
Aug. 27, 2020

Dear Campus Community,

As we embark upon this most unusual of fall semesters, I want to thank each and every one of you for your patience, understanding and adaptability over the last five months.

Sadly, the persistence of the COVID-19 crisis has forced us to make a number of difficult decisions, including our move to roll back our initial plan to more fully reopen campus this fall. While these decisions have been made to protect the health and safety of our faculty, staff and students, they come at an incredible financial cost to the university. Now that we have a good handle on revenues and expenses for the fall semester, I am in a position to apprise you of the 2020-21 fiscal year budget, assuming a normal spring semester.

As detailed below this email, we project a \$168.6 million loss in the campus's operating budget, presenting our campus with one of the greatest financial challenges in our 157-year history. These losses for the fall semester include \$67.4 million in housing and dining revenue, a projected \$30.6 million decline in tuition revenue, and a \$20.9 million reduction in other revenues, including grant and contract overhead income. Additionally, the Board of Trustees has directed the campus to budget for a contingency equal to a 10% hold-back in our state appropriation allocation (\$36.7 million) due to uncertainties in the state budget, as well as other factors, including further potential pandemic-related losses or additional expenses throughout the year. We also project an increase in expenditure of \$13 million in virus testing, safety, isolation and quarantine measures.

In dealing with this loss of revenue, we are guided by three main priorities: (1) maximize the safety and health of the university community; (2) ensure the academic integrity and quality of our educational programs; and (3) minimize layoffs and furloughs of our

permanent employees. Through a hiring freeze (approximately 250 positions), the voluntary separation incentive program or “early retirement” program (approximately 250 positions), and deep cuts in discretionary spending, pay cuts for senior campus leaders and trustee-approved access to our operating margin, we identified \$120.8 million in savings to address the shortfall. However, that still left us with a \$47.8 million deficit. As we continue to look for additional cost savings and efficiencies in every area of our operations, we have reached the inescapable conclusion that the only way to address such a substantial deficit is through workforce reductions, beginning with those job functions that cannot be performed remotely and for which there is no work due to the minimal number of students residing on campus.

After lengthy and productive negotiations with the AFSCME labor union, nearly 850 of our valued colleagues, including dining hall workers and residence hall operations staff, will be placed on indefinite furlough effective Sept. 13, 2020. Because their union representation agreed to a furlough rather than a layoff, they will retain their UMass benefits, including healthcare, while still being entitled to unemployment benefits. This agreement will also enable a smooth re-employment process when the campus resumes normal operations.

While some permanent layoffs are expected in the coming weeks, we are doing everything possible to lessen the number of layoffs and are currently in discussions with other staff labor unions with the hope of reaching an agreement that prioritizes temporary reductions in hours and furloughs, which will likely impact approximately 450 additional campus employees. We are hopeful that an agreement can be reached and that the number of permanent layoffs, both unit and non-unit, can be minimized.

Unfortunately, the savings realized by these personnel actions will still leave us with a \$20.3 million deficit. We will continue to forcefully advocate with the state and federal governments for support to help stabilize the campus budget and prevent more personnel cuts to make up that deficit.

A common and legitimate question is why we cannot use reserve funds to address our budget shortfall. First, because the university operates under a very tight budget each year, we do not have significant unallocated reserves. Our reserves currently meet the university’s obligations for a five-month period, considered barely adequate for a healthy balance sheet. Further, it is unclear when our revenues will return to normal levels, so depleting our reserves to avoid short-term pain may imperil our longer-term stability.

These are truly trying times for our campus community, one that is built on the value of our people. Our staff give so much of themselves to advance the mission of the university, to serve our students, to support our research and to make the world a better place. These staff reductions are an absolute last resort and the result of agonizing decisions.

I pledge that we will do everything in our power to ease this difficult transition for our affected colleagues. We look forward to the day when this pandemic is a distant memory.

Sincerely,

Chancellor Kumble R. Subbaswamy

**COVID-19 Impacts on
FY2021 Budget
August 27, 2020**

<u>Impacts</u>	<u>\$ Millions</u>
10% Board Directed State Appropriation Contingency Hold-Back	(36.7)
Tuition & Enrollment Revenue	(30.6)
Room & Meal Plan, net of food costs	(67.4)
Other Revenue (Research Overhead Recovery, Events, Gifts, other)	(20.9)
Additional COVID Safety Costs (Equipment, Testing, other)	(13.0)
Total	(168.6)
 <u>Solutions</u>	
FY21 Surplus (Board Waiver of 2% Operating Margin Requirement)	24.0
Workforce Actions:	
FY21 Salary Increase at 0% (non-state)	5.3
Hiring Freeze	19.2
Early Retirement Program (VSIP)	12.8
Workforce Reductions (Layoffs, Furloughs)	27.5
Total Workforce Actions	64.8
Expenses (Travel, Maintenance, Temp Payroll, etc.)	44.2
Interest/Depreciation/Utilities	15.3
Total	148.3
Deficit	(20.3)

[University of Massachusetts Amherst](http://www.umass.edu)