

October 13, 2020

Subj: Reopening the University – Message 23: Financial Update

Dear Members of the Notre Dame Community,

While we have faced extraordinary and historic challenges in 2020, the daily achievements and goodwill of our faculty, staff, and students stand out as beacons of light in the darkness. We have watched as each member of this community has tapped into deep reserves of compassion, patience, and persistence. For this, and for your continuing commitment to doing the good work necessary to sustain our common endeavor, we thank you.

Today we write with an update on the University's financial position. It will come as no surprise that even with the return of students to campus, we are experiencing financial pressure, as are virtually all institutions of higher education. As we navigate a fall semester unlike any we have ever known, we remain committed to the principles that have thus far guided us through the pandemic: prioritizing the health and safety of students, faculty, and staff; offering an unsurpassed undergraduate education that nurtures mind, body, and spirit; and advancing human understanding through scholarship, research, and graduate programs that heal, unify, and enlighten.

Thanks to your good stewardship, strong fundraising results, and a 7.4 percent return for our endowment pool, we were able to finish with a \$5.7 million surplus for the fiscal year ending June 30, 2020, despite a \$38 million revenue shortfall due to COVID-19. Your diligence and understanding as we froze staff hiring and eliminated nonessential spending had a tremendous impact on our ability to end the year better than anticipated. These one-time surplus funds from fiscal 2020 will help to offset budget challenges in the current fiscal year.

For the current fiscal year, July 1, 2020, to June 30, 2021, Notre Dame continues to be in a relatively strong financial position compared to the majority of our peers, but many challenges and uncertainties persist. Many are predicting that our country's economic slowdown will result in a shaky and slow recovery. We continue to see some of the hardest-hit industries laying off large numbers of employees. The financial markets are likely to remain volatile given the current political, social, and economic environment. Unfortunately, we are not immune to the economic challenges nor the reality that COVID-19 will be with us for quite some time, which means we will continue to face significant hurdles in the form of reduced revenues and increased expenses.

With this in mind, we are currently projecting a budget impact of \$130 million for fiscal 2021. Revenue shortfalls are primarily driven by a lack of visitors to campus and declines in philanthropy. The fall semester is typically a lively one filled with athletic competitions, academic conferences, admissions visits, and many other events. These activities drive revenue through ticket sales, bookstore purchases, retail dining, and catered events, to name a few, all of which have been drastically reduced. Despite the generosity of our alumni, parents, and friends, and the good work of our Development team, fundraising results are down by two-thirds compared to what they were at this point last year. Many of our peer universities are projecting negative budget impacts ranging from \$200 million to more than \$750 million and have already implemented furloughs, layoffs, and salary reductions.

While we have decreased expenses wherever possible, the pandemic has increased spending in certain

areas. We have invested in testing, contact tracing, face masks, and other forms of PPE for the campus community, as well as spaces for students needing to quarantine or isolate. Additional staff were needed for our Building Services team, and additional supplies and equipment were needed to maintain a safe and clean environment. We also made significant investments in retrofitting classrooms to allow for dual delivery of instruction. We have remained unwavering in our commitment to meeting the full financial need of students, increasing year-over-year spending on undergraduate need-based aid by \$20 million. These expenses, while significant, have been necessary for the continued and safe fulfillment of our aforementioned guiding principles.

The fiscal 2021 shortfall will require our continued vigilant stewardship of University resources. Previously announced budget reductions of 2.5 percent in both fiscal 2021 and 2022 will help to alleviate some of the impact. The staff hiring freeze remains in effect, and all of us must continue to thoughtfully consider and eliminate University-sponsored travel and other expenses where possible. We recognize that these measures are, and will continue to be, a challenge, and we are grateful for your sacrifices and support. Prior communications outlined the potential need to reduce or eliminate the 403(b) match should additional savings be required. Happily, we can report that we plan to continue offering our full 403(b) match to employees; at this time, there are no plans to alter this benefit.

In addition, we will continue to pay all full-time and benefits-eligible part-time staff regardless of hours scheduled during the extended student winter break. Unlike many universities, we are making sacrifices in other areas to keep our staff financially whole and secure during these difficult economic times. Our ability to do this comes directly from your careful stewardship and extraordinary effort during this difficult period. The University also recently announced that employees will enjoy six additional paid days off around the holidays.

The delivery of in-person classes and a residential campus experience this semester has been a supremely ambitious undertaking – one that has required the heroic dedication and resilience of our entire faculty and staff. We thank you for all you have done to make this possible, and we ask that you continue to stand with one another in compassion and friendship as we traverse this difficult journey together. With perseverance and God's good grace, we will come out stronger on the other side.

In Notre Dame,

Marie Lynn Miranda
Provost

Shannon Cullinan
Executive Vice President