



CONGRESSIONAL RESPONSE TO PUERTO RICO'S COVID-19 OUTBREAK

The past 4 years have been anything but easy for Puerto Rico. During this time, it has entered the largest municipal bankruptcy in U.S. history; been hit by two powerful hurricanes that killed thousands and knocked out access to basic services for millions; and most recently, impacted by a series of destructive earthquakes that have caused major damage in the southern part of the island and left thousands without stable shelter. If we look further back, a prolonged economic recession and dangerous austerity measures have been strangling Puerto Rico since 2006. Today, the island is simply not prepared to confront yet another crisis. Unfortunately, Puerto Rico has also become a victim of the global pandemic triggered by the outbreak of the coronavirus that causes the COVID-19 pandemic.

The economic uncertainty that many countries are facing now has been felt by Puerto Ricans for years. In many ways, however, Puerto Rico is worse off than many other jurisdictions because of its asymmetrical relationship with the United States and its very limited Congressional representation. What is certain is that without federal economic and fiscal support, little will change, and Puerto Rico's future will remain clouded with uncertainty. The federal government has an important role to play over Puerto Rico's future, not just by sending money, but also ensuring Puerto Rico is afforded the same assistance other states receive and guaranteeing those emergency funds reach those who need it most.

The uncertainty caused by several crises, layered on one over the other, is detrimental for everyone – businesses, NGOs and governments alike - and it is especially for people whose health and well-being depends on receiving vital care but have few resources to make ends meet.

Puerto Rico, which has seen its share of significant back-to-back crises, is once again caught unprepared to tackle the economic costs and public health challenges that will arise from this epidemiological shock. It is just not equipped to face a large-scale health care crisis. That is, unless we can secure federal support and empower local institutions.

Since the widespread outbreak of the COVID-19 virus, several of our initial proposals have been considered and included in drafts of the legislative stimulus bill. Others have been disregarded. We will continue to press for measures that seek to ensure Puerto Rico is not left out of any legislative response.

1. **Amplify Puerto Rico's Earned Income Tax Credit.** In response to the significant damages caused by the earthquakes, the House Appropriations Committee introduced [H.R. 5687](#), the Emergency Supplemental Appropriations for Disaster

Relief and Puerto Rico Disaster Tax Relief Act of 2020. The package embraces a [proposal](#) to expand the earned income tax credit and boost earnings for hard-working low-income families. Given the financial challenges of the local government, Puerto Rico's EITC is too modest to significantly increase labor force participation and reduce poverty. This is why a federal supplement that expands the Puerto Rico credit is crucial to help the most vulnerable recover from the hurricanes, earthquakes, and the economic impact of the COVID-19.

2. **Streamline emergency funding.** Existing limitations and restrictions in federal programs (for example, CDBG) adversely affect Puerto Rico's fiscal and economic situation. Case in point, much of the health care infrastructure that was damaged by the hurricanes nearly three years ago has yet to be fixed. In the municipality of Vieques, the only critical care facility on the island-municipality was completely destroyed by Hurricane Maria. Furthermore, according to the 2015 Puerto Rico Primary Care Assessment, 72 of Puerto Rico's 78 municipalities are deemed "medically underserved areas" whose residents have limited access to health services and providers. What's more, the recent earthquakes have forced the island's government to allocate limited resources to the southwestern region of Puerto Rico to address the emergency. There are still thousands of people living under tents as a result of these earthquakes, posing an alarming contagion risk, when the rest of the island is being asked to shelter in place. If aid lags behind a bureaucratic government process, it could unintentionally give rise to widespread panic and increased business closures. Removing onerous provisions, streamlining available funding, and waiving any future matching funds requirements is critical to rebuild infrastructure and adequately respond to any future crisis.
3. **Increased healthcare and nutrition resources.** Puerto Rico needs increased investments in public health infrastructure and systems, health prevention and education programs and individual assistance for at-risk populations. Resources must also be directed to enhance health education and disease prevention programs on the island in the following categories: primary (preventing health diseases from occurring), secondary (reducing the impact of health diseases), and tertiary (lessening the impact of chronic health conditions). Similarly, we support calls for increased funding to Puerto Rico's nutritional assistance program.
4. **Emergency cash transfers.** Provide immediate cash benefits that allow individuals to meet financial obligations in the midst of widespread pandemic-induced unemployment. Cash transfer programs have proven successful helping low-income populations meet basic needs and keeping the economy afloat. It is crucial Puerto Ricans are afforded a premium in cash transfer payments given its unequal treatment in other federally-administered programs (i.e. SSI, federal EITC, SNAP, Medicaid, etc.)

5. **Equal treatment in Federal programs.** The full scope of the economic disruption that will be caused by the pandemic and cost of the measures to stem contagion are hard to estimate. But it is clear many people will be, or already are, without a steady source of income. Any future stimulus package being considered should ensure Puerto Rico, and the U.S. territories more broadly, are treated equitably. For example, In the aftermath of disasters, a federal disaster unemployment assistance (DUA) program is triggered to help individuals whose jobs have been affected. The federally-funded program provides monetary assistance to people who have been left without a job due to the disaster, and would otherwise not qualify for unemployment benefits. It is critical Puerto Rico and the territories are included in the extension of any federally-administered program as a result of this pandemic.
6. **Waive Repayment of FEMA's Community Disaster Loans (CDLs).** Puerto Rico's long-standing financial shortfalls threaten its ability to rapidly respond to and mitigate harm from the coronavirus. This is especially true for 65% of its 78 municipalities that were in a negative financial position in 2018. In the aftermath of recent disasters—the hurricanes, earthquakes and others—mayors have acted as first responders. But they are facing the unrealistic demands of providing adequate services at the same time they are forced to implement a massive austerity program. CDLs are provided to local governments that have suffered a substantial loss to their revenue base as a result of a disaster. Shortly after the 2017 hurricanes, Congress authorized \$300 million in CDLs to 76 municipalities in Puerto Rico. The amount of the payment waiver requested is a drop in the bucket in the context of the proposed stimulus package and could go a long way to help struggling municipalities facing steep costs related to healthcare needs.
7. **Grant a temporary waiver of the Jones Act.** Puerto Rico heavily depends on imports from the mainland, including for 85% of its food supply. At the same time, Puerto Rico's shipping industry is governed by the Merchant Marine Act of 1920, commonly known as the Jones Act. The Jones Act requires any goods shipped to Puerto Rico from a U.S. port be carried in a U.S. owned, U.S. manned, U.S. built, and U.S. flagged vessel. The net effects of the Jones Act on Puerto Rico's economy are inconclusive, yet it is clear that in the aftermath of a disaster, these requirements only create bottlenecks in the supply and distribution of necessary goods. At a minimum, a temporary waiver would prove helpful in allowing Puerto Rico to ship in food and emergency supplies at a lower cost. The Trump administration established a good precedent when it granted Puerto Rico a 10-day temporary waiver after Hurricane Maria and as well as temporary Jones Act waivers for Florida and Texas immediately after Hurricanes Irma and Harvey.

8. **Increase tax deductions for charitable donations to NGOs.** In the aftermath of the hurricanes and earthquakes, Puerto Rico's non-governmental organizations (NGOs) filled the voids left from the government's response. Charitable donations from individuals help sustain the important work of the third sector, and could be further supported by the federal government. To that end, we join other non-for-profits calls to increase "above the line" charitable deductions, whose beneficiaries are low- and moderate-income taxpayers, by raising the existing cap and allowing all taxpayers to immediately claim the deduction on their 2019 taxes.

9. **Deferment of all federally-backed loans and mortgages.** At a time when officials are requesting individuals to stay inside their homes, we cannot neglect the needs of our most vulnerable populations. The National Low Income Housing Coalition has put forward a series of [recommendations](#) we fully support. In addition, we are calling for a moratorium on all federally-backed mortgages. Not doing so could exacerbate the homeless population on island, a scenario that defies the very idea of avoiding a health catastrophe.

The Center for a New Economy (CNE) is Puerto Rico's first and foremost policy think tank, an independent, nonpartisan group that advocates for the development of a new economy for Puerto Rico. Over the last 20 years, CNE has championed the cause of a more productive and stable Puerto Rico through its offices in San Juan, Puerto Rico and Washington, D.C. We seek to inform current policy debates and find solutions to today's most pressing and complex economic development problems by rigorously analyzing hard data and producing robust empirical research. CNE is organized as a 501(c)(3) nonprofit that does not solicit or accept government funding. It relies solely on funding by individuals, private institutions and philanthropic organizations.



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