

Hon. Omar Marrero
Authorized Representative of the Governor
Central Office for Recovery, Reconstruction, and Resilience (COR3)
Government of Puerto Rico
House Committee on Homeland Security – Subcommittee on Emergency Preparedness,
Response, and Recovery
“Road to Recovery: Puerto Rico and the U.S. Virgin Islands
after Hurricanes Irma and Maria.”
Written Statement
Thursday, July 11th, 2019 – 10:00 a.m.
310 Cannon House Office Building

Chairman Payne, Ranking Member King, and Members of the Committee:

Thank you for the opportunity to appear before you today on behalf of the 3.2 million American Citizens of Puerto Rico to discuss our recovery from Hurricanes Irma and Maria. In the 22 months following the devastation of these two Hurricanes, we have made significant progress towards building back Puerto Rico. This progress is, in part, the result of the tremendous and often bipartisan support we have received from this Committee and Congress more broadly; as well as the support we have received from the Federal Emergency Management Agency (FEMA) and other Federal agencies.

I would like to take this opportunity to express our appreciation for passage of the Additional Supplemental Appropriations for Disaster Relief Act, H.R. 2157, P.L. 116-20, which included critical Nutrition Assistance Program (NAP) dollars as well as legislative fixes to the Bipartisan Budget Act (BBA) of 2018, P.L. 115-123, which will enable a more thorough recovery for Puerto Rico. Although much remains to be done, this support will help speed recovery a great deal.

As members of this Committee have seen through their visits to Puerto Rico – Hurricanes Irma and Maria wrought catastrophic damage to Puerto Rico in September 2017. Hurricane Irma skirted the northern coast of Puerto Rico from September 6th, 2017-September 7th, 2017 as a Category 5 storm, causing significant flooding and regional power and water outages. Only thirteen days later, on September 20th, 2017, Hurricane Maria slammed into Puerto Rico as a Category 4 storm. Hurricane Maria caused all power to be lost across the island as Puerto Rico descended into the longest blackout in U.S. history – 328 days until the entire island regained power. The powerful winds, storm surge, and localized flooding of Hurricane Maria led to the significant damage or destruction of more than 472,000 housing units across the island; and, as we were unable to provide shelter to all of the victims of the Hurricanes, tens of thousands of Puerto Rican residents were forced to flee to the continental U.S. to seek reprieve.¹ The storms caused a humanitarian crisis for those who remained in Puerto Rico – particularly surrounding public health and safety. Nearly all water and wastewater treatment plants were rendered inoperable and millions of gallons of

¹ Ricardo Rossello, Governor of Puerto Rico, “Build Back Better Puerto Rico”, November 13th, 2017; https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/Build_Back_Better_PR.pdf.

untreated waste were leaked into the environment.² Hospitals and primary care facilities were forced to close due to lack of power, resources, or clean and potable water. Not only were food, and medicines scarce, but a lack of power meant a total breakdown of wireless networks and cellular signals; what food and medicine remained could only be purchased with cash. For the 1.3 million Puerto Rican NAP recipients, this meant that they could not purchase food or other supplies.³ For context – of the 1.3 million Puerto Rican NAP recipients, 45% include households with children younger than 18, and nearly 330,000 elderly people.⁴

Despite all of this, Governor Ricardo Rosselló has chosen to view our recovery from the seemingly insurmountable devastation at the time of the storms, as a moonshot opportunity for bold transformation. We can – and we will – build Puerto Rico back better. We can not only prepare for the disasters of tomorrow and mitigate against this level of devastation and tragedy from happening again; but also unlock the potential of Puerto Rico for the 3.2 million U.S. citizens who call our island, “La Isla del Encanto” or “the Island of Enchantment” home. The Governor and his Administration are dedicating every waking moment to the progress and success of our recovery in Puerto Rico. *It is not an overstatement to say that this body has the power to open the doors needed for Puerto Rico to achieve a future that is strong, resilient, and prosperous.*

As we look to the future – we recognize that the island’s past remains a weight on our recovery. Long before the 2017 Hurricanes, Puerto Rico was reeling from decades of fiscal mismanagement, economic distress, and demographic challenges, all of which resulted in our man-made disasters – our fiscal and economic crises. Governor Rosselló campaigned, and was elected on, a commitment to address those challenges, including over \$72 billion in public debts and \$50 billion in unfunded pension liabilities forcing the island into bankruptcy. As we build back Puerto Rico, we cannot forget where our island was in 2017, on the eve of Hurricanes Irma and Maria.

In the aftermath of the Hurricanes, Governor Rosselló initially laid out his vision for our recovery in the Build Back Better document, which was developed with the support and assistance of the Governor’s Office for Storm Recovery of State of New York, and later ratified it in our recovery plan required by Congress: “Transformation and Innovation in the Wake of Devastation: Economic and Disaster Recovery Plan for Puerto Rico.”⁵ This plan envisions a future for Puerto Rico beyond recovery – we see a future Puerto Rico that is resilient, economically vibrant, and the economic hub for the United States’ investment in Latin America. Puerto Rico will be competitive within the global economy and expand its contribution to the United States. Government reform, integrated planning, digitization, and public engagement are all keys to Puerto Rico maximizing

² Ricardo Rossello, Governor of Puerto Rico, “Build Back Better Puerto Rico”, November 13th, 2017; https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/Build_Back_Better_PR.pdf.

³ Washington Post, “More than 670,000 Puerto Rico residents have received cuts to food”, June 24th, 2019; https://www.washingtonpost.com/us-policy/2019/03/08/puerto-rico-starts-cutting-food-stamp-benefits-used-by-more-than-million-people-amid-congressional-impasse/?noredirect=on&utm_term=.98e2e5d0567f

⁴ Washington Post, “More than 670,000 Puerto Rico residents have received cuts to food”, June 24th, 2019; https://www.washingtonpost.com/us-policy/2019/03/08/puerto-rico-starts-cutting-food-stamp-benefits-used-by-more-than-million-people-amid-congressional-impasse/?noredirect=on&utm_term=.98e2e5d0567f

⁵ Central Office for Recovery, Reconstruction and Resiliency, “Transformation and Innovation in the Wake of Devastation: Economic and Disaster Recovery Plan for Puerto Rico,” August 8, 2018, <https://cor3.pr/assets/documents/pr-transformation-innovation-plan-congressional-submission-080818.pdf>.

investment in recovery, renewal, and future growth. Toward this end, the Governor's Recovery Plan identifies 276 Courses of Action (COAs) in support of Puerto Rico's recovery and reconstruction.

The COAs are grouped into Capital Investments and Strategic Initiatives. The Capital Investments focus on the following foundational areas: Energy; Communication/Information Technology; Water; Transportation; Housing; Public Buildings; Education; Health and Social Services; and, Natural and Cultural Resources. The Strategic Initiatives are designed to move beyond infrastructure recovery and focus on the following areas of long-term social and economic growth: Enhancing the Ocean and Visitor Economies; Modernization of Emergency Services; Agricultural Transformation; Digital Transformation; Transition to a 21st Century Workforce; Entrepreneurship Expansion; and, Reduction of Policy and Structural Barriers to Support Advanced Manufacturing.

As an example, the Capital Investments surrounding Energy include our Electronic Grid Modernization (GridMod) Plan. There is no question that a reliable and efficient power grid is key to the future success of Puerto Rico. The GridMod Plan is our proposal to repair, restore, and harden our power system, to ultimately improve the quality of life, trust, and reliability in energy services. The GridMod Plan emphasizes three key areas: 1) increased reliance on renewable energy resources, such as wind and solar power, to reduce dependence on fossil fuels; 2) new distributed energy resource technologies, such as energy storage and microgrids, to improve resilience; and 3) affordability and sustainability to improve the quality of life for U.S. citizens in Puerto Rico.

As we continue to move towards affordable energy, the Puerto Rico Electric Power Authority (PREPA) recently executed a San Juan natural gas conversion contract, which should provide a framework for future fuel supply conversion. The fuel conversion project involves upgrading Units 5 and 6 of the San Juan Combined Cycle Power Plant so that those units can operate on liquefied natural gas (LNG). The transaction, announced in December 2018, is one of the most flexible LNG/gas agreements in the world and undeniably the most flexible fuel supply agreement in PREPA's portfolio. This transaction should produce material savings for PREPA customers.

Last year, we took the first steps to achieving our vision by assigning the COAs to state government agencies for implementation. A total of 30 agencies were selected to be COA leads. Each of the selected agencies will develop specific action plans to achieve the goals identified in the COAs. Action plans will describe the projects and related steps that must be taken, identify the funding sources, and lay out a timeline for completion.

To ensure proper oversight, coordination, and execution of the COAs, the Governor established the Central Office of Recovery, Reconstruction and Resiliency (COR3) in December 2017 with all necessary authority, powers, and resources to manage the post-disaster reconstruction. Recognizing the need for expert support to ensure the success of COR3, we underwent an extensive proposal process to contract a group of highly qualified third-party specialists with years of disaster recovery and reconstruction experience. In the last six months, COR3 established a comprehensive and effective digital information system designed to manage Federal funding while also promoting accountability and transparency to all stakeholders. The Disaster Recovery System (DRS) is owned and operated by COR3 and is designed to provide an independent data source, protections for data integrity, and a system of record that can be used to reconcile discrepancies and push accountability as both Federal and state partners work toward effective coordination and

collaboration in the execution of all recovery programs. To increase the accessibility of the complex data within DRS as well as to support public awareness, COR3 has established a Transparency Portal website (<https://www.recovery.pr/en/home.aspx>) with the purpose of documenting and demonstrating the status of the recovery.

We are now 22 months into our recovery and making significant progress towards the upwards of \$100 billion in damages that Hurricanes Irma and Maria caused. Earlier this year, Governor Rosselló submitted to Congress, in compliance with P.L. 115-123, a detailed status report on our Federally Mandated Economic and Disaster Recovery Plan for Puerto Rico.⁶ The status report detailed both the progress and challenges of our recovery.

Despite our successes, we continue to struggle with obsolete policies and ever-changing rules governing the use of Federal funds on the island. While we welcome Federal oversight as appropriate for the expenditure of tens of billions of tax payer dollars, I am concerned that the recovery of Puerto Rico is not proceeding at the same pace as those recoveries on the mainland. While some of these delays can be attributed to magnitude of destruction on the island and the logistical challenges associated with that, other delays appear to be as a result of an emphasis on the amount of money expended instead of the outcomes being achieved. The Puerto Rico Department of Education (PRDE) is a victim of this. PRDE infrastructure was decimated by Hurricane Maria when over 6,000 buildings on 1,109 campuses island-wide were impacted. More than just places of learning, our schools serve as shelters of last resort. They are often the only community building for miles and provide the only recreational facilities for many of our communities. In light of the need to rapidly rebuild in order to try to provide stability to the youth of our island, we prioritized the consolidation of several of our schools and focused on the rebuilding of 64. Since initial estimates were completed nearly 8 months ago, FEMA has changed the amount of money available for this project from over \$1 billion dollars to less than \$400 million. Each time the estimate changes, reviews and scopes of work must be redone delaying even further the commencement of work. 659 days after Maria hit, over 300,000 students attend school each day in hurricane damaged buildings with no recreational facilities, leaking roofs, and patched together windows and doors. Of course, even when many of these children do go home, it is to homes still partially repaired, often with temporary “blue roofs”. Today, on the island, we still have nearly 20,000 homes that have damaged or destroyed roofs, and as such, people are relying on blue tarps to provide coverage over their homes. While we are not arguing that the Federal Government should rebuild every damaged home on the island, we do believe it is incumbent upon both Puerto Rico and the Federal Government to ensure our schools are repaired to current standards so our children at the very least have a safe, clean, and comfortable place to learn and thrive.

While this is one example, we have also contended with: inconsistencies in FEMA’s guidance with respect to the implementation of Section 428 Alternative Procedures for permanent work Public Assistance; significant delays in fixed cost estimate approvals by FEMA; unnecessary requirement of duplication in damage description and dimension analysis by FEMA; refusal to define industry standards; refusal to allow Puerto Rico to use its own licensed engineers such as was done in New York and New Jersey; until recently the onerous requirements of what FEMA refers to as the 270 process; and now another change in the way FEMA will perform its roles in the management of recovery funds. The island’s reconstruction depends on completing these processes as diligently

⁶ Gov. Ricardo Rosselló to Leaders of U.S. House and Senate, “Progress Report on Economic and Disaster Recovery Plan,” February 14, 2019.

and quickly as possible, but we can do little without FEMA. Puerto Rico has only had approximately 117 projects approved of the 1,475 Project Worksheets submitted in the 22 months that have followed the Hurricanes. In stark contrast, in the same timeframe, over 13,000 projects were approved for Louisiana and Mississippi in the wake of Hurricane Katrina. The discrepancy is startling.

An additional – and looming – threat to our recovery and reconstruction efforts is the upcoming October 2019 deadline for finalizing our Fixed Cost Estimates (FCE). On April 30th, 2019, COR3 formally requested a blanket extension to the FCE deadline from FEMA, because at the current pace of approvals by FEMA, it will be impossible to meet the October 11th, 2019 deadline. On May 13th, 2019, FEMA responded to our request stating that extensions would be approved on a case-by-case basis and only if Puerto Rico demonstrates it is trying to complete its portion of the FCE. This is impossible to achieve – FEMA has yet to determine which industry standards we are building towards, which in and of itself prevents anyone from determining how much rebuilding will cost. It is important to note that even the state of New York required three years to complete some of their FCEs, and our ask for an extension is neither unique nor unprecedented in the history of FEMA’s relationship with the States and Territories.

Throughout the recovery process, a key function of COR3 has been to work collaboratively with FEMA. Yet, on May 13th, 2019, FEMA introduced a new operating model to COR3, the National Delivery Model. While, in the broadest sense, we support the implementation of the National Delivery Model, we are concerned that the model as currently envisioned by FEMA for Puerto Rico is not addressed within the framework FEMA and Puerto Rico agreed to. By “framework” – I refer to framework articulated in the FEMA-State agreement and in FEMA implementation guidance for the Section 428 pilot program. The National Delivery Model has never before been used on a disaster where Section 428 alternative procedures are governing nearly all of the disaster grant funding. Additionally, because it is different from the delivery model Puerto Rico has been using since September 2017, it inserts another change in procedures, which raises concerns over impacts to the already glacial pace of recovery on the island. We continue to work with FEMA as it implements this new program on the island to understand how FEMA will adjust the program to account for the current FEMA-State agreement and look forward to FEMA’s response to our request to amend the FEMA-State agreement to account for the implementation of this new program. Most critically, we look forward to ensuring Puerto Rico leads its own recovery – just as every other State in the Union is able to do, such as the ability to decide whether traditional PA or the 428 process is best for each individual recovery project.

Puerto Rico will forever be grateful to the Federal Government for its contributions to the island in the aftermath of Hurricanes Irma and Maria. The Federal Government has been critical to the progress we achieved, but I must emphasize – it is *our* recovery. I ask that moving forward any decisions or processes made surrounding our recovery be discussed with the Government of Puerto Rico because we know the island and its needs best. As FEMA says frequently, all disasters are Federally Supported, State Managed, and Locally Executed – Governor Ricardo Rosselló and I expect nothing less in Puerto Rico.

The question of Puerto Rico’s ultimate political status and relationship with the Federal Government is intimately linked to the island’s prospects for economic growth, fiscal stability, and successful disaster recovery. By allowing Congress and the Federal Executive Branch to treat

Puerto Rico differently and in ways that discriminate against the island and its nearly 3.2 million U.S. citizens, the current territorial status inherently limits our chances of success. It does this by allowing the propagation of Federal laws and policies toward the territory that lack the coherence and consistency required to provide for the island's sustained socioeconomic development and growth. We have roughly the same number of U.S. citizens living in Puerto Rico as live in Utah or Iowa, yet we do not have an equal representation in Congress for ourselves.

The unfortunate reality is that Federal policy towards Puerto Rico is oftentimes executed as an afterthought and without a proper understanding of the circumstances of the island and its residents. There are countless examples of Federal policies and practices that harm or limit Puerto Rico's economic development potential. Among these are the disparate treatment and sometimes-outright exclusion of Puerto Rico from a variety of Federal programs, the island's exclusion from a multitude of Federal studies and statistics, the disproportionately low level of Federal procurement from businesses in Puerto Rico, and unnecessary regulations that limit interstate commerce, such as the Electronic Export Information requirement.

The current reform process happening in Puerto Rico under Governor Rosselló's leadership, the debt restricting tools contained in PROMESA, and the post-disaster recovery and reconstruction, present an ideal opportunity to finally define the ultimate political future of Puerto Rico, and to begin a transition toward that end. Congress must act definitively to resolve Puerto Rico's future political status, because maintaining the status quo will only further delay the island's recovery and reconstruction. Congress should implement the democratically expressed will of voters who have expressed twice in the last six years a clear desire to end the current territory status and to achieve statehood for Puerto Rico. Indeed, for America and Puerto Rico both, statehood is the best possible answer and the best path forward out of this century old issue and into a new century of economic growth and prosperity.

Despite our many challenges, the U.S. territory of Puerto Rico is optimistic, determined, and full of potential. In the 22 months following the Hurricanes of 2017, we have been challenged by both significant population loss and an island-wide recession. Despite this, Puerto Rico continues to endure and recover. Our goal is to re-imagine, revitalize, and rebuild Puerto Rico in a way that we reach our full capacity for the benefit of our Island residents and America as a whole. To do this, we must recognize and acknowledge our past mistakes and work together diligently to correct them. If the most challenged jurisdiction in America, Puerto Rico, can turn itself around and be transformed into a place of thriving prosperity and sustainability, it can serve as a beacon of hope for all Americans, and a sign to the world that the best is yet to come. Together, with the support of Congress, we can achieve this vision. We owe the American Citizens who make Puerto Rico their home nothing less.