

EXECUTIVE SUMMARY

For almost 50 years, United Way of Puerto Rico (UWPR), affiliated to United Way Worldwide, has worked with volunteers, social investors, charities and partners from different backgrounds to develop and support programs focusing on **education, financial stability and health** as the pillars for achieving a positive quality of life. The vast trajectory of UWPR in the advancement of financial stability is closely linked to the economic growth of nonprofit organizations and Puerto Rican families as well.

At the present time, UWPR financially supports 132 nonprofit organizations that provide direct services to the community, impacting more than a million individuals and families in need.

A total of 44% Puerto Rican nonprofits have local and federal tax exemption that would make them eligible to apply for federal funds, but currently cannot apply for them because of the current matching requirement. For this reason, UWPR proposes the PROMESA Economic Task Force to implement a more flexible method for nonprofit organizations in Puerto Rico to access federal grant funds, by waiving the matching funds requirement for a period of five (5) years.

Our proposal would:

- Help grow the financial stability of NPOs in Puerto Rico.
- Help promote employment.
- Help the government ease the social crisis in Puerto Rico.
- Reduce the violence that results from poverty and socioeconomic disparity.
- Help foster a much needed attitude of collaboration and alliance between the private, public and nonprofit sectors.
- Help foster economic growth, through the promotion of self-sufficiency and startup grants.

UWPR has proven its capacity and experience to implement all aspects contained in this proposal. Throughout its history, UWPR has channeled over \$280 million in contributions and is in charge of administering the Combined Federal Campaign, which last year raised more than \$1,100,000. Also, among other initiatives, there is a partnership with the Puerto Rico Abstinence in Education Plan (PRAEP) for the Competitive Abstinence Education Grant Program (HHS-2015-ACF-ACYF-AR-0978) from the U.S. Health & Human Services.

We are certain that the approval of this proposal would result of great benefit to the community at-large by fostering economic activity and financial stability, thus assuring a better quality of life for all.

I. Background

On June 30, 2016, the President of the United States, Barack Obama, signed into law the **Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)**. PROMESA aims to establish an oversight board, a process for restructuring debt, and expedited procedures for approving critical infrastructure projects in order to combat the Puerto Rican government-debt crisis. The task of the oversight board is to facilitate negotiations with creditors, and overseeing and monitoring sustainable budgets.

As part of PROMESA, a Congressional Task Force on Economic Growth was created to generate a report with recommendations on changes to laws. The report is due by December 31, 2016, and a status update to Congress is expected in the first half of September 2016. The task force is charged with examining economic growth in Puerto Rico, including existing federal laws and administrative orders.

II. PROMESA: An opportunity to generate economic activity by the non-profit organizations and advance financial stability

The mission of United Way of Puerto Rico is to become leader of social change, integrating the community to achieve the common good by creating opportunities of a better life for all. Its vision is to work in a community where all individuals and families reach their full potential, children grow in healthy and safe environments and individuals become financially stable and able to meet their basic needs. For almost 50 years, United Way of Puerto Rico has worked with volunteers, social investors, charities and partners from different backgrounds to develop and support programs focused on education, **financial stability** and health as the pillars for achieving a positive quality of life.

The vast trajectory of United Way of Puerto Rico in the advancement of financial stability is closely linked to the economic growth of nonprofit organizations and Puerto Rican families as well. At the present time, it financially supports 131 nonprofit organizations that provide direct services to the community: children, youth, adults and seniors. It raises funds from donations of employees through voluntary payroll deduction. Other sources of income are individual contributions, corporate donations and others.

Annually, more than a million individuals and families in need benefit from this, as funds are distributed through non-profit organizations that provide services to families; special services and supplementary education; recreational programs; psychological and mental health services; drugs and alcohol rehabilitation programs; basic needs of the individual; nursing homes and adult care centers for the elderly; guidance and counseling services, among others.

In 2015, the research *Study on Nonprofit Organizations (NPOs) in Puerto Rico* (2015) was carried out by Estudios Técnicos, a leading Puerto Rican planning, financial advice and market strategies firm. The study was part of an effort to present a profile of nonprofit organizations in Puerto Rico within the present context, and document the impact of NPOs in job creation,

mobilization of volunteers and avoided costs to the government thanks to the work done by these organizations.

As part of the research results, it was evidenced that the NPO Sector contributes significantly to the economy of Puerto Rico. They are a force for social transformation of vital importance for the country. Against a background of limited resources, the work carried out by NPOs becomes more necessary. It helps mitigate and address current social and financial challenges such as the 59.9% unemployment rate in Puerto Rico; and the fact that 41.6% of Puerto Rican families are under poverty levels; a total of 37.7% households receive nutrition assistance, and more than 40,000 Puerto Ricans have migrated in recent years. As the Study indicates, these facts reveal a contracting economy with a high degree of uncertainty. Research findings highlight the impact of NPOs, as summarized below:

- A total of 11,570 nonprofit organizations offer services in Puerto Rico; 22% of these are community-based organizations;
- 700,000 people were served in 2014 by NPOs;
- 7 out of 10 organizations are involved in the formulation of public policy;
- 4 of 10 maintain partnerships or alliances with other organizations;
- 16.8% maintain relationships with organizations in the United States;
- A total of 150,410 of jobs are generated by nonprofits, which accounts for 16% of total employment in the country;
- For every dollar the government transfers to an NPO that provides health services, the government would have had to invest \$7 to provide the same service;
- For every dollar the government transfers to an NPO that provides education services, the government would have had to invest \$20 to provide the same service;
- A total of \$2,193,810,832 in Gross Domestic Payroll is provided by non-profits;
- A total of 381,481 of hours is provided through volunteer time to nonprofit organizations. These volunteers represent 23,633 full-time jobs and an estimated contribution of \$356 million, applying the current minimum wage.

Within the context of a difficult fiscal situation and austerity measures, it is urgent to empower non-profit entities with the tools they need to capitalize on the efforts they carry out. It is vital to innovate, create alliances and solidify partnerships to strengthen the way NPOs serve disadvantaged populations. NPOs can play a significant role in **generating economic activity** while attending to significant social needs.

III. Our Solution: Promoting Access to Federal Funds

A total of 44% of Puerto Rican nonprofits have both local and federal tax exemption, which would make them eligible to apply for federal funds. However, some of them do not present grant proposals either because they are not familiar with the process or do not have the means and resources to provide matching funds. Matching funds are set to be paid in equal amount to funds available from other sources, to a predetermined ratio (usually 1:1). This provides greater incentive leverage when a nonprofit is fundraising from its constituency. If a grant is approved at a 1:1 matching ratio, the grant-maker knows that the contribution will be doubled. It represents assurance of the nonprofit's capacity to raise adequate funds and that the funding will help fund

even greater work. With the present economic challenges, it is extremely difficult for NPOs to be able to generate additional matching funds.

Even though oftentimes matching funds might be provided in the form in-kind gifts, staff time, equipment, facilities and other means, if a NPO does not have the basic infrastructure to operate, it would be a burden to comply with. If it does not have the financial resources nor the staff or the equipment to provide a match, it could result in the obsolescence of its operations and its capacity to provide services.

For this reason, United Way of Puerto Rico proposes the PROMESA Task Force to implement a more flexible method to access federal grant funds for nonprofit organizations in Puerto Rico by waiving the matching funds requirement for a temporary period of five (5) years.

IV. Why is this fair?

This proposal would not be the first instance when a matching requirement is waived. For example, at present, Federal Funds from the Office of Justice of the United States provide different scenarios where this requirement might be waived. 42 U.S.C. §3754(a) of the Omnibus Crime Control Act provides that, in the case of funds distributed to an Indian tribe which performs law enforcement functions, the Federal portion shall be 100 percent of such cost. On the other hand, 42 U.S.C. §5675(c)(1) of the Juvenile Justice Act provides that, in the case of an award under Title II to an Indian tribe, if the OJJDP Administrator determines that the tribe does not have sufficient funds available to meet the local share of the cost of any program or project to be funded under the award, the Administrator may increase the Federal share of the cost thereof to the extent the Administrator deems necessary. Also, in accordance with 48 U.S.C. §1469a, the awarding agency, in its discretion, may waive any requirement for matching funds under \$200,000 otherwise required by law to be provided by the certain insular areas. This waiver applies to all awards made to American Samoa, Guam, U.S. Virgin Islands, and Northern Mariana Islands. In 25 U.S. Code § 4104, a waiver of matching funds requirements was approved in Indian housing programs.

In such instances, matching requirements were approved taking into consideration either characteristics or special circumstances affecting a local population. Adopting a similar scenario in Puerto Rico would not represent an advantage over other states of the nation or territories; it would represent a medium-term measure adopted by the Oversight Board to address a special circumstance.

V. What would it accomplish?

Waiving matching requirements would:

- Help grow the financial stability of NPOs in Puerto Rico. At the present time, most organizations depend on local Puerto Rico territory legislative funds, which in recent months were dramatically cut from the governmental budget. Having access to Federal Funds would ease the way to local agencies and offices to focus on the restructuring of its own operations.

- Help promote employment. As stated before, a total of 150,410 of jobs are generated by nonprofits, which accounts for 16% of total employments in the country. If the work carried out by NPOs disappears, there would be a higher number of unemployed persons.

Help the government ease the social crisis in Puerto Rico. Lack of employment, business bankruptcies and the present health crisis add up to a socio-emotional state which affects the quality of life in Puerto Rico. This is aggravated by poverty, which has a direct impact on education and academic performance. A study carried out by the Annie Casey Foundation reveals that 38% of Puerto Rican youth drop out of school before finishing high school and 45% of pre-school aged children do not attend school. Other research carried out in Puerto Rico found that 10% of children on the Island fail the first grade, and 45% of third graders in Puerto Rico do not meet the expected standards for English, Spanish or Math.

- Another result of poverty and socioeconomic disparity is violence. Puerto Rico has a first degree murder rate of 27 murders per 100,000 residents, one of the highest in the world, most of them related to drug wars. It is estimated that a woman dies every two weeks due to domestic violence. When this degree of violence becomes norm in a society, it has a measurable impact on children and families. It is estimated that 30,000 children suffer some kind of abuse each year, and 6,500 children are in care of state agencies at any given time, due in most part to abuse by neglect, but also due to physical and emotional abuse. It is estimated that hundreds of children under the age of five have witnessed at least one act of violence. Children who are victims or witnesses of acts of violence are very likely to repeat the pattern when they become adults.

Puerto Rican NPOs develop programs to address such problems. In the long term, they save to the local and federal government money. As stated before, for every dollar the government transfers to an NPO that provides health services, the government would have had to invest \$7 to provide the same service. For every dollar the government transfers to an NPO that provides education services, the government would have had to invest \$20 to provide the same service.

- Help foster economic growth, through the promotion of self-sufficiency and startup grants. The present crisis has led Puerto Ricans to rethink their aptitudes and skills, in order to reinvent themselves and their professions. In the past year, a movement has emerged through Social Media and other technological outlets to advance self-marketing and encourage an economic structure that reduces the size of companies and government staff. By providing access to Federal Funds, this would advance the efforts of such small companies, entrepreneurs and startups that are only needing a small cash injection to propel their initiatives. This would result in economic growth and empowerment.
- Help foster a much needed attitude of collaboration and alliance between the private, public and nonprofit sectors. If Puerto Rico is to flourish in the upcoming years, there is a need to strengthen ties between different groups through a culture of sharing knowledge, collaboration, resources and information. A matching waiver would bring an opportunity to present grant proposals which comprise these same concepts, and build capacity towards the leverage of efforts and avoid duplicity of services.

VI. Contact Information

We are sure that this proposal will result in great benefit in fostering economic activity and financial stability. It will benefit a significant portion of the population of Puerto Rico. At the same time, incremental use of Federal Funds in Puerto Rico will be viewed as an important contribution of the Federal Government to Puerto Rico, and specifically to those in greater need benefit through approved Federal Programs.

We stand ready to discuss these and other ideas with the Oversight Board Task Force at its convenience. We will follow up on this request in the upcoming days. Should you need further information, please feel free to contact Samuel González, President of UWPR