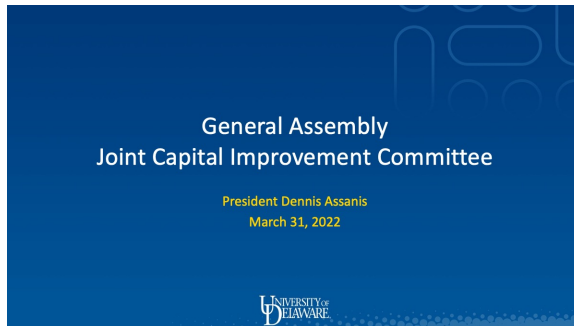


Bond hearing — 2 p.m., Thursday, March 31, 2022, Dover



Good afternoon, Representative Heffernan, Senator Poore and members of the Joint Capital Improvement Committee. Thank you for this opportunity to discuss the University of Delaware's capital budget requests for FY23. We appreciate your time and attention today.

I have with me several key members of our academic and administrative team who are integral to advancing the opportunities we are discussing with you today so we can answer any specific questions you might have.

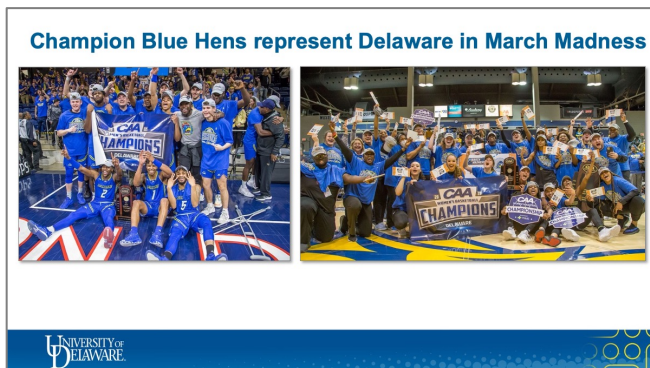


OUR CLOSE RELATIONSHIP WITH THE STATE

The University values our close relationship with the State of Delaware, and we are grateful for the ongoing support that Governor Carney and the General Assembly have provided. We have all dealt with unprecedented challenges over the past two years, and by working together, we have helped keep our communities safe and moving forward.

While we remain vigilant with COVID-19, I am extremely optimistic that we are finally turning a corner. Thanks to the high vaccination rates of our students, faculty and staff, as well as other measures, the incidence of COVID-19 at UD is very low. This has allowed us to carefully ease some of our requirements, and we hope this trend continues over the next several months. Of course, we are still monitoring case rates, and we are ready to move quickly if additional steps become necessary.

As we look ahead, we see unique opportunities to advance the mission of the University and help strengthen the economy and social fabric of the state of Delaware.



Every time I meet with this committee, I'm so proud to share news about our students — including more than 8,600 Delawarean undergraduate and graduate students this year — who are achieving amazing things in our classrooms, laboratories and the greater Delaware community. And 50,000 UD alumni are living and working in our state, including thousands of healthcare workers and educators, as well as eight members of Gov. Carney's cabinet and 27 members of the General Assembly.

Drawing on multiple funding sources, we are making significant capital investments on our campus to expand the education, research and service resources that will benefit Delawareans now and for many years to come.



INVESTING IN HEALTH RESEARCH

One of those investments is the construction of a state-of-the-art interdisciplinary science building for teaching and research at the heart of campus. This will replace McKinly Lab, which was heavily damaged by fire in 2017.

We don't have a name for the facility yet, so we're calling it Building X right now. But we have a very clear vision for the exciting work that will happen there.

Building X will be organized around themes, not departments, to encourage students and faculty to connect knowledge and ideas from various disciplines. By working across disciplines, UD researchers will explore the causes, treatments and prevention of disease and advance our understanding of developmental disorders, neuroscience and human behavior. Also, Building X will help us educate more than 1,000 students a year and prepare them to become the next generation of public health professionals in Delaware. As you know, there is a large and growing need for healthcare workers in our state, including those in the mental health fields. And Building X is a key part of our strategy to help expand and strengthen that workforce.

Building X will also enable exciting research partnerships within the state and beyond, which will make it a tremendous asset for our entire community for generations to come.

We recently began the demolition of McKinly Lab, and we anticipate that Building X will be completed in mid-2024.

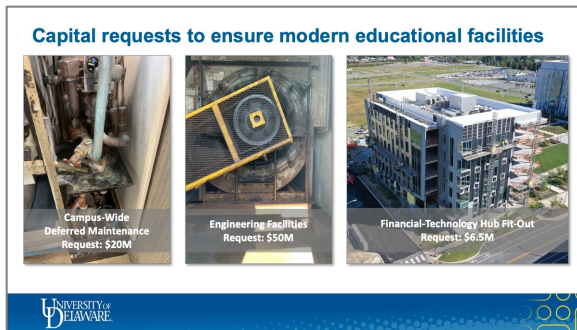
We expect this project will cost more than \$165 million due to the escalating cost of materials. We are grateful that Gov. Carney and Delaware's congressional delegation have secured about a quarter of that amount — or \$41 million — through federal American Rescue Plan Act. The remainder of the cost will be covered by university sources.

Building X is an exciting project because it is a significant investment in the future of the University and the entire state.

In addition to our work in Building X, we devote extensive resources to addressing many other challenges facing Delaware, from protecting the environment and providing sustainable sources of energy to helping communities and businesses thrive and grow. And we continue to develop a competitive workforce for the state and drive economic development through innovation and entrepreneurship.

The state's partnership is invaluable. As I've shared before, for every dollar the state invests in UD, we generate \$23 in the Delaware economy, based on a 2018 economic impact report.

With that economic benefit in mind, let me turn to our capital appropriation request for this year.



SUMMARY OF CAPITAL REQUESTS

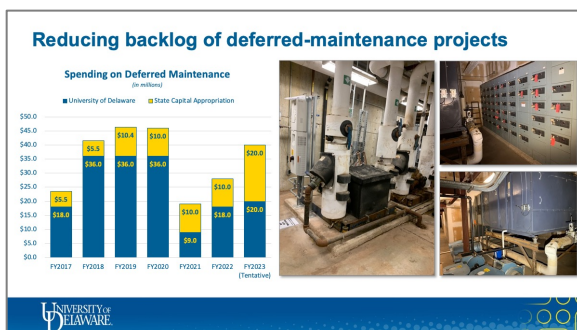
The main element of our request is a plan to address the University's extensive backlog of deferred maintenance projects.

Many of our teaching and research buildings need significant upgrades to provide students with excellent academic experiences in modern buildings. Over the past several years, we have been working to reduce that maintenance backlog, and we need to accelerate that process to remain competitive with universities in surrounding states.

Therefore, we are requesting an FY23 capital appropriation of \$20 million for campus-wide deferred maintenance projects, as well as a one-time investment of \$50 million to specifically address the needs of our engineering facilities.

On the STAR Campus, we are nearing completion of the financial-technology, or fin-tech, hub. We are grateful for the state's contribution of \$3 million from the Higher Education Economic Development Investment Fund to help prepare that facility for occupancy. This year, we are requesting an additional \$6.5 million to complete that work.

I'd like to take a few minutes to expand on each of these requests.



I. CAMPUS-WIDE DEFERRED MAINTENANCE

First, we appreciate Gov. Carney's recommendation for \$15 million toward our deferred-maintenance backlog. This kind of work is important because, quite simply, UD

students need modern facilities to adequately prepare them to become the workers, leaders and productive residents that our state needs in the future.

UD has more than 460 buildings statewide with an average age over 60 years old, and we are facing a list of deferred-maintenance projects that total more than \$500 million.

We have working to chip away at this backlog. Beginning in FY2018, we doubled our annual budget for deferred maintenance from \$18 million to \$36 million. We were grateful that the state also increased its capital appropriation to UD to \$15 million to assist us in that effort.

However, the pandemic has forced us to temporarily scale back our spending on deferred maintenance projects. Combined with the rising cost of materials and wages, it is difficult to put a significant dent in the overall deferred-maintenance figure.

So, we would ask that you provide an FY23 capital appropriation of \$20 million to match the University's investment next year and help us make some headway in addressing this backlog.



II. INVESTING IN ENGINEERING FACILITIES

In addition, I want to focus your attention on the engineering and science facilities at the center of campus.

As you can see here, these buildings need extensive work. We need to upgrade electrical, mechanical and plumbing systems, as well as building envelopes. New HVAC systems are needed to accommodate specialized lab equipment, and we need to install or replace emergency generators, fire alarms and fire-suppressant systems. In all, these buildings need nearly \$200 million worth of work at prevailing wages.

The good news is that we have amazing engineering faculty who provide our students with a world-class education. Our Chemical Engineering program continues to rank among the top 10 in the nation at both the undergraduate and graduate levels, and many other engineering disciplines rank in the top quartile nationwide.

That means Delawareans can get an outstanding engineering education at an affordable price close to home. It also means that many of our engineering graduates who come from outside Delaware will stay here after graduation and help strengthen our economy.

But those benefits are at risk if we don't provide students with modern facilities.

A couple of weeks ago, I was very fortunate to watch the UD women's basketball team play in the NCAA Tournament at the University of Maryland in College Park. And one of the things I noticed was their extensive and modern engineering facilities with labs dedicated to aeromechanics, robotics, autonomous vehicles, quantum technology and more.

The state of Maryland has currently committed \$150 million over five fiscal years (FY22-FY26) for a new interdisciplinary engineering building at the University of Maryland. That will cover 73% of the cost of that facility, which the University is leveraging to raise other funds to cover the rest of the cost.



The story is similar throughout the region.

At Penn State University, construction is already underway on a new 105,000-square-foot engineering building, which will be completed in October 2023. And later this year, construction will begin on a second engineering building, one that is almost three times larger. It will actually be Penn State's largest academic building, and together, these facilities will form a massive engineering hub. The state is contributing more than \$230 million — or 73% of the cost — toward these two buildings.

And over the past eight years, Rutgers University in New Jersey has received more than \$400 million for a variety of capital projects, including construction of the new 104,000-square-foot Richard Weeks Hall of Engineering. This facility features advanced classrooms, laboratories and research space.

Many other universities in the region and nationwide are able to invest their resources into new engineering facilities because they receive significant state support that helps them meet their maintenance needs on existing buildings.

UD competes directly with Maryland, Penn State, Rutgers and other universities to attract top students and faculty, and modern buildings and resources are a significant draw.



Delaware needs to make similar investments. And we need to do it quickly to help keep Delawareans in the state — for both their education and their career.

This is why we are requesting a one-time capital investment of \$50 million for our engineering facilities.

While this funding could be used to upgrade our existing buildings, we are also considering whether construction of a new engineering building would be a wiser investment. A new building would not only reduce our deferred-maintenance backlog — more importantly, it would also provide our students with the most modern resources and help keep UD's engineering programs among the nation's best.

To be sure, a new building would cost \$200 million or more. But by leveraging the state's investment of \$50 million, we would raise the remaining funds from philanthropy and other sources, as we plan to do with Building X.

And like Building X, it is certainly an exciting prospect for the future of UD and the entire state.



III. INVESTING IN THE FINANCIAL-TECHNOLOGY HUB

The final element of our capital request pertains to the fin-tech hub on the STAR Campus.

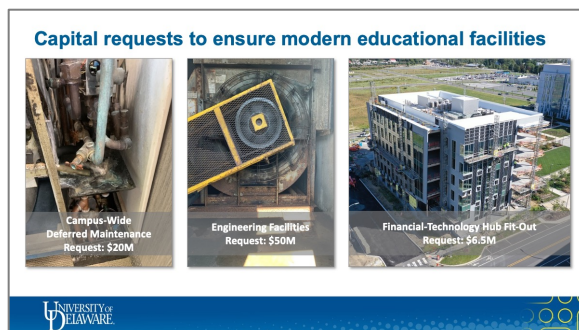
This building is the result of a partnership among UD, Delaware Technology Park and Discover Bank. Once it opens later this year, it will become a source of highly skilled workers, innovative research and exciting new intellectual property for Delaware's strong and growing financial-technology sector.

Several companies and nonprofit organizations are already making plans to move into the fin-tech hub this year, including Discover Bank, Delaware BioScience Association and The Venture Center, which is a leading fin-tech incubator and accelerator. What's more, we will move several of our own units there — including the Horn Entrepreneurship program, the Office of Economic Innovation and Partnerships and the workforce development program of the National Institute for Innovation in Manufacturing Biopharmaceuticals.

This top-notch facility will help us fuel workforce development in Delaware's fin-tech sector and attract more innovative companies to our state. It will also help address chronic disparities in financial wellbeing by developing ways to build wealth and credit in low- and moderate-income and minority communities, as well as support underrepresented entrepreneurs and develop new educational pathways to fin-tech jobs.

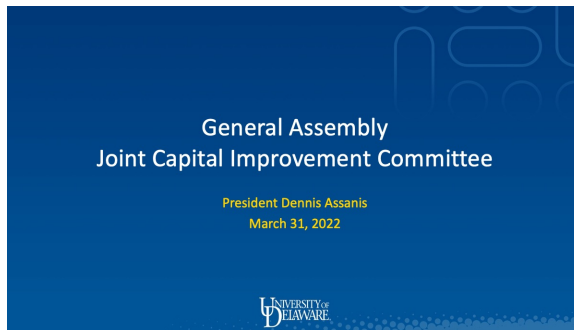
Construction of the building is only the first step, though. It needs about \$14 million in fit-out — or the partitions, cabling, wiring, furnishings and other work to make it suitable for occupancy. The Higher Education Economic Development Investment Fund provided \$3 million toward this work, and an additional \$4.5 million came from industry partners. So, we are requesting the remaining \$6.5 million as part of our capital appropriation this year.

When we cut the ribbon on the fin-tech hub, I invite all of you to join us to help celebrate this exciting advancement in Delaware's economy.



ENSURING MODERN EDUCATIONAL FACILITIES

As you can see, the extensive investments that the University is making are helping to drive progress in healthcare, engineering, business and so many other areas that will benefit Delawareans today and for many years to come. With your support, we can ensure that Delaware not only recovers from the COVID-19 pandemic but actually emerges even stronger and more resilient than before ... with a bright and promising future ahead.



Again, thank you for your time and attention today, and we would be happy to answer any questions you may have.

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