

**Submission to**  
**Congressional Task Force on Economic Growth in Puerto Rico**  
**by**  
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While the process of addressing Puerto Rico's economic challenges has begun with appointments to the Fiscal Oversight Board, it is still important for Congress to act. Congressional action is needed to genuinely address Puerto Rico's current humanitarian and financial crises, promote longer term sustainable economic growth and job creation, reduce childhood poverty and improve health outcomes to build a better future, and help protect financial circumstances of working families and retirees struggling to make ends meet.

Congress should act to provide real economic solutions that will allow Puerto Rico and its 3.5 million American citizens to emerge successfully from its forthcoming debt restructuring plan. Congress should start by passing legislation to ensure parity for Puerto Rico in its federal funding levels for Medicaid, Earned Income Tax Credit (EITC), Child Tax Credit (CTC), and other key federal services. Congress should protect labor standards and employee rights for Puerto Rico workers and pass legislation providing adequate economic stimulus to put Puerto Rico on the path to achieve sustainable economic growth. If Puerto Rico or the Oversight Board were to implement an austerity agenda or reduce pensions or wages, it would lead to economic contraction and likely result in a vicious downward economic cycle.

Federal policymakers must put the lives of 3.5 million U.S. citizens in Puerto Rico ahead of the greed of a handful of millionaire and billionaire investors. Congressional action and federal assistance is still needed.

***Congress should take appropriate steps to:***

**Preserve and protect the accrued pension benefits of Puerto Rican workers and retirees, and protect the rights of beneficiaries.**

While PROMESA requires Puerto Rico's fiscal plan to include "adequate funding for public pension systems," individual retirees still might see substantial cuts to their pension benefits. Furthermore, retirees' pensions could potentially be reduced to pay off the debt Puerto Rico owes its creditors. Such adverse decisions would cripple these retirees' families, reduce Puerto Rico's overall consumer spending, and thereby shrink the economy. Retirees on fixed incomes tend to spend most of their income in the local economy and this consumer spending and its multiplier effects help the economy. Reducing pension benefits to these retirees would harm them and the broader economy.

Puerto Rico has approximately 100,000 public sector retirees. Their average monthly pension benefits are a modest \$1,059. Workers contribute 10% of their pay into their retirement system. Their pension benefits were already reduced and their contributions were increased, without the required employer contributions being paid into the pension system. Any attempt to cut their modest pension benefits would not just be unfair, but would be counterproductive for Puerto Rico and its economy.

## **Enact legislation ensuring parity of federal Medicaid funding and tax credits to Puerto Ricans**

It is a longstanding injustice that Puerto Ricans are not provided the full federal Medicaid and health care funding received by Americans on the mainland. Similarly, Puerto Ricans are not able to access tax benefits such as the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), unlike those residing in the 50 states or Washington, D.C. Enacting appropriate legislation that fully addresses these longstanding disparities would overcome existing impediments to growth and harmful inequities and provide critical financial assistance to ordinary Puerto Ricans.

Specifically, Congress should enact legislation to appropriately increase the Federal Medical Assistance Percentage (FMAP) for Puerto Rico, which is the percentage match rate used to determine federal funding for Medicaid. Also, Congress should eliminate the annual cap on federal funding for Medicaid to Puerto Rico. These decisions would help achieve parity between Puerto Rico and the 50 states and Washington D.C. and ensure Puerto Ricans receives much needed health care services.

## **Provide economic stimulus to help Puerto Rico achieve economic growth.**

Puerto Rico faces humanitarian and fiscal crises brought on by more than a decade of recession, excessive debt, and Wall Street demands for austerity. However, austerity has failed to restore the economy and also caused suffering for Puerto Ricans. Puerto Rico has already cut essential services in order to slash public spending. Sales taxes have doubled since the crisis began. Austerity budgets have resulted in 30,000 public sector job cuts in health care, education, and transportation. Funding for law enforcement has dropped three years in a row, 200 schools have closed, and the Commonwealth cut health spending by \$42 million this year alone. In April, the children's hospital was forced to close because it could not pay its staff, further limiting the access of poor families to much-needed care.

Congress should work to protect public services such as health care, education and transportation from further cuts. Public services should not be reduced during the current health and economic crises– or any similar future challenges. Unfortunately, this is exactly what some recommend for Puerto Rico. The population needs public services, and employing public workers is an important way for government to maintain jobs and avoid worsening economic problems.

## **Preserve labor rights, wage and hour protections, and workplace safeguards.**

It is extremely important to preserve existing labor and workplace protections and collective bargaining rights. Puerto Rico's workers did not cause Puerto Rico's current crises. In fact, in recent years Puerto Rico's workers have contributed significant givebacks and suffered significant financial setbacks in varied attempts to address Puerto Rico's economic problems. It's wrong to lay blame for broad economic problems on individual workers, who would suffer from reduced wages, worse working conditions, and weakened workplace safeguards.

We oppose efforts to repeal or weaken existing workplace and labor protections. For example, we urge Congress to retain the Jones Act and oppose undermining Jones Act protections.

## **Fix anti-worker provisions.**

When Congress acts to strengthen Puerto Rico's economy, it should address misguided anti-worker provisions by repealing two provisions in PROMESA, which allow Puerto Rico's governor

to implement a newly reduced \$4.25 minimum wage for young workers and which exempt workers in Puerto Rico from the Obama administration's overtime protections. We agree with the Statement of Administration Policy issued on June 9, 2016, which states, "(T)he 'Administration opposes the measures in this bill on minimum wage and overtime that put in jeopardy important protections for workers, do nothing to address the crisis, and further exacerbate the economic disparities between Puerto Rico and the mainland United States.'" Short of that, we oppose implementing this subminimum wage because it would harm workers and contract the economy.

**We stand ready to work with the Task Force to improve the lives of Puerto Rico's 3.5 million American citizens.**