



**GOVERNOR OF PUERTO RICO**  
**Ricardo Rosselló Nevares**

November 19, 2018

The Honorable Mitch McConnell, Jr.  
Majority Leader  
United States Senate  
U.S. Capitol  
Washington, DC 20515

The Honorable Paul Ryan, Jr.  
Speaker  
United States House of Representatives  
U.S. Capitol  
Washington, DC 20515

The Honorable Charles Schumer  
Democratic Leader  
United States Senate  
U.S. Capitol  
Washington, DC 20515

The Honorable Nancy Pelosi  
Democratic Leader  
United States House of Representatives  
U.S. Capitol  
Washington, DC 20515

Dear Majority Leader McConnell, Democratic Leader Schumer, Speaker Ryan, and Democratic Leader Pelosi:

After a year and two months from the unprecedented devastation of Puerto Rico by Hurricanes Irma and Maria, the recovery is underway and progress continues to be made. While everyone wishes the pace of recovery would have been faster, the magnitude of our losses created an unprecedented challenge for our Island never before faced anywhere else in the United States. Never before had an entire state been impacted by a catastrophic hurricane. Never before had the period for emergency response taken as long to cease as it did in Puerto Rico. Never before did a state have to address the challenges of the near 100% failure of its power grid, water systems, and communications infrastructure. And never before has a state been required to handle a recovery effort costing many tens of billions of dollars while concurrently being under federal oversight and facing long-term, structural financial challenges.

From the date of the storms and continuing to this day, Puerto Rico has been willingly cooperating with all of the stakeholders and working as a partner to be responsible and responsive to the needs of Congress, funding agencies and the U.S. taxpayers. Despite these efforts, both Congress and federal agencies have held Puerto Rico to a higher standard than other states and territories and have treated us differently than other U.S. citizens on the mainland. For example, the Administration required Puerto Rico to implement Section 428 of the Stafford Act and is still to this day developing the policies, procedures, and guidance necessary to support its implementation for a rapid recovery effort. FEMA and the Administration put in place burdensome financial procedures that had never been used for any State or Territory before, which have proven to do little more than slow our ability to access recovery funding and delay reconstruction efforts. In an unprecedented action, Congress imposed a requirement to develop and submit a recovery plan and mandated that we obtain approval from the Federal Oversight and Management Board. And we have faced an ever-changing landscape of untested approaches, newly-crafted policies, and financial procedures that have confused and micro-managed the recovery.

Despite these and other challenges, my Administration has worked diligently to ensure full compliance, robust transparency, and accountability in our utilization of federal disaster assistance. We have made clear that federal recovery money should only be used to help Puerto Rico rebuild and recover from the hurricane, and not address other fiscal and infrastructure challenges. We have committed ourselves to significant investments in resiliency through the adoption of new codes and standards and the incorporation of hazard mitigation into our reconstruction efforts to strengthen structures as well as power grid and other critical infrastructure. We have engaged with our partners and with industry to develop plans and implement a recovery that capitalizes on federal funding to build back better, stronger and safer than before. Our Administration has made a pledge to our future generations to achieve 100% renewable energy, invest 100% of our capital improvements budget on resiliency for the next ten years, and plant more than 500,000 trees in the next five years. Our efforts to be inclusive and transparent have included supporting hundreds of visits and briefings by and for members of Congress and Committee staff. Continuing with these efforts, our Central Office for Recovery, Reconstruction and Resiliency (COR3) recently launched the COR3 Transparency Portal which can be accessed here: <https://www.recovery.pr/en/Home.aspx>.

Throughout this difficult time, the U.S. Congress has been an instrumental partner in supporting the people of Puerto Rico who, despite being American citizens for over 100 years, still lack equal representation in the federal law-making process. With Congress' support, we are now beginning to implement the *Transformation and Innovation in the Wake of Devastation: An Economic and Disaster Recovery Plan for Puerto Rico* ("Recovery Plan"), which I submitted to Congress on August 8, 2018, in compliance with the requirements set forth in the Bipartisan Budget Act (P.L. 115-123).

My Administration is committed to doing its part, and early implementation efforts of our structural reforms and local policy measures are having a measurable positive impact. We have been able to drive our unemployment rate to its lowest level in more than thirty years. Crime rates have dropped significantly, with homicides, property crimes and crimes against people dropping by 10-22%. Our efforts to bring about structural reform of government through the right-sizing and transformation of our departments, agencies and government services is producing both savings and efficiencies that have allowed us to reduce spending and strengthen our financial position.

However, even with the significant support provided by Congress to date, the Recovery Plan, which was drafted in conjunction with FEMA, explicitly acknowledged that additional federal assistance will be needed to ensure that Puerto Rico can achieve a full recovery in the wake of the massive destruction caused by Hurricanes Irma and Maria. Therefore, as we enter the last weeks of the 115<sup>th</sup> Congress and prepare for the 116<sup>th</sup> Congress, I implore you to consider and address Puerto Rico's ongoing recovery and reconstruction needs, as outlined below, in the upcoming legislative vehicles. Time is of the essence, and continued action by Congress now is critical.

**Extend 100% Federal Cost-Share for FEMA Categories A & B:**

As you may know, on August 15, 2018, the Federal Emergency Management Agency (FEMA) announced that it would not extend 100 percent federal cost share for Puerto Rico for FEMA Categories A and B. The decision was effective on that day for Category A, and went into effect on September 15, 2018 for Category B. In line with administrative requirements I appealed this determination, but on November 9, FEMA also denied our request for reconsideration.

Puerto Rico is working to recover from the largest catastrophe in U.S. history. The damage caused by Hurricane María will be two to three times that of Hurricane Katrina in Louisiana and Hurricane Sandy in New York, measured in terms of eligible damages under the Public Assistance program (PA). In addition to the unprecedented level of damages, Puerto Rico's pre-existing economic and fiscal condition greatly

exacerbated the impacts of the hurricanes and has added an unprecedented level of complexity to the recovery process.

Significant emergency response work remains to be done on the island of Puerto Rico. Millions of cubic yards of debris must still be cleaned up. The Sheltering and Temporary Essential Power (STEP) program still has more than 5,200 work orders to complete. Over 15,000 properties have been identified for demolition or which require the removal of debris that poses and immediate threat to public health and safety. Numerous critical health and safety facilities on the island still rely on generator power to ensure safety and continuity. The current fiscal situation in Puerto Rico, together with these ongoing issues, means that the withdrawal of full federal support for recovery efforts will significantly hinder the ability of Puerto Ricans to rebuild their homes, businesses, and infrastructure.

What Puerto Rico is requesting is not unique and does not set precedent. Both FEMA and Congress have approved long-term and permanent extensions of Category A and B funding at 100% for disasters far smaller and less impactful than the devastation caused by Hurricanes Irma and Maria. Given the magnitude of the work necessary on Puerto Rico and the fiscal challenges we face in affording hurricane recovery needs, I believe approval of 100% funding for disaster debris removal and emergency protective measures costs is both warranted and necessary.

While additional financial assistance is likely to be needed later in the recovery process to address permanent work requirements, I request any end-of-the-year legislative package include the following language to ensure that the cost-share waivers for emergency work remain in place:

*“Section xxxx*

*“(a) Notwithstanding any other provision of law, including any agreement, the Federal share of emergency assistance, including direct Federal assistance, provided to Puerto Rico in connection with Hurricanes Irma and Maria under sections 403, 406, and 407 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 USC 5170b, 5172, and 5173) shall be 100 percent of the eligible costs under such sections.*

In 2007, well after Hurricane Katrina, Congress used the legislative process to extend cost share waivers for the Gulf Coast states, and I urge Congress to do the same for Puerto Rico in the aftermath of Hurricanes Irma and Maria.

**Continue Medicaid Emergency Funding & Transition to Sustainable Funding Formula:**

I implore Congress to take immediate action to address the ongoing crisis in Puerto Rico’s healthcare system, especially as it relates to the impending Medicaid cliff, which remains a serious threat to the health and well-being of people on the island. In February 2018, with passage of the Bipartisan Budget Act of 2018, P.L. 115-123, Congress approved \$4.8 billion in additional funds to stabilize Puerto Rico’s Medicaid program by providing Medicaid funds at 100% federal match through September 2019. Although this assistance is greatly appreciated, it is serving only as a temporary delay to the Puerto Rico Medicaid funding cliff which threatens access to quality care for hundreds of thousands of U.S. citizens in Puerto Rico. The cliff also threatens the local government’s ability to support a strong, reliable, resilient healthcare system, particularly as we work to implement the Fiscal Plan required under PROMESA.

If Congress fails to act, the impending Medicaid cliff may become a reality, thereby creating obstacles to program delivery that could impact our ability to provide adequate quality care to program participants.

Should these problems become severe enough, this would inevitably increase the outflow of Medicaid recipients to the mainland states and could put further strain on our provider population of physicians, nurses and other skilled healthcare professionals.

The time has come for Congress to enact a sustainable solution to Puerto Rico's Medicaid funding structure, that will stabilize our healthcare system and provide the fiscal certainty that the island needs. As such, we are actively working with Medicaid and CHIP Payment and Access Commission (MACPAC) and the committees of jurisdiction to develop a suitable legislative, legal and administrative structure for how to achieve a Puerto Rico Medicaid program that can be on par with the states. However, the near term presents a significant challenge as we are projected to hit the Medicaid funding cliff on or near September of 2019. Thus, we are requesting two additional years of funding at a level no less than the one suggested by the President's Budget Request for FY18 of \$1.59 billion per year, for a total of \$3.18 billion for FY 20 and FY 21. This funding will allow for a continuation of federal Medicaid funding support at the pre-hurricane levels while we diligently work with Congress to move us closer to equal treatment of the island in the federal healthcare system.

**Continuation of Disaster Funding for Puerto Rico's Nutrition Assistance Program:**

For the last three and a half decades the U.S. Congress has treated American citizens in Puerto Rico differently when it comes to meeting essential nutritional needs. In 1982 Congress removed Puerto Rico from the Food Stamp program and created a separate block grant called the Nutritional Assistance Program (NAP) which provides significantly lower benefits, has a much lower poverty threshold for eligibility, and leaves many families in need without the food security that they would have living in the states.

Hurricanes Irma and Maria vastly exacerbated Puerto Rico's food insecurity, and as part of the federal response to that mass devastation, Congress authorized in H.R. 2266, Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, P.L. 115-72, a disaster relief NAP appropriation of \$1.27 billion for Puerto Rico for fiscal years 2018 and 2019. The supplemental increase brought the total Puerto Rico NAP grants to \$1.94 billion in FY18 and \$1.91 billion for FY19.

The additional funding allows Puerto Rico to provide critical nutrition assistance to nearly 153,000 new participants, while increasing the benefit amount to be more comparable to Supplemental Nutrition Assistance Program (SNAP) benefits for current and new participants on a temporary basis. Given the island's ongoing recovery from hurricanes Irma and Maria, the economic crisis, and the persistent nutritional needs of our people, my Administration is closely tracking the expenditures for the disaster relief NAP. It is projected that current disaster relief NAP funds will be expended by late-February/early-March 2019, at which time over 150,000 individuals under the poverty level will be left without this critical food assistance. It will also force a reduction in benefits for the participants of NAP who were eligible prior to the hurricanes. Such a scenario would bring instability to an already highly vulnerable population who are still working to restore normalcy and rebuild their lives and communities.

Given these dire facts, I am requesting an additional disaster appropriation of \$600 million for Puerto Rico's NAP to avoid a significant cliff in March 2019. With this appropriation, we can guarantee that the residents and families of Puerto Rico continue to have food stability while long-term recovery advances. Puerto Rico's nutritional assistance is less than any other state or territory of the United States. Our people receive significantly less in benefits than any other U.S. citizen residing in the states. As the island continues to recover from the hurricanes, it is incumbent on Congress assist the over 1 million residents on the island who participate in NAP and who continue to be food insecure in the wake of the hurricanes. In the longer-term Congress should transition Puerto Rico into SNAP to provide equal levels of assistance for island residents compared to their peers in the states.

**New Construction Start for Caño Martín Peña:**

As you may know, the communities along the eastern half of the Caño Martín Peña (CMP), a tidal channel within the San Juan Bay Estuary in Puerto Rico, face public health and safety challenges directly associated to the environmental degradation of this ecosystem and recurring flooding. During the early 20th century, substandard dwellings were built in the mangrove wetlands bordering the channel, which used refuse and debris as fill material. The channel is stopped with debris, sediment, and organic waste. Heavy rainfalls translate into floods with highly polluted water. It is for these reasons that the CMP was authorized by Congress for remediation in WRDA 2007.

Hurricanes Irma and María have dramatically exacerbated these conditions and amplified the urgency of this project. The vulnerability of critical infrastructure has been exposed – from modest dwellings to the island’s main link with the mainland, the Luis Muñoz Marín International Airport. Over 3,000 structures still discharge raw sewage into the remains of the channel. The lack of adequate sewer and storm water systems has led to flooding, exposing 27,000 residents to polluted waters and sediments.

Congress should support the selection of CMP as a new construction start under the “Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019,” P.L. 115-244. The project is eligible for selection as the one environmental restoration new start, or as one of the two new starts that can be multi-purpose projects given the CMP’s flood and storm damage risk reduction benefits that complement its principal environmental restoration purpose. It is necessary to begin the new construction on CMP as soon as possible to reduce the risk of future damages from flood and storm events, and to protect the U.S. citizens in its vicinity from the inevitability of future natural disasters in the upcoming 2019 hurricane season, which begins next July.

**Inclusion of Critical Distressed Areas Among Puerto Rico’s Designated Opportunity Zones:**

To encourage investment in U.S. distressed communities, The Tax Cuts and Jobs Act of 2017 (P.L. 115-97) codified I.R.C. Sections 1400Z-1 and 1400Z-2, providing favorable capital gains tax treatment for investments in designated Opportunity Zones.

Taking account of the unprecedented, pervasive economic distress caused by Hurricane Maria, Congress subsequently amended Section 1400Z-1 to provide the following "Opportunity Zone Rules for Puerto Rico":

Each population census tract in Puerto Rico that is a low-income community shall be deemed to be certified and designated as a qualified opportunity zone, effective on the date of enactment of Public Law 115-97. (P.L. 115-123, Section 41115)

Based on this statutory language and recognizing the need for comprehensive disaster recovery throughout the island, the U.S. Treasury designated approximately 95% of the census tracts located in Puerto Rico as Opportunity Zones. Unfortunately, the statute’s technical requirement that Treasury base its designations on census tract data from 2011-2015 - years that preceded, and do not take account of, the damage inflicted by Hurricane Maria - caused non-designation of several critical areas where economic redevelopment is essential to Puerto Rico’s economic recovery.

In certain of these areas, no census tract data exists at all: for example, at Roosevelt Roads, where a major U.S. military base closure occurred followed by severe hurricane damage that together contributed to poverty rates as high as 45% in surrounding communities. In other areas, post-Hurricane census data assuredly would support the communities’ inclusion among Puerto Rico’s Opportunity Zones. Absent productive commercial investment in these areas, redevelopment of hard-hit surrounding communities will



be impaired. The most effective solution is that Congress amend the Opportunity Zone Rules and provide that Puerto Rico, in its entirety, shall be deemed to be certified and designated as an Opportunity Zone. This would be completely consistent with the intent of Congress when it expanded the application of Opportunity Zones for Puerto Rico.

**Equality in Federal Tax Policy Towards Individuals and Families in Puerto Rico:**

To move Puerto Rico in a more prosperous and fiscally sustainable era, we must set policies – at both the local and federal level – that ensure that the island’s next generations are poised to be part of the new global economy. Toward that end, investments my Administration is making to reduce child poverty on the island would be greatly amplified by extending the Child Tax Credit to families in Puerto Rico with 1 and 2 children, as recommended by the Congressional Task Force on Economic Growth for Puerto Rico. Similarly, Congress should extend the availability of the Earned Income Tax Credit to Puerto Rico to provide relief to low-income families on the island, while boosting labor force participation.

**Support Puerto Rico’s Economic Diversification Through Tourism:**

The need to diversify Puerto Rico’s economy has never been greater, and as indicated in the Recovery Plan, the most promising industry in that effort is the island’s tourism and visitor economy. Congress can help us increase the economic growth and job creating potential of this sector by providing Puerto Rico with a modest tourism tax credit.

I propose that Congress create a Puerto Rico Tourism Development and Job Creation Tax Credit to provide for a 25 percent tax credit for qualifying investments made, and qualifying wages paid, from December 31, 2018 through December 31, 2023, in the development and establishment of tourism projects in Puerto Rico.

Congress must not delay action on Puerto Rico’s requests. My goal is to re-imagine, revitalize, and rebuild Puerto Rico so that it can develop to its full capacity for the benefit of not only the 3.3 million Americans who reside on the island, but for America as a whole. To do this, we must work together with sustained federal assistance and support. If we are able to do that, I am confident that the people of Puerto Rico will recover and grow stronger than ever.

Sincerely,



Ricardo Rosselló Nevares  
Governor