

JOINT CAPITAL IMPROVEMENT COMMITTEE HEARING — March 3, 2020



Good morning, Representative Heffernan, Senator Sokola and other members of the Joint Capital Improvement Committee. Thank you for this opportunity to discuss the University of Delaware’s capital appropriation for FY2021.

I am joined this morning by several members of my leadership team. Let me take a moment to acknowledge two of them: Provost Robin Morgan and Executive Vice President John Long.

I also want to introduce two of our Trustees who are with us today: Terri Kelly and Terry Murphy, who are the vice-chairs of the board. Our Trustees serve the interests of the whole university. In addition, in their respective roles as former president and CEO of W.L. Gore & Associates and president and CEO of Bayhealth Medical Center, they have served our state and our communities with distinction. I’m grateful for their support and their time here today.



UD AND THE FIRST STATE

Every year, when I come before this committee and the Joint Finance Committee, I begin by saying that the University truly values our longstanding and mutually beneficial partnership with the State of Delaware. This partnership is essential to our shared success.

Financial support from the state helps the University provide an excellent and affordable education for thousands of Delawareans — this slide shows just a few of them who've been doing amazing things at UD lately.

Also, we leverage state funds to conduct ground-breaking research that helps fuel and strengthen the economy of Delaware. And through our joint initiatives both large and small, UD is connecting with hundreds of communities and organizations statewide to help improve the health and wellness of every Delawarean.

With 50,000 UD alumni living in Delaware and the University's \$2.8 billion impact on the state's economy, the University is woven deeply into the social and economic fabric of our state. This is what it means to be the flagship institution of the First State, and we are extraordinarily proud of that role.

In Bond hearings, we typically discuss funding requests for new buildings and maintenance projects. But it's important to remember what those buildings are used for. At the University of Delaware, modern facilities are an essential ingredient in fulfilling our mission of cultivating open minds and educating the citizens and leaders of tomorrow.

As a lifelong educator myself, I want to be absolutely clear that I am personally committed to serving the education needs of our state. This has been a top priority for me since the day I came to the University of Delaware.

It is a primary reason that I have been advocating to dramatically expand access to UD for Delawareans, particularly for low-income families. Our proposal is to partner with the state to cover full tuition and mandatory fees for Delawareans whose families earn \$61,000 or less annually, including a ladder approach to financial support for families who earn up to \$100,000 based on estimated family contribution. Those with even greater financial need would receive assistance for housing and dining costs, as well.

This year, I want to reinforce the University's commitment to working side-by-side with the dedicated professionals of Delaware's K-12 education community.

As you well know, education touches every aspect of life in our state — from the wellbeing of our children and families ... to the safety of our neighborhoods ... to the quality of our workforce, and so much more. Strong schools and well-prepared teachers are essential to building a better Delaware, both now and long into the future.

In fact, UD trains a large number of the people who teach in Delaware classrooms. They're doing an excellent job, and many of them return to UD to earn additional degrees and

certificates. Using research-based preparation programs, UD annually certifies more than 100 of our graduates who then join the ranks of effective teachers in K-12 classrooms throughout Delaware. Furthermore, we are engaged in efforts to increase these numbers and counteract the national trends of decreasing enrollment of college students in K-12 teacher preparation programs. In addition, we recently received an A grade from the National Council on Teacher Quality for use of scientific evidence in preparing elementary teachers.



For example, Rebecca Vitelli grew up in New York and came to UD to earn her bachelor's in Early Childhood Education, then came back to earn her master's in Exceptional Children and Youth. She now teaches pre-kindergarten in the Colonial Early Education program, and we're very proud that she was recently named Delaware Teacher of the Year.



UD is actively engaged in every aspect of Delaware's education system. Our Partnership for Public Education, which was launched in 2016, is a University-wide initiative that collaborates with schools and nonprofit organizations statewide to improve public education in Delaware.

Our Professional Development Center for Educators helps schools throughout the state improve classroom instruction, teacher qualifications and administrative resources. Here you see some photos from the recent conference we organized with more than 50 Delaware

teachers and administrators to explore the concept of teacher residency programs. Residencies are a relatively new clinical training system that gives future teachers valuable hands-on experience while offering schools a pipeline of incoming instructors.

Strengthening K-12 education

- 350+ partnerships with schools and nonprofits in Delaware
- Partnership with state Department of Education to create special-education director certification program
- "Bookworms" — A K-5 curriculum that has helped improve reading, writing and math scores in Seaford and Laurel districts



ArtFest
Organized by UD's Center for Disabilities Studies

We're working with the state Department of Education to help create a certification program for people who want to be special education directors. As you may know, there's a severe shortage of well-trained special education leaders in Delaware.


We're also working with the state and other schools in Delaware to help students who face challenges in math and English. One of our education professors, Sharon Walpole, developed a curriculum for elementary school teachers called "Bookworms" that has helped lead to dramatic improvements in reading, writing and math scores in the Seaford and Laurel school districts over the past five years.

Also, Provost Morgan and I deliberately selected and appointed Gary Henry as dean of our College of Education and Human Development, because of his expertise in education policy and his dedication to teaching. Dr. Henry is here today. Throughout his career, he has worked closely with local, state and regional school systems to help improve pre-K and K-12 school performance.

Preparing Delaware students to succeed in college begins long before they apply.

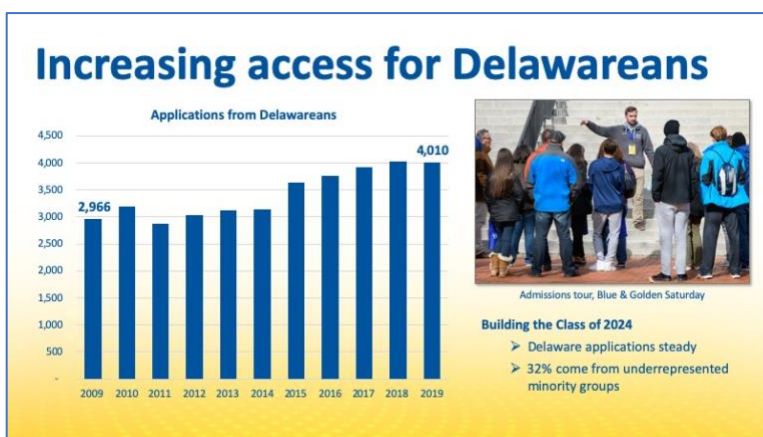
Early College Credit Program

- Open to qualified junior and senior high school students throughout the state
- Able to take up to five UD courses — a full semester of college credits
- **Free to the students**
- Courses streamed live from our Newark campus into the high school
- Students can interact with the professor and with UD undergraduates
- Only program in the nation that is provided both statewide and at no cost to students.
- **30 schools to offer courses this fall**



UD offers multiple academic opportunities for high school students to take for-credit courses, including the new Early College Credit Program that will provide free, live-streaming college courses to eligible juniors and seniors in every Delaware high school. This is the only such program in the nation that is provided both statewide and at no cost to students. When we announced the program a month ago, we expected to start small with just a handful of schools. But already, 30 schools have stepped forward to offer the program this fall. At some of these schools, only half of their graduates attend college, so we believe this program will encourage more of them to attend UD.

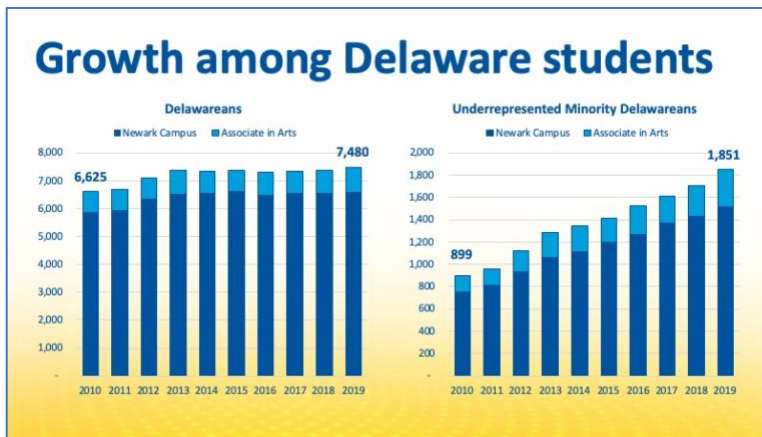
Other programs — such as the College Readiness Scholars Institute and the UD Edge summer college program — help students develop a college-success mindset. Ninety percent of CRSI alumni enrolled in higher education immediately after their high school graduation, with 62% becoming Blue Hens and 38% enrolling at another higher education institution.



When students are ready to apply, UD waives their application fee in October and November, which has helped increase the application pool by more than 35% since 2009. More than 4,000 Delawareans applied for fall 2019 admission, and the number of applications for fall 2020 admission is holding steady. This is a strong number, especially because six out of 10 colleges and universities around the country have fallen short of their enrollment goals this year due to a variety of demographic shifts. But we're always working to strengthen our

relationships with principals and counselors at Delaware schools so that we keep that pipeline open to UD.

We want to help every Delaware student obtain a high-quality education, so we find a place at UD for nine out of 10 applicants. A large majority are admitted to the main campus in Newark. Others are admitted to UD’s Associate in Arts program, which lets them complete about half of their bachelor’s degree while taking UD courses in Wilmington, Dover and Georgetown. They then seamlessly transition to the Newark campus to complete their bachelor’s degree. Tuition for the Associate in Arts program is about a third of the cost of our sticker price, and thanks to federal Pell Grants and the state’s SEED scholarship program, it is actually free for virtually every Delaware student.



It’s also important to point out that the number of Delawareans enrolled at UD continues to increase. There are now a record 7,480 Delawarean undergraduates at UD. Even as the University has grown over the years, our share of Delawareans has kept pace.

UD’s enrollment of Delawareans today is far more diverse than it was a decade ago. About one-quarter of Delawarean undergraduates is African American, Hispanic, Native American Indian or Hawaiian/Pacific Islander, double the rate from 2009. Delawareans from those groups make up 32% of the applicants for fall 2020.

We believe that the revised financial aid program I mentioned earlier will go a long way toward helping us continue diversifying the University’s enrollment.

Promoting success for Delawareans



- 80% graduation rate**
 - > Compared to national average of 66%
- UD Bachelor's Degree = \$43,300 more income annually**
 - > \$1 million more over lifetime
- 50,000 alumni in Delaware**
 - > \$1 billion in spending in Delaware's economy

As our enrollment has grown, we have also continued to invest in the high quality of education at UD.

We have reduced class sizes where it's appropriate, such as our first-year English courses. We've also added full-time faculty to increase the excellence of our classrooms. And we continue to develop new courses, new academic programs and new ways of teaching to meet the changing needs of students and their future employers.

We're proud that about 80% of Delawareans at UD earn their bachelor's degree within six years, compared to a national average of 66%.

We believe it is critical to educate as many Delawareans as possible because they strengthen the entire state. Delaware residents who hold bachelor's degrees from UD earn about \$43,300 more annually than those with just a high school diploma. That's an additional \$1 million over their lifetime, which means they pay higher taxes, spend more money in our economy and use fewer state services, such as Medicaid.

Taken together, UD alumni living in Delaware — those with an associate, bachelor's or advanced degree — earn an additional \$1 billion a year. That's a huge benefit to our state's economy.

OUR SHARED PRIORITIES

Our shared priorities



FY2021 Capital Appropriation
 Ensuring a modern university to provide Delawareans with a world-class education
 > Governor's Recommendation —\$10M

As I said earlier, all of this is possible because of our close partnership with the state. We are grateful for the ongoing support of the General Assembly and Governor Carney. We know you face the difficult task of investing limited funds while balancing the short-term and long-term needs of the state. The University is proud to work with you to achieve these goals, and we believe the University's appropriation is a wise investment that aligns with your priorities for the benefit of all Delawareans.


As you know, Governor Carney has recommended a capital appropriation of \$10 million in FY2021 to help address the University's backlog of deferred maintenance projects. Those funds will help ensure that UD can continue to provide modern facilities to serve Delawareans and continue to produce the research and innovations that drive our economy.

The governor has also recommended \$20 million for the Higher Education Economic Development Investment Fund to be shared with the other institutions in Delaware. This also represents a smart investment in the future of our state, and we appreciate the legislature's foresight in establishing and funding this initiative.

CAPITAL APPROPRIATION REQUEST

Let me first address the University's capital appropriation for FY2021.

Caring for UD's statewide campus



Extensive capital needs

- > 460 buildings, ~9 million sq. ft.
- > Average age: 62 years

Modernizing laboratories statewide

- > Meet current safety requirements; install/replace emergency generators, fire alarms and fire suppressant systems
- > Upgrade HVAC systems that accommodate specialized equipment
- > Repair building envelope and roofing
- > Upgrade electrical systems

UD's capital needs are extensive. Statewide, we have 460 buildings with about 9 million square feet of space. Some of our buildings date from the 1800's and even the 1700's. The average age of our buildings is 62 years, so many of their major systems are due—sometimes, long overdue—for replacement or upgrade.

Over time, many of these buildings accumulated a backlog of maintenance projects, especially in our laboratory buildings. These labs are essential tools for teaching and research, for developing the next generation of educators, entrepreneurs and innovators, and for growing and strengthening our state's economy.

We need to modernize these facilities so that they meet current safety requirements, including the installation or replacement of emergency generators, fire alarms and fire-suppressant systems. The projects include upgrading HVAC systems that accommodate specialized laboratory equipment, such as fume hoods and ventilation mechanisms. And many buildings simply need repairs to their roofing and envelope.

Addressing deferred maintenance

- 2016: >\$500M backlog
 - \$18M from UD sources
 - \$5M-\$6M in state capital appropriations
- FY2018-2020
 - \$36M from UD resources
 - \$10M in state capital appropriations
- By FY2023: \$371M backlog

The slide includes three images: a red cylindrical tank, a white rectangular unit, and a large blue cylindrical tank with various pipes and valves.

When I came to UD in 2016, that list of deferred maintenance totaled more than \$500 million. The University was investing only \$18 million a year toward that backlog, as well as the \$5 million to \$6 million from our state capital appropriations.

So, over the past three years, we've doubled our funding to \$36 million a year to begin reducing that backlog to a more manageable level. We are combining that with the funding we receive in state capital appropriations, which is now up to \$10 million a year in the Governor's Recommended Budget, to address our most critical projects.

Right now, UD is investing in laboratory renovations in Worrilow, Spencer, Allen, Colburn, Evans and DuPont halls, as well as in classroom and office renovations in Willard, Pearson, Alison and Taylor halls.

As a result, our deferred-maintenance backlog is now decreasing, and by FY2023, with continued investment, we expect it to be down to about \$371 million. But we still have a lot of work to do.

That’s why we need your help. We don’t want to let our backlog get out of hand again, which is why steady or increased funding from the state will help improve the facilities that our students — Delaware’s students — rely on every day for their education.

We are grateful for the state’s financial assistance with previous projects at Cannon Lab and Lasher Lab. Those facilities received much-needed upgrades after the University saved multiple years’ worth of state capital appropriations.

Drake Lab: A project long overdue



Accumulating the funds from annual Capital Appropriations

- > FY2019: \$10 million
- > FY2020: \$10 million
- > FY2021: \$10 million (GRB)

Total project cost: \$30 million

We’re about to begin another project using state funds. After saving our capital appropriations over the past few years, we have now accumulated \$30 million that will allow us to expand Drake Lab, which will enable us to renovate seven of its chemistry labs to accommodate more students in the STEM disciplines. We will be soliciting bids soon.

Drake is one of our major laboratory buildings that’s used by students from a variety of academic programs, not just science majors. Drake is long overdue for an upgrade because its labs are outdated and too small. The poor condition of Drake Lab became a significant issue after a fire severely damaged McKinly Lab three years ago and we had to move classes to Drake and other facilities. I invite all of you to come and visit Drake Lab so you can see first-hand what our students have been dealing with.

Investing in UD’s capital resources



UD’s budgeted capital spending (in millions)

Fiscal Year	Spending (in millions)
FY2017	\$77.6
FY2018	\$88.3
FY2019	\$172.6
FY2020	\$199.0

Increased state support for UD's total capital needs is overdue, as well.

Over the past decade, about 95% of our capital spending has been covered by UD resources, such as tuition, fundraising and borrowing.

A significant amount of that spending has arisen because of unique opportunities in biopharmaceuticals, health sciences and other areas that will strengthen Delaware's economy for decades to come. For example, the photos you see here are from the Ammon Pinizzotto Biopharmaceutical Innovation Center that we're building on the STAR Campus right now and expect to open this spring. The \$165 million to construct that building came from UD's resources, including philanthropy.

I want to thank the state for providing \$3.3 million through the 2019 Higher Education fund to help provide essential scientific equipment in that facility. UD matched that investment 2-to-1. We're very excited about starting our work there, so I will make sure that all of you are invited to the ribbon-cutting ceremony.

Altogether this year, UD has budgeted about \$199 million in capital projects, even as we continue to reduce our deferred-maintenance backlog.

The last laboratory building constructed at UD with substantial state assistance was Lamont du Pont Lab in 1992. Meanwhile, many other states are investing significant funds in their universities' capital needs, which puts UD at a competitive disadvantage. Some Delaware students are choosing to leave the state because other universities have better laboratories.

Of course, the money we spend on capital projects — especially deferred maintenance — cannot be spent on more impactful projects elsewhere in the University. Additional state funding for our capital needs would help us reduce the backlog more quickly and allow the University's investments to yield an even greater benefit for the long-term health of our state's economy.

HIGHER ED ECONOMIC DEVELOPMENT FUND

I'd also like to discuss the Higher Education Economic Development Investment Fund. In the fall, UD submitted a multi-year request for two capital projects.

STAR Campus



The first request was for the physical infrastructure needed to continue developing the STAR Campus. I want to thank Representative Heffernan and Senator Sokola — as well as the other members of the Higher Education fund committee — for the \$4.83 million from that fund to support our investments at the STAR Campus.

That money will help us install lines for water, electric, gas and sewer service, as well as building streets, will create about 30 shovel-ready development sites and accelerate development of the campus. We know of companies and entrepreneurs who are waiting to locate on the STAR Campus until that infrastructure is available.

Fully developed, this section of the STAR Campus would support 5,500 to 7,150 jobs. It already includes our Health Sciences Complex and the Tower at STAR, and Chemours is now moving into its new Discovery Hub.

'Fintech' facility fit-out

➤ Investing in Delaware's financial-technology sector

- Support research and instruction in fin-tech fields
- Grow and strengthen Delaware's fin-tech sector — Trained workforce, new intellectual property, new companies, new jobs
- ~110 jobs at site, plus attract more companies to state



Second, we requested \$4.5 million over two years for the fit-out of the financial technology, or “fintech,” building that we are planning. This 100,000-square-foot building on the STAR Campus will be a partnership with Delaware Technology Park and Discover Bank.

The fintech building will support innovative research and hands-on education in finance 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.

We expect to break ground for this building in June, and I hope you all will join us for the ceremony.

We are also grateful that Governor Carney has recommended investments in capital and infrastructure, especially his proposal for graduation lab space to retain mid-stage companies that are moving out of an incubator but not quite ready to strike out on their own. Such a facility could take shape at the STAR Campus, so we’re eager to explore and develop that idea further.

CONCLUSION



Our shared priorities

FY2021 Capital Appropriation
Ensuring a modern university to provide Delawareans with a world-class education
➤ Governor's Recommendation —\$10M

As you can see, UD has extensive capital needs, and we are investing significant funds from our own resources to address them. If the state has additional capital funds available this year, please consider directing a portion of them to the University, where we can use them to benefit Delawareans and the state’s long-term economy.

In conclusion, I want to again express the University’s appreciation for the state’s partnership, not only regarding the capital investments that are the focus of this committee’s work, but also more broadly as we work together to strengthen our state for the benefit of all Delawareans.

Thank you for your time and attention this morning, and we’ll be happy to answer any questions you might have.



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