



GOVERNOR OF PUERTO RICO

Ricardo Rosselló Nevares

March 20th, 2017

Mr. Jose L. Carrión
Chairman
Financial Oversight and Management Board

RE: UNIVERSITY OF PUERTO RICO

Dear Mr. Carrión

I want to thank you and all the members of the Board for your vote of confidence and support to our Fiscal Plan. We both share a common interest in addressing Puerto Rico's fiscal and economic crisis while securing adequate funding and resources to provide essential services for our citizens. Our Fiscal Plan allows us to comply with requirements set forth in PROMESA and promote the much needed economic development to boost government revenues and secure essential services. Having access to higher education is key element to enhance economic and social development. Thus, it is important to responsibly address the University of Puerto Rico's (UPR) fiscal situation, as it has been done with all the other governmental entities under the jurisdiction of the Board.

It is important to note that the University of Puerto Rico's budget has seen a cumulative reduction in budget of \$348,000,000.00 from FY2014 through FY2016. Understanding the already dire fiscal situation of the UPR while maintaining our commitment to respect its autonomy, we submit for your approval the following measures in order mitigate further budget cuts established in the Certified Fiscal Plan.

- As requested by the interim President of the UPR, we have made available the central government's fiscal technical team to evaluate and devise the institution's Fiscal Plan, reducing the costs associated with said process. We hereby request support from the Board's technical team in order to identify additional sources of income and federal funding to substitute budget cuts.
- In accordance with Executive Order No. 2017-021, the central government and the UPR will enter into agreements to provide technical training for public employees. Through these agreements, the UPR will receive \$50,000,000 during the FY2018 and said amount shall increase **to \$100,000,000 by FY2021**.
- The Certified Fiscal Plan requires a reduction of \$750,000,000 in healthcare costs by FY2021. Through our New Healthcare Model, we have identified cost reducing measures that will total \$800,000,000 for FY2021. We recommend that any additional savings above the 750 million mark, which may **total \$50,000,000 by FY2021**, be transferred to the UPR in order to secure compliance with PROMESA.



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- The Department of Education is in the process of retaining the services of the UPR to provide both trainings to teachers as well as tutoring for students. Said agreement will provide at least an additional \$20,000,000 to the UPR annually. Our estimates indicate that through the procurement of such services, the UPR may receive up to **\$25,000,000 per year**.
- We will request all municipalities to enter into technical training agreements, similar to those with the central government, for their employees. This will represent an additional **\$30,000,000 for FY2018**.
- Through an agreement with the Puerto Rico's Science and Technology Trust (STT), the UPR will be able to effectively monetize their approved patents. The STT has technical resources to monetize already approved patents, leaving the students and professors with more time to embark in research and development projects that will result in more income. This initiative may produce an additional **\$4,000,000 by FY2021**.

The outlined measures provide additional resources for the University of Puerto Rico which were not contemplated when the Board issued its cost reduction requirements. Hence, according to our estimates, implementing said efforts with only require reductions to the UPR budget of **\$241 million by FY2021**, instead of the \$450 million originally requested by the Board. This number does not include additional efficiencies and resources that the UPR may identify during the development of its Fiscal Plan. I strongly believe that the measures set forth for your consideration and approval would comply with the requirements set forth in PROMESA, while improving the access to higher education in Puerto Rico. Our technical team looks forward to further inquiries and/or meetings to discuss in detail the proposed roadmap to address the UPR's fiscal crisis.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ricardo Rosselló Nevares".

Ricardo Rosselló Nevares
Governor

Cc. Mr. Carlos M. García
Mr. Arthur J. Gonzalez
Mr. Jose Ramón Gonzalez
Ms. Ana J. Matosantos
Mr. David Skeel
Mr. Andrew Biggs
Mr. Ramón Ruiz Comas, Executive Director