



September 2, 2016

Sen. Orrin Hatch
Chairman
PROMESA Task Force on Economic Growth in Puerto Rico
U.S. Congress
Washington, DC 20510

SUBJECT: REQUEST FOR INPUT ON HOW TO STRENGTHEN THE ECONOMY OF PUERTO RICO

Dear Mr. Hatch:

Greetings from the Puerto Rico Institute of Statistics (Institute).

The Institute is an independent public entity of the Government of the Commonwealth of Puerto Rico with authority over the statistical policy of Puerto Rico agencies.

The Institute Charter Law (Puerto Rico Act No. 209-2003, as amended) was approved in 2003 out of a concern for the quality of Puerto Rico statistics. The Institute was created to promote changes to Puerto Rico's statistical and data gathering systems, so as to ensure universal and timely access to comprehensive and reliable statistics on Puerto Rico.

The Institute began operations in 2007. We have worked intensely on this task since the beginning of operations of the Institute just 9 years ago, at the start of Puerto Rico's current fiscal crisis and economic recession. During this time, as a result of the fiscal crisis and the need to operate as an independent entity that is not beholden to political interests, the Commonwealth of Puerto Rico has only assigned about a quarter of the budgetary resources that were approved in the Institute's Charter Law, a factor which has greatly limited our efforts.

Nevertheless, with an average annual budget of just about \$1 million during these 9 years, the Institute has had numerous achievements. Here are just a few:

- We corrected Puerto Rico's mortality statistics, in collaboration with the National Center for Health Statistics (NCHS), to incorporate thousands of deaths that had been previously excluded from the Puerto Rico Department of Health's mortality data, and improved the precision, comparability, and efficiency of the cause-of-death classification methods used.
- In collaboration with the U.S. Bureau of Labor Statistics (BLS), the Institute eliminated an upward bias in Puerto Rico's Consumer Price Index, as had been reported by the Puerto Rico Department of Labor, which overestimated the rate of inflation by more than double during a 15-year period.

- The Institute has identified millions of dollars in recurrent cost savings for the Commonwealth of Puerto Rico in the purchase of data (Planning Board) and in the use of technology to identify theft, fraud, and abuse (Medicaid).
- The Institute has identified and documented a statistical bias in the formulas used by the Centers for Medicare and Medicaid Services (CMS) to compensate doctors in Puerto Rico for providing services under the Medicare Program, which tips the scales against physicians, patients, and providers in Puerto Rico to the tune of about \$120 million annually since 2012.
- Last year, the Institute was formally designated by Law as the Puerto Rico entity to serve as liaison with federal statistical agencies, such as the U.S. Census Bureau (2020 Census, 2017 Puerto Rico Economic Census, Puerto Rico Community Survey, Foreign Trade Statistics, Annual Population Estimates, State Data Center, and other initiatives), the National Agricultural Statistical Service (2017 Agricultural Census), amongst many other agencies (Puerto Rico Act No. 154-2015).
- A few years prior, the Institute had been designated by Law as technical advisor to the Puerto Rico Federal Affairs Administration in its efforts to have Puerto Rico included in all federal statistical surveys (Puerto Rico Act No. 28-2011).
- The Institute has provided training to several hundred government statisticians in the use of modern software for database management and statistical analysis.
- We developed and undertake a monthly Purchasing Managers Index survey in close collaboration with Puerto Rico's Manufacturing Association and with the technical assistance of the Federal Reserve Bank of New York to serve as a timely indicator of business conditions in Puerto Rico's largest economic sector.
- The Institute administers the Puerto Rico Inventory of Statistics (<http://www.statistics.pr>), a website that facilitates access to over 300 statistical products on Puerto Rico, as well as the Commonwealth's Open Data platform (<http://Data.PR.gov>) where Puerto Rico public entities can share their datasets with other agencies or the public.

The Puerto Rico Institute of Statistics has a very clear mandate to facilitate and ensure universal access to public data and statistics on Puerto Rico. We also have significant technical expertise that we hope to leverage in working with the PROMESA Fiscal Oversight and Management Board, as well as with the bipartisan PROMESA Task Force on Economic Growth in Puerto Rico.

We write in response to the request for input from Puerto Rico stakeholders on how to strengthen Puerto Rico's economy. We will limit our recommendations to our field of expertise in statistical methodologies:

1) Encourage and fund the inclusion of Puerto Rico in the surveys administered by the National Agricultural Statistical Service (NASS)

The National Agricultural Statistical Service (NASS) undertakes more than 50 surveys. Puerto Rico is included in only 1 of these surveys: the Agricultural Census every 5 years. As a result, we lack annual data on Puerto Rico's agricultural sector.

Puerto Rico's tropical climate is a relatively unique asset within the United States, which allows farming all year round. In order to maximize the benefit obtained from this unique agricultural asset, farmers in Puerto Rico need annual data on crop yields, organic agriculture, and dairy products, amongst many others.

In fact, given the current state of affairs, and taking into consideration how important agriculture has been for Puerto Rico's economy in the past, even if agriculture turned around and began boosting Puerto Rico's economic growth it is very possible that such a transition would go largely unmeasured for 5 years until the next Agricultural Census, and it would take an additional 5 years to confirm the possibility of the upward trend.

As a result, we urge the PROMESA Task Force on Economic Growth to encourage and fund the inclusion of Puerto Rico in the surveys administered by the NASS. For a complete list of surveys administered by NASS, see: https://www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/.

2) Encourage and fund the Census Bureau's inclusion of Puerto Rico in the 2017 Census of Governments

The Census of Governments provides a snapshot of the structure, size, and finances of state and local governments across the United States every 5 years. As such, it is the primary source of data on the scope and nature of local government organizations, powers, and activities.

However, Puerto Rico has been excluded from the Census of Governments since 1982. Earlier this year, a Census Bureau delegation visited Puerto Rico to study the feasibility of re-incorporating Puerto Rico in the Census of Governments. We understand the Census Bureau team returned to Washington convinced that the re-incorporation of Puerto Rico is technically feasible.

Nevertheless, at the end of the day, the Census Bureau may need additional budgetary resources to include Puerto Rico in the Census of Governments. So, we urge the PROMESA Task Force on Economic Growth to ensure the Census Bureau has sufficient budgetary resources to re-incorporate Puerto Rico in the Census of Governments for the 2017 round that will take place next year, so as to shed some much needed light on the size, structure, and finances of the Government of the Commonwealth of Puerto Rico and its municipalities.

3) Encourage and fund the U.S. Census Bureau to establish a Research Data Center (RDC) in the Puerto Rico Institute of Statistics

The Research Data Center program of the U.S. Census Bureau is based on the formation of partnerships between federal statistical agencies and leading research institutions across the United States. They are secure facilities managed by the Census Bureau to provide secure access to a range of restricted-use microdata for statistical purposes only.

We believe the Puerto Rico Institute of Statistics has a proven track record as a leading research institution on Puerto Rico which supplies key information to the federal statistical agencies for the discharge of their duties.

In the case of Puerto Rico, the San Juan Research Data Center could also serve the important function of offering a secure mechanism to exchange Puerto Rico-specific confidential information with federal statistical agencies for statistical purposes.

Therefore, we urge the PROMESA Task Force to encourage and fund the establishment of a Census Bureau Research Data Center at the Puerto Rico Institute of Statistics.

4) Encourage and fund the Puerto Rico Institute of Statistic's Financial Transparency initiative

In accordance with its duty to promote transparency and to facilitate access to public data, the Puerto Rico Institute of Statistics has launched a Financial Transparency initiative through which it publishes detailed transaction-level data on its expenditures and incomes. See <http://www.transparenciainanciera.pr>. It is our intention to incorporate the transactions of the entire Government of the Commonwealth of Puerto Rico in the near future, once we have obtained the necessary data. Similar initiatives are already in operation in a diversity of jurisdictions, such as in the City of Los Angeles and the U.S. Virgin Islands.

While we will be promoting these initiatives in all possible forums, such as to the PROMESA Fiscal Oversight and Management Board, as well as to the current and future administrations of the Commonwealth of Puerto Rico, we believe there might be a role for the PROMESA Task Force on Economic Growth to make recommendations of potential federal legislation that can ensure all stakeholders have access to detailed transaction-level data on the Government of the Commonwealth of Puerto Rico.

In specific, we believe that making Puerto Rico's finances transparent in a timely fashion is an important step towards strengthening the economic growth of Puerto Rico. Therefore, we urge the PROMESA Task Force to encourage and fund the Puerto Rico Institute of Statistic's Financial Transparency initiative.

For your reference, attached you will find the Puerto Rico Act No. 209-2003, as amended, also known as the Puerto Rico Institute of Statistics Act.

The Puerto Rico Institute of Statistics stands ready to work with the PROMESA Task Force on Economic Growth in ensuring the Task Force has the necessary data and the available statistics to fulfill its mandate under PROMESA.

Already, we have received a formal information request from the staff of the PROMESA Task Force, which we will be responding shortly. In the meantime, we invite you to visit our website at <http://www.statistics.pr>.

For further information, I may be reached by phone at (787) 209-0906 or by email at mario.marazzi@estadisticas.pr.

Sincerely,



Dr. Mario Marazzi Santiago
Executive Director

- c. Jacob Lew, Secretary, U.S. Treasury Department
Alejandro J. Garcia Padilla, Governor, Commonwealth of Puerto Rico
Katherine K. Wallman, Chief Statistician, Office of Management and Budget
John H. Thompson, Director, U.S. Census Bureau
Hubert Hamer, Administrator, National Agricultural Statistics Service