

Congress of the United States
Washington, DC 20515

April 27, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear House Speaker Nancy Pelosi, House Republican Leader Kevin McCarthy:

Thank you for your leadership with the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* to address the public health crisis caused by the COVID-19 pandemic. Specially, we want to thank you for including Puerto Rico in most of the provisions contained in this bill. Every morning we wake up to an increase of confirmed COVID cases and fatalities. We must ensure that all American citizens and local governments receive the necessary tools to fight this unparalleled crisis. As such, we must guarantee that Puerto Rico is treated equally to the states in any of the upcoming Coronavirus stimulus packages.

The last three years for the Island have been more than challenging: devastation brought by Hurricane Maria, hundreds of earthquakes that struck the southwest of the Island back in January, now followed by a pandemic that is likely to strain the local government's response capabilities. As the Coronavirus wreaks economic havoc in the U.S., the Puerto Rican economy will experience an even greater decline.¹ We must ensure that Puerto Rico receives the fair treatment it deserves in forthcoming legislation. As we prepare for a fourth package to mitigate the vast impact of this crisis and stabilize our economy, we write to ensure the following provisions for Puerto Rico are included:

Robust funding for nutritional assistance for the Island

The \$300 million in total appropriated for Puerto Rico, the Northern Mariana Islands, and America Samoa in the *Families First Coronavirus Response Act* and the *CARES Act*, are insufficient to meet current needs. As of this letter's writing, approximately more than 63,000 thousand Puerto Ricans have filed for nutritional assistance benefits since the Island went on lockdown.² The funds available for nutritional assistance on the Island will simply not cover the new surge of beneficiaries.

¹ Economist José Caraballo Cueto has stated that the island may need 20 billion dollars in economic aid: *See* <https://www.elnuevodia.com/noticias/eeuu/nota/comienzaeltramitedelosmilesdemillonesasignadosporlaleycaresapue rtorico-2561129/>

² <https://www.noticel.com/gobierno/20200414/departamento-de-la-familia-recibio-sobre-63-mil-solicitudes-del-pan-en-una-semana/>

Elimination of the Medicaid cap and ensure appropriate Federal Medical Assistance Percentage (FMAP)

“As a result of a reimbursement cap arbitrarily set by the U.S. Congress decades ago, Puerto Rico is unable to access the same level of Medicaid funding offered to states, resulting in a significant shortfall.”³ Moreover, the FMAP for the Island and the other Territories should be calculated using the same average per capita income-based formula as done for any state. These two measures will help ease the strain of the Puerto Rican health system as the crisis unfolds.

Earned Income Tax Credit (EITC)

Puerto Rico does not participate in the federal EITC. In response to this void, Puerto Rico’s government carved out space in its limited budget to create a local EITC. However, given the Island’s financial challenges, the local EITC is not enough to effectively impact the labor market and the economy. We must ensure the federal EITC is expanded to include Puerto Rico.

Child Tax Credit (CTC)

Approximately 58% percent of Puerto Rican children live under the poverty line.⁴ We should eliminate child poverty on the Island by expanding the CTC to families of one and two children in Puerto Rico. Although most Puerto Rican families do not pay federal income taxes, they do pay federal payroll taxes, which is why families of three or more children can claim the credit on the Island. Most Puerto Rican families do not qualify for the tax credit because they have two children or less. Creating equity for all families would mitigate the economic losses of working-class families after Hurricane Maria, the earthquakes, and COVID-19.

Paycheck Protection Program eligibility for non-profits registered in Puerto Rico

Thousands of non-profit organizations in Puerto Rico register their non-profit status locally, not with the IRS. Congress intended for most charitable non-profits, with up to 500 employees, to qualify for the Paycheck Protection Program. When determining eligibility, a legislative fix is necessary for the SBA to consider evidence from the State that the non-revenue producing organization or entity is a non-profit organized or doing business under State law.

Debt Forgiveness of Community Disaster Loans (CDL)

As of April 24, 2019, FEMA's CDL Program has approved nearly \$300 million for 76 Puerto Rico municipalities.⁵ However, the repayment of these loans poses a challenge to the already fragile finances of the municipalities. In fact, on April 15, U.S. District Judge Laura Taylor Swain, who oversees Puerto Rico’s bankruptcy-like court proceedings to restructure the Island’s debt, annulled

³ Lara Merling and Jake Johnston, Center for Economic and Policy Research, More Trouble Ahead: Puerto Rico’s impending Medicaid Crisis, <https://cepr.net/images/stories/reports/puerto-rico-medicaid-2017-10.pdf>.

⁴ María E. Enchautegui, Brayán L. Rosa, Caridad A. Arroyo. A Future of Child Poverty in Puerto Rico: How Much It Costs and What We Can Do About It. January 2019. San Juan: Youth Development Institute of Puerto Rico https://cab5849c-9dfe-496d-928f-4a188cdd49a5.filesusr.com/ugd/011d36_5e4ae4d4de60485ba4f02304092f370b.pdf?index=true

⁵ See Letter from Governor Wanda Vazquez to Congressional Leadership, April 8, 2020.

Puerto Rico’s Law to Reduce the Administrative Burdens of Municipalities (Act 29 of 2019).⁶ This act seeks to exempt municipalities from paying the health plan and retirement of its employees through the Pay-as-you-go system. Municipal governments must start repaying into these programs within the next three weeks and many could go bankrupt as a result. Currently, the cancellation of CDL loans is at the discretion of the Secretary of Homeland Security, in consultation with the Secretary of the Treasury, who determines the “terms, conditions, eligible uses, and timing and amount” of such loans.⁷ Congress must allow the immediate cancellation of CDLs based on automatic triggering criteria like insufficient liquidity due to multiple disasters and bankruptcy procedures.

Immediate assistance for hospitals

Reports of massive layoffs in Puerto Rican hospitals have started to surface due to low occupation rates as an unintended consequence of COVID-19.⁸ Yet, experts argue that Puerto Rico has not reached its COVID infection peak and must ensure we provide assistance to the frontline healthcare workers on the Island so future COVID patients receive adequate care. Congress must provide immediate funds to hospitals on the Island that ensure the continued employment of these essential workers. Also, additional funds must be allocated to supply hospitals with ventilators and protective personal equipment. As of today, there are approximately only 800 ventilators⁹ for a population of more than 3 million.

Allocate the funds for the Island’s reconstruction post-earthquakes, as approved by the House in H.R. 5687, Puerto Rico Earthquake Supplemental.

H.R. 5687 allows for commingling of funds provided in that legislation and previous emergency supplementals. These funds will allow for the reconstruction of critical infrastructure that would help the Island respond to this new healthcare crisis.

By including these policies in the forthcoming package, we can serve right our fellow citizens in Puerto Rico who have already endured enough. We cannot leave them behind during these trying circumstances.

Thank you for your consideration of these proposals. We appreciate your thoughtfulness as we craft our next legislative response.

⁶ Judge Laura Taylor Swain rules against Act 29, <https://caribbeanbusiness.com/judge-laura-taylor-swain-rules-against-act-29/>

⁷ Congressional Research Service, Community Disaster Loans: Homeland Security Issues in the 116th Congress, <https://crsreports.congress.gov/product/pdf/IN/IN11106>.

⁸ See Hospitales de Puerto Rico en riesgo de nuevos despidos por baja ocupación, https://www.eldiario.es/sociedad/Hospitales-Puerto-Rico-despidos-ocupacion_0_1016649338.html

⁹ See Puerto Rico official COVID-19 dashboard, <https://bioseguridad.maps.arcgis.com/apps/opsdashboard/index.html#/3bfb64c9a91944bc8c41edd8ff27e6df>

Sincerely,



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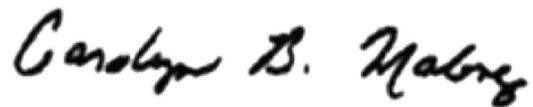
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