

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



José B. Carrión III
Chair

Members
Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

Natalie Jaresko
Executive Director

BY ELECTRONIC MAIL

October 3, 2017

Mitchell McConnell, Jr.
The Majority Leader of the Senate
United States Capitol
Washington, DC 20515

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

Charles Schumer
The Minority Leader of the Senate
United States Capitol
Washington, DC 20515

Nancy Pelosi
The Democratic Leader of the House of Representatives
United States Capitol
Washington, DC 20515

Dear Mr. Majority Leader, Mr. Speaker, Mr. Minority Leader, and Ms. Democratic Leader:

Since its inception, the Financial Oversight and Management Board for Puerto Rico (“FOMB”) has worked with the Government of Puerto Rico to carry out its charge under PROMESA: to help Puerto Rico achieve fiscal balance, provide a path for its return to the capital markets, and restore economic growth and opportunity for the people of Puerto Rico. The certified Fiscal Plan for Puerto Rico worked to achieve this turnaround without new federal funding. The planned changes – from transforming the energy sector and modernizing labor laws to reducing government spending by approximately 30% – were ambitious and required unprecedented levels of effort by the government. Hurricanes Maria and Irma have fundamentally changed Puerto Rico’s reality.

October 3, 2017

Page 2

Your immediate and bold assistance is urgently needed to minimize loss of life, support critical emergency response efforts, and provide tools to support the island's recovery.

Consistent with its charge under law, the FOMB conducted an independent and comprehensive analysis of Puerto Rico's fiscal situation. Puerto Rico has over \$74 billion of debt, over \$53 billion of unfunded pension liabilities, an economy that has contracted nearly 15% in the last decade, a population that has shrunk by nearly 10% in the last decade, and a nearly 50% poverty rate. In addition, Puerto Rico's structural budget deficits are projected to average 50 percent of recurring revenues. Severe liquidity challenges and persistent budget deficits have contributed to a perilous lack of investment in infrastructure.

Based on the extensive analyses that the FOMB and its advisors have conducted of Puerto Rico and its instrumentalities, and the experience of working side-by-side with the Government of Puerto Rico as the FOMB has performed its statutory duties, the FOMB is deeply concerned about Puerto Rico's ability to share any of the cost with the federal government in connection with disaster recovery from Hurricanes Irma and Maria. Puerto Rico — both its government and its populace — is significantly more impoverished than virtually any other locality that has received federal disaster assistance in recent memory.

On top of that, the damage that Puerto Rico has suffered is catastrophic and island-wide. It is far more significant and extensive than what other hurricanes have inflicted on Puerto Rico in recent memory. While it remains too early for us to provide a damage assessment, a preliminary report from Moody's Analytics suggested it could be approximately \$95 billion, which is roughly 150% of Puerto Rico's annual GNP. Moreover, the FOMB believes that Hurricanes Irma and Maria will cause Puerto Rico's central government and some of its instrumentalities to face severe cash shortfalls from lower revenues, higher costs, and delayed or reduced cost-saving measures that had been required by the FOMB's fiscal plans.

That is why the FOMB urges Congress to heed the Governor's calls for the maximum federal assistance to Puerto Rico to help it respond to and to recover from Hurricanes Irma and Maria. This federal assistance should come in the form of grants and reimbursements to assist Puerto Rico in responding to the catastrophic damage it has suffered, and pursuant to an emergency liquidity program, low-interest loans to assist Puerto Rico in responding to its cashflow deficiencies. Failure to provide the greatest amount of federal aid and the emergency liquidity program will be potentially ruinous.

Congress should take the following concrete steps to help Puerto Rico with both its disaster response and liquidity needs: waive the local government cost-sharing requirements for disaster recovery programs, raise the caps on disaster recovery programs, expand eligibility to Puerto Rico so that it can benefit from more preexisting disaster recovery programs, and treat Puerto Rico with parity for Medicaid funding. A specific list of these requests is attached to this letter. Puerto Rico will also need support to rebuild critical infrastructure and address the housing needs of a displaced population to avoid a mass migration from Puerto Rico to the mainland. To this end, Congress should provide Puerto Rico with substantial emergency grants to fund necessary expenses to protect health and safety, repair damaged infrastructure, and meet other critical needs of the people of Puerto Rico.

October 3, 2017

Page 3

United States citizens have been devastated by the likes of a natural disaster the Island has not experienced in a century. We must do all that we can to help Puerto Rico avert a tragedy of historic proportions.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Carrión', with a long horizontal flourish extending to the right.

José B. Carrión

Chair

Andrew G. Biggs

Carlos M. García

Arthur J. González

José R. González

Ana J. Matosantos

David A. Skeel, Jr.

CC: Hon. Ricardo A. Rosselló Nevares

Christian Sobrino Vega

Natalie A. Jaresko

MAIN CATEGORIES OF REQUESTS

- **Maximum amount of federal assistance**
- **Access to an emergency liquidity program**
- **Parity treatment for Medicaid funding**
- **Waivers of caps and local share requirements for federal assistance**

WAIVERS OF CAPS AND LOCAL SHARE REQUIREMENTS

1. **Community Disaster Loans Cap** – Waive the \$5 million Community Disaster Loans Cap in 42 USC § 5184(b). Additionally, waive the state level guaranty and local collateral requirements under 44 CFR § 206.364(d).
2. **Waiver of the Cost Share for the Public Assistance program** – FEMA has currently waived the local cost share for emergency work. FEMA should waive the local cost share for permanent repair of infrastructure. If FEMA only raises the federal cost share to 90%, pass legislation that directs the federal cost share to 100%. This was done for Hurricane Katrina. *See* Section 4501 of P.L. 110-28, 121 Stat. 156.
3. **Housing Assistance Waivers** – Amend 42 USC § 5174(h) to waive the \$33,100 cap on the maximum amount of housing assistance that can be provided.
4. **Mortgage and Rental Assistance Program** – Restore the Mortgage and Rental Assistance Program that was revoked after in Disaster Mitigation Act of 2000. Through this program, the federal government can cover the cost for rental payments or mortgage payments if a person is unable to make those payments because they lost their job.
5. **Other Needs Assistance Funding** – Amend 42 USC § 5174(g)(2) to waive the local matching requirement for Other Needs Assistance Funding, which covers grants to replace personal property and help meet medical, dental, funeral, transportation and other serious disaster-related needs not covered by insurance or other aid programs. This was done for Hurricane Katrina. *See* Section 4501 of P.L. 110-28, 121 Stat. 156.
6. **Hazard Mitigation Grant Program** – Amend 42 USC § 5170(c) to waive the local cost share for the Hazard Mitigation Grant Program, which is for the approved costs for hazard mitigation projects undertaken by Puerto Rico to prevent or reduce long-term risk to life and property from natural or technological disasters. These funds are in addition to specific mitigation projects tied to damaged infrastructure in the Public Assistance program.
7. **Housing and Urban Development (HUD) Community Development Block Grants for Disaster Recovery (CDBG-DR)** – Grant maximal funding for housing and infrastructure

related projects under the HUD CDBG-DR program.

- 8. Access to additional Federal Disaster Relief Programs** – Grant Puerto Rico access to USDA’s Farm Emergency Loans, Noninsured Crop Disaster Assistance Program, the Emergency Forest Restoration Program, Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program, Livestock Forage Disaster Program, Livestock Indemnity Program, and Tree Assistance Program.
- 9. Department of Transportation** – Increase funding for the Emergency Relief program (49 U.S.C. § 5324), waive local matching requirement, and make Puerto Rico eligible.
- 10. Department of Labor** – Expedite approval of grant transfers under the Workforce Reinvestment Act, National Emergency Grants (NEGs). Permit maximum funding and flexibility on use of the funds from the Department of Labor, including the Secretary of Labor extension of the duration of disaster relief employment for up to 24 months.
- 11. Department of Commerce** – Increase funding to Economic Adjustment Assistance infrastructure programs to increase construction related activity in a timely manner. Expedite Economic Development Administration (EDA) Program timelines for the Public Works programs in order to repair substantially damaged electricity grids and air traffic control infrastructure.