



Arthur J. Gonzalez
Chair and Board Member

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Andrew G. Biggs
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Robert F. Mujica Jr.
Executive Director

BY ELECTRONIC MAIL

June 18, 2026

The Honorable Jenniffer A. González Colón
Governor of Puerto Rico

Dear Governor González Colón:

This letter serves as a notice of violation pursuant to Section 202(c)(1)(B) of PROMESA. The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) has determined, in its sole discretion, that the Proposed Fiscal Year 2027 Budget for the University of Puerto Rico (“UPR”), submitted to the Oversight Board on June 10, 2026 (the “Proposed FY2027 UPR Budget”), is not compliant with the Certified Revised 2021 Fiscal Plan for UPR (the “Certified Revised 2021 UPR Fiscal Plan”) or the Certified Revised 2024 Commonwealth Fiscal Plan (the “Certified Revised 2024 Commonwealth Fiscal Plan”).

The Oversight Board remains committed to supporting the UPR in advancing its mission to serve students, faculty, and the broader Puerto Rico community. To ensure long-term sustainability and institutional resilience, the Oversight Board encourages UPR to adopt a responsible, structured approach focused on enhancing operational efficiency, aligning resources with strategic priorities, and addressing the most pressing needs related to student success, faculty support, and infrastructure improvement.

This letter provides a description of the corrective actions necessary to achieve a compliant FY2027 UPR budget. Pursuant to Section 202(c)(1)(B)(ii) of PROMESA, the Oversight Board is providing the Governor and UPR an opportunity to correct the violations. Please submit a revised proposed FY2027 UPR budget (the “Revised Proposed FY2027 UPR Budget”) no later than **June 24, 2026**, reflecting the revisions identified herein.

The Proposed FY2027 UPR Budget

The Proposed FY2027 UPR Budget is not compliant with the Certified Revised 2021 UPR Fiscal Plan, the Certified Revised 2024 Commonwealth Fiscal Plan, or the revenue forecast provided to UPR on June 5, 2026 (the “FY2027 UPR Revenue Forecast”).¹ Among other deficiencies, the submission lacks sufficient supporting documentation to substantiate key assumptions, methodologies, and projected expenditure levels. Accordingly, revisions and additional information are required before the Oversight Board can certify a compliant FY2027 UPR Budget.

While the Proposed FY2027 UPR Budget is balanced in form, it does not demonstrate structural balance consistent with the framework established in the Certified Revised 2021 UPR Fiscal Plan. Specifically, the budget assumes funding levels above the FY2027 UPR Revenue Forecast and does not incorporate the additional pension contributions associated with the continued accrual of benefits under the Defined Benefit Pension Plan (“DBPP”).

The Certified Revised 2021 UPR Fiscal Plan requires the DBPP to be frozen to future benefit accruals. In the absence of such action, UPR must either identify recurring funding sources sufficient to cover the resulting increase in pension contributions or implement additional expenditure reductions to offset the incremental costs. However, UPR has consistently contributed amounts below those projected under the no-freeze scenario reflected in previously certified budgets,² resulting in a growing gap between projected pension funding requirements and actual contributions. As submitted, the Proposed FY2027 UPR Budget does not demonstrate how these additional pensions obligations will be funded or how the resulting funding gap will be addressed.

The FY2027 Commonwealth Budget currently being evaluated by the Legislative Assembly includes \$60 million in one-time funding to support UPR operations, in addition to the base funding reflected in the FY2027 UPR Revenue Forecast. If the FY2027 Commonwealth Budget is certified without the \$60 million appropriation, UPR must revise the Proposed FY2027 UPR Budget and align expenditures with available revenues. While such funding could provide short-term operational support, the Oversight Board emphasizes that long-term institutional stability depends on UPR taking demonstrable, data-driven steps to strengthen both its academic outcomes and financial management.

Unless otherwise indicated, comparisons and adjustments are evaluated relative to the Certified FY2026 UPR Budget, excluding non-recurring reprogramming requests, which serves as the baseline for evaluating proposed changes in the Proposed FY2027 UPR Budget. Certain line items have been evaluated against more current supporting documentation, including proposed contracts and actuarial estimates, where applicable.

¹ FOMB – Letter – Governor & Legislative Assembly – UPR FY2027 Revenue Forecast – June 5, 2026 (available at: https://drive.google.com/file/d/1Qiy_syitJBpGwnS0_Zm4nhHZHAimRj5/view).

² See Section 12 of the Certified FY2026 UPR Budget.

UPR FY2027 Revenues

I. Central Government Appropriations (Act 53-2021): \$60 million increase

- *Reason for Non-Compliance Determination:* The Certified Revised 2024 Commonwealth Fiscal Plan is consistent with Act 53-2021, which provides for annual appropriations of \$500 million to UPR through FY2027. The Proposed FY2027 UPR Budget incorporates an additional \$60 million in one-time Commonwealth funding currently included in the FY2027 Commonwealth Budget under consideration by the Legislative Assembly. To facilitate transparency and distinguish recurring revenues from one-time funding sources, the additional appropriation should be separately identified.
 - a. Please present the \$60 million appropriation as a separate line item reflecting one-time funding to support UPR's operations.

UPR FY2027 Expenditures

I. Payroll & Related Costs

1. Salaries – Non-Faculty: \$2.8 million decrease

- *Reason for Non-Compliance Determination:* The Certified Revised 2021 UPR Fiscal Plan requires the establishment of a Project Management Office (“PMO”) with dedicated personnel, authority, and capabilities to ensure implementation across the university system. UPR initially funded these functions through Professional Services expenditures and subsequently transitioned the responsibilities to the Office of Development, Innovation and Transformation (“ODIT”), which is staffed by UPR employees. However, the Proposed FY2027 UPR Budget maintains Professional Services expenditures at prior-year levels. Please incorporate the \$2.8 million currently reflected within Professional Services into Payroll & Related Costs to support ODIT personnel or provide a detailed explanation demonstrating why such reappropriation is not necessary.

2. Medical Plan: \$3.4 million increase

- *Reason for Non-Compliance Determination:* The Certified Revised 2021 UPR Fiscal Plan requires UPR to reduce the monthly employee contribution to \$125 for non-faculty personnel, \$390 for faculty personnel, and maintain baseline contributions \$680.86 to employees with pre-existing conditions. In addition, the projected costs reflected in the proposed amendment to the Medical Insurance Contract, currently under evaluation by the Oversight Board, are approximately \$3.4 million³ below the amount included in the Proposed FY2027 UPR Budget. As submitted, the budgeted amount is not supported by the most recent contractual cost

³ Derived from the proposed Medical Plan contract, excluding costs associated with optional dental coverage paid by employees.

estimates. Please adjust the discrepancy or provide the following information:

- a. UPR's strategy to address rising medical insurance costs in alignment with the Certified Revised 2021 UPR Fiscal Plan, and detail steps taken to date to comply with the required reductions in employee contributions.
- b. The projected per-employee monthly cost for FY2027, along with supporting documentation.

II. Materials and Supplies: \$10.4 million increase

- *Reason for Non-Compliance Determination:* The Proposed FY2027 UPR Budget reflects an increase. However, supporting schedules, methodologies, and underlying assumptions were not provided to substantiate the projected costs. Please adjust the discrepancy or provide the following information:
 - a. The methodology, data, and assumptions used for FY2027 projections, and a schedule of the proposed costs.

III. Purchased Services: \$4.8 million increase

- *Reason for Non-Compliance Determination:* The Proposed FY2027 UPR Budget reflects an increase without sufficient support demonstrating the basis for the projected costs. Please adjust the discrepancy or provide the following information:
 - a. The methodology, data, and assumptions used for FY2027 projections, and a schedule of the proposed costs.

IV. Federal Grants, Pell & Donations: \$11.8 million increase

- *Reason for Non-Compliance Determination:* The Proposed FY2027 UPR Budget includes increased expenditures without identifying the corresponding funding sources or providing supporting assumptions. Please adjust the discrepancy or provide the following information:
 - a. The source of funds to cover the projected disbursements;
 - b. The methodology, data, and assumptions used for FY2027 projections;
 - c. A schedule of the proposed FY2027 expenditure by cost concept.

V. Facilities & Payments for Public Services: \$8.6 million increase

- *Reason for Non-Compliance Determination:* The Proposed FY2027 UPR Budget reflects an increase. However, no breakdown or supporting documentation was provided to explain the projected increase. Please adjust the discrepancy or provide the following information:
 - a. A detailed breakdown of FY2027 projected expenditures,
 - b. An explanation of the factors contributing to the increase compared to the FY2026 spending level, along with supporting documentation.

VI. Professional Services: \$2.8 million increase

- *Reason for Non-Compliance Determination:* The Proposed FY2027 UPR Budget maintains appropriations under this line item despite the transition of the PMO-related functions to UPR personnel under ODIT. Please adjust the discrepancy or provide the following information:
 - a. The rationale for maintaining \$2.8 million in Professional Services expenditures for FY2027,
 - b. A detailed breakdown of the proposed use of these funds.

VII. Other Operating Expenditures: \$8.6 million increase

- *Reason for Non-Compliance Determination:* The Proposed FY2027 UPR Budget reflects an increase without supporting detail sufficient to evaluate the reasonableness of the projected costs. Please adjust the discrepancy or provide the following information:
 - a. Breakdown of the FY2027 projected expenditures,
 - b. A schedule of the proposed FY2027 expenditures by cost concept.

VIII. Pension Payment: \$44.5 million decrease

- *Reason for Non-Compliance Determination:* The Certified Revised 2021 UPR Fiscal Plan requires either (i) the implementation of a full freeze of future benefit accruals under the Defined Benefit Plan or (ii) the identification of additional recurring revenues or expenditure reductions sufficient to fund the resulting pension obligations. The Proposed FY2027 UPR Budget includes \$132.7 million for pension contributions, consistent with the FY2026 spending level. However, this amount reflects a full-freeze pension scenario at the time of certification and does not account for the additional actuarially determined contributions associated with maintaining the current pension structure. As submitted, the Proposed FY2027 UPR Budget does not demonstrate that pension obligations under the current structure are adequately funded. Please incorporate the incremental costs associated with maintaining the current pension structure and adjust expenditure accordingly or provide a detailed explanation demonstrating why the proposed budget is sufficient to fund the actuarially determined contributions under the current scenario. Supporting documentation should include, at a minimum:
 - a. The methodology and assumptions used in developing the FY2027 pension contribution projection.
 - b. The breakdown of the FY2027 projected pension contributions by the Defined Benefit Plan and the Defined Contribution Plan.
 - c. UPR Retirement Board's FY2027 projected pension costs.

The Oversight Board further notes that, consistent with the Oversight Board's letter dated June 5, 2026, the Revised Proposed FY2027 UPR Budget must be accompanied by a resolution of UPR's Governing Board authorizing the budget.

Governor González Colón

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Conclusion

As noted above, and pursuant to the requirements of PROMESA Section 202(c)(1)(B), the Oversight Board is providing the Governor and UPR with an opportunity to correct the violations identified in this notice of violation and submit a Revised Proposed FY2027 UPR Budget to the Oversight Board by no later than **June 24, 2026**.

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

Sincerely,



Robert F. Mujica Jr.
Executive Director

CC: Mr. Franciso J. Domenech Fernández
Mr. Orlando Rivera Berríos
The Honorable Ángel Pantoja Rodríguez
Dr. Zayira Jordán Conde
Mr. Ricardo Dalmau Santana
UPR Governing Board