

University of Delaware President Dennis Assanis

Delaware Joint Capital Improvement Committee — Thursday, May 6, 2021

Good afternoon, Senator Poore, Representative Heffernan and other members of the Joint Capital Improvement Committee.

Thank you for this opportunity to discuss the recommended capital appropriation for the University of Delaware for FY22. We appreciate your time and attention today.

Let me start by saying that I hope all of you, your families and your friends are safe and healthy. This is certainly a challenging time for all of us, but I'm optimistic that, with the vaccination program now underway, there is a light at the end of the tunnel.

I have on the call with me today several members of our team who can answer any specific questions you might have. I'd like to introduce two of them: Robin Morgan, our provost, and John Long, our executive vice president and chief operating officer.

The University values our partnership with the State of Delaware, and we are grateful for the ongoing support that Governor Carney and the General Assembly provide. The challenges of the past year have reminded all of us that strong relationships and close collaborations are absolutely essential to our shared success. Speaking for the University, I know we would have experienced much greater hardships — both financial and health-related — if it weren't for our public and private partnerships throughout the state.

These partnerships will also help the University and the entire state as we emerge from the pandemic this year, and they will continue to benefit Delawareans well into the future.

Many of our partnerships are focused on increasing access for Delawareans, making UD more affordable for Delawareans, ensuring that Delawareans can get advanced education as their career needs evolve, and providing the research, innovations and entrepreneurship support that help Delawareans create the kinds of good jobs our state needs.

Achieving these goals requires a modern campus with updated facilities and infrastructure.

Partnerships crucial in emerging from pandemic

Recommended FY22 Capital Budget

- \$10M
 - Deferred maintenance for teaching/research labs
 - Enable UD investment in other high-impact, job-creating projects

Additional investments

- STAR Campus growth and development
- Replacing McKinly Lab





Therefore, the most basic element of the University's capital appropriation is the recommended \$10 million to help pay for deferred maintenance in some of our teaching and research laboratories. This also allows UD to invest other funds in high-impact, job-creating initiatives, such as those in biopharmaceuticals, financial technology, advanced manufacturing and more.

But we also see investments in the STAR Campus and our main academic buildings as critically important in growing the University's capacity for economic development. The new financial technology, or fin-tech, building nearing completion on the STAR Campus will need significant funding to ensure it has the resources and equipment to fulfill its potential as an innovation center and job-creation engine for Delaware. And we are eager to replace — and reimagine — McKinly Lab at the center of campus after a devastating fire in 2017. These are critical resources for the future of Delaware, and we would ask you to keep them in mind as you look for the best ways to invest the state's resources for the future.

As we all know, such strategic investments pay significant dividends for all Delawareans, and this is especially true at this moment in our history. We are all eager to return to more normal operations, and we are optimistic that President Biden's infrastructure proposal will help fuel smart, sustainable and equitable growth here in Delaware and throughout the country.

As we look ahead, it's also important that we recognize the unprecedented challenges of the past year and the impact they have had on our current and long-term situation.



As always, the health and safety of UD's students, faculty and staff — as well as that of all Delawareans — is our top priority. To protect the community, we have taken quick and decisive action: moving most courses online, significantly reducing the density of the residence halls, limiting athletics events, and either canceling or postponing almost all in-person campus events. Most of our faculty and staff continue to work remotely, more than a year after the pandemic hit.

Also, we created and implemented a vigorous program of COVID testing for those students, faculty and staff who need to be on campus. So far, we have administered more than 75,000 tests, and we have partnered with the state and New Castle County to offer even more tests on and near campus.

The good news is that cases of COVID-19 in the UD community have remained relatively low, except for a few spikes that we were able to address quickly.


Pandemic's effects on University finances

Decreased revenue

- Tuition frozen at 2019-20 rate
- Enrollment declines, especially among out-of-state students
- Reductions in philanthropy and other sources

Increased expenses

- COVID-19 testing, PPE, cleaning supplies/protocols, emergency operations
- Reduced housing density
- Improvements to online learning technology



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The bad news is that many of these measures resulted in a serious financial hit to the University. Our revenues from tuition, housing, philanthropy and other sources **decreased** significantly, while our expenses **increased** to provide COVID testing, allow physical distancing in the residence halls, upgrade our academic technology and take other necessary steps.

As classes began last fall, we were projecting an operating deficit of more than \$250 million, or a quarter of our total spending for the year.

Mitigating the impact on UD's financial health

Postponing most large capital projects	State Higher Education Relief Fund	Voluntary salary/hours reductions
		Reductions in full- and part-time workforce
		Voluntary retirement incentive
Reductions in all discretionary spending	Federal COVID relief funding	University-wide hiring freeze
		Salary cut for senior administrators
		Drawing from endowment, in addition to annual dividend

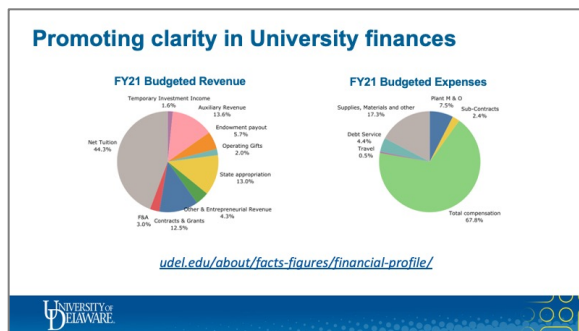
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To cover that gap, we implemented a variety of austerity measures, including reducing our workforce, our payroll and our overall spending. Those resulted in projected savings of \$135 million.

Also, we postponed the planning for large building projects for at least a year, and we are addressing only critical maintenance needs. The only capital projects that continued are those nearing completion or those fully supported through funds from the state and/or public-private partnerships.

In addition to the measures the University took, we are also grateful for the financial support of the state and federal governments through the COVID-relief initiatives. This includes \$32.5 million from the Governor's Higher Education Relief Fund and about \$30 million in federal relief. Also, UD will be receiving about \$21 million from the stimulus bills that will be directed to our students to help ease their financial burden during this difficult time.

We expect to cover the remaining operating deficit by drawing money from UD's endowment funds, over and above the annual payout that supports our students and our programs. While we are fortunate to have the endowment to help ease the financial strain of the pandemic, we are also mindful that every dollar we take out of the endowment is a dollar that is not invested to support the long-term financial health of the University.



Throughout this time, we've been very up front with the University community about the financial challenges created by the pandemic. We have presented this information at several online town halls this year and answered any questions that our students, parents, faculty and staff have had.

We also created a website to provide even more clarity regarding the University's financial situation. The site consolidates in one place many of the financial documents that have always been publicly available, including our annual statements of how state funds are spent. We hope this website will provide greater context around our decision-making regarding UD's financial management, personnel and other matters.

Anyone can access that information with the link provided on this slide.
[\(https://www.udel.edu/about/facts-figures/financial-profile/\)](https://www.udel.edu/about/facts-figures/financial-profile/)

Academics & campus life in the fall

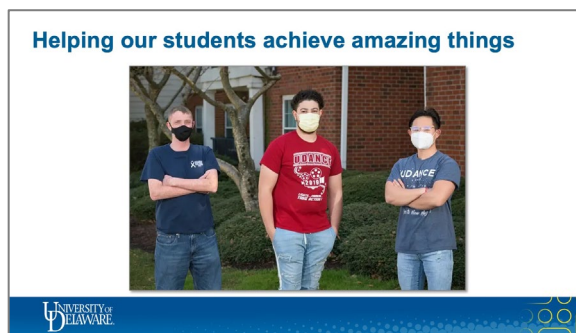
- ❖ Vaccinations
 - ❖ Required for students
 - ❖ Strongly encouraged for faculty & staff
- ❖ Most courses to be delivered in person or in hybrid format
 - ❖ Prepared to pivot online, if needed
- ❖ Residence halls, dining halls, student centers, Little Bob — fully open
- ❖ Student-athletes return to regular season competition
- ❖ Wellbeing Center at Warner Hall

Looking ahead to the fall semester, we have announced that all students will be required to get the COVID vaccine before they return to campus; we'll allow exemptions for medical or religious reasons. Faculty and staff are strongly encouraged to get the vaccine, too. Already, a large percentage of the UD community has been vaccinated. We're grateful for the

state's partnership in offering many vaccination opportunities on and near campus, so we are confident that we're moving toward a safer, healthier community.

On campus, we're expecting to deliver most of our courses in person or in a hybrid format in the fall. We plan to have full residence and dining halls, a full athletics schedule and a more vibrant campus life. Very soon, we'll be opening the new Wellbeing Center in a renovated Warner Hall, which will a big benefit to our students.

Promoting our students' wellbeing is absolutely essential for everyone at the University of Delaware. I want to share just one inspiring story about our students that exemplifies why we do this work.



This is Colby Atkinson of Smyrna, Zack Turner of Wilmington and David Fu of Middletown. They're roommates, and they're all seniors.

And all three of them survived childhood cancer.

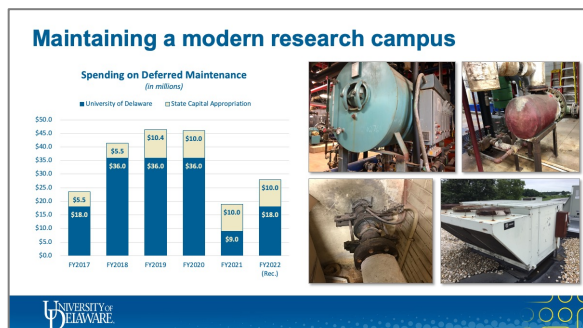
And now at UD, they have been volunteering to work with cancer-related charities, including UDance, a year-long fundraising effort on campus that benefits young patients and their families. This year, UDance raised \$1.6 million.

Very inspiring story, so we are working to get all of our students back on campus as soon as it's safe to do so.

Many of our plans, of course, are contingent upon the public health situation at that time, as well as guidance from the CDC and the state. Fall classes are still four months away, and the past year has taught all of us that we have to be ready to pivot quickly and adjust our plans.

While the University's immediate financial situation has improved over the past few months, we're certainly not out of the woods yet. We're facing a lot of economic headwinds as the nation emerges from the pandemic. So, for the next few years, we'll continue to feel the effects of the economic recovery on our budget.

At the same time, we need to be in a position to help Delawareans meet their education and career needs in a post-pandemic world. As I mentioned, a modern campus is central to that effort.



Over the past few years, we had been steadily chipping away at a large backlog of deferred maintenance projects. Beginning in FY2018, we doubled our annual budget for deferred maintenance from \$18 million to \$36 million, and we have been grateful that the state also increased its capital appropriation to UD to assist us in that effort.

The financial constraints imposed by the pandemic meant that we had to temporarily scale back our own deferred maintenance spending this year to \$9 million to help close our budget deficit. We expect to bring that number back up to \$18 million in FY22.

The \$10 million appropriation that Governor Carney has recommended will certainly help reduce our backlog by allowing us to upgrade HVAC systems and conduct other work in several of our classrooms and labs.

UD's capital needs, though, are quite extensive. We have more than 460 buildings statewide with an average age over 60 years old. In five large research facilities — Sharp Lab, Spencer Lab, Colburn Lab, DuPont Hall and the Composite Materials Center — we are looking at \$110 million in deferred maintenance. We have five large classroom buildings — Willard Hall, Penny Hall, Mitchell Hall, Old College and the Amy DuPont Music Building — that need about \$52 million worth of work. The Morris Library alone has a list of \$45 million in deferred maintenance projects.



One project that is finally underway is the \$30 million renovation and expansion of Drake Lab. After saving our capital appropriations over the past few years, we accumulated enough funding to renovate and add chemistry labs to accommodate more students in the STEM disciplines. We expect that project to be done in July 2022.

This is one of the projects that we were ready to do a year ago but put on hold because of the pandemic. Drake is a major laboratory building used by students from a variety of academic programs, not just science majors. The poor condition of Drake Lab became a significant issue after a fire severely damaged McKinly Lab four years ago and we had to move classes to Drake and other facilities.

As you can see, there is no shortage of capital projects at UD that would benefit from state funding. If additional resources become available this year, UD could put that money to work quickly, supporting local workers and employers.

Looking ahead to the post-pandemic world, we see the STAR Campus playing a critically important role in developing a strong, innovative and diversified economy for Delaware.



UD's investments in biopharmaceuticals, health sciences and other areas have positioned Delaware to thrive in the years ahead. The Ammon Pinizzotto Biopharmaceutical Innovation Center that you see here is now home to the National Institute for Innovation in Manufacturing Biopharmaceuticals, or NIIMBL. This Manufacturing USA initiative brings together more than 180 partners in industry, government, nonprofits and academia to not only develop the technology and processes to produce these amazing medicines but also the workforce that is so crucial to success.

It is important to note that the \$170 million to construct that building came from UD's resources, including philanthropy. The state's Higher Education Economic Development Investment Fund provided \$3.3 million in 2019 to support essential scientific equipment in that facility, and UD matched that investment 2-to-1.

Also, we are grateful for the \$4.8 million the state provided last year for infrastructure on the STAR Campus.



We would ask that the state this year provide \$4.5 million for equipment and fixtures to complete the fintech building, which represents an exciting partnership with Delaware Technology Park and Discover Bank.

When the fintech building opens next year, it will support innovative research and hands-on education in finance, cybersecurity and related technology services, as well as bring together community and business partners to work in this growing field. The facility will enable entrepreneurs and strengthen Delaware's fintech sector by developing a trained workforce, new intellectual property, new companies and new jobs. It will also house a financial literacy program for the entire community.

Truly, every dollar invested in developing the STAR Campus, its facilities and its infrastructure is going to pay significant dividends to the state for many years to come.

MCKINLY LAB

Even as we seek to continue building the STAR Campus, though, we remain committed to investing in the heart of our campus, particularly our academic and research buildings clustered around the Green.



Four years ago, an extensive fire damaged about 80% of McKinly Lab, which was one of our major science buildings. McKinly was the first home of UD's Physical Therapy Clinic, which is now part of the nation's top-ranked PT program. It was the original home of the BADER Consortium, which helped develop orthopedic rehabilitative care for injured veterans. In McKinly, researchers did ground-breaking work in psychology, neuroscience, biology, linguistics

and more. Because of the fire, we have been limited in the number of students we can educate in the STEM disciplines.

The entire state benefited from the research and education that happened in McKinly. So, it is absolutely essential that we replace McKinly with a much more efficient, modern and interdisciplinary facility.

We have not put the project out for bid yet, but we would like to request the state to provide \$35 million, which, based on our preliminary pre-pandemic estimates, would represent about one-quarter to one-fifth of the total cost of construction. The last time the state provided substantial funding for a laboratory building on the Newark campus was in 1992, when Lamont du Pont Lab was built. Over those past three decades, our undergraduate enrollment has grown about 20%. Also, many other states are investing significant funds in their universities' capital needs, especially STEM laboratories, which puts UD at a competitive disadvantage in keeping Delaware students in Delaware.

Given the urgent needs of the post-pandemic economy in Delaware and the potential for a large infrastructure package coming from the federal government, this may be exactly the right moment to put significant resources into a large project like McKinly Lab. It would benefit the University and the whole state immediately and for several decades to come. So, we would welcome a discussion about how to make that happen.



CONCLUSION

Without a doubt, the past year has brought a multitude of unprecedented challenges for UD, the state and our entire world. But it has also brought unique opportunities.

We have the opportunity to strategically reimagine the physical needs of our campus and our community, considering the new ways that we all work and learn today. We can build and upgrade the critical infrastructure that will help create and support jobs for decades to come. And at the heart of these opportunities is the strong partnership we have built between the state and the University, one that is absolutely key to a successful future for us all.

Thank you for your time, and we would be happy to answer any questions you might have.

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