

April 8, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles E. Schumer
Democratic Leader
U.S. Senate
Washington, DC 20515

Dear House Speaker Nancy Pelosi, House Minority Leader Kevin McCarthy, Senate Majority Leader Mitch McConnell, and Minority Leader Chuck Schumer:

As Congress considers another legislative package to meet the intensifying needs produced by the COVID-19 pandemic, we write to urge your support for the 3.2 million residents of Puerto Rico.

The pandemic the world is confronting today has devastating implications for the economy. Forecasts range everywhere from dire to catastrophic. We are already beginning to see profound plunges in the financial markets as well as record-breaking spikes in unemployment insurance claims, and foresee significant surges in bankruptcy filings. That is the case even for the strongest economies. The fallout will be far worse in high-poverty areas, as is the case with Puerto Rico.

Let's recall Puerto Rico is a patient with preexisting conditions. In an island recently battered by hurricanes, earthquakes and a prolonged economic recession, there is no margin for error. Even prior to the health care epidemic, 72 of Puerto Rico's 78 municipalities were designated as medically underserved areas. Furthermore, poverty overwhelms an alarming 43 percent of the population. This is not a coincidence; it demonstrates Congressional neglect.

For decades, Puerto Rico has been deprived of access to federal programs specifically designed to provide a safety net, break persistent poverty cycles and jumpstart the economy. To make matters worse, as a U.S. territory, the island lacks the power and influence of high-ranking champions and congressional delegations to advocate for these programs. In other words, Puerto Rico has never been afforded a level playing field. We cannot isolate how the political dynamics interact with the structural inequities that impede Puerto Rico from overcoming its socioeconomic challenges.

Therefore, at this difficult time, Puerto Rico needs far more than what has been contemplated thus far – a premium of sorts to make up for the island’s long-standing economic impediments. Congress must recognize that the most effective way to help Puerto Rico is to discard inadequate solutions, and instead address the structural deficiencies that put Puerto Rico at a disadvantage.

It was an important first step to provide the island with access to the Coronavirus Relief Fund, the Paycheck Protection Program, and the other key programs included in the second and third economic relief packages. However, traditional funding limitations in federal programs perpetuate long-standing inequities and deny Puerto Rico the federal help it needs. Puerto Rico cannot do it alone.

For example, in a crisis predominantly targeting the elderly and the sick, Puerto Rico has never been afforded: (1) equitable Medicaid funding, designed to ensure healthcare access to the most vulnerable populations; (2) access to the Supplemental Security Income (SSI), designed to assist the elderly and disadvantaged; (3) a careful transition to the Supplemental Nutritional Assistance Program (SNAP), designed to feed poor families; or (4) the ability to participate in the federal Earned Income Tax Credit (EITC), designed to reduce poverty and promote work. All of this, despite wide public support in favor of treating Puerto Rico fairly in the application of these programs.

Medicaid

Medicaid is an entitlement program that helps states finance health care for low-income populations. In contrast with the open-ended financing enjoyed by U.S. states, the federal government provides Puerto Rico with limited, insufficient Medicaid funding. In turn, inadequate funding forces local officials to cut back on both the number of beneficiaries that participate in Medicaid and the scope of services offered. Funding constraints have also triggered a massive exodus of medical providers, further jeopardizing access to health care services during this delicate time. Congress must commit, once and for all, to remove the federal cap on Medicaid funding and compute the Federal Medical Assistance Percentage using the same average per capita income-based formula as done for the states.

SSI

The Supplemental Security Income provides financial assistance to people over 65 years old or to individuals with impediments in the 50 states, Washington DC, and the Northern Mariana Islands. Precisely at a time when the elderly have been the hardest hit, Puerto Rico residents are not able to receive this aid. Instead, they participate its own Aid to the Aged, Blind, or Disabled (AABD) program, a much smaller – and again insufficient – annual block grant. Whereas Puerto Rico currently receives \$24 to \$26 million a year to run the AABD, if it participated in the SSI, beneficiaries would be eligible to receive between \$1.5 billion and \$1.8 billion each year. Providing Puerto Rico full access to the federal SSI program will allow it to protect a particularly vulnerable population.

SNAP

The federal government created SNAP to provide low-income families financial assistance to purchase food. Unlike nutrition funding provided to states, Guam and the U.S. Virgin Islands under SNAP, Puerto Rico receives a fixed amount of annual federal funding to run its own Nutritional Assistance Program (NAP). For all intents and purposes, it functions as a block grant. As such, when crisis strikes, Puerto Rico has no flexibility to expand the program to provide for increased needs. To be sure, a full transition to SNAP at this time of crisis and when administrative personnel are working remotely, could end up yielding unintended consequences. Thus, the most prudent policy choice is to extend the \$1.27 billion in additional NAP funding requested by the local government, so long as it is tied to a resolute commitment to transition the island to the same nutritional assistance the U.S. government provides to other jurisdictions.

EITC

A historically proven tool in reducing poverty, the federal EITC is a refundable tax credit available to individuals living in the 50 States and Washington, D.C. Notwithstanding persistent poverty levels on island, 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 sufficient to effectively impact the labor market and the economy. As lawmakers explore ways to help Puerto Rico's economy, we ask you pay particular attention to the federal EITC, which would go a long way to encourage work, boost incomes and reduce poverty in the island.

With twenty-one years of experience producing independent research of the economy of Puerto Rico, and through its offices in Washington D.C. and San Juan, the Center for a New Economy is committed to helping Puerto Rico manage the current health, fiscal and economic crises to reestablish a path towards economic growth. We believe any holistic solution should include, at a minimum, access to these four programs. For years, CNE has

been sounding the alarm on the need to provide the island with access to federal programs that would help it overcome decades of economic decline. Absent dramatic changes in the access to and management of these federal programs, Puerto Rico has no real fighting chance.

Beyond these, Puerto Rico's residents – like those in many other states – need additional emergency cash transfers to meet financial obligations during this crisis. Puerto Rico's small businesses and nonprofits need increased access to financing and economic security. Puerto Rico's municipalities need increased financial support to provide essential services. Puerto Rico's government must be afforded flexibility in its access to reconstruction funding. Alas, Puerto Rico needs the federal government pay attention.

For the reasons stated above, we respectfully request that as deliberations on the next legislative package take shape, they include much needed support for the 3.2 million residents of Puerto Rico.

Respectfully,



Rosanna Torres
Director, Washington D.C. Office
Center for a New Economy