**UNIVERSITY OF PUERTO RICO**

**MAYAGUEZ CAMPUS**



**Supplemental Information Report Update to the**

**Middle States Commission on Higher Education**

*Wilma L. Santiago Gabrielini*

*Interim Chancellor*

*Betsy Morales Caro*

*Dean of Academic Affairs*

*Betsy Morales Caro*

*MSCHE Liaison Officer*

September 1, 2018

**Subject of Supplemental Update Report**

*To accept the supplemental information report of March 2018 and the monitoring report of September 2017. To note the visit from the Commission representatives. To request a supplemental information report, due September 1, 2018, providing (1) evidence that the institution has documented financial resources, funding base, and plans for financial development adequate to support its educational purposes and programs and to ensure financial stability; (2) updated information on the impact of the Fiscal Oversight Management Board's plan and proposed restructuring on the institution's status and finances (Standard VI); and (3) evidence that the institution demonstrates a record of responsible fiscal management, has a prepared budget for the current year, and undergoes an external financial audit on an annual basis [Standard VI and Requirement of Affiliation 11]. A small team visit will follow submission of the report. The next evaluation visit is scheduled for 2020-2021.*

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Mayaguez Campus

# UPR SYSTEM Steering Committee

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University of Puerto Rico

Dr. Jorge Haddock

**Elected President**

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**Interim Vice-President**

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**Interim Associate Vice President for Students Affairs**

University of Puerto Rico

# Introduction

The University of Puerto Rico Mayaguez Campus submits this Supplemental Updated Report as requested by the Middle States Commission on Higher Education on June 25, 2018. It addresses Requirement of Affiliation 11 - financial resources, funding base, and plans for financial development as well as undergoes an external financial audit on annual basis, Standard 5 – Educational Effectiveness Assessment and Standard 6 – Planning, Resources and Institutional Improvement; from the *Characteristics of Excellence*.

# MSCHE Request for Follow-Up to MAYAGUEZ Campus

MSCHE’s action on June 25, 2018 led to the following request to the UPR Mayaguez Campus: *To accept the supplemental information report of March 2018 and the monitoring report of September 2017. To note the visit from the Commission representatives. To request a supplemental information report, due September 1, 2018, providing (1) evidence that the institution has documented financial resources, funding base, and plans for financial development adequate to support its educational purposes and programs and to ensure financial stability (Standard V), (2) updated information on the impact of the Fiscal Oversight Management Board's plan and proposed restructuring on the institution's status and finances (Standard VI), and (3) evidence that the institution demonstrates a record of responsible fiscal management, has a prepared budget for the current year, and undergoes an external financial audit on an annual basis [Standard VI and Requirement of Affiliation 11]. A small team visit will follow submission of the report. The next evaluation visit is scheduled for 2024-2025.*

# MAYAGUEZ CAMPUS AY 2017-2018 updated information

The University of Puerto Rico at Mayaguez is part of the University of Puerto Rico (UPR) System, a multi-campus, state-supported institution of higher education licensed by the Puerto Rico Education Council (Certification CEPR 2018-4641) (see Appendix 1). A board composed of 14 members governs it. It is composed of two students (elected), two faculty members (elected), 8 citizens from the community appointed by the Governor, and two ex officio members (the Education Secretary and a representative of the Financial Advisory Authority and Fiscal Agency, created as part of the government debt restructuring and economic development process mandated by the *Puerto Rico Oversight, Management, and Economic Stability Act* (PROMESA) enacted by the US Congress in 2016. On July 7, 2017, the Board of Governors elected Walter Alomar, Esq., as President, and Zoriada Buxó, Esq., as Vice President (Certification 1, 2017-2018). Newly designated President of the University of Puerto Rico on July 3, 2018, Dr. Jorge Haddock, will assume his position on September 4, 2018 (Certification 1: 2018-2019, UPR Board of Governors).

The President is the Chief Executive Officer of the UPR System appointed by the Board of Governors for an indefinite term. He presides over the University Board, which is composed of the eleven campus chancellors, faculty representatives of each campus academic senate, student representatives, and the Central Administration Vice President for Academic Affairs and the directors of the Finance, Planning and Development, and Budget Offices. Law 1 of 1966, as amended, and the *UPR General Bylaws*, as amended, mandate the structure of the university and its units.

With the approval of the *Puerto Rico Oversight, Management, and Economic Stability Act* (PROMESA) in 2016, the island entered a challenging debt restructuring the economic development process under the purview of the Puerto Rico Oversight Board. The University of Puerto Rico, as a state-supported, higher education institution, was among the agencies targeted for a considerable funding reduction. The 11 campuses of the UPR System are impacted due to a reduction in state funding (state appropriations). Change must come swiftly in order to emerge from the crisis to fulfill its mission. The 11 campuses along with the support of the UPR Central Administration will secure additional funding, sale of services, use of technology to increase efficiency, and transforming the educational offering based on assessment findings to respond to the island’s new reality and a new generation of students.

**INSTITUTIONAL PROFILE**

The University of Puerto Rico was created by an act of the Legislative Assembly on March 12, 1903. Following the extension of the benefits of the second Morill-Nelson Act to Puerto Rico in 1908, what is now the University of Puerto Rico, Mayagüez Campus (UPRM) began with the establishment in Mayagüez of a College of Agricultural Sciences in 1911 and a College of Engineering in 1913, conjointly known as the College of Agriculture and Mechanical Arts (CAAM). In 1942, the campus was reorganized and given partial autonomy under the direction of a vice chancellor. A division of science, which eventually became the College of Arts and Sciences, was created in 1943, and the College of Business Administration was added in 1970. In 1966, the Legislative Assembly reorganized the University of Puerto Rico into a system of autonomous campuses; each under the direction of a chancellor, and CAAM became UPRM. Today, UPRM continues its development in the best tradition of a Land Grant institution as a coeducational, bilingual, and nonsectarian institution.

The institution’s visionis toassure that UPRM continues as a leading institution of higher education and research, transforming society through the pursuit of knowledge in an environment of ethics, justice, and peace. Its mission, encompassing its seven objectives, is the following:

To provide excellent service to Puerto Rico and to the world by

* Forming educated, cultured, capable, critical thinking citizens professionally prepared in the fields of agricultural sciences, engineering, arts, sciences, and business administration so they may contribute to educational, cultural, social, technological and economic development.
* Performing creative work, research and service to meet society’s needs and making the results of these activities available.

We provide our students with the skills and sensibility needed to effectively address and solve current challenges and to exemplify the values and attitudes that should prevail in a democratic society that treasures and respects diversity.

The UPRM *2012-2022 Strategic Plan*, which evolved as a result of extensive collaboration with the UPRM community, has seven objectives:

1. To institutionalize a culture of strategic planning and assessment;
2. To lead higher education throughout Puerto Rico while guaranteeing the best education for our students;
3. To increase and diversify the Institution’s sources of revenue;
4. To implement efficient and expedient administrative procedures;
5. To strengthen research and competitive creative endeavors;
6. To impact our Puerto Rican society;
7. To strengthen school spirit, pride, and identity.

Currently, UPRM has a total of 13, 234 students. There are 12, 332 undergraduate students and 902 graduate students. Of the 12, 332 undergraduate students, 2116 are freshmen students. The following table shows the student enrollment from the 2017-2018 academic year as well as the 2018-2019 academic year (first semester). The total of undergraduate students decreased this academic year by 1.2%. Graduate and Freshmen have decreased by 9.3% and 7.6% respectively.

The number of faculty and non-teaching faculty has also decreased, 4.3% and .48% respectively. The following table shows the comparison by academic year of the number of faculty and non-teaching faculty.

UPRM offers 104 academic programs. Fifty-four are undergraduate programs and 42 are master’s programs and 8 are doctoral programs. The faculty of Business Administration has seven undergraduate programs and four graduate programs. Agricultural Sciences has eleven undergraduate programs and 9 graduate programs. Arts and Sciences has 27 undergraduate programs, 13 master programs, and two doctoral programs. Engineering has nine undergraduate programs, 16 master programs, and six doctoral programs.

UPRM currently is accredited by MSCHE and there are five accredited schools and programs. Engineering is accredited by the Accreditation for Engineering and Technology (ABET), the School of Business Administration is accredited by the Accreditation Council for Business Schools and Programs (ACBSP). The other three accreditation agencies are American Chemical Society, who recognizes the Chemistry program, the National Council of Accreditation of Teacher

Education (NCATE) which recently accredited our teaching preparation programs, and the National League of Nursing (NLN) which accredits our Nursing program. It is important to highlight that NCATE accreditation was just granted and all teaching programs were given great reviews. UPRM does not have a School of Education but the Program, housed in the Deanship of Academic Affairs, is highly recognized since over 95% of our students pass the exams, get certified and are recruited by many US School Districts.

Since the last supplemental report, UPRM has continued to operate as normal. The academic planning for the first semester 2018-2019 academic year continued using the tentative number of 2,300 freshmen students. During the semester, directors were advised to plan keeping in mind that a budget cut was to occur. At all times, they were advised to use their resources well when planning and to offer the courses they had scheduled for this academic year.

Student services were a priority after hurricane María and students received services even during the noon hours, when before main services were closed for lunch. Currently, the Interim Chancellor has requested these services be offered to students during UPRM’s operating hours, 7:45am until 4:30 pm without closing.

On June 1, 2018, UPRM graduated 1719 students. Of these, 1558 were undergraduate and 161 were graduate students. Comparing the 2016-2017 and 2017-2018 academic years, there was a decrease of .26% and 26% respectively of number of graduates (1562 undergraduates and 218 graduate students). The following table shows the difference.

The last graduation took place at the Coliseum which was renovated after the ceiling was affected because of the hurricane. It was a pleasure to see the number of graduating students and their parents celebrate a milestone in their lives.

As part of the planning and based on the fiscal situation, academic programs are now reconsidering the number of credits necessary to graduate. There will be a curricular revision presented this academic year to lower the amount of credits. Also, the number of general education credits are different per faculty and the General Education Committee is working on making these consistent for all faculties. They will present these changes by October, 2018.

This semester assessment began with a campus wide activity. All the assessment keyholders were invited to a meeting on August 24, 2018 to share experiences about assessment. They have continued their work and the Office for Planning, Research and Institutional Improvement planned this activity and are following up with assessment campus wide.

To continue our daily operations, the new 2018-2019 academic calendar was approved, with revisions on May 24, 2018 and the Administrative Board approved it under certification 17-18-003 (See Appendix 2). Last semester, the calendar and the completion of the semester was successful. Students also had the opportunity to take summer classes (four and six-week sessions).

Since last semester, we had many achievements to help our UPRM community. To mention a few, after hurricane María, the library, coliseum, and Stefani buildings were severely affected. Today, the library and coliseum are back to full function. The Stefani building is partially remodeled and will be fully done during the month of September.

Although the effects of the hurricane affected our community, it did not stop our athletic spirit. Our UPRM athletes won the Intercollegiate Competition this past year and six of these athletes represented Puerto Rico at the Central American competitions in Barranquilla, Colombia. We are very proud that our students are strong and resilient.

Our community came together after the hurricane to help clean the University as well as maintain it. Students, professors, administrators, the general public came together on March 17, 2018 to our Community Service Day. We consider this a great achievement since the camaraderie shows how much everyone cares about the institution.

Three significant achievements, directly related to students, have occurred this last semester and will be ongoing for our campus. For the first time, graduate students received scholarships to help pay for their studies. The Fideicomiso (Escrow) Padilla and Ascencio gave eight graduate students $4000 scholarships per semester ($8,000 total for the year). The Civil Engineering Department had been in communication with them and for the first time, the scholarships were given this academic year. Also, to benefit our Puerto Rican community, especially high school students, the R2 Deep program is offering Spanish, Graphics, and Mathematic courses to students online. After the hurricane, they offered math and graphics, but it was quite difficult because of the communications. This semester, they were able to offer three different courses to students online which will be counted as part of the students’ curriculum when accepted to UPRM. Lastly, the Amgen Foundation has provided the following funds:

* Rehabilitation of the Student Center. Provide better furniture and infrastructure to the student body at the Student Center of UPRM that in turn, will improve the study conditions for students (**$275,000)**
* Rehabilitation of the Industrial Engineering Amphitheater- update the audiovisual system by incorporating a large SMART projection screen and acoustic material for walls to provide a better learning experience (**$40,000)**
* Chemistry program: refurbish the facility and replace the Fluorimeter instrument and analytical balances for teaching labs Q-051, Q-050 and Q-040 (**$55,000)**
* Industrial Biotechnology- funds for infrastructure (**$40,000**), equipment, (**$100,000**, and reagents (**$5,000**)

They will contribute $515,000 divided into two phases. Again, the community has stepped forward to help UPRM.

Another important aspect to mention is that UPRM has requested the decentralization and autonomy of construction project funds from Central Administration. We were granted up to $600,000 to facilitate the purchases and remodeling of our UPRM buildings.

# Substantive narrative and analysis

# University of Puerto Rico System Financial Overview

[Excerpt included in all UPR system units Supplemental Updated Reports]

Puerto Rico is currently experiencing a fiscal crisis never seen before in the history of the Island and is in the recovery and mitigation phase due to the natural disasters of Irma, María and Beryl Storm. Puerto Rico has experienced a sharper recession than the rest of the United States, and the economy continues to contract. Since Puerto Rico’s economy began to contract in 2006, the economy has shrunk by more than 10 percent and employment on the island has fallen by 14 percent. Poverty levels are the highest in the nation. The number of residents living at or below the federal poverty level exceeds 45 percent, compared to a national average of about 16 percent. The worsening financial crisis and the negative impact of Hurricane María has already caused residents to flee the island at an alarming pace. Labor force participation in Puerto Rico, at 39.7 percent, is substantially below the U.S. average of 62.4 percent. Persons 60 years and older represent more than 23 percent of the population – one of the highest in the United States[[1]](#footnote-1).

Hurricane Maria has caused unprecedented and catastrophic damage to Puerto Rico, its people, and its businesses. According to current estimates, Hurricane Maria has created approximately $80 billion in damage, and is projected to cause a real decline to GNP of 13.3% this fiscal year. On the other hand, over $60 billion in Federal dollars is projected to be invested in helping Puerto Rico recover and rebuild from Hurricane Maria.[[2]](#footnote-2)

The University of Puerto Rico is directly affected by these variables and the economic scenario. The University of Puerto Rico appropriation baseline should remain $708 million in FY 2018 and remains approximately $717 million for FY 2019 according to the PR Fiscal Plan. These numbers follow amounts mandated by the Puerto Rico Oversight Board established by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) enacted by the United States Congress in 2016. In compliance with the Puerto Rico Oversight Board requirements, AAFAS, the University Board and Central Administration recommendations,the University of Puerto Rico Board of Governors approved the *UPR Budget for FY 2019* on July 20, 2018(Certification 118: 2017-18; see Appendix 3)to meet its fiduciary responsibility while maintaining institutional integrity, financial sustainability, fulfilling its mission, and supporting its academic offerings. On August 3, 2018, Central Administration celebrated a second meeting with Budget Directors from all campuses to discuss the budget. The Central Administration aware of the impact in reducing the budget to the campuses, and in order to strengthen the teaching component, allocated additional items for implementation of the fiscal transformation plan, which led to strengthening the teaching component. These included the administration of 75% of indirect costs by the units, technology fees and an assignment for research and development to the different units.

The Total General Fund (State Appropriations and other UPR Revenues) for the university for FY2017-2018 compared to FY 2018-2019 is illustrated in the following table:

**Table 1: General Fund: State Appropriations and other revenues for University of Puerto Rico. Fiscal Years 2018 vs FY 2019**

|  |  |  |  |
| --- | --- | --- | --- |
| **Source of Funds** | **FY 2018** | **FY 2019** | **Change**  **Col 2 – Col 1** |
| **State Appropriation** |  |  |  |
| Law 2 – 1966\* | $631,210,000 | $587,136,000 | (44,074,000) |
| Law 36 - 2005 | $62,000,000 | $59,130,218 | (2,869,782) |
| *Sub-total* | $693,210,000 | $646,266,218 | (46,943,782) |
| **Other UPR revenues** | $187,519,000 | $240,451,003 | (59,932,003) |
| **Total General Fund** | **$880,729,000** | **$886,717,221** | **5,988,221** |

\*The law has not been revoked, only amended.

The Budget Project as determined by Certification 100: 2005-2006 is clearly illustrated in **Appendix 4.**

The certified distribution of the General Fund-UPR budget amounts to $886,717,221; it includes $12.3 million non-recurrent for this FY, coming from funds generated by available balance in the UPR bank account (Certification 2: 2018-2019, UPR Board of Governors). See Budget Document *“Memorial del Presupuesto 2019”* **(see Appendix 5).**

**The Budget’s guiding principles were:**

1. State Appropriations are calculated by the established formula on Law 2 – 1966, as amended. They also include revenues from gambling as established by Law 36 – 2005. These revenues were updated and reviewed according to last projections of Tourism and aligned with FOMB.
2. Implement the UPR *Strategic Plan 2017-2022* based and its four major areas of endeavor (educational environment, research and creative work, service to diverse communities, and sustainability) to achieve student success.

1. Prioritize administrative and academic transformations that are guided by efficiency and effectiveness criteria to ensure the UPR mission.

1. In coordination with the units, continue the process of internal evaluation of administrative, academic and service operations with the purpose of improving the efficiency in the use of public funds and exercise financial responsibility and accountability.
2. Implement expense reduction measures at the UPR Central Administration, including operating and general expenses, and system service costs.
3. Reduction or elimination of the budget assigned to the vacant position due to retirement (2-6% attrition) during the current fiscal year (2017-2018) as required by FOMB.
4. Diversify revenues through tuition increase, patents, government and UPR contractual agreements (Executive Order 2017-021), online academic offerings, collaborative agreements with the Department of Education and with local municipalities, and other initiatives such as the medical cannabis project.
5. Increase in tuition for FY 2019 at the undergraduate level up to $115 per credit (Certification 93: 2017- 2018) **(see Appendix 6)** and increase in tuition at Graduate Level up to $255 per credit (Certification 111: 2017-18, as amended) **(see Appendix 7).**
6. Increase in Institutional Fees, Technology Fees and other services align with the UPR Fiscal Plan (Finance Letter 18-10) **(see Appendix 8).**
7. Tuition exemptions policy was reviewed according to align with UPR Fiscal Plan approved (Finance Letter 19-02) **(see Appendix 9).**
8. There were no reductions in telephone lines, internet, communication, security, student health insurance, electricity, water and sewage, fuel, subscriptions to magazines and books for libraries, transportation expenses, accreditation of programs, equipment purchases, stipends students, honor enrollment, teaching and research assistantships and matching of funds for research projects for FY 2019.
9. Promote actions that generate new and greater sources of income to the operational fund. Establish a constant relationship with our alumni and other potential collaborators or donors of the UPR to additional support the University.

The UPR is undertaking a substantial restructuring of its operations and identifying a number of revenues generating initiatives and expense containment measures to address the reduction in government appropriations and funding. Thus far, and by implementing all the above stated measures, the UPR will be able to accomplish its mission, contribute with the socio-economic development of Puerto Rico, and comply with Standard V, VI and Requirement of Affiliation 11 of MSCHE.

# MAYAGUEZ Financial Overview

# MSCHE Concern 1: Evidence that the institution has documented financial resources, funding base, and plans for financial development adequate to support its educational purposes and programs and to ensure financial stability (Standard V)

**UPRM’s Financial Overview**

Due to the budget cuts that were evident to the UPRM based on Puerto Rico’s fiscal situation, the Interim Chancellor with the Budget Officer analyzed the budget cuts and how to run the day by day operations without affecting academic offerings. It is important to highlight that since the very beginning of the fiscal situation, it was clear to the administration that academia was a priority. The Interim Chancellor also incorporated the Special Assistant to the Chancellor who deals with academic issues as well as the Associate Dean of Academic Affairs to analyze the course offerings to match the assigned budget.

The Special Assistant to the Chancellor and the Associate Dean of Academic Affairs (hence named Committee) analyzed the course offerings and focused on optimizing the fiscal and human resources to teach at UPRM. This exercise was practiced when dealing with the budget cuts for the 2017-2018 academic year.

The committee also interviewed the academic directors of all units as well as the deans to explain the internal fiscal situation pertaining to the Mayaguez Campus and emphasized the following:

* Preparation of academic offerings to improve efficiency in costs.
* Reduction of other tasks for professors to ensure teaching loads and offer courses for students as well as reduce the number of professors hired by contract.
* Use the adequate number of graduate assistantships funded by the institution.
* The areas of opportunities here mentioned are attended to by Certifications 307 and 309 from the Administrative Board (See Appendix 10).

Again, UPRM analyzed and maintained the existent certifications to control costs within the given budget. These measurements were important to adequately support all academic programs for our students.

**Internal Evaluation of the UPRM**

UPRM received $134,578,621.00for the 2018-2019 academic year. Compared to last year’s budget, there is $534,464 less. The following table shows the 2017-2018 budget distributed by units (See Appendix 11- Certification by the Administrative Board, 17-18-001).

|  |  |  |
| --- | --- | --- |
| **UNIT** | **BUDGET** | **TOTAL** |
| Research and Development Center | $1,475,491 |  |
| Chancellor’s Office | 5,653,253 |  |
| General Accounts | 12,608,184 |  |
| Deanship of Administration | 19,682,123 |  |
| Deanship of Academic Affairs | 8,608,162 |  |
| Deanship of Students | 4,242,504 |  |
| Faculty of Arts and Sciences | 45,012,969 |  |
| Faculty of Business Administration | 4,408,977 |  |
| Faculty of Engineering | 26,043,813 |  |
| Faculty of Agricultural Sciences | 7,377,608 |  |
| Sub-Total |  | $**135,113,085** |
| Agricultural Extension Station\* | 17,453,219 |  |
| Agricultural Experimental  Station\* | 14,705,710 |  |
| TOTAL- Recurring Budget UPRM |  | **$167,272,014** |

\*These funds were given to the Stations by Central Administration

The .40% budget cut left $134,578,621.00 for the UPRM to operate. Keeping this in mind and analyzing the inevitable costs that the Campus needs in order to operate, the committee evaluated the areas of opportunity to reduce costs while not risking student services.

The bylaws to optimize the academic and research resources and the functionality of the institution (Certified by Administrative Board- 16-17-307 (teaching), 16-17-309 (research)- See Appendix 10) continue in effect and have been stressed by our institution’s administrators. The total budget for the 2018–19 academic year is $134,578,621.00 (See Appendix 12 for Certification 18-19-008). The following shows the distribution of the current budget by deanships and faculties. At UPRM, faculties are the academic colleges and they oversee the course offerings.

|  |  |  |
| --- | --- | --- |
| **UNIT** | **BUDGET** | **TOTAL** |
| Research and Development Center | $ 1,349,625.00 |  |
| Chancellor’s Office | $6,085,805.00 |  |
| General Accounts | $18,611,006.00 |  |
| Deanship of Administration | $18,907,292.00 |  |
| Deanship of Academic Affairs | $8,358,006.00 |  |
| Deanship of Students | $4,597,676.00 |  |
| Faculty of Arts and Sciences | $41,517,102.00 |  |
| Faculty Business Administration | $3,795,292.00 |  |
| Faculty of Engineering | $24,014,739.00 |  |
| Faculty of Agricultural Sciences | $7,342,078.00 |  |
| Sub-Total |  | **$134,578,621.00** |
| Agricultural Extension Station | $16,453,219.00 |  |
| Agricultural Experimental Station | $13,705,710.00 |  |
| TOTAL- Recurring Budget UPRM |  | **$164,737,550.00** |

The Committee mainly focused on optimizing the fiscal and human resources of the academic faculty. They also highlighted the research resources and requested adjustments, not affecting research, but utilizing funds better. Thanks to this exercise, the current budget has allowed for the 2018-2019 academic year to run well. Course offerings were granted to all students, and full-time incoming students received 12–15 credit hour loads this semester.

The fiscal situation for this year together with student services, academia, and research are stable and operating. The following table shows the funds projection for the next three years. The Agricultural Stations receive their funds per year and these are established by Central Administration. Therefore, the total general funds for this academic year is $134,578,621.00 as shown in the table below.



In an attempt to reduce the impact of the upcoming budget cuts, UPRM will continue optimizing the funds and observe the following measures during this academic year:

* Optimize administrative costs.
* Donations- In order to handle the private and public sectors in seeking funding, the Interim Chancellor has hired a person to manage the request for funds. This person has already developed strategies to request funds and UPRM has been receiving them.
* Government Agency Services- The Puerto Rican agencies utilize an amount of their funds to train personnel. The UPR system can provide these trainings to the different employees. Various directors of these agencies have already met with the different UPR chancellors and soon, these services will be offered at a cost for each campus to receive funding. Many of these trainings are being organized within these coming months.
* Online programs- UPRM, as established by the UPR Strategic Plan is already creating two online graduate programs for Agricultural and Engineering students. These programs will generate some funding for the institution. This year the Agricultural Sciences online program will be discussed at the Senate.
* Extramural Activities- UPRM has aggressively activated an extramural committee to seek funds for the University. Various activities are being discussed and researched to acquire funding.
* Assess academic programs to ensure their cost effectiveness. Also, UPRM is currently in the process of reassessing the amount of credits per academic program to determine if these can be lowered. Lowering these will help with the budget as well as retention and graduation rates. This semester the Senate will be revising these academic programs. The Deanship of Academic Affairs has this as a priority for this academic semester.

Overall, it is important to reiterate that, always, the focus has been to continue offering the best education possible within our budget limits. We continue to meet our UPRM mission which is,

To provide excellent service to Puerto Rico and to the world by:

* Forming educated, cultured, capable, critical thinking citizens professionally prepared in the fields of agricultural sciences, engineering, arts, sciences, and business administration so they may contribute to the educational, cultural, social, technological and economic development.
* Performing creative work, research and service to meet society’s needs and to make available the results of these activities.

We provide our students with the skills and sensibility needed to effectively address and solve current challenges and to exemplify the values and attitudes that should prevail in a democratic society that treasures and respects diversity.

Although we have had budget cuts, we continue to offer a robust academic offering to our students. The following table shows a comparison of academic years 2017 and 2018 in terms of amount of spaces available, used, number of sections, percent occupied, and graduate and undergraduate student enrollment. It also highlights the average amount of students per section and the average amount of courses the student is registered in. The numbers show that there are spaces available for students to register and the percentage of occupied has not reached 100% allowing spaces for students to enroll in a variety of courses.

|  |  |  |
| --- | --- | --- |
| CATEGORY | 2018 | 2017 |
| Spaces available | 76471 | 81018 |
| Used spaces | 69682 | 74165 |
| Number of sections | 3544 | 3887 |
| % Occupied | 91.1 | 91.5 |
| Undergraduate students | 12338 | 12551 |
| Graduate students | 898 | 979 |
| Total amount of students | 13236 | 13530 |
| Average students per section | 19.7 | 19.1 |
| Average amount of registered courses | 5.3 | 5.5 |

All UPR campuses are under extreme financial constraints due to the Puerto Rican fiscal situation. UPRM is experiencing this constraint; yet, we have remained accountable by optimizing funds to provide students with the courses they need to continue and complete their academic degrees. Therefore, UPRM will continue to adjust its finances in order to “support its educational purposes and programs and to assure financial stability.”

# MSCHE Concern 2: The impact of the Fiscal Oversight Management Board's plan and proposed restructuring on the institution's status and finances (Standard VI)

**The Fiscal Oversite Management Board Plan**

Puerto Rico issued debt many times over the years and currently is estimated in $70 billion dollars. The island's 1952 constitution enabled Puerto Rico to issue debt to fund many activities, including day-to-day operations.  But it really skyrocketed in the past decade, when total debt went from an already hefty $43.5 billion in 2006 to over $70 billion by 2014. The island also has over $40 billion in unfunded pension liabilities.

Due to its political status, and its territorial relationship with the United States of America (U.S.), the Commonwealth of Puerto Rico (CW) is unable to file for statutory relief under Chapter 9 of the United States Bankruptcy Code [11 USC Chapter 9]. In contrast to other widely known instances of Municipal Defaults (e.g. the City of Detroit or New York City during the 70’s), neither the CW nor any of its components has access to a legal proceeding to facilitate an orderly debt restructuring process. Furthermore, the United States Supreme Court expressly stated that the CW is a creature of U.S. Congress and as such is subject to Congress’ plenary powers.

By 2016, the CW and some of its debt issuing components were facing liquidity constraints which seemingly jeopardized its ability to meet basic operational needs. Among the root causes of this crisis are several years of structural deficits, which are further exacerbated by economic downturn and intensified citizens’ migration from the jurisdiction.

On June 30, 2016 Congress adopted Public Law No: 114-187, also known as the Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA”) [48 USC, Chapter 20]. PROMESA provides a legal framework similar to the one set forth in the U.S. Bankruptcy Code, which allows for an orderly restructuring process. Subsequently, and pursuant to PROMESA, a Fiscal Oversight and Management Board (FOMB) was assembled.

Among its duties, the FOMB has the power to certify Fiscal Plans and Budgets for the CW and Covered Entities. Although these general powers are recognized by the CW, we must emphasize that the extent of the FOMB’s inherence to enact policy decisions through financial controls is still a matter of discussion in several judicial proceedings.

In general, a Fiscal Plan provides a blue print to revitalize the CW’s economy through fiscal structural, and other initiatives that will propel growth and eventually allow the CW to regain access to capital markets.

Title III is analogous to a Bankruptcy Filing, and petition under this Title is filed by the Governor before the United States District Court. This method provides an opportunity for creditors and other individuals to assert their claims against the Debtor before the Court, a process to accept or reject executory contracts and unexpired leases and concludes with a Plan of Adjustment (POA). A certified Fiscal Plan is a pre-requisite to file for relief under Title III or reaching a consensual Title VI under PROMESA. Fiscal Plans are creditor agnostic, as they only tend to the operating revenues and expenses, to determine the operational deficit or surplus the territory or instrumentality may reach when implementing fiscal and structural measures.

Although the UPR is neither under Title III nor under Title VI, and regularly pays its creditors, through a forbearance agreement, the Institution was identified by the FOMB as a covered entity and requested that it submit a Fiscal Plan, pursuant to PROMESA. As a bond issuer and essential service provider, the FOMB wants to ensure that the UPR is able to provide for higher education, despite the steep government appropriation reductions that were included as expense reduction measures in the CW’s Certified Fiscal Plan.

The measures to meet these reductions can be classified as “*Expense* *Reduction*” measures and “*Revenue Enhancing*” measures.

All of the measures have been suggested, in principle, by the UPR itself. Therefore, the UPR’s strategic plan is not in conflict with a fiscal plan, and the measures which will be implemented will only serve to ensure a sustainable institution for future generations. As such, the UPR will be transitioning to a more self-sustainable model. There have been increases in costs per credit but the cost is still under its competitors and peers on the island. Therefore, the UPR will continue to provide quality higher education, and will remain affordable and accessible.

After several iterations and discussions with the FOMB and advisors, on April 20, 2018, the UPR Board of Trustees submitted a Fiscal Plan (the UPR Board Fiscal Plan) which, by all means, complies with PROMESA’s requirements. However, the FOMB certified a revised fiscal plan for the UPR on June 29, 2018 (the Certified Revised Fiscal Plan).

The Certified Revised Fiscal Plan projects a $16,171M net operating surplus over the 5-year plan period, before debt service payments. The Certified Revised Fiscal Plan further states that it “contains measures that, if timely and fully implemented by the UPR, are projected to generate positive net revenues by 2023, with such primary surplus available for payment of some restructured debt service.” (Certified Revised Fiscal Plan at 25).

At present, the main points of inflection are: the FOMB’s recommendations on Tuition Fee Waivers and Employer contributions to medical benefit. The remaining differences are based on the same factors that, when extrapolated, produce different attrition rates among the workforce. In other words, the UPR believes it can achieve the goal of sustainability with slight variances to the method.

After analyzing all of these facts, there is enough data to conclude that the impact on UPR’s mission and goals will not be significant and the UPR will remain an independent entity. Any differences with the FOMB will be resolved through mutual collaboration and sensible agreements as has been the case until now. If anything, the measures included in the Certified Plan will enhance the UPR’s ability to evolve and thrive. It is our understanding that we have enough financial data and documents to demonstrate that the UPR and its 11 campuses have an institutional funding base, fiscal and human resources, as well as, the physical and technical infrastructure adequate to support its operations.

**Institutional Restructuring and Finances**

The process of institutional restructuring has two main components: administrative and academic. The administrative downsizing encompasses all of the support administrative offices, among these, Finance / Budget/ Human/ Resources/ Purchase/ OSI/ Communications. The academic consolidation implies the elimination of redundant programs and courses. If a program is offered in various campuses, the possible criteria used for the decision making process will be mainly based on the following: low demand, low retention, and graduation rates.

The UPR Fiscal Plan, for years 2018-2023, contains two (2) possible consolidation scenarios:

|  |  |
| --- | --- |
| **Alternative A: 5 Conglomerates** | **Alternative B: 4 Conglomerates** |
| **RIO PIEDRAS CAMPUS**  Río Piedras Campus:  Students: 15,107 | Employees: 3,417 | **RIO PIEDRAS CAMPUS**  Río Piedras Campus:  Students: 15,107 | Employees: 3,417  Bayamón Campus:  Students: 4,528 | Employees: 543  Carolina Campus:  Students: 3,851 | Employees: 340 |
| **MAYAGÜEZ CAMPUS**  Engineering, Aeronautics & Agricultural Sciences  Mayaguez Campus:  Students: 13,410 | Employees: 2,840  Aguadilla Campus:  Students: 3,323 | Employees: 292  Utuado Campus:  Students: 1,155 | Employees: 206 | **MAYAGÜEZ CAMPUS**  Engineering, Aeronautics & Agricultural Sciences  Mayaguez Campus:  Students: 13,410 | Employees: 2,840  Aguadilla Campus:  Students: 3,323 | Employees: 292  Utuado Campus:  Students: 1,155 | Employees: 206  Arecibo Campus:  Students: 3,769 | Employees: 469 |
| **NORTHEAST REGION CONGLOMERATE**  Technical Career, Computing & Communications Bayamón Campus:  Students: 4,528 | Employees: 543  Carolina Campus:  Students: 3,851 | Employees: 340  Arecibo Campus:  Students: 3,769 | Employees: 469 |  |
| **SOUTHEAST REGION CONGLOMERATE**  Entrepreneurship, Business, Natural & Behavioral Sciences  Ponce Campus:  Students: 3,149 | Employees: 473  Cayey Campus:  Students: 3,430 | Employees: 517  Humacao Campus:  Students: 3,825 | Employees: 511 | **SOUTHEAST REGION CONGLOMERATE**  Entrepreneurship, Business, Natural & Behavioral Sciences  Ponce Campus:  Students: 3,149 | Employees: 473  Cayey Campus:  Students: 3,430 | Employees: 517  Humacao Campus:  Students: 3,825 | Employees: 511 |
| **MEDICAL SCIENCE CAMPUS**  Health and Biomedical Sciences  Medical Science Campus:  Students: 2,273 | Employees: 2,697 | **MEDICAL SCIENCE CAMPUS**  Health and Biomedical Sciences  Medical Science Campus:  Students: 2,273 | Employees: 2,697 |

UNIVERSITY OF PUERTO RICO REVISED FISCAL PLAN, for years 2018-2023, UPR Governing Board Certification 89, year 2017-2018

The campuses consolidation is a complex process which requires extensive and thorough analysis. The Institution needs to identify what structures exactly will be consolidated or integrated. It is expected for the consolidation process to be implemented during a time frame of three academic years, preceded by a year committed to analysis and planning (2018-2019). Durinf the current academic year, the different aspects of the multi campus conglomerates need to be defined, including the administrative structure, organizational chart, and governance. It is very important to engage the different sectors of the campuses’ community at all the different stages of planning and implementation.

The recently appointed UPR President, Dr. Jorge Haddock, initiates in office on Tuesday, September 4, 2018. He wants to achieve a participative decision–making process which includes the input of the different University sectors. Hearings will be conducted at the different UPR campuses during the months of September and October of the current academic year. Dr. Haddock has expressed that these changes need to be implemented with sensibility, especially since employees might need to be moved to other locations and/or re-trained to assume different roles and responsibilities. It is expected for the configuration of the conglomerates and the structural consolidation to be defined by the end of academic year 2018-2019. The changes to be implemented are targeted for the institution to achieve infrastructure, administrative and academic efficiency.

Institutional re-structuring will be implemented systematically during the course of the academic years, 2019-2020, 2020-2021 and 2021-2022. Substantive institutional and programmatic changes will be reported to MSCHE on a timely fashion, according to the agency’s Substantive Change Policy and Substantive Change Procedures.

Financial planning and budgeting is aligned with the institutional goal of lowering expenses while simplifying administrative processes towards institutionalizing a leaner management approach to administrative procedures and practices. These processes need to be continuously and systematically assessed to result in administrative improvement.

The implementation will be supported by a new Program Management Office (PMO), known as Office for Institutional Transformation (Appendix 13). It will directly respond to the UPR Governing Board and has an assigned budget allocation of $10 Million for FY 2019. Its main purpose is to assure the Fiscal Plan measures implementation continued progress. This office will assist, monitor, assign resources and provide consultation in the areas of Federal grant procurement, budget and cash flow, retirement system and other employee benefits, such as, health insurance. The PMO is defined on pages 15-17 of UPR Revised Fiscal Plan Summary issued on August 20, 2018 (Appendix 14) and the operating by-laws were approved by the UPR Governing Board on August 27, 2018 (Appendix 13). This new unit will assure the adequate implementation of the institutional restructuring, in line with UPR finances.

# MSCHE Concern 3: Evidence that the institution demonstrates a record of responsible fiscal management, has a prepared budget for the current year, and undergoes an external financial audit on an annual basis [Standard VI and Requirement of Affiliation 11]

**Annual Budget**

The UPR responsibly prepares an annual budget considering the adequate institutional operation, including the academic programs and services. The process of preparing the institutional annual budget runs through eight (8) months and is led by the UPR Central Budget Office Director, in conjunction with the Directors of the Budget Offices of the 11 campuses which comprise the University System. This office has a group of technical specialists in charge of specific campuses. The UPR budgeting process is described on Certification 100, series year 2005-2006, of the UPR Governing Board (previously known as Board of Trustees) (Appendix 4). The main purpose of the regulations included in Certification 100 is to manage, in a coordinated fashion, a UPR institutional integrated budget’s formulation, execution and control, which is a fundamental instrument for the budgets’ alignment to the responsibility to fulfill the University’s academic mission, goals and objectives.

The process begins at each campus and systematically continues as shown on the “Integrated Budget Project Flow Chart” (Appendix 15). The engagement of the campuses’ leadership assures that their academic programs and services are adequately taken into consideration. In the planning and budget formulation, the activities and priorities are properly aligned to the UPR Strategic Plan 2017-2022, “A New Era of Innovation and Transformation for Student Success” (Appendix 16) and to the strategic plan of each individual campus.

With the inclusion of new requests by FAAFA and FOMB the formulation process of FY 2019 had to be slightly modified. The guiding principles and measures of the UPR Fiscal Plan imposed revenue enhancement and expense measures, among these, the increase in tuition fees while maintaining affordability and access to quality education. Also, maximizing opportunities to achieve an efficient and leaner administrative structure while increasing other sources of funding, such as, procurement efforts, federal grant awards, restrictions of benefits to employees and students, the partial elimination of tuition fee waivers, medical plan coverage and limited recruitment of non-teaching personnel to substitute retirees (attrition). After determining the budget’s baselines, configuring multiple possible scenarios for the budgets allocations and distributions, the University of Puerto Rico Budget FY 2019 was approved by the UPR Governing Board on July 20, 2018. (UPR Governing Board Cert. 2, 2018-2019 Appendix 17). It was also submitted to the FOMB.

For additional details on the UPR Budget FY 2019, please refer to Appendix 5 and pages 13 to 15 of this Supplemental Report.

**Annual External Audit**

The UPR commissions and undergoes an annual independent audit in order to confirm financial sustainability and adequate accounting procedures. Annually, the finances of the institution should close by October of the next fiscal year. Then the process conducing to the auditing of the institutions’ finances start at all of the units of the UPR System with the collection of supporting files which include the trial balances and other evidences. These are uploaded into an electronic repository by the campuses’ Finance Offices Directors. At the Finance Office of the Central Administration, the Accounting Office Director is responsible of uploading the central files and monitoring the progress of the process. After all of these files are checked, corrected by the UPR finance personnel, these are submitted to the independent private auditing firm of Ernst and Young (EY). The minimal time required by the independent firm EY to complete the preparation of the statements is approximately 18 weeks.

Due to the complexity of the UPR Financial Statements which comprise 11 campuses and the Central Administration, preparation and submission of the statements have run with a delay for the last 14 years. Initially, the migration from a FORTRAN based administrative programing system to ORACLE was a mayor challenge. Events which took place during the past two years hindered even more the process of preparing the statements. The student’s strike which occurred during the second semester of the academic year 2016-2017 caused an interruption in academic and administrative operations. At the time Interim President Darrel Hillman took office on July 2017 neither the closing of the books FY 2016, nor the actual pre-auditing process had started. Both processes were concurrently initiated by the Finance and Budget Central Offices at that time. However, from September 20th to November there was another operations interruption, followed by a prolonged period of problems with electrical support systems and wireless communications provoked by hurricanes Irma and María. After the strike, an extended deadline for submission was granted by the Federal Education Department for the annual Audited Financial Statements FY 2016 and FY 2017 for these to be submitted by March 30, 2018. Regardless of the multiple challenges presented by these events, the University was able to comply with the expected day for submission of the statements FY 2016 which were issued on March 29, 2018 and its related compliance audit (Single Audit) on May 15, 2018. An agreement was posteriorly established with the Compliance Manager of the Federal Department of Education for submission of the audited financial statements FY 2017 and FY 2018. At the present moment, we have committed to submit the consolidated Audited Financial Statement FY 2017 by December 30th, 2018. Filing of the eleven campuses Audited Financial Statement FY 2018 shall be submitted by March 30th, 2018. The Department had issued an extension to submit Single Audit 2017, for the territories affected by last summer hurricanes up to March 30th, 2019.

**UPR - Going Concern FY 2016 updated to FY 2019**

The FY 2016 events are not current material since the Governmental State Bank has been dissolved and its liquidity facilities have been substituted with the Universities’ internal capital resources.

Currently, the University of Puerto Rico (UPR) receives substantial financial support from the government of Puerto Rico and, as such, its viability is directly impacted by the central government financial health. The central government is currently going through a restructuring process for its public debt under Title III of the PROMESA federal legislation. The PROMESA legislation has created the Financial Oversight and Management Board for Puerto Rico (FOMB) which is responsible for reviewing and certifying the operating budget for both the central government and the UPR. Through this process, the central government has received its certified operational budget for fiscal year 2019 from the FOMB which provides the pre-established funding for the UPR. This funding, together with a substantial increase in the student tuition and cost reduction measures will permit the UPR to successfully operate within its 2019 approved budget. All 11 campuses are operating, and the student enrollment has met the budget expectations.

The UPR has more than adequate working capital currently invested in short term highly negotiable securities which will permit the successful operation of the institution over the foreseeable future. The UPR is in full compliance with the forbearance agreement entered into with its bondholders as permitted under Title VI of the PROMESA legislation for possible restructuring of its public debt in the near future.

**Actions and Initiatives**

Amid difficulties to comply with initial estimates for report issuance dates relating to fiscal year 2017, the University has given utmost priority to ensure the independent annual audits take place and proper follow-up is given to the concerns cited by the external auditor.

Notwithstanding the current scenario, the University is committed to its ultimate goal of achieving timeliness of reporting that complies with a basic characteristic of GASB Statement number 1 “Objectives of Financial Reporting”, in which financial reports are available in time to support the decision making processes.

To this end, the University has taken the following actions geared towards improved timeliness over financial reporting:

* Prepared a timeline for key milestones and monitoring of audit progress.
* Identified human, financial, and technological resources necessary to enable a solution focused approach and smooth progress of the process.
* Hired professional services as an aid to management in the analysis and processing of financial and qualitative information necessary for audit procedures.
* Hold regular weekly status meetings with the Finance Office Directors of all the campuses to monitor progress, roadblocks and alternative courses of action.
* Placed permanent financial consultants at the three principal campuses of the University to prompt timely resolution of issues, in face-to-face interaction.
* Maintain close communication between management, external auditors, internal auditors, component units and consultants to seek a leaner overall process.

The University has recently hired a local financial consulting services firm, to assist in the books closing process and to perform pre-audit document assessment, analysis and processing, and serve as an audit support aid on behalf of management. One major strengths of this specific company is that most of the consultants hired are retired finance and accounting staff from UPR with extensive experience in the institution’s administrative and financial accounting systems, thereby gaining learning curve efficiencies. Other smaller contractors have also been hired to assist in managing the functional and technical matters embedded within the audit process. A strategical and tactical approach in the use of the University’s Internal Audit Office is also in place, in order to assist the external auditors in their procedures as an enhancement to improve the audit process. To this end, a contractually agreed sum of up to 800 hours of the external audit budget will be used by the Internal Audit Office to increase efficiencies built upon personnel proficiencies of the core accounting system and University processes.

On August 6, 2018, a new Interim Finance Director was appointed for the UPR System and a revised Audited Financial Report FY 2017 issuance date was projected for December 30, 2018. As a quick turnaround, after completing the 2017 report issuances, we will engage in an endeavor to expedite the process of completing the FY 2018 financial reporting cycle and there on the reports for subsequent years.

1. US Department of Treasury (2018). Puerto Rico Economic and Fiscal Crisis at <https://www.treasury.gov/connect/blog/Documents/Puerto_Ricos_fiscal_challenges.pdf> [↑](#footnote-ref-1)
2. FOMB (2018). New revised Fiscal Plan for Puerto Rico as certified by the Fiscal Oversight Management Board May 30, 2018. [↑](#footnote-ref-2)