



David A. Skeel Jr.
Chair

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Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

Robert F. Mujica Jr.
Executive Director

BY ELECTRONIC MAIL

June 30, 2023

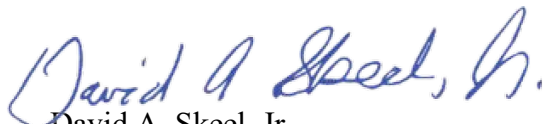
Honorable Pedro R. Pierluisi Urrutia
Governor of Puerto Rico

Dear Governor Pierluisi Urrutia:

Pursuant to the Resolution, a copy of which is attached hereto as **Exhibit A** (the “Resolution”), adopted by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), and Section 202(e)(4) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), the Oversight Board hereby notifies the Governor that the Oversight Board has certified that the fiscal year 2024 budget for the University of Puerto Rico (“UPR”), attached to the Resolution as **Exhibit 1** (the “Fiscal Year 2024 UPR Budget”), is a compliant budget as set forth in the Resolution.

The Oversight Board looks forward to working with the Commonwealth and UPR to accomplish the requirements and goals of PROMESA for the benefit of the people of Puerto Rico.

Sincerely,


David A. Skeel, Jr.

Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

Hon. Pierluisi Urrutia
June 30, 2023
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CC: Hon. José Luis Dalmau Santiago
Hon. Rafael Hernández Montañez
Hon. Omar Marrero Díaz
Hon. Francisco Parés Alicea
Mr. Juan C. Blanco Urrutia
Mr. Ricardo Dalmau Santana
Dr. Luis A. Ferrao Delgado
UPR Governing Board

Exhibit A

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**

June 29, 2023

**RESOLUTION CERTIFYING FISCAL YEAR 2024 BUDGET FOR
THE UNIVERSITY OF PUERTO RICO**

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS, Section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”); and

WHEREAS, Section 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of budgets for covered instrumentalities of the Commonwealth of Puerto Rico, such as the University of Puerto Rico (“UPR”), providing that (i) the Governor must submit a proposed budget to the Oversight Board; (ii) the Oversight Board must review the proposed budget and determine, in the Oversight Board’s sole discretion, whether the proposed budget is compliant with the applicable fiscal plan; (iii) the Oversight Board shall determine whether the proposed budget is a compliant budget and if it is not compliant, the Oversight Board must issue a notice of violation (“NoV”) and recommended revisions, giving the Governor an opportunity to correct the violations; and (iv) the Governor may then submit to the Oversight Board a revised proposed budget by the time specified by the Oversight Board; and (v) if the Governor fails timely to submit a revised proposed budget that the Oversight Board determines in its sole discretion is a compliant budget, the Oversight Board shall develop and submit to the Governor its own compliant budget; and

WHEREAS, Section 202(e)(4) of PROMESA states that when the Governor fails to develop an instrumentality budget that is a compliant budget, then the Oversight Board shall submit a budget to the Governor and such budget shall be deemed to be approved by the Governor and shall be in full force and effect beginning on the first day of the applicable fiscal year;

WHEREAS, on May 5, 2023, the Oversight Board sent to the Governor a letter establishing a schedule for submitting, approving, and certifying the Fiscal Year 2024 Budget (the “May 5, 2023, Letter”); and

WHEREAS, on May 19, 2023, the Governor submitted to the Board a proposed fiscal year 2024 budget for UPR; and

WHEREAS, the Oversight Board and its advisors held extensive discussions with the UPR’s representatives regarding such submission; and

WHEREAS, after substantial deliberations, on June 2, 2023, the Board sent to the Governor a NoV pursuant to Section 202(c)(1)(B) of PROMESA with respect to the Governor’s proposed fiscal year 2024 budget for UPR as submitted on May 19, 2023, which established a deadline of June 16, 2023, for the submission of a revised proposed fiscal year 2024 budget for UPR; and

WHEREAS, subsequent to the NoV, on June 16, 2023, the Governor submitted a revised proposed fiscal year 2024 budget for UPR; and

WHEREAS, after substantial deliberations, the Oversight Board determined that the Governor's revised proposed fiscal year 2024 budget for UPR, as submitted on June 16, 2023, does not reflect a compliant budget as required by Section 202(c)(2) of PROMESA; and

WHEREAS, the Oversight Board has developed a revised, compliant fiscal year 2024 budget for UPR for submission to the Governor pursuant to Sections 202(c)(2) and 202(e)(4) of PROMESA, attached hereto as Exhibit 1 (the "Fiscal Year 2024 UPR Certified Budget");

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to Sections 202(c) and 202(e)(4) of PROMESA, the Oversight Board shall submit to the Governor the 2024 UPR Certified Budget, and such budget shall be (i) deemed to be approved by the Governor, (ii) the subject of a compliance certification to be issued by the Oversight Board to the Governor, and (iii) in full force and effect beginning on July 1, 2023.

EXHIBIT 1: FISCAL YEAR 2024 UPR CERTIFIED BUDGET

Section 1 – The following amounts are presented as the appropriations and the expenditures of the University of Puerto Rico (“UPR”) set forth herein for the fiscal year ending June 30, 2024 (“FY24”).

In \$ Thousands

Revenues

Central Government Appropriations

TSA General Fund Appropriations	
TSA General Fund Appropriations (Net Measures)	441,206
TSA General Fund Appropriations (Joint Resolutions)	30,120
TSA General Fund Appropriations	471,326
Other Special Appropriations	
Training & Technical Services to Government Agencies	10,000
Services to Department of Education	10,021
Legislative Scholarships	9,501
Additional Medical Science - Medical Residents (Custody of OMB)	5,127
Additional Medical Science - Attending Doctors (Medical Services Administration of Puerto Rico)	6,816
Other Special Appropriations	41,465
Total Central Government Appropriations	512,791

Operating Revenues

PR Slot Machine Receipts (Ley 36-2005)	77,351
Undergraduate Tuition	140,820
Graduate Tuition	36,793
Commonwealth Scholarship Fund (Act 4-2022)	10,000
Campus-Generated Inflows	189,011
Other Revenues	2,000
Total Operating Revenues	455,975

Other Sources of Revenue

Intra-Government Receipts	
Pell & Other Student Aid Grants	54,651
Federal Research & Investigation Grants	114,235
Federal Capital Expenditures	12,413
Intra-Government Receipts	181,299
Total Other Sources of Revenue	181,299

Total Sources of Revenue	1,150,065
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Expenditures

Operating Expenditures

Payroll & Related Costs

Salaries-Faculty	(340,479)
Salaries-Non-Faculty	(172,423)
Christmas Bonus	(5,811)
Overtime	(2,096)
Liquidations	(8,447)
Incentives	(406)
Medical Plan	(55,477)
Social Security Payment	(38,048)
State Insurance Fund	(7,439)
Unemployment Insurance	(594)

Total Payroll & Related Costs (631,220)

Materials & Supplies	(33,991)
Purchased Services	(23,164)
Federal Grants, Pell & Donations	(98,402)
Facilities & Payments for Public Services	(48,154)
Professional Services	(2,846)
Transportation Expenditures	(5,586)
Other Operating Expenditures	(91,108)

Total Operating Expenditures (934,471)

Other Expenditures:

Capital Expenditures	(30,895)
Federal Capital Expenditures	(12,413)
Equipment & Maintenance	(43,170)
Pensions Payment	(123,900)

Total Other Expenditures (210,378)

Total Expenditures (1,144,849)

Operating Deficit (before Debt Service) 5,216

Contract Debt Service	(48,261)
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Operating Deficit (after Debt Service and before Reserve) (43,045)

Reserve for Milestone Completion	(58,739)
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Operating Deficit (101,784)

TSA General Fund Appropriations (Conditional upon achievement for milestones)	101,784
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Operating Surplus (Deficit) -

Section 2 – No later than 45 days after closing of each quarter of FY24, the President of the UPR and the Chief Financial Officer of the UPR shall update the projected net revenues for FY24 (the “Quarterly Revision”) and provide notice of the updates to the Governor and the Oversight Board. The Quarterly Revision shall project future revenues based on actual revenues and include revisions to the assumptions used to generate the net revenue projections.

Section 3 – All expenditures authorized in any prior fiscal year are eliminated and no carryover of such funds may be used, except: (1) expenditures authorized in FY23 certified budget to carry out permanent expenditures that have been encumbered and accounted for and kept on the books, but not exceeding two fiscal years on the books; (2) expenditures in the certified budget for equipment with procurement cycles that extend beyond the end of the fiscal year, which were encumbered on or before June 30, 2023; and (3) the portion of expenditures authorized for FY23 that have been encumbered on or before June 30 of such fiscal year, which shall be kept on the books for 60 days after the termination of that fiscal year, and after those 60 days no amount shall be drawn against such portion for any reason. This restriction on expenditures authorized in the prior fiscal year shall not apply to programs financed in whole or part with federal funds. In addition, the foregoing exceptions to the restrictions on expenditure authorized in any prior fiscal year are conditioned on the prior written approval of the Oversight Board.

Section 4 – On or before July 31, 2023, the President, and the Chief Financial Officer of the UPR shall provide to the Oversight Board a certification indicating the amounts of unused appropriations for FY23 for all items listed in Section 3. If the President and the Chief Financial Officer of the UPR fail to submit the required certification, the amount of unused funds in Section 3 will not carryover from FY23 to FY24.

Section 5 – Authorized amounts of expenditures in this FY24 budget may only be reprogrammed with the prior approval of the Oversight Board.

Section 6 – The President and the Chief Financial Officer of the UPR shall submit to the Oversight Board all reports set forth on Exhibit 40 of the 2021 UPR Certified Fiscal Plan (“Certified Fiscal Plan”) according to the reporting cadence described therein. In addition, if the Oversight Board approves a reprogramming pursuant to Section 6, the immediate subsequent report by the UPR must illustrate the specific implementation of such reprogramming.

Section 7 – The reports required by the Oversight Board’s Resolution Certifying Fiscal Year 2024 Budget for UPR are additional to the reports that the UPR must submit to the Oversight Board in accordance with Section 203 of PROMESA.

Section 8 – In conjunction with the reports that the UPR must submit to the Oversight Board no later than 15 days after the last day of each quarter of FY24 pursuant to Section 203 of PROMESA, the President and Chief Financial Officer of the UPR shall each certify to the Oversight Board that no appropriation of any previous fiscal year (except for the appropriations covered by the exceptions in the Section 3 above) has been used to cover any expenditures in FY24 unless authorized in advance by the Oversight Board.

Section 9 – The President and Chief Financial Officer of the UPR are responsible for not spending or encumbering during FY24 any amount that exceeds the appropriations authorized for FY24. This prohibition applies to every line item set forth in a budget certified by the Oversight Board, including appropriations for payroll and related costs. The President and Chief Financial Officer of the UPR shall also certify to the Oversight Board by September 30, 2023, that no amount was spent or encumbered that exceeded the appropriations in the certified budget for FY23.

Section 10 – For the avoidance of doubt, the Oversight Board has an active policy that includes review contracts of \$2 million or more. The objective of these reviews is, among other things, to determine the extent to which the contracts are compliant with the applicable fiscal plan(s). The UPR must comply with the Oversight Board’s contract review policy.

Section 11 – If any clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this document is annulled by an order of a court of competent jurisdiction, such order will not affect, harm, or invalidate the remainder of this document. The effect of any such order judgment will be limited to the clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part thereof that has been annulled. If the application to a person or circumstance of any clause, paragraph, subparagraph, sentence, word, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Resolution is invalidated by an order of a court of competent jurisdiction, such order will not affect or invalidate the application of the remainder of this Resolution to those persons or circumstances in which it can validly apply. It is the express and unequivocal will of the UPR that the courts enforce the provisions and the application of this Oversight Board Resolution to the greatest extent possible, even if any part is set aside, annulled, invalidated, or impaired by an order of a court of competent jurisdiction, or even if its application to any person or circumstance is so annulled, invalidated, or impaired.

Section 12 – Pension Contribution for FY24 includes a reform in which the defined benefit plan is frozen, and a defined contribution plan is implemented. If UPR implements the defined contribution plan but not a freeze to the defined benefit plan, an additional contribution of \$4 million per month will be needed. Similarly, if UPR does not implement a freeze to the defined benefit plan nor implements the defined contribution plan, UPR must find savings of \$3.9 million per month. A reapportionment request must be submitted to the Oversight Board, which must include notable savings in other budgetary line items to fund the necessary amount while maintaining compliance with the budget.

Section 13 – This Resolution will be known as “Fiscal Year 2024 UPR Certified Budget”. This budget assumes all measures in the Certified Fiscal Plan will be implemented. Please be advised that any measures not implemented will increase expenditure or decrease revenue and will be non-compliant the 2021 UPR Fiscal Plan.

Section 14 – Pursuant to conversations with UPR, the Oversight Board amended the following line items to align with UPR projections such as a decrease of ~\$1.4 million in expected campus-generated inflows, inclusion of federal capital expenditures and expected Commonwealth

Scholarship Fund disbursements to promote transparency. These adjustments produce nominal variations in the projected numbers presented in the Certified Fiscal Plan.

Section 15 – Pursuant to conversations with UPR, the UPR has Institutional Prior Year Funds of ~\$62 million¹ to cover Capital Projects identified in previous years. Furthermore, the Certified Budget considers the current needs of the UPR to cover Capital Expenditures of ~\$38 million during FY24.

Section 16 – The 2022 Commonwealth Fiscal Plan allocated funds to establish a needs-based UPR scholarship fund with the intent to ensure tuition-related measures do not impact the ability of students with demonstrated financial need to afford a UPR education. The Commonwealth has contributed a total of ~\$214 million for the UPR scholarship fund. However, if the UPR does not fully implement tuition-related measures, such as graduate tuition, the UPR will be non-compliant with the Certified Fiscal Plan and shall disburse \$10 million to undergraduate students with demonstrated financial need. If the Oversight Board determines that UPR is compliant with the Certified Fiscal Plan, then the UPR shall distribute the \$10 million required disbursement to undergraduate and graduate students with demonstrated financial need.

Section 17 – Additional funding from the Commonwealth General Fund may be available to the UPR upon reaching certain specific milestones as agreed upon between the Oversight Board, UPR, and the Commonwealth. However, this additional funding will only be available upon the Oversight Board confirming UPR has achieved those milestones and after the Oversight Board provides prior written approval and authorization for the disbursement of the funds. This funding is set forth in the Fiscal Year 2023 Commonwealth Certified Budget, which includes an appropriation in the amount of \$102 million subject to UPR’s collaboration with the Oversight Board and commitment to agree on clear and concise objectives and goals that are tied to supporting academic excellence, building economic development, and achieving financial responsibility. Once the objectives and goals have been agreed and once the specified milestones are achieved, UPR must provide a formal notice and submit supporting data corroborating such achievement to the Oversight Board for its review.

Section 18 – The Oversight Board believes that to ensure financial responsibility and the long-term sustainability of the institution, the UPR administration and the UPR Governing Board must decide to implement revenue and expenditure measures, such as adjustments to tuition costs due to inflation and the pension plan freeze.

¹ UPR NoV submission on June 16th, 2023 (ODFI – Proyectos PMP datos a abril 2023)

