This policy brief is a product of the Youth Development Institute of Puerto Rico. It is based on a detailed budget analysis titled ANÁLISIS PRESUPUESTARIO DE LAS AGENCIAS GUBERNAMENTALES DE PUERTO RICO QUE OFRECN SERVICIOS A NIÑOS(AS) (Budget Analysis of the Government Agencies of Puerto Rico Offering Services to Children) conducted by the Center for Interdisciplinary Studies at the University of Puerto Rico in Cayey, led by Dr. José Caraballo Cueto and supported by Stephanie Rodríguez, Research Assistant. The graphic design was done by 2istedminds.

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ACKNOWLEDGMENTS

LETTER FROM THE ED

“This phrase is a common slogan of political campaigns, a great sound bite for celebrities in their altruistic efforts, and is repeated over and over in our popular discourse. After Hurricane Maria devastated an already fragile economy, and accelerated the migration of thousands of families with children, it is crucial to take a moment to seriously reflect on the implications of this phrase. If we want to ensure a successful recovery process and a brighter future for Puerto Rico, and this future is going to be in great part defined by the children of today, there are many serious questions to be answered. Who are the children of Puerto Rico and what do their lives look like? What do we need to do to ensure that these children stay in the island and can actually deliver on that promise as adults?

At the Youth Development Institute of Puerto Rico, we work to answer these two questions. First, to better understand who Puerto Rico’s children are and what challenges they face, we collect, analyze and disseminate data through various data products and publications, including the Child Well-Being Index at the Commonwealth and Municipal level, the Kids Count project, and the Early Childhood Observatory. Through this work we have found that one medallion challenge facing Puerto Rican children is poverty —over half of them are living in poverty, and 8 out of 10 are living near poverty or in high poverty areas. This is particularly alarming when one takes into account the substantial body of research that evidences the negative impact of child poverty on adult outcomes, and consequently on economic development through lost human capital and increased government costs. Hence, from this work alone we know that most children in Puerto Rico are living in poverty, and that this could hinder their ability to “be the future”.

This year we begin extending our work to dig deeper on that second question, particularly thinking about those children living in or near poverty, and what they will need at a systemic level to develop to their full potential, and how Puerto Rico can create and change public policies to support that development.

As we begin to think about what children need at a systemic level to develop their full potential, one important aspect is the extent to which public funds are invested to provide programs and services that allow for their optimal development and for access to opportunities. This question gains particular relevance in the context of Puerto Rico’s fiscal crisis, and its exacerbation in the aftermath of Hurricane Maria, which forces difficult decisions around public investments. To ensure that children are elevated as a priority population and their interests taken into account, the Youth Development Institute of Puerto Rico decided to conduct a “Children’s Budget” report, which analyses investments in children and their families over the last four fiscal years. This analysis led to two main products, a detailed budget analysis report, which can be found at the Institute’s website (www.youthbudget.org), and this policy brief, which summarizes the main findings and implications and provides recommendations for decision makers in Puerto Rico’s budget matters.

Our plan is to make this the first of many Children’s Budgets for Puerto Rico. In doing this, our hope is to continue elevating the conversation around children and how the decisions that are made today will inevitably impact Puerto Rico’s future.

Sincerely,

Amanda Rivera
Executive Director
INTRODUCTION

Puerto Rico is currently going through what could perhaps be deemed as the most difficult economic, fiscal and social period in its history. Before Hurricane Maria ravaged the island, a major fiscal and economic crisis was underway. Some described this crisis as the great depression of Puerto Rico, since it is larger and deeper than that of the 1930s. In addition to experiencing a deep economic crisis, the government’s debt amounted to about $130 billion. As a result, in 2016, the U.S. Congress approved and enforced the PROMESA Act, which established a Financial Oversight Board with the purpose of carrying out fiscal reforms to address the public debt problem.

As if this economic and demographic scenario was not challenging enough, on September 20, 2017 the island was hit by Hurricane Maria. The hurricane and its effects led to a further loss of economic activity. Officials estimated a loss of over 310,000 jobs in the month following the hurricane. There was also a significant fiscal impact due to a decrease in government revenue. By December 2017, government revenue was 240 million less than expected, which jeopardized the government’s ability to prevent further cuts.

In this economic and fiscal context, it is essential to safeguard the needs of Puerto Rico’s children, one of its most vulnerable populations and one that is also critical to the island’s economic development. Before the hurricane, most children in Puerto Rico were developing while facing great challenges. The Youth Development Institute’s (IDJ) Well-Being Index, an in-depth snapshot of the living conditions of children and young adults between 0 to 21 years of age in Puerto Rico, consistently gave a “D” grade to the island, due to high levels of child poverty and low levels of academic achievement, among other factors. The high child poverty levels were already greatly concerning due to the impact of poverty on other areas related to full development and equal access to human rights. Children experiencing poverty are less likely to graduate from high school or get a college degree, more likely to face health issues, and more likely to live in poverty in adulthood. In 2016, 56% of children in Puerto Rico lived in poverty. This included the 36% that lived in extreme poverty1. At the IDJ we estimate that child poverty levels could increase even more, especially in towns in the mountain and southeast regions where the hurricane had severe impact due to rain and wind, and where many municipalities already had child poverty rates of up to 80%2 before the hurricane.

Another challenge Puerto Rico’s children face, and one that is expected to increase after the hurricane, is migration. Between 2006 and 2016, Puerto Rico’s child population decreased 32%3, due in great part to the migration of families with children seeking better opportunities in the United States. After the hurricane, a possible population loss of another 55,000 children is forecasted before the end of 20184.

Both the high poverty levels and the population decrease present challenges to Puerto Rico’s economic viability. On the one hand, due to the impact poverty has on social and education development, child poverty has proven to be very costly. According to an estimate by Harry Holzer, an economist, child poverty has a cost for the United States of over $500 billion a year on lost economic activity, criminal processing and health costs. On the other hand, the loss of the island’s younger population leads to an aging population, a trend that compromises the island’s financial viability due to increased spending and decreased revenue.

Therefore, the situation faced by Puerto Rico’s children is not only a human rights issue, but also an important part of the economic development that is so sorely needed in the island. To achieve prosperity in Puerto Rico, it is essential to invest in children. Taking this as a starting point, this report will present an analysis of the budget recommended by the Government of Puerto Rico for the fiscal year 2018. This report also presents budget trends between the years 2014 and 2018, especially those concerning any government agency programs, support and services with direct or indirect impact on children between the ages of 0-17 years of age.

It is important to note three limitations of this analysis. First of all, the analysis does not take into account the final budget approved by the Financial Oversight Board that included additional cuts of $154.1 million to the agencies containing the programs analyzed in this budget. Based on the information that is available on those cuts, the agencies that have been affected the most are: the Children and Families’ Administration, the Family Socioeconomic Development Administration, the Department of Corrections and Rehabilitation, and the Department of Education. The analysis is not based on the approved budget because the approved agency-level budget had not been publicly released as of publication. This points to a lack of transparency that the Youth Development Institute seeks to discuss in conjunction with other civil sector organizations. Secondly, this report does not take into account any special assignments or legislative grants provided to non-profit organizations that have an impact on children. It is something that is being considered for the next Children’s Budget. Finally, this type of analysis does not provide data on the efficiency with which these funds are used. Taking into account the concern caused by these indicators of the conditions Puerto Rico’s children are living in, there will be a need in the future to analyze the effectiveness of these investments.

This budget analysis provides, more than anything else, a broad perspective of the government’s public policy priorities and how they are reflected in its investment. Understanding where the government decides to invest or not invest is telling us a lot about the government’s priorities and long-term vision for the development of the island.

Details on how the budget analysis was carried out can be found in the methodology section. Then, the Highlights section outlines the issues that the Youth Development Institute found to be most notable after conducting the analysis. The section Findings by Area, details the study findings in various thematic program areas, including education, health, and early childhood, among others. Finally, the Recommendations section is aimed at decision-makers for Puerto Rico’s budget —specifically the Executive Branch, the Legislature and the Financial Oversight Board —and is based on what we understand must be corrected and kept in mind to ensure the optimal development of and access to opportunities for our children.
This policy brief is based on a detailed report that was commissioned to the Center for Interdisciplinary Studies at the University of Puerto Rico in Cayey titled “BUDGET ANALYSIS OF THE GOVERNMENT AGENCIES OF PUERTO RICO PROVIDING SERVICES TO CHILDREN.” It presents the budget spent for the fiscal periods: 2013-2014, 2014-2015 and 2015-2016, the budget allocated for the 2016-2017 fiscal period; and the recommended budget for fiscal year 2017-2018. The budgets are detailed by source of resources and in turn in three budget headings. These are: (1) Operating Expenses (O.E.); (2) Subsidies, Incentives and Donations (S.I.D.); and, (3) Permanent Improvements (P.I.).

In order to identify and improve the understanding of the agencies’ budget, several categories were created in this analysis: (1) by direct or indirect impact; (2) due to budgeted changes; and (3) by program impact, depending on the number of people served. In addition, the following thematic categories (areas) were created: (1) Juvenile Justice / Correction; (2) Mental Health; (3) Health; (4) Education - Early Childhood; (5) Security; (6) Social and Integral Development; (7) Education; (8) Economic Self-Sufficiency; (9) Child Welfare; and (10) Economic Security.

The programs identified as having a direct impact were those where cuts directly affect young people, children or their families. Those with indirect impact refer to programs which impact another population that in turn impacts the daily lives and quality of life of young people, children and their families. Of the 42 programs analyzed, only 19% (8) were identified as having an indirect impact.

In addition, all changes between the last five fiscal years (2013-2014-2015-2016-2017) was analyzed.

As the last impact category, the areas were classified by number of people impacted. The number of children who were impacted was investigated. However, it was not possible to identify the exact number in all programs; thus, in some cases the total number of participants was taken, among other adjustments, which will be detailed in the development of each program. The categories were divided between extensive impact (more than 100,001 people or families), moderate (from 10,000 to 100,000 people or families) and limited (less than 10,000 people or families).

The Youth Development Institute synthesized and analyzed the findings of the study mentioned above using demographic data and data on the conditions children are living in, including the findings of the study mentioned above using demographic data and data on the conditions children are living in, including the Youth Development Institute’s Well-Being Index and data from the Kids Count Data Center. The analysis was also developed using literature on family economic security—collected by the IDJ as part of their focus on the reduction of child poverty—as a framework of reference.

Trends in disinvestment in programs that impact children and youth began before the implementation of the Fiscal Plan for Puerto Rico

At first glance, the recommended budget for 2018 did not represent a significant change in investments for children and their families. Overall, the difference between the 2017 and 2018 budget represented an increase of 1% in funding. This slight upick was due to significant budgetary increases for programs in the categories of juvenile justice, early childhood and health; and was tempered by decreases in the majority of the other categories.

However, the trends in disinvestment could be better assessed through the analysis of the difference in budgets between 2014 and 2018. As seen in Chart 1, during the 2014 fiscal year, the total investment in programs impacting children and their families, be it directly or indirectly, reached $9,407,031. For the 2018 fiscal year, the recommended budget for these programs was $9,111,030.

This represents a 4% decrease in funds allocated for programs impacting children and their families. The most impacted program categories during this period include: Social Development (-51%), Education (-22%), and Self Sufficiency (-13%). Hence, while the implementation of the Fiscal Plan begins in the 2018 fiscal year, the government of Puerto Rico has been taking measures to reduce spending for at least four years. For example, although the cuts in the Department of Education of Puerto Rico (DEPR) garnered much media and public attention due to school closings, between 2017 and 2018, those cuts represented 1% of the budget. The most significant reductions, occurred between 2014 and 2018. During this four-year period, the DEPR saw its budget be reduced by more than a fifth (22%), or by over $700 million. Although the DEPR has experienced lower enrollment, the amount of per pupil spending was also reduced during these years—from $7,934 in 2014 to $7,232 in 2017. Another example is the Pediatric Hospital. It experienced a slight reduction in its budget of 1% between 2017 and 2018, but the reduction was much more significant between 2014 and 2018, amounting to almost a third of its budget (29%).

Chart 1

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget Allocation (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>9,407,031</td>
</tr>
<tr>
<td>2015</td>
<td>9,019,013</td>
</tr>
<tr>
<td>2016</td>
<td>9,497,041</td>
</tr>
<tr>
<td>2017</td>
<td>9,030,118</td>
</tr>
<tr>
<td>2018</td>
<td>9,111,030</td>
</tr>
</tbody>
</table>

*Includes programs focused on integral children’s development - Arts, Sports and Recreation
*These figures include both federal and local funds
Despite a general trend of disinvestment, over the last four years, the government of Puerto Rico has increased its investment in a few programs that impact children and their families in the areas of health, mental health, early childhood, and juvenile justice.

Several programs impacting children and their families experienced increases in their budgets, between 2014 and 2018, as well as between the 2017 and 2018 budget. The vast majority of these increases were financed by the government of Puerto Rico, meaning that they were not the result of increases in federal funding, but of contributions from the commonwealth’s funds. These programs fell into four categories: mental health, health, early childhood and juvenile justice.

In the mental health category, the government of Puerto Rico increased its investments in most programs, but increased its contribution to one program—AssMACA’s Prevention and Promotion of Health program—by over 5,700% percent (over $25 million). According to the agency, that funding is invested in evidence-based programs that yield results, are aimed at mental health prevention and promotion, and prioritize at-risk children and youth. The bulk of that increase was reflected in the recommended budget of 2018.

In the health category, the government of Puerto Rico increased its investments in most programs, but increased its contribution to one program—La Reforma in Spanish. These programs fell into four categories: mental health, health, early childhood and juvenile justice.

The Head Start and Early Head Start programs have also experienced an increase in the investment from the government of Puerto Rico—257% or over $40 million over the last four years. While this program used to be completely dependent on federal funding, over the last year Puerto Rico’s contribution has increased to 26% of all funding. It should be noted that this was the only program of the Early Childhood category experiencing increased investments.

Finally, while the category of juvenile justice experienced a general decrease over the last four years, it experienced an increased allotment from the government of Puerto Rico of 575% or over $15 million, between 2017 and 2018. This was due to an increased allotment for the Evaluation and Counseling for Youth program at the Department of Correction. This program serves over 26,000 youth with counseling and psychological services.

Public investment does not provide enough opportunities to exit poverty

Investment in programs that remove barriers to escape poverty or encourage entry into the formal labor force has not been sufficient, and in general, has faced cuts. The high rate of child poverty in Puerto Rico was not caused only by the current fiscal and economic crisis. In 1999, during a period in which Puerto Rico experienced a high level of growth in its net/gross domestic product (GNP) growth, the child poverty rate was 58%, the same as in 2015. A large number of children live in poverty due to the difficulty their fathers and mothers face in accessing stable employment. In 2015, fifty-seven percent (57%) of the children in Puerto Rico lived in households in which at least one parent did not have a secure job. Another proportion of children lives in households where there is simply no participation in the formal labor force. Twenty-six percent (26%) of children living in low-income households have parents who have not been part of the labor force in the past year.

Therefore, although economic growth is always important to ensure that children and their families can achieve economic security, in Puerto Rico’s case it is important to consider other factors, such as barriers and incentives to enter the labor force. Several studies on mothers living in poverty in Puerto Rico have found that some of the most prominent barriers to accessing jobs that help lift them out of poverty include the lack of social support, such as childcare and transportation, and employability issues that include a lack of skills aligned to available opportunities and educational level. Aside from this, these face other barriers that include family and health problems.

Therefore, programs that remove these types of barriers, such as the Child Care program and Temporary Assistance for Needy Families Program (TANF), among others, are essential to help families with children escape poverty.

In terms of incentives, or programs that lead to “making work pay,” an approach that has been very successful in increasing labor participation and mitigating child poverty, has been that of tax credits for work, such as the Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC) at the federal level. However, only families with three or more children in Puerto Rico (12% of them) are eligible for the federal CTC, and the EITC has not been extended to families in Puerto Rico. At the local level, the earned income tax credit was eliminated in 2014. This means that few families with children, particularly those with low incomes, have access to incentives that have proven effective in encouraging labor participation. It should be emphasized that the tax credits would be developed within the tax reform, and not the budgetary process, but they continue to imply a fiscal investment, since they lead to a loss in revenues.

To analyze investment in programs that eliminate barriers or promote incentives, we mostly focus on programs in the Self-Sufficiency category. This category only represented 1.4% of all budget allocations for programs that impact children and their families (See Chart 3). Therefore, as can be seen in Table 1, the current programs available specifically for parents and youth that offer paths to employment or to eliminate barriers are limited in scope. For example, TANF, which is the largest program that offers job training and opportunities for single mothers, only benefits 53,000 female heads of household, while according to census data in 2016 there were 255,994 female heads of households living in poverty.
Table 1: Selected Programs, Population That Would Potentially Benefit, and Population Currently Receiving Benefits

<table>
<thead>
<tr>
<th>Program and Description</th>
<th>Population that would potentially benefit</th>
<th>Population receiving benefits currently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Assistance Program for Needy Families TANF</td>
<td>255,994 female heads of household with children living below poverty levels</td>
<td>53,000 women heads of family</td>
</tr>
<tr>
<td>Child Care (Department of the Family)</td>
<td>52,000 children under the age of 6 with both parents out of the labor force</td>
<td>7,715 minors</td>
</tr>
<tr>
<td>Summer Employment (Department of Labor)</td>
<td>28,020 young people (16-21) who do not work or attend school</td>
<td>2,600 young people</td>
</tr>
<tr>
<td>Economic and Social Rehabilitation Program (PRES)</td>
<td>281,216 children living in extreme poverty</td>
<td>1,100 families</td>
</tr>
<tr>
<td>Vocational Technological Education Program (Department of Labor)</td>
<td>28,020 young people (16-19) who do not work or attend school</td>
<td>750 young people</td>
</tr>
</tbody>
</table>

In the last four years, most of the programs that impact children and families that have suffered due to budget cuts have been programs that promote social and economic development.

In addition to finding that investments in programs that provide opportunities to escape poverty are minimal, it is also observed that programs that promote social and economic development, both for children and for their fathers and mothers, have experienced significant cuts in their assignments during the past years. This includes programs in various categories that range from Education to Self-Sufficiency, but have one element in common: they provide the tools for social development through formal education or the development of talents and skills, or provide tools for economic development through the development of skills or the elimination of barriers to employability.

Investment in K-12 education is particularly important to ensure the optimal social and economic development of children and youth. A recent study found that those low-income students who were part of public education systems with higher levels of investment were more likely to graduate from high school, to earn more as adults and less likely to be poor. In contrast, the budget for the Puerto Rico Department of Education (PRDE), including federal funds, decreased by 22% between fiscal years 2014 and 2018. This was not only a reflection of the decrease in enrollment. The amount of expenditure per student was also reduced during these years—from $7,934 in 2014 to $7,232 in 2017. It should be noted that spending per student in Puerto Rico is significantly lower than the national expenditure in the United States, which has an average of $11,099 per student. Massachusetts, the state with the highest levels of academic achievement in the National Assessment of Educational Progress (NAEP), invests more than twice in its students, with an average annual investment per student of $15,592.

Another category of programs important for social and economic development due to the tools it provides to remove barriers to employment is Self-Sufficiency. Investments in this type of program, which by themselves had not been sufficient given the need in Puerto Rico, experienced a general reduction of 13% in its budget between 2014 and 2018. This includes cuts to programs such as Education Technical and Professional (-57%), Promotion of Employment Opportunities for the Unemployed (-22%) and the elimination of the Employment Opportunity Program for Youth. The Child Care program, which is considered as one that eliminates barriers to employment and promotes both the economic development of mothers and the social development of children, was reduced by 13% during this period.

Finally, programs that promote the social development of children and youth through the development of skills and social integration, such as arts and recreation and sports programs, have suffered debilitating cuts since 2014. The category we have called Social and Integral Development, which includes all recreation, art and culture programs, has experienced a global cut of fifty-one percent (51%) between 2014 and 2018. The most significant cuts have been to the Puerto Rican Athenaeum (Aléno Puertorriqueño) (100%), the Cultural Promotion and Arts program of the Institute of Puerto Rican Culture (69%), and the Sports Promotion and Development Program of the Recreation and Sports Department (54%). It is important to emphasize the importance of these programs in the social and academic development of young people. Studies have found that, for example, art programs, in addition to positively contributing to social development, have a positive impact on academic achievement among at-risk youth.
Many programs that impact children and their families, particularly safety net programs, are highly vulnerable to changes in funding at the federal level. It is important to note that a substantial amount of the funding for programs that impact children and their families in Puerto Rico comes from the federal government. The programs that are most heavily subsidized (over 50%) by the federal government fall into the safety nets category, but also include programs in the early childhood, self-sufficiency and mental health categories.

Some of the programs that are most dependent on federal funds are those that not only impact a vast amount of children and their families, such as WIC, Food Stamps, and Section 8 housing, but also represent the only social safety net programs available to families with children in Puerto Rico.

Although the availability of these funds have ensured a basic level of stability for these programs, this stability cannot be taken for granted. Over the last years there has been a trend towards decreasing federal spending in non-defense discretionary spending, which includes many of the programs in Puerto Rico that are highly dependent on federal subsidies. For example, President Trump proposed a $54 million cut in non-defense discretionary spending, which included housing programs, TANF and food stamps. Specifically, federal investments in children’s programs decreased by 5% between 2014 and 2016. Hence, programs impacting children and their families in Puerto Rico are not only facing threats due to the local fiscal crisis, but are also vulnerable to changes in the federal context.

This is particularly concerning when one takes into account that over the next years more Puerto Rican families with children will have to rely on these safety net supports due to the projected increase in economic insecurity. Although the government of Puerto Rico did not project significant increases to the populations being served by safety net programs, statistical trends show that child poverty and work insecurity are on the rise. Between 2008 and 2016, children living in homes with insecure employment increased from 51% to 58%.

The deterioration of these indicators coincide with Puerto Rico’s economic crisis, which according to the Financial Oversight Board, is slated to continue through 2024. Hence, both the data and macroeconomic projections does suggest an increased need for these programs over the next years.

Table 2:

<table>
<thead>
<tr>
<th>Category</th>
<th>Program/Agency</th>
<th>Percent of budget subsidized by federal funding</th>
<th>Participants in the program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety Net</td>
<td>WIC</td>
<td>100%</td>
<td>136,384 children</td>
</tr>
<tr>
<td>Self-Sufficiency</td>
<td>Employment Opportunities for Students</td>
<td>100%</td>
<td>2,500</td>
</tr>
<tr>
<td>Safety Net</td>
<td>NAP/Family Department</td>
<td>99%</td>
<td>675,000 families</td>
</tr>
<tr>
<td>Safety Net</td>
<td>Section 8/Housing Department</td>
<td>96%</td>
<td>Approx. 53,000 housing units with children under 18</td>
</tr>
<tr>
<td>Mental Health</td>
<td>Community Outreach and Support/ASSMCA</td>
<td>87%</td>
<td>3,016</td>
</tr>
<tr>
<td>Early Childhood</td>
<td>Child Care/Family Department</td>
<td>83%</td>
<td>3,552</td>
</tr>
<tr>
<td>Early Childhood</td>
<td>Head Start-Early Head Start/ Family Department</td>
<td>72%</td>
<td>20,926</td>
</tr>
<tr>
<td>Safety Net</td>
<td>Child Support- Application and Procedures/Family Department</td>
<td>65%</td>
<td>240,008</td>
</tr>
<tr>
<td>Safety Net</td>
<td>TANF/Family Department</td>
<td>75%</td>
<td>Approx. 53,000 single</td>
</tr>
<tr>
<td>Mental Health</td>
<td>Ambulatory Services/ASSMCA</td>
<td>52%</td>
<td>14,679 (includes adults)</td>
</tr>
</tbody>
</table>

*See Appendix 4 for a list of programs included in the “Social Development” category.*
Recommendation 1: Consider budget allocations for programs that impact children and their families an investment, rather than an expenditure.

“With many competing demands for scarce funds, countries often do not fully recognize how critical young people are to their national economies, societies, and democracies – both today and in the future – and consequently dedicate too few resources to harness their productive capacity. Policymakers should treat and in the future – and consequently dedicate too few resources to

national economies, societies, and democracies – both today

often do not fully recognize how critical young people are to their

“With many competing demands for scarce funds, countries

impact children and their families an investment, rather than an expenditure. This consideration requires the basic understanding that the conditions that

As the quote above shows, investment in children has been considered to be a cornerstone of economic development throughout the world, and a strategy that is not limited to times of fiscal stability. Investing in children as a strategy for economic growth, even in times of fiscal constraints, is particularly important in the context of Puerto Rico given its changing demographics and aging population. As was stated previously in this report, between 2006 and 2016 Puerto Rico’s child population shrank by almost one third, and this proportion could increase even more due to the exodus caused by Hurricane María. A reduction in child population means that in 15 years there will likely be an even smaller workforce than there is today. This will be particularly true if the majority of those children continue to live in poverty and are not provided with optimal conditions for their development.

Recommendation 2: Maintain current levels of safety net funding and be ready to adjust as needs arise.

Safety nets provide a very basic level of sustenance and stability for over half of the children of Puerto Rico. Trends point to the possibility of the need for these types of programs to continue increasing as the economy continues to deteriorate. In ten years, between 2005 and 2015, the proportion of children living in families that received public assistance increased from 39% to 52%.

Recommendation 3: Invest existing funds in evidence-based programs whenever possible.

The budget analysis does not provide information about the programs’ impacts on child and family outcomes. However, agencies should be encouraged to invest their existing funds towards evidence-based or informed approaches, or programs that have a track record of producing intended results. In theory, being able to demonstrate that a program is producing the intended results will not only make it easier to defend a specific investment, but will also begin to create a culture of accountability around results, which should lead to greater efficiency in the use of the existing resources.
It is important to keep in mind that the requirements for the use of evidence are not always applicable, especially because some service and program areas lack a robust evidence base, especially for the context of Puerto Rico. This brings us to our fourth recommendation, investment in research and data collection to determine the effectiveness of programs.

**Recommendation 4: Invest in research and data collection to determine the effectiveness of programs.**

Prioritizing investments would be easier if the Government of Puerto Rico and the Financial Oversight Board had reliable data about the impact of some government programs. However, data collection and research, particularly those geared towards tracking outcomes of participants after completion of programs, requires resources that most agencies cannot afford.

Providing resources to have third parties collect this data and conduct research would provide useful information about which investments are generating results, and which programs are not, allowing for redistribution of funds from ineffective programs to effective ones. Building an evidence base on what works to improve the conditions of children and youth in Puerto Rico would also be helpful. This would not only result in a more efficient use of resources, but would ensure that programs are actually changing outcomes for children and their families.

Hence, it is recommended that the government of Puerto Rico allot dedicated funding streams to data collection, research and demonstration projects focused on generating evidence on what works to improve outcomes for children and their families.

**Recommendation 5: Increase investments in programs that lift children out of poverty through pathways to economic mobility for parents and youth.**

One crucial component for ensuring child well-being in Puerto Rico, as part of a strategy to promote economic growth, will be addressing Puerto Rico’s high child poverty rate.

As the budget analysis demonstrated, the government’s current investments in programs that would provide parents the opportunities to escape the cycle of poverty are scarce when compared to the existing need. Therefore, ensuring that adequate investments are made in programs that can provide parents with the opportunities to access gainful employment and provide pathways to economic mobility will be required in order to reduce child poverty.

Other areas lacking significant investments are those dedicated to preparing youth for work or providing access to job opportunities that allow youth to create the habits of work at a young age, and connect them to social capital.

Based on the above, the Youth Development Institute recommends significant increases in:

- Funding for child care and child development vouchers for mothers looking for work or who are already employed;
- Skills and vocational training programs —for both parents and youth;
- Subsidized employment opportunities;
- Work supports that provide incentives, such as the reinstitution of the earned income tax program, which was eliminated in 2014;
- Restituting a summer employment program for youth.

These increases could come from adjustments in tax incentives and deductions which have not shown to be effective. Various reports have shown that this area has strong potential for savings and additional income sources for Puerto Rico.

For fiscal year 2018, the total consolidated budget for the 140 government agencies, as released on the Puerto Rico Management and Budget Officer’s website, was $24.5 billion. 37% ($9.1 billion) of this amount was allocated to the 42 programs serving children and youth in Puerto Rico that were analyzed in this report. Therefore, as can be seen in Chart 2, the majority of investment went into programs that did not impact children.

**Chart 2: Recommended budget’s distribution of programs with and without children’s services**

As detailed in Chart 3, the three areas with the highest investment for children and young people were in the categories of health (34%), education (29%) and safety nets (28%). The categories with the lowest assignments were safety (0.2%) and social and integral development (0.2%).
OUT OF THE 10 CATEGORIES DEFINED IN THIS STUDY, FIVE HAD SOME LEVEL OF NEGATIVE CHANGE (DECREASE). ONLY TWO CATEGORIES HAD SIGNIFICANT CUTBACKS OF 19% AND 22% FOR SOCIAL DEVELOPMENT AND FINANCIAL SELF-SUFFICIENCY, RESPECTIVELY.

THE PROGRAMS WITH THE MOST SIGNIFICANT INCREASES BETWEEN FISCAL YEARS 2017 AND 2018 WERE:

- Evaluation and Psycho-Social Counseling for Confined Youth and Transgressors
  +553% and 575% with and without FEDERAL FUNDS, respectively
- Health Prevention and Promotion
  +511% and 5,263% with and without FEDERAL FUNDS, respectively
- Health Promotion and Protection
  +63% and 278% with or without FEDERAL FUNDS, respectively
- "Head Start / Early Head Start"
  +32% and 1,572% with or without FEDERAL FUNDS, respectively

The following sections shown in detail each category. They are presented in a range from the highest amount of funds to the lowest.
This category includes five (5) programs that guarantee that families have income to cover their basic needs. These programs are affiliated to the House Financing Administration, the Puerto Rico Health Department, the Administration for the Socioeconomic Development of Families and the Child Support Administration. The programs reviewed were (1) Subsidized Housing-Category B, (2) WIC, (3) PAN, (4) TANF, and (5) Child Support Application and Procedure. The total recommended government investment for fiscal year 2018 was $2.53 billion.

From fiscal year 2017 to 2018, this category remained relatively stable, with a -0.2 change that includes federal funds, which subsidize a big percentage of the four programs. One of the programs in this category had a budget increase, yet the other three suffered cutbacks.

The only budget increase, of 2%, went to the Section 8 Program, which provides housing subsidies for low-income families. However, this increase would be subsidized by federal funds. For 2018, the state government recommended a budget of $459,000, with a federal government contribution of $150.1 million, and a federal funding subsidy of 96% and an estimate of $ 5.8 million in own revenue. Over the last four years this program has experienced a trend of state divestment and increased federal subsidy. Between fiscal year 2014 and 2018, it had a significant 30% cut on state funds.

Other programs, such as the Women, Infant & Children (WIC) and the Nutritional Assistance Program (NAP), have shown stable trends, but again this is due to the input of federal funds. NAP provides assistance to low-income families and to children in Puerto Rico. The agency estimates that it will serve 651,000 families in 2018, making it a broad impact program. It is also the program with the largest budget within the financial security category, with a recommended budget of $23.1 million for 2018 and a federal funding contribution of $1.9 billion. Thus, 99% of the budget is subsidized by federal funds. Although the budget remains stable with the federal funds, the state’s contribution has noticeably declined. Between 2014 and 2018, the state’s contribution decreased by 22%.

WIC’s trend remains stable, depending entirely on federal funding. This program provides financial assistance to low-income pregnant women, infants, and children. The program estimates that it will assist approximately 136,384 children in 2018, making it a broad impact program.

A program that experienced a slight 4% budget cutback was the Temporary Assistance for Needy Families Program (TANF). This program provides temporary financial assistance to persons or families who request benefits when they do not have enough income or resources to cover for their basic expenses. The temporary aid is geared towards helping them to end their dependency on government assistance, promote families’ self-sufficiency through employment, jobs and marriage. It is estimated that in 2018, TANF will assist 55,000 families, making it a moderate impact program. For 2018, the state government recommended a budget of $33.4 million, with a federal funding contribution of $18.95, for a federal subsidy of 75% of the total budget.

Finally, the Child Support Application and Procedure Program experienced the most notable cutback in this category from fiscal year 2017 to fiscal year 2018, with a budget reduction of 8%. This program helps children from divorced parents who require a financial contribution from the parent who does not live with them. With an expected total amount of 240,008 open cases for 2018, this is a broad impact program. For 2018, the state government recommended $10.3 million to the budget, with a federal contribution of $19.5 million, a 65% subvention of the total budget. It is important to highlight that this program had a 49% reduction in the amount of projected participants when compared to 2014.

This category includes four programs that manage juvenile offenders and are affiliated to the Rehabilitation and Corrections Department and to the Department of Justice. The reviewed programs were: (1) Evaluation and Psycho-social Counseling to Confined and Juvenile Offenders; (2) Investigation and Supervision of Confined and Juvenile Offenders in the Community; (3) Administration of Criminal Institutions and Services to Confined and Juvenile Offenders; and (4) Research and Processing of Minor and Family Affairs. The total recommended investment for these programs for fiscal year 2018 was $219,025,000.

From fiscal year 2017 to 2018, this category had a 5% budget increase, caused by an increase of over 500% in the budget of the Evaluation and Psycho-social Counseling to Confined and Juvenile Offenders Program. According to its official description, the focus of this program geared to children is as follows: “The needs of children are addressed on the Multi Family Service Centers. These Centers are in charge of identifying those categories of greatest need in the minor offenders’ families and develop an Individualized Services Plan in coordination with the institutional social worker, aiming at bringing positive changes in the children for them to be prepared for reintegration into the community.”

The Administration of Criminal Institutions and Services to Confined and Juvenile Offenders was the only program that projected a decrease in clientele. This program provides protection to the constitutional rights of juvenile offenders along with legal services. However, this program has limited impact; the projection is for it to serve 297 children in the next year.

This category includes three programs that promote educational and integral development for children under 5 years of age: two with direct impact and one with indirect impact. These programs are affiliated to the Administration for the Comprehensive Care and Development of Children (ACUDEN) for its Spanish acronym) and to the Secretary of the Family Department. The programs reviewed were (1) Head Start/Early Head Start; (2) “Child Care”,; (3) Childcare and Eldercare Facilities Licensing Program. The total recommended investment for fiscal year 2018 was $213,647,000.

From fiscal year 2017 to 2018, this category experienced a budget increase of 21%. This was caused by an increase of 32% and 1.57% with and without federal funding in the Head Start and Early Head Start programs, respectively. These programs, which have the largest budget within this category, promote school readiness for children in low-income families by fostering their cognitive, social and emotional development from 0 to 4 years and eleven months of age. Although the state government increased its contribution to this program during fiscal year 2018, 74% of the budget for the Head Start and Early Head Start continues to be subsidized by the federal government. The budget for 2018 is $42.2 million with a federal grant of $119.9.

The enrollment projection for 2018 is 20,926 children in Puerto Rico, making it a moderate impact program. It is important to highlight that enrollment in this program has experienced an increase of over 5,000 participants since 2014.

The second program that shows noticeable trends was the Child Care program, which provides childcare vouchers. This program has experienced a divestment trend and a reduction in the number of participants. For fiscal year 2018 it
had a minor budget cut of 5%; considering the change between fiscal year 2014 and now, it increases to 12%. Besides the budget cut pattern, the program has experienced a reduction in the number of vouchers available for families — 7,500 in 2014 compared to the projected 3,552 vouchers for fiscal year 2018, a 53% decrease. The average cost per childcare voucher consistently increased from 2014 to 2018 by 86%. It is important to note that 83% of the funds for this program come from the federal government.

The Family with Children Services Program received the highest funding allocation under this category. It offers family preservation, protection and reunification services to guarantee the stability, security and welfare of children victims of intra-familial and institutional abuse, as well as other types of abuse. The program estimates 4,127 children under custody for 2018, making it a limited impact program. The government recommended an allocation of $118.5 million to said program, with a federal subvention of $27.3 million, equivalent to a federal subsidy of 19% of the total budget. It is important to highlight that this program projected a 37% reduction in the number of children under custody when compared to fiscal year 2014.

In this category, there are three programs that prevent child abuse and protect the welfare of children and youth once they have been removed from their homes. These programs are affiliated to the Family and Children Administration. The programs reviewed were: (1) Emergency Service 9-1-1/Child Abuse Hotline; (2) Supervision and Regulation of Residential Facilities for Children; and (3) Services for Families with Children. The total recommended investment for fiscal year 2018 is $154,497,000.

From fiscal year 2017 to 2018, this category had a stable budget change of -1%. Although the trend was stable, some programs have experienced significant changes between fiscal years 2014 and 2018. For example, the Child Abuse Hotline suffered a 30% budget cutback during this period. Second, the Supervision and Regulation of Residential Facilities for Children Program had a 53% federal funding cut between fiscal year 2016 and 2018. However, this loss was balanced out with a 46% increase in state funds.

F. CHILD WELFARE

TOTAL ALLOCATION FOR FY 18: $154.5 million

BUDGET IMPACT FY 17-18: STABLE CHANGE (-1%)

BUDGET IMPACT FY 14-18: INCREASE (5%)

FEDERAL VULNERABILITY: LOW

This category includes eight programs that are aimed at helping youth and parents to develop skills and find opportunities to get into the labor market, six with direct impact and three with indirect impact. These programs are affiliated to the Department of Labor and Human Resources, the Vocational Rehabilitation Administration, the Economic Development and Commerce Department and the Administration for the Socioeconomic Development of the Family. The programs reviewed were: (1) Student Employment Services, (2) Vocational Technology Education, (3) Youth Development, (4) Family Financial and Social Rehabilitation Program, (5) Summer Job and Job Opportunities Program, (6) Entrepreneurship Development Training, (7) Blind and Physically, Mentally and Developmentally Impaired Persons, (8) Fostering Job Opportunities for the Unemployed; and (9) Physical and Vocational Rehabilitation Services. The total recommended investment for fiscal year 2018 is $131,113 million.

From fiscal year 2017 to 2018, this category had a slight budget cut of 6%. The budget cutback would have been larger; however, one of the programs within the category, Physical and Vocational Rehabilitation Services, experienced a 6% budget increase between fiscal years 2017 and 2018. This program provides services to people with disabilities (including youth), to prepare them to get or secure a job. The program expects to assist 59,417 people through evaluation, counseling, job placement and independent life in 2018, making it a moderate impact program. The program has the highest budget within the financial self-sufficiency category. For 2018, the state government recommended an allocation of $91.1 million, with a federal subsidy of $68.6, equivalent to federal subsidy of 82% of the budget.

Along with a slight, 8% cutback between fiscal years 2017 and 2018, the Youth Affairs office has experienced huge changes and budget reductions since 2014. Through Law 171 of 2014, the Government of Puerto Rico integrated this office to the Economic Development and Commerce Department. Since 2014, when it had programs such Juvenile, Micro Business Programs, OAJ Clubs and Students Travel Programs, the allocation for this program has decreased in a 69%. For 2018, the state government recommended $2.4 million to develop activities and procedures to guarantee youth rights and their integration in the island’s economic development.

The Economic and Social Development Opportunities Program (PODES, by its Spanish acronym) suffered a significant 17% budget cutback. This program, offered through the Administration for the Socioeconomic Development of Families (ADSEP, for its Spanish acronym), provides financial assistance to low-income families and children. It promotes the development of a social and economic model that encompasses, among others, the following elements: identification and removal of immediate barriers for families and individuals, assistance in job placement, trainings and workshops leading to finding a job and self-esteem development, inter-agency coordination to facilitate services requested by families; job training opportunities, participant training, and assistance in establishing personal businesses and micro-entreprises. It is estimated that in 2018, approximately 1,100 families will benefit from it, making it a limited impact program. For 2018, the state government recommended an allocation of $3.5 million for the PRES.

Another program that promotes financial self-sufficiency which suffered a significant budget cut was the Fostering Job Opportunities for the Unemployed, with a 22% budget cutback between fiscal years 2017 and 2018. This program impacts the financial security for unemployed parents, by setting up a support system of contributions to the Unemployment Insurance so as to promote the creation of new jobs, extension of current jobs and compensation adjustments, among other activities.
Finally, within this category, the Summer Jobs and Employment Opportunities Program was eliminated. This program offers youth the opportunity to receive training through short term job experience in a summer job. The state government did not recommend any budget allocation for 2018. Before this budget elimination, the program had experienced a cutback trend. Between fiscal year 2013 and 2017 the program had experienced a debilitating 66% budget cutback. It is important to highlight that only one program within this category, Student Employment Services, receives federal funds. In this case, the subvention is full, 100%.

All programs within this category receive subventions from the federal government. The programs receiving the highest allocation are the Ambulatory Treatment Service Program and the Community Outreach and Support Services Program (87%).

### I. SECURITY

**TOTAL ALLOCATION FOR FY 18: $20.8 million**

**BUDGET IMPACT FY 17-FY 18: INCREASE (+3%)**

**FEDERAL VULNERABILITY: VARIATES PER PROGRAM**

This category includes three programs that address the safety of children and youth in the community and the home: one with direct impact and two indirect impact. These programs are affiliated to the Police Department and to the Traffic Safety Commission. The programs reviewed were: (1) Planning and Coordination of Traffic Safety, (2) Community Relations and (3) School Security. The total recommended investment for fiscal year 2018 is $20,877,000.

From fiscal year 2017 to 2018, this category saw a 3% increase. From the three programs under this category, it is important to highlight that the School Security program had not been budgeted since fiscal year 2017. This program provides security to public and some private schools in Puerto Rico and thus, the state government allocated $7 million for 2016. For 2017, it suffered a total budget cut (100%). Although the program hasn’t received any budget through the Police Department, it is estimated that a population of 390,252 would be impacted for 2018. This could mean that even though there is not an allocated budget for the state police officers to patrol their schools within their districts, School Security using non-state police officers continues to be considered in the budget within the Department of Education.

It is also important to highlight that the Traffic Safety Planning and Coordination Program is heavily dependent upon federal funds. This program has the purpose of developing, promoting and impacting educational programs geared towards avoiding traffic accidents and tragedies related to them. It was estimated that 6,100 children and youth would be served in 2018 at the Traffic Safety Educational Parks, making it a limited impact program. In 2018, the state government recommended a budget allocation of $1.9 million; meanwhile the federal government subsidized $12 million, equivalent to a subvention of 85% of the budget.

### J. SOCIAL AND INTEGRAL DEVELOPMENT

**TOTAL ALLOCATION FOR FY 18: $17.2 million**

**BUDGET IMPACT FY 17-FY 18: SIGNIFICANT REDUCTION (-19%)**

**FEDERAL VULNERABILITY: NONE**

This category includes seven programs that develop social skills in children and youth, particularly in the areas of arts, recreation and sports; six with direct impact and one indirect impact. These programs are affiliated to the Musical Arts Corporation, QueHacer Cultural, Puerto Rico Music Conservatory Corporation, the Institute for Puerto Rican Culture and the Sports and Recreation Department. The programs reviewed were: (1) Puerto Rico’s Symphony Orchestra Corporation, (2) Puerto Rican Athenaeum (Ateneo Puertorriqueno), (3) the Corporation for the Music and Scenic Arts of Puerto Rico (4) Social Development for Children and Youth through Musical Formation (5) Community Integrated Services, (6) Sports Promotion and (7) Arts and Cultural Promotion. The total recommended investment for fiscal year 2018 is $17,159,000.

From fiscal year 2017 to 2018, this category had a significant budget cut of 19%, caused by a significant reduction of 32% in the Sports Promotion Program (Sports & Recreation Department) and another 21% in Cultural and Arts Promotion (Institute of Puerto Rican Culture). The Sports and Recreation Department includes several programs: Sports Training Centers, Get Active Program, School Sports Program, Deporte pa’l Barrio Program, and DRD Zone Program. The Department expects an enrollment of 429,500, making it a broad impact program. Along with last year’s cutback, this program has experienced a debilitating 54% cut over the last four fiscal years. On the other hand, the Arts and Culture Promotion Program has five sub-programs benefiting children and youth that promote theater, music, popular activities, among others. To this end, the state government recommended a budget of $3.1 million for fiscal year 2018, while the program estimated an income of $297,000.
Although the category experienced a cutback, the Musical Arts Corporation, through the Puerto Rico Symphonic Orchestra Corporation, reflected an 8% budget increase for fiscal year 2018. The Corporation offers a symphonic experience to teen musicians by allowing them to play in the orchestra in formal presentations. It also offers educational conferences to private and public-school students, through the Get to Know your Orchestra educational program. The Corporation expects to impact 3,750 students in 2018, making it a limited impact program. For 2018, the government recommended a budget of $5.1 million, while it expects to generate $579 in own income. It is important to highlight that in this category, no program receives subsidies from the federal government.