



Dear Members of the Johns Hopkins Community:

In recent weeks, I have written to share updates with our community and to express my profound gratitude for your extraordinary response to COVID-19. I continue to be awestruck by our university's remarkable resourcefulness and resilience, its decency and aspiration, its humanity and excellence.

As we look across the vast expanse of Johns Hopkins—in health care, research, education, and service—it is clear that our mission advances despite the very trying circumstances in which we are operating. Johns Hopkins has truly risen to this moment. This is rightfully a point of shared pride for all of us.

Yet our university is not immune to the very serious negative effects of COVID-19. Today, I write to speak frankly with you about the substantial financial challenges our university is confronting and the measures we are undertaking to meet them, including actions that will directly and significantly affect our employees.

The context for this discussion is among the most daunting of our lifetime, given the devastating toll that COVID-19 is exacting on our nation and its citizens. As of this week, more than 40,000 people have died of the disease in the United States and many thousands more have been rendered gravely ill, some with long-term health effects. Over the past month alone, more than 22 million people across the country filed for unemployment compensation, including more than 300,000 people in Maryland. Government and industry leaders now predict levels of economic loss not seen since the Great Depression of almost a century ago, and caution us to prepare for years of extended recovery.

Johns Hopkins enters this moment with a focus first and foremost on our people—those we live, learn, and work with, and those we are honored to serve. We also begin from a strong financial position, having taken important steps in recent years to guard against economic downturns. But we run on an extremely tight budget margin, with a financial surplus that typically ranges between just 1% and 2% of our total budget. That low margin, though a small portion of our overall budget, fuels the strategic growth of our university.

When the university's revenues are significantly reduced due to unforeseen circumstances, such as this unprecedented pandemic-induced contraction, the consequences for our budget are profound. We have a history and a financial model in which each division is responsible for its own financial performance, but we operate as one entity. We rise and fall together as one university and support each other during difficult times.

I have prepared and posted online [a detailed articulation of the university's financial projections](#) in response to COVID-19, as well as the principles and values that guide our decision making, and the approach we are taking to mitigate losses across the university in the near term and then to work with our divisions to adjust our plans and budgets to absorb this challenge over the longer term.

I share here a high-level summary of our current financial position and, importantly, the values and principles that shape a number of significant steps we must take in the immediate term. This necessary work will allow us to sustain our mission and our drive for excellence.

Anticipated COVID-19 Losses

Virtually every part of the university faces financial setbacks as a result of COVID-19. We are experiencing substantial losses in tuition and student-related revenues, while at the same time investing in remote and online learning, serving the needs of those students who remain on campus under the stay-at-home order, and extending special financial support to students and families in need.

We are under financial pressure owing to the suspension of on-campus research activities and associated reductions in reimbursements for research-related fixed costs. We have also seen a dramatic reduction in the clinical revenue generated by our medical faculty, due to the halt in all elective procedures and necessary shift in our focus and facilities entirely to COVID-19 patient care.

Unfortunately, we cannot rely on our endowment or philanthropic support to fill the breach. Over the past six weeks, as the financial markets declined, so too did our endowment value, which in turn reduces those funds that are available for university operations. And while we will continue to benefit from philanthropic support directed to student aid, professorships, and specific research endeavors, we are seeing a substantial decline in the unrestricted giving that supports our basic operations, as friends and donors themselves experience economic upheaval from COVID-19.

Based upon just the final four months of this fiscal year, and barring substantial mitigation efforts, we are projecting a loss of more than \$100 million for FY20. Even more distressing, depending on when the university is able to resume normal operations, and again absent significant mitigation, we are projecting losses of \$375 million for the next fiscal year (July 2020 through June 2021).

These tremendous financial pressures are not unique to Johns Hopkins. Many of our peers are grappling with similar challenges. But they are ours to resolve.

Principles for Mitigation and Recovery

Over the past month, the university leadership team and I have been in close and intense consultation with our trustees, deans and directors, divisional budget officers, and representatives of the Faculty Budget Advisory Committee, to assess the financial impacts facing Johns Hopkins immediately and in the years ahead.

Admittedly, there is much we do not know in this evolving and unpredictable situation. Nonetheless, we have come to the shared view that we must institute a set of prudent and carefully devised measures to help us withstand unavoidable COVID-related economic shocks and to fully protect the strength and aspirations of the university.

Fundamentally, we believe that any budgetary decisions must be guided by a set of principles that reflect our core values. In this, our response to COVID-19 must:

- keep the health and safety of our faculty, staff, students, and patients front and center;
- value and support our affected employees;
- ensure thoughtful, responsible decision making based on the best available data and expertise;
- pursue state and federal support in light of the contributions we are making to the pandemic;
- be attentive to the unique circumstances and challenges of the university's divisions;
- target administrative reductions over academic activities wherever possible;
- be informed through broad consultation and transparency; and
- reflect our long-term strategic priorities, the value we place on the learning experience for our students, and our commitment to excellence.

Urgent Action Within a Phased Approach

With these principles in mind, we are taking a three-phased approach to our mitigation efforts.

First, we are taking urgent universitywide steps to reduce expenditures, ease immediate financial pressures on the divisions, and allow time for thoughtful planning. Second, we are working with the divisions as they develop and begin implementing financial plans that fully close the gap with needed budget reductions over a three-year period. Third, along the way, and before the end of this calendar year, we will assess our progress, evaluate new options and opportunities, and adjust our plans in light of evolving circumstances.

For now, our most urgent phase one mitigation measures for FY 2021 will encompass:

Suspension of retirement contributions. In fiscal 2021, the university will suspend employer contributions to 403(b) and 457(b) retirement accounts—a step we take with great reluctance and appreciation for the sacrifice of our employees, but one that avoids across-the-board salary

reductions and will help us maintain employment for as much of our workforce as possible ahead. This action is projected to save \$100 million in FY21.

Salary reductions for university leaders. In recognition of the sacrifices that will be required across the university, Provost Kumar and I will reduce our salaries by 20% in the next fiscal year, and our deans and university officers will reduce their salaries by 10%.

Salary hold for faculty and staff. The university instituted a general prohibition and review of base salary increases on April 7, and we will continue this hold for the next fiscal year (ending in June 2021). This means that base salaries for FY21 will be the same as for FY20, with no annual merit increases. Any exceptions will require the written approval of the dean or divisional leader. This action is projected to save approximately \$20 million in FY21.

Restrictions on hiring. The university is restricting all staff hiring through FY21. During this time, we will allow flexibility for hiring only to meet urgent or strategic needs, particularly roles essential to program or clinical activity related to the COVID pandemic, with the approval of divisional leadership. Faculty hiring will be subject to approval by the dean and provost. This action is projected to save at least \$40 million in FY21.

Furloughs and layoffs. Furloughs and layoffs are regrettably expected to be necessary within some units of the university as an unavoidable consequence of the losses we are experiencing. Decisions regarding furloughs and layoffs will be made at the divisional and departmental level, including within university administration. Every effort will be made to provide transition assistance for affected employees during this extraordinarily difficult time.

Suspension of capital projects. The university has halted new capital projects over \$100,000 through FY21, with the exception of capital projects that address critical safety or systems issues, meet an urgent strategic need, or are largely supported by donor and/or sponsored funds. All active studies, design activities, and construction projects are subject to review.

Nonpersonnel expense reductions. The university procurement, technology, and facilities and real estate teams will be revisiting contracts for goods and services and construction and lease commitments to set financial targets for reductions, while remaining steadfast in our proactive efforts for inclusionary and local spending through HopkinsLocal.

COVID-19 workforce relief funds. The university is establishing two COVID-19 workforce relief funds to provide grants for our lowest-resourced employees and displaced contract workers who are in need of financial assistance as a result of the pandemic. These funds—the COVID-19 Employee Relief Fund and the COVID-19 Contract Worker Relief Fund—will follow the eligibility requirements set forth in the recent federal relief program. More information on how to access this direct financial support will be forthcoming from HR.

Commitments to our community. In this critical moment for our city and communities, the university is establishing new avenues for providing needed help for our neighbors, including a

COVID-19 community impact fund and a food distribution initiative through community partners across East Baltimore.

Undergirding these plans is our aim to resume work across our enterprise and to continue to deliver a full Hopkins education to our students, via remote learning for now and in person when we can safely convene on our campuses.

I hope you will take a moment to read [the full framework document](#), and you will find additional information about these actions in upcoming FAQ and HR communications. All of which is offered to support our community in this moment and as we begin our collective recovery.

This crisis has already demanded great sacrifice from each of you, and it is painful to consider what may be required of us ahead. But the COVID pandemic has also shown once more what a crucial institution Johns Hopkins is—to Baltimore and to the world.

Ever since our extraordinary beginnings in 1876, the story of Johns Hopkins has been one of breathtaking innovation and impact. And remarkably, this university's story has been written with a dedicated resource base that is but a fraction of the endowments of many of our peers. Our innate resourcefulness, driving determination, and abiding collegiality are what set us apart. We have weathered periods of turmoil and strain throughout our history. Each time, our university has emerged stronger with our mission not simply intact but invigorated.

I offer again my profound gratitude to all of you for your determination in the face of adversity, and my firm resolve to carefully and compassionately steward this university through the difficult times ahead.

Sincerely,

Ronald J. Daniels
President