

May 11, 2020

Dear UVM Community,

COVID-19 is impacting higher education in myriad ways and at the broadest level. From enrollment projections to classroom capacity in an age of social distancing, universities across the country can no longer depend on the approaches that have informed our operations for decades. Even tried and true methods, such as using early-May admitted student deposit data as an indicator of fall class size, are no longer valid. Recent national surveys say four-year colleges and universities can expect up to a 20% drop in enrollment and should not rely on deposits as a predictor of the number of students who will show up in the fall. More students are actively considering gap years, are choosing to stay close to home, or are holding seats but waiting to make a final decision.

The University of Vermont is not immune to this seismic shift. In fact, for a number of reasons, we will need to be particularly vigilant:

- Surveys show students now are far less likely to cross a state border for school. Since 73% of undergraduates at UVM are from out-of-state, this new reality is likely to impact our enrollments and revenue significantly.
- Like in much of the Northeast, our population is aging, and the number of high school seniors in Vermont and throughout New England is decreasing. Despite our undergraduate enrollment success in recent years, this changing demographic will challenge us in our effort to maintain the quality and size of our pool of applicants and, ultimately, our undergraduate class.
- Vermont provides the third-lowest per capita support for higher education of any state.
- Raising tuition as a source of additional revenue is not an option, because we already have the 4th highest out-of-state tuition among public universities in the country, after only the University of Michigan, the University of Virginia, and the UC system.

These are significant challenges and they are being exacerbated by the direct costs of COVID-19, including the need to expand our IT infrastructure, purchase special equipment and supplies, provide room refunds to students, and prepare to offer more readily available virus testing to the campus community. By June 30, these costs will amount to almost \$8.7 million. Our budget certainly did not anticipate such new expenses. In addition, we expect to incur another \$6.4 million in COVID-19 direct expenses as we prepare to welcome students back to campus in the fall. And we know there will be more expenses to come. Like an estimated \$20 million in additional financial aid for cash-strapped students and their families, and significant new investment to help level the technology playing field for our neediest Pell-eligible students.

Yet these are not the first challenges faced by our university. For more than 200 years we have stood strong, helping to educate some of the world's most engaged minds and developing research that has advanced our society.

We are resilient, efficient, and offer much to our students. We enjoy an enviable student-faculty ratio, our administrative staffing and costs are lower than the majority of our peers, and our students benefit from a rich variety of research and internship opportunities. We will build on these attributes and efficiencies to position UVM for strength and success in the immediate future and for years to come.

Today, however, we need to address the financial challenges facing UVM and all of higher education. While we will continue to incur one-time expenses associated with COVID-19, we also are facing recurring expense and revenue challenges that the present crisis has only heightened. We must confront the reality that many of our ongoing costs, such as health care premiums, continue to grow. Revenue, however, will not.

UVM is more reliant on tuition than nearly any other public research university—73% of our general fund expenditures are paid by tuition. If we experience even a half of the enrollment decrease predicted by current national surveys, we will suffer a \$26 million loss of revenue, or over 7% of our general fund budget. Even if we experience no enrollment decrease and no shift from nonresidents to residents, we still have to address \$15 million in immediate COVID-19 expenses and a \$5 million recurring increase in the health care premium contributions we make on behalf of our employees.

In order to keep UVM affordable and to maintain our financial well-being, we need to consider several non-tuition options.

We already have announced various measures to help us retain our fiscal strength. We have restricted all university-funded travel. We imposed a hiring freeze. Administrative support units will take their 11th budget cut since 2008. Academic units also have taken budget cuts multiple times over the past decade. Senior administrators are taking salary reductions—many are forgoing a month of salary. We have delayed borrowing \$30 million for a portion of the multipurpose facility project to avoid increasing UVM's debt level. We are renegotiating contracts for third-party services across the university.

While these measures will help, the reality is that about 68% of UVM's budget is directed toward personnel costs. Consequently, this most important budget line must be examined. As we are seeing at research universities across the country, including such wealthy private ones as Yale, Harvard, Stanford, and Princeton, maintaining our financial well-being may necessarily impact salaries and benefits as well as staffing levels throughout the university. We will be examining such options in the weeks ahead, respectful, of course, of any agreed-upon contractual or union obligations. Let me assure you, however, that in keeping with our strongly held principles of fairness and equity, we will be careful to not especially burden any particular segment of our community, including our lower-paid employees and our non-represented staff.

Some may ask again about the university's endowment. Doesn't that provide another potential source of funds to meet the current budgetary challenge? The simple answer is "no." The endowment is made up of over 800 individual gifts, most of which specify a single, restricted

way the proceeds off the gift may be used. Because the principal amount of each of these gifts is to be preserved in perpetuity at the direction of the donor, the university can draw no more than 4.5% of the endowment value each year, and may spend it only for donor-specified purposes.

Our university is strong because of our people. I realize the decisions we must make will be difficult and will likely mean some level of hardship for all of us. But decisive action now will ensure a strong foundation and a bright future for our university. In closing, I am grateful for all that each of you does every day to serve our students and to enhance our reach and impact.

With best wishes,

Suresh

Suresh Garimella

President

University of Vermont