Dear AUB community,

I hope you are safe and healthy. I will not enquire if you are well, as none of us can be described as truly well in these extraordinary times. I am writing today to tell you that AUB is facing perhaps its greatest crisis since the university’s foundation in 1866. This is the result of a confluence of calamities, starting with the collapse of the Lebanese economy, now compounded by the COVID-19 pandemic and associated global recession, which may yet develop into the first global depression since the 1930s. These circumstances have placed many universities in harm’s way, not just AUB, and my purpose in this message is to share transparently how we are planning to address the situation to secure the region’s finest seat of higher learning so it may continue playing its transformative role in society.

For 30 years since the end of the Lebanese Civil War, AUB has cultivated an aggressive growth model that has placed the university among the top 200 in the world by many ranking criteria and much higher than that in impact, graduate placements, and overall employability rankings. We intend to maintain these standards, but in order to do so we must first survive the current crisis in front of us. Like others among the greatest universities in the world, we must fundamentally change in order to survive.

For the 2019-20 academic/fiscal year, AUB’s projected revenue was approximately $609 million, which we intended to spend on education, research, salaries, patient care, student support, capital projects and community service. Due to a shortfall in revenues, we face real losses of $30 million in the current year, which will almost entirely exhaust the contingency fund that the university has been building over the past five years from the small margin that existed between revenues and expenses in the annual operating budget. For the 2020-21 period, we are projecting all-in revenues of $249 million—a 60 percent reduction from the current year. Most organizations do not survive such rapid and severe drops in revenue, and indeed many private higher education establishments around the world will not survive the revenue shock that each one is currently projecting in the aftermath of the COVID-19 pandemic.

Bearing in mind that approximately 85 percent of AUB’s revenues are derived from Lebanon, projections for the next year are based on the optimistic assumption that the Lebanese pound will stabilize at 3,000 to the dollar in that period, but they do not take into account a possible haircut imposed on AUB’s bank deposits in Lebanon. Factors at play include a major reduction in dollar-based external scholarships announced to AUB prior to the pandemic; a projected increase in required assistance for continuing students who already receive financial aid; a
large reduction in patient volume at AUBMC; and a stable percentage of uncollected healthcare bills from the government. Assuming no change in staffing or salary support, savings could be realized in salaries and benefits due to the drop in value of the Lebanese pound. However, taking into account the projected losses in revenues and reductions in expenditures, business-as-usual operations would result in a real net loss of more than $150 million in the coming year alone. Under the best market circumstances, this deficit is beyond the capacity of the university to absorb for even one year. The economic situation in Lebanon is unlikely to change this picture for the better for some years to come.

We have been working assiduously, around the clock, to come up with a plan that will allow this university to survive the next several years, and to ensure that we can again thrive in the longer term. The university is ultimately about its people, those it employs and those whose lives it transforms. We are conscious of the burden that people are facing in these extraordinarily difficult times and we will do all we can with every resource available to help protect the lives and the livelihoods of our students, faculty, staff, physicians, and administrators, without risking the survival of the university. To this end, we have raised more than $10 million in solidarity funds for students, patients and staff, and are exploring multiple options to preserve the buying power of our faculty with commitments here and abroad. But there is no question that sacrifices must and will take place at every level, and we fully expect that all involved will work cohesively, sincerely, and respectfully to align with the values and mission of this great university.

We continue to look everywhere for savings, including a reduction in capital expenditure, travel, and in many other areas. But the dramatic, near complete collapse of the Lebanese economy, with the free fall of the Lebanese pound and rates of poverty and unemployment expected to soar, has left little certainty as to where this will end. As our core mission is to educate the best and brightest and to create opportunities for them to help transform the world for the better, a world that today is suffering like it has not for generations, all will be affected in the coming period.

As part of AUB’s methodology, deans, directors and senior administrators have started discussions with chairs and other leaders to explore every aspect of every program, its viability, and its importance to the future of the university and to our students, faculty, staff, and alumni. We have reviewed student outcomes, employability, staffing plans, financial papers, rental agreements, purchases of equipment and materials, and the flow of funds. This has allowed us to define a process that will be driven forward in a series of inclusive meetings involving all our constituencies. Consultations during this coming month will include, but will not be limited to, more than a dozen meetings with the Board of Trustees, meetings with our Employee Benefits Committee, our Financial Planning Committee (which includes representation from the administration, faculty, the syndicate of non-academic staff, and the student body), presentations to the University Senate, and to faculty, students, and staff. The process will culminate in the finalization of a budget by early June which will be submitted to the Board of Trustees at its June 4-5 meeting. I shall then send a letter to the entire AUB community outlining the savings that underpin this budget on June 15.

There are many critical matters to be addressed with the various constituencies before the Board and senior university leadership render their final budget and decisions. These include where we set student tuition, what resources we can leverage to restore buying power, how to enhance our global fundraising efforts and secure new institutional scholarships, how to leverage telemedicine and other avenues to restore some of the lost revenues to AUBMC, the
degree to which it is possible to borrow money, and what portion of our endowment, more than 85% of which is restricted, will be used and over what period of time. Steps we are exploring and will need to undertake are many. But they may well include closure of an as-yet undetermined number of programs and departments, the departure of a number of our community members, furloughs, a halt to capital expenditures, a near complete cancellation of university sponsored travels, leaves and conferences for the foreseeable future, and a review of the current benefits system.

We must ascertain in a relatively limited period of time what are the most fundamentally critical programs we have at AUB that allow us to empower and educate leaders, create and implement groundbreaking research, and serve the community, country and region in a transformative way. Anything that is not deemed mission essential will likely prove to be a luxury that we can no longer afford, given the accelerating pace of Lebanon’s economic meltdown, the COVID-19 pandemic, and the expected global economic depression. We will therefore seek to obtain maximum feedback and engagement prior to making these indescribably painful decisions ahead, including whom we partner with in supplying the workforce that staffs our campus. These are some of the fundamental questions that are in play, given that some assumptions have already been factored in, namely that we must become a leaner, more efficient, and more sustainable university, which must help every one of our currently enrolled and soon-to-be-matriculated students complete their education in the most dire economic circumstances faced by people in Lebanon and the region for decades.

Make no question and have no doubts, everyone will be affected—from our senior leadership which will take significant pay reductions, to faculty members who have seen their buying power reduced, to students and their families who are struggling more than ever to pay tuition fees, to our staff who comprise our most financially challenged group. All will contribute in significant measure. All of us at AUB are fully dedicated to the future of the institution. There is no time for division or scoring of points while the university’s survival is at stake.

I look forward to seeing many of you once the COVID-19 pandemic has come under some control. But even in that, our classrooms will be different, and our teaching format will have necessarily benefited from the trials and tribulations of forced, accelerated distance learning. I am confident that, working together, AUB will emerge a more impactful, more inclusive, more relevant, and more sustainable institution. We will do everything we can and must to save it. It is my deep conviction that Lebanon and the region have no hope whatsoever if AUB cannot fulfill its mission. Saving AUB must be our only priority. And save it we will.

Best regards,

Fadlo R. Khuri, MD
President