



Gobernadora de Puerto Rico
WANDA VÁZQUEZ GARCED

March 18, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, The Capitol
Washington, D.C. 20515

The Honorable Charles Schumer
Democratic Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Speaker Pelosi, Majority Leader McConnell, Democratic Leader Schumer, Republican Leader McCarthy:

I thank each of you for your continued leadership as our Nation combats the COVID-19 virus. I applaud the swift action the federal government has taken to provide the United States with the resources necessary to protect the safety and security of the American people. As Congress and the Administration work together on an additional economic stimulus package to inject stability into our Nation's economy, I urge you to treat Puerto Rico as an equal to the States and to include priorities enumerated in this letter. Your collective action on behalf of Puerto Rico and the Nation will bolster our public health preparedness, enhance domestic production capacities and protect the 3.2 million U.S. citizens of Puerto Rico.

A. Inclusion of the House-passed Emergency Supplemental Appropriations for Disaster Relief and Puerto Rico Disaster Tax Relief Act, H.R. 5687:

Since December 28th, 2019, Puerto Rico has experienced over 2,371 seismic events that have caused critical damage to numerous private and public structures. The most impactful of these earthquakes occurred on January 7th, 2020, which struck with a magnitude of 6.4 on the Richter scale and left one confirmed fatality. H.R. 5687 provides much-needed aid to cover the housing and educational needs of displaced individuals throughout the island by allocating over \$4.89 billion in emergency supplemental funding to provide significant aid to Puerto Rico for educational needs, repairs to transportation and infrastructure, and community development activities to

respond to the earthquakes. The current COVID-19 pandemic does not obviate Puerto Rico's unmet needs from the prior major disasters.

B. Stimulating Domestic Supply Chain for Public Health Preparedness:

According to recent reports, at least 30 individual products in the medical equipment, medical supplies, and pharmaceutical spaces are associated with the treatment of COVID-19. A review of the associated supply chains indicates significant dependency on foreign manufacturers. In 2018, the United States imported more than \$12.7 billion worth of pharmaceuticals and antibiotics, medical devices, and food products from China (not including certain organic chemicals) used to create pharmaceutical products. 13% of all facilities that make ingredients for drugs sold in the U.S. are located in China, and 85% of medicines in the U.S. strategic national stockpile use some component that comes from China. These are national issues that have domestic solutions.

Specifically, the United States has a latent manufacturing base in Puerto Rico and a widely distributed production throughout the continental United States. The United States' dependency on a foreign supply chain was not always the case. The pharmaceutical industry in Puerto Rico grew throughout the 1970s, 80s, and early 90s due to tax incentives made available by the federal government. The sunset of this favorable tax treatment and increasing global competition resulted in substantial domestic downsizing in the industry. The current pandemic crisis demands a pivot to domestic production and Puerto Rico remains one of the most fertile environments for production with an educated workforce and established manufacturing facilities that can ramp up production quickly within the regulatory purview of the FDA. Forty-nine FDA-approved plants representing 12 of the top 20 worldwide pharmaceutical companies remain active in Puerto Rico, employing a workforce of over 21,000 highly educated employees, 60% of whom have a bachelor's degree or higher. Moreover, labor costs within the industry in Puerto Rico are 20-35% lower than the mainland U.S. As a result, even at its current, sub-maximal output, the pharmaceutical industry in Puerto Rico is larger and more productive than that of any U.S. state. Still, much of the industry's maximum capacity remains underutilized, and now is the time to quickly mobilize the island's plants to help solve the Nation's acute and chronic pharmaceutical needs.

Possible solutions that the federal government should consider including in this next emergency supplemental are:

- Project BioShield (Domestic): Created to fortify our Nation's emergency preparedness, BioShield, provides the government with the ability to develop, acquire, stockpile, and make available the medical countermeasures needed to protect the U.S. population against a public health threat. BioShield should be modified to prioritize Government acquisitions of the most critically needed medical countermeasures that are domestically produced;
- Addition of "Buy American" provisions that include Puerto Rico, with regards to critical public health preparedness measures for Departments of Defense, Health and Human Services, and Veterans Affairs (therapeutics, ventilators, personal protective equipment, etc.);
- Provide statutory authority to guarantee financing to domestic manufacturers of key medical supplies, equipment and pharmaceuticals;

- Promotion of domestic production in U.S. territories by facilitating a bonus depreciation or tax credit for investments in defined business capital expenditures on facilities and equipment used in US territories for the production of related to a “domestic BioShield”.
- Strengthen medical supply chains by giving the U.S. Food and Drug Administration (FDA) the authority and a more prominent role in analyzing sourcing locations of medical products and more detailed labeling;
- Allow the FDA to expedite the review of essential medical devices that require pre-market approval in the event of an expected shortage reported by a manufacturer and create a list of prioritized products eligible for certain incentives when produced domestically;
- Give new authority to the FDA to request information from foreign manufacturers of essential drugs or devices regarding all aspects of their manufacturing capacity, including sourcing of component parts, sourcing of active pharmaceutical ingredients, use of any scarce raw materials, and any other details the FDA deems relevant to assess the security of the U.S. medical product supply chain.

C. Puerto Rico Coverage in Tax Provisions of National Applicability:

If Congress enacts Employee Retention Tax Credit provisions or other tax provisions of national application, those provisions should be extended to Puerto Rico.

The U.S. citizens of Puerto Rico have faced drastic challenges in recent years from the debt crisis to the severe storm damage from Hurricanes Irma and Maria in the fall of 2017 to the recent earthquakes, all of which impact Puerto Rico’s long-term prosperity. As the Government of Puerto Rico currently takes measures to protect our people from COVID-19, we appreciate the efforts of the Congress and the federal government to swiftly consider measures necessary to protect the island’s safety and security. I understand there may be future economic stimulus packages to assist the tourism industry, including possible relief for airlines, hotels, and cruise lines. As conversations impacting those industries develop, please remember that over 7% of Puerto Rico’s GDP is tourism related. It is the Government of Puerto Rico’s strong belief and recommendation that economic stimulus is much-needed for the island’s, and the nation’s, tourism industry, particularly for its workers that may suffer immediate job losses due to the decrease economic activity in this important sector.

D. Increased funding for Puerto Rico’s Nutrition Assistance Program:

I also request the inclusion of an additional \$1.27 billion dollars for Puerto Rico’s Nutritional Assistance Program (NAP) given the COVID-19 pandemic and its effects on the overall economy, social safety net, small businesses and manufacturing sectors in Puerto Rico.

Thank you in advance for your attention to this request. If you have any questions, or require additional information, please do not hesitate to reach out to Jennifer M. Storipan, Executive Director of the Puerto Rico Federal Affairs Administration at 202-778-0710 or jstoripan@prfaa.pr.gov.

Sincerely,

Wanda Vázquez Garced
Governor of Puerto Rico

CC: The Honorable Nita Lowey, Chair, House Committee on Appropriations
The Honorable Richard Shelby, Chairman, Senate Committee on Appropriations
The Honorable Kay Granger, Ranking Member, House Committee on Appropriations
The Honorable Patrick Leahy, Vice Chairman, Senate Committee on Appropriations
The Honorable Richard Neal, Chair, House Committee on Ways & Means
The Honorable Chuck Grassley, Chair, Senate Committee on Finance
The Honorable Kevin Brady, Ranking Member, House Committee on Ways & Means
The Honorable Ron Wyden, Senate Committee on Finance
The Honorable Frank Pallone, Chair, House Committee on Energy & Commerce
The Honorable Lamar Alexander, Chair, Senate Committee on Health, Education, Labor & Pensions
The Honorable Greg Walden, Ranking Member, House Committee on Energy & Commerce
The Honorable Patty Murray, Ranking Member, Senate Committee on Health, Education, Labor & Pensions
The Honorable Jenniffer Gonzalez-Colon (PR-At-Large)