Responses to Support MOE GEER ESSER and ARP Waiver Request

MOE waiver: ESSER I – Higher Education Responses

1. A description of the extent to which the State experienced fiscal burdens in preventing, preparing for, and responding to the coronavirus and an explanation of how those fiscal burdens affected the State’s ability to maintain fiscal effort (e.g., the status of and any changes to the State’s rainy day fund, whether the State experienced a decline in revenues, or an increase in other emergency expenses resulting from the pandemic, such as expenses related to health care, unemployment insurance, or support for small businesses); and

The Government of Puerto Rico’s Higher Education state spending can be segregated into two programs: (i) the Puerto Rico Department of Education (“PRDE”) Technological Institutes ($5.9 million for fiscal year 2019); and the University of Puerto Rico (“UPR”) state support ($708.2 million for fiscal year 2019).

i. The Puerto Rico Department of Education

The PRDE has experienced fiscal burdens in preventing, preparing for, and responding to the coronavirus, but majority other fiscal challenges that affected and affect the ability of the Agency to maintain the required fiscal effort for the ESSER I federal program, specifically with the higher education portion. In regards to the pandemic, for example, PRDE utilized other non-federal funds to incentive PRDE employees to continue working throughout last year, facing a lot of administrative and technological demands.

With the analysis of the data that we have, PRDE can also project that a waiver could be needed for future years, since at the present we have not overcome the COVID-19 disease and in the allocations of the state budget to support elementary, secondary and higher education, we expect a sustained reduction for the futures years due to the reasons discussed below.

Another major fiscal burden that is affecting the Agency is a significant cut on the state allocations. Since Puerto Rico is undergoing a fiscal crisis and have a Financial Oversight and Management Board (“FOMB”) in place, who determine the amount of state funds that are assigned to the Agency annually, PRDE has experienced a decrease in the allocation of state funds for the overall activities that support the services the Agency provides. Parallel to the decreased, PRDE has also seen a reduction in the enrollment of the elementary and secondary
students, but that is not necessarily proportional to the decrease in state budget. Even though, PRDE could comply in one year with the MOE for elementary and secondary education if calculated per pupil, we could not ensure it, and neither that we will continue to comply with this requirement further.

In regards to Higher Education, specifically for the Institutions ascribed to the PRDE, since we have faced a decline in the enrollment, we expect that the state expenditures will decrease based on the services that we must provide to the students that attend to the different campuses. The services include: administration payroll, academic personnel payroll and other operational activities that could experience a cutback based on the number of students to be served. That expected reduction in the state expenditures will not be necessarily proportional to the decrease in the enrollment due to the budget’s reductions imposed by the FOMB.

**ii. The University of Puerto Rico**

Similar to the PRDE, the UPR’s historic state funding levels have not been proportional to student enrollment. Since the enactment of PROMESA, and FOMB’s budget allocations, the UPR has received higher reductions state funding levels compared to student enrollment. Between fiscal year 2017 to fiscal year 2020, the UPR has received a 9.7% average annual reduction in state funding, compared to student enrollment decreases of 4.2% average annually.

Since fiscal year 2017 the UPR Government Appropriations (primary state funding) have been reduced by $330 million or 40% reduction (as of fiscal year 2020). The reduction has been imposed by the FOMB’s certified fiscal plan. For fiscal year 2021, the FOMB enforced an additional $94 million in reductions to the UPR, a reduction of approximately 17%. To mitigate such additional reduction, the Government of Puerto Rico identified $94 million from the American Rescue Plan Coronavirus State Fiscal Recovery Funds that the UPR would be eligible to seek. Disbursement of the funds would be subject to strict standards to ensure compliance with federal regulations and best practices.

Future projected allocations to the UPR (for fiscal year 2022 and 2023) are under negotiations between the Government of Puerto Rico and the FOMB.
2. Documentation and data supporting the description of the State’s fiscal burdens (e.g., revenue data, appropriation tables, unemployment statistics, etc.) including any State action that impacted State revenue (e.g., tax increases or decreases).

PRDE and the UPR are including the following data to support the description of the above-mentioned fiscal burdens, which were utilized to analyze if a waiver of the MOE is and could be needed in the future for the programs under CARES and CRRSA Acts:

✓ Attachment 1. Certified Enrollment Data of Elementary, Secondary (M1) and Higher Education for the School Years (SYs) 2016-17 through 2021-2022
✓ Attachment 2. Analysis of the PRDE State Budget Fiscal Years (FYs) 2016-2017 through 2021-2022 versus the enrollment of elementary and secondary
✓ Attachment 3. Backup of the Budget Reports of the State Funds Assigned by the Office of Management and Budget of Puerto Rico to support elementary, secondary and higher education activities
✓ Attachment 4. Backup on higher education state support spending (PRDE/UPR), and detail UPR state support funding and student enrollment.

3. In addition, in its waiver request, a State should submit information on the relevant factors listed below to support its request. The Secretary may ask States for additional information after States submit the MOE waiver request form.

PRDE is mostly relying on federal funds to supplement the activities driven to respond to the pandemic and ensure the continuation of the educational services for all levels. ESSER I, ESSER II and ESSER III, are federal programs which initiatives are greatly helping PRDE to endure the present circumstances. Part of the funds are being used to incentive personnel to continue working in person in the front line at schools. Also, PRDE is implementing academic recuperating efforts and acquiring new tools to ascertain that during this new academic year, students are provided with the best tools to have success academically, regardless of the health challenges we are facing.

Current UPR expenses related to the coronavirus pandemic have been funded through federal funds (CARES, CRSSA, and ARP HEERF fund allocations). Estimates suggest that the UPR would be eligible for up to $440 million for these funds.

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