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# Think Strategically

## *The University of Puerto Rico Needs to Transform, and It's Running with Little Margin for Error*

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### **A Roadmap for the Thirteen-Month Window the Oversight Board Has Opened**

*This analysis follows our May 11, 2026 Think Strategically column, "Restructuring the UPR: The Government Is Not the Only Culprit — and the Crisis Cannot Be Fixed With More Money," available in The W Journal.*

### **The UPR Facing a Critical Juncture**

The University of Puerto Rico is one of Puerto Rico's most valuable long-term assets. It has trained the teachers that taught us to read and write, the scientists who built the pharmaceutical industry, the physicians who anchor the healthcare system, the engineers who designed the infrastructure, and the economists who analyze the crises. No other institution on the Island has done more to transform dependency into dignity, poverty into wealth creation, and inequality into opportunity.

That is precisely why its current condition demands an honest response — not political advocacy or institutional defensiveness, but a serious, data-driven plan to transform an institution that has been surviving while Puerto Rico needs it to thrive.

On May 23, 2026, the Financial Oversight and Management Board issued a formal Notice of Violation under PROMESA Section 201(c)(3)(B), declaring that the UPR's proposed revised fiscal plan cannot be certified as submitted. More importantly, the Board signaled that the moment for incremental adjustments has passed. It has called for a comprehensive new fiscal plan — to be developed over thirteen months and certified by the end of FY2027 — that will govern the institution from FY2028 forward.

That thirteen-month window is the opportunity. This analysis offers a framework for using it well. It builds on the May 11, 2026 Think Strategically™ publication cited above.

### **The Starting Point: What the Data Shows**

For effective transformation, an accurate diagnosis is essential. The UPR's financial condition is shaped by two pressures that must both be addressed — one external, one internal.

### **The External Pressure**

Law 2 of 1966 guaranteed the UPR 9.6% of the two-year average of General Fund revenues — a formula designed to insulate the university from political discretion. It worked for decades. When the FOMB eliminated it in 2017, the General Fund allocation fell from \$911 million in FY2017 to \$441.2 million in FY2026

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— a 51.6% reduction over 9 years. With the General Fund now standing at \$13 billion, the original formula would yield over \$1 billion. The certified base is \$441 million — approximately 3.4% less, or \$559 million. Capital investment across 11 campuses totals \$8 million in FY2026 — \$727,000 per campus. Physical deterioration is not a future risk. It is a present condition.

### The Internal Pressure

The external budget reduction is widely discussed. The internal cost structure receives far less attention — and it is equally consequential.

- **Payroll and pension:** The UPR employs approximately 4,450 faculty to serve 44,233 students — a student-to-faculty ratio of 9.9:1, compared with a national average of 18:1. Faculty salaries total \$342.4 million. Total direct compensation reaches \$477.6 million before pension. Pension contributions add \$132.7 million — 38.7% of the faculty payroll base, against a national benchmark of 15–25%. Payroll and pension together account for \$610.3 million, more than half the entire budget.
- **Revenue structure:** Tuition accounts for only 13.8% of total revenue. Puerto Rico's private universities generate 65–75% of their revenues from tuition while charging only \$456 to \$1,596 more per year than the UPR. The UPR is simultaneously the most subsidized and the most underpriced university on the Island.
- **Endowment:** The UPR Río Piedras campus carries an endowment of approximately \$1.88 million for an institution with 250,000 alumni. The University of Florida's endowment is \$3.5 billion. Michigan's exceeds \$17 billion. Suppose all **250,000 UPR alumni** contributed just **\$180 per year, or \$15 per month**; that alone would generate approximately **\$45 million annually**. If invested consistently in the S&P 500 and allowed to compound over time, the endowment could grow to approximately **\$768 million in a decade** and potentially reach **\$2.85 billion over 20 years**, creating a transformational financial legacy capable of funding scholarships, research, and innovation for future generations of students.

This comprehensive picture is illuminated by the FY2026 certified budget: \$1,210,262 thousand in revenues; \$1,173,979 thousand in expenses; a net operating position of \$36,283 thousand — exactly equal to contractual debt service. Net final position: zero. The UPR is not operating with a margin for error. It is operating with no margin at all.

### UPR'S Contribution to Puerto Rico's Development and Growth

***“The UPR has been key to transforming dependency into dignity, poverty into wealth creation, and inequality into opportunity.”***

Since its founding in 1903 on a farm in Río Piedras with an enrollment of 173 students and 5 professors, the University of Puerto Rico has been the single most consequential institution in the Island's history of human capital development. It began as a normal school for teachers because teachers were what Puerto Rico needed most. It grew into an engineering college, a law school, a medical school, a pharmaceutical research engine, and a system of eleven campuses producing every category of professional that a modern economy requires.

The numbers below are the record of that transformation. They represent 123 years of degrees conferred, professions trained, and careers that built Puerto Rico's healthcare system, its industrial base, its legal institutions, and its public sector. Some of those graduates stayed. Many left. All of them carry the formation the UPR provided.

With this context in mind, it becomes clear what is at stake in the fiscal and governance decisions now before the institution. Within this record, several dimensions merit specific attention.

Profession / Field	Data Basis	Est. Graduates 1903–2026
<b>Educators &amp; Teachers</b>	UPR founded 1903 as a normal school for teachers; RP Education 217/yr; system ~500/yr across 11 campuses	<b>70,000</b>
<b>Engineers</b>	UPRM: 600+/yr (ASEE: #1 Hispanic engineer producer in the U.S.); first degrees conferred 1918	<b>45,000</b>
<b>Business / Administrators</b>	RP Business: 365/yr; UPRM + 9 other campuses; system ~1,000/yr. School of Business Administration founded 1926	<b>42,000</b>
<b>Accountants / CPAs</b>	~25% of business graduates historically; CPA and accounting programs long-standing at RP and UPRM	<b>14,000</b>
<b>Natural &amp; Biological Scientists</b>	RP Natural Sciences: 358/yr; UPRM sciences large; primary pipeline for PR's \$60B pharmaceutical sector	<b>32,000</b>
<b>Social Scientists &amp; Social Workers</b>	RP Social Sciences: 457/yr (largest school at Río Piedras); system ~800/yr including psychology, social work, political science	<b>30,000</b>
<b>Humanities Scholars</b>	RP Humanities: 277/yr; first graduate program in the UPR system was the MA in Hispanic Studies (1927)	<b>22,000</b>
<b>Agricultural Scientists</b>	UPRM founded 1911 as College of Agriculture; first 15 degrees conferred 1915 (all Agriculture); Ag Experiment Station still active	<b>9,000</b>
<b>Nurses</b>	UPR School of Nursing (1995); Health Related Professions (1976)	<b>8,000</b>
<b>Physicians (MD)</b>	RCM School of Medicine: ~100 MDs/yr since first class 1950	<b>7,200</b>
<b>Lawyers (JD)</b>	School of Law founded 1913; ~130 JDs/yr; ABA-accredited since 1945	<b>7,000</b>
<b>Pharmacists</b>	School of Pharmacy 1913 — the oldest health profession program in the UPR system; ~44/yr currently	<b>5,500</b>
<b>Communications &amp; Journalists</b>	RP Communication & Information: 143/yr; ACEJMC-accredited	<b>5,000</b>
<b>Dentists</b>	School of Dentistry 1957; ~55–60/yr; first class of 29 students in 1957	<b>3,800</b>
<b>Architects</b>	RP School of Architecture: 111/yr; only NAAB-accredited architecture school on the Island	<b>3,200</b>

<b>Public Health Professionals</b>	Graduate School of Public Health 1970; ~50/yr × 55 years	<b>2,800</b>
<b>Planners &amp; Urban Designers</b>	RP Planning (PAB-accredited): 35/yr; unique program in Puerto Rico with no comparable public alternative	<b>1,500</b>
<b>Total Estimated UPR System Graduates, 1903–2026</b>		<b>350,000+</b>

- **Engineers:** The University of Puerto Rico at Mayagüez graduates more Hispanic engineers annually than Texas A&M University, Florida International University, and California State University, Pomona combined — a distinction confirmed by the American Society of Engineering Education. The College of Engineering, established in 1911 as a College of Agriculture and Mechanical Arts, conferred its first engineering degrees in 1918: three in Civil Engineering, two in Mechanical Engineering, and one in Sugar Engineering. Its current output of 600+ engineers annually feeds directly into Puerto Rico's pharmaceutical, aerospace, and manufacturing sectors.
- **Health professionals:** The Medical Sciences Campus is not one program among many. It is the only institution in Puerto Rico training physicians, dentists, pharmacists, public health professionals, and — since 1995 — nurses at the university level. Every hospital system, every community health center, every pharmacy chain, and every public health agency on the Island depends on a workforce the UPR Medical Sciences Campus produces. The School of Pharmacy was established in 1913. The School of Medicine admitted its first class in 1950. The School of Dentistry opened in 1957 with 29 students. These are not programs that can be replicated overnight. They represent over a century of accumulated institutional capacity.
- **Teachers:** The UPR was born as a school for teachers. The Escuela Normal Industrial, established in 1900, existed for one reason: Puerto Rico needed educators. That mission did not diminish as the university grew; it deepened. The Faculty of Education at Río Piedras today confers 217 degrees annually, more than any other professional school on that campus except Business Administration and Social Sciences. Over 123 years, no profession has a larger UPR-trained cohort than that of those who teach in Puerto Rico's classrooms.
- **The law and governance:** The School of Law, established in 1913 and ABA-accredited since 1945, is the only public law school in Puerto Rico and the oldest law school on the Island. It has produced the lawyers, judges, legislators, and public administrators who have shaped every major legal and governmental development in Puerto Rico for over a century. Its library is the largest law library in the Caribbean.
- **Nobel laureates on the faculty:** Five Nobel laureates have served on the Río Piedras faculty: Gabriela Mistral, Juan Ramón Jiménez, Saul Bellow, James Tobin, and Mario Vargas Llosa. UPR Río Piedras has consistently granted the largest number of doctorate degrees to Hispanic students in the entire United States jurisdiction — not per capita, but in absolute terms.

***The UPR has trained the teachers that taught us to read and write, the scientists who staff Puerto Rico's pharmaceutical industry, the physicians who anchor its healthcare system, the engineers who build its infrastructure, and the lawyers who shape its governance. Defunding it is not a fiscal decision. It is a civilizational one.***

This record of contribution is why decisive action is required now. The stakes go far beyond institutional budgets; Puerto Rico's economic future depends on whether the University of Puerto Rico transforms to secure its mission for the next century, achieving greater financial independence and resilience against political risk. The main argument of this analysis is that incremental changes will not suffice — a fundamental reinvention is required.

## The Financial Oversight & Management Board Notice of Violation: What It Found

As described above, the FOMB's Notice of Violation identified three specific deficiencies in the proposed revised fiscal plan: non-recurring revenues counted as structural, federal grant projections exceeding historical execution rates, and expenditure projections not updated to reflect current operational realities. The Board's finding — that the plan is “balanced in form but does not demonstrate structural balance” — should not be a point of contention, but rather the starting point for the work ahead.

More significant than the Notice of Violation itself is what the Board has called for in response. It explicitly stated that the measures in the 2021 plan — tuition increases and pension reform — are means to an end, not ends in themselves, and that a new plan can substitute or recalibrate them if UPR develops alternatives with the analytical rigor and implementation capacity to sustain them.

The Board has outlined seven workstreams for the new comprehensive fiscal plan: an updated macroeconomic and demographic baseline; a tuition and affordability framework grounded in actual Pell grant coverage; pension reconciliation; integration with the Commonwealth's Civil Service Reform; restructured transformation milestones with defined ownership; a revenue diversification framework; and documentation of the operating model for the eleven-campus system.

- **Defect 1 — Non-Recurring Revenues Treated as Structural**

Post-certification and non-recurring funding sources are incorporated as ongoing revenues without corresponding baseline adjustments. The Board's standard: absence of documentation must be read as absence of support.

- **Defect 2 — Federal Grant Revenue Overprojected**

Federal grant revenues projected at levels elevated relative to historical execution. The UPR receives \$114.2 million in federal research grants annually — a genuine asset. Projecting those grants above realized levels to close a structural gap is the accounting equivalent of spending money twice.

- **Defect 3 — Expenditure Projections Outdated**

Expenditure projections do not reflect current operational realities: three UPR presidents in less than two years, five directors of the Office of Development, Innovation and Transformation in sixteen months. Multi-year reform milestones cannot survive that rate of turnover. \$172 million in contingent Commonwealth funds remain in custody, pending milestone compliance the institution has not achieved.]

### A Three-Phase Framework for Transformation

Structural transformation at UPR requires sequenced action. Phase II cannot produce results without the structural foundation Phase I builds. Phase III — earned institutional autonomy — is only attainable through the revenue diversification achieved in Phase II.

#### Structural Triage

Phase  
I  
Years  
0–3

The first phase is about creating the conditions for everything that follows. Two actions are foundational. Labor contract reform: faculty workload standards must be verified and enforced; promotion criteria must align with national academic benchmarks; for new hires, the transition to defined-contribution pension plans is the only actuarially responsible path for an institution carrying a \$132.7 million annual pension obligation at zero net margin. Campus rationalization (detailed in Section V) must be completed in this phase. These two interventions demonstrate the governance discipline that changes the UPR's standing in every subsequent negotiation. The \$172 million in performance-linked Commonwealth funds currently held pending milestone compliance becomes the first tangible reward for that discipline.

**Phase II**  
Years 3–7

### Revenue Independence

Build the architecture of financial self-sufficiency on four specific levers. Tuition: adjustment to \$8,000 annually — below every local private university — generates \$50–67 million in additional annual revenue, protected for low-income students by the Law 4-2022 scholarship fund (\$214 million in cumulative government contributions). At \$10,000, additional revenue exceeds \$100 million. Alumni endowment: at 8% participation (20,000 donors at \$750 average), a decade of giving builds toward a \$500 million endowment generating \$25 million annually in perpetual, unrestricted revenue. Technology transfer: Puerto Rico exports \$60 billion in pharmaceuticals annually; a properly staffed technology transfer office can generate \$5–10 million annually within five years. Executive education: 300 students at \$25,000 average generates \$7.5 million immediately, using existing faculty and facilities. Target: a sustained 5% operating margin, approximately \$59 million annually.

**Phase III**  
Years 7–15

### Earned Autonomy

By the end of the first decade, the UPR entering Phase III is materially different. Restructured labor costs. A rationalized campus system. Tuition generating \$50–100 million more annually. Technology transfer producing \$8–12 million. An endowment approaching \$300–500 million, yielding \$15–25 million in annual unrestricted income. Executive education contributing \$7–10 million. Combined, non-government revenues grow by \$80–150 million annually — reducing General Fund dependency from 46.8% toward 30% or below. The University of Virginia derives less than 10% of revenues from the Commonwealth. Georgia Tech's technology transfer ecosystem generates independence that no appropriation can match. The UPR has every structural prerequisite those institutions had. Autonomy is not granted. It is earned.

## The Campus System: A Restructuring Plan

The eleven-campus system was built for an institution enrolling more than 52,000 students. Current enrollment is 44,233 and declining. The framework below is designed to preserve access, improve outcomes, and concentrate the UPR's resources where they can produce the greatest educational and economic return.

### Tier 1 — Full Research Universities: Río Piedras • Mayagüez • Ponce • Medical Sciences

Río Piedras has 12,059 students, a Carnegie R2 research classification, 32 doctoral programs, and a 50.1% six-year graduation rate — the only UPR campus operating at the scale of a genuine research university. Mayagüez is Puerto Rico's only accredited engineering school and the STEM anchor for the pharmaceutical, aerospace, and manufacturing sectors. Ponce, with a 45.7% six-year graduation rate, is the regional anchor for southern Puerto Rico, a population with no comparable public university alternative within geographic reach. Medical Sciences is non-negotiable: it is the sole institution on the Island training physicians, dentists, pharmacists, nurses, and public health professionals at the university level.

## Tier 2 — Two-Year Transfer Colleges: Bayamón • Arecibo • Cayey • Humacao

These four campuses serve real regional communities and should be preserved — but redesigned as two-year access and transfer colleges with guaranteed articulation pathways to Tier 1 universities. Bayamón has 2,967 students and a four-year graduation rate of 2%, located seven miles from Río Piedras in the same metropolitan area; its conversion to a two-year transfer campus eliminates duplication while preserving access. Humacao, with 3,628 students and the system's highest six-year graduation rate at 50.6%, is the most difficult conversion decision, but its eastern region coverage is fully preserved under a guaranteed transfer framework. Arecibo serves the north-central corridor; Cayey serves the central highlands and interior. Together they build what Puerto Rico has never had: a structured transfer pipeline from community access to research university, modeled on California's community college system.

## Tier 3 — Consolidation: Utuado • Aguadilla • Carolina

The data makes a compelling case for consolidation. Utuado enrolled 317 students in fall 2023 across 115 acres, with an 18.3% six-year graduation rate — the lowest in the system — and course sections down 44% since 2017; its students are best served by transfer to Arecibo or Cayey, and its 115 mountainous acres hold potential for agricultural research or renewable energy. Aguadilla has 1,931 students on 35 acres adjacent to Rafael Hernández Airport, a campus with documented alternative-use value for aviation and aerospace training. Carolina has 2,576 students seven miles from Río Piedras, duplicating four-year programming in the same metropolitan market — not a university system but administrative redundancy. All 4,824 currently enrolled students across these three campuses have clear, guaranteed transfer pathways within this framework.

The Tier 2 conversion builds what Puerto Rico has never had: a guaranteed articulation pathway from community access to research university. The Tier 3 consolidations affect 4,824 students, each of whom has a clear transfer option. Utuado's 115 acres, Aguadilla's airport-adjacent campus, and Carolina's metropolitan facilities each have documented alternative-use potential for economic development. Resources follow students, not square footage.

## Four Things the New Fiscal Plan Cannot Get Wrong

The new fiscal plan cannot be a technical document. It must be the product of genuine institutional engagement — with faculty, students, the Governing Board, the Government of Puerto Rico, and the communities the UPR serves. These four commitments are foundational. None are optional.

- **Governance Stability:** Three presidents in less than two years, five transformation directors in sixteen months. Multi-year reform cannot survive that rate of turnover. The Governing Board must designate leadership with a clear mandate to serve throughout the full development and early implementation of the new plan, and hold them accountable for specific milestones.
- **Pension Completion:** The pension reform pathway contemplated by the 2021 Fiscal Plan has been only partially authorized and partially implemented. The gap between what is certified, what the Governing Board has authorized, and what has actually been executed must be closed. This is the single largest structural cost driver the institution controls.
- **Achievable Revenue Projections:** Federal grant revenues must be projected at levels consistent with historical execution. Non-recurring and post-certification funding sources must be identified as such and removed from the structural baseline. The Board's standard applies: a projection without documentation is not a projection. It is a wish.
- **Coordination with the Commonwealth:** Commonwealth appropriations are UPR's largest single revenue stream and a line within the Commonwealth's overall fiscal envelope. Puerto Rico faces the Medicaid funding cliff and the deceleration of federal disaster recovery disbursements. UPR's planning assumptions must be developed in explicit coordination with the Government's broader financial plan, not in isolation.

## The Final Word: The Institution Puerto Rico Needs

The University of Puerto Rico does not need more government money alone. It needs a government willing to restore a fair and sustainable funding baseline, and an institution willing to make the structural decisions that justify a greater investment. Both obligations are real. Neither can be deferred indefinitely. Both obligations are real. Neither can be deferred indefinitely.

The students who shut the gates are right in their diagnosis of the external threat. But restoring the 1966 formula does not solve the underlying problem. A budget with zero net margin, with 66.6% of its resources locked into payroll and pensions, and with every reallocation subject to Board approval, is not cured with more government dollars. It is cured with structural transformation — inside and out.

Puerto Rico cannot export talent it never trained. It cannot attract knowledge-economy industries without the research capacity to support them. It cannot sustain a healthcare system without the professionals to staff it. The data in Section II of this analysis documents what 123 years of UPR graduates have built.

Protecting that legacy — by transforming the institution that produced it — is not a cost. It is the highest-return decision the Island can make.

The FOMB has given UPR a 13-month formal mandate. The Board has confirmed the diagnosis. The data shows what is at stake. The only unresolved variable is the institutional will to act.

**Nelson Mandela said: "Education is the most powerful weapon which you can use to change the world".**



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