

**Lyvan Butín<sup>1</sup>**  
**Former member of the Budget Committee, University Board**

Honorable Chairman Grijalva and Committee Members:

My name is Lyvan Buntin and I am a senior majoring in accounting at the Bayamon Campus of the University of Puerto Rico (UPR). My presentation today before the Natural Resources Committee of the US Congress is to advocate for the amendment to Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)<sup>2</sup> proposed by Chairman Grijalva on behalf of the approximately 53,000 students attending the UPR and on behalf of Puerto Rico's population that is fighting for a future with economic growth and social development in the Island.

I was a member of the UPR's University Board and its Budget Committee until a few months ago. The highest governance body of the University that represents the UPR Community and is not controlled by political appointees. In this committee I studied the budgets of the University, of its eleven campuses and the fiscal plans approved by the Financial Oversight and Management Board for Puerto Rico -FOMB- and the University's Governing Board. In addition, I had the opportunity to evaluate the different regulations and accreditations that govern the University. The conclusions of the Budget committee were that if the Fiscal Plan projected cuts for the University are implemented, the institution has a high probability of closing most campuses and losing its accreditations due to its inability to meet its financial obligations in the near future, further sinking the country in its current precarious economic, social and migratory situation.

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<sup>1</sup> I am a senior majoring in accounting at the Bayamon Campus. At the University Board, I served as member of the Budget Committee, which has the legislative mandate to evaluate the budget of the units of all the UPR system and make recommendations to the UPR President, and the Governing Board before approval.

<sup>2</sup> 48 U.S.C. § 2121

## **I. PROMESA goals**

The primary purpose of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), at section 101 (a), is to promote a method to achieve fiscal responsibility in the Territory of Puerto Rico. Since the creation of the Financial Oversight & Management Board for Puerto Rico (FOMB), the method used to attain fiscal responsibility has been austerity through reductions in government spending, pushing privatization and granting tax exemptions without a reliable analysis of what will be the outcome on investment of the actions taken. These measures have contributed to the massive migration of Puerto Ricans to the United States and increased poverty, inequality, and violence in the island.

The University of Puerto Rico produces 73% of the scientific knowledge in our Island<sup>3</sup>. An economic study<sup>4</sup> established that the University of Puerto Rico return investment is \$1.56 for each \$1 dollar that the government contributes to the institution and create 164 jobs for each one hundred (100) jobs generated as part of the institution's activities.

The approved fiscal plan imposes a reduction of 512 million dollars without any scientific data nor objective/non-ideological criteria and without due consideration to the University of Puerto Rico's impact on the local recovery and development.

## **II. Budget cuts to the UPR**

Before the implementation of PROMESA the University system had already received some mayor cuts to its budget. In year 2014, then Governor García Padilla made the decision to freeze the formula for budget funding allocation for the university at the 2013-2014. The university is entitled to receive 9.6% of average of the previous two fiscal years

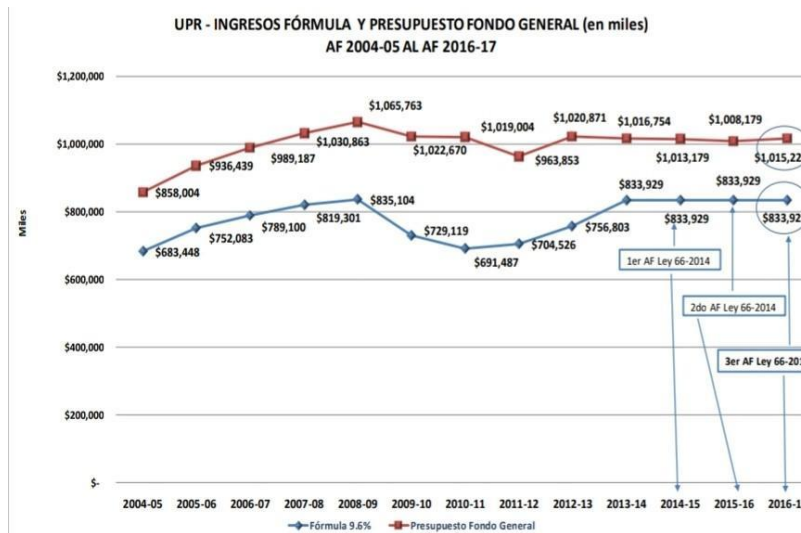
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<sup>3</sup> [https://www.upr.edu/red-ici/?page\\_id=310](https://www.upr.edu/red-ici/?page_id=310) (Revised on April, 24 2019).

<sup>4</sup> <http://www.uprm.edu/artesy-ciencias/wp-content/uploads/sites/95/2017/06/Pres-UPR-Alameda-Revisada31-oct-Presentacion-Impacto-socioeconomico-del-SUPR-II-1.pdf>

of the annual general tax revenues of the Commonwealth by law<sup>5</sup>. As you now that so called General Fund represents a major part of our consolidated budget. The freezing of the formula embodied an accumulated loss of 550 million dollars through fiscal year 2015 to fiscal year 2017.<sup>6</sup>

The graph below shows the dramatic budget reduction suffered by the University in recent year:



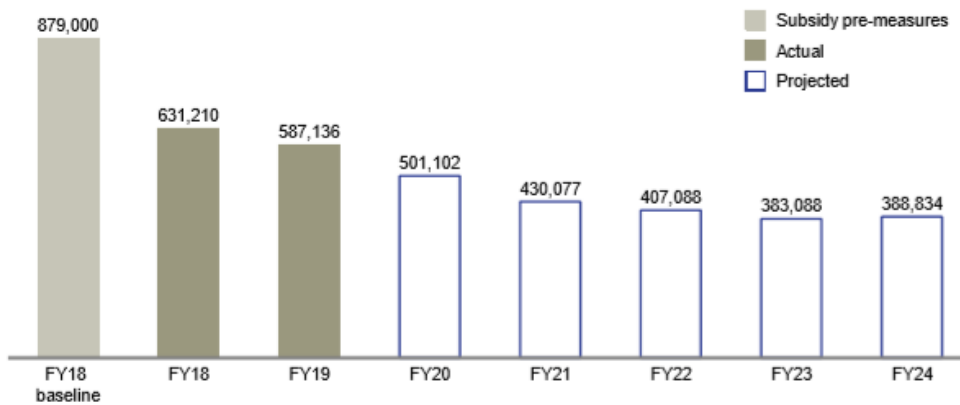
In fiscal year 2018, the FOMB started implementing their cuts through their fiscal plan, which started with a cut of 202 million dollars to the UPR system. Two years have passed with additional budget cuts and on this fiscal year 2020, the budget cuts have accumulated to a total of 333 million dollars from the 2014. However, we are still projected to receive more cuts until fiscal year 2024; representing an additional 112 million dollars

<sup>5</sup> Act 2 of January 20, 1966, amended in 1993, established the funding formula used by the state for allocation of resources to the UPR with the objective of promoting fiscal autonomy, as well as for the expansion of the Institution. On December 1st, 1995 Puerto Rico's legislature amended Law 2 of 1966 to increase the formula to 9.60% of the annual rental annuities. Subsequently, the funding formula that had been established for UPR operations suffered drastic changes due to the freezing of government funds, since fiscal year 2014-2015 to fiscal year 2017-2018 which resulted in a cumulative budget cut of more than 550 million USD. See University of Puerto Rico Budget <http://www.vcertifica.upr.edu/PDF/CERTIFICACION/2017-2018/21%202017-2018.pdf> (Revised on October 27, 2019).

<sup>6</sup> <http://www.vcertifica.upr.edu/PDF/CERTIFICACION/2017-2018/21%202017-2018.pdf> (Revised on October 24, 2019).

in budget cuts. In total, the budget cuts will amount to 445 million dollars. That represents a 56% of the total budget of the University of Puerto Rico since the freezing of our formula in 2014.<sup>7</sup>

Level of subsidization from Commonwealth, \$ 000s, TSA General Formula Fund Appropriation



SOURCE: UPR, CW Fiscal Plan

The immediate effect of the severe budget cuts is the resulting operational deficit under the fiscal plan, a deepening deficit beginning in this fiscal year.

## II. Measures to sustain operations with the budget cuts.

The University is not unaware of the need for fiscal restraint and has been working since 2014 with economic cuts from the Government, adopting multiple measures to continue providing quality higher education. Some of the drastic adjustments that the University has been adopted in the past years are:

- Tripled tuition through annual increases and increased and created new dues and fees<sup>8</sup> for students<sup>9</sup>.

<sup>7</sup> JSAF – Presentacion del Plan Fiscal de la UPR – 20190605-05 Jun 2019-Responsabilidades de la Junta de Supervision Fiscal [juntasupervision.pr.gov/documents/](http://juntasupervision.pr.gov/documents/)

<sup>8</sup> Since Academic Year 2018-2019, the University has increased most of the dues and fees and created a new ones. UPR Revised Fiscal Plan with Measures, April 5, 2019. <http://www.aafaf.pr.gov/assets/upr-revised-fiscal-plan-april-2019.pdf>, p. 23.

<sup>9</sup> A 150% increase to undergraduate and graduate tuition cost per credit for the academic Year 2017-2018 through 2022-2023 UPR Revised Fiscal Plan with Measures, June 5, 2019. <http://www.aafaf.pr.gov/assets/upr-revised-fiscal-plan-april-2019.pdf>, p. 23.

EXHIBIT 13: SCHEDULE OF TUITION INCREASES (COST PER CREDIT)

FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
\$115	\$124	\$134	\$145	\$157	Indexed to inflation

Fee changes over time

Cost per transaction (\$)

Existing fees:	FY16-18 Cost	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24
Maintenance Fee	47.00	47.00	75.00	100.00	100.00	100.00	100.00
Technology Maintenance Fee	25.00	25.00	25.00	25.00	50.00	50.00	50.00
Laboratory Rights	33.00	100.00	100.00	100.00	100.00	100.00	100.00
Graduation Rights	27.00	80.00	80.00	80.00	80.00	80.00	80.00
Other Maintenance Rights	67.00	67.00	67.00	67.00	67.00	67.00	67.00
Admission Application	20.00	30.00	30.00	30.00	30.00	30.00	30.00
Re-Admission	33.00	35.00	35.00	35.00	35.00	35.00	35.00
Transfer to other Institutions	33.00	50.00	50.00	50.00	50.00	50.00	50.00
Transfer within the UPR System	20.00	25.00	25.00	25.00	25.00	25.00	25.00
Transcripts & Certificates	1.35	5.00	5.00	5.00	5.00	5.00	5.00
Document Duplicates	1.35	5.00	5.00	5.00	5.00	5.00	5.00
Change in Faculty	20.00	20.00	20.00	20.00	20.00	20.00	20.00
ID Card	5.00	10.00	10.00	10.00	10.00	10.00	10.00
Fees for late tuition	13.00	20.00	20.00	20.00	20.00	20.00	20.00
<b>New fees:</b>							
Summer Maintenance Fee	-	50.00	50.00	50.00	50.00	50.00	50.00
Fees for partial drop in courses	-	10.00	10.00	10.00	10.00	10.00	10.00
Fees for full drop in courses	-	15.00	15.00	15.00	15.00	15.00	15.00
Repetition of courses	-	20.00	20.00	20.00	20.00	20.00	20.00

- Reduced faculty and administrative personnel. Most of our campuses are understaffed<sup>10</sup> at all levels, which has put in and jepardy the University accreditations. This measure has contributed to the recruitment of lecturers or part time Instructors<sup>11</sup>. A substantial number of core faculty and tenure track positions have been cut, also putting he University's accreditations at risk<sup>12</sup>. This has translated in a limited and lower number of courses available for students, a deterioration of our infraructure, and a decline in our already deficient student services. For example, some offices that used to be operated by a full staff of administrative personnel, are now being run by one or two work study students.
- We have stopped some of our critical permanent infrastructure projects. This is due to a combination of lack of funding and FEMA not distributing the necessary funds for reconstruction purpose. Due to these measures, the university has come

<sup>10</sup> According to University Human Resources, by December 31, 2018, There are 746 professor positions frozen awaiting to be cut from the budget.

<sup>11</sup> A lecturer's salary is as low as \$2,043, per semester for a 3 credits class; this compensation is for a professor with a doctoral degree. Certification Num. 152 of FY 2010-2011. <http://www.vcertifica.upr.edu/PDF/CERTIFICACION/2010-2011/152%202010-2011.pdf>

<sup>12</sup> Some accreditations such as medical schools, law, accounting among others require full time tenured-faculty per a ratio of students

into a critical stage on its infrastructure. There is an urgent necessity to fund projects to improve our university. In some cases like the Bayamon and Río Piedras campuses, certain schools and departments lost the complete buildings and facilities due to hurricane María, and to this day the reconstruction has not started.

- Academic and administrative reorganization or consolidation. At this moment, the university is evaluating every program that it offers throughout the eleven campuses operated by the UPR; if the program does not comply with the requirements established by the university, the UPR will reinforce them or consolidate them with other programs. On the administrative level, the UPR is still working in ways to create savings by restructuring our way of operating. The problem that I see with this is that we are already understaffed and if we want to operate more effectively, we will have to invest in better technology, infrastructure, and we simply do not have the funding for that. Furthermore, the software engineers from UPR Mayagüez have been replaced by external contractors representing unneeded additional costs to these technology developments.

### **III. University's Pension plan crisis**

The pension plan of the university is being brutally affected by the drastic budget cuts. Since the first budget cuts, the university has started to underfund its pension plan. At this point, the plan has an actuarial liability that ascends to \$2,968,233,000.<sup>13</sup> The assets of the Retirement Trust are valued at approximately 1.6 billion dollars.

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<sup>13</sup> <https://www.juntagobierno.upr.edu/informes-sistema-retiro/>

GASB Statement No. 67 For the UPR Retirement System as of June 30, 2018

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	6/30/2017	6/30/2016	Change
Total Pension Liability	\$ 4,359,733,000	\$ 3,339,371,000	+ \$1,020,362,000
Total Plan's Net Assets	\$ 1,391,500,000	\$ 1,332,668,000	+ \$ 58,832,000
Net Pension Liability	\$ 2,968,233,000	\$ 2,006,703,000	+ \$961,530,000
Net Position as a Percentage of the Total Pension Liability	31.92%	39.91%	- 7.99% (a 20% deterioration)

According with the UPR fiscal Plan<sup>14</sup>, the university will have to start paying about 150 to 160 million dollars annually to close the gap of the actuarial deficit. The FOMB has proposed three difference scenarios for the Pension Plan:

1. Leave the system as is and increase the UPR contribution from 80 to 160 million dollars or more annually.
2. Transform the retirement plan to a defined contribution plan and pay somewhere close to 143 million dollars annually.
3. Transform the retirement plan to a defined contribution plan, cut most of the benefits. In this option, the university must spend around 100 million dollars annually to the pension plan, the amount may increase on a yearly basis.

The university is leaning to sustain our pension plan as it is, the problem is that the amount that we have to pay (160 million) it is incredibly high when compared to our budget, and the uncertainty of the future of the pension plan is pushing productive employees into retirement because they are afraid that the university is going to transform or eliminate the pension plan.

In July 31, 2019, University's pensioners are 9,023<sup>15</sup> and their monthly payroll are around 16.5 million dollars. Both numbers are expected to increase given the large number of people who can retire according to the number of employees who meet the

<sup>14</sup> FOMB fiscal plan for the UPR, JSAF – Presentacion del Plan Fiscal de la UPR – 20190605-05 Jun 2019- Responsabilidades de la Junta de Supervision Fiscal [juntasupervision.pr.gov/documents/](http://juntasupervision.pr.gov/documents/)

<sup>15</sup> According to the Pension Plan data.

years of service to retire as shown in the table below:

Unidad	0-5	6-10	11-15	16-20	21-25	26-30	31-Más	Total
	1	0	0	0	0	0	0	1
Centro de Recursos para las	18	4	12	7	16	1	4	62
Consejo de Educación Superior	0	0	0	0	0	4	2	6
Junta de Síndicos	12	4	2	3	7	4	2	34
UPR - Administración Central	42	22	20	37	80	58	39	298
UPR - Aguadilla	53	22	46	67	48	17	41	294
UPR - Arecibo	36	26	38	77	81	46	68	372
UPR - Bayamón	55	42	45	71	75	47	83	418
UPR - Carolina	26	43	41	58	51	31	51	301
UPR - Cayey	87	36	70	71	81	56	63	464
UPR - Ciencias Médicas	475	241	344	266	269	205	376	2,176
UPR - Estación Experimental	94	27	49	46	24	32	53	325
UPR - Humacao	65	28	59	80	101	65	91	489
UPR - Mayaguez	288	120	288	307	273	186	272	1,734
UPR - Ponce	55	23	29	76	52	19	33	287
UPR - Río Piedras	462	139	327	377	371	333	464	2,473
UPR - Servicio de Extensión	74	39	46	52	51	45	46	353
UPR - Sistema de Retiro	7	1	9	3	9	11	6	46
UPR - Utuado	39	25	14	32	35	22	19	186
Total	1,889	842	1,439	1,630	1,624	1,182	1,713	10,319

In this table, you can see how in the next 4 years the amount of people that receive benefits from the pension plan can rise by 2,895 people. This will make the situation even harder for the institution because it will have to disburse more money to the retirement system. In the worst-case scenario, the UPR will not have the money to sustain the pension plan and it will enter a **pay as you go system**, which will require more allocation from the Central Government. This situation, in many ways, has been caused by the decision not to hire faculty and employees on a full-time capacity based on the fiscal plans and budget cuts, which then have the effect of undermining the fiscal health of the retirement plan as it experiences a reduction in the number of people contributing to the Trust.

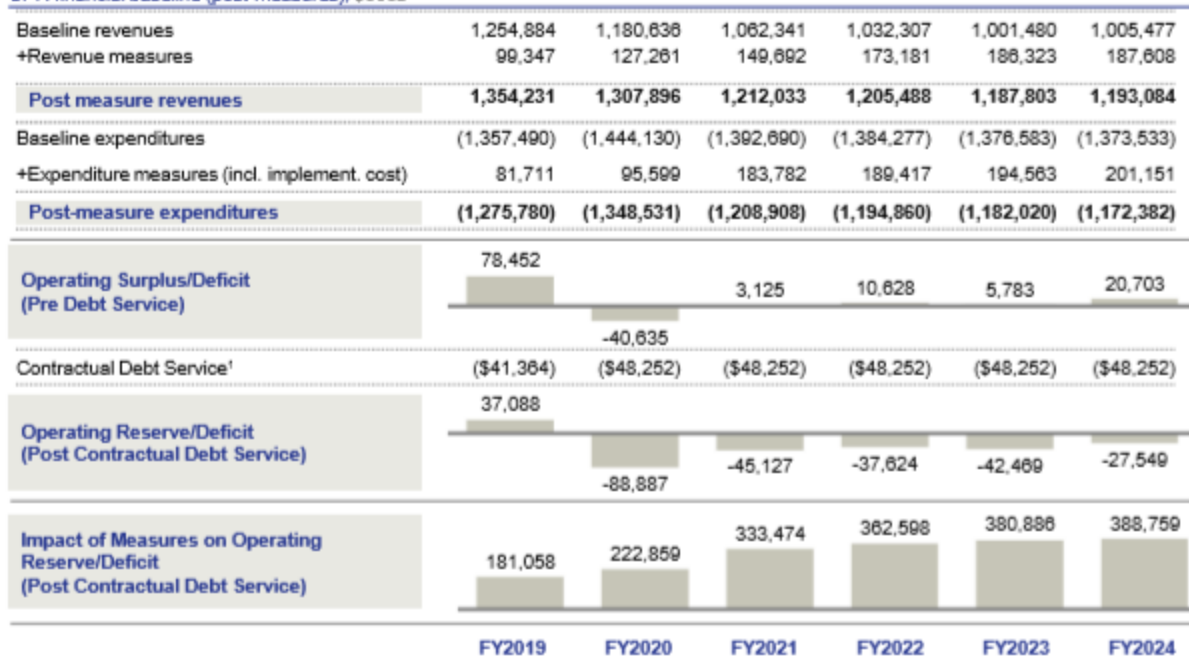
#### IV. Budget deficits

It is not difficult to see how the budget cuts are creating a massive deficit on the cash flows of the UPR. In the Fiscal Plan for the university, approved on June 5<sup>th</sup> by the FOMB, it projects that the university will have a deficit of 88 million dollars by the end of this fiscal year 2020. <sup>16</sup>

<sup>16</sup> JSAF – Presentacion del Plan Fiscal de la UPR – 20190605-05 Jun 2019-Responsabilidades de la Junta de Supervision Fiscal [juntasupervision.pr.gov/documents/](http://juntasupervision.pr.gov/documents/)



UPR financial baseline (post-measures), \$000s



As you can see in this graphic, the Fiscal Board is projecting that the deficit will disappear throughout the next fiscal years. Based on the unwarranted assumptions of the fiscal plans, in reality that is not going to materialize. All the measures that the university could take that represented a major impact in new cash flows and major savings, have already been taken. We can still do minor adjustments that will save some money, but these adjustments are miniscule when compared to the projected budget cuts.

If the next cuts are implemented, we will be obligated to decide on what will be the future of the university. We will probably have to close many of our campuses, leaving thousands of students behind. In fiscal year 2021, the UPR will be receiving 430 million dollars from the Central Government. That clearly will not be enough to operate effectively, we will have to close most of the smaller campuses to sustain the system.

Major Campuses	Budget
Rio Piedras	212,904,438
Mayaguez	134,578,621
Medical Science	118,353,984
Total	465,837,043

Minor campuses	Budget
Cayey	31,826,974
Humacao	39,117,931
Aguadilla	20,594,444
Arecibo	29,570,029
Bayamon	35,261,700
Carolina	25,315,733
Ponce	23,068,820
Utuado	13,790,235
Total	218,545,866

The position of the President of the University, and that of the FOMB is that they want to keep all the campuses open, but as you can see that will not be possible. Even with our accreditation process, the quality of the university has never been questioned nor is it the problem. When we were placed on 'show good cause' to maintain accreditation status by the Middle States Commission on Higher Education, it was for two central reasons:

1. A fault of complying with the financial information required by the MSCHE.
2. A concern with the amount of resources the institution has to fulfill the obligation with its students.

The budget cuts, as they are specified in the fiscal plan, are going to kill the operations of the UPR system. We have to mention that in 1992, Congress amended bankruptcy law to exclude an institution of higher education that has filed for bankruptcy eligibility to participate in title IV financial aid programs<sup>17</sup>. Hence, Title III of PROMESA is not an option for the UPR.

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<sup>17</sup> 20 U.S.C. § 1002 (a)(4)(A).

The approval of the amendment proposed by Congressman Grijalva is critical for the sustainability, some might say survival, of the University of Puerto Rico. For some campuses of the University, it is not clear at all that with this year's budget whether they will be able to pay the payroll of the last few months or their utility bills. By endorsing this amendment, we ensure that the immediate future of the UPR is safe, it will provide the opportunity for the University to reorganize, update its infrastructure, improve the technology, and in the near future operate as a more effective and efficient university. As Ms. Jaresko said herself, the UPR system is the crown jewel of Puerto Rico. Having that in mind, it is important that the university is properly funded for the wellbeing of the social and economic future of the island. For me, a government is defined by the opportunities it gives to its people. For many Puerto Ricans, the UPR is our only hope for a better future, that is why it is so important to define the University of Puerto Rico as an essential service to ensure that it continues to keep giving the high-quality service that it has always been known for.