

Statement of Congresswoman Jenniffer González-Colón (PR -At Large)
U.S. Senate Committee on Energy and Natural Resources Committee
Hearing to Examine the Impact of COVID-19 to U.S. Territories
June 29, 2020

As the sole representative in Congress for 3.2 million Americans in Puerto Rico, thank you Chairman Murkowski and Ranking Member Manchin, for the invitation to testify.

On March 15, two days after the President declared a national emergency due to the COVID-19 outbreak, Puerto Rico became one of the first U.S jurisdictions to implement a strict lockdown with a mandatory curfew and a shutdown of all non-essential businesses. Although the stay-at-home order ended May 3rd, and there is a phased-in reopening approach as the rest of the country, businesses are operating at a very limited capacity. Inbound tourism for example, which accounts for 10% of the Island's economy, will only be available July 15th. As you can imagine, this has only exacerbated the Island's economic challenges. According the Puerto Rico Fiscal Agency and Financial Advisory Authority, COVID-19 alone could cost the Island an estimated \$4 billion.

Throughout my tenure in Congress, I have sought to generate economic growth and turning many of the recommendations of the bicameral, bipartisan Congressional Task Force on Economic Growth in Puerto Rico into bipartisan legislation. The 2017 hurricanes, the earthquakes that began last December and continue, and, now the pandemic, have created major unexpected challenges for a territory that, because of its political status, has always lagged the states economically and has been in depression for almost all of the last 14 years. But Puerto Rico can recover, short term and long term.

The most immediate challenge that we have is on healthcare. I will briefly discuss some of these as it relates to the current health emergency.

Provide emergency funding to providers of Medicare Advantage

In Puerto Rico, the vast majority (90%) of Medicare beneficiaries with Medicare Part A and Part B, as well as almost all dual (97%) beneficiaries, receive their care through local Medicare Advantage (MA) organizations, which account for nearly half of all healthcare expenses in Puerto Rico.

Many of the mechanisms included in the CARES Act to provide immediate cashflow to healthcare providers were based on original Medicare. Because of the low percentage of original Medicare beneficiaries in Puerto Rico, the CARES Act provided very little funding. According to Department of Health and Human Services (HHS), 3,380 healthcare providers in Puerto Rico received a total amount of \$75,630,649 from the HHS Provider Relief Fund. Over 50% of healthcare providers in Puerto Rico received payments from this fund in an amount less than \$1,000 and 80% of healthcare providers received payments in an amount less than \$5,000.

Moreover, Puerto Rico has received fewer dollars per capita from the Provider Relief Fund than any State or territory, with a per-capita distribution for Puerto Rico of \$23.34 compared to the national average of \$159.70. HHS has also reported that, under the Medicare Advance Payments

Loan Program, Medicare Parts A and B providers in Puerto Rico received advances in the total amount of \$124,584,908. This also reflects the lowest per capital distribution, with a per-capita distribution for Puerto Rico of \$38.97 compared to the national average of \$305.72.

Remove Puerto Rico’s Medicaid cap to allow testing for the uninsured.

The Families First Coronavirus and Response Act allowed testing for the uninsured with a 100% Medicaid Federal Medical Assistance Percentage (FMAP). Even though the ongoing Medicaid funding cap for the territories was raised, the expenses for the uninsured remain at 100% FMAP. This, together with testing and treatment for Medicaid beneficiaries will result in additional spending causing Puerto Rico to use up its capped Medicaid funding more quickly. Congress should exempt coverage the uninsured from the Medicaid cap if it is unwilling to eliminate the cap, a multi-billion a year limitation not placed in the states.

Extend funding to Puerto Rico’s Nutritional Assistance Program.

Puerto Rico received additional funding for our limited, again capped program, in lieu of the Supplemental Nutrition Assistance Program block grant, known as NAP, in both the Families First Coronavirus Response Act and the CARES Act to respond to needs of those affected by the Coronavirus pandemic.

NAP funds provided under these two bills total approximately \$297 million. Typically, NAP is funded at \$1.96 billion and serves over 1.3 million beneficiaries, with benefits close to 50% less than their SNAP counterparts. Additionally, Puerto Rico is excluded from the provisions of Disaster- SNAP, that enable states to increase benefits in the aftermath of an emergency or disaster.

Congress should increase our capped grant by 30%, bringing us closer to SNAP levels, and provide an additional \$1.27 billion for NAP to cover the current ongoing health emergency. Also, Puerto Rico was not included in the Pandemic-EBT program, which provides nutritional benefits to students in light of school closures. In Puerto Rico, there are close to 218,000 students enrolled in child nutrition programs of the Department of Education. Allowing Puerto Rico to have equal participation would undoubtedly help counter food insecurity among our youth population during the pandemic.

Promote pharmaceutical and medical supply production in distressed zones.

Consistent with widespread, bipartisan advocacy for increased domestic production of medical goods, I am introducing the Medical Manufacturing, Economic Development, and Sustainability (MMEDS) Act. This bipartisan and bicameral bill — which Senator Rubio supports on this side of the Capitol would establish federal tax and other incentives for current and repatriated manufacturing operations in “distressed zones”, areas of extremely high poverty and prevalent unemployment, such as in the states that you, Madame Chairman and the Ranking Member represent.

The bill also seeks to incentivize research, development, and manufacturing of “population health drugs” that because of their low costs are especially prone to offshoring. This proposal has

garnered the support of the Government of Puerto Rico and of health organizations such as the American Heart Association.

Currently, 12 of the top 20 pharmaceutical and biotechnology companies in the world have manufacturing operations in Puerto Rico, including Amgen, Eli Lilly, Pfizer, Bristol-Myers Squibb, and AbbVie. Puerto Rico manufactures half of the 2018 world's top 10 bestselling drugs. Since 2005, manufacturers have invested more than \$65.9 million in infrastructure with Puerto Rico boasting the world's largest modular biotechnology plant for producing recombinant human insulin.

Puerto Rico is also home to over 70 medical devices manufacturing plants producing surgical and medical instruments, ophthalmic goods, dental equipment and supplies, orthodontic goods, dentures and appliances, and laboratory apparatus and furniture. Medtronic, Stryker, CR Bard, Abbott Medical Optics and Coopervision are among the top international medical equipment and supply companies that have found Puerto Rico to be a profitable location for manufacturing.

Puerto Rico has had a long history of pharmaceutical manufacturing and counts with a highly experienced workforce knowledgeable in GMP, FDA and other global regulations. The Island's university system has also invested in a highly skilled workforce by turning out a steady stream of new talent. According to statistics from the Government of Puerto Rico, colleges and universities in Puerto Rico had a total of 22,172 students involved in STEM-related concentrations during the 2017-2018 academic year.

We have a unique opportunity to bring jobs back, spur the economy of distressed areas like Puerto Rico, and enhance our national and health security.

CARES State Funding

I am also grateful and encouraged by the finding provided under the Coronavirus Relief Fund included in the CARES Act.

As you are aware, direct assistance for local governments under the Coronavirus Relief Fund established by the CARES Act was limited to those with populations of over 500,000. None of Puerto Rico's 78 municipalities meet this threshold.

While the Government of Puerto Rico will transfer \$100 million from its Coronavirus Relief Fund allocation to our 78 municipalities, this will not be enough. Should Congress allocate additional funding for State and territorial governments in a future package, I respectfully request that part of this funding be provided directly to municipalities and local governments, regardless of their population.

Small Business Loans

The Paycheck Protection Program (PPP) and the Economic Injury Disaster Loans have been instrumental in helping small businesses in Puerto Rico, enabling many to pay - instead of lay-off - their employees.

The pandemic and the earthquakes have cost more than 150 thousand jobs in just six major small businesses industries. As of June 20th, SBA lenders in Puerto Rico have approved more than 34 thousand PPP loans totaling of \$1.76 billion. As of today, nearly 80 percent of our 44,442 small businesses have been approved for PPP loans.

Allow use of CDBG-DR funds for COVID-19

If we truly want to keep pumping money into the Island's economy, Congress should allow use of CDBG-DR funds for hurricane relief for needs related to the earthquakes and COVID-19 as well.

Provide Equal Treatment of the Child Tax Credit (CTC) for residents of Puerto Rico

Workers in Puerto Rico with three or more children currently qualify for the refundable portion of the Child Tax Credit but, unlike in the states, workers with one child or two children do not. To correct this issue, I have introduced the bipartisan H.R. 302.

Extending this credit to workers with one or two children was a top recommendation of the Congressional Task Force on Economic Growth in Puerto Rico. Enacting this would not only assist working families but inject money into the local economy through purchasing of consumer goods. I am proud that Senators Rubio, Menendez and Rick Scott have sponsored the companion bill, S. 698.

Make residents in Puerto Rico eligible for the Earned Income Tax Credit (EITC)

Another tool for helping working families and the territorial economy would be the Earned Income Tax Credit. I have introduced H.R. 754 for this purpose. This year, the House has twice passed legislation to at least triple the amount that the territorial government plans to spend on a local EITC up to \$600 million a year.

Beyond its impact on individual families extending the EITC would provide a significant stimulus to the Puerto Rican economy. The stimulus would be both direct, by increasing consumer demand, and indirect, by encouraging a higher labor force participation rate. Studies have suggested that when all eligible Puerto Rico residents are applying for and receiving the EITC, the overall impact of the infusion of these funds would raise income by close to 4%.

Ensure Puerto Rico has access to reliable water

At a time when we are asking people to wash their hands to stop the spread of COVID-19, reliable water service is essential. Unfortunately, this has long been an issue in Puerto Rico, where as much as 59% of the water produced by the Puerto Rico Aqueduct and Sewer Authority—or about 299 million gallons per day (MGD)—is lost through a deficient distribution system.

To help address this issue and ensure Puerto Rico has access to additional resources to improve our water infrastructure and management practices, I filed H.R. 6050, the Puerto Rico WaterSMART Grants Eligibility Act, bipartisan legislation to make the territory an eligible for the Bureau of Reclamation's program of the same name. The WaterSMART Grants Program provides

cost-shared federal funding for water and energy efficiency projects, as well as water marketing strategy development. However, currently Puerto Rico is the only territory and noncontiguous jurisdiction in the United States where the competitively awarded WaterSMART Grants are not available. This despite the fact that we share many of the same water supply issues and vulnerabilities to droughts that differ from the mainland.

As the Committee of jurisdiction, I respectfully ask that you consider legislation similar to my H.R. 6050 to ensure Puerto Rico—just as Alaska, Hawaii, and rest of the U.S. territories—is eligible for WaterSMART Grants.

Offshore Wind for Territories Act

I also want to briefly mention another bill within the Committee's jurisdiction which, if enacted, could create jobs, address high energy costs, and boost revenue in Puerto Rico and the other territories. I'm referring to S. 499, the Offshore Wind for Territories Act, which was introduced by Senators Bill Cassidy of Louisiana and Brian Schatz of Hawaii. I introduced the House version, H.R. 1014, with bipartisan support from Delegates Sablan of the Northern Mariana Islands, Radewagen of American Samoa, Plaskett of the U.S. Virgin Islands, and with Representative Soto of Florida.

The Offshore Wind for Territories Act seeks to apply the Outer Continental Shelf Lands Act to the submerged lands off the territories and possessions of the United States for renewable energy purposes. Additionally, the bill directs the Department of the Interior to conduct feasibility studies on offshore wind lease sales off all territories. Should a study determine that a wind lease is viable, the Secretary is directed to conduct a lease sale off said territory.

Notably, the Offshore Wind for Territories Act would guarantee each territory a state-equivalent share of all royalty payments made to the federal government by offshore wind developers for projects in their respective Exclusive Economic Zones. Territories would receive 37.5% of qualifying revenues, consistent with the revenue sharing structure established for the Gulf Coast states under the Gulf of Mexico Energy Security Act. The bill also directs that 12.5% of revenues be deposited into a Coral Reef Conservation Fund, thus providing dedicated funding for coral reef conservation in U.S. territories and elsewhere, at no additional cost to the American taxpayer.

Last year, the House Natural Resources Committee passed H.R. 1014 with unanimous support. Similarly, last Congress, the House approved an identical bill by voice vote. The COVID-19 pandemic has made painfully clear the economic vulnerabilities faced by the U.S. territories. Any effort to address these challenges requires that we explore ways to tackle our high energy prices. The bipartisan Offshore Wind for Territories Act offers a sensible path to achieve this by providing American citizens on the islands cleaner access to electricity, while simultaneously boosting revenue and helping protect vulnerable coral reefs. I therefore respectfully request that the Committee move forward Senator Cassidy's S. 499.

Stimulus Checks

There is another issue that is very important to my constituents: the CARES ACT's Economic Impact Payments (EIPs).

Because of our unincorporated territory treatment under U.S. tax law, the U.S. Department of Treasury had to approve the Puerto Rico Treasury Department's plan for disbursement of the payments. This has delayed assistance to our most needy, particularly social security beneficiaries and veterans, many who until this day have not received their EIPs.

So, as we consider a new round of stimulus checks, I urge that we consider options for these vulnerable populations to have the same access to the tools that are available to social security beneficiaries and veterans across the rest of the nation.

Additionally, I urge the Senate to consider The All Dependent Children Count Act, which I co-sponsored in the House. This bill provides economic relief to a segment of the population such as dependents over the age of 17, who are in school and on their parent's income tax form, as well as disabled adults, who were left out of the CARES Act and make them eligible for payments.

In conclusion, I want to say that whether in Alaska, West Virginia or Puerto Rico, Americans should not be left behind by the federal government when it comes to our response during this pandemic.

I hope that this Committee will lead the Senate on behalf of the 3.2 million Americans in Puerto Rico. I look forward to answering any questions you may have. I would like to take this opportunity to also extend an open invitation to you to come to Puerto Rico!

Thank you, again, for inviting me to testify.