

**Supplemental Information Report to the
Middle States Commission on Higher Education
from
UNIVERSITY OF PUERTO RICO IN PONCE
Ponce, PR 00732**

Carmen A. Bracero, Acting Chancellor

March 15, 2018

Subject of the Follow-Up Report:

To accept the supplemental information report. To postpone a decision on reaffirmation. To remind the institution of the Commission's May 18, 2017 action placing the institution on probation because of insufficient evidence that the institution is currently in compliance with Requirements of Affiliation 3 and 8 and Standard 3. To note that the institution remains accredited while on probation. To request a supplemental information report, due March 15, 2018, regarding the status of the institution. In lieu of the April 2018 progress report, to request that the supplemental information report also address the topics of the progress report: (1) document the development and implementation of a financial planning and budgeting process aligned with the institution's mission and goals, and (2) a plan that provides for an annual budget and multi-year budget projections (formerly Standard 3, now Standard VI). A small team visit will follow submission of the report. To note that the monitoring report submitted in September 2017 will be acted upon at the June Commission meeting. The next evaluation visit is scheduled for 2024-2025.

SECTION 1: INTRODUCTION

Institutional Context

The University of Puerto Rico in Ponce (UPR-Ponce) is one of the eleven campuses of the University of Puerto Rico (UPR), a large public multi-campus, coeducational university system. The Central Administration, located in Rio Piedras, oversees the operations of the eleven academic units. The UPR University Law confers on the President the highest organizational rank and responsibility for leading the higher education system. In collaboration with the University Board, which he presides, President Darrel Hillman coordinates and supervises the academic, administrative, and financial tasks of the system. Dr. Hillman was appointed as Acting President by the Governing Board on July 12, 2017. Appendix 1 depicts the UPR organizational structure.

Each unit is headed by a Chancellor who presides over the Academic Senate, the Administrative Board, and faculty meetings. The Chancellor holds the maximum academic and administrative authority of the UPR-Ponce. Prof. Carmen Bracero was appointed Acting Chancellor on July 21, 2017. Prof. Bracero has been working for more than 40 years at UPR-Ponce and was the Dean of Academic Affairs during the previous administration. Prof. Bracero also occupied the Chancellor position in a previous occasion from October 2009 to September 2010. Appendix 2 describes the UPR-Ponce organizational structure.

Established as Ponce Regional College in 1969 and first accredited by Middle States in 1970, UPR-Ponce was originally authorized to offer associate degrees and transfer programs but added several baccalaureate degree programs beginning in the 1980s. It is located in the city of Ponce in the southern coast of Puerto Rico, approximately 67 miles from the capital city of San Juan. At present, the institution offers twelve bachelor degrees, four associate degrees (technical programs), and fifty-three articulated transfer programs to other UPR campuses. Total headcount enrollment for academic year 2017-2018 was 3,149. Ninety-four percent (94%) of the student population studied full time, approximately ninety-one percent (91%) received financial aid, and 57% was female. Eighty percent (80%) of the student body was enrolled in bachelor degree programs, 7% in technical programs, and 10% in transfer programs. The remainder was classified into other categories.

For the academic year 2017-2018, the retention rate was 74%. The first to second year retention rates for the last five years' average 81%. The institutional graduation rate average for the last five years has reached 41%, which is similar to those reported nationally and compare favorably to other UPR units.

The student body is served by 228 faculty and 227 non-faculty staff members. On average, the student/faculty ratio is 15:05. The 2017-2018 faculty profile revealed that 87 (79%) of the 110 of full-time faculty was tenured. Forty-four percent (44%) percent had a doctoral degree. Twenty percent (20%) of faculty held the rank of full professor, 10% associate professor, 31% assistant professor, and 39% instructor. UPR-Ponce has a consolidated budget of \$42,818,761 for academic year 2017-2018. Of these, the Commonwealth of Puerto Rico provides \$23,696,379. The current financial status session will discuss more in detail the UPR-Ponce budget.

In September 1, 2017, the institution submitted a supplemental information report to the MSCHE. The unit received the visit of a small team representing the Middle States Commission on Higher Education (MSCHE) from September 10 to September 13, 2017. In October 2017, UPR-Ponce received the team's report. The team expressed that: "UPR Ponce provided extensive evidence demonstrating that it was operational after the student strike ended. Students continued actively pursuing degree programs and the institution's Administrative Board approved the modification of the academic calendar 2016-2017 to meet the required class days and contact hours lost during the student strike. Students were able to complete their courses and graduation requirements for academic year 2016-2017".

In addition, the MSCHE visiting team reported that "at the time of the visit, UPR Ponce was operational and students were actively pursuing degree programs and UPR Ponce was back to its normal operations for the first semester of academic year 2017-2018". It is important to mention that the visiting team had no requirements for UPR-Ponce.

The Government of Puerto Rico is facing some economic challenges. As a result, a fiscal plan has been developed. It considers some budget reductions applicable to several agencies and public corporations, including UPR system. This plan was created as a requirement from the Financial Oversight and Management Board for Puerto Rico. Consequently, the Central Administration of the UPR identified several opportunities for expenses reductions and sources of new income.

SECTION 2: PROGRESS TO DATE AND STATUS

Current Financial Status

During the month of September 2017, Puerto Rico was hit by two major force, category 5 hurricanes. Fortunately, of all the units of the UPR, the University of Puerto Rico in Ponce was the least affected by the damages caused by these two hurricanes. After Hurricane María, the university's administration took immediate measures to clean the university campus and replace part of the electrical infrastructure that had collapsed. In the same way, some academic departments and administrative offices needed repairs and deep cleaning. Some departments or areas were more impacted than others, and for security reasons, certain areas were temporarily closed while the emergency was attended.

In order to carry out the necessary procedures to deal with the emergency caused by the ravages of Hurricane María, the institution allocated the necessary resources to cover the actual expenses and to be fully operational as soon as possible. Some of these expenses included: cost of removing the vegetative debris in the affected areas (\$25,000), replacing the electrical system lines that had collapsed (\$98,675 Contract 2018-DA0093), cleanse in depth the different areas in which the fungus had taken control (\$25,000 Contract 2018-DA0092), mitigation of damages due to the removal of hazardous materials (\$113,720 Contract 2018-DA0091), and other miscellaneous expenses that totaled \$9,164. Although there are some repairs pending or in the process of being completed, the institution was able to recover and restart its normal operation in a relatively short period of time. At the moment, UPR-Ponce has received \$436,363 as an advance from our private insurance company. Appendix 3 contains the letter that evidences this matter. These insurance funds have allowed us to re-establish the budget invested in addressing the emergency and continue our planning processes to finish restoring the areas affected by the hurricane. In addition to the measures taken with the insurance of the institution, the Federal Emergency Management Agency (FEMA), along with the Planning Office at the Central Administration, assigned personnel to analyze the impact of Hurricane María at the institution, so that a damage claim can be processed and consequently take decisions in order to mitigate the impact on future atmospheric events.

For fiscal year 2017-2018, UPR-Ponce has an operating budget of \$23,696,379, coming from the Commonwealth of Puerto Rico. Complying with the projections reports as of December 31, 2017, (Financial Plan Goal: *Budget Projections will be requested by UPR-Ponce administrators to improve the resources allotment in the Financial Plan*) the analysis of the data reveals the 47.79% was expended. The institution has implemented some measures, according to its institutional financial plan, to reduce the spending while maintaining the academic and administrative excellence. As part of the institution's continuing financial planning, UPR-Ponce forecasts a balanced budget as of June 30, 2018. For fiscal year 2017-2018, the consolidated budget for the unit is \$42,818,761.

For fiscal year 2018-2019, due to the implementation of the Fiscal Plans for Puerto Rico and the University, a decrease in funds allocation is expected of about \$1,000,000 in funds coming from the Commonwealth of Puerto Rico. In order to leverage the situation, among other measures, the UPR System is in the process of approving its systematic Fiscal Plan. This plan considers a change in the academic culture, since instead of having a calendar period of a semester, now the calendar period would be in trimester format. It is expected that this change will produce for UPR-Ponce an increase in new revenues from tuition fees of at least \$2,790,000.00. While UPR-Ponce may be facing the above mentioned reduction for the next fiscal year, these new resources and other initiatives will mitigate the reduction in funds.

Among other sources of income, UPR-Ponce also forecasts a net revenue from the Continuing Education Division of about \$240,000. Other endeavors will increase net revenues in about \$1,000,000. This includes a project funded by the Department of Education of Puerto Rico (DEPR) to train teachers. The project is called “Project Based Learning Training Program” which is based on the new philosophy of the DEPR. Another of these endeavors is the establishment of a Learning Skill Center that will offer tutoring and mentoring services to the community. There is also a Rehabilitation, Practice, and Therapy Center that will provide services to the community and will serve as a practicum center for the Allied Health Studies Department.

Table 2.1 presents the institution’s three-year budget projections by category in funds coming from the Commonwealth of Puerto Rico.

Table 2.1
UPR-Ponce’s Three-Year Budget Projections by Category

<i>Category</i>	2017-2018	2018-2019	2019-2020	2020-2021
Salaries	\$15,381,035	\$13,673,463	\$12,306,117	\$11,075,505
Fringe Benefits	5,763,617	5,172,036	4,754,833	4,323,783
Materials, Services, and Supplies	2,455,227	2,330,977	1,988,518	1,690,240
Travel Expenses	36,500	35,405	35,405	28,324
Equipment	60,000	58,200	58,200	52,380
Total	\$23,696,379	\$21,270,081	\$19,143,073	\$17,170,232
New sources of net revenues				
Trimester format	-	-	2,790,000	2,880,000
Continuing Education Program	-	240,000	264,000	290,400
Project Based Learning Training Program	-	260,000	260,000	-
Learning Skills Center	-	-	150,000	165,000
Rehabilitation, Practice, and Therapy Center	-	-	275,000	275,000
Total of new funds from UPR-Ponce initiatives	\$ -	500,000	3,739,000	3,610,400
Net operating revenues after new measures	\$ -	-1,926,298	1,611,992	1,637,559

Source: UPR-Ponce Budget Office

As shown on Table 2.1, the accumulated effect of the three years is a surplus of \$1,323,253. These projections show how the UPR-Ponce will deal with the reductions in the general fund allocations for the next three years. Two of these initiatives will start to generate revenues in 2019-2020, leaving the 2018-2019 year to operationalize the projects. The forecast shows an increment of 10% in each year based on the previous one, except for the Project Based Learning Training Program and the Rehabilitation, Practice, and Therapy Center. Taking in consideration this analysis, the UPR-Ponce will maintain financial sustainability in the forthcoming years.

Enrollment

When Puerto Rico was struck by category 5, Hurricane María on September 20, 2017, UPR-Ponce was still in the enrollment process for the first academic semester of 2017-2018. This process was completed when classes resumed on October 30, 2017. In November, the institution had 3,149 students enrolled. From the students who totally withdraw from UPR-Ponce, 14% did it for causes related to the hurricane.

Up to this moment, there is not a final official number for enrollment of the second academic semester of 2017-2018. The second semester of 2017-2018 starts on March 12 and the enrollment period finishes on March 16. As result, UPR-Ponce cannot provide an official number of students enrolled for this next semester. As of today, UPR-Ponce has 2,813 students enrolled for the second semester of academic year 2017-2018. The institution's enrollment projections are shown in Table 2.2.

Table 2.2
Enrollment Projections from Fall 2018 to Fall 2020

Fall 2018	Fall 2019	Fall 2020
3,000	3,100	3,200

These projections are based on an analysis made of the past five-year enrollment trends as shown in Figure 2.1 (page 8).

Operating Status and Educational Offerings after Hurricane María

Because of Hurricane María, UPR-Ponce resumed classes on Monday, October 30, 2017 and finished the semester on February 17, 2018. The institution has regular water, electricity, and Internet services. Since most of the facilities did not suffer major damages, the institution did not have to create temporary sites for instructional or administrative purposes. In the same manner, UPR-Ponce did not have the need to establish partnerships with any other educational entity to deliver instruction to students.

In addition to classes, extra- and co-curricular activities were held as planned. Assessment of student performance was performed according to the Institutional Assessment Plan. All institutional resources and services, including library services, were also offered as usual. Tutoring services were provided to students, too. Other related educational components, such as the Honor Studies Office and the Continuing Education Division, provided students with regular hours of service as typical.

Academic Calendar

The 2017-2018 first academic semester was completed on February 17, 2018 including the final exams period as established through Certification 2017-2018-13 of the Administrative Board. The institution complied with the contact-hours required per course.

Title IV Student Aid Eligibility

As established in the Supplemental Report of December 2017, UPR-Ponce submitted the required application for reinstatement to Title IV Programs. The U.S. Department of Education reinstated the institution to the list of eligible institutions and granted a Provisional Certification until December 31, 2018. UPR-Ponce has until September 30, 2018 to submit the recertification form. Appendix 4 shows the program participation Agreement Provisional Approval, the letter from the United States Department of Education Office of Federal Student Aid granting the Provisional Certification, and

their letter stating that the University of Puerto Rico in Ponce will be listed in the next edition of the Directory of Postsecondary Institutions.

Financial Plan Implementation – Progress to date

The University of Puerto Rico in Ponce has devoted great efforts in fulfilling the goals and objectives outlined in its Institutional Financial Plan. Given the financial challenges the University has experienced over the past few years, this plan has guided the financial decisions taken at the institutional level, ensuring the fulfillment of the institutional mission while coping with economic constraints.

As brought out in the Monitoring Report dated September 1, 2017, through Certification 2017-2018-21 of the Governing Board, the approved budget of the UPR for fiscal year 2017-2018 was disclosed. The approved budget for UPR-Ponce was \$23,696,379, which represented a reduction in funds coming from the Commonwealth of Puerto Rico compared to previous years. Aware of the challenge the institution would face because of this situation, immediate actions were taken to further implement the strategies outlined in the financial plan and to continue fostering the goals in it. As a consequence, the strategies identified have allowed the institution to reduce operating expenses and increase its income from different sources.

Although UPR-Ponce continues to work on strengthening the implementation of all the strategies and objectives of the financial plan, positive results already have been seen with respect to the implementation of the path outlined in the 2014-2015 Financial Plan. Financial data extracted directly from the University Accounting System presents data that proves the results of the implementation of this plan. For example, for the fiscal year 2013-2014, expenses covered by the state operational funds totaled the amount of \$29,195,848.45; however, for fiscal year 2016-2017, expenses covered with state operational funds totaled \$ 25,129,536.90. This represents a reduction of \$4,066,311.55 in actual expenses covered by state funds, when fiscal year 2016-2017 is compared with base year 2013-2014. Other sources of funds, such as external funds or the auxiliary enterprise income accounts covered the remaining actual expenses.

Table 2.3 depicts these figures with the percentage that the difference represents.

Table 2.3
UPR-Ponce Expenses Covered by State Operational Funds
Fiscal Years 2013-2014 and 2016-2017

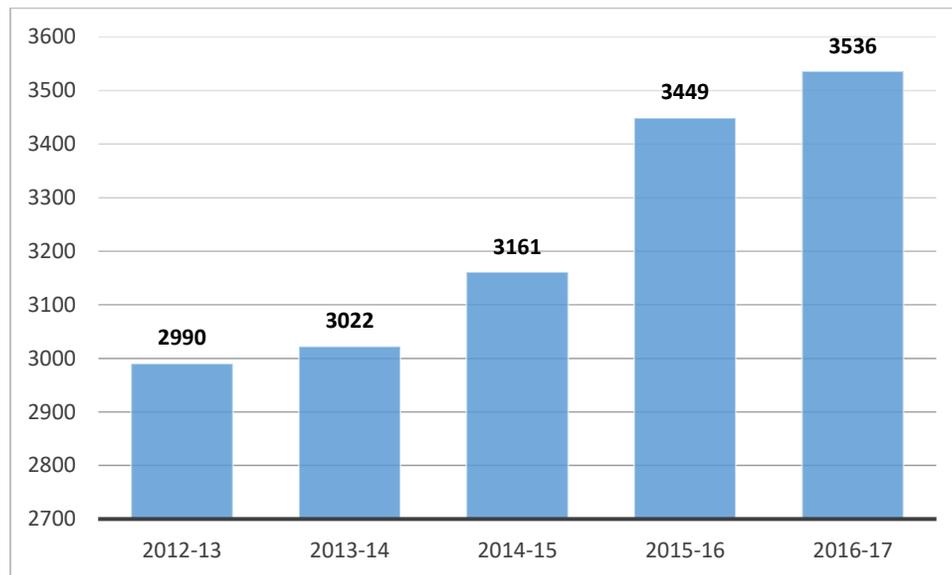
Concept	Fiscal Year 2013-2014	Fiscal Year 2016-2017	Difference (Column 2 - 1)
Expenses in Commonwealth General Funds	29,195,848	25,129,537	(4,066,311)
			-13.93%

Source: Finance Office - UFIS

Along with the reduction of actual expenses covered by the State Operational Funds (*Identify other sources of external funds to guarantee the compliance of the institutional mission and institutional priorities of the UPR-Ponce's Strategic Plan, Goal C, Financial Plan*), the institution has implemented other strategies to increase its own income coming from tuition, fees and related activities, as well as increasing its income from federal source. The enrollment of the university has increased in the last five years, which has contributed to increase the revenue coming from tuition and related activities. The following figure

presents the student enrollment for fiscal years 2012-2013 to 2016-2017, along with Table 2.4 presenting the positive impact that the implementation of some strategies outlined in the financial plan have had in the UPR-Ponce income accounts when 2016-2017 actual balances are compared with those of base year 2013-2014.

**Figure 2.1
UPR-Ponce Student Enrollment 5-Year Trend**



**Table 2.4
UPR-Ponce Income from Tuition, Fees, Other Activities, and from Federal Funds
Fiscal Years 2013-2014 and 2016-2017**

Concept	Fiscal Year 2013-2014	Fiscal Year 2016-2017	Difference (Column 2 - 1)	Variance
Income from Tuition	3,946,313	4,966,236	1,019,923	25.84%
Income from Fees to Students	748,489	903,816	155,327	20.75%
Income from Leasing/Rent Spaces	12,407	118,515	106,108	855.23%
Income from Federal Funds	13,778,768	17,723,990	3,945,222	28.63%
			5,226,580	29.49%

Source: Finance Office - UFIS

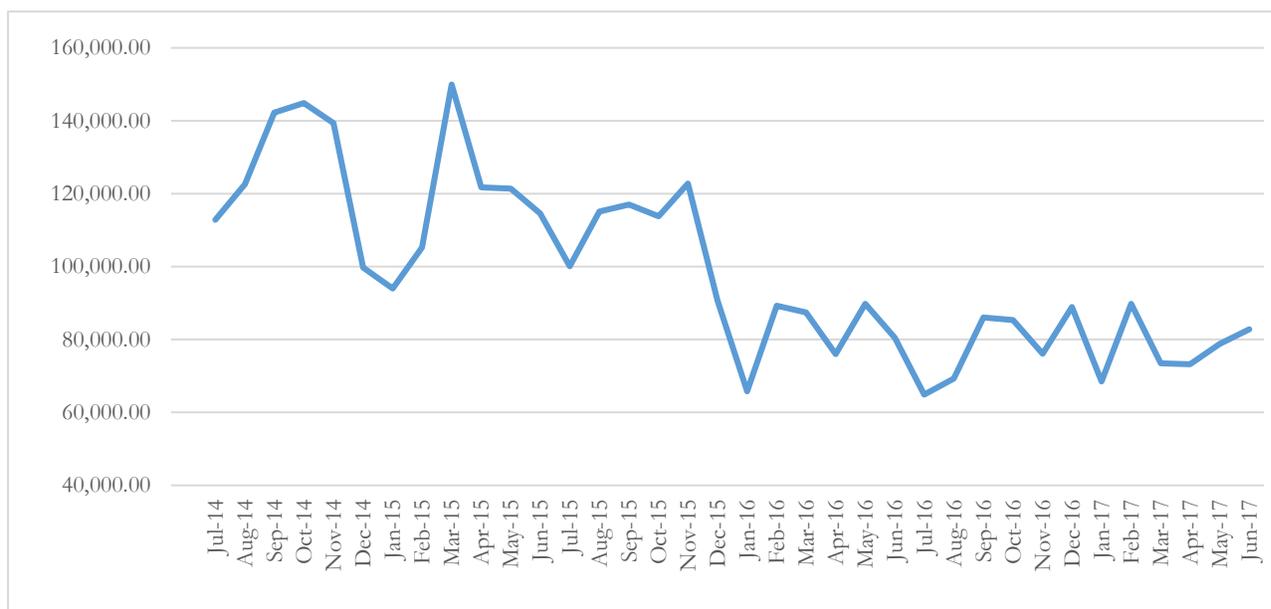
As depicted in Table 2.4, the UPR-Ponce has had an increase in its sources of income by more than three and a half million dollars when fiscal year 2016-2017 is compared to base fiscal year 2013-2014. This represents an increase of more than 29% in revenues when 2016-2017 income accounts are compared with base year audited balances. Particularly notable is the increase in revenues from federal funds, Table 2.4 shows these funds increasing by 28%. This fact evidences compliance with goal C, subpart 3 of the financial plan, which establishes that in order to reduce dependence on funds from the state, significant efforts are being made to increase funds from external sources, such as federal funds (*Goal C, Subpart 3 “A projected increase of external funds by the end of 2020 will be 10.40%, as compared to 2014-2015”*).

Other relevant accounting information shows that some strategies outlined in the Financial Plan have been achieved within the financial planning process at the University, such as:

1. *A plan to reduce the use of energy is already implemented at 2014-2015 and continue to be strengthened. The projected reduction of energy cost for this plan is \$125,000 (10% of actual projected energy cost for 2013-2014) (Goal G, Subpart 2).*

For base fiscal year 2013-2014, electricity expense totaled \$1,427,462 and for year 2016-2017, the expense was 913,033, thus representing a reduction of 36.04% in this budgetary expense.

Figure 2.2
UPR-Ponce Electricity Expense from Base Year
2013-2014 to 2016-2017



Source: Accounts Payable Office

2. *Cost control measures given by the Presidency of the UPR, contained in the certifications R-0809-13, 14, 16 and 23, R0910-14-15 will continue to be implemented – Freeze of vacancies (Goal D, Subpart 2) and Align budget allocation and distribution between academic, administrative (operational) and services areas (Goal D Subpart 1, Redistribution of administrative and academic functions).*

For base year 2013-2014, the university had 91 vacancies with an assigned budget of \$1,558,090. Complying with the efficiency measures to maximize the use of resources, tasks and resources have been redistributed to the existing plans, which has allowed to freeze some additional vacancies as personnel retire, without adversely affecting the university’s operation. At the end of fiscal year 2016-2017, the UPR-Ponce had 98 vacancies, with an assigned budget of \$2,514,620. This effort represents budgetary savings of \$956,530, which have been redistributed to priorities identified at the institution.

3. *Substitution of paper payments to electronic payments to employees, suppliers, and students*

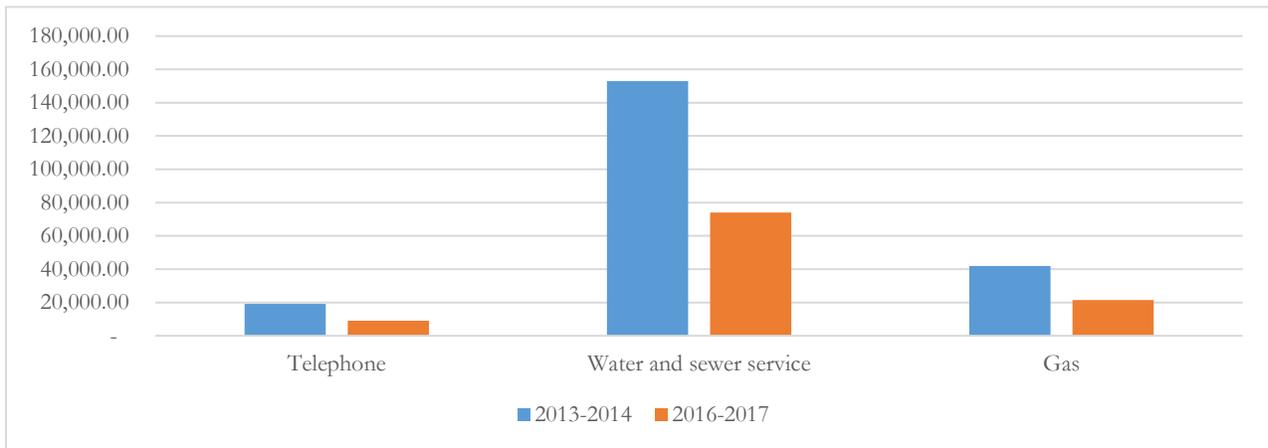
At the end of the 2016-2017 fiscal year, almost 100% of the students received their respective payments for scholarships, reimbursements, payments for study and work, among others, through electronic means. This has represented a saving of more than \$50,000 in banking costs and has

increased the efficiency with which transactions are reconciled in the Accounting Office. Likewise, 100% of the employees of the institution also receive their payroll payments through electronic means.

4. *Assess the sources allocations systematically, to assure the efficient use of resources (Goal G)*

Actual balances of some accounts show a trend reduction in budgetary expense. Such is the case of telephone expense, water service expense, and gas expense. The following table depicts the trend of these accounts.

Figure 2.3
Utilities Trend Expense from Base Year
2013-2014 to 2016-2017



Source: Accounts Payable Office

5. *Align budget allocation and distribution between academic, administrative (operational), and services areas. (Elimination of excess payment for sick licenses).*

For base fiscal year 2013-2014, the University paid \$292,606 in excess payment for sick licenses. As the implementation of the Financial Plan took place, the payment is no longer available, thus representing a budgetary saving around \$300,000.00 annually.

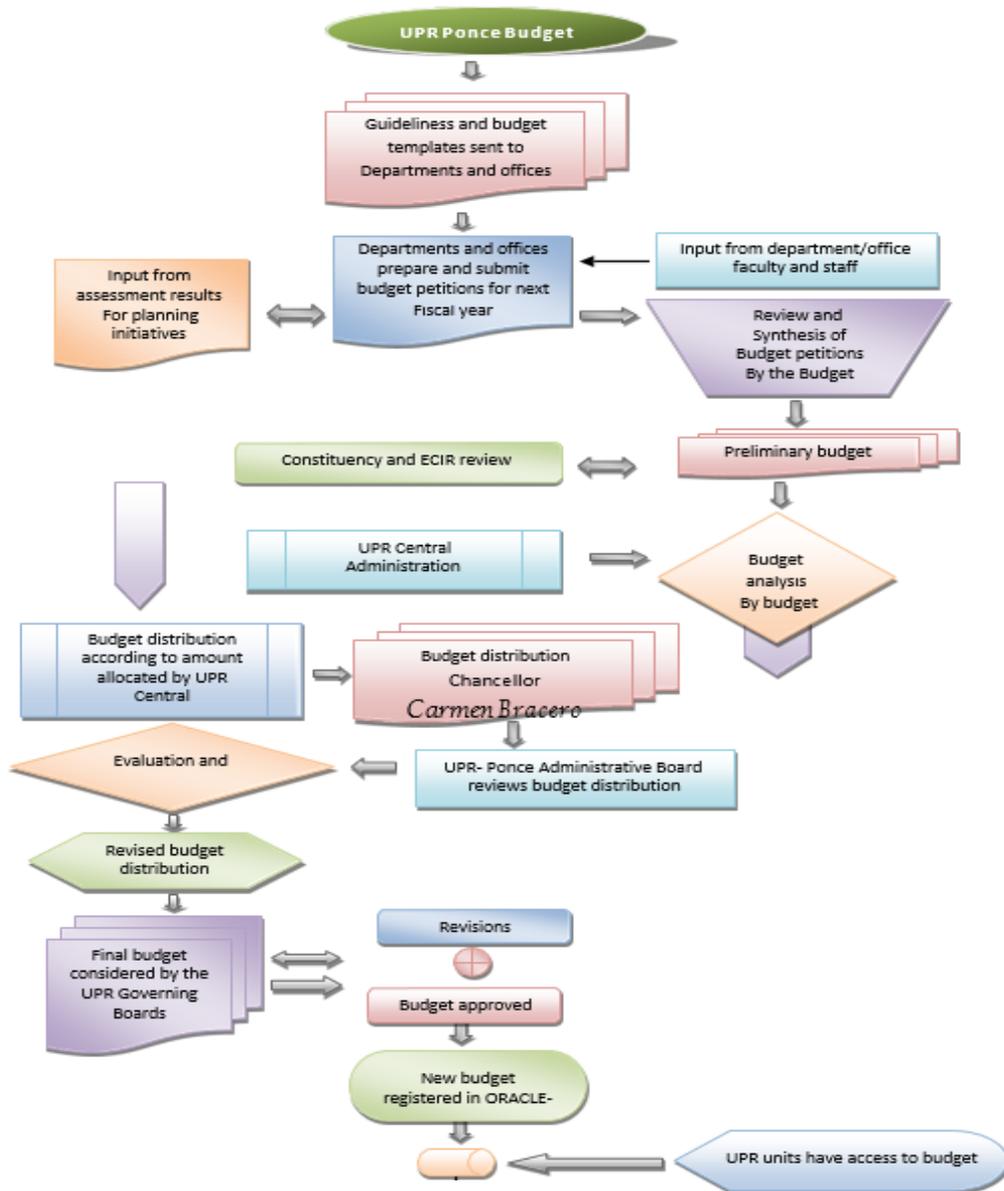
Recently, a [webpage](#) with information related to the financial and budgetary planning process of the institution has been added to the official site of the UPR-Ponce. The purpose of this page is to provide the constituents with information related to the budget process, so offices and academic departments have the opportunity to participate in the budgetary planning process of the University by filling budgetary templates, and to submitting budget requests. In the same way, constituents can not only have information related to the financial planning and budgeting process of the university, but also can contribute together as a community in promoting the best use of budgetary resources. This approach will certainly have a positive impact in promoting the fulfillment of the mission of the institution in benefit of the academic excellence that distinguishes UPR-Ponce.

Appendix 5 presents the current financial status of the UPR system.

SECTION 3: BUDGETING PROCESS

The UPR-Ponce budget planning is based in a cyclical process established by Certification 2004-2005-33 of the Administrative Board and guidelines provided by the UPR Central Administration. Figure 3.1 depicts the process.

Figure 3.1
UPR-Ponce Budget Planning Process



General guidelines based on the goals and objectives of UPR-Ponce guide the process. Deanships, Academic Departments, and Administrative Offices prepare annual plans based on assessment results. That is then translated into budget formulations. Those individual document flow to the Executive Committee of Institutional Renewal (ECIR) via their respective deans for a further evaluation in order to verify if they are aligned with institutional goals and objectives. This evaluation finishes with a budget distribution document of the general fund assignment that goes to the Administrative Board for final approval. In the process, department heads discuss the budget formulation with its constituents.

For multi-year budget projections, UPR-Ponce uses assumptions made by the UPR Central Administration and its own plan for additional revenues sources. These multi-year projections consider all sources of funds. While the general fund will be reduced for the forthcoming years UPR-Ponce is integrating other sources of income including about \$1,000,000 of net revenue for new endeavors, \$240,000 from the Continuing Education and Evening University, and \$2,790,000 from academic year 2019-2020 after the implementation of a trimester format. Also, the federal funds section includes grants awarded and submitted with a good opportunity of success. The \$1,000,000 source of funds are from ongoing projects and new commitments for the establishment of university enterprises that will provide flow of net revenues. Altogether, these sources provide the fundamentals and uses of funds for the upcoming years.

To complement the measures to face operational budget reductions, the institution is implementing an attrition strategy consolidating non-faculty and faculty. This strategy will help UPR-Ponce to strengthening academic programs and comply with its mission. To provide for the general funds reduction, the institution plans to use net revenues from other sources to complement operational expenses. As a result, UPR-Ponce will be able to finance its academic and non-academic activities for the next years.

Annual Budget and Multi-year Budget Projections

Measures for Achieving and Sustaining Financial Stability

The approved budget of the UPR for fiscal year 2017-2018 was disclosed through Certification 2017-2018-21 of the Governing Board. The approved budget for UPR-Ponce from the Commonwealth of Puerto Rico is \$23,696,379, which represents a reduction of \$2,542,913 compared to FY 2016-2017. This represents an institutional challenge for the current academic year. These new circumstances will require the cooperation from all sectors of the University community. Reductions in operating expenses by restructuring those identified new strategies and by identifying additional funding sources are essential. Presently, the UPR-Ponce is implementing a number of actions to cope with the budgetary reductions in order to secure continuity and institutional effectiveness with available resources and maintain and nurture additional sources of funding to continue advancing institutional education, service, and research priorities. These necessary actions will enable the institution to continue to fulfill its mission while maintaining its regular operations and academic excellence.

Due to the projected decrease in state government funds and the constraints of global economy, the UPR-Ponce has implemented its own internal mechanisms to maximize the administration of fiscal resources and has strengthened its strategies in identifying other sources of funds available, especially external resources. These measures will lead the UPR-Ponce to reach a sustained fiscal stability. Some of these incorporate initiatives have already been implemented and some are underway, as well as others that are to be developed. The most relevant steps executed by the UPR Governing Board and by the UPR-Ponce leadership to improve the institution's finances are:

- Decreasing of five to ten per cent in all in-trust positions compensations.
- Freezing vacant administrative positions and redirecting funds to faculty service contracts.
- Requiring proposal writing and publications to new tenure-track positions through a contractual agreement.
- Reducing professional services contracts.
- Submitting new externally funded proposals to enhance academic activities.
- Keeping minimum course occupancy of thirty students per section, without hindering academic excellence and student learning outcomes.
- Reducing the number of credit hours granted to faculty for carrying out special administrative tasks.
- Reducing energy consumption through the establishment of energy saving policies, the acquisition of energy-efficient equipment, and the submission of proposals for energy saving projects.
- Reducing paper work encouraging the use of electronic mechanisms.
- Reducing funds available for traveling outside the Island.
- Maximizing institution's resources available for transportation within the Island.

The following actions are taken system wide to maximize the use of funds. These began on academic year 2017-2018:

- Restructuring fringe benefits like the renegotiation of the medical insurance.
- Reducing fifty per cent in the Christmas bonus to all personnel.
- Eliminating special stipends to all personnel.
- Reducing the number of full-time professors on service contracts.
- Continuing with the course scheduling based on the official programs' curriculum.

Part of \$2.5 million decrease in the state fund that UPR-Ponce faced during fiscal year 2017- 2018 includes about \$1.2 million in operational cost reduction due to those centralized decisions. At UPR-Ponce, great efforts were devoted to strengthen the implementation of the Financial Plan, which would enable the institution to generate additional budgetary savings. (Examples: changing in existing air conditioners to modern units, and lightning to LED technology in order to reduce the consumption in over \$200,000 annually, etc.). Measures like the redirection of funds in vacant positions to finance faculty contracts, consolidation of administrative duties, reduction in paper consumption through the implementation of new copiers with scanner function, increase in bulk purchases of supplies and materials, and the development of new sources of funds account for almost the difference. These actions at UPR-Ponce, along with the measures taken system wide, account for the majority of the budget reduction for 2017-2018. The following table depicts the impact in projected savings as cutting measures that have been taken system wide and internally.

Table 3.1
UPR-Ponce's Projected Savings Because of Cutting Measures

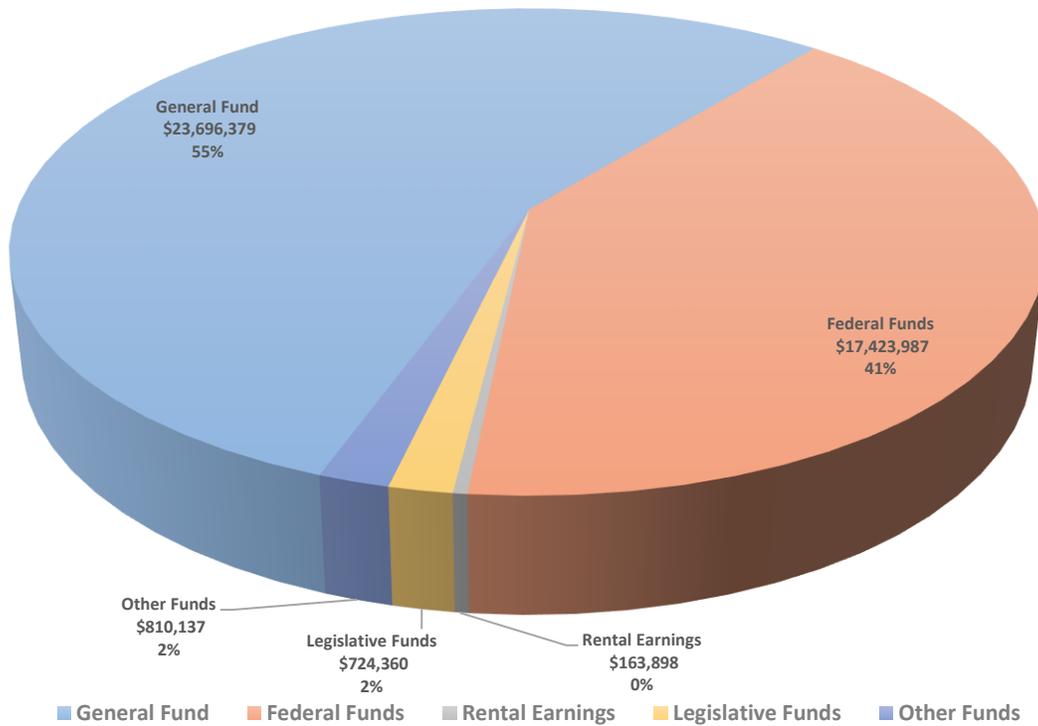
Expense Reduction Line	Budgetary Savings 2017-2018
Reduction in Employer's Contribution to Medical Insurance	535,000
Reduction in Employer's Contribution to State Insurance Fund and Federal Unemployment	48,000
Elimination or Reduction in Special Stipends or Compensations, including Reserve Funds for Union Employees	303,000
Reduction in Christmas Bonus to Employees	289,000
Anticipated Utilities Savings	265,000
Reductions in Travel Expenses	42,000
Redirection of Funds in Vacant Positions	215,000
Consolidation of Administrative Duties in Less Personnel	84,300
Reduction in Paper Consumption through the Implementation of New Copiers with Scanner Function	65,000
Reduction in Professional Service Contracts	48,000
Reduction on Full-time Contracts	125,000
Total	\$2,019,300

Source: Finance and Budget Offices

The saving measures presented on Table 3.1, along with the projected additional funds from auxiliary enterprises, will help the institution to balance the consolidated budget.

Budget revenue projections for UPR-Ponce have been prepared taking into consideration decreasing government budget allocations, fiscal constraint measures, and the estimated revenues coming from different sources. Figure 3.2 presents budget revenue projections by funds for fiscal year 2017-2018. Appendix 6 shows additional figures related to budget expenses and revenues.

Figure 3.2
UPR-Ponce Revenue Budget for Fiscal Year 2017-2018



Source: UPR-Ponce Budget Office

UPR-Ponce underwent a 9.69% decrease in the general funds allocation in the FY 2017-2018 versus the previous year. These projections expect another reduction of 10.24% for FY 2018-2019. Central Administration has considered these reductions in the projected funds to be assigned to UPR-Ponce, as measures presented in the fiscal plan take place and UPR reorganizes its structure. The above projections take into consideration a thorough analysis of Puerto Rico economic trends made by the PR Planning Board and the Fiscal Plan submitted by the Government to the Financial Oversight and Management Board for Puerto Rico.

Table 3.2 shows other funding sources, which will be used as an integral part of a consolidated budget, which has been carefully designed and will be monitored in a regular basis to achieve sustained financial stability.

Table 3.2
UPR-Ponce’s Statement of Projected Revenues and Expenses for Consolidated Budget

Fiscal Years 2018-2019 to 2020-2021

Source	2017-2018	2018-2019	2019-2020	2020-2021
Revenues				
General Fund	\$23,696,379	\$21,270,081	\$19,143,073	\$17,228,766
Federal Funds	17,423,987	19,021,347	19,972,414	20,571,586
Other funds	325,537	542,692	596,961	656,658
Special state funds	724,360	718,386	754,305	792,020
Rental earnings	163,898	172,093	180,698	189,732
Other Income	484,600	1,089,585	1,110,273	1,231,581
New Income Sources	-	500,000	3,739,000	3,610,000
Total revenues	\$42,818,761	\$43,314,184	\$45,496,724	\$44,280,343
Expenses				
Faculty salaries	\$13,489,413	\$13,739,413	\$15,439,413	\$15,039,413
Non-faculty salaries	8,926,101	8,826,101	8,714,362	8,564,362
Student services	1,150,090	1,081,085	1,027,030	977,030
Materials	837,342	862,462	876,230	881,430
Library resources	52,377	53,948	53,948	55,567
Communications	63,000	63,000	63,000	63,000
Professional services	458,168	545,768	520,768	495,768
Utilities	1,316,000	1,316,000	1,316,000	1,316,000
Travel and per diem	232,375	227,375	216,006	205,206
Student Aid	15,024,543	16,006,058	16,006,058	16,006,058
Equipment	381,412	419,553	450,000	515,000
Indirect Cost	35,000	41,000	43,500	48,650
Total expenses	\$41,965,821	\$43,181,763	\$44,726,315	\$44,167,484
Net revenues	\$ 852,940	\$ 132,421	\$ 770,409	\$ 112,859

Source: UPR-Ponce Budget Office

For 2018-2019, there is an increase of 1.00% in consolidated revenues while the general fund decreases 10% from previous year. For FY 2019-2020 and 2020-2021, there will be a projected decrease of about 1% in average in consolidated revenues.

It is expected that the collaborative agreements with governmental agencies and the private sector to be in place next year. According to the Puerto Rico Planning Board Gross Domestic Product (PRPB GDP) trends, a steady economy is projected from 2019-2020 on. Those trends forecast an average of 2.6% but a conservative increase of 1% in the general fund and 1.96% in the consolidated amount is presented. For the expenses projections, the PRPB GDP trends along with the 1.9% inflation rate of the combined general price index was used, as stated by the Puerto Rico Planning Board in the Economic Summary publication for June 2017. Projected net revenues start recovering in 2018-2019, revealing a figure for 2019-2020 comparable to that of base year 2016-2017. Utilities

expense shows the actual expense for 2016-2017. Nevertheless, the institution used the budget base figure as the expense projections in the following years to be conservative.

Considering the financial scenario, and making necessary adjustments to guarantee academic excellence and quality services, the institution projects to maintain the enrollment between 3,100 and 3,200 for the next three years; with percentage distribution by type of program remaining essentially constant. UPR-Ponce will continue to prepare quarterly budget projections, which had proved to be an effective managerial tool to monitor how resources are used to maintain financial stability while fostering the institutional mission on behalf of the academic excellence.

Alternative Funding Sources

UPR-Ponce has increased its efforts to seek external funding in order to supplement revenues coming from state and tuition sources. Federal and state grants and other sources, such as alumni, parents, students, and private donors, have provided the institution with much-needed monies. Funding from these sources varies. State and local funds showed a reduction through the years due to the ending of some related projects. Nevertheless, this funding source continues providing some income. Private funds showed a reduction only for 2013-2014 but have kept a steady flow from 2014-2015 on. Federal grants are UPR-Ponce's strongest source of income. These have increased substantially in 2016-2017 when compared to previous years. This evidences the UPR-Ponce's efforts in this direction. Alumni donations are a small amount of private funding, but the institution is developing strategies to strengthen collections.

The institution is strongly committed to seeking further external funding that could provide additional resources for supporting its programs. UPR-Ponce is strengthening its capture of external funds by the submitting of new proposals, alliances with public agencies and private institutions to provide services, and the expansion of academic offerings using distance learning and of the Evening Program. The following initiatives are stated in the institution's Strategic Plan *Visión UPR Ponce 2021*, in order to generate revenues:

- Increase the offerings of the Continuing Education and Professional Studies Division.
- Develop a structure of college enterprises, such as a Learning Skills Center and a Physical Therapy Rehabilitation Center.
- Establish a proactive lease program for institutional facilities, such as theater, sports venues, and classrooms.
- Offer intramural practicums, such as professional consulting, audits, tax return filling, and tutoring services.

Table 3.3 shows the sources of external funds projected for academic year 2018-2019, while Appendix 7 presents a detailed description of these funding sources.

Table 3.3
UPR-Ponce's External Projected Funds for Academic Year 2018-2019

Source	Continuing	Submitted (or in process to be submitted) and pending for approval	Total
State funds	\$-	\$2,060,000	\$2,060,000
Private funds	-	258,000	258,000
Federal funds	873,721	6,446,201	7,319,922
TOTAL	\$873,721	\$8,764,201	\$9,637,922

Source: UPR-Ponce Office of External Resources and Development

Table 3.4 presents the sources of projected funds for academic years 2018-2019 to 2020-2021.

Table 3.4
UPR-Ponce's Projected Funds for Academic Years 2018-2019 to 2020-2021

Category	2018-2019	2019-2020	2020-2021
New sources of net revenues			
Trimester format		2,790,000	2,880,000
Continuing Education Program	240,000.00	264,000.00	290,400.00
Project Based Learning Training Program	260,000.00	260,000.00	-
Learning Skills Center	-	150,000.00	165,000.00
Rehabilitation, Practice, and Therapy Center	-	275,000.00	275,000.00
Total of new funds from UPR-Ponce initiatives	\$ 500,000.00	\$ 3,739,000.00	\$ 3,610,400.00

Source: UPR-Ponce Office of External Resources and Development

An intelligent pairing of funding sources and institutional needs will allow UPR-Ponce to keep its high- quality educational offerings and student services.

SECTION 4: CONCLUSION

Since its foundation and first accreditation in 1970, UPR-Ponce has evidenced a proven commitment to academic excellence and institutional effectiveness. External evaluations by accrediting, federal, and state agencies have consistently confirmed UPR-Ponce's effectiveness and continuous improvement. This Supplemental Report has answered all the questions related to its operational and financial status after Hurricane María. It also provided evidence of UPR-Ponce's compliance with Standard 6 (formerly Standard 3).

As stated in this report, courses were completed, campus facilities and learning resources to support instruction are available, and student services and processes are provided as usual. Students received their contact hours per-course as established in the different syllabi. Moreover, there is evidence that UPR-Ponce will maintain financial sustainability in the forthcoming years. Certainly, the institution is committed to obtain further external funding. This will help UPR-Ponce to provide extra resources to keep supporting its programs and services and to successfully accomplish its mission.

UPR-Ponce is not exempt from the fiscal constraints faced by most higher education institutions at the present time. Addressing these will demand firm discipline driven by an overarching concern for progress towards academic quality. UPR-Ponce's linked planning and budgeting processes will ensure that the institution uses its budget effectively, and that it exercises prudent mechanisms for resource allocation. Finally, UPR-Ponce will keep working to further enhance its position as a small institution offering high-quality education.