



GOVERNING BOARD  
UNIVERSITY OF PUERTO RICO

March 21, 2018

BY ELECTRONIC MAIL

Mrs. Natalie Jaresko  
Executive Director  
Financial Oversight and Management Board for Puerto Rico

Re: University of Puerto Rico's Fiscal Plan Submittal

Dear Mrs. Jaresko and members of the Financial Oversight Management Board for Puerto Rico (the "Board"):

First, we must assert that the University of Puerto Rico ("UPR") through its governing board firmly holds that this institution provides an essential service to the people of Puerto Rico. In addition, we recognize that the UPR faces a major challenge in continuing to provide high quality and accessible higher education, while transitioning its core business model –from a largely subsidized to a self-sustainable operation - within a five (5) year period.

The baseline projection for Fiscal Year (FY) 2023 reflect a PRE-DEBT SERVICE financing gap of -\$148MM. Post debt service and pensions payments, the deficit grows to -\$284MM. Considering available cash reserves of nearly \$300MM, the baseline projections reflect a negative cash position by FY2020.

Although current measures provide significant expense controls and much needed institutional reforms, macroeconomic factors such as population decline and negative GNP growth hinder the UPR's ability to develop significant revenue producing activities aside from tuition and fees. Considering all the measures, the PRE-DEBT SERVICE surplus of \$51MM for FY 2023. Post debt service and pensions payments considered: the deficit amounts to -\$85MM.

No position is stated with regards to the debt service and pension liability. These matters shall be addressed separately.

Looking to address the deficit and increase revenues, UPR's Fiscal Plan includes the following measures to close the gap:

**a. Change in course: Rising up to the challenge**

In order to achieve the targets set forth in the fiscal plan, while remaining accessible and socially relevant, the UPR will transform itself from a traditional academic model to a more diverse institution. It will expand its offer to meet the demand for specialized and technical professions that are needed to support economic growth. This transformation will work in tandem with administrative reforms to drive efficiencies across all campuses.

Currently, the UPR has eleven (11) separately accredited units, along with Central Administration, Two Agricultural Stations (with dozens of offices spread throughout the island) and several mismanaged component units (e.g. Plaza Universitaria, University Parking System, others). Of these, only Río Piedras (RRP), Mayaguez (RUM) and Ciencias Médicas (RCM) offer Graduate studies.

By creating clusters and promoting specialized degrees, the UPR intends to reduce redundant academic programs while diversifying its offer. In the event that two (2) campuses fall under one administrative structure or cluster, there is no need for identical academic departments to co-exist. A less cumbersome administrative structure not only translates to direct savings but also increases productivity for faculty members that may be tangled up in administrative work or deliberative tasks.

The transformation will leverage on existing strengths and promote consolidation of administrative functions that are common amongst the units.

**b. Expense controls**

Expense Control measures include improvement in centralized procurement efforts, adjustment to tuition exemptions, reduction in medical insurance costs, reduction in vacation and sick leave accumulation rates, reducing temporary positions, reducing contracted personnel and a leaner administrative structure. In addition, the UPR's transformation will drive non academic personnel attrition and increase productivity of academic personnel.

In total, expense controls are estimated to have an impact of nearly \$140MM in FY 2023.

**c. Revenue enhancement measures**

The UPR will implement several measures to increase revenues which are understated or not considered in the fiscal plan due to their high execution risk. For example, increased focus on fundraising efforts, marketing campaigns to attract new students, increased foreign student presence, virtual education and a more diverse academic offering. The measures that are contemplated for Fiscal Plan Purposes are: increased in federal grants received, adjustments to dues and charges, continued education and trainings to government and third parties alike and Tuition Increase.

The tuition increase will be across the board for Graduate and Undergraduate credits. The goal is to remain under the private institutions price point in order to sustain a 50,000+ student body. The highest undergrad credit price will be reached on FY 2023 when it increases to \$140.

However, the UPR will implement a means based scholarship fund to mitigate the impact to students from low income families. A student that is currently at the lowest bracket of Estimated Family contribution (EFC) under the FAFSA standards, would receive a scholarship of up to 70% of the incremental amount (that is, of every dollar over the current \$57 p.c. price point).

This, in addition to the Pell Grant. This level of relief is indispensable to maintain a reasonably accessible education in a historically underprivileged jurisdiction such as Puerto Rico.

### **Implementation efforts**

In order to endure successful implementation UPR will install a temporary Project Management Office in collaboration with AAFAF. This office will provide support to the President in executing the different projects and managing the work streams.

We are confident that the UPR will be able to manage this transformation while maintaining a positive socioeconomic impact and high academic standards.

Respectfully submitted,



Walter Alomar-Jiménez, Esq.  
President

cc. Governing Board Members  
Dr. Darrel Hillman, Interim President UPR