

Funding the University of Puerto Rico is a Must for Puerto Rico's Recovery

SUMMARY

The University of Puerto Rico (UPR) is an engine of economic growth and human and social development in Puerto Rico. The Financial Oversight and Management Board for Puerto Rico (FOMB), imposed under the PROMESA Act of 2016, is threatening its existence and potential to lead Puerto Rico to solvency and recuperation. Depleting the finances of the public university system in PR will result in deepening the economic and social crises besieging the territory in the aftermath of Hurricanes Irma and María. Policy actions are called for to investigate the FOMB's unjustified and unjust austerity measures and to demand that funding is restored to Puerto Rico's centenary public university system.

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The University of Puerto Rico: An Engine of Economic Growth

The UPR is the largest and most prestigious institution of higher learning in the Commonwealth of Puerto Rico. Founded in 1903, it currently enrolls 55,000 students in 11 campuses located in 10 municipalities. Throughout its history, the UPR has been Puerto Rico's most successful social leveling project and has contributed to the local economy in crucial ways, such as:

- Generating \$1.56 of economic activity for every \$1 invested in the institution each year.
- Providing a 20% of return of investment in human capital.
- Producing \$100 million annually of direct government income through sales tax and other taxes that have a total economic impact of \$268 million a year [1].

FOMB Promises an Unsustainable Future for Puerto Rico

The FOMB was appointed by Barack Obama in 2016, as part of the PROMESA Act, to protect the U.S. municipal bond market from the bankruptcy of the Puerto Rican Government. Congress touted the FOMB as the pathway to transparency regarding Puerto Rico's financial crisis and the means to bring to justice those responsible for it. These aims were immediately belied by naming Carlos M. García (former Santander senior executive and former head of Puerto Rico's Government Development Bank) and José R. González (former CEO/President of Santander and the GDB) as FOMB members. Both collaborated in creating Puerto Rico's debt crisis. This conflict of interest has been denounced to the FOMB but dismissed [2].

The FOMB has also failed to justify its austerity policies on the basis of responsible and reliable research. The Fiscal Plan for the Commonwealth of Puerto Rico certified in October 2018 will not put Puerto Rico on a path toward solvency; it acknowledges that the proposed austerity measures fail to provide sustained growth for the Puerto Rican economy beyond 2033 [3]. Not even the \$82 billion in federal funds approved for the reconstruction of Puerto Rico after Hurricane María can compensate for the impact of the imposed austerity measures.

The FOMB's Fiscal Plan of March 13, 2017 estimated a surplus of \$4.5 billion for fiscal years 2018 to 2023 [4], while proposing a budget cut to the University of Puerto Rico (UPR) of about \$2 billion for the same period. The FOMB expected that surplus to be applied to debt payments. After Hurricanes Irma and María ravaged Puerto Rico in September 2017, the FOMB's updated Fiscal Plan estimates an astonishing \$16.9 billion of surplus from 2018 to 2023, exceeding the \$15.5 billion in debt payments originally scheduled for that same period [cf. 3, p.22].

The deal between the Commonwealth and holders of the Puerto Rico Sales Tax Financing Corporation (COFINA) bonds approved by Judge Laura Taylor Swain in February 2019, as part of PROMESA's Title III, locks Puerto Rico into 40 years of unsustainable debt service to benefit hedge funds and elite US universities (Princeton, Yale and Harvard) while eroding Puerto Rico's ability to finance the UPR and other essential public institutions [5].

Public Education is the Pathway to Solvency and Growth in Puerto Rico

The UPR's positive economic impact calls for committed policy in support of its robust public financing. The FOMB's austerity measures will curtail the UPR's historical ability to foment economic growth and human development.

- The \$2 billion budget cuts to the UPR from 2018 to 2023 – disproportionately greater than those to other state agencies– correspond to a full 50% of the 2014-2016 state appropriations budget destined to the University. The FOMB's main justifications for such a reduction are that similar levels of state support do not exist in the U.S., and that the UPR should follow the model of the “universities of the North” [6]. The FOMB disregards the fact that the average Puerto Rican household income (less than \$20,000) is one third of the median household income in the US and less than 50% of the such income in its poorest states, West Virginia and Mississippi [7].
- Austerity proponents claim there are not enough funds to support the UPR. Dismissing the role the public university system plays in promoting economic growth and cultural and human development, they have directed the \$17 billion surplus to lining hedge fund's pockets while starving the University and other public institutions that provide essential services to Puerto Rico's long-suffering citizens. This is not a sustainable solution to an unsustainable debt crisis.
- Due to the FOMB's cuts to the UPR, the Middle States Commission on Higher Education (MSCHE) is questioning the institution's fiscal sustainability and reconsidering its accreditation. All UPR campuses were placed in “show cause” status in January 2019, an imminent threat to its prestigious academic programs and the future of Puerto Rican youth [8].

ENDORSEMENTS

- **Asociación de Profesoras y Profesores del Recinto Universitario de Mayagüez (APRUM)**
- **Asociación Puertorriqueña de Profesores Universitarios (APPU)**
- **Profesorxs Autoconvocadxs en Resistencia Solidaria (PAREs) UPR-Río Piedras**
- **Movimiento Estudiantil RUM**
- **Asociación de Supervisores Gerenciales de la UPR**
- **Consejo General de Estudiantes UPR-Mayagüez**
- **Consejo General de Estudiantes UPR-Carolina**
- **Consejo General de Estudiantes UPR-Bayamón**
- **Consejo General de Estudiantes UPR-Utuado**
- **Instituto Nacional de Energía y Sostenibilidad Islaña-UPR**
- **Instituto Universitario para el Desarrollo de las Comunidades UPR-Mayagüez**
- **SiempreVivas UPR-Mayagüez**
- **Federación de Maestros de Puerto Rico (FMPR)**
- **Frente Ciudadano por la Auditoría de la Deuda**
- **Junta de Estudiantes en Defensa de la Escuela Pública (JEDEP)**
- **Alianza Comunitaria de Comunidades Ambientalistas del SurEste (ACASE)**
- **Our Revolution Puerto Rico**
- **Corporación Cultural Educativa y de Estudios Interdisciplinarios (CEDEI)**
- **Proyecto Apoyo Mutuo Mariana, Humacao, Puerto Rico**
- **Proyecto Salud y Acupuntura para el Pueblo**
- **Defend Puerto Rico**

Funding the UPR is Feasible, Desirable and Imperative

The University of Puerto Rico community, in consultation with internal and external experts, has issued feasible proposals to address the UPR's fiscal crisis and preserve its centenary role as an engine of economic growth, human development and socio-economic leveling.

In 2017, faculty, students and staff from UPR-Mayagüez and other UPR campuses elaborated a Sustainable Fiscal Plan for the UPR (SoS UPR Plan) [cf. 1], which was sent to the FOMB and state officials in May of that year. An updated version, adapted to the aftermath of hurricanes Irma and María, was circulated in 2018 [9]. The premises of this fiscal plan have not been challenged by the FOMB, the Puerto Rican government or UPR governing bodies. The SoS UPR Plan provides research-based proposals to sustainably support the UPR and Puerto Rico by:

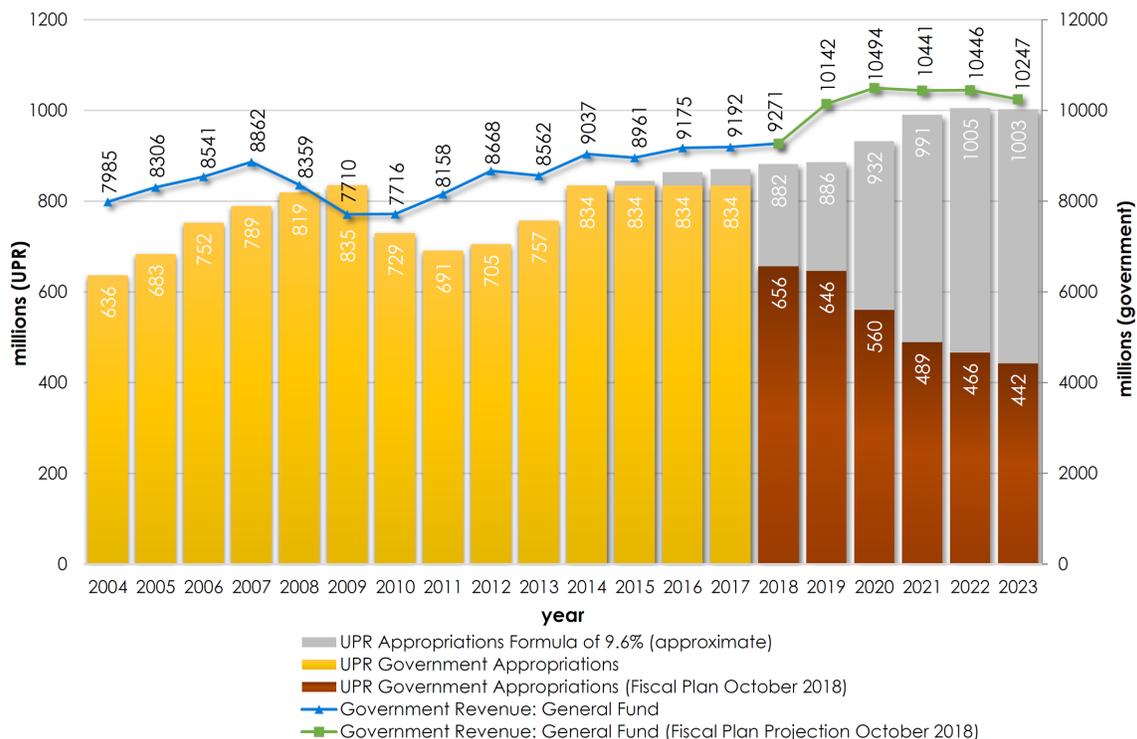
- Encouraging alumni to remain in PR (adapting State University of New York/City University of New York's Excelsior Scholarship Program).
- Channeling UPR human resources to support public healthcare for vulnerable communities.
- Channeling resources to vulnerable government pension systems.

- Extending UPR services to the incarcerated population to expand the institution's social impact and increase its revenues.
- Redistributing the greater weight of government investment reduction to credits and private tax incentives that have proved ineffective and have not delivered socioeconomic benefits.

Also in 2017, the Puerto Rican Association of University Professors (APPU) proposed sound alternatives to the UPR budget cuts imposed by the FOMB. These proposals, which were submitted to the UPR Governing Board, the University Board, the FOMB and the Governor [10] [11], include:

- Reinstating the legally stipulated funding allocation to the UPR, based on a proportion of the government's general fund revenues, to guarantee the UPR's fiscal autonomy.
- Conducting a forensic audit of the public debt.
- Implementing a plan to reduce tax evasion.
- Setting adequate metrics for granting tax incentives and eliminating those that do not contribute to the socioeconomic development of Puerto Rico.
- Strengthening UPR practicum courses to provide services to the Puerto Rican population and to generate income.

Government Revenue and UPR Appropriations in Context



Call to Action

We call on Congress to investigate the FOMB's injudicious and deleterious attempt to dismantle Puerto Rico's public university system. We ask Congress to request the FOMB provide indisputable, research-based evidence for its disproportionate budget cuts to the UPR, despite the institution's proven record as an engine of economic growth and its unique potential to contribute to the recovery of Puerto Rico and the social leveling of our youth (58% of which live in poverty). We request Congress hold the FOMB accountable for its aggressive and ill-informed austerity policies, which disregard the past, present and future of the Puerto Rican people and deny them of prospects for economic and social sustainability and development.

Congress should further investigate the FOMB's conflicts of interest, misuse of funds, political interference and inflated salaries. It should pursue legislation that supports the public health and retirement systems in Puerto Rico so that the UPR can continue and expand its positive economic impact, which is necessary for the archipelago's sustainable future. Congress should request information from the MSCHE regarding the risk of UPR's loss of accreditation due to the crushing austerity of the FOMB's fiscal plans. In sum, Congress should ensure that adequate resources are channeled to the UPR to counter the defunding of this essential public service and historical engine of economic growth and human development in the Commonwealth of Puerto Rico.

Robust public financing of the UPR is both necessary and imperative for the archipelago's solvency. Public policy should immediately attend to this issue to guarantee the UPR's sustainability as an engine of economic growth and social and human development.

Proponent

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- [10] Letter to Walter Alomar, President of the UPR Governing Board. September 2017.
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