

Positioning UD for Long-Term Academic Excellence, Student Success and Fiscal Health

Board of Trustees
President Dennis Assanis
March 19, 2024



Higher education environment is challenging ...

Penn State Cuts Over \$100M From Budget to Address Financial Challenges

The University Park colleges, administrative and student support, and Commonwealth campuses all face cuts in the fiscal year 2026 budget to compensate for financial difficulty and to create a roadmap for long-term university sustainability.

A primer on Temple's operating budget

As enrollment challenges continue to impact universities and colleges across the Northeast, Temple University is working to ensure that the university remains on a sustainable path moving forward.

The U. of Connecticut Could Be the Next Public Flagship to Face Big Cuts

FORBES > LEADERSHIP > EDUCATION

3 More Major Universities Reveal Plans For Budget Cuts

Markets

Distress Soars at Small US Colleges as Enrollment Declines

- Schools have broken covenants, struck deals with bondholders
- Fitch sees consolidation persisting 'in 2024 and beyond'

FORBES > LEADERSHIP > EDUCATION

More Colleges, Universities Announce Budget Cuts Amid Financial Woes

A Look Back at College Closures and Mergers

More than a dozen colleges announced closures this year. Most struggled with enrollment issues that only accelerated after the coronavirus pandemic.



But UD is well-positioned for continued success

delaware online

[News] Sports Life First State Favorites Advertise Obituaries eN

EDUCATION

UD sees record applications

UNIVERSITY OF DELAWARE RISES IN RESEARCH RANKINGS

Article by Tracey Bryant | Photo illustration by David Barczak | Photos by Evan Krape and Kathy F. Atkinson | December 04, 2023

UD leaps forward in NSF HERD Survey

UD LEAPS IN SUSTAINABILITY RANKINGS

Article by UDaily Staff | Photo by Kathy F. Atkinson | January 19, 2024

UD ranks 33 in the U.S. and 240 globally in QS World University Rankings: Sustainability



INTEREST IN UD INCREASING

Article by Adam Shutz | Photo by Kathy F. Atkinson | August 25, 2023

Applications to UD broke last year's record and applicant test scores and GPA also rose

UD RECOGNIZED FOR FIRST-GEN STUDENT SUCCESS

Article by Jessica Downey | Photo by Evan Krape | November 07, 2023

University selected as a First Scholars Network member by the Center for First-Generation Student Success

RECORD-BREAKING DELAWARE FIRST CAMPAIGN CONCLUDES

Photo illustration by Jessica Collins | August 30, 2023

More than 113,000 donors gave more than \$1 billion to support the University

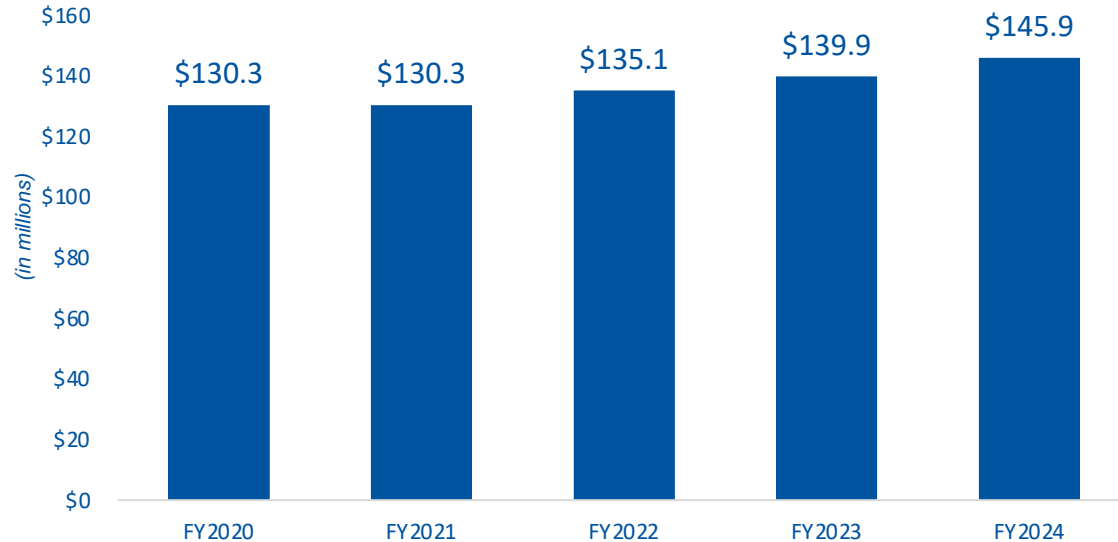
EDUCATION

An online graduate program at UD just ranked among nation's top-20: Education roundup



State operating appropriation grows

UD's total state operating appropriation has increased by 12% since FY20.



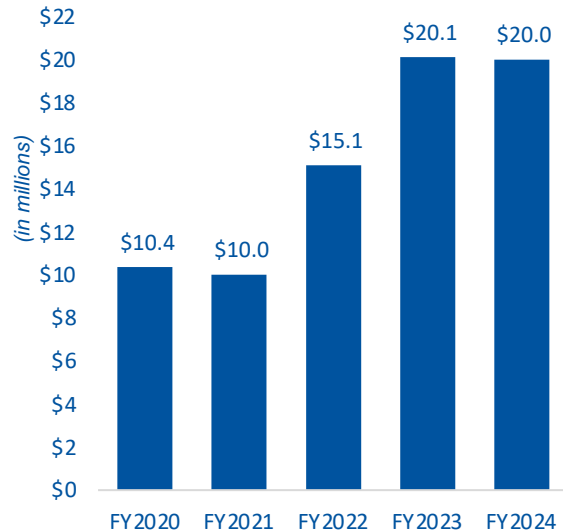
(NOTE: Figures available at udel.edu/about/facts-figures/financial-profile/)



State capital funds support modern facilities

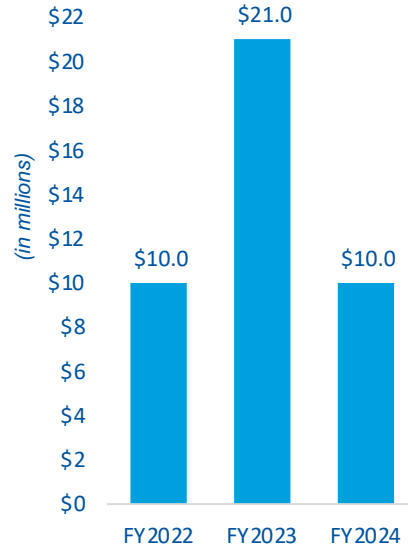
Recurring funds

Capital Appropriation
(Deferred Maintenance)

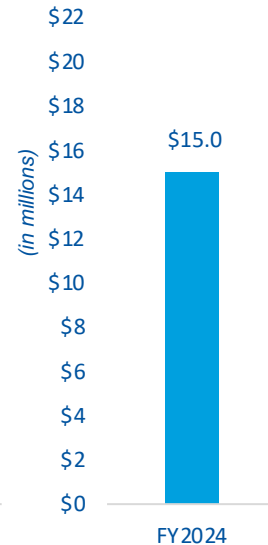


One-time funds

Building X



SABRE



- Since FY20, the state has doubled its investment in deferred maintenance.
- The state has also supported one-time capital investments.
- UD has voluntarily agreed to pay prevailing wage on all capital projects.

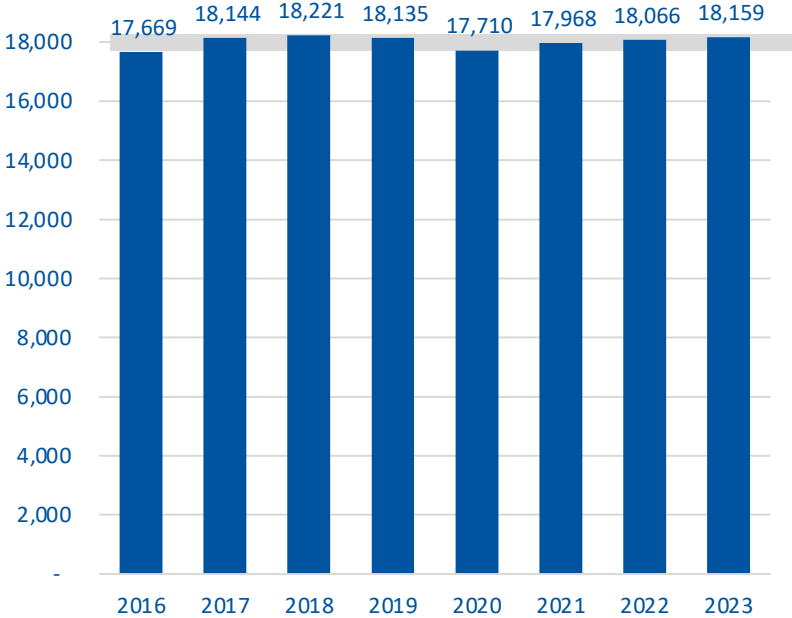
(NOTE: Figures available at udel.edu/about/facts-figures/financial-profile/)



UD has stable enrollment and strong demand

Undergraduate enrollment

(Fall, Full- & Part-Time, Newark Campus)



39,600+

Undergraduate applications for Fall 2024, a record and a **50%** increase since Fall 2016



Financial aid pressures continue to grow

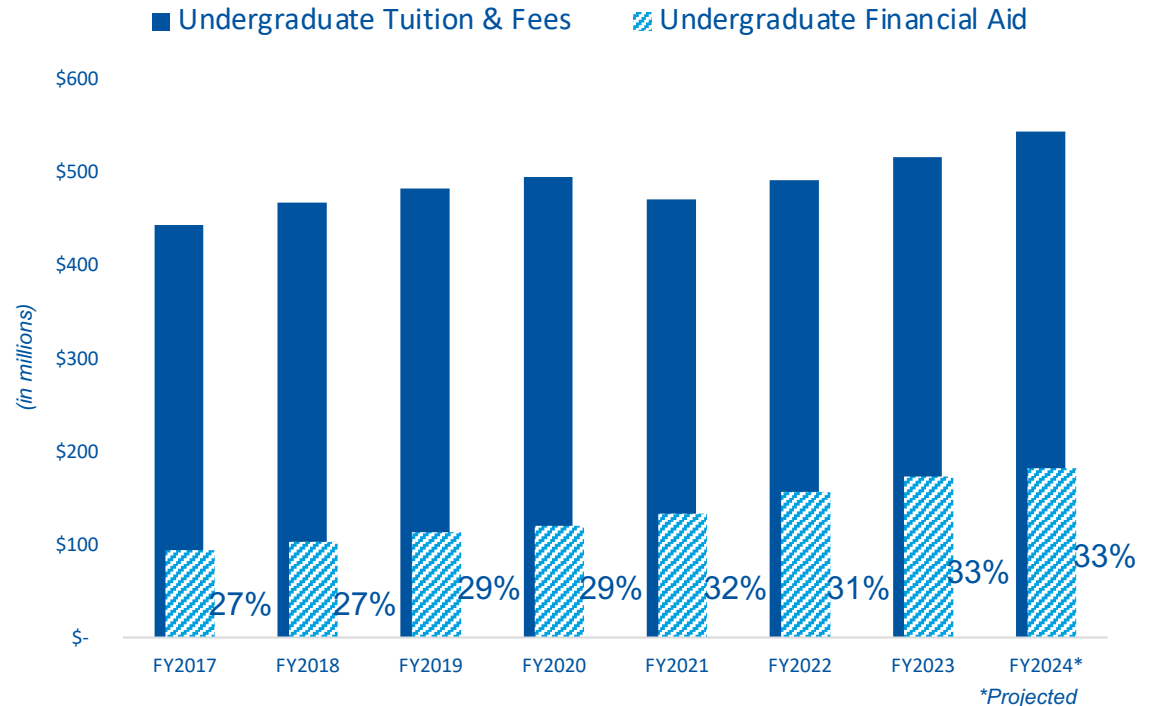
Tuition and financial aid growth

- Since FY17, total tuition and fees have increased by \$104M.
- During that same time, financial aid has increased by \$68M.

35% Public
59% Private

National average tuition & fees discount for first-year students

(Ruffalo Noel Levitz RNL 2023 Discounting Report)



(NOTE: Figures available at udel.edu/about/facts-figures/financial-profile/)



First State Promise aids Delaware's families

Coverage: Total tuition costs

Eligibility: Students whose families earn \$75,000 or less

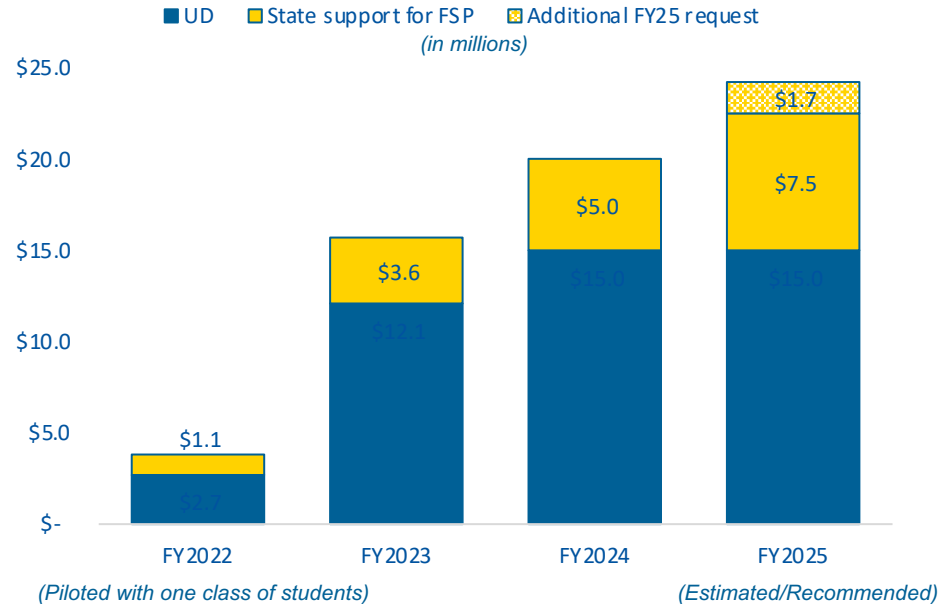
Neiest students: Support for room, board and fees

Above \$75,000: Partial aid

Benefiting: ~2,300 Delawarean undergraduates (~1/3 of in-state students)

Additional impact: Promotes diversity; 44% of Delawarean undergraduates are non-white

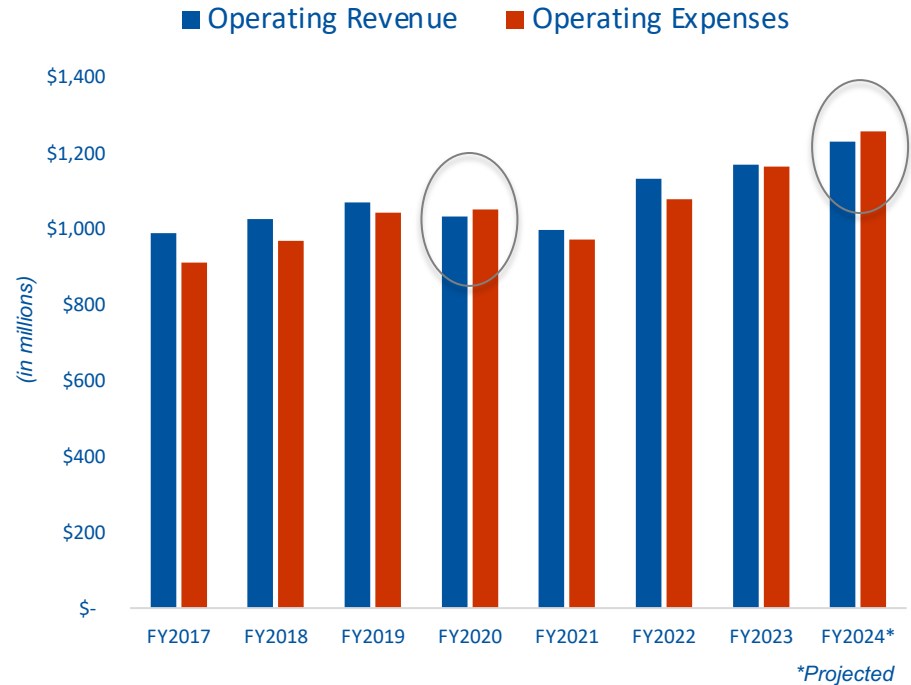
UD is committed to meeting half the cost of FSP but needs greater state support to match funding equally



Operating expenses growing faster than revenue

Operating revenue and expenses are not keeping pace in the wake of the pandemic.

- Total operating revenue has increased by \$240M or 24% since FY17.
- Whereas total operating expenses have increased by \$345M or 38% since FY17.



(NOTE: Figures available at udel.edu/about/facts-figures/financial-profile/)



Multiple financial pressures converge this year

High cost of
goods and
services

Personnel
compensation
higher than
expected

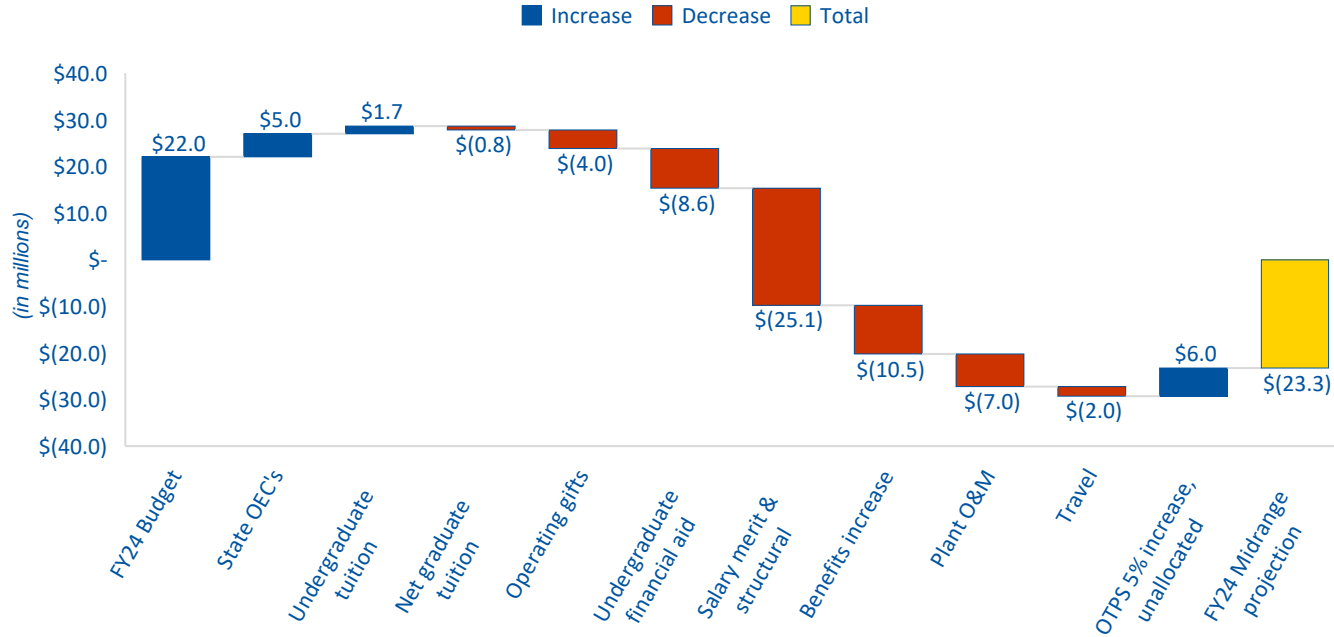
Student
financial need
increasing

Health
insurance
premiums up



Revenues down, expenses up vs. FY24 budget

Mid-Year FY24 Projected Operating Overview



- Estimated operating deficit range: \$20M to \$40M
- Operating margin range: **-2.3% to -3.7%**

(NOTE: Additional one-time state health insurance cost of \$4M may be assessed in FY24 or FY25.)



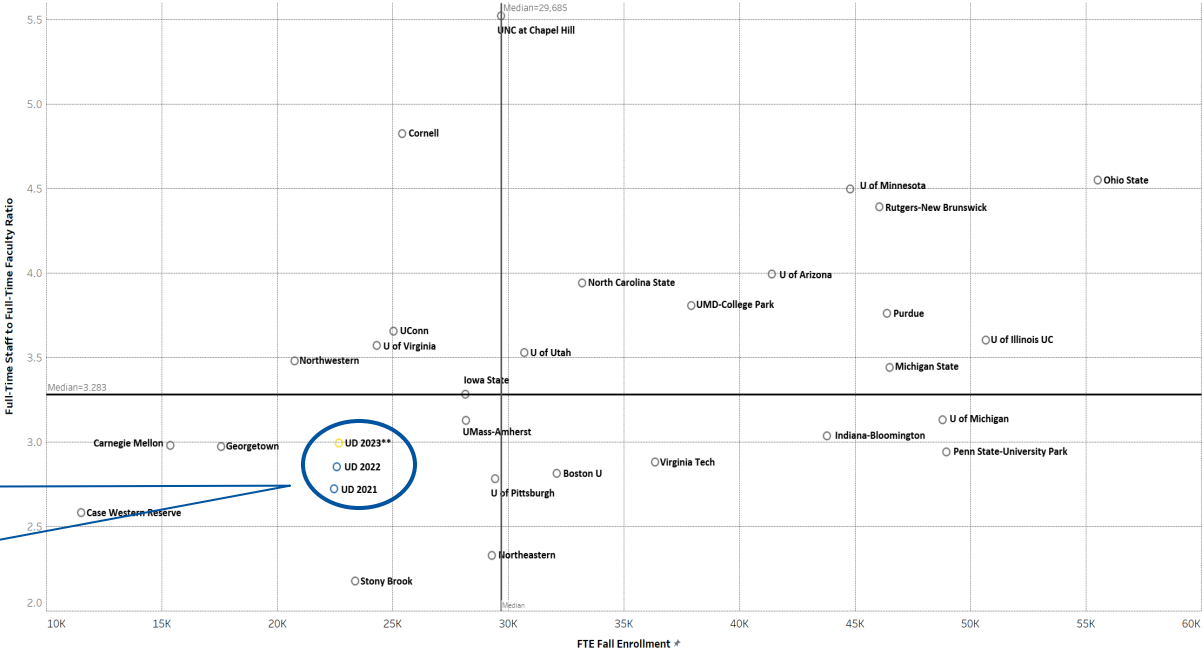
Factors in increased payroll vs. budget

- Higher than budgeted costs per contractual agreements
- Higher than expected yield in faculty searches
- Higher than expected yield in staff searches
- Higher salaries than budgeted for those hired
- Reclassification and equity adjustments
- Better retention compared to trends



Recent hires key to maintaining UD's prominence

Staff/Faculty Ratio Peer Comparison



UD more closely aligned with peers in 2023

Since FY19, full-time FTE has increased by 7% with the largest increases strategically made to support research, which is funded primarily on sponsored funds.

The percentage of full-time FTE funded by basic budget has remained consistent at 66%, with 34% being funded with other resources.



FY25 all-funds planning for discussion

- Preliminary all-funds operating expenses are estimated to outpace revenue generation in FY25 by \$10M to \$45M, **depending on the success of revenue generation and cost-mitigation strategies.**
 - **Preliminary total operating revenue increases: \$25M to \$45M**
 - Gross tuition revenue increases: \$20M to \$35M
 - Low range: assumes flat enrollments, applies 4% tuition rate increase
 - High range: assumes enrollment, incoming freshman class of 4,300, transfers and AAP enrollment increases
 - Undergraduate aid expense increase: \$3M to \$6M (32% to 33% discount rate), potentially more
 - Graduate revenue increase: \$3M (assumes 7% gross grad tuition increase, offset by expenses)
 - **Other revenue sources: \$11M** (gifts, housing, dining, fees, endowment payout (assumed at 4%), temporary investment income and F&A return)
 - **Preliminary total operating expense increases range between \$53M to \$70M**
 - Other than personnel expenditure increases: \$4M to \$10M
 - Salary merit and structural increases: 4%, represent \$20M increased expenses, could range higher depending on FY24 actual outcome
 - Healthcare increase percentages: anticipate 27% increase over the 10% increase for FY24; could generate increased expenses of between \$27M to \$30M



Thoughtful action, perseverance, unity will ensure a bright future for UD

- Sustaining the excellence of our top-ranked education, world-renowned research, dedicated service, and unparalleled campus experiences that define UD
- Actively managing and evolving fiscal policy to respond to budget challenges and uncertainties, while developing proactive strategies for long-term financial health
- Measures and guidelines phased in now to provide some budget relief this academic year, but more so to enable us to address recurring pressures
- Forging our path forward requires perseverance and unity



Proactive guidelines to help manage uncertainty



Hiring



Travel



Discretionary spending



Events



Compensation



Capital projects



Consulting and contracts



Listening sessions add clarity and context

Continuing high-quality student support

Harnessing people to be part of the solutions

Continuing support & commitment to research mission

Recognizing impact on smaller units

Eliminating hurdles & improving efficiency

Ensuring support for junior faculty

Reaffirming the value of a liberal education, incl. arts & humanities

Balancing resources & workload

Optimizing campus spaces

Fostering career advancement for faculty & staff

Maintaining the quality & breadth of course offerings

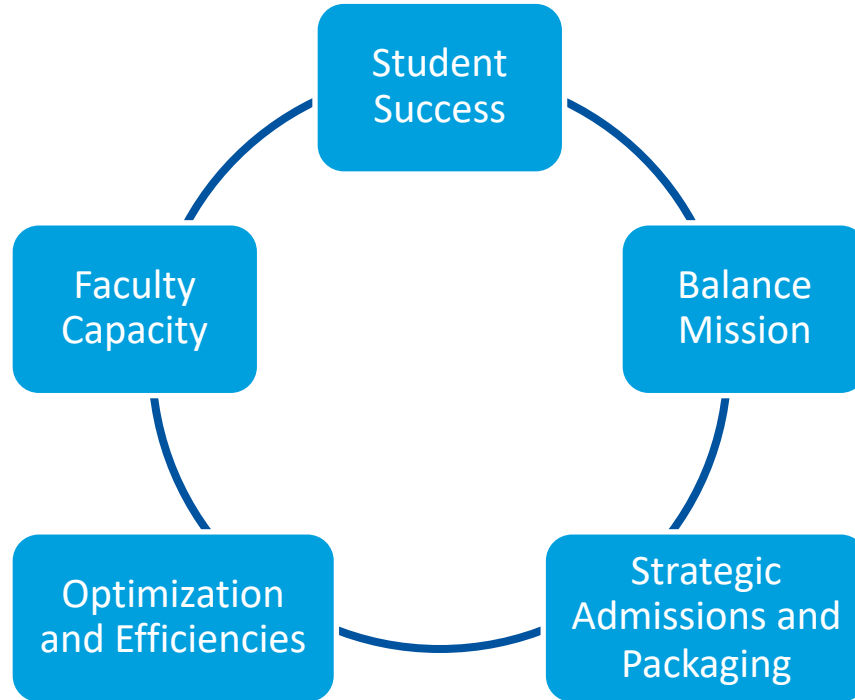
Allocating budgets to the dept. level

Exploring alternatives to state health insurance

Expanding revenue generation



Systems-level targeted growth: Principles



Revenue-generating initiatives

Strategic financial aid
packaging

Create programs

Expand pathways

Connect degrees

Optimize capacity

Utilize time & space

Research & Innovation

Fundraising



Financial aid update

Overall
packaging
strategy
developed

Merit
distributed

Need awaiting
full FAFSA
data

Delays across
higher ed in
packaging
and deposits



Expand Pathways: Transfers

Strong Pool – 1,186 applications as of 3/18/24

Growth target ~ 180

Growth strategy

- Admit earlier

- Housing pilot

- Provision of financial aid

Expected net tuition revenue growth = ~\$3.6M



Connect Degrees: Newly approved/pending 4+1

- Animal Bioscience/Animal Science 4+1
- Animal Science 4+1
- Applied Molecular Biology and Biotechnology/Medical Sciences 4+1 (BS/MS)
- Food Science 4+1 (BS/MS)
- Health Behavior Science/Health Promotion 4+1 (BS/MS)
- Hospitality and Sport Business Analytics (MS)
- Marine Science/Marine Studies - Marine BioSciences Concentration 4+1 (BS/MS)
- Marine Science/Marine Studies - Oceanography Concentration 4+1 (BS/MS)
- Marketing/ Business Analytics and Information Management 4+1 (BS/MS)
- Materials Science and Engineering/Materials Science and Engineering 4+1 (BMSE/MMSE)
- Mechanical Engineering 4+1 (BME/MSME)
- Medical Diagnostics/Medical Sciences 4+1 (BS/MS)
- Medical Laboratory Science/Medical Sciences 4+1 (BS/MS)
- Nutrition and Dietetics/Human Nutrition 4+1 (BS/MS)

Target headcount: (# seniors = 700; target 10% = 70)

Expected net tuition revenue growth (12 credits/semester): \$1.7M



Newly approved/pending professional master's

Clinical Psychology Science (MS)
Computer Science (MBA/MS)
Financial Services Analytics (MS)
Nursing Education (MSN)
Social Work (MSW)

Expected headcount across programs: 107

Expected net tuition revenue growth = \$1.9M



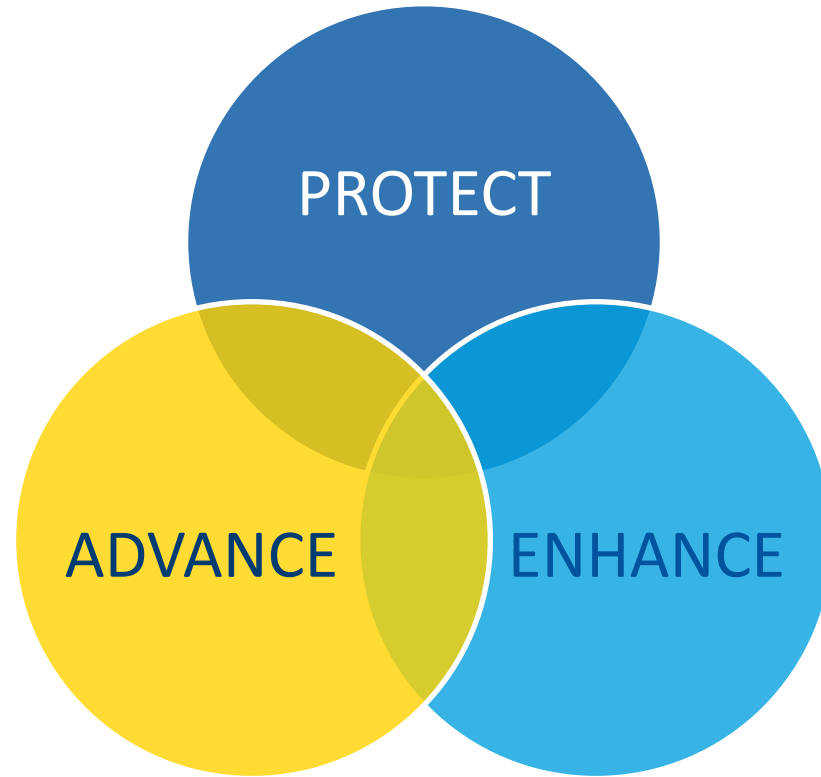
Planning strategically for budget resilience

- Academic and research excellence in an evolving landscape
- Admissions, enrollment and housing
- Optimization of education delivery and cost
- Revenue enhancing opportunities (winter/summer sessions; online; international)
- Operational excellence
- Compensation and benefits
- Multi-year budget planning (operating, capital, space management and projection)
- Communications (commitment to transparency and respect)

*Proactive
consultation and
collaboration
among our
constituencies
towards
sustainable
solutions for the
future*



Working together to chart our path forward



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