

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

May 13, 2020

The Honorable Steven Mnuchin  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20220

The Honorable Jerome H. Powell  
Chair  
Board of Governors of the Federal Reserve System  
20th Street & Constitution Avenue NW  
Washington, D.C. 20551

Secretary Mnuchin and Chair Powell:

As the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System (Federal Reserve or Fed) take a wide range of actions in response to the COVID-19 pandemic, we write to stress the need for full inclusion of the U.S. territories in the federal response. No part of this country or the globe is exempt from the ongoing public health pandemic or its economic repercussions. The Centers for Disease Control and Prevention has reported thousands of active COVID-19 cases and over 100 deaths in the U.S. territories of Puerto Rico, Guam, Northern Marianas Island, and the Virgin Islands.<sup>1</sup> The unemployment picture in the territories—which was already elevated above mainland unemployment figures even before the COVID-19 outbreak—has also worsened; in Puerto Rico, unemployment claims increased from 1,172 during the week ending March 14, 2020 to 66,555 during the week ending April 4, 2020, and in the Virgin Islands, claims jumped from 44 during the week ending March 14, 2020 to 250 during the week ending March 28, 2020.<sup>2</sup> In April, Guam’s Department of Labor estimated that 38,000 workers will be applying for unemployment—an astonishing 58% of the island’s workforce.<sup>3</sup> The federal government has an obligation to ensure that nearly four million American citizens residing in one of the U.S. territories are not left out of efforts to recover from this pandemic.

Through the Coronavirus Aid, Relief and Economic Security Act (CARES Act) signed into law on March 27, Congress instructed the Treasury Secretary to seek the establishment of a facility

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<sup>1</sup> CDC, “Cases in U.S.,” (last accessed May 6, 2020), <https://www.cdc.gov/coronavirus/2019-ncov/cases-updates/cases-in-us.html> ; and CDC, “Morbidity and Mortality Weekly Report,” (Apr. 10, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6915e4-H.pdf>.

<sup>2</sup> Week Unemployment Insurance Claims Data, *Department of Labor* (accessed April 28, 2020), <https://oui.doleta.gov/unemploy/wkclaims/report.asp>

<sup>3</sup> “Still no timeline on unemployment money for residents; employers can submit data this week,” *USA Today*, (April 19, 2020), <https://www.usatoday.com/story/money/2020/04/19/guam-department-labor-still-no-timeline-unemployment-money/5161348002/>

that would support the market for borrowing by state, municipal, and territorial governments.<sup>4</sup> Despite the clear and unambiguous inclusion of territorial governments in these instructions, the Federal Reserve's Municipal Liquidity Facility initially announced on April 9 did not list territories among eligible issuers of debt. Furthermore, despite earlier requests to correct the original announcement, the Fed's subsequent announcement on April 27 significantly expanded the number of eligible issuers that the Municipal Liquidity Facility would support, but continued to exclude territorial governments.<sup>5 6</sup>

Local governments are at the front lines of responding to this crisis. In the months ahead, territorial governments will continue to incur unanticipated emergency costs to resolve the public health emergency unfolding. Cities that need to borrow to meet COVID-19 expenses but fall under the Fed's established population thresholds can at least turn to their respective state governments for relief, but territorial governments cannot. It is crucial that the intent of Congress in approving the CARES Act is fulfilled by clarifying that territories are eligible to participate in the municipal liquidity facility.

Also, on April 9, the Fed announced a Main Street Lending Facility to provide liquidity to small and mid-sized businesses through a Main Street Lending Program (MSLP), and through a liquidity facility for the Paycheck Protection Program (PPP) created by the CARES Act. Already, we have seen reports of large, well-connected businesses accessing these facilities before they have been fully utilized by small businesses.<sup>7</sup> Large restaurant chains with thousands of employees nationally and over 70 publicly traded companies reportedly exploited loopholes in the PPP's design to gain access to PPP loans, causing the program to run out of money at a much faster rate than it might have otherwise.<sup>8</sup> The same concern extends to businesses that are essential to life in the territories. With respect to the amount of federal assistance businesses have received, data from the PPP loan program to date suggests that businesses located in the territories are lagging businesses located on the mainland. For instance, although the states of Wyoming and Vermont combined have just over one-third the population of Puerto Rico, businesses in Wyoming and Vermont have received over 4,000 more approved PPP loans so far.<sup>9</sup> Small businesses are a critical component of the economy in the territories. In Guam, for instance, economic expansion in 2019 benefited the island's 3,493 small business establishments, helping create 1,130 new jobs.<sup>10</sup> Essential businesses

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<sup>4</sup> §4002(10)(C) of the CARES Act

<sup>5</sup> See letter from Financial Services Committee Chairwoman Maxine Waters, April 16, 2020, <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=406504>

<sup>6</sup> See Federal Reserve's expansion of municipal liquidity facility, April 27, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200427a.htm>

<sup>7</sup> "ShakeShack to return small business loan after uproar," *Politico*, (April 20, 2020), <https://www.politico.com/states/new-york/city-hall/story/2020/04/20/shake-shack-to-return-small-business-loan-after-uproar-1277903>

<sup>8</sup> "White House, GOP face heat after hotel and restaurant chains helped run small businesses dry," *Washington Post*, (April 20, 2020), <https://www.washingtonpost.com/business/2020/04/20/white-house-gop-face-heat-after-hotel-restaurant-chains-helped-run-small-business-program-dry/>

<sup>9</sup> Paycheck Protection Program (PPP) Report, *Small Business Administration*, (April 16, 2020), <https://home.treasury.gov/system/files/136/SBA%20PPP%20Loan%20Report%20Deck.pdf>

<sup>10</sup> "2019: Small Business Profile," *Small Business Administration*, (2019), <https://advocacy.sba.gov/2019/04/24/2019-small-business-profiles-for-the-states-and-territories/>

with an important presence in the territories must be able to access the same relief as mainland businesses. They should not be disadvantaged in accessing the PPP.

Every aspect of the federal government's response to COVID-19 must recognize the importance of territories in ensuring that the American economy makes a full and speedy recovery. When the federal government has failed to treat territories equally in the past, it has only compounded economic harms. For instance, after the federal government ended a tax incentive that helped attract businesses to Puerto Rico, huge fiscal problems ensued.<sup>11</sup> Similarly, Congress concluded that the failure to match Puerto Rico's Medicaid contributions equally with states meaningfully contributed to the territory's fiscal challenges.<sup>12</sup> The federal government, including Treasury and the Federal Reserve, must not treat residents of the territories as second class citizens. COVID-19 presents significant public health and economic challenges for all Americans, and I urge you to ensure that territories are fully included in the federal government's response.

Sincerely,



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The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services



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The Honorable Michael San Nicolas  
Member of Congress

cc: The Honorable Patrick McHenry, Ranking Member, House Committee on Financial Services

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<sup>11</sup> "Tax Policy Helped Create Puerto Rico's Fiscal Crisis," *Tax Foundation*, (June 30, 2015), <https://taxfoundation.org/tax-policy-helped-create-puerto-rico-s-fiscal-crisis/>

<sup>12</sup> [Congressional Task Force on Economic Growth in Puerto Rico](#) (Dec. 20, 2016), page 19 ("While it would be wrong to attribute Puerto Rico's annual deficits and accumulated debt solely, or even mainly, to the disproportionate burden it bears in financing its Medicaid program, it would also be wrong to deny that this funding disparity has been a meaningful factor contributing to Puerto Rico's fiscal condition.")