasingly uncompetitive as compared to regional and international competitors. The Commonwealth's monopoly over utilities and its aging and inefficient energy systems constitute the main roadblocks for competitiveness on the Island.

Last year, technical failures at the Aguirre power plant left one-third of the population without power. In August 2017, inclement weather caused power outages for over 40,000 people and following Irma, over 1 million Puerto Ricans were left in the dark. Puerto Rico's plight has become more desperate since the Island's electric grid was completely destroyed by Hurricanes Irma and Maria, leaving most of the Island without power.

Any future aid package must provide Puerto Rico the flexibility to rebuild smarter and resilient to unpredictable weather events. Building a sturdy and innovative grid that uses renewable energy is the best investment the government can make. We cannot repeat the same mistakes of the past.

INFRASTRUCTURE

Invest in Resilient Infrastructure

Improved building standards will greatly reduce the loss of life and property from inevitable, unpredictable future disasters. Recovering from a major disaster provides the local government an opportunity to rebuild safer and stronger so damages from future disasters can be avoided. The federal government must ensure Puerto Rico is equipped to do so by maximizing grant funding and infrastructure related projects.

The Department of Housing and Urban Development's (HUD) Community Development Block Grant Disaster Relief (CDBG-DR) program is a key tool in developing local responses to needs on the ground after a disaster. For instance, after both Hurricanes Katrina and Sandy, CDBG funding was used to help purchase real estate, repair public facilities, remove debris, rehabilitate and construct, enhance economic development activities, and provide relocation assistance.

The next disaster aid package must come with substantial CDBG-DR money to not only repair, but strengthen and improve low-income housing and public infrastructure to withstand future natural disasters and flooding. Such funding should include flexibility to ensure that Puerto Rico can build a resilient system, including adequate flood resistant design and construction, to weather future disaster needs.

Puerto Rico needs federal funding and technical support to develop, in collaboration with the most impacted sectors, a plan incorporating renewable energy and flood-resistant infrastructure. Restoring local farms, small businesses, and public services leads to long-term growth for the economy and assures a more sustainable, equitable, and self-reliant life for all residents. In that vein, grants for rebuilding hold opportunity for local communities and its workers through increased jobs and contracts.

Congress has already recognized this need in the Stafford Act, which emphasizes the importance of local business participation in disaster response and recovery. It requires federal contracts for disaster assistance to be given, when feasible, to those residing or doing business primarily in the affected area. Congress must not forego the opportunities grants and contracting offer to the long-term economic prosperity of Puerto Rico.

ECONOMIC DEVELOPMENT

Provide Puerto Rico the Tools to Jumpstart its Economy

After a final blow to its decade-long recession, any disaster aid must include proven tools to preserve jobs and stimulate growth in Puerto Rico. The federal government must develop a long-term economic strategy and provide policy initiatives allowing the Island to stop the economic collapse and jumpstart growth.

Neither the Oversight Board's now obsolete Fiscal Plan nor the federal government have acknowledged or addressed the economic repercussions of the displacement of Puerto Ricans to the U.S. mainland. The scarce economic opportunities and lack of jobs in Puerto Rico have forced many to leave the island, further eroding the tax base and causing permanent damage to the economy. Continuing uncertainty surrounding the extent of the disaster response and future actions to curb the fiscal crisis has exacerbated the reactions of citizens in Puerto Rico.

The federal government should make it clear that it is committed to both ensuring the Island never suffers again the damages caused by Hurricane Maria and empowering Puerto Rico to withstand future disasters, while also addressing the anemic economy.

Loss of businesses regardless of their size can devastate workers, local communities, and the Island as a whole. The services and resources at the Small Business Administration are vital to support businesses in their quest to stay open, rebuild, create jobs, and expand.

Any future plan must also factor in the disparities in health, education, social services, and other programs facing the residents of Puerto Rico. This is especially true at a time when families who have lost everything are considering whether to rebuild their lives in Puerto Rico or elsewhere. Engaging the Department of Commerce's Economic Development Administration is essential to meet this need. Their proven experience in assisting local governments in coordinating economic planning, reconstruction, and redevelopment must not be overlooked.

Collaboration is key and Puerto Rico must take responsibility for its role. The government of Puerto Rico should support federal action by incentivizing labor force participation, encouraging job creation, and streamlining the permitting process to facilitate doing business on the Island.

FISCAL TRANSPARENCY

Improve Fiscal Transparency and Accountability

The fiscal crisis and economic collapse of Puerto Rico did not happen in a vacuum. It is the result of failed policies and an absence of enduring cooperation between the federal government and the Commonwealth.

Puerto Rico faces \$74 billion in debt,³ a decade-old recession, and up to an estimated \$95 billion in economic losses resulting from recent hurricanes.⁴ While these bleak numbers raise concern among financial experts about the Island's ability to recovery, it is the lack of transparency in Puerto Rico's coffers that heeds the most concern.

Once the federal emergency response ends, Puerto Rico will need to continue operating core government services, while starting the economic healing process. To do so, it must embrace an open, transparent form of governance. Unless Puerto Rico provides timely information of revenues, expenses, contracting actions and details of how tax payer money is being spent, it will fail to prove it is capable of carrying out the immense recovery task ahead.

To increase confidence from all stakeholders, Puerto Rico must commit to improved financial transparency and accountability. Open government principles promote civic engagement, enhance government accountability, and respond to public needs. The Puerto Rico government, its instrumentalities, the Oversight Board and all stakeholders involved in recovery efforts must commit – now more than ever – to invest in their credibility to restore confidence among all stakeholders, prevent fraud and costly gridlocks.

³ Puerto Rico Fiscal Agency and Financial Advisory Authority. Fiscal Plan for Puerto Rico. March 13, 2017.

⁴ Jill Disis, Hurricane Maria Could Be a \$95 Billion Storm for Puerto Rico, CNN Money, September 28, 2017.