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**Sent:** Friday, April 3, 2020 5:49 PM  
**To:** Ka Yee C. Lee <[kayeelee@uchicago.edu](mailto:kayeelee@uchicago.edu)>  
**Subject:** [Officers ] Managing the Financial Impact of COVID-19

To: Deans and Officers  
From: Ka Yee C. Lee  
Subject: Managing the Financial Impact of COVID-19  
Date: April 3, 2020

Thank you for all of your efforts and long hours as we work to address the various challenges and issues caused by COVID-19. Our guiding principle during this pandemic has been to do everything we can to keep our community safe, to stop the spread of COVID-19, and to minimize the negative consequences on our students, academics, and staff as much as possible. It has been a difficult time and I have been continuously impressed by the way the University community has worked together to solve problems. One of the ongoing challenges we will need to face together as a University community is the myriad financial impacts of COVID-19.

The financial impact of the pandemic is severe and there is much uncertainty for both short- and long-term financial effects. The University has sustained substantial financial losses due to moving the Spring Quarter to remote teaching including: increased costs associated with IT, loss of revenue for Housing and Dining, reduced revenue from the student services fee, lower reimbursable research activity, losses from planned revenue-generating events, and curtailment of fundraising activities. Additionally, there is uncertainty around planned Summer activities and programs, and whether we will be able to resume normal activities by Autumn Quarter, both of which would have additional financial impacts. For the coming years, every major revenue stream of the University will be under severe challenge: net tuition will be impacted by the need for increased financial aid because of the dislocations in the economy as a whole; endowment payout will be impacted because of the huge retreat in the equity markets; philanthropy will be increasingly challenging for similar reasons; and revenue in the medical center is likely to be severely challenged. Despite the loss of many revenue streams and increased expenses, the University is committed to honoring our financial commitments to faculty, other academic appointments, and staff salaries, paying and funding students, continuing to pay our dining and other contract workers for Spring quarter, and supporting the South Side community. The University has made humane policy decisions to mitigate the negative impact of this pandemic on our community, which I believe is the right thing to do.

Unfortunately, the response necessary to address the severe financial impact will need to be substantial. We will do everything possible to maintain financial support for our students and academics and protect our core programs and operations. I understand the steps outlined below are significant, but until we see the full impact on COVID-19 on the economy, financial markets, and the University, we must act decisively and prudently. In order to sustain our commitments to our community, we are implementing the following budget actions:

- **Staff Hiring Freeze** – Starting today, the Position Control Committee will approve only positions that are 100% grant-funded. No other positions will be approved, except for those mandated by contractual obligations or that are critical to the core missions of the University.

- **Merit Increase Freeze** – For FY21 (FY20 merit cycle), we will be unable to give merit increases, bonuses, or increased incentive compensation, unless they are contractually required, explicitly listed in employment agreements, or resulting from promotions to Associate Professor or to Professor. We understand this is difficult, given the long hours and dedication shown by faculty, other academic appointees, and staff during this challenging time.
- **Non-personnel Cost Reduction of 10%** - For FY21, all units will reduce their non-personnel expenditures in the Supplies, Services and Other (SSO) category by 10%.
- **Slowing of Academic Hiring** – Academic units may continue with academic appointments where an offer has already been extended or the case has already been submitted to the Provost. For any other case, the Provost will determine which cases, if any, may proceed this year and which should be delayed until the financial situation is clearer. Our objective is to support our existing faculty, other academic appointees, students, and staff.
- **FY21 Budget Savings Transfer** – The actions above will generate significant savings or cost avoidance for units in FY21. The projected amount for each of the items above has been calculated and will be given to units in their shared Budget folder. This Budget Savings amount associated with the 10% reduction in non-personnel (SSO) will be transferred to the University to contribute to COVID-19 related costs that fall centrally, which consist largely of academic and student support.

As a reminder, for the current academic year (FY20) individual units will be responsible for funding items such as new equipment and technology to meet remote teaching needs, funding for post docs, graduate students and undergraduate students, meeting and conference cancellation fees and other travel-related financial losses, and other expenses associated with COVID-19. We expect that in many cases, these new expenses will be offset by cost savings from reductions in travel, events, and business meals. We ask you to do everything possible to meet your FY20 Budget. If you are in the situation where your unit will see a surplus, please hold spending to offset other areas of the University, specifically Campus and Student Life. If you are unable to absorb the net financial impact of COVID-19 within your existing budget, please highlight those impacts in the Q3 budget forecast submission and also update your COVID-19 Financial Impact spreadsheet to reflect the losses so they can be tracked.

As we look ahead, there continues to be a great deal of uncertainty with respect to next academic year. To help us with robust contingency planning, please submit your FY21 budget in Delphi and also submit a high-level alternative FY21 budget scenario that assumes remote teaching for Autumn Quarter 2020. We hope remote teaching will not be necessary, but we need to plan for this possibility in case events warrant this course of action. This alternative version of the FY21 budget should be submitted to the Budget Office using an Excel template which will be provided by the Budget Office, rather than submitted through Delphi. Guidelines with updated assumptions for FY20 Q3 forecast, FY21 Budget, and FY21 Alternate Scenario submissions will be provided to units shortly. The new assumptions will facilitate uniform reporting of FY20 and FY21 budgets across the University.

We recognize we are asking you to provide new information, and to give you time to plan we are pushing back the deadline for budget submissions to the following dates:

- FY20 Q3 Submission – Friday, April 17

- FY21 Delphi submission – Friday, April 17
- FY21 Alternative Scenario – Wednesday, April 22

Because the Board of Trustees meeting dates are already confirmed, we do not have the flexibility to provide additional time for budget submissions while still meeting the Board deadlines. We understand that we are asking for a quick turnaround and we appreciate your efforts to meet these deadlines.

Thank you for all the work you have done, continue to do, and will do in the future. I know that these financial measures will be difficult for all of us. These are unprecedented times and I appreciate all the hard work you have done to support our faculty, other academic appointments, staff, students, and community and to ensure the long-term eminence of the University.

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