

Congress of the United States
House of Representatives
Washington, DC 20515-5401

January 26, 2009

The Honorable Nancy Pelosi
Speaker
H-232, US Capitol
Washington, DC 20515

The Honorable John Boehner
Minority Leader
H-204, US Capitol
Washington, DC 20515

The Honorable Steny Hoyer
Majority Leader
H-107, US Capitol
Washington, DC 20515

The Honorable Eric Cantor
Minority Whip
329 Cannon House Office Building
Washington, DC 20515

Dear Leaders:

On behalf of the nearly four million U.S. citizens of Puerto Rico, I write to express my gratitude for your efforts to date to include the Island and the other U.S. territories in the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), and especially for extending the Making Work Pay Credit to taxpayers in Puerto Rico.

Puerto Rico is facing a fiscal crisis of unprecedented severity and has been mired in a deep recession for over three years. Puerto Rico's inclusion in the Recovery Act's spending provisions and the Making Work Pay program should prove very helpful, particularly in combination with a series of emergency economic measures recently enacted by Governor Luis G. Fortuño and the Puerto Rico legislature. Mindful of the fact that the entire nation is hurting, I respectfully ask that you consider whether additional federal assistance to Puerto Rico is appropriate in light of all the circumstances, and I urge your support for the following:

1. Additional Medicaid Funding Assistance. There is a dollar cap on annual federal contributions to Medicaid in Puerto Rico. Puerto Rico's FMAP is set by statute at 50%. But due to the spending cap, which is extraordinarily low, the real or "effective" FMAP is less than 20%. This means the Commonwealth is responsible for more than 80% of the costs of running its Medicaid program. Mississippi, by contrast, receives about 80% of its Medicaid funding from the federal government.

Under the draft House bill, Puerto Rico is slated to receive a 20% increase to its annual federal spending cap. While 20% is a considerable improvement over the amount initially proposed for the Island, it represents only a 4% increase in Puerto Rico's effective FMAP. This still leaves the effective FMAP at less than half of the 50% federal matching rate that is available to the wealthiest states and that would apply in Puerto Rico absent the cap.

In large measure, Puerto Rico's current fiscal crisis is a result of the disparate treatment the Island receives under Medicaid. If this disparity were eliminated, and residents of Puerto Rico were treated on equal terms with their fellow citizens in the states, the Island's budgetary problems would be substantially alleviated. Accordingly, as a matter of fundamental fairness and as the primary means of addressing Puerto Rico's fiscal crisis, I respectfully ask that you consider a substantial additional increase to the Island's Medicaid cap beyond the 20% increase called for in the draft bill.

2. Equalize Treatment for the US citizens of Puerto Rico Under the CTC. Despite the fact that residents of Puerto Rico are subject to federal employment taxes and to federal income taxes on earnings from non-Island sources, the Child Tax Credit is available in Puerto Rico only to taxpayers with three or more children. Given that this credit was designed to assist low-income American families with children and to reduce the regressive impact of the federal employment taxes that residents of Puerto Rico pay, it is difficult to rationalize the disparate treatment afforded my constituents with one or two children. Using the Recovery Act to rectify this unprincipled disparity, at least on a temporary basis, would provide a major boost to families in Puerto Rico.

3. Extend the EITC to the US citizens of Puerto Rico. Another federal program designed to assist low-income working families (most of whom do not earn enough to pay federal income taxes) and to mitigate the regressive impact of the federal employment taxes is the Earned Income Tax Credit. Although Congress has wisely decided to expand EITC benefits in the Recovery Act, it has not seen fit to extend this program to Puerto Rico. I respectfully ask that you consider using the Recovery Act as a vehicle to reverse that longstanding policy as part of a targeted effort to assist families in Puerto Rico affected by the economic crisis.

4. Grants for the Development and Use of Renewable Fuels. I commend you for including in the Recovery Act corporate tax provisions designed to encourage the development and use of renewable sources of energy. For structural reasons, however, these incentives will not apply in Puerto Rico, where the need to move to alternative fuels is no less urgent than it is in any other U.S. jurisdiction. I would respectfully ask, therefore, that you consider amending the Recovery Act to include a grant program that, like those tax provisions, would create incentives to develop and use alternative fuels in Puerto Rico and the other U.S. territories.

In closing, I would like to quote a letter from President (then President-elect) Obama to Governor Fortuño, which was read at the Governor's January 2, 2009 inauguration:

Job Number One is to restore our economy. . . . I will work with you, Resident Commissioner-elect Pedro Pierluisi and the other leaders of Puerto Rico to make sure that Puerto Rico is an integral part of our economic recovery plan. I understand the economic strains that have taken hold in Puerto Rico and will work with you to put Puerto Rico on the path to greater economic prosperity.

During my campaign, we pledged to seek equal coverage of Puerto Rico in federal health care assistance programs. We also pledged to seek the equitable treatment of Puerto Ricans in programs providing financial assistance to working families, and to develop measures to encourage job-creating investments in Puerto Rico.

Once again, I want to reiterate how grateful I am for the many provisions in the Recovery Act that will provide much-needed assistance to the people of Puerto Rico. I know the timeline is tight, but I do believe that the few additional steps I have outlined here would further help working families on the Island weather the crisis, while also honoring President Obama's pledge to treat residents of Puerto Rico on an equal footing with their fellow citizens in the fifty states. As President Obama also stated in his letter: "Puerto Rico deserves no less."

Sincerely,



Pedro R. Pierluisi
Member of Congress

cc: The Honorable Xavier Becerra
The Honorable James E. Clyburn
The Honorable Donna M. Christensen
The Honorable Luis V. Gutierrez
The Honorable Patrick Kennedy
The Honorable John B. Larson
The Honorable George Miller
The Honorable David R. Obey
The Honorable Charles B. Rangel
The Honorable José E. Serrano
The Honorable Nydia M. Velázquez
The Honorable Henry Waxman