

Congress of the United States

Washington, DC 20515

Aug 8, 2019

Mr. José B. Carrión III
Chairman
Financial Oversight and Management Board for Puerto Rico
P.O. Box 192018
San Juan, PR 00919-2018

Dear Chairman Carrión:

As Puerto Rico undergoes the long recovery process after Hurricane Maria and recognizing that most of the disaster aid money that Congress appropriated for Puerto Rico's recovery has not reached the victims, we write to urge the Financial Oversight and Management Board (FOMB) to reevaluate the austerity measures imposed upon core governmental institutions on the island. Specifically, we are concerned over the proposed cuts in two sectors that have been proven to foster and sustain long-term economic growth: health and education.

Puerto Rico has wrestled for over a decade with an economic and financial crisis that cumulatively reduced its Gross National Product by 14%. This downward economic performance is second only to that of Greece, which has accumulated a 28% fall in its Gross Domestic Product¹ during the 2007-15 period.² The Center for a New Economy (CNE) has previously stated that major fiscal reforms were inevitable and that "correcting the fiscal crisis would help restore a sense of macroeconomic stability of the Puerto Rican economy, but that by itself is not going to renew economic growth". The Roadmap for Congressional Action on Puerto Rico from the U.S. Treasury also clearly stated: "[a]usterity alone is not a path to recovery."³

Puerto Rico's Healthcare Program

The FOMB's fiscal plan (plan) as certified on May 9, 2019 poses serious challenges to the people of Puerto Rico. Section 13.2 of the plan calls for run-rate savings to reach \$638 million by FY24

¹ Puerto Rico has historically utilized GNP as a measure of economic growth instead of GDP since the production of foreign manufacturing companies on the island can overestimate the actual size of the economy. See José Caraballo Cueto at <https://www.elnuevodia.com/negocios/economia/nota/medirelproductointernobrutodepuertoricopudieranoreflejarnuestrarealidadeconomica-2499613/>.

² José Ocampo, Deepak Lamba & Sergio Marxuach. Devising a Growth Strategy for Puerto Rico, <https://grupocne.org/2016/06/15/policy-paper-devising-a-growth-strategy-for-puerto-rico/>, at p. 2.

³ https://obamawhitehouse.archives.gov/sites/default/files/roadmap_for_congressional_action_puerto_rico_final.pdf at p. 1.

for Puerto Rico's state-run Medicaid program (*Mi Salud/Vital*).⁴ Furthermore, it warns that more cuts are possible, "... *the 2019 Fiscal Plan does not preclude the possibility of optional benefit reductions and cost-sharing...*"⁵; meaning that if run-rate savings targets are not reached, other austerity measures will be implemented in order to hit expenditure reduction targets.

The fiscal plan includes unreasonable proposals to meet the expenditure reduction targets. For example, coverage of optional benefits such as dental care or prosthetics could be reduced or eliminated.⁶ The plan also proposes cuts in pharmacy spending.⁷ The Board suggests replacing higher cost drugs with generics and imposing utilization controls. While *Mi Salud* currently requires doctors to prescribe generics whenever feasible, these proposed austerity measures have the potential to cut-off the availability of life-saving drugs that have no generic equivalent. The citizens in Puerto Rico covered under *Mi Salud* are already way below the Federal poverty line.^{8,9} Cuts to patient services and pharmacy spending will impose an additional burden on a medically-needy and vulnerable population. As we continue to fight in Congress for a short-term and long-term fix for the Medicaid program in Puerto Rico, we urge the FOMB to halt the budget cuts to Puerto Rico's government health plan.

Higher Education in Puerto Rico

We also urge the FOMB to consider revising its certified Fiscal Plan for the University of Puerto Rico (UPR) dated June 5, 2019.¹⁰ The UPR's 11 campuses are the only public institutions of higher education in Puerto Rico. The UPR is responsible for the education of nearly 60,000 students each year, most of whom come from a household whose median income is \$19,343 per year. The UPR is also responsible for most of the research and development performed on the island.¹¹ Despite these benefits, the fiscal plan calls for a dramatic reduction in funding for the UPR.

In 2018, the UPR received \$678 million in local appropriations,¹² a dramatic cut from the \$879 million baseline figure at which the Puerto Rican government has historically funded the

⁴ 2019 Fiscal Plan for Puerto Rico: Restoring Growth and Prosperity. <https://drive.google.com/file/d/13wuVn04--JKMEPKu-u-djZJHqTK-55aV/view> See pages 112-118.

⁵ *Id.* at 113.

⁶ *Id.* at 117.

⁷ *Id.* at 116.

⁸ Judith Solomon, <https://www.cbpp.org/research/health/puerto-ricos-medicaid-program-needs-an-ongoing-commitment-of-federal-funds>.

⁹ Puerto Rico uses the Puerto Rico Poverty Level and not the Federal Poverty Level to determine program eligibility. The PRPL is approximately 45% of the FPL for an individual, and 34% for a family of four.

¹⁰ Fiscal Plan for the University of Puerto Rico: Enhancing Public Higher Education. <https://drive.google.com/file/d/119k9Bh26wCfL1za3Pq5C2ymOfjCWb1S5/view>

¹¹ Asociación Puertorriqueña de Profesores Universitarios, *APPU executive summary of position paper presented to the House of Representatives' Natural Resources and Territorial Affairs Committee*, (May 2019) Washington, D.C.

¹² 2019 Fiscal Plan for Puerto Rico: Restoring Growth and Prosperity. <https://drive.google.com/file/d/13wuVn04--JKMEPKu-u-djZJHqTK-55aV/view> See page 125.

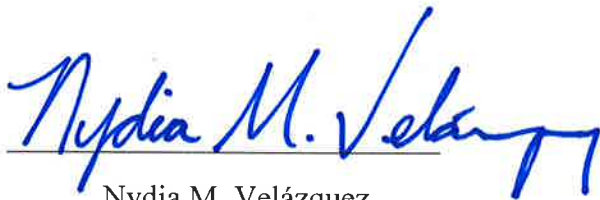
university's operations. The proposed reductions in the UPR fiscal plan mandate for those appropriations to be reduced to \$400 million by FY2022.¹³

We agree the UPR should enhance transparency in its processes by increasing and improving reporting, instilling accountability measures to deliver important academic and operational initiatives and should explore all prospective economic and operational resources. However, we disagree that such measures should come at the expense of slashing General Fund appropriations that the University is entitled to by law, increasing student tuition and cutting the pension system. Such measures could endanger the University's ability to meet the Middle States Commission on Higher Education Standards next year. We ask the FOMB to reconsider the cuts to the UPR, which could potentially curtail or eliminate the access to affordable higher education to the new and admirable young generation of Puerto Ricans.

In closing, we believe that pursuing austerity measures in education and healthcare is ill-advised and will have dire consequences on Puerto Rico's ability to overcome its economic crisis. We invite the FOMB to take a step back and rethink these deep cuts. Puerto Ricans have suffered enough and are desperately asking for some breathing room.

The people of Puerto Rico have made it loud and clear; they are demanding swift and responsible actions from their leaders. As Members of Congress, we stand in solidarity with Puerto Ricans as they hold their government accountable in times of uncharted political waters. We hope you consider these changes to ensure the dawn of a new era for Puerto Rico.

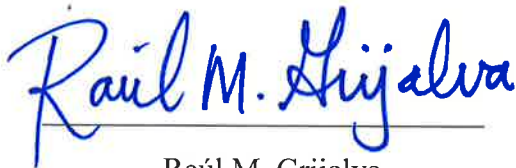
Sincerely,



Nydia M. Velázquez
Member of Congress



Robert Menendez
United States Senator



Raúl M. Grijalva
Member of Congress



Alexandria Ocasio-Cortez
Member of Congress

¹³ Elizabeth Redden, [Deep Cuts in Puerto Rico](https://www.insidehighered.com/news/2019/07/11/university-puerto-rico-faces-deep-cuts-appropriations), <https://www.insidehighered.com/news/2019/07/11/university-puerto-rico-faces-deep-cuts-appropriations>.