



January 17, 2017

The Honorable Paul D. Ryan  
Speaker  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Speaker:

As the 115th Congress begins, we write to underscore the need for additional legislation early in this session to address the economic and fiscal crisis in Puerto Rico. The Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) provided Puerto Rico with important fiscal oversight and debt restructuring tools, and now the Oversight Board and Puerto Rico's new Governor must take the critical next steps required by this federal legislation. Working with the new Governor, the Oversight Board now must certify a Fiscal Plan and set a path to comprehensively restructure the debt before the expiration of PROMESA's automatic stay. Treasury has continued to provide both the Oversight Board and the new Governor with technical assistance as requested, and will remain able to do so after the transition to the next Administration.

Despite the important progress achieved to date with bipartisan support, the work is not done. As Puerto Rico moves forward on these next steps, Congress must enact measures recommended by both Republicans and Democrats that fix Puerto Rico's inequitable health care financing structure and promote sustained economic growth. Without congressional action to address these issues, Puerto Rico's return to growth and opportunity will be a significant challenge. Most urgently, Congress should address Puerto Rico's "Medicaid cliff" funding issue before April as recommended last month by the Congressional Task Force on Economic Growth in Puerto Rico. Failure to do so would jeopardize health care for up to 900,000 poor U.S. citizens living in Puerto Rico.

### **CONGRESSIONAL TASK FORCE REPORT**

On December 20, the Congressional Task Force on Economic Growth in Puerto Rico, established by PROMESA, released its Final Report. The bipartisan report provides an overview of the economic challenges facing Puerto Rico and a series of potential solutions that, if crafted well and enacted quickly, are necessary for a sustainable economic recovery. It is important that Congress not only turn ideas into action, but in doing so, address Puerto Rico's significant remaining economic and social challenges in meaningful ways to help put Puerto Rico on a path of sustained economic growth.

As the report acknowledges, Puerto Rico faces an imminent shortfall in health care funding that could leave up to 900,000 Americans without coverage if Congress does not act in the near future. Puerto Rico's already vulnerable health care system is stretched further by a Zika outbreak that, as of January 4, has resulted in over 34,000 cases, and will affect numerous women, children, and families for years to come. It is time to provide a long-term solution to Puerto Rico's historically inadequate federal Medicaid financing, which threatens the viability of Puerto Rico's Medicaid program and worsens Puerto Rico's fiscal crisis. If Congress fails to craft a long-term solution, immediate action is still needed to ensure full fiscal year 2018 financing to avoid the "Medicaid cliff" identified in the report. Without action before April, Puerto Rico's ability to execute contracts for Fiscal Year 2018 with its managed care organizations will be threatened, thereby putting at risk beginning July 1, 2017 the health care of up to 900,000 poor U.S. citizens living in Puerto Rico.

Additionally, Puerto Rico continues to suffer from double digit unemployment and a labor force participation rate that is only two-thirds that of the U.S. average. A federally-financed, locally-administered Earned Income Tax Credit (EITC) in Puerto Rico would create incentives for work and increase participation in the formal economy – just as it has done for decades in the 50 states and the District of Columbia. Instead of recommending the immediate enactment of an EITC, the Task Force only suggested Congress further explore the proposal. We strongly encourage Congress to enact this powerful economic driver to bolster Puerto Rico's future. Our analysis of the situation over the last several years demonstrates that an EITC would be the most effective and powerful tool to address these structural challenges to economic growth.

Beyond those two major issues, the Task Force recommended a number of other policies that we agree should be enacted. First, we appreciate the bipartisan recommendation for Congress to continue authorizing Treasury to provide technical assistance to Puerto Rico. Furthermore, while we recommend a different approach to expand the Child Tax Credit to more Puerto Rican families, one that is locally administered, we welcome the Task Force recommendation for Congress to expand the Child Tax Credit in Puerto Rico, to the extent it is well-designed and supplements an EITC program for Puerto Rico. We support the Task Force's acknowledgment of the importance of data in benchmarking economic growth and fiscal developments in Puerto Rico and the recommendations to improve data quality and timeliness. Finally, we are pleased with the recommendations on small business incentives, and the need to include Puerto Rico in funding and training programs that address Puerto Rico's differential treatment in some Federal programs. It is time for Congress to move quickly to put these recommendations into law.

Last summer, Republicans and Democrats in Congress took decisive action in PROMESA to help improve Puerto Rico's fiscal position by establishing an independent oversight board and providing it with comprehensive debt restructuring tools. As you know, these tools were provided to Puerto Rico as an alternative to a federal bailout and provide Puerto Rico's government and the Oversight Board with comprehensive authorities to address the debt crisis. Members of Congress now must work together quickly to enact well-crafted legislation to encourage growth and opportunity for our fellow citizens in Puerto Rico.

The Treasury Department and the Department of Health and Human Services stand committed to working with you to achieving those goals throughout the remainder of the transition to the next Administration.

Sincerely,



Jacob J. Lew  
Secretary  
Department of the Treasury



Sylvia M. Burwell  
Secretary  
Department of Health and Human Services

Identical letter sent to:

The Honorable Nancy Pelosi  
The Honorable Mitch McConnell  
The Honorable Charles E. Schumer