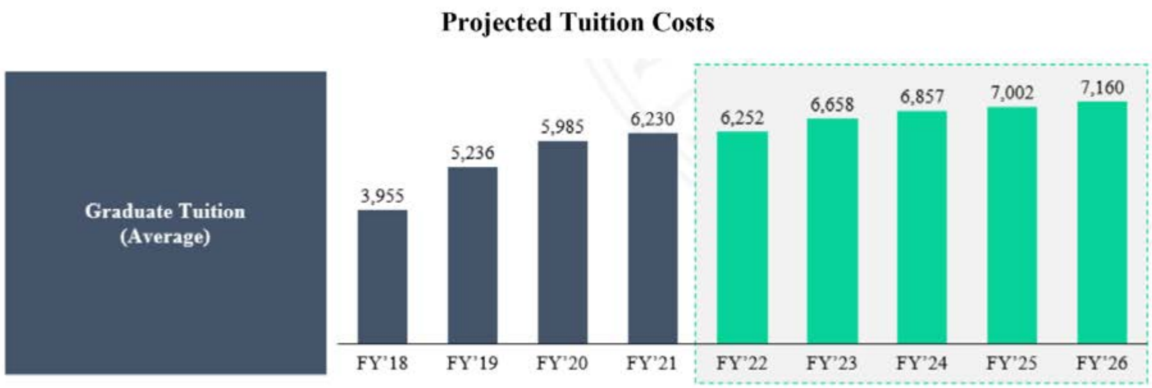
Appendix 2
Graduate Tuition Analysis

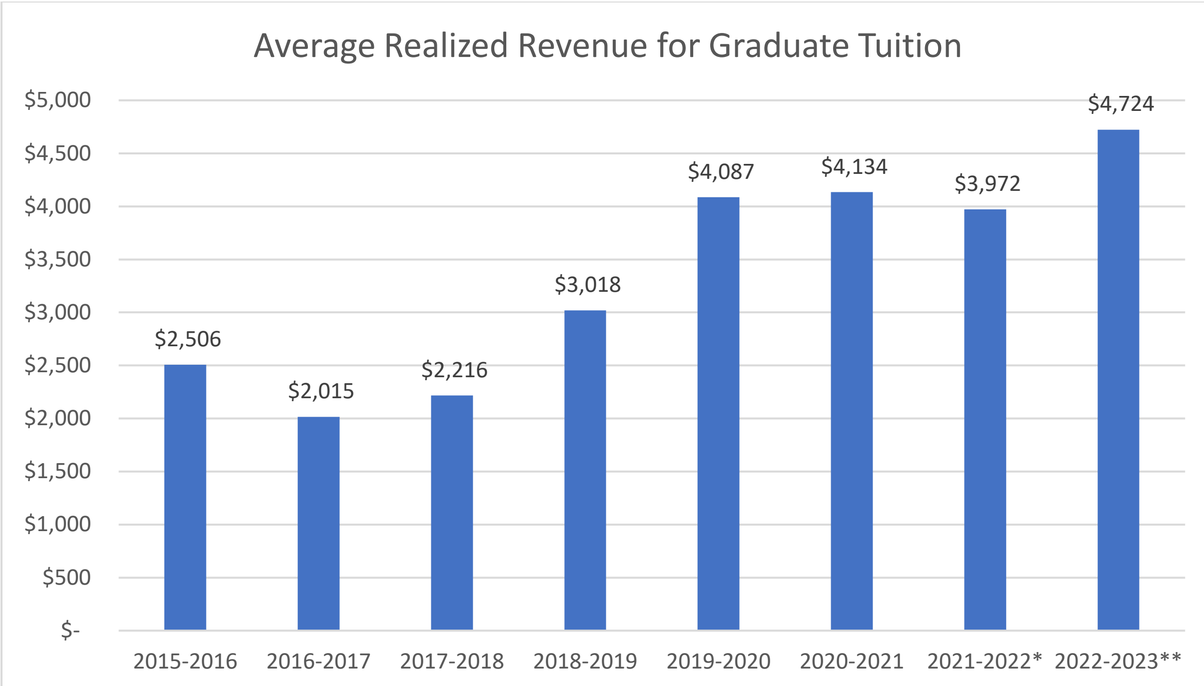
The UPR's approved Revised Fiscal Plan for 2021[1], which is the latest approved fiscal plan, establishes the following estimates for average graduate tuition:



UPR does not argue that it should not follow the inflationary cost increases described in the plan when considered as a differential between fiscal years. UPR argument is that this inflationary increase will not produce the $11 Million expected from the FOMB due to an overestimation established in the plan in its inception that has been maintained over the progressions of the plans.

To understand this fact the following graph shows the perceived revenues per graduate student (average) since FY2016 Through the projections for FY2023.

[1] https://drive.google.com/file/d/1-BYtnx12Lv-Nmoa1AUpgGpfUV7gUXXYg/view



*Preliminary

**Projection

As the graph shows in FY2023 the difference between the average is $6,658 vs a realized average revenue of $4,134 (FY2021-latest audited FY). To Implement what the fiscal plan describes we should implement an across-the-board tuition increase of at least 60% of what was the average revenue per student on the last audited year (FY2021). To put this in context that would represent a graduate cost per credit hour near $320 whereas the Interamerican University figure is around $215[2].

An additional increase of this magnitude in graduate tuition will be counterproductive and thus yield a significant decrease in the graduate student population due to the expected and consequential result in its supply and demand curve, particularly in PhD and non-professional Master's programs. In turn, increased tuition rates, far from representing an enhanced revenue source, may generate unexpected reductions in revenues due to diminished student populations across the island. Enrolment trends indicate an average reduction of 5% per year for undergraduate students, whereas for graduate students under this same indicator is 2%. It has been argued to focus the revenue hike through professional high-demand schools. However, to accomplish those levels these schools would have to more than double tuition costs. One example that is worth noting is that when tuition (credit-hour) for law school was raised to $250 in FY2021, the amount of new entry applications was reduced from 475 to 365 or 30%.

Notwithstanding the argument previously discussed, the University firmly believes that modest inflationary adjustments in tuition rate increases will guarantee fair access to education for students with financial needs, which is clearly consistent with the language agreed between the FOMB and the central government, as codified in Act 53 that states:

[2] http://www.arecibo.inter.edu/wp-content/uploads/servicios/derechos_matricula_cuotas.pdf

“Provide additional funding for the University of Puerto Rico to be utilized to improve the student experience and environment, such that appropriations to UPR total $500 million per year, for five (5) years from fiscal year 2023 through fiscal year 2027. This goal is intended to preserve the capacity of the UPR to carry out its vital educational mission and to ensure the necessary resources to guarantee the accreditation of all its programs and **to achieve fair access for those students with financial needs**, while also promoting efficiencies.”

It is important to consider that graduate students represent the most important workforce for academic production and revenue streams related to sponsored research programs. A significant reduction in graduate population will also decrease or hinder the ability to increase other revenue sources, without considering the triggering negative effects in academic quality and thus, its related rankings.

We understand that the law 4 scholarships which include $2.5 Millions for the following years will alleviate students with financial challenges helping accelerate self-paced graduate studies, that in combination with tuition adjustments, will improve graduate tuition revenue streams gradually without the foreseeable negative impacts of a drastic tuition increase.

For FY2022 the Governing Board recognized this misalignment between the fiscal plan model and the actuals. To prevent unexpected deficits, the GB recognized the revenue as established in the Fiscal Plan but reserved the delta of $5,028 and established a contingency to distribute it upon realization. This contingency was not met for FY2022.

UPR is proposing the following steps to correct this issue in the model:

1. Adjust the model to match the historical revenue streams.
2. The University will conduct a demand elasticity assessment of its tuition rates to identify the optimal rates for graduate tuition depending on the program whilst complying with Act 53.