

From: [Office of the Provost](#)
To: [KU Lawrence All Staff, Faculty and Affiliates](#); [KU Graduate Assistants](#); [KU Graduate Research Assistants](#); [KU Graduate Teaching Assistants](#)
Subject: Detailed Context Regarding our \$120 Million FY21 Revenue Shortfall
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Attachments: [COVID-19 Financial Impact 20200722.pdf](#)



*A message from Provost and Executive Vice Chancellor Barbara A. Bichelmeyer
and Chief Financial Officer Diane Goddard.*

Detailed Context Regarding our \$120 Million FY21 Revenue Shortfall

Dear Colleagues,

Earlier this year, we announced that the Lawrence and Edwards campuses face a Fiscal Year 2021 estimated revenue shortfall of \$120 million. We have been asked to provide more information about the calculation of this estimate, so today we are writing to share additional detail that contextualizes the financial challenges we currently face.

Our revenue shortfall

The \$120 million shortfall is a moderate-case estimate that relies on evolving information and assumptions. Most importantly, the \$120 million shortfall assumes we are able to bring students back on campus in some capacity this fall. If our commitment to safety precludes this, the shortfall will increase significantly.

As illustrated in the attached infographic, the estimated \$120 million shortfall is composed of three categories of revenue:

- Core operations, with a total estimated projected loss of \$87 million, consisting of academic program general tuition (\$62m), course fees (\$5m) and state appropriations (\$20m).
- Other KU Revenue sources (\$19m), including losses attributable to auxiliaries such as Student Housing, Recreation Services, Parking, and Watkins Health Services.
- KU Affiliates Revenue (\$14m), including Kansas Athletics, the Memorial Union, Hilltop Child Development Center, and the Office of Research.

Core academic operations rely primarily on student tuition and fees. Auxiliaries and affiliates exist on revenue they generate, and each unit will be expected to solve for its own shortfall.

As we transition from FY20 to FY21, we are now able to more precisely describe our losses than we were a few weeks ago. In addition to the FY21 projected revenue shortfall of \$120 million, we had \$35 million in actual losses in FY20, which stemmed primarily from shortfalls in Parking, Student Housing, and Dining. These units were mostly able to cover their losses through university-mandated reserve balances maintained by each unit, which won't be possible to replicate moving forward, because these balances have now been depleted. We expect these units to have a revenue shortfall again in FY21, as, for example, Student Housing will not be able to cover the full cost of operations given limitations on resident capacity required in order to provide physical distancing.

Increased expenses for health and safety measures

The health of our students, faculty and staff continues to be our top priority. We are taking [significant precautions](#) to prevent the spread of COVID-19 within our community, with guidance from our Public Health Planning Team and the Pandemic Medical Advisory Team, which includes some of the region's foremost medical and public health officials.

The extensive health and safety measures we are implementing to keep you safe create significant new expenses for the fall semester. At this time, we **estimate \$30 million in additional expenses:**

- personal protective equipment,
- testing and contact tracing,
- designated quarantine and self-isolation space,
- enhanced sanitation,
- new technology for flexible course offerings,
- reconfiguration of spaces to de-densify campus.

Though some of these expenses will be eligible for federal funding this summer, many will not. Thus, these expenses need to be considered alongside our projected revenue shortfall to fully appreciate the magnitude of our financial challenges.

What it all means

As you know, we have [already taken some initial steps](#) to address our budget challenges, including a voluntary salary cut to our leadership team, a hiring freeze, a six-month salary reduction plan, a voluntary separation program, and a partial central sweep of unit carryforward balances and vacant positions. We expect the actions taken thus far will generate \$58.6 million to put toward our estimated shortfall.

While we are focused on the fall semester and the current fiscal year, it is important to recognize that the \$120 million shortfall is not a one-year challenge. Given the magnitude of our financial situation, we will need to continue making difficult decisions for the foreseeable future. The reality is that the university will continue to be in a vulnerable financial situation as we navigate this unprecedented crisis. The fallout from the pandemic will alter enrollment patterns, state funding and economic conditions for years to come. Thus, not only do we need to act decisively for the fall semester, we also need to fundamentally rethink our operations and make systemic changes that will benefit KU in the long run. This is why the work we are doing through our [COVID-19 Design Teams](#) and our [Jayhawks Rising](#) strategic plan implementation are so important now.

Now more than ever, there is a direct link between our enrollment and our ability to retain employees. This is one of many reasons why we have dual responsibilities to continue to prioritize the health of our community members, while at the same time doing everything we can to enable students to continue their studies at KU. Recent survey data show the overwhelming majority of KU students want to return to campus.

Our mission at KU is to educate leaders, build healthy communities, and make discoveries that change the world. **The best thing each of us can do to help ourselves and KU now is to keep squarely focused on our mission by helping students progress in their coursework this fall – whether it’s on-campus, online or in a hybrid format – ensuring that each course serves our students, no matter where they are, by providing engaging educational experiences.** This has been our goal since we began preparations for the coming academic year. It is the work not only of faculty, but also the work of advisors, staff in student services, instructional designers and technology staff.

In short, each and every KU employee should be striving to help our students progress through their program of studies. We are grateful to all who have been working so hard to make this happen to the greatest extent possible. We continue to be inspired by the innovative ways you are finding to do this work amid challenging and changing circumstances. As always, we encourage you to send your ideas to provost@ku.edu.

Thank you for all you are doing on behalf of KU.

Respectfully,

Barbara A. Bichelmeyer
Provost and Executive Vice Chancellor

Diane Goddard
Chief Financial Officer and

Vice Provost of Finance Administration

