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May 7, 2020

## Long in Recession, Puerto Rico Needs More Than Just COVID-19 Relief to Overcome Its Crises

By Javier Balmaceda

States, localities, territories, and tribes are receiving assistance from several recent pieces of legislation designed to help address the COVID-19 health emergency and its economic fallout, though the amounts provided to them fall well short of the need, given the magnitude of the challenges and the sharp drop in government revenues.<sup>1</sup> But probably nowhere is the need greater than in Puerto Rico, which unlike other parts of the country entered the pandemic following well over a decade of virtually uninterrupted economic decline coupled with devastating natural disasters and an unprecedented, ongoing bankruptcy process. Puerto Rico will need both immediate and longer-term tools to fight the pandemic's health and economic effects and foster a return of economic growth and opportunity.

Among Puerto Rico's greatest economic challenges are chronically high poverty, especially among children, and low labor-force participation. Yet, Puerto Rico residents do not have access to the same assistance that is available to people facing such challenges in the mainland United States. The federal funding for programs in Puerto Rico that correspond to the mainland's federal Supplemental Nutrition Assistance Program (SNAP), Medicaid, and Supplemental Security Income programs is capped at insufficient levels that limit support to well below the levels provided on the mainland. And while Puerto Rico has adopted its own Earned Income Tax Credit (EITC), that credit provides a fraction of what the federal EITC (which isn't available to Puerto Rico residents) provides, while the Child Tax Credit is available in Puerto Rico only to households with three or more children.

As policymakers consider additional steps nationally to address the pandemic and its economic fallout, they need to take into account the Commonwealth's unique circumstances. Not only will Puerto Rico need assistance in various areas that's fully equivalent to what is being provided in the states, but it also will need special provisions that recognize that social programs in the Commonwealth often have different rules and considerably less generous designs than those in the states — and that Puerto Rico entered this crisis in a much weaker position than most or all of the rest of the country.

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<sup>1</sup> CBPP, "States Start Grappling With Hit to Tax Collections," updated May 4, 2020, <https://www.cbpp.org/research/state-budget-and-tax/states-start-grappling-with-hit-to-tax-collections>.

As explained below, Congress should provide strong fiscal relief to Puerto Rico, boost its federal Medicaid funding and the funding for its nutrition assistance block grant, and address a harmful restriction in the Families First Coronavirus Response Act that leaves low-income Puerto Rico schoolchildren *out* of the meal-replacement assistance that states can provide in areas where schools are closed. Congress also should provide a federal supplement to Puerto Rico’s small EITC and enable Puerto Rico families with one or two children to have access to the Child Tax Credit.

## **Puerto Rico Entered the Pandemic Well Behind**

While the economic recovery in the mainland United States following the Great Recession was slow initially, it eventually became the longest economic expansion on record.<sup>2</sup> Puerto Rico, by contrast, never truly rebounded from a recession that began back in 2006 and put the Commonwealth on a path of ever-widening budget deficits, under-investment in critical areas, and largely unsuccessful austerity measures.<sup>3</sup>

Aggravating the Commonwealth’s formidable challenges was a long list of shocks: a historic bankruptcy, two devastating hurricanes, long delays in federal aid to rebuild, a governor’s ousting, and, as recently as January, a powerful string of earthquakes. Over the past decade, well over 500,000 residents have moved off the Commonwealth in search of better opportunities — the equivalent of Miami or Atlanta losing its entire population.

And with 43 percent of its residents<sup>4</sup> and 57 percent of its children<sup>5</sup> living in poverty in 2018, *before* the current health and economic crises hit, Puerto Rico must now contend with the pandemic — and must do so while having much less access to the anti-poverty programs that are available in the rest of the country.

For instance, the federal government provides Puerto Rico with fixed sums of money — which do *not* rise automatically when need increases — to finance critical programs such as Medicaid, the Commonwealth’s equivalent of SNAP (known in Puerto Rico as the Nutrition Assistance Program, or NAP), and Supplemental Security Income (known in Puerto Rico as Aid for the Aged, Blind, and Disabled). The federal funding for these programs in Puerto Rico is capped at levels that fall well short of what is needed to serve the Commonwealth’s most vulnerable households even under ordinary circumstances, let alone during a crisis when need grows dramatically.<sup>6</sup> In contrast, the federal government essentially provides states with open-ended funding for these programs, so more people can be served when need rises.

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<sup>2</sup> CBPP, “Chart Book: Tracking the Post-Great Recession Economy,” April 14 2020, <https://www.cbpp.org/research/economy/chart-book-tracking-the-post-great-recession-economy>.

<sup>3</sup> José Antonio Ocampo, Deepak Lamba-Nieves, and Sergio M. Marxuach, “Devising a Growth Strategy for Puerto Rico,” Center for a New Economy, June 2016, [https://grupoene.org/wp-content/uploads/2016/06/2016\\_18\\_DevisingAGrowthStrategyForPR-1.pdf](https://grupoene.org/wp-content/uploads/2016/06/2016_18_DevisingAGrowthStrategyForPR-1.pdf).

<sup>4</sup> Census QuickFacts: Puerto Rico, <https://www.census.gov/quickfacts/PR>.

<sup>5</sup> Annie E. Casey Foundation Kids Count Data Center, “Children in poverty (100 percent poverty) in Puerto Rico,” <https://datacenter.kidscount.org/data/tables/43-children-in-poverty-100-percent-poverty?loc=53&loc=4#detailed/4/any/false/37,871,870,573,869,36,868,867,133,38/any/321,322>.

<sup>6</sup> Cara Brumfield *et al.*, “Structurally Unsound: The Impact of Using Block Grants to Fund Economic Security Programs,” Georgetown Center on Poverty and Inequality, February 2019, <http://www.georgetownpoverty.org/wp-content/uploads/2019/02/Georgetown-Block-Grant-Report-02272019.pdf>.

Similarly, Puerto Rico residents cannot access the EITC or the Child Tax Credit like residents of the states and the District of Columbia can. The federal EITC is not available to people who live in Puerto Rico, while the Child Tax Credit is only available to families there with three or more children. Yet the EITC and Child Tax Credit are some of the nation's most effective anti-poverty programs, lifting millions of low-wage workers and their family members out of poverty or closer to the poverty line.<sup>7</sup> In 2019, Puerto Rico introduced its own, locally funded EITC, which is helpful. But the Puerto Rico EITC is very modest and provides low-income working families with just a fraction of what the federal EITC provides on the mainland, because Puerto Rico lacks the resources to make its EITC more adequate.<sup>8</sup>

## Existing Aid Measures

Two principal laws enacted thus far to help address COVID-19's health and economic effects — the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security (CARES) Act — include several provisions that will assist Puerto Rico.<sup>9</sup> These measures, the most important of which are described just below, are vital for Puerto Rico. But, as the next section of the report explains, these provisions fall substantially short of what is needed in Puerto Rico.

The measures enacted to date that are most significant for Puerto Rico include:

- **Direct payments (“recovery rebates”) to low- and middle-income families.** Because Puerto Rico maintains its own tax system,<sup>10</sup> Puerto Rico's Treasury Department — rather than the U.S. Treasury — will distribute the payments under a plan that the U.S. Treasury approved on May 1.<sup>11</sup> (Puerto Rico will use the same eligibility criteria as the federal

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<sup>7</sup> Samantha Washington, “Child Tax Credit and Earned Income Tax Credit Lifted 10.6 Million People out of Poverty in 2018,” CBPP, October 31 2019, <https://www.cbpp.org/blog/child-tax-credit-and-earned-income-tax-credit-lifted-106-million-people-out-of-poverty-in-2018>.

<sup>8</sup> Javier Balmaceda, “Puerto Rico on Verge of Implementing an EITC,” CBPP, December 10, 2018, <https://www.cbpp.org/blog/puerto-rico-on-verge-of-implementing-an-eitc>.

<sup>9</sup> Rosanna Torres, “Third Economic Stimulus Package in Response to COVID-19: Coronavirus Aid, Relief, and Economic Security (CARES) Act,” Center for a New Economy, March 27, 2020, <https://grupocne.org/2020/03/27/third-economic-stimulus-package-in-response-to-covid-19-coronavirus-aid-relief-and-economic-security-cares-act/>.

<sup>10</sup> Puerto Rico is a non-mirror tax code possession. The amount available to the Puerto Rico Treasury to distribute will equal the aggregate benefits that would have been provided to residents of Puerto Rico if a mirror tax system had been in effect, as estimated by the U.S. Treasury. Puerto Rico followed a similar process to distribute rebate payments under the Economic Mobility Act of 2008. See “Commonwealth of Puerto Rico Plan for Distribution of Recovery Rebates Enacted by Pub. L. 110-185,” April 8, 2008, [https://www.treasury.gov/press-center/press-releases/Documents/pr\\_stimulus\\_final\\_rebateplan.pdf](https://www.treasury.gov/press-center/press-releases/Documents/pr_stimulus_final_rebateplan.pdf).

<sup>11</sup> See press release from the Puerto Rico Treasury Department, May 1, 2020, <http://www.hacienda.gobierno.pr/sobre-hacienda/sala-de-prensa-virtual/comunicados-de-prensa/gobernadora-vazquez-garced-anuncia-aprobacion-del-plan-de-distribucion-del-pago-de-impacto-economico-de-1200>.

government, providing payments of \$1,200 for most adults and \$500 for children under age 17, with these payments phasing out at higher income levels.<sup>12)</sup>

Puerto Rico's Treasury Secretary has publicly stated, however, that his agency is still in conversations with the federal government about certain aspects of the approved plan, and the Commonwealth's Resident Commissioner has called on the federal government to make payments directly to Social Security beneficiaries living in Puerto Rico.<sup>13</sup> The U.S. Treasury and Puerto Rico should work out arrangements that maximize automatic payments for residents of the Commonwealth. Requiring people to file for their rebates risks leaving out many who need them the most. Many non-filers in Puerto Rico are very low-income individuals with little or no access to the internet (or to help with completing even a simplified online form of the sort that the Puerto Rico Treasury is reportedly developing). To reach as much of this population as possible, the federal government should disburse payments directly and automatically (i.e., without requiring the filing of a tax return) to Puerto Rico residents who are beneficiaries of Social Security or certain veterans payments. Puerto Rico's government should be able to reach many others using platforms such as its Nutrition Assistance Program, which serves about two-fifths of the Commonwealth's population.<sup>14</sup> Of course, not all of the non-filing population will be able to receive the payments automatically, so the Puerto Rico Treasury should also undertake strong outreach efforts to ensure that low-income households receive these funds and get them on a timely basis.

- **A sizable expansion of unemployment benefits.** Unemployed workers in Puerto Rico are among those benefiting from the temporary expansions that Congress has enacted regarding who is eligible for unemployment benefits, the benefit levels, and the number of weeks of such benefits that a jobless worker can receive. Between March 14 and April 18, over 200,000 Puerto Rico residents filed initial unemployment claims.<sup>15</sup> That's close to 20 percent of Puerto Rico's civilian labor force.<sup>16</sup> Puerto Rico participates in the Unemployment Insurance program in the same way as states do.<sup>17</sup>

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<sup>12</sup> Gloria Ruiz Kuilan, "Hacienda espera por el Tesoro federal para desembolsar los \$1,200," *El Nuevo Día*, April 20, 2020, <https://www.elnuevodia.com/negocios/economia/nota/haciendaesperaporeltesorofederalparadesembolsarlos1200-2562614/>.

<sup>13</sup> See videoconference between Puerto Rico Resident Commissioner Jenniffer González and Puerto Rico Treasury Secretary Francisco Parés, "¿Tienes dudas sobre cómo van a distribuir los \$1,200?" *El Nuevo Día*, May 1, 2020, <https://www.elnuevodia.com/noticias/locales/nota/tienesdudassobrecomovanadistribuirlos1200-2565626/>.

<sup>14</sup> CBPP, "A Brief Overview of the Nutrition Assistance Program," January 31, 2020, <https://www.cbpp.org/research/food-assistance/a-brief-overview-of-the-nutrition-assistance-program>.

<sup>15</sup> FRED Economic Data: Initial Claims in Puerto Rico, updated April 30, 2020, <https://fred.stlouisfed.org/series/PRIICLAIMS>.

<sup>16</sup> See "Economy at a Glance: Puerto Rico," February 2020, Bureau of Labor Statistics, U.S. Department of Labor, <https://www.bls.gov/eag/eag.pr.htm>.

<sup>17</sup> CBPP, "Policy Basics: How Many Weeks of Unemployment Compensation Are Available?" April 28 2020, <https://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available#ui-map>.

- **Funding from the Coronavirus Relief Fund.**<sup>18</sup> As a result of the CARES Act, this fund is providing \$150 billion for state, tribal, territorial, and local governments to meet virus-related costs through the end of 2020.<sup>19</sup> These funds cannot be used to cover revenue shortfalls.<sup>20</sup> Some \$2.2 billion of the \$150 billion is going to Puerto Rico.
- **A temporary increase in federal Medicaid funding and matching rates.** The Families First Coronavirus Response Act temporarily boosted the share of state Medicaid costs that the federal government bears (which is known as the federal medical assistance percentage, or FMAP) by 6.2 percentage points for the duration of the public health emergency. In Puerto Rico, this translates into an increase of about \$183 million in federal Medicaid funding. (The legislation also includes a maintenance-of-effort provision to ensure that states and territories cannot cut their Medicaid programs during the public health emergency.)
- **Roughly \$295 million to supplement NAP.** This amount reflects Puerto Rico’s estimated share of the combined \$300 million approved as part of the Families First and CARES Acts for U.S. territories that don’t participate in SNAP (Puerto Rico, American Samoa, and the Commonwealth of the Northern Mariana Islands). This will help Puerto Rico partially meet the increased need for nutrition assistance resulting from job and income losses stemming from the economic slowdown — costs that the federal government covers automatically in SNAP for the 50 states, the District of Columbia, the U.S. Virgin Islands, and Guam.
- **About \$600 million from the Education Stabilization Fund.**<sup>21</sup> This fund is providing states and territories with a total of \$30.75 billion to support K-12 and higher education systems in the coming months, with roughly \$615 million of it going to Puerto Rico.

## Additional Action Needed

The public health measures being taken in response to the COVID-19 pandemic have produced a sharp contraction in economic activity and a marked rise in unemployment, the breadth and duration of which remain to be seen. As is true for the rest of the country,<sup>22</sup> Puerto Rico is facing mounting economic pressures that have already pushed it to enact a \$787 million plan to mitigate the health and economic fallout of the COVID-19 pandemic.<sup>23</sup> The federally mandated Financial Oversight and Management Board for Puerto Rico has set aside an additional \$160 million in an

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<sup>18</sup> CBPP, “How Much Each State Will Receive From the Coronavirus Relief Fund in the CARES Act,” March 26, 2020, <https://www.cbpp.org/research/how-much-each-state-will-receive-from-the-coronavirus-relief-fund-in-the-cares-act>.

<sup>19</sup> CBPP, “How Will States and Localities Divide the Fiscal Relief in the Coronavirus Relief Fund?” March 27, 2020, <https://www.cbpp.org/research/state-budget-and-tax/how-will-states-and-localities-divide-the-fiscal-relief-in-the>.

<sup>20</sup> See U.S. Treasury’s “Coronavirus Relief Fund: Frequently Asked Questions,” updated May 4, 2020, <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>, and “Coronavirus Relief Fund: Guidance for State, Territorial, Local, and Tribal Governments,” April 22, 2020, <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>.

<sup>21</sup> CBPP, “How Much Will States Receive Through the Education Stabilization Fund in the CARES Act?” April 3, 2020, <https://www.cbpp.org/research/state-budget-and-tax/how-much-will-states-receive-through-the-education-stabilization-fund>.

<sup>22</sup> Michael Leachman, “New CBO Projections Suggest Even Bigger State Shortfalls,” CBPP, April 19, 2020, <https://www.cbpp.org/blog/new-cbo-projections-suggest-even-bigger-state-shortfalls>.

<sup>23</sup> See letter from the Financial Oversight and Management Board for Puerto Rico, March 25, 2020, [https://drive.google.com/file/d/10zjxcNa-5a-3UCIQN8N8ZU1K2\\_dYRjc3/view](https://drive.google.com/file/d/10zjxcNa-5a-3UCIQN8N8ZU1K2_dYRjc3/view).

emergency fund and halted all debt restructuring proceedings for the Commonwealth's central government until further notice.<sup>24</sup> These actions were taken in mid- to late March when Puerto Rico was still envisioning lifting strict quarantine and self-isolation protocols on April 12. Those protocols have now been extended into May and could be extended again.

As federal policymakers consider additional policies to address the health emergency and economic fallout confronting the nation as a whole, they should consider taking strong measures that account for the Commonwealth's particular circumstances. Puerto Rico will need more than just equal treatment in select provisions — it will need special measures that recognize that its programs often have different rules and considerably less adequate designs than those in the states, and that it is entering this crisis in a much weaker position than the rest of the country.

Puerto Rico policies to consider include the following:<sup>25</sup>

- **An enhanced and extended increase in federal Medicaid funds.**<sup>26</sup> Policymakers should both enhance and extend the increase in the federal share of state Medicaid costs being provided nationwide under the Families First Act, and should design it in a way that enables Puerto Rico to take full advantage of it, along with the states. The best way to ensure that Puerto Rico can take full advantage of these additional federal funds, given uncertainty as to its overall Medicaid costs in the period ahead, is not to count these new federal funds against the Commonwealth's Medicaid cap. This was the course followed in legislation that House Appropriations Committee Chair Nita Lowey introduced in March with support from House Speaker Nancy Pelosi (H.R. 6379). Action here is crucial: even in the best of times, Puerto Rico's Medicaid program is too small and underfunded to meet the health care needs of its population,<sup>27</sup> and now the Commonwealth is facing a pandemic while still recovering from the devastation wrought by the 2017 hurricanes and the more recent earthquakes.
- **Fiscal relief.** The necessary actions that states, localities, and territories have taken to contain the COVID-19 virus have caused many businesses to close and lay off millions of workers. The resulting loss of sales and income tax revenue, combined with rising demand on various state programs, is creating state fiscal crises across the country. The federal aid to states and localities to date, while helpful, falls far short of what is needed, and that is especially the case for Puerto Rico.<sup>28</sup> Like other jurisdictions, Puerto Rico is incurring large new costs as it seeks to contain and treat the coronavirus and accompanying spike in joblessness, and it's confronting gaping budget shortfalls as revenues decline sharply due to

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<sup>24</sup> See press release from the Financial Oversight and Management Board for Puerto Rico, March 21, 2020, <https://drive.google.com/file/d/1hA99AnTpmuhcAMTIScKL-06j8YXknZG2/view>.

<sup>25</sup> For a discussion of fiscal policies effective in fighting recessions, see Chad Stone, "Fiscal Stimulus Needed to Fight Recessions: Lessons From the Great Recession," CBPP, April 16, 2020, <https://www.cbpp.org/research/economy/fiscal-stimulus-needed-to-fight-recessions>

<sup>26</sup> Aviva Aron-Dine *et al.*, "Larger, Longer-Lasting Increases in Federal Medicaid Funding Needed to Protect Coverage," CBPP, May 5, 2020, <https://www.cbpp.org/research/health/larger-longer-lasting-increases-in-federal-medicaid-funding-needed-to-protect>.

<sup>27</sup> Judith Solomon, "Puerto Rico's Medicaid Program Needs an Ongoing Commitment of Federal Funds," CBPP, April 22, 2019, <https://www.cbpp.org/research/health/puerto-ricos-medicaid-program-needs-an-ongoing-commitment-of-federal-funds>.

<sup>28</sup> Leachman, *op. cit.*

the economic slowdown. More fiscal relief is needed to help both states and Puerto Rico avoid deep spending cuts and public-sector layoffs that would deepen and prolong the recession.

- **Extension of Families First’s school meal replacement benefits.** Though Puerto Rico operates the federally assisted national school lunch and breakfast programs, the Families First Act failed to include the Commonwealth in an important provision — known as Pandemic-EBT (or P-EBT) — that allows states to issue nutrition benefits through electronic benefit transfer cards to families with school-aged children who are missing out on free and reduced-price school meals because their schools are closed. As a result, close to 300,000 children enrolled in Puerto Rico public schools (which provide universal free meals) are missing out on the benefits available elsewhere to replace the lost value of school meals.<sup>29</sup> Poor children in Puerto Rico could gain access to replacements for the lost value of school meal assistance if the federal government enabled the Commonwealth to offer P-EBT benefits. Puerto Rico did receive roughly \$295 million in supplemental Nutrition Assistance Program (NAP) funding to deal with the pandemic, but that amount is needed to cover increased costs stemming from job losses (and hence more people qualifying for aid) and falling incomes (and hence many people qualifying for larger benefits). Without access to P-EBT, Puerto Rico would need to choose between funding school meal replacement benefits or providing additional basic household assistance to workers who have lost jobs or to seniors or others who are struggling to afford food, a choice no state or territory participating in SNAP need make. Puerto Rico’s governor, the Financial Oversight and Management Board for Puerto Rico, and charitable and other nonprofit organizations in the Commonwealth have called on Congress to include Puerto Rico in this important program.<sup>30</sup>
- **Further NAP increases.** The \$295 million for NAP that Puerto Rico obtained in the coronavirus packages enacted to date is substantially less than the additional SNAP benefits being provided in the states.<sup>31</sup> More funding is needed in Puerto Rico to help families afford food and boost overall consumer spending while the economy remains weak.<sup>32</sup> Policymakers

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<sup>29</sup> CBPP, “More States Are Using New Flexibility in SNAP to Respond to COVID-19 Challenges,” updated May 6, 2020, <https://www.cbpp.org/research/food-assistance/most-states-are-easing-snap-participation-rules-many-have-opted-to-provide>.

<sup>30</sup> Puerto Rico Federal Affairs Administration, “Governor of Puerto Rico Urges Congress to include Puerto Rico in the P-EBT Program to Provide Children Nutritional Assistance Benefits During the COVID-19 Pandemic,” May 5, 2020, <https://prfaa.pr.gov/2020/05/05/governor-of-puerto-rico-urges-congress-to-include-puerto-rico-in-the-p-ebt-program-to-provide-children-nutritional-assistance-benefits-during-the-covid-19-pandemic/>. Financial Oversight and Management Board of Puerto Rico, “Letter to Gov. Wanda Vázquez, PRDE Student Meals Alternative,” April 27, 2020, <https://oversightboard.pr.gov/documents/>.

<sup>31</sup> The Families First Coronavirus Response Act allowed states participating in SNAP to issue emergency allotments and created a program to replace the lost value of school meals for children receiving free- and reduced-price meals. Puerto Rico is not covered by either provision. For a discussion of these provisions in SNAP, see Dottie Rosenbaum *et al.*, “USDA, States Must Act Swiftly to Deliver Food Assistance Allowed by Families First Act,” CBPP, April 7, 2020, <https://www.cbpp.org/research/food-assistance/usda-states-must-act-swiftly-to-deliver-food-assistance-allowed-by-families>.

<sup>32</sup> Dorothy Rosenbaum, “Latest Coronavirus Response Package Doesn’t Boost SNAP – the Next One Should,” CBPP, March 27, 2020, <https://www.cbpp.org/blog/latest-coronavirus-response-package-doesnt-boost-snap-the-next-one-should>; and Dottie Rosenbaum, Stacy Dean, and Zoë Neuberger, “The Case for Boosting SNAP Benefits in Next Major Economic Response Package,” CBPP, April 22, 2020, <https://www.cbpp.org/research/food-assistance/the-case-for-boosting-snap-benefits-in-next-major-economic-response-package>.

should implement a new, temporary SNAP benefit increase nationally and, at a minimum, provide the same percentage increase for NAP funding as is being applied to SNAP benefits. That's especially true considering that NAP funds will have to cover — within a capped block grant — both the cost of increased participation due to the economic slump *and* the costs of providing more adequate benefit levels. (In SNAP, by contrast, the federal government covers the cost of increased participation automatically.)

Ultimately, Puerto Rico will need further funding to adequately provide food assistance, given NAP's longstanding inadequacies. The NAP block grant is insufficient to cover the needs of the most vulnerable families in Puerto Rico even in better economic times.<sup>33</sup> Research indicates that as many as one-third of Puerto Rico adults were already struggling to afford adequate food before the pandemic.<sup>34</sup> Moreover, unlike SNAP, NAP doesn't automatically expand to meet increased need when the economy turns down.

- **An EITC expansion and extension of the Child Tax Credit to smaller families**, as envisioned in the Economic Mobility Act (H.R. 3300) approved by the House Ways and Means Committee in 2019. As noted above, Puerto Rico residents are not eligible for the federal EITC. This House proposal would supplement Puerto Rico's modest local EITC with federal matching funds and make it more substantial. It also would broaden the Child Tax Credit, extending it to families in Puerto Rico with one or two children, and making the credit available to children in families with the lowest incomes both on the mainland and in Puerto Rico.<sup>35</sup> These changes would make the credits a strong tool to assist low- and moderate-wage working families and their children as the pandemic's economic effects linger. The changes also would help reduce the Commonwealth's high poverty and low labor-force participation rates.<sup>36</sup>
- **An emergency cash assistance fund.** During the Great Recession, the federal government established a TANF Emergency Fund<sup>37</sup> that provided funds to states to help destitute families avert crises and then go back to work. A new fund of this nature could provide much-needed funds both to states and to areas like Puerto Rico to avert homelessness and other crises now and to establish subsidized job programs after the health crisis diminishes.<sup>38</sup>

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<sup>33</sup> Brynne Keith-Jennings and Elizabeth Wolkomir, "How Does Household Food Assistance in Puerto Rico Compare to the Rest of the United States?" CBPP, January 15, 2020, <https://www.cbpp.org/research/food-assistance/how-does-household-food-assistance-in-puerto-rico-compare-to-the-rest-of>.

<sup>34</sup> Myriabel Santiago Torres *et al.*, "2015: Seguridad Alimentaria en Puerto Rico," Instituto de Estadísticas de Puerto Rico, June 2019, <https://estadisticas.pr/files/Publicaciones/Seguridad%20Alimentaria%20en%20Puerto%20Rico%20-%20Final%20%28300519%29.pdf>.

<sup>35</sup> Chuck Marr, Yixuan Huang, and Vincent Palacios, "House Ways and Means Committee Legislation Would Expand EITC and Child Tax Credit," CBPP, March 2, 2020, <https://www.cbpp.org/research/federal-tax/house-ways-and-means-committee-legislation-would-expand-eitc-and-child-tax>.

<sup>36</sup> Javier Balmaceda, "Strong Working-Family Tax Credits Can Help Puerto Rico Bounce Back," CBPP, February 12, 2020, <https://www.cbpp.org/blog/stronger-working-family-tax-credits-can-help-puerto-rico-bounce-back>.

<sup>37</sup> LaDonna Pavetti, "With Applications Soaring, TANF Needs More Funds, New Rules," CBPP, April 14, 2020, <https://www.cbpp.org/blog/with-applications-soaring-tanf-needs-more-funds-new-rules>.

<sup>38</sup> Chad Stone and Sharon Parrott, "Labor Market Conditions Should Determine Duration, Size of COVID-19 Relief Measures," CBPP, April 13, 2020, <https://www.cbpp.org/research/economy/labor-market-conditions-should-determine-duration-size-of-covid-19-relief-measures>.

The proposals cited here are not a comprehensive list to help Puerto Rico cope with the pandemic's health and economic impacts. For instance, additional assistance for small businesses would also benefit the Commonwealth. But the measures outlined here would move in the direction of greater inclusion of Puerto Rico in the nation's safety net and could play an important role in helping the Commonwealth both overcome the pandemic and recover from a recession that essentially began almost 15 years ago and likely will only become much more acute in the months ahead. (Another useful longer-term measure would be to extend full Supplemental Security Income (SSI) benefits to the Commonwealth's residents, who now have access only to a more truncated Aid for the Aged, Blind, and Disabled program (AABD). Last month, a U.S. appellate court sided with a federal district court in ruling that the exclusion of Puerto Rico residents from SSI is unconstitutional.<sup>39</sup> Had Puerto Rico been eligible for SSI in 2011, impoverished Puerto Rico residents who are elderly or have serious disabilities could have received as much as \$1.8 billion in federal benefit payments, the Government Accountability Office found,<sup>40</sup> compared to the \$24 million that the federal government spent for its share of AABD costs.<sup>41</sup>)

Puerto Rico's lack of adequate access to the nation's safety net programs represents an opportunity cost that becomes even more apparent during times of great crisis such as the present. Policymakers should provide Puerto Rico with tools that can address the threats that the pandemic and accompanying deep recession pose, taking into account the long list of shocks that already weigh far too heavily on the Commonwealth and its people.

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<sup>39</sup> Dánica Coto, "US court upholds SSI for Puerto Ricans in key ruling," *Washington Post*, April 10, 2020, [https://www.washingtonpost.com/world/the\\_americas/us-court-upholds-ssi-for-puerto-ricans-in-key-ruling/2020/04/10/9e303364-7b78-11ea-a311-adb1344719a9\\_story.html](https://www.washingtonpost.com/world/the_americas/us-court-upholds-ssi-for-puerto-ricans-in-key-ruling/2020/04/10/9e303364-7b78-11ea-a311-adb1344719a9_story.html).

<sup>40</sup> See "Puerto Rico: Information on How Statehood Would Potentially Affect Selected Federal Programs and Revenue Sources," Government Accountability Office, March 2014, <https://www.gao.gov/assets/670/661334.pdf>.

<sup>41</sup> José Caraballo-Cueto, "The impact of disparities in SNAP and SSI on Puerto Rico's poverty and economic growth," *Econometrika*, February 2019, [https://www.researchgate.net/publication/340610699\\_The\\_impact\\_of\\_disparities\\_in\\_SNAP\\_and\\_SSI\\_on\\_Puerto\\_Rico's\\_poverty\\_and\\_economic\\_growth](https://www.researchgate.net/publication/340610699_The_impact_of_disparities_in_SNAP_and_SSI_on_Puerto_Rico's_poverty_and_economic_growth).