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Chair

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Robert F. Mujica Jr.
Executive Director

BY ELECTRONIC MAIL

June 27, 2025

The Honorable Jenniffer A. González Colón
Governor of Puerto Rico

Dear Governor González Colón:

Pursuant to a Resolution adopted by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), a copy of which is attached hereto as **Exhibit A** (the “Resolution”), and Section 202(e)(4) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), the Oversight Board hereby issues this compliance certification that the Fiscal Year 2026 budget for the University of Puerto Rico (“UPR”) (the “FY2026 UPR Budget”) is a compliant budget as set forth in the Resolution. The FY2026 UPR Budget is attached to the Resolution as **Exhibit 1**.

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

Sincerely,

Robert F. Mujica, Jr.
Executive Director

CC: Hon. Thomas Rivera Schatz
Hon. Carlos J. Méndez Núñez
Mr. Francisco J. Domenech Fernández
Mr. Orlando Rivera Berríos
Mr. Ricardo Dalmau Santana
Mr. Miguel Muñoz Muñoz
UPR Governing Board

Exhibit A

FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO

June 27, 2025

**RESOLUTION CERTIFYING FISCAL YEAR 2026 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;

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

WHEREAS, PROMESA Section 202 establishes a multi-step procedure for the development, submission, review, approval, and certification of budgets for covered instrumentalities of the Commonwealth of Puerto Rico;

WHEREAS, on September 30, 2016, the Oversight Board designated the University of Puerto Rico (“UPR”) as a covered territorial instrumentality pursuant to PROMESA Section 101(d)(1)(A);

WHEREAS, by letter dated March 6, 2025, the Oversight Board notified the Governor and the Legislature, pursuant to PROMESA Section 202(a), of the schedule for developing, submitting, approving, and certifying the fiscal year 2026 UPR budget;

WHEREAS, by letter dated May 2, 2025, pursuant to PROMESA Section 202(b), the Oversight Board submitted to the Governor and the Legislature the forecast of revenues for the UPR;

WHEREAS, on May 17, 2025, pursuant to PROMESA Section 202(c)(1), the Governor submitted to the Oversight Board a proposed Fiscal Year 2026 UPR budget (the “Proposed FY2026 UPR Budget”);

WHEREAS, the Oversight Board determined that the Proposed FY2026 UPR Budget was not compliant with the applicable UPR fiscal plan and, by letter dated May 30, 2025, provided the Governor a notice of violation pursuant to PROMESA Section 202(c)(1)(B), informing the Governor that the Proposed FY2026 UPR Budget did not satisfy PROMESA’s requirements, and providing a description of necessary corrective actions and an opportunity for the Governor to correct the violations;

WHEREAS, on June 13, 2025, the Governor and UPR submitted a letter and appendices attempting to address the violations the Oversight Board identified in the Proposed FY2026 UPR Budget;

WHEREAS, the Oversight Board determined that the Governor did not submit a compliant budget as required by PROMESA and, as a result, pursuant to PROMESA Sections 202(c)(2) and 202(e)(4), the Oversight Board developed a compliant budget for UPR, a copy of which is attached hereto as **Exhibit 1** (the “FY2026 UPR Budget”);

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to PROMESA Sections 202(c)(2) and 202(e)(4), the Oversight Board certifies the FY2026 UPR 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, 2025.

EXHIBIT 1: CERTIFIED FISCAL YEAR 2026 UPR 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, 2026 (“FY2026”).

Revenues (in \$ thousands)

Central Government Appropriations

TSA General Fund Appropriations

TSA General Fund Appropriations (Net Measures)	441,206
TSA General Fund Appropriations (Additional support for UPR operations)	60,000
TSA General Fund Appropriations (Joint Resolutions)	30,170

TSA General Fund Appropriations **531,376**

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)	5,136

Other Special Appropriations **34,658**

Total Central Government Appropriations **566,034**

Operating Revenues

PR Slot Machine Receipts (Ley 36-2005)	71,344
Undergraduate Tuition	133,863
Graduate Tuition	33,594
Commonwealth Scholarship Fund (Act 4-2022)	10,000
Contracts with ASEM for Medical Services Provided	6,618
Campus-Generated Inflows	218,330

Total Operating Revenues **473,749**

Other Sources of Revenue

Intra-Government Receipts

Pell & Other Student Aid Grants	56,244
Federal Research & Investigation Grants	114,235

Intra-Government Receipts **170,479**

Total Other Sources of Revenue **170,479**

Total Sources of Revenue **1,210,262**

Expenditures (in \$ thousands)**Operating Expenditures****Payroll & Related Costs**

Salaries-Faculty	(342,381)
Salaries-Non-Faculty	(172,054)
Non-recurring payment (Non-Faculty)	(1,345)
Christmas Bonus	(5,520)
Overtime	(2,738)
Liquidations	(8,019)
Other Payments to Faculty and Non-Faculty	(222)
Medical Plan	(68,441)
Social Security Payment	(41,026)
State Insurance Fund	(7,518)
Unemployment Insurance	(440)

Total Payroll & Related Costs

(649,704)

Materials & Supplies	(32,646)
Purchased Services	(23,798)
Federal Grants, Pell & Donations	(129,679)
Facilities & Payments for Public Services	(48,154)
Professional Services	(2,846)
Transportation Expenditures	(8,682)
Other Operating Expenditures	(94,305)

Total Operating Expenditures

(989,814)**Other Expenditures**

Capital Expenditures	(8,000)
Equipment & Maintenance	(43,515)
Pensions Payment	(132,650)

Total Other Expenditures

(184,165)**Total Expenditures**

(1,173,979)**Operating Position (before Debt Service)**

36,283**Contract Debt Service**

(36,283)**Operating Position (after Debt Service and before Reserve)**

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Section 2 – No later than 45 days after closing of each quarter of FY2026, the President of the UPR and the Chief Financial Officer of the UPR shall update the projected net revenues for FY2026 (the “Quarterly Revision”) and provide notice of the updates to the Governor and the Oversight Board. Each 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 the certified FY2025 budget to carry out permanent capital expenditures that have been encumbered and accounted for and kept on the books, provided they are not kept on the books for a period exceeding two fiscal years; (2) expenditures in the certified FY2025 budget for equipment with procurement cycles that extend beyond the end of the fiscal year, which were encumbered on or before June 30, 2025; and (3) the portion of any other expenditures authorized in the certified FY2025 budget that have been encumbered on or before June 30, 2025, which shall be kept on the books for 60 days after the termination of FY2025, and after those 60 days no amount shall be drawn against such portion for any reason. In addition, the foregoing exceptions to the restrictions on expenditures authorized in any prior fiscal year are conditioned on the prior written approval of the Oversight Board. This restriction on the use of appropriations of prior fiscal years shall not apply to programs financed in whole or in part with federal funds.

Section 4 – On or before July 31, 2025, the President and the Chief Financial Officer of the UPR shall provide to the Oversight Board a certification detailing the amount of unused FY2025 appropriations 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 eligible to be disbursed in FY2026 pursuant to Section 3 above will not carryover from FY2025 to FY2026.

Section 5 – Authorized amounts of expenditures in this FY2026 budget may only be reprogrammed with the prior approval of the Oversight Board. For the avoidance of doubt, this prohibition includes any reprogramming of any amount, line item, or expenditure provided in this budget, regardless of whether it is an intra-agency reprogramming. Reprogrammings, also known as reapportionments, may be made into spend concepts and/or objects not explicitly listed in the FY2026 certified budget resolution, as long as such requests are submitted to and approved by the Oversight Board in advance.

Section 6 – The President and the Chief Financial Officer of the UPR shall submit to the Oversight Board all reports set forth in Exhibit 40 of the Certified 2021 UPR Fiscal Plan according to the reporting cadence described therein. In addition, if the Oversight Board approves a reprogramming pursuant to Section 5, the immediate subsequent report by the UPR must illustrate the specific implementation of such reprogramming.

Section 7 – The reports required in this certified FY2026 UPR Budget are in addition to the reports that the Governor and UPR must submit to the Oversight Board in accordance with PROMESA Section 203.

Section 8 – In conjunction with the reports that the Governor and the UPR must submit to the Oversight Board no later than 15 days after the last day of each quarter of FY2026 pursuant to PROMESA Section 203, the Governor, 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 FY2026 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 FY2026 any amount that exceeds the appropriations authorized for FY2026. 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, 2025, that no amount was spent or encumbered that exceeded the appropriations in the certified budget for FY2025.

Section 10 – For the avoidance of doubt, the Oversight Board has an active policy that includes the prior review of proposed UPR contracts valued at \$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 and submit any covered contracts for review prior to execution.

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 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 certified FY2026 UPR Budget 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 certified FY2026 UPR Budget to those persons or circumstances in which it can validly apply. It is the express and unequivocal will of this Oversight Board that the courts enforce the provisions and the application of this certified FY2026 UPR Budget 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 FY2026 includes a reform in which the defined benefit plan is frozen, and a defined contribution plan is implemented. If the UPR does not implement a freeze to the defined benefit plan, an additional contribution of \$4.1 million per month to the defined benefit plan will be needed. In that event, a reapportionment request must be submitted to the Oversight Board, pointing to proportionate savings in other budgetary line items to fund the necessary amount while maintaining compliance with the budget.

Section 13 – This budget will be known as the “Fiscal Year 2026 UPR Budget.” To ensure financial responsibility and the long-term sustainability of the institution, the UPR administration

and the UPR Governing Board must continue to implement revenue and expenditure measures as required by the 2021 UPR Fiscal Plan.

Section 14 – The UPR has ~\$40.7 million¹ in institutional prior year funds for capital projects identified in previous years and ~\$1 billion² in Federal Funds. Additionally, the Fiscal Year 2026 UPR Budget considers the current needs of the UPR to cover Capital Expenditures of ~\$15 million during FY2026.

Section 15 – The 2022 Commonwealth Fiscal Plan allocated funds to establish a needs-based UPR scholarship fund with the intent of ensuring 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. The expected annual disbursement is for a total amounting to \$10 million to eligible undergraduate and graduate students.

Section 16 – Additional funding from the Commonwealth General Fund may be available to the UPR upon reaching certain specified milestones as agreed upon between the Oversight Board, the UPR, and the Commonwealth. However, this additional funding will only be available upon the Oversight Board confirming, in its sole discretion, the UPR has achieved those milestones and after the Oversight Board provides prior written approval and authorization for the disbursement of the funds. Approximately \$172 million in such funding remains for UPR to support such investments directed at current operations and transformational initiatives, including investments that directly support students and faculty, contingent upon the completion of established milestones. The UPR must provide a formal notice and submit supporting data corroborating such achievement to the Oversight Board for its review, along with a reprogramming request for the release of the corresponding funds.

Section 17 – The FY2026 UPR Budget shall take effect on July 1, 2025.

¹ Balance of Prior Year Institutional Funds as of May 2025 provided by UPR on May 27, 2025.

² From UPR website for reporting Permanent Improvement Projects as of June 12, 2025.