

Joint Capital Improvement (Bond) Committee

2:30 p.m. Wednesday, April 3, 2019, JFC Hearing Room, Legislative Hall, Dover



Good afternoon, **Senator Sokola**, **Representative Heffernan** and other members of the Bond Committee. Thank you for the opportunity to discuss the University of Delaware's capital budget appropriation for FY2020. We know you have a difficult job, and, as always, we appreciate your time and attention today.

We have several people here who can address any specific questions you might have about our presentation. Let me take a moment to acknowledge a few of them. You may already know **Robin Morgan**, our Provost. Also with us is our new Executive Vice President, **John Long**, who comes to us from the University of South Florida. John has extensive experience in higher education and the military, and he started at UD just a few weeks ago.

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Thank you, John.

We want to share with you how strategic investments in higher education will benefit the entire state, now and for decades to come.

The University of Delaware enjoys very productive partnerships with all higher education institutions in Delaware. We work together to serve the education needs of Delawareans and help develop the economy of our state. Each of us plays an important role, and the state needs all of our institutions of higher education to be strong and vibrant so we can serve the state to our full potential.

That's why we need strong partnerships with you. The support of Gov. Carney and the General Assembly is an essential ingredient in our shared success.

Investing for Long-Term Impact

Our Land Grant Mission

- ❖ **Teaching:** Ensuring an excellent and affordable UD education for 9,000 Delawareans
- ❖ **Research:** Discovering the knowledge and innovations that create Delaware's future
- ❖ **Service:** Fueling a \$2.8 billion annual impact on Delaware's economy



At the University of Delaware, our partnership with the state is built on our three-part land grant mission of teaching, research and service.

Delawareans — those who are students on our campuses, as well as every resident of our state — are at the heart of our mission. They come to UD for education and professional development throughout their lives. Our research improves the health and well-being of individuals and their communities. And our economic impact touches every person in the state.

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A Budget Request Aligned with Our Mission

- ❖ **FY2020 Bond Bill** — \$10M toward our \$435M deferred maintenance backlog in classrooms, labs and other facilities that are integral to student and faculty success
- ❖ Increase **Higher Education Economic Development Investment Fund** to \$20M/year to support all institutions of higher education

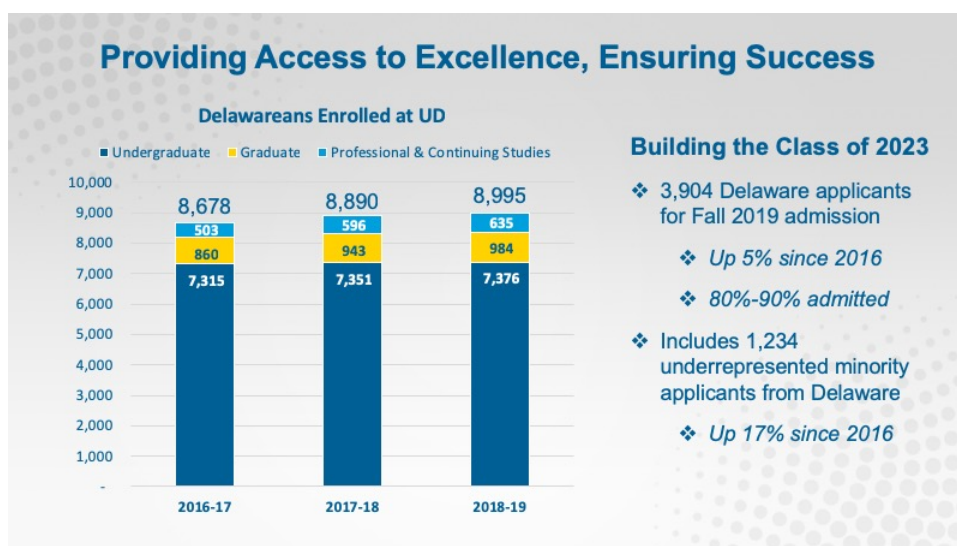
This is why we've aligned our budget request to support this mission.

For FY2020, we are requesting \$10 million in the capital budget to address maintenance projects in the teaching and research laboratories that students and faculty need for their success.

We are also asking that the Higher Education Economic Development Investment Fund be increased to \$20 million in FY2020 — as well as future years — to support long-term opportunities at Delaware’s institutions of higher education. We plan to invest money from that fund to support infrastructure needs at the biopharmaceutical innovation facility we’re currently building on the STAR Campus.

These investments will strengthen the entire state by helping the University develop educated workers, innovators and entrepreneurs.

Tomorrow’s workforce begins with today’s students, and the University of Delaware is committed to providing access to a world-class education that’s affordable for Delawareans.



We’re proud to have about 9,000 Delawareans as undergraduate, graduate, professional and continuing education students at UD. They make up about 37% of our total student body.

State funding, though, covers only about 12% of our operating costs and about 5% of our capital needs.

We use our unrestricted state operating appropriation to provide significantly lower tuition to in-state residents — about 60% less than what non-residents pay. And the actual cost for Delawareans is reduced even further by financial aid that comes from UD and other sources.

As we look ahead to this fall, we continue to see strong application numbers from Delawareans for the undergraduate Class of 2023. About 3,900 Delaware-resident students have applied for fall admission, which is up about 5% from 2016.

We typically admit about 80-90% of Delaware applicants, compared to only about 65% of non-resident applicants.

We're also committed to building a diverse and inclusive community at UD.

We're seeing significant gains in the enrollment of Delawareans from underrepresented minority groups over the past several years. These are primarily students who are African-American and Hispanic.

Among our Delaware-resident students, almost 1 in 4 come from an underrepresented minority group.

Again, applications for the incoming undergraduate class show these trends continuing. More than 1,200 Delawareans from underrepresented minority groups have applied to UD. That's about a 17% increase from 2016.



Getting students into UD is only the first step, of course. Once students are enrolled, we support their success through a variety of programs. In total, we invest \$6 million to \$7.5 million annually on programs that help students graduate on time.


It's why 73% of UD students earn their bachelor's degree within four years, which is one of the top 20 graduation rates in the nation among public institutions.

What's more, within six months of graduation, about 95% of our alumni are working, serving in the military or pursuing further education.

One of the most important investments we — the University and the state — can make in our students' success is to provide modern facilities.

Students need top-notch labs, classrooms and other hands-on learning spaces so they can compete for high-quality careers after they graduate. Faculty members — the people who make the discoveries and create the innovations that help drive our economy — need up-to-date research and development facilities to do their work.

Hands-On Teaching and Research Facilities



UD's building inventory

- ❖ Total buildings: 466
 - ❖ Newark
 - ❖ Wilmington
 - ❖ Dover
 - ❖ Georgetown
 - ❖ Lewes
- ❖ 88% for academics or student life
- ❖ Total sq. footage: 9,391,978
- ❖ Total value: \$8.5 billion

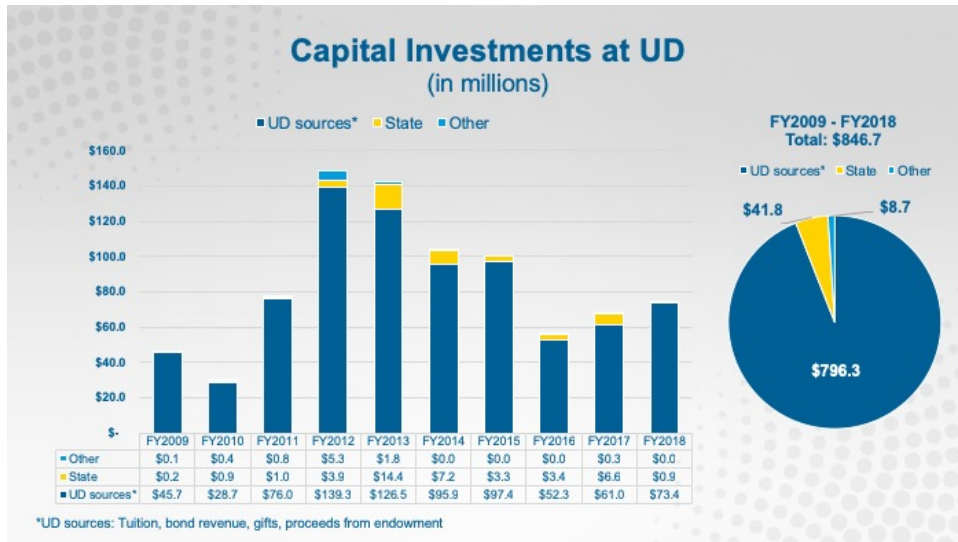
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In all, UD has more than 460 buildings — not just in Newark, but also in Wilmington, Dover, Georgetown, Lewes and elsewhere.

Roughly eight out of nine buildings are used for academic programs — such as classrooms and laboratories — or for student residences, dining halls or other student activities.

In total, our facilities cover 9.4 million square feet of space. That's equal to more than 100 Legislative Halls spread across the state.

It's a physical infrastructure worth about \$8.5 billion. With such an extensive campus, our capital expenses are significant.



Over the past decade, the University has invested nearly \$850 million in campus facilities. This money has come almost entirely from UD sources, including bond revenue, tuition, philanthropy and proceeds from our endowment.

Our capacity to borrow additional funds is significantly limited, and we certainly don't want to raise tuition any more than we have to.

This is why we're constantly working to develop multiple streams of revenue. Our current fundraising campaign, known as Delaware First, is one of those sources. And I'm happy to report that more than 80,000 of our alumni, faculty, staff and friends have generously supported this campaign because they believe in our mission.

It's also important that we keep growing our endowment to help provide a steady source of funding for the University. The endowment isn't a savings account; it's an investment that was made by previous generations to secure the future of UD. It provides about \$50 million a year toward our expenses, and we put every penny of that money into our people, programs and capital needs. If we were to take more out of the endowment, it would hurt the long-term health of that fund and hinder our ability to support our students and the state.

All of these revenue sources help us meet a variety of capital needs.

We've constructed, renovated and/or updated our classrooms, laboratories and student housing. We've upgraded our safety equipment and our computer technology. And we've replaced aging utility infrastructure, roofing and mechanical systems.

The biggest challenge we face is with the facilities that were built in the 1960's, 70's and 80's. About a third of our buildings come from that era. They just don't hold up as well as what we're building today — or, in some cases, even what was built a century ago.

However, a lot more work needs to be done.


Maintaining A Modern Campus

Deferred maintenance

- ❖ Backlog of \$435M, down from \$570M in FY2016
- ❖ Doubling our funding for deferred maintenance

FY2020 Capital Request

- ❖ \$10M toward \$435M deferred maintenance backlog



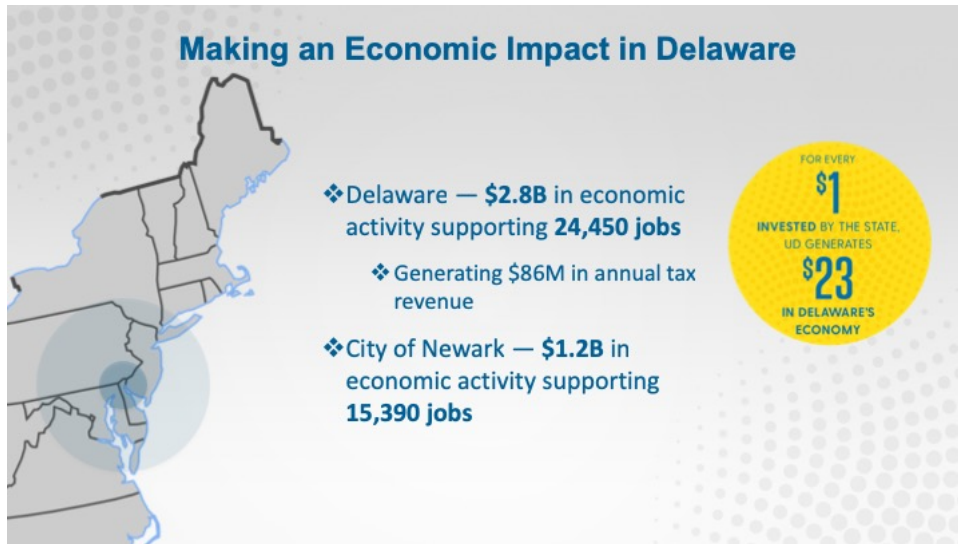
Over the years, as the University dealt with a variety of budget pressures, our backlog of maintenance projects had grown to more than \$570 million.

To reduce that amount, we recently doubled our own funding for deferred maintenance. Our backlog is down to about \$435 million now. That's still significant, but we're moving in the right direction.

Capital funding from the state has helped us with this effort. We appreciate that the state was able to double its capital investment in UD last year — providing \$10 million toward our maintenance backlog, instead of the roughly \$5 million the university had been receiving in previous years.

We appreciate Governor Carney's current recommendation for \$7 million in capital funds. We're asking the state to continue its commitment from last year by maintaining our capital appropriation at \$10 million in FY2020.

This funding is an investment in every Delawarean on our campus. What's more, the return on these and other investments by UD and the state extend *far beyond campus* to benefit people throughout Delaware.



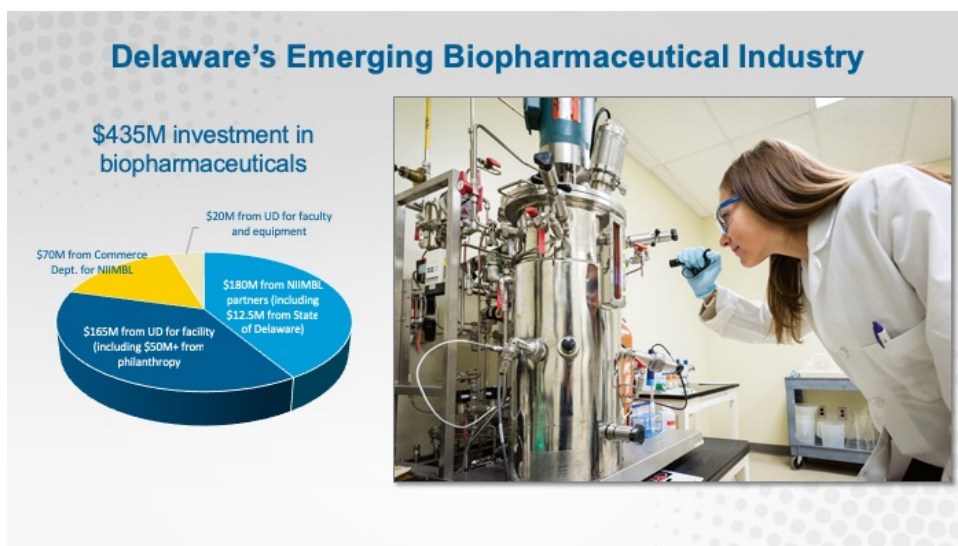
Spending by UD — from all sources — ripples through Delaware’s economy to make a \$2.8 billion impact that supports more than 24,000 jobs in the state.

That means that for every dollar that the state invests in the university through our annual operating and capital appropriations generates \$23 for Delaware’s economy.

The state benefits directly from that impact, because this economic activity generates \$86 million in annual tax revenue for the state.

We’re proud of that impact because economic development is an essential part of our land grant mission. UD’s size and stature as a top-tier research university puts us in a unique position to fulfill that mission in Delaware. It’s our job to be a hub of discovery and innovation, so that we can actually help *create* the industries of the future and prepare students to work in jobs that don’t even exist yet.

That’s exactly what we’re doing with the biopharmaceutical industry in Delaware.



UD is the catalyst for a \$435 million investment in biopharmaceuticals here in Delaware. At the heart of that initiative is the National Institute for Innovation in Manufacturing Biopharmaceuticals, or NIIMBL. This is going to be a game-changer for Delaware's economy, as well as for the health and well-being of Delawareans and all Americans.

Biopharmaceuticals are medicines made from living cells, and they can be personalized for each patient. They have the potential to treat — or even cure — some of the most devastating diseases, such as diabetes, Parkinson's and cancer.

But they're difficult and expensive to make, so we need more efficient ways to get the right medicines to the right people at the right time.

That's the challenge that NIIMBL is going to address. Led by UD, this nationwide initiative involves 120 academic, corporate, government and nonprofit partners to find better methods for making these life-saving medicines. It's one of 14 Manufacturing USA institutes nationwide.

Delaware's Emerging Biopharmaceutical Industry



We're currently building the new headquarters of NIIMBL on UD's STAR Campus.

When it opens next year, the Ammon Pinizzotto Biopharmaceutical Innovation Center will also be home to UD's considerable resources in biopharmaceuticals.

With this facility and others to follow, we could see the creation of thousands of jobs over the next decade in the state's biopharma industry — everyone from skilled technicians to PhD researchers.

Indeed, the Milken Institute recently cited this building as one reason that Delaware is a leader in nurturing technology companies and creating high-paying jobs.

And it's important to remember that all of this was only possible because of strategic investments made by UD and the state over the past two decades to build our expertise and resources in biotechnology. That's why we're so committed to investing in this initiative now, so Delaware can realize the benefits for years to come.

Construction of the Ammon Pinizzotto Center is being financed by UD, primarily through bonding and philanthropy. We recently increased our investment in the building by \$10 million to ensure that it meets our needs well into the future.

This facility is exactly the type of unique opportunity that the General Assembly had in mind when it created the Higher Education Economic Development Investment Fund last year.

The University of Delaware and the other institutions of higher education in our state are powerful economic engines, and we all need investments from the state to maximize our impact. This is why we are requesting that you increase the Investment Fund by appropriating \$20 million annually so that it can have an even greater impact on Delawareans.

Appropriating \$20 million to the Investment Fund this year would allow us to seek additional state support for infrastructure related to programming in the Ammon Pinizzotto Center.

Training Tomorrow's Advanced-Manufacturing Workforce

Envisioning the next step

- ❖ Need for highly skilled workers to ensure quality and consistency
- ❖ Possible partnerships with Delaware State, Delaware Tech and industry
- ❖ Attractive to manufacturers looking to locate in Delaware



Biomufacturing Training & Education Center (BTEC) at N.C. State University

As that facility nears completion, we're already looking ahead at the next important step in developing Delaware's biopharmaceutical industry.

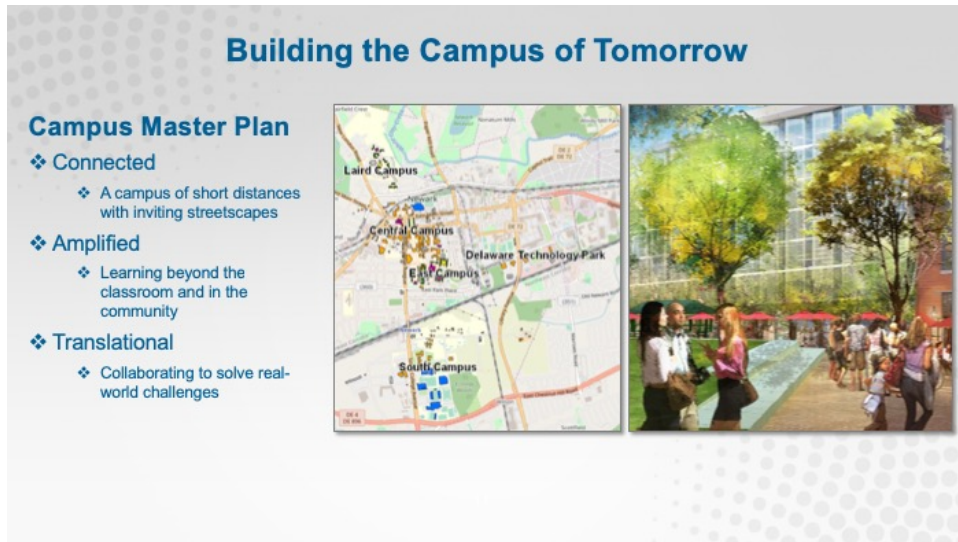
That will involve training people to work in advanced-manufacturing facilities. Manufacturers need highly skilled workers to ensure the quality and consistency of their products. Such a training program would require the same state-of-the-art technology and equipment that workers will find in modern manufacturing plants.

Other states have built these training centers and have realized significant benefits from their investments. At North Carolina State University, for example, the state supported a \$38 million facility called the Biomufacturing Training and Education Center, or BTEC. It has been instrumental in building the state's biopharmaceutical industry, with increases in jobs, companies and tax revenue.

Here in Delaware, we see this as an opportunity for productive partnerships with Delaware State University, Delaware Tech and the local biopharmaceutical industry to develop our own programs that will help bring manufacturing jobs to the state. You'll hear more about this idea in the future.

It is essential that we *keep* investing in biotechnology and other capital areas to realize future benefits for Delaware.

As we do so, we're developing a new Campus Master Plan to guide our capital strategy.



We're working to make sure that the whole Newark campus has a unified feel. That includes the traditional area around The Green, as well as the north and south campuses and the STAR Campus. We want people to connect with each other through our campus design, and we want the community to benefit from our research and our engagement activities.

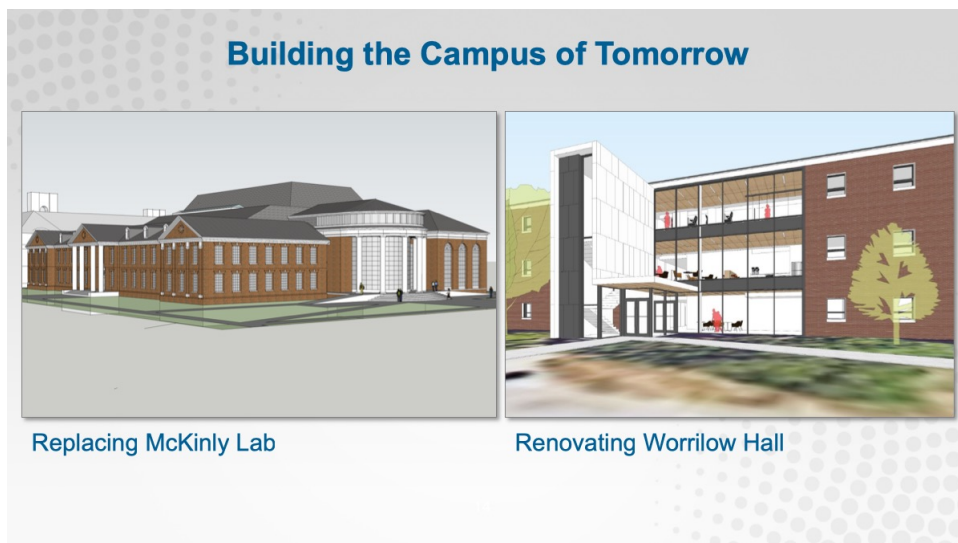


The STAR Campus is a significant element in that vision.

It provides unique laboratory and educational opportunities for our students, faculty and community partners. In the Health Sciences Center and the new Tower at STAR, we connect education, research and clinical services in one facility. Each of those elements helps drive the others and provides authenticity and urgency to our work.

Also, Chemours is building its new innovation center on the STAR Campus. This global research-and-development facility — the Discovery Hub — will retain more than 300 good jobs

in Delaware and help the state remain a leader in the chemistry field. It will also provide excellent internships, research opportunities and a job pipeline for UD graduates.



One of the priorities for our Campus Master Plan is to ensure that we're getting the most out of every building.

For example, at McKinly Lab, which was seriously damaged by fire in 2017, we're designing a more efficient building that will provide laboratory space for twice as many researchers within the same physical footprint. Replacing McKinly will also remove about \$45 million in deferred maintenance projects from our backlog.

We're also beginning an extensive rebuilding of Worrilow Hall on the south campus. Worrilow is a critical element of our Poultry Health System, which helps promote and sustain the health of Delaware's poultry industry. It will also become an interdisciplinary teaching and research facility, with modern labs and flexible learning spaces. That project will cost about \$40 million, which we're financing through bonding and philanthropy.

Provost Morgan has worked extensively with the poultry industry and would be happy to explain why the Worrilow Hall project is so important to the whole state.

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As I mentioned at the beginning of my presentation, the University of Delaware is grateful for the strong and productive partnership we have with the state to fulfill our land grant mission.

Clearly, our capital requests are modest, prudent and aligned with our shared priorities.

We depend on investments from the state to serve our students by providing the resources they need to succeed at UD and long after graduation. And we need your investment to continue making a deep and lasting impact on Delaware's economy far into the future.

Thank you again for your time and attention today. We'll be happy to answer any questions you may have.



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