



September 2, 2016

Members of Congressional Task Force on Economic Growth in Puerto Rico

Senator Orrin Hatch	Rep. Sean Duffy
Senator Marco Rubio	Rep. Tom MacArthur
Senator Bill Nelson	Rep. Nydia Velazquez
Senator Robert Menendez	Rep. Pedro Pierluisi

On behalf of the 11,000 working family's members of the Servidores Públicos Unidos de Puerto Rico – Council 95 / AFSCME, we are writing to express our views on Puerto Rico's ongoing fiscal and economic crisis.

Puerto Rico faces serious long-term economic challenges, in particular a 10th year recession, high unemployment rate, low labor force participation and high poverty rates. During the past years, the Obama Administration and the Congress, published some reports about our economy, for example:

- Report by the President's Task Force on Puerto Rico's Status (2011)
- Puerto Rico and Health Care Finance: Frequently Asked Questions (2015)
- Puerto Rico's Current Fiscal Challenges (2016)
- Addressing Puerto Rico's Economic and Fiscal Crisis and Creating a Path to Recovery: Roadmap for Congressional Action
- The Puerto Rico Oversight, Management, and Economic Stability Act (2016)

Some of this reports, identifies the strategies that Puerto Rico needs to restore our economy. Puerto Rico doesn't need more reports or studies, Puerto Rico needs actions from the Executive and the Congress.

While we are waiting for action, our public employees are living in anguish. Our pensioners live deciding whether to buy food or pay their medicines. Our sons expect to finish their high school to move to the United States looking for better opportunities. Our patients do not receive their treatment because our doctors are leaving the island. Our children with disabilities doesn't receive their therapies because the government doesn't have the resources to pay the therapist. Right now we are beginning to live a humanitarian crisis that will worsen if the Congress and/or the Executive doesn't take action to restore our economy.

The economic challenges facing the people of Puerto Rico are compounded because the island receive unequal treatment from the federal government compared to the states. Puerto Rico receives less funding key federal government programs such as Medicaid.

Medicare & Medicaid

Federal health care programs are vital to Puerto Rico, partly because of the high poverty level. Nearly 60 percent of Puerto Ricans receive Medicare health care or Medicaid. Several bills have been introduced in Congress to increase funding federal health care intended for the government of Puerto Rico and entities located there. In particular, we urge the Congress to review the Federal Medical Assistance Percentage (FMAP, by its acronym in English) under Medicaid. Currently, the FMAP reimbursement for Puerto Rico covers 55% costs but is subject to a ceiling. The state refunds vary from 50% to 83% being the higher percentages for poor states and no state is subject to a ceiling. Puerto Rico have one higher poverty rate than any other state, it would be right and proper to increase the FMAP and remove the top. A report by the Government Accountability Office (GAO) estimates that if the FMAP be applied to Puerto Rico in the same way that states, the Commonwealth would receive from \$ 500 million to \$ 1.5 billion millions more in annual funding.

Economic Development

A fiscal recovery plan must be accompanied by a realistic and robust program of economic development including continued participation of the government of the United States. The slowdown in economic activity is causing residents to emigrate, in particular professionals and working class. This loss of population worsens the already declining economic output, creating a vicious cycle. A clear, realistic and achievable strategy with long-term view is needed to rebuild the economy. New and effective options should be available to help the people of Puerto Rico. Is necessary and inevitable that the federal government take a more prominent and supportive role. SPU – Council 95 AFSCME urges the federal government to provide additional assistance and support options to the Commonwealth of Puerto Rico and its citizens.

1. Extend the Child Tax Credit (CTC) to allow households with one or two children to claim a partially refundable child tax credit to the degree they have labor market earnings. Extending the child tax credit to our residents with fewer than three children could help reduce poverty and strengthen the labor force in Puerto Rico, because the credit is conditional on labor earnings.
2. Extend the Earned Income Tax Credit, which is already available to Americans living in the fifty states and the District of Columbia. This credit would create incentives for work and increase participation in the formal economy.
3. Designate economic distressed areas as an Empowerment Zone in order to receive flexible grants for planning, seed capital, technical assistance, and other activities through EDA, Federal program flexibility, and two tax incentives: an employment incentive and an investment incentive.

4. Provide special access to Puerto Rico, their Municipalities and Non for Profit Organizations to the following programs through the Economic Development Agency:

- a. *Public Works* - Empowers distressed communities to revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies, and generate or retain long-term, private sector jobs and investment.¹
- b. *Investing in Manufacturing Communities* - The Investing in Manufacturing Communities Partnership (IMCP) program is an initiative designed to revolutionize the way federal agencies leverage economic development funds. It encourages communities to develop comprehensive economic development strategies that will strengthen their competitive edge for attracting global manufacturer and supply chain investments. Through IMCP, the federal government is rewarding best practices – coordinating federal aid to support communities' strong development plans and synchronizing grant programs across multiple departments and agencies.

Senators and Representatives, news and effective options should be available to help our people. It is necessary and inevitable that the federal government take a more prominent and supportive role. SPU – Council 95 AFSCME urges the Congress to provide additional assistance and support options to the Commonwealth of Puerto Rico and its citizens .

Sincerely,



Annette A. González Pérez
President
Servidores Públicos Unidos de Puerto Rico
Council 95 AFSCME / AFL – CIO

¹ Economic Development Agency Webpage.