

September 30, 2016

Mr. Orrin Hatch  
US Senator and  
the President, PROMESA Task Force  
Washington, DC

**Subject: Puerto Rico's Current Financial Situation and Its Possible Solution**

Dear Honorable Senator Hatch:

I understand that the task force has been receiving responses to your call from the residents of Puerto Rico. I consider my letter will resonate with many of those submitted earlier but may provide a new dimension as well. Before starting, let me take a moment to introduce myself. I am an US citizen and a resident of the island of enchantment, i.e., Puerto Rico. Second, I am not a politician nor affiliated with any local or US political parties. Therefore, my narrative will be what I have been experiencing in past thirty years or so. It is nothing but a pure academic analysis of the catastrophic situation Puerto Rico is facing currently and may help the committee to move appropriately. The only item missing from the equation is my emotion but not my dignity. No wonder it is shocking. It was incomprehensible that such a day will ever come especially when Puerto Rico was building a façade under the backdrop of Section 936 of the US Internal Revenue Code.

1. The majority of the island residents are extremely nice, warm and happy going people irrespective of how little they may have. The “middle class” is almost non-existent here and most of the wealth is controlled by a small group of people belonging to the upper 1-3% of the population.

2. As it stands today, the Commonwealth of Puerto Rico has never been integrated into the United States. Thus, Puerto Rico keeps on behaving like an independent country and looking at the US Congress as an International Monetary Fund without contributing to its treasury. The current financial crisis is nothing but a cumulative effect of greed, lies and deceits of the legislative bodies and the government. Members from both political parties are equally responsible. The corruption is everywhere.

3. Puerto Rico Government does not believe in privatization and has created a pseudo entity called “public corporation”. This allows the Executive Director; a political appointee who could receive a salary much higher than a regular government employee or even a university professor. Examples of such corporations are: the Electric Power Authority, the Water and Sewer Authority and now the newly created Puerto Rico Comprehensive Cancer Center. This is incredible, because most of the expenses including the payroll of the employees, health insurance, part of the infrastructures etc. are paid by the tax payers. At the same time government is buying electricity, water, etc. from them. This is not only a double-dipping but also place for a corruption. The service for the electric power authority is poor, and cannot provide sustainable supply of energy. This is also reflected on poor maintenance or upgrading the ailing infrastructure, buying cheap quality raw materials affecting the health workers and the citizens

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alike. Recent island-wide blackout for 3-4 days says it all. The consequences were enormous and sent the island into the Dark Age. All schools and universities were closed, businesses remained shut and the government employees could not attend to their daily activities. Interestingly, there was no action plan from the government to recover from the lost hours.

The only service privatized currently is the Puerto Rico Telephone Company. It is managed by "Claro", a Mexican Company. The service is poor due to lack of government supervision. To keep the profit margin high, the call center has been transferred to a nearby country Dominican Republic. The result is suffering to the subscribers. The lines break down frequently and the average turnaround time to fix the lines is about 3-5 weeks. Telephone is no longer a luxury, and in modern time without a telephone how one can run or start or maintain a business (small or big). This also has a domino effect on education and the health care system.

The Government was unsuccessful when it tried to privatize the Water and Sewer Authority to Ondeo, a French Company. The contract was signed and Ondeo was operational. The quality of water got improved and Ondeo started investing to optimize/improving the system. While these were on going, Ondeo discovered that the Puerto Rico Government lied to them and withheld some information from the contract. Ondeo tried to re-negotiate the contract but the Puerto Rico Government refused. The result is the departure of Ondeo and the residents are back to square one.

4. The document filing system in Puerto Rico is outdated and in many occasions follow the system used in Spain. The stored information is in Spanish. This is a serious blow for new investors to start or conduct business in the island even today. After gaining control of the state legislature every four years, the legislature passes bills and makes new laws, sometime without knowing what exists. As a result, Puerto Rico has more laws than they possibly can be implemented. This is perhaps to benefit the law makers, their friends and families and not necessarily the general public. The result again is the negative impact on the economy. I am familiar with few such cases and they are heart breaking. People have either closed their businesses or simply had given up to start a new one.

5. There is corruption in all sectors but it becomes scary when it enters into the education system. The quality of education across the board (i.e., K through 12 is poor as well as at the universities). The students are not adequately trained to stand competition. The main reason is most of the teaching is done in Spanish. Therefore, when they enter into the local job market (whether in government or in educational institutions) they start cutting corners to benefit themselves and the result is the current situation. The university presidents, campus chancellors (public or private), deans, etc., are not recruited by open competition so a status-quo is maintained rather than academic improvement. Most of the universities in Puerto Rico are financially strapped but to claim the business as usual they hire locally with fewer academic credentials. As a result, there is no diversity in student or teacher or in faculty population. Most state universities in the mainland keep a percentage of seats available to the out of the state

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students who are willing to pay a higher tuition. Accepting international students is a norm in almost all mainland US universities but the University of Puerto Rico creates a barrier for such students joining the university whether it is for general studies and/or for professional schools. One may ask why there are very few out of state students at the University of Puerto Rico Medical, Dental and other professional schools? Also, why aren't there international students in the graduate program(s) of the university either?

Paying bonuses to perform certain duties is a regular feature here to academic institutions including the institution(s) of higher learning when the funds can be used to help the faculty members to conduct good quality research or help students to buy materials for their thesis project, etc. It is all over the news about the recent corruption scandal at the University of Puerto Rico regarding the disbursement of presidential scholarships to individuals who did not qualify. Similarly, investing \$84 million dollars in ORACLE, a computer operational system that is outdated.

7. The concept of ethics almost does not exist in Puerto Rico and the civic sense is also very low. This is reflected by visiting the beach areas across the island. Instead of teaching children ethics at school, the government has launched a program where the public employees need to spend 20 hours of their time for every two years on ethics-related activities or courses. This is nothing but taking away their work time. The employees do not add their lost work time and the consequence is reduced productivity.

In the University of Puerto Rico system there is no evaluation of the departmental chairpersons by its faculty as exists in other academic institutions of higher learning in the mainland US. As a result, many talented and innovative faculty members do not get opportunities to succeed administratively. Many faculty members receive extra pay for doing some administrative jobs and claim the same in their *Curriculum Vitae* when they should feel proud of doing these jobs without asking for an extra compensation. Again, they are hand-picked and are not necessarily the best to qualify for the job. The result, education is compromised. Another reason, the faculty at the University of Puerto (UPR) system gets stranded is the retirement system. The UPR does not allow its faculty to contribute to the Teachers Insurance and Annuity Association (TIAA) retirement system so if a faculty leaves the institution prior to meeting the retirement requirements he/she loses the retirement benefit. On the other hand, the mainland university faculty contributing to the TIAA can move around. This is beneficial to the faculty members as well as to the university. The retirement system in UPR is equivalent to slavery. As a result, the talented faculty members get frustrated and lose interest. This ought to change.

There is hardly any clinical research at the University of Puerto Rico. One of the reasons is that the clinical faculty is busy with their private clinics. This is perhaps the only institution whose medical faculty can see patients in their private offices everyday i.e., Monday through Friday. The UPR medical school has created an Intramural Practice Plan. But, Majority of this

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this earning goes to the faculty member instead of coming to the institution. Most of the earnings from the mainland medical school faculty members go to the institution to support research academic development. The result is a serious deficiency or a vacuum for developing translational research due to lack of qualified core clinical researchers.

8. Puerto Rico is a tax haven for the wealthy but not for the salaried people. The locals do not pay Federal Tax but, the local income tax structure is so complicated that the average person does not want to invest and/or start small businesses. At the same time the government wants to waste the tax payer's money. For, example, the Science, Engineering and Educational Trust (TRUST) is supposed to help the commercialization process of the Intellectual Properties to make the universities and/or institutions financially self-supporting they are copying NIH, NSF, etc. and have started distributing grant funds. Also, recently it has started behaving like an academic institution duplicating what a research faculty already know. In the UPR there are a number of excellent Patents waiting to be commercialized but nothing has been done to this matter. As a result, the university is losing a substantial amount of royalty payment every year.

To help universities, the TURST has created a program called "Centennial Funds". Interestingly, submission to the "Centennial Funds" needs the approval from the Vice-President of Technology from the UPR who himself/herself is a member of the board of the "Centennial Funds" at the TRUST. This is immoral, allows corruption, and is a conflict of interest.

9. The government of Puerto Rico has invested very little on public transport system. As a result, without a personal transportation one cannot move around in the island easily. The students face enormous problem to commute from their homes to schools and universities. The urban train created does not connect to high volume areas such as government offices in Minillas, shopping malls, business districts. In addition, the Government time to time allows taking free rides in the train without a plan how to recover from the loss in revenue. This has created a huge financial burdens on the families. Furthermore, by granting licenses to unlimited number of auto dealers a false economy has been created sending people into debts.

Majority of the children attending public schools are from families with low income. Therefore, the school lunch to many of them is the principal meal of the day. Our gardener's sons tell me that the food tastes so bad that they cannot eat. We know that Puerto Rico has abandoned agriculture. The complains we hear that growers cannot compete with cost of the products coming from outside and sold in the local market. The answer would be "know thy neighbor".

### **Suggestions to correct the island's financial situation and solve the problem permanently**

It is not going to be easy without a radical change and contributing equally by the residents.

#### **Government:**

1. The first and foremost important item is to get rid of corruption by changing the policies,  
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recruit individuals with credentials and not political affiliates, and diversify the workforce of every sector, diversify the student population among others.

1. The members responsible for helping Puerto Rico to become debt free (\$75 billion dollar) must focus on the general public and not 1-3% of the top. Therefore, they need to strategies their work targeting the local municipalities as it was done for Detroit, MI and not from the corporate interest.

**Economy:**

2. Invest on infrastructure projects. For example, extend the light rail system to go around the entire island so that the students as well as the workers can travel from their homes to the work place without any hassle. While the light train system is being developed introduce buses so that people can move from San Juan to Caguas, Ponce, Mayaguez, Arecibo, Humacao, etc.
3. Invest in agriculture to grow essential items. Instead of sending the products to the local super markets supply them to the school lunch program. I am sure you are aware of the fact that the agriculture in Cuba survived because of this reason. In recent months an entourage from Puerto Rico went to Cuba. I am not sure what for. As the information is coming out from Cuba tells us how advanced the country is. The literacy rate is almost 100%, they know how to treat complex diseases including cancer with indigenous way. Cuba is the first country to be AIDS free. Therefore, "knowing thy neighbor" Puerto Rico can be benifitted.
4. To bring parity in business between Puerto Rico and the US mainland, replacing **.pr** with **.us** in the web address.

**Income Tax:**

5. To enjoy parity in federal funds with other 50 states of the US, Puerto Rico needs to start paying Federal Income Tax.
6. Puerto Rico needs to organize its budget based on the local earning and not adding the various financial aids comeing from the US Treasury. The support Puerto Rico receives from the US Treasury should be budgeted for the special programs. For example, the UPR clinical faculty providing services to the government hospitals are not paid regularly. They are treating patients under Medicare and the payment should be a problem. The funny thing is that the Puerto Rico government has come up with a plan and/or convince the Congress or the Federal institutions not allowing the clinicians directly billing to the Medicare. Instead, the Puerto Rico government asks for a block amount which the government can do as they please. It is certainly a misuse of US tax

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payer's money. It needs to be stopped and the Federal Government and/or the Congress must ask for an audited expense.

**Education:**

7. Improve education system, provide adequate resources to the school teachers, to the college and university professors to conduct cutting age scientific research. Recognize individuals for their intellect. Diversify the student and faculty population following the model of the mainland US institutions. The Association of American Medical Colleges (AAMC) has already brought the question of student diversity during their last accreditation of the UPR medical school.
8. There are countries where people speak more than one language within the country. In the United States the education and all businesses (public or private) are conducted in English. To make Puerto Rico competitive all businesses need to be done in English and a plan/policy needs to be developed immediately to implement the change. Just for an example, the University of Puerto has received almost \$20 million grant money from the National Science Foundation (NSF) to develop an institute to conduct research on nanomaterials. Due to mismanagement, the NSF put a stop and withheld the funding after one and half years of its running. It took almost two years for the university to correct the deficiencies. NSF was pleased to resume funding but they asked that purchase receipts/vouchers to be sent to NSF, Washington, D.C. for clearance. NSF cleared all receipts submitted in English but asked the university to submit an authenticated English translation of the receipts in Spanish. The university cannot do it and the result is loss of grant funds in millions of dollars

I have visited many countries in Europe, Middle East, Far East, Australia and some in Central & South America. I have been to the class rooms of many their institutions. During my trips I had an opportunity to meet students, teachers, learned about their programs and implementation. Puerto Rico can turn around and can come out from the current situation. I am optimistic, because if there is a will there is a way. My strongest suggestion to the task force as well as to the fiscal board to work with the municipalities as in the case of Detroit, MI and not with the corporate enterprise.

I will be happy to meet with you and share my ideas.

Thank you very much.

Respectfully yours,

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