Prepared for:

Kentucky Council on Postsecondary Education

Feasibility study in response to SJR 132: Transforming the Hazard Community and Technical College (HCTC) into a four-year, residential institution

December 1, 2024

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Foreword

This report (the Report) was prepared by Ernst & Young LLP (EY) at the request of the Council on Postsecondary Education (CPE), an organization that serves as a coordinating board for Kentucky's state universities and the Kentucky Community and Technical College System. The CPE has responsibilities to ensure a well-coordinated and efficient public postsecondary education system in Kentucky.

The CPE engaged EY to perform certain advisory services in connection with the feasibility study directed by the state legislature in Senate Joint Resolution 132. This study focused on assessing the feasibility and potential financial impacts of transforming the Hazard Community and Technical College (HCTC) into a four-year, residential university that offers specific technical and baccalaureate programs. The analysis and insights expressed in the Report were produced by EY and informed by primary research in the form of interviews with relevant stakeholders within the CPE, HCTC, Kentucky Community and Technical College System (KCTCS), and four-year institutions. Additionally, EY conducted secondary research, sourcing relevant data and information through a variety of public data sources. A full description of EY's methodology is included in Appendix A.

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Executive summary

SENATE JOINT RESOLUTION 132 (SJR 132)

The Kentucky Council on Postsecondary Education (CPE) was directed by SJR 132 to conduct a feasibility study on transforming the Hazard Community and Technical College (HCTC) into a four-year, residential university that offers specific technical and baccalaureate programs. The resolution underscores the importance of increasing access to higher education as a means of driving economic growth in Southeastern Kentucky, where educational attainment lags state and national averages.

Southeastern Kentucky, including the Eastern Kentucky Concentrated Employment Program (EKCEP) Local Workforce Area (LWA) and the Kentucky River Area Development District (KRADD), has faced years of challenges including population declines, employer outmigration, and natural disasters. The area is served by Hazard Community and Technical College (HCTC), a two-year public institution within the Kentucky Community and Technical College System (KCTCS) that provides technical education and associate degrees. However, there are no institutions that provide bachelor's degrees within a 45-minute drive. This lack of accessibility has contributed to lower bachelor's degree attainment in the region, which in turn limits economic opportunities and workforce development

The study requested by SJR 132 had the following focus areas:

1. A potential annual budget for the transition and initial establishment of the university's operation that identifies:
   - ► One-time costs associated with the transformation including construction of new facilities required for the institution to function, including but not limited to facilities for student housing and food service;
   - ► The various revenues that the institution could expect to generate based on both conservative and moderate growth scenarios;
   - ► The projected recurring costs, including retirement and health care for employees;
   - ► Anticipated tuition and fee charges, and projected gross and net tuition and fee revenue;
   - ► Federal funds that the institution would access or seek; and
   - ► Private funds that the institution would solicit or seek

2. A governance plan for the institution based on the statutes and administrative regulations that currently govern other comprehensive universities as defined in KRS 13 164.001

3. How the college's current satellite campuses can be best utilized, including but not limited to incorporating them into the new institution or maintaining them in the 16 Kentucky Community and Technical College system

4. Demand for the institution's academic programs and services within the projected service area by analyzing workforce supply/demand data, and soliciting input from potential students and area employers

5. The curricular offerings of the institution, including how the institution could continue to utilize the University Center of the Mountains and other joint consortiums with other postsecondary institutions to supplement the institution's in-person, remote, and online programs

6. How student financial aid would be offered, and the tuition and fee rates that may be charged to best provide accessibility for the residents of the region

7. How the state postsecondary education budget and performance funding structure would need to be adjusted to account for the transformation

8. What extracurricular and interscholastic programs should initially be offered to students, including athletics programs, and the potential costs and revenues the institution may incur from those offerings

9. A proposed implementation timeline for the transition and establishment of the institution

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GOVERNANCE FINDINGS

HCTC could transform into "NewU" (placeholder name) to offer four-year degrees in high-demand fields aligned with regional workforce needs and economic growth opportunities and increase bachelor's attainment in the Southeastern Kentucky region with a focus to ultimately drive economic growth by attracting industries and employers.

> *Recommendation 1: NewU could become a new classification within the KY higher education landscape and operate as an independent institution with its own governing board.*

NewU would no longer fit the definition of a member of KCTCS per House Bill 1 (HB1), the landmark legislation that combined the University of Kentucky's community colleges and the Kentucky Tech system of technical schools into one statewide system. HB 1, KRS 164.580, and KRS 164.001 clearly define KCTCS institutions as two-year schools that offer associate degrees and do not authorize them to grant bachelor's degrees without significant legislative changes and CPE approval. NewU could become a stand-alone institution with a new classification (e.g., a technical university), coordinated by the CPE, similar to the way CPE coordinates public four-year comprehensive and research universities in Kentucky. This would require a new governance structure:

- ► NewU would seek approval from the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) for a governance change.

- ► Once governance change approval is granted by SACSCOC, the Governor would appoint a NewU Board of Directors, some of whom could be members of HCTC's current advisory board, but could also be augmented with additional critical employers in the Commonwealth, to help drive economic impact in the region and to align NewU's programs to key workforce needs. A key function of this Board, in addition to its governance responsibilities, would be to engage workforce and economic development leaders, large employers, and other state and regional stakeholders who could work together to create a virtuous cycle of educational attainment and employment opportunities.

- ► NewU would also seek a level and mission change from SACSCOC and programmatic approvals from CPE, SACSCOC, and industry-specific boards where applicable.

> *Recommendation 2: NewU could continue using current technology systems and receiving shared services from KCTCS, via a mutually agreeable MOU, rather than investing in replacing these systems and supporting personnel.*

While NewU would be governed by a Board of Regents independent from KCTCS, NewU should continue to receive the suite of services it currently obtains from KCTCS (e.g., access to systems such as the ERP, Student Information System, Learning Management System, and any other relevant software and application; as well as staff support in certain key functions such as human resources, legal, and IT). This would minimize disruption to NewU's associate degree and other existing programs and eliminate the need for duplicating back-office software and services with taxpayer funds.

- ► NewU and KCTCS would need to develop a memorandum of understanding (MOU) that specifies the services that would be provided to NewU by KCTCS and sets expectations about service levels and pricing.

- ► This concept has been discussed with KCTCS, HCTC, and CPE, and all parties are receptive to the idea and committed to making it work. However, some additional questions remain that would need to be addressed and negotiated as part of the MOU development process (e.g., transition timing, level of staffing/services, exact payment amount to KCTCS, KCTCS system impact, accountability, data privacy, and other topics). This MOU development process is reflected in the proposed implementation timeline.

- ► For the purposes of this Report, the cost estimates assume that the cost to HCTC of receiving the same set of services from KCTCS would remain approximately the same as the current level of chargeback (by the central KCTCS office to HCTC).

- ► In the event NewU and KCTCS are not able to reach a mutually agreeable MOU, NewU would need to incur additional one-time costs to replace technology systems currently obtained from KCTCS as well as recurring costs to cover subscriptions/licenses and personnel necessary to manage the technology systems and provide

user support. Initial quotes and estimates received by HCTC indicate ~$3m in one-time costs and ~$6-7m in annual recurring costs.

Recommendation 3: If the legislature decides to support the transformation of HCTC into a four-year residential institution, the transformation process could benefit from CPE having a formal advisory role during the transition period from HCTC to NewU.

The transition from HCTC to NewU will be complex and involve many moving parts. CPE, with its statewide coordinating role and strong relationships across the Commonwealth, could provide valuable advice to HCTC/New U leadership along the way and help facilitate discussions with the KCTCS.

ACADEMIC PROGRAM RECOMMENDATIONS

Recommendation 4: NewU could offer bachelor's degree programs that address a workforce need in the EKCEP region and prepare students for the future demands of an evolving economy in Southeastern Kentucky. NewU could begin by selecting the five highest-priority bachelor's degree programs based on labor market analysis.

Based on the methodology described further in the Report (Section 2 and Appendix A), these programs are:

► **Nursing, education, and social work** all have over 200 more annual openings than the number of graduates completing bachelor's degrees annually in the region.

► If the region's economy were to be structured like that of an example Appalachian county with a more-robust economic status designation, it would need ~500-1,400 more jobs in nursing, **IT, and business**.

Recommendation 5: HCTC's existing satellite campuses transfer could be an important part of delivering the new bachelor's degrees to students and could continue to provide access to the current programs delivered to HCTC students. NewU could consider transferring satellite campuses with HCTC into NewU.

While the new programs would be delivered in a hybrid format primarily on HCTC's main campus, the satellite campuses would serve as important internet access points and community engagements spots for participating students.

EXTRACURRICULAR AND STUDENT LIFE RECOMMENDATIONS

Recommendation 6: NewU could consider offering a range of on-campus activities to promote student engagement and retention (intramural clubs, not intercollegiate varsity sports).

This could include:

► **1-2 residential facilities,** depending on the enrollment scenario, given the lack of affordable housing in the area and the proven connection between availability of housing and student retention. In the lower enrollment scenario, the residential facility would offer 48 family-style units; in the highest enrollment scenario, an additional residence, targeted at first time students enrolling directly from high school, could be added to accommodate a total of 96-144 students in the two facilities depending on density.

► **5-10 student clubs,** depending on the enrollment scenario.

► **1-5 intramural sports, depending** on the enrollment scenario.

► NewU would also bring back **on-campus dining operations.**

Potential costs related to residential facilities, dining, student clubs, and intramural sports are reflected in financial impacts section.

NewU VALUE PROPOSITION TO STUDENTS

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Recommendation 7: NewU could offer degrees at lower cost overall, given the economic challenges and poverty rates faced by the region.

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Lower-level courses would be priced in line with associate degree coursework. Upper-level courses would be priced at the rate of the closest four-year institution, but students would also be offered scholarships and financial aid to offset the costs. Additional detail on this is provided in the financial impacts section of the Report.

In addition to program affordability, students would benefit from:

► **Location:** Students would have access to a local institution offering bachelor's degrees that is visible and active in the community to build awareness.

► **Modality:** Students would benefit from a combination of in-person and online instruction. In-person elements would provide avenues for increased engagement and support, and could lead to increases in completion / attainment rates.

NewU VALUE PROPOSITION TO EMPLOYERS

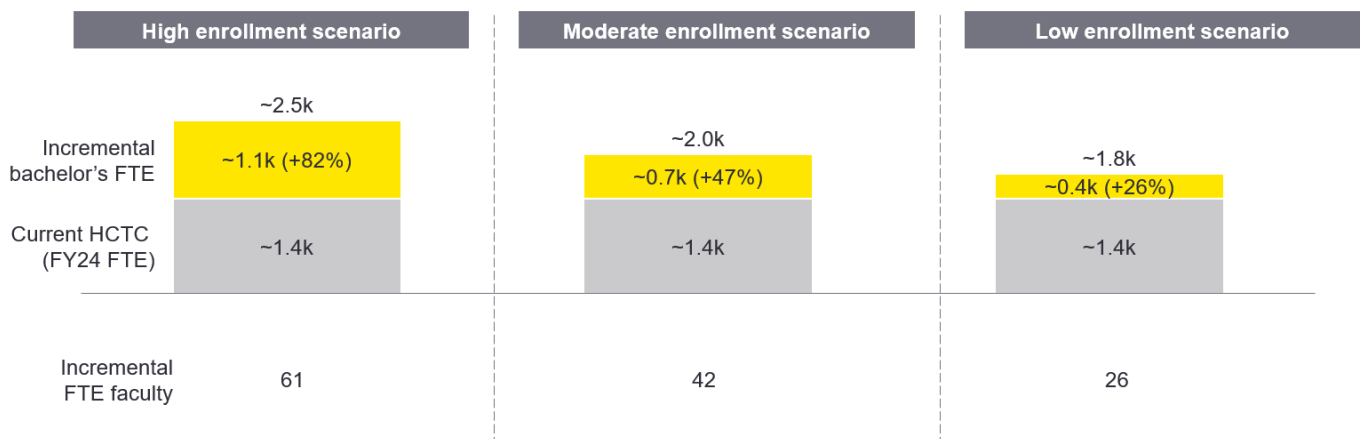<div style="background-color:#fdf8d0">

Recommendation 8: NewU already partners with local employers to deliver its current credit and non-credit offerings. NewU could continue to work closely with local and regional employers to launch the new bachelor's degree programs, to create positive outcomes for both employers and students.

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By targeting bachelor's degree programs aligned to workforce needs, NewU will aim to improve bachelor's degree attainment in areas of highest need – by not only enrolling more first-time students and working adults in bachelor's degree programs locally, but also in supporting these students to completion. This should generate more bachelor's graduates for the workforce and contribute positively to the local economy.

By working closely with employers to incorporate their input into program design and curriculum, and to recruit workplace-based students into programs, NewU will aim to incorporate skills and competencies valued by employers into the curriculum, making NewU graduates attractive hires into target industries.

ENROLLMENT SCENARIOS

This Report considers three enrollment (demand) scenarios that are rooted in benchmarking of similar programs across Kentucky.

	High enrollment scenario	Moderate enrollment scenario	Low enrollment scenario
Incremental bachelor's FTE	~2.5k ~1.1k (+82%)	~2.0k ~0.7k (+47%)	~1.8k ~0.4k (+26%)
Current HCTC (FY24 FTE)	~1.4k	~1.4k	~1.4k
Incremental FTE faculty	61	42	26

POTENTIAL FINANCIAL IMPACTS OF SCENARIOS

All scenarios include a series of assumptions related to NewU's revenues and recurring costs.

Revenues	Costs
► **Tuition and fee revenue:** NewU could price lower-level classes in line with associate degrees per-credit offerings and upper-level classes in line with four-year peer benchmarks for an overall lower-cost bachelor's degree. ► **Federal and state grant revenue:** NewU students would likely qualify at similar rates as students at HCTC for grants such as Pell Grants, Supplemental Educational Opportunity Grant (SEOG), and the Kentucky College Access Program (CAP). ► **Gifts and fundraising revenue:** NewU could expand its development function to attract donations at similar levels to community college baccalaureate benchmarks. ► **Auxiliary revenue:** At a minimum, NewU would provide housing in partnership with a third-party (e.g., non-profit like Family Scholar House) for which it would not receive direct auxiliary revenue. In a high enrollment scenario, NewU could both enter a partnership with a third-party <u>and</u> manage its own dormitory for primarily first-time full-year students – in which case, it would also collect room and board.	► **Faculty:** NewU would hire additional bachelor's faculty consistent with a target student-teacher ratio for programs. ► **Staff:** NewU would increase its staff capacity to meet the needs of increased enrollment and serve new student populations that require different workflows and services. ► **Institutional financial aid:** NewU would award additional scholarships to students (above federal and state grants) to support the cost of tuition and fees. ► **Software and services:** Under the MOU with KCTCS, NewU would receive software and support services for its ERP, LMS, SIS, etc. This Report assumes that the cost would be comparable with what HCTC is charged currently. ► **Extracurricular expenses:** NewU would provide 5-10 student organizations and 1-5 intramural sports with associated equipment, faculty advisors, etc. ► **Facilities:** If NewU enters a partnership with a third-party to build and operate a student residence (e.g., non-profit Family Scholar House), it would not have recurring costs for its student facilities. If it manages a residence hall on its own, it would have associated personnel and non-personnel costs.

NewU would also have potential one-time costs associated with developing programs and building facilities:

- ► **Accreditation support and curriculum development:** NewU would need support from a professional consultant(s) for the accreditation process and from a curriculum consultant(s) to develop content required to launch new programs.

- ► **Extracurricular start-up costs:** NewU would need to purchase new equipment for its student organizations.

- ► **Facilities:** NewU would need to purchase land to lease to a third-party developer and/or prepare and build on a residential facility on its own site.

IMPLICATIONS FOR STATE POSTSECONDARY EDUCATION BUDGET

Incremental State Appropriations. The scope of the feasibility study did not include assessment of HCTC's projections for potential additional needs related to non-bachelor's programming (associate, certificate, etc.). Therefore, estimates shown below and elsewhere in the Report are for bachelor's programs only and assume that these incremental state appropriations would be added to the existing $12m in state appropriations already flowing to HCTC through KCTCS. This does not preclude NewU from developing a request for additional state appropriations related to its suite of associates, certificate, and non-credit program offerings.

As shown in the table below, costs related to converting HCTC to NewU and adding bachelor's degree programs could range from ~$14m to ~$35m in one-time startup costs, primarily driven by residential facilities, and ~$5-8m in recurring annual investment (assuming an MOU is agreed upon with KCTCS, providing shared services to NewU at rates similar to what HCTC is charged today).

Potential recurring and one-time costs for NewU by scenario (recurring costs are as of FY33 which is considered steady state)			
	Low	**Moderate**	**High**
Incremental bachelor's FTE students (% increase over HCTC FY24)	364 (+26%)	653 (+47%)	1,138 (+82%)
Additional state appropriations needed to cover recurring difference between revenues and costs (annual, steady state)	~$8.3m	~$7.5m	~$5.2m
Additional state support needed to cover one-time costs	~$14.0m	~$14.0m	~$34.9m

NewU would likely have upfront expenses before it enrolls students – both from one-time initial purchases and recurring salaries of individuals needed to help with bachelor's launch (CFO, legal, faculty, program leadership and staff). As enrollment would build cohort-by-cohort over time, it would not reach "steady state" until FY33, the year in which NewU enrolls both new first-year starts and the initial entering cohort would have some sixth-year students who complete their degrees in 150% of time.

Potential total investment needed during NewU scaling period (FY26-FY33), nominal dollars			
	Low	**Moderate**	**High**
Total investment need FY26-FY33	~$76.2m	~$72.8m	~$81.5m

When combined with enrollment in associate, certificate, diploma, and dual credit programs, the annual state appropriations per FTE at NewU would be in-line with the FY23 Kentucky public four-year average of $8.2k per FTE, as shown on below.[1]

Potential per-FTE investment at NewU (total of bachelor's, associate, and other programs)			
	Low	**Moderate**	**High**
Est. NewU estimated state appropriations per FTE student in FY33	~$11.4k	~$9.3k	~$6.6k

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[1] Audited financial statements of HCTC and other Kentucky public institutions, weighted average of four-years excl. KSU; IPEDS

Timing of Incremental Appropriations. Kentucky operates on a biennial budget cycle. In order to enroll students in Fall 27, NewU would need state appropriations for one-time and recurring expenses in FY26; these are assumed to be through special appropriation.

Legend: State appropriations (baseline at non-bachelor's FY24) | Incremental recurring state appropriations | Incremental one-time state appropriations

High

Special appropriation	27-28 biennium		29-30 biennium		31-32 biennium		Steady state
$49m / $35m / $3m / $12m	$6m	$9m	$7m	$7m	$5m	$5m	$17m / $5m / $12m
FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33

Moderate

Special appropriation	27-28 biennium		29-30 biennium		31-32 biennium		Steady state
$28m / $14m / $3m / $12m	$6m	$10m	$9m	$8m	$8m	$8m	$19m / $8m / $12m
FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33

Low

Special appropriation	27-28 biennium		29-30 biennium		31-32 biennium		Steady state
$28m / $14m / $3m / $12m	$6m	$10m	$10m	$9m	$8m	$8m	$20m / $8m / $12m
FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33

Memorandum of Understanding. Estimates assume the cost to HCTC of receiving the same set of services from KCTCS would remain approximately the same as the current level of chargeback. In the event NewU and KCTCS are not able to reach a mutually agreeable MOU, NewU would need to incur additional one-time and recurring costs. Initial quotes and estimates received by HCTC indicate ~$3m in one-time costs and ~$6-7m in annual recurring costs.

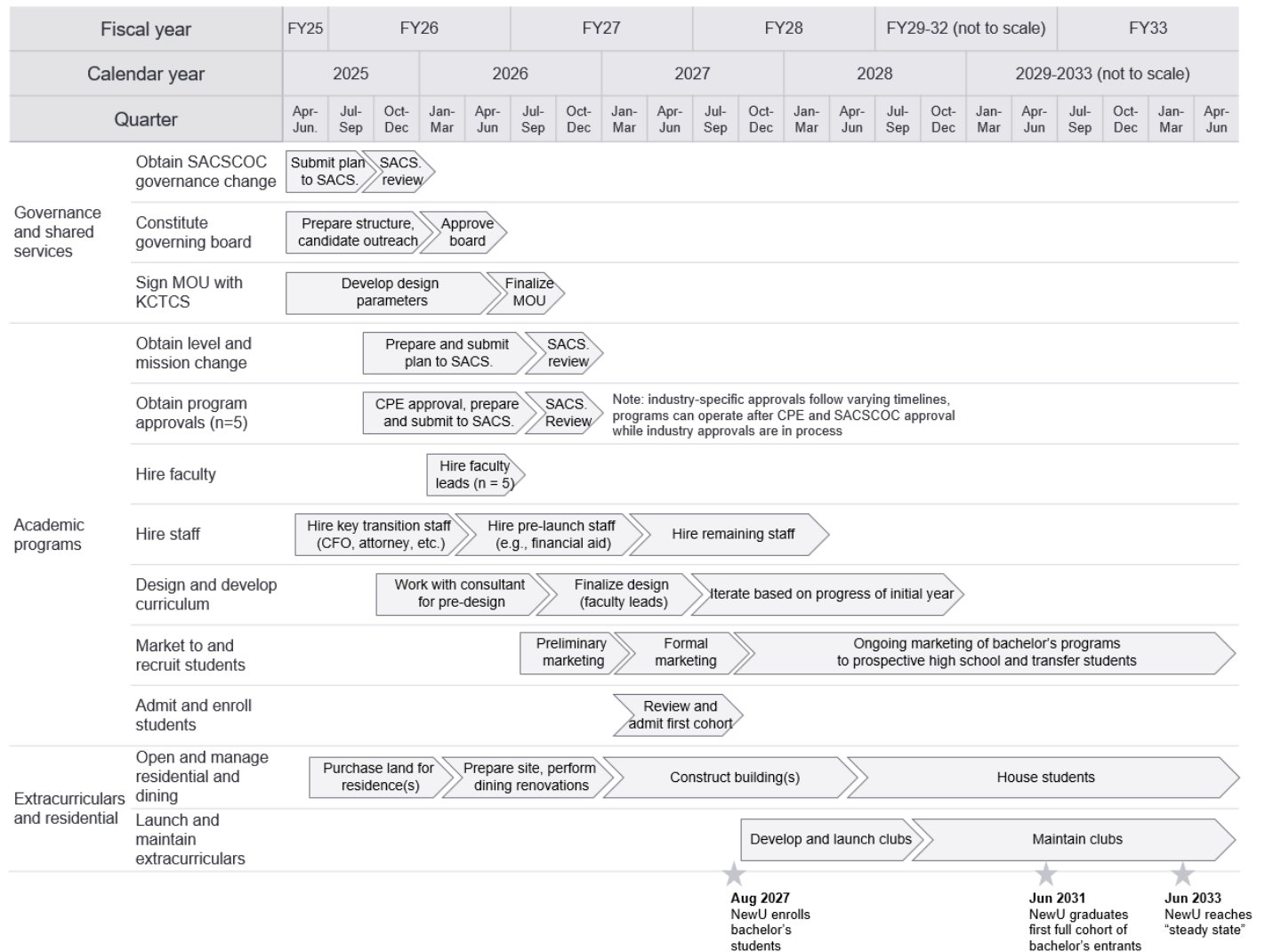**Performance-Based Funding.** Since NewU would be a new classification in Kentucky's higher education landscape and would not fit the funding formula of either two-year or four-year institutions in Kentucky, this Report assumes that NewU would be exempt from performance funding until it is able to demonstrate outcomes related to its new bachelor's degrees (e.g., until the first cohort of students graduates in 150% of time or FY33).

As shown in the graphic below, NewU would require legislative approval and would need to undergo a governance and level/mission change, as well as obtain program approvals.

If the legislature were to approve NewU, it could consider a special appropriation for FY26 and then ongoing biennial appropriations. If the legislature were to proceed with a FY26 appropriation, **NewU would enroll its first cohort of bachelor's students by Fall 2027 (FY28),** after obtaining the necessary regulatory and accreditation approvals.

If appropriations are pushed out to the FY27-FY28 biennial, NewU would not be able to launch its first cohort of students until Fall 2028 (FY29).

Fiscal year	FY25	FY26		FY27		FY28		FY29-32 (not to scale)		FY33	

Timeline chart with calendar years 2025, 2026, 2027, 2028, 2029-2033 (not to scale) and quarters Apr-Jun, Jul-Sep, Oct-Dec, Jan-Mar.

Governance and shared services
- Obtain SACSCOC governance change: Submit plan to SACS. → SACS review
- Constitute governing board: Prepare structure, candidate outreach → Approve board
- Sign MOU with KCTCS: Develop design parameters → Finalize MOU

Academic programs
- Obtain level and mission change: Prepare and submit plan to SACS. → SACS review
- Obtain program approvals (n=5): CPE approval, prepare and submit to SACS. → SACS Review. Note: industry-specific approvals follow varying timelines, programs can operate after CPE and SACSCOC approval while industry approvals are in process
- Hire faculty: Hire faculty leads (n = 5)
- Hire staff: Hire key transition staff (CFO, attorney, etc.) → Hire pre-launch staff (e.g., financial aid) → Hire remaining staff
- Design and develop curriculum: Work with consultant for pre-design → Finalize design (faculty leads) → Iterate based on progress of initial year
- Market to and recruit students: Preliminary marketing → Formal marketing → Ongoing marketing of bachelor's programs to prospective high school and transfer students
- Admit and enroll students: Review and admit first cohort

Extracurriculars and residential
- Open and manage residential and dining: Purchase land for residence(s) → Prepare site, perform dining renovations → Construct building(s) → House students
- Launch and maintain extracurriculars: Develop and launch clubs → Maintain clubs

Milestones:
- Aug 2027: NewU enrolls bachelor's students
- Jun 2031: NewU graduates first full cohort of bachelor's entrants
- Jun 2033: NewU reaches "steady state"

UNIVERSITY CENTER OF THE MOUNTAINS (UCM) AS AN ALTERNATIVE MODEL

The core objective of SJR 132 is to identify a feasible plan to address the postsecondary desert in Southeastern Kentucky and increase the number of bachelor's degree-holders in the region.

If expanding HCTC to offer and confer bachelor's degrees independently as NewU – in the manner and at the level of additional investment described above – is not a viable option for the Commonwealth at this point in time, this Report also considers an alternative model to increase educational attainment in Southeastern Kentucky.

HCTC's University Center of the Mountains (UCM) is an existing transfer pathway program that connects students to bachelor's and graduate degrees offered by four-year institutions across the state. Unfortunately, UCM has experienced declining student and four-year partner engagement over the years. A stronger, re-imagined version of UCM could serve more place-bound students and yield additional postsecondary options in Southeastern Kentucky. It would take additional resources (investment by the Commonwealth along with potential investments from four-year partners and the philanthropic community) to realize this vision. The primary benefit of this option is that it uses an existing mechanism to award four-year degrees and would likely carry a lower overall cost than converting HCTC into NewU. The primary downside of this option are the limitations in terms of enrollment. These enrollment/cost tradeoffs need to be evaluated carefully.

A Re-imagined, Transformed UCM

► **Governance:** In a hypothetical scenario to estimate resources needed for UCM expansion, UCM could transform into a standalone not-for-profit organization (rather than operating as part of HCTC).

► **Academic programs and student supports:** This "NewUCM" could focus on the same set of targeted academic programs identified for NewU. It could negotiate transfer pathways with relevant four-year institutions in Kentucky, with support from CPE, and recruit students to these transfer pathways. Rather than distributing demand across 80+ programs, four-year partners could be chosen through a competitive selection process to encourage NewUCM students to enter the two-year transfer programs as a cohort that could provide more peer-to-peer support and engage partners by providing a critical mass of students in a discipline. It could use its center to provide learning space, academic/career support, and community-building among students and four-year partners.

► **Potential enrollment and completions:** As a transfer center that does not enroll its own students and facilitates enrollment into primarily online programs, NewUCM would likely attract lower enrollment than NewU with its in-person/hybrid programs. As a result, NewUCM would likely achieve lower numbers of bachelor's completions than a local bachelor's-granting institution like NewU. This analysis uses 50% of the projected NewU low scenario enrollment, which reflects HCTC's current split of online degree-seeking learners.

► **Cost to operate:** Based on peer benchmarking, at full scale NewUCM may need ~$2.2m annually to deliver:
  o 18 new employees to lead the organization, support student recruitment and retention, formalize transfer pathways, lead in-person programming, and perform other activities
  o Non-personnel operating needs such as software, facilities, etc.
  o Non-personnel support for support student success and partner engagement through merit scholarships, student trips to four-year institutions, community events, etc.

► **Potential revenue models:** NewUCM would need a revenue model that could include a combination of:
  o State appropriations to provide some (or all) of the funding needed by NewUCM
  o Member contributions from four-year partners via an annual or per-program fee and/or a revenue sharing agreement for student tuition
  o Fundraising and donations from the private sector

► **Potential additional state appropriations needed:** In the most conservative scenario (no additional funds contributed to NewUCM from partner institutions or private gifts), NewUCM would require ~$2.2m annually in additional state appropriations. The table below highlights the estimated investment potential to expand NewUCM. Note that this figure is illustrative – NewUCM would not enroll students directly and would have other avenues beyond state appropriations to receive revenue (e.g., partner contributions from revenue sharing and/or fees, fundraising).

Potential incremental state appropriations needed at scale – NewUCM vs. NewU scenarios (FY33 steady state year)				
	NewUCM	**NewU low**	**NewU moderate**	**NewU high**
Estimated incremental bachelor's FTE students (% increase over HCTC FY23)	182 (+13%)	364 (+26%)	653 (+47%)	1,138 (+82%)
Estimated incremental state appropriations needed <u>annually</u> to support bachelor's programs	~$2.2m	~$8.3m	~$7.5m	~$5.2m
Estimated one-time costs (requiring state support)	~$0.1m	~$14.0m	~$14.0m	~$34.9m

RISKS AND CONSIDERATIONS

Both the hypothetical NewU and NewUCM models contain risks that they may not be able to launch as quickly or reach the scale estimated, particularly in optimistic/high scenarios.

If the goal is to increase educational attainment as a path to economic development and mobility within Southeastern Kentucky, there is a risk that investing in higher education only, if not coupled with a concerted economic development effort to bring employers back to the region, could result in an increase in bachelor's attainment without jobs for graduates in the area. In this event, graduates would either leave the region or be un- or underemployed.

NewU/NewUCM could mitigate against this risk by:

(1) including current and future large employers (state-wide employers, not just regional employers) on its Board of Regents as well as on any program-specific advisory boards. In this, NewU would need support from the Governor's Office and potentially CPE.

(2) conducting ongoing workforce needs assessments to inform program content and career coaching for students.

While NewU holds a lot of promise, an education solution alone may not be sufficient to address the challenges faced by Southeastern Kentucky.

An intentional economic development and job creation plan – that recruits new employers and addresses infrastructure issues (roads, access to region, etc.) – is likely needed in parallel to create jobs in the economy and increase opportunity for bachelor's degree graduates in the region.

Prepared solely for the Kentucky Council on Postsecondary Education. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions in Appendix D.

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1. Current state – Hazard Community and Technical College

1.1. Location

Southeastern Kentucky, while not an officially state-designated region, is primarily comprised of the eight counties in the Kentucky River Area Development District (KRADD) and can be expanded to the Eastern Kentucky Concentrated Employment Program (EKCEP) Local Workforce Area (LWA) comprised of 23 counties.[2]

The region has faced decades of economic challenges and under-investment. The Council on Postsecondary Education (CPE) December 2023 report in response to SJR 98 outlines challenges, including but not limited to:

- ► **Population declines:** The population of Southeastern Kentucky has been decreasing while the state as a whole is experiencing growth. Kentucky's total state population is expected to grow by 3.7% over the next 20 years (2025-2045) while the EKCEP population is projected to decline by 19.9%. By 2050, the EKCEP is projected to fall from the 3rd to 7th largest of the 10 Local Workforce Areas (LWAs) in Kentucky.[3]

- ► **Low workforce participation:** In 2022, the EKCEP had a labor force participation rate of 42%, 15 percentage points lower than the overall Kentucky rate of 57%.[4] This is due, in part, to the exodus of coal and manufacturing industries. As an example, coal mining employment in Letcher shrank by 95% between 1990 and 2022.[5] Other industries have not filled the gap; as of March 2024, EKCEP had a 7.6% unemployment rate, higher than the state rate of 5.1%.[6]

- ► **Low levels of college attainment:** The EKCEP has the lowest postsecondary attainment rates of the 10 Kentucky LWAs; based on 2018-2022 5-year averages, only 14.2% of EKCEP adults (25-64) have at least a bachelor's degree compared to the state average of 27.1%. Eight EKCEP counties are ranked among the lowest 100 counties in bachelor's attainment across the United States, including two (Wolfe and Lee) in the lowest 25 counties.[7]

- ► **Infrastructure challenges:** Southeastern Kentucky faces access and transportation challenges due to its rural, mountainous location. Only 75% of KRADD households (3 in 4) have broadband internet, which is significantly lower than the 88% average in Kentucky and 86% average nationally.[7] The terrain creates long drive times for out-of-town employment, education, healthcare, and other necessities.

1.2. Governance

Hazard Community and Technical College (HCTC) has served the region since 1968 when it was established as Hazard Community College. In 1999, as part of HB1, it merged with the Hazard Vocational School.[8] It is currently one of 16 members of the Kentucky Community and Technical College System (KCTCS).

KCTCS is charged with providing workforce and technical training, as well as broad access to general education courses designed for four-year transfer opportunities. As outlined in *Figure 1,* KCTCS is governed by a Board of Regents. Additionally, it has an associated system office that provides contracts, services, and some functions to members. HCTC has an institution-specific President and an advisory Board of Directors. It receives funding through state appropriations and the performance funding model, which awards funds based on a variety of metrics, including degree/certificate completion.

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[2] Findings and Recommendations Pertaining to SJR 98, Council on Postsecondary Education, December 2023; KRADD counties: Breathitt, Knott, Lee, Leslie, Letcher, Owsley, Perry, and Wolfe; remaining EKCEP counties: Bell, Carter, Clay, Elliott, Floyd, Harlan, Jackson, Johnson, Knox, Lawrence, Magoffin, Martin, Menifee, Morgan, and Pike
[3] Kentucky Population Projections, KYSTATS, 14 June 2023; Note: EKCEP was the 3rd highest populated LWA in 2010
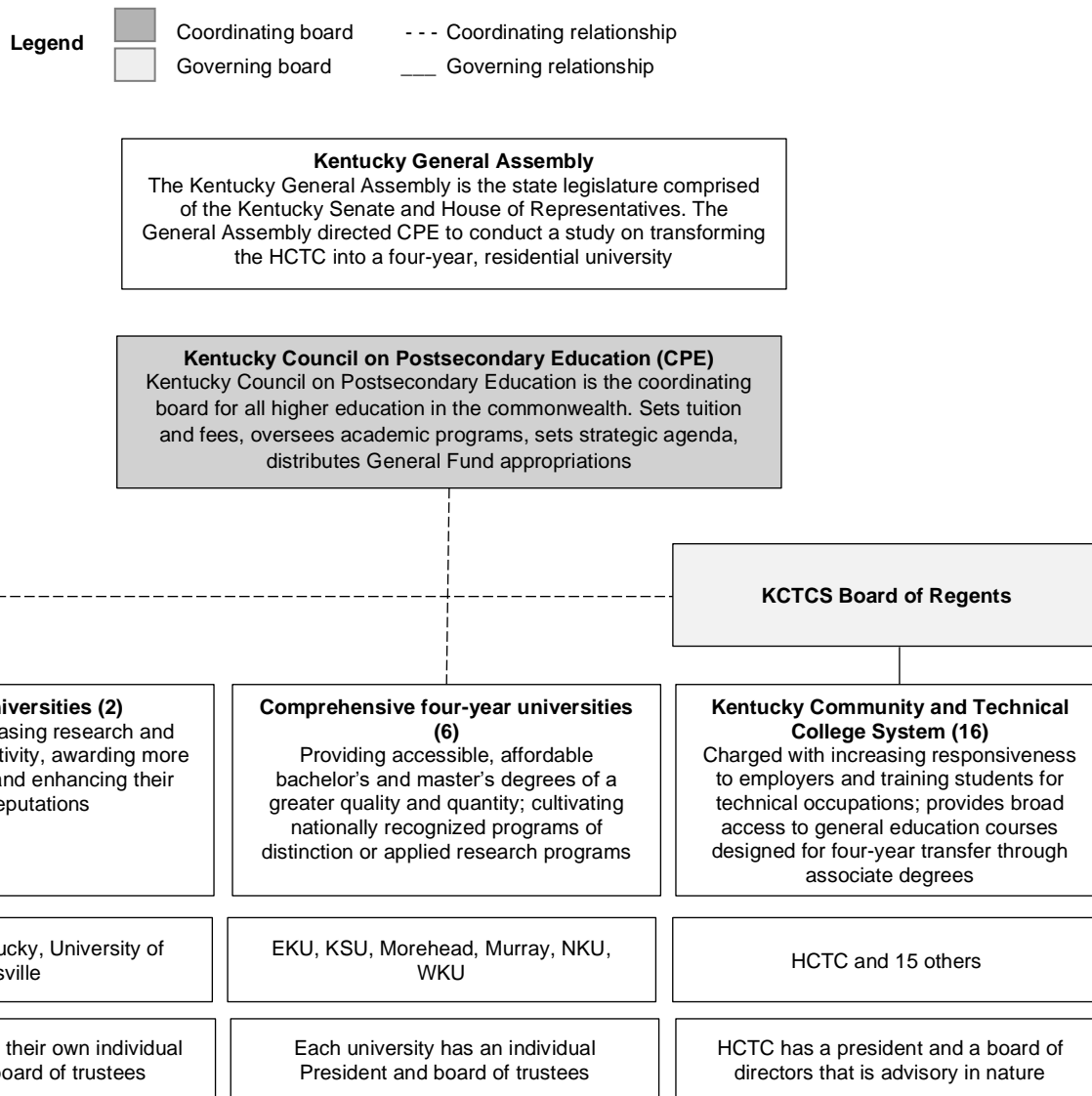[4] Kentucky's Labor Force Participation: National and Local Contexts, KYSTATS, 05 May 2023
[5] Roja, Rick, "How Coal Mining and Years of Neglect Left Kentucky Towns at the Mercy of Flooding," New York Times, 2 August 2022
[6] Workforce Overview Report for Kentucky Regions (WORK), KYSTATS, July 2024
[7] U.S. Census, American Community Survey, 2018-2022
[8] HCTC website

Figure 1: Kentucky higher education organizational structure

Legend
☐ Coordinating board — - - Coordinating relationship
☐ Governing board ___ Governing relationship

Kentucky General Assembly
The Kentucky General Assembly is the state legislature comprised of the Kentucky Senate and House of Representatives. The General Assembly directed CPE to conduct a study on transforming the HCTC into a four-year, residential university

Kentucky Council on Postsecondary Education (CPE)
Kentucky Council on Postsecondary Education is the coordinating board for all higher education in the commonwealth. Sets tuition and fees, oversees academic programs, sets strategic agenda, distributes General Fund appropriations

KCTCS Board of Regents

Research Universities (2)
Charged with increasing research and development productivity, awarding more doctoral degrees, and enhancing their national reputations

Comprehensive four-year universities (6)
Providing accessible, affordable bachelor's and master's degrees of a greater quality and quantity; cultivating nationally recognized programs of distinction or applied research programs

Kentucky Community and Technical College System (16)
Charged with increasing responsiveness to employers and training students for technical occupations; provides broad access to general education courses designed for four-year transfer through associate degrees

| University of Kentucky, University of Louisville | EKU, KSU, Morehead, Murray, NKU, WKU | HCTC and 15 others |

| Each university has their own individual President and board of trustees | Each university has an individual President and board of trustees | HCTC has a president and a board of directors that is advisory in nature |

As part of KCTCS, HCTC receives access to shared systems, services, and technology provided by the system office. In FY24, KCTCS charged HCTC $2.7m for providing these services via appropriations remittance and direct expense. These services include personnel and non-personnel line items and are critical to business operations.[9] Note: Many of these shared services and employees are not detailed at the department and/or line-item level and are therefore not quantifiable by area.

- ► Enterprise resource planning (ERP) system
- ► Learning management system (LMS)
- ► Student information system (SIS)
- ► Legal support
- ► Financial aid systems and support
- ► Insurance
- ► Accounting and business office support (e.g., procurement, accounts payable)
- ► Student services support (e.g., academic advising, registrar)

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[9] KCTCS system recovery and recharges, FY24


1.3.1. Program offerings

HCTC serves a broad range of learners through its for-credit and non-credit programs as outlined in *Figure 2.* Consistent with all KCTCS institutions, the highest degree currently awarded is an associate degree.

Figure 2: HCTC program offerings[10]

For-credit			Non-credit
Associate in Arts and Associate in Science degrees (AA, AS)	**Associate in Applied Science degrees (AAS), certificates and diplomas**	**Dual credit**	**Non-credit**
▸ Two interdisciplinary programs designed for transfer to baccalaureate program ▸ AA provides a foundation in liberal arts ▸ AS focuses on quantitative reasoning, natural sciences, etc.	▸ 23 AAS programs, 150 certificate programs, and 20 diplomas that focus on specific skills or trades ▸ AAS are targeted-field degree programs ▸ Certificates are mid-duration programs that focus on a set of role-specific capabilities ▸ Diplomas are short programs that typically focus on a single skill	▸ Mechanism by which high school students can enroll in HCTC courses to earn college credit while completing high school requirements ▸ Students may be enrolled in classes in almost any HCTC program (AA, AS, AAS, certificates, diplomas)	▸ Five programs for workforce training solutions ▸ Includes fire safety, commercial drivers licensing, and employer-specific training programs

As shown in in *Figure 3* below, the largest programs by credit hour are Associate in Arts and Sciences (degrees designed for transfer to four-year institutions), dual credit, and five AAS/certificates/diploma programs in nursing, human services (social work), education, business, and IT.

Figure 3: HCTC enrollment by credit hour, FY25[11]

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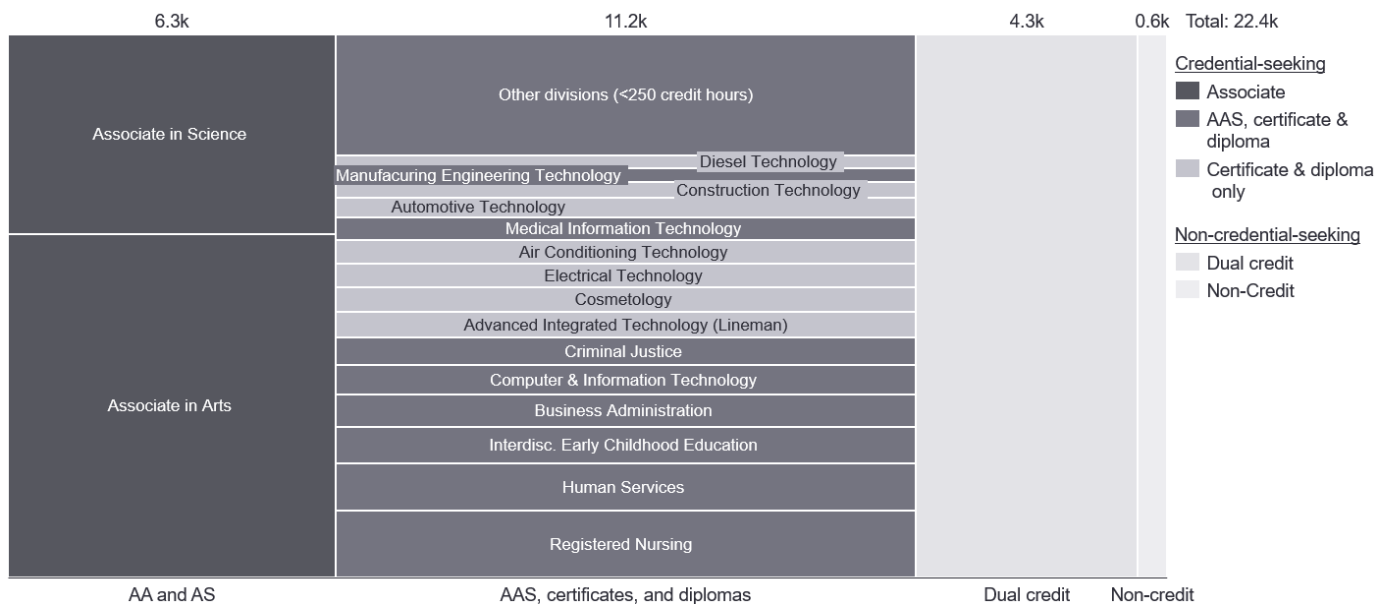
[10] HCTC fall and spring enrollment reports
[11] Draft HCTC fall enrollment for FY2025, as-of September 2024 (enrollment window closes October 31, 2024)

1.3.2. Program delivery by modality

As is true for many community and technical colleges that serve a high proportion of non-traditional learners, a large percentage of HCTC students complete courses via online or hybrid delivery. As a result of the COVID-19 pandemic and shifting student preferences, even more HCTC students have moved to fully online options. The proportion of HCTC student headcount enrolled in online-only classes rose from 29% in FY19 to 47% in FY23 as shown in *Figure 4.*

Figure 4: Percent of HCTC total headcount enrolled in distance education courses, FY19 and FY23[12]
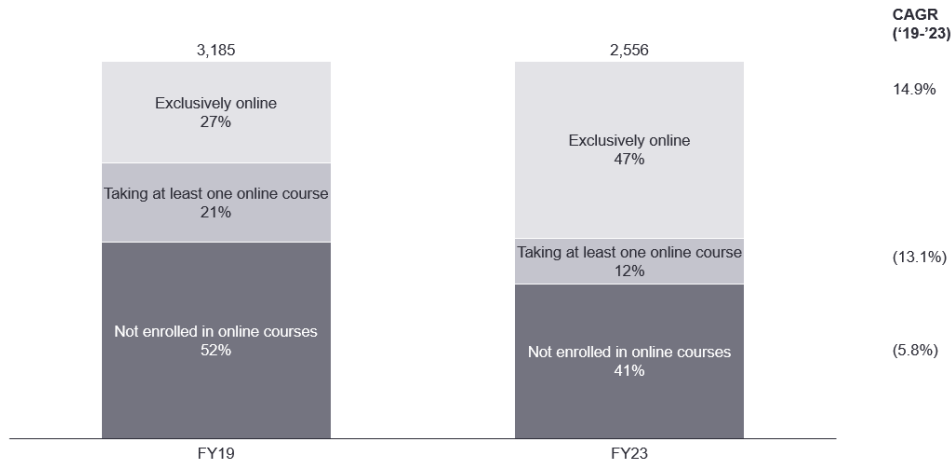
1.3.3. Program delivery by campus

HCTC currently has five campuses in Hazard, Perry, Breathitt, Leslie, and Wolfe counties as shown in *Figure 5.* The Main Hazard Campus is the central location and houses institutional services and core programs. There are an additional four locations which serve as satellite campuses to provide increased access to HCTC courses for students. The site in Wolfe County is currently a single classroom and lab housed at the Wolfe County Board of Education, however a ~$10M development multi-building campus is in development and expected to open in fall of 2026 (FY27). There was previously a Knott County Branch in Hindman, KY but it was severely damaged by 2022 floods and has since closed operations despite HCTC's completion of repairs.[13]

Figure 5: HCTC campus locations[14]

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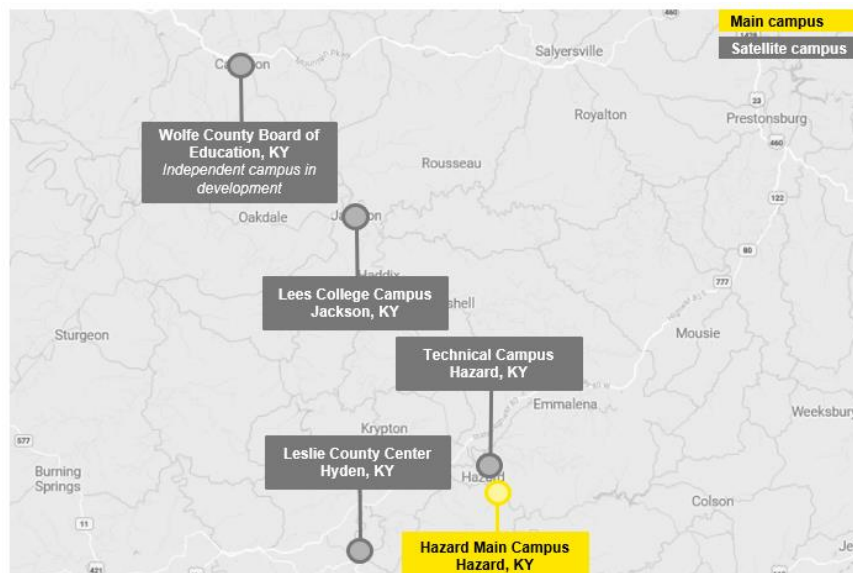
[12] IPEDS
[13] Interviews with HCTC leadership
[14] Four-Year College Proposal, HCTC, September 2024; Note: Knott County branch had closed at time of report

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As seen in

Figure 6, the number of total credit hours taken via the Main Hazard Campus increased at 1% annually on average from FY19 to FY24. This may be driven by a shift to online learning, as online-only courses are tracked through the Main Hazard Campus regardless of where the student is geographically located. Satellite campus credit hour enrollment declined from FY19 to FY24 to constitute 33.9% of total credit hours in FY24 (from 42.0% in FY19).[15]

Figure 6: HCTC Satellite campus information, HCTC enrollment data (FY24)[15]

|	Location	Distance from Main Campus	Key programs offered	FY24 total credit hours (share)	FY19-FY24 total credit hour CAGR
Main Hazard Campus	Hazard, KY Perry County	-	All (non-technical) e.g., Associate in Arts	26,902 (66.1%)	1.0%
Technical Campus	Hazard, KY Perry County	3 miles (~10 min.)	Technical e.g., Cosmetology, CDL	8,870 (21.8%)	(3.3%)
Lees College Campus	Jackson, KY Breathitt County	33 miles (~40 min.)	Majority technical e.g., carpentry, electrical	4,055 (10.0%)	(10.7%)
Leslie County Center	Hyden, KY Leslie County	21 miles (~30 min.)	School of Bluegrass and Traditional Music	580 (1.4%)	1.0%
Wolfe County Campus	Campton, KY Wolfe County	49 miles (~1 hr.)	*Began operations at Wolfe County Board of Education building Multi-building campus in development, opening in ~fall 2026 (FY27)*		
Knott County Branch *Closed as of 2024*	Hindman, KY Knott County	26 miles (~30 min.)	N/A	300 (0.7%)	(4.1%)

1.4. Enrollment trends

1.4.1. Enrollment by program

As shown in *Figure 7,* in FY24 HCTC headcount appears to be recovering from the downward trend in FY20-23 due to the COVID-19 pandemic and heavy flooding in the region. In FY24, HCTC served close to 3,000 students on a headcount basis across its ~190 programs and has seen an overall annual average headcount decline of 0.2% from FY19 to FY24. Enrollment in associate, certificate, diploma, and non-credit programs has decreased, but has been bolstered by increases in high school dual enrollment.[16]

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[15] HCTC fall and spring enrollment reports, August 2024

Figure 7: enrollment by headcount by program and total credit hours, FY19-FY24[16]
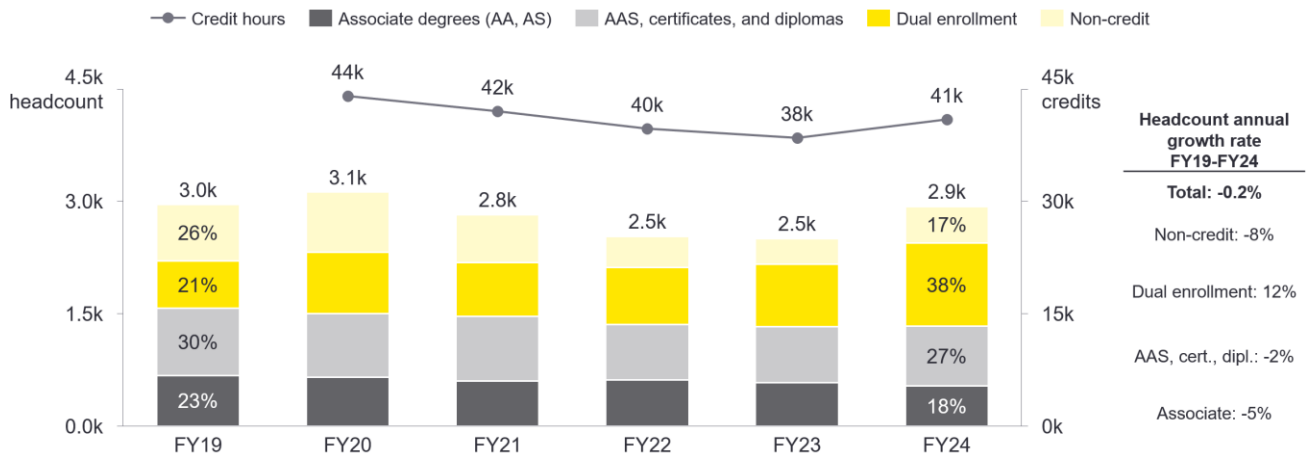
1.4.2. Enrollment by student status

54% of HCTC students are full-time and ~46% are part-time as seen in *Figure 8: HCTC credential-seeking (AA, AS, AAS, certificate, degree) headcount by student status, FY19 and FY23.*[17] In FY24, the average full-time student enrolled in ~14 credit hours per semester while the average part-time student enrolled in ~8 credits. Nearly half of students have some previous dual credit (49% of full-time and 45% of part-time) which, in some cases, can shorten the timeline to earn a degree/credential at HCTC.[18]

Figure 8: HCTC credential-seeking (AA, AS, AAS, certificate, degree) headcount by student status, FY19 and FY23[17]
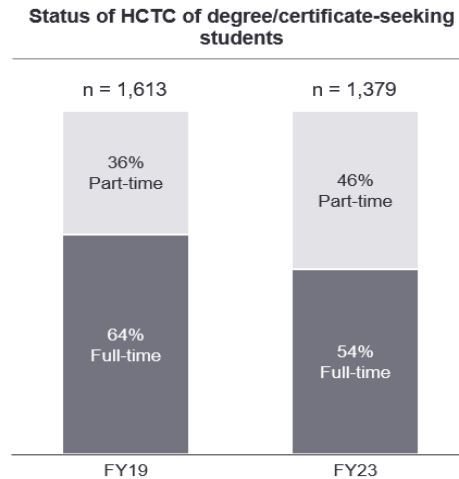
1.4.3 Student demographics

Nearly 89% of the FY24 student headcount at HCTC is from the KRADD, and the remaining 11% are primarily from other Kentucky counties (0.5% out-of-state). Perry (36%), Breathitt (13%), and Leslie (11%) counties have the highest representation at HCTC.

Figure 9: HCTC student demographics (Pell, gender, and age) FY19-FY23 shows HCTC student body characteristics. In line with national trends,[19] 55% of HCTC students are female and 45% are male. Almost one-third (30%) of HCTC students are younger than 18 years old, which is largely due to the high dual enrollment population. While the below-18 population has the largest headcount, the most credits are taken by the 18–19-year-old group. Overall, about 60%

[16] HCTC fall and spring enrollment reports
[17] IPEDS
[18] HCTC internal data, September 2024
[19] National Center for Education Statistics; Note: 58% of total FY22 undergraduate enrollment in U.S. were female students

of HCTC students are 21 or younger.[20] HCTC students predominately come from economically disadvantaged backgrounds; in FY22, 71% of full-time, first-year students were awarded Pell grants.[21]

Figure 9: HCTC student demographics (Pell, gender, and age) FY19-FY23[22]
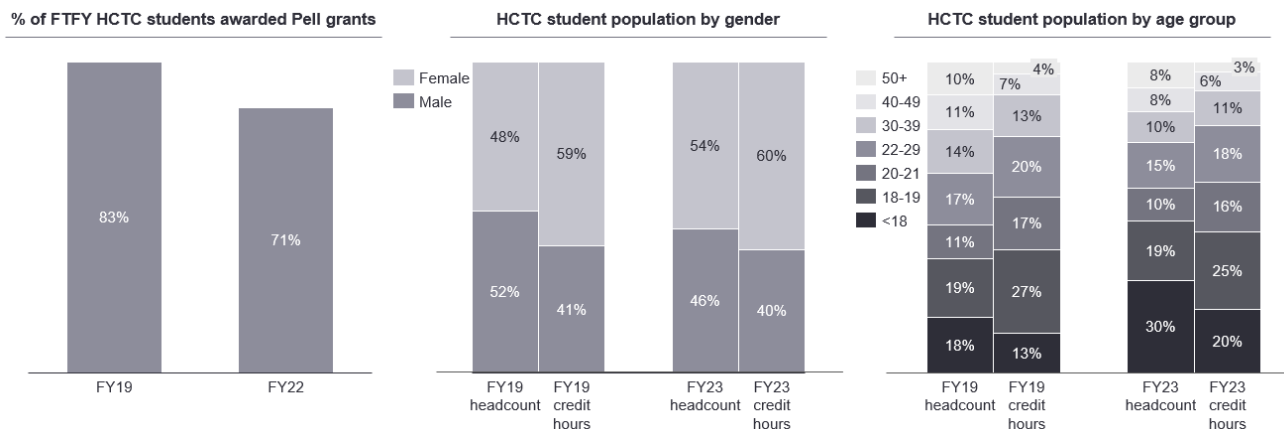

1.5. Financial trends

1.5.1. Revenue

In FY23, HCTC received slightly over two-thirds of its revenue from state appropriations and federal and state grants (36% and 34%, respectively). It received 10% of its revenue from net tuition and fees. A significant portion of federal and state grant revenue is from programs such as Pell, CAPS, and SEOG which support student tuition. Since FY19, revenue has grown 1% annually on average, as compared with 2% at all US public two-year institutions and 5% at KCTCS community colleges other than HCTC.[23] *Figure 10 in*cludes further detail on HCTC revenue.

Figure 10: HCTC operating and non-operating revenue FY19-FY23[24]
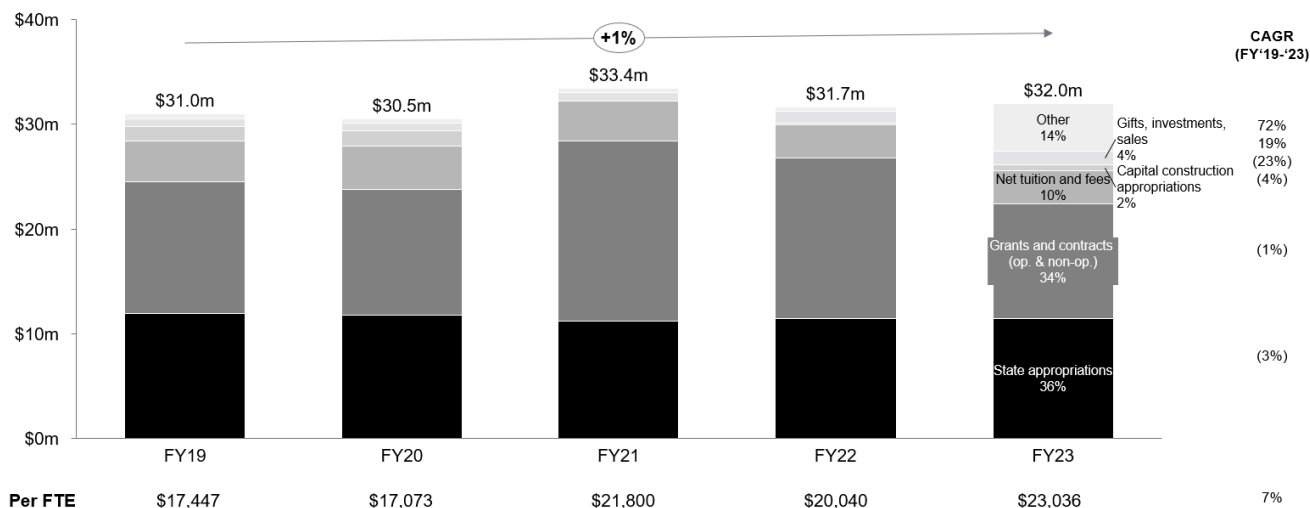
1.5.2. Expenses

In FY23, HCTC directed most of its resources to instruction (28%), student financial aid (15%), the operation and maintenance of its capital assets (14%). Since FY19, expenses have remained relatively flat overall as compared to

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[20] HCTC fall and spring enrollment reports, August 2024
[21] IPEDS
[22] Pell: IPEDS; Sex and age: HCTC fall and spring enrollment reports, August 2024
[23] HCTC audited financial statements, IPEDS; Note: national and Kentucky benchmark growth rate from FY19-22 due to data availability
[24] HCTC audited financial statements; increase in other due to transfer

1% growth at all US public two-year institutions and 3% growth at KCTCS community colleges other than HCTC.[25] *Figure 11* has more detail on HCTC expenses.

Figure 11: HCTC expenses by category, FY19-23[25]
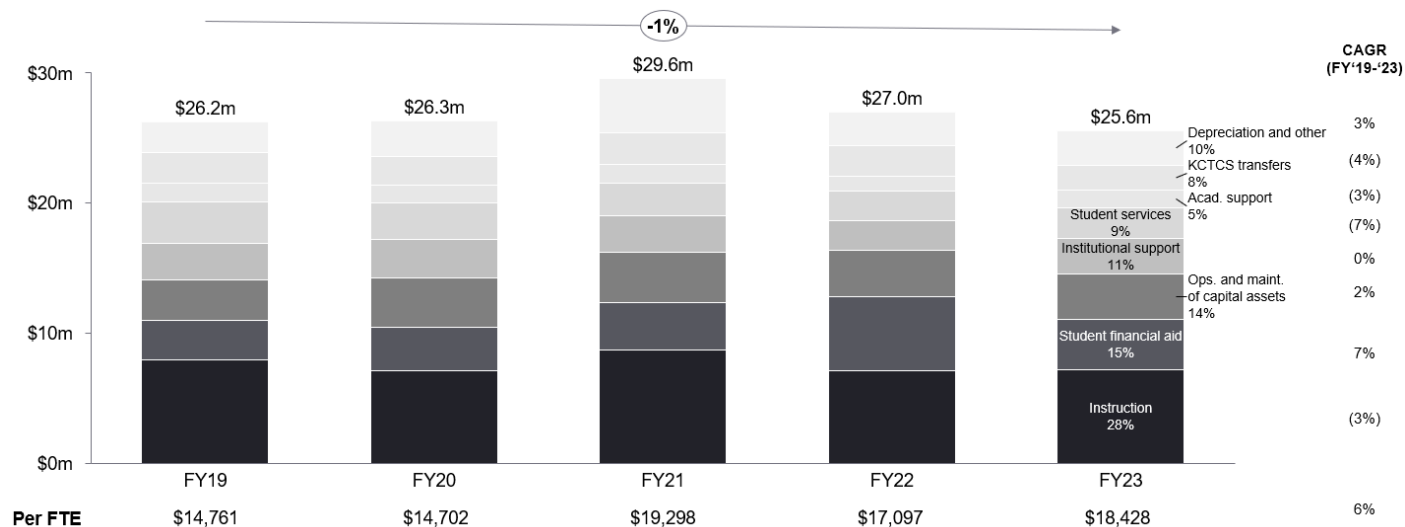
1.5.3. Net position

Higher education institutions, and particularly community colleges, are facing increasing financial pressure from declining enrollment. However, in recent years, HCTC has demonstrated adaptability by controlling expenses and increasingly diversifying revenues to mitigate against potential deficits. From FY19-23, HCTC had an average $4.8m increase in net position at the end of each fiscal year and, in per-FTE terms, the average annual growth rate of revenue has outpaced that of expenses by 1%.[26]

1.6. Student outcomes

HCTC provides its students career and academic advising as well as a 'Success Coach' program. Success Coaches provide broad wraparound services such as tutoring, technology assistance, and connections to other assistance programs and opportunities for which students may be eligible.[27]

As shown in *Figure 12*, HCTC's full-time retention rate increased seven percentage points and its graduation rate within 150% of the allocated time (e.g., 3 years for a 2-year associate degree) increased by nine percentage points between FY19 and FY23. However, its part-time retention rate fell four percentage points and the share of associate degree completers transferring to four-year universities decreased from 53% in FY19, when it was ranked first among all KCTCS colleges in percentage of students transferring, to 49% in FY23, when it was ranked seventh.[28]

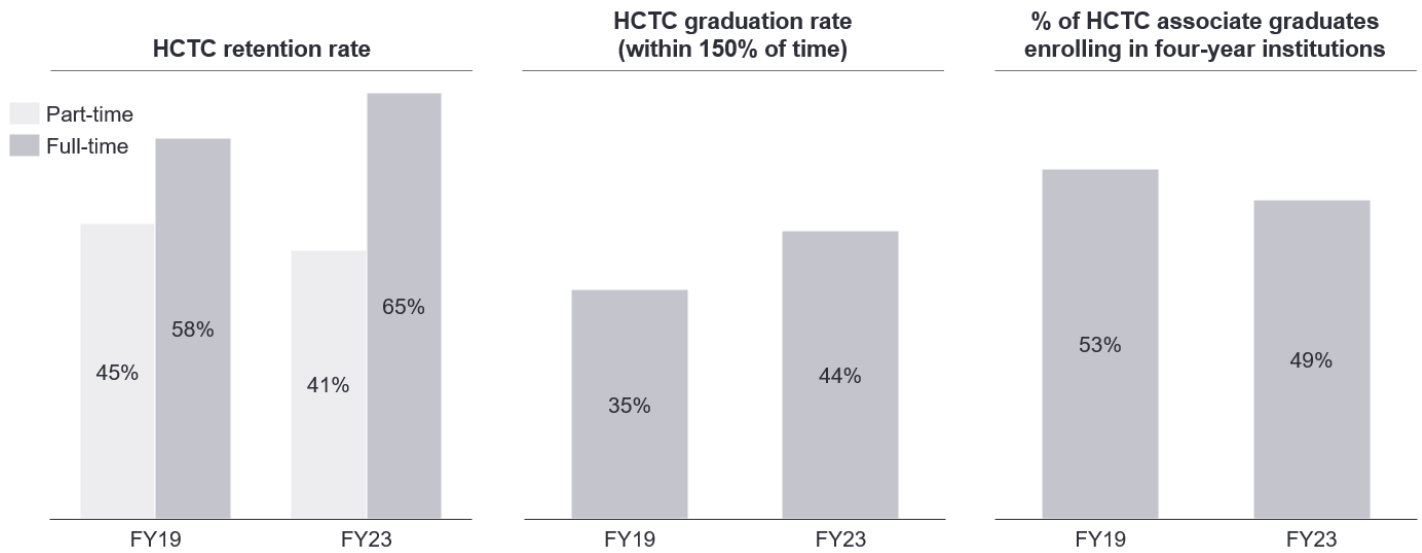*Figure 12: Key success metrics for HCTC, FY19 vs. FY23[29]*

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[25] HCTC audited financial statements; IPEDS; Note: National and Kentucky benchmark growth rate from FY19-22 due to data availability

[26] HCTC audited financial statements; IPEDS

[27] HCTC website, Student Success Coaches

[28] IPEDS; KPEDS, FY19-FY23

[29] Graduation and transfer out rate, IPEDS, August 2023; KPEDS, FY19-FY23; Note: The graduate rate from IPEDS especially in the case of CC's might not be the exact representation as the objective for many is not to graduate. Retention rate, HCTC fall enrollment report, August 2024; Note: Persistence, Credential-Seeking Students used as Retention rate

HCTC retention rate	HCTC graduation rate (within 150% of time)	% of HCTC associate graduates enrolling in four-year institutions

HCTC retention rate — Part-time / Full-time
FY19: Part-time 45%, Full-time 58%
FY23: Part-time 41%, Full-time 65%

HCTC graduation rate (within 150% of time)
FY19: 35%
FY23: 44%

% of HCTC associate graduates enrolling in four-year institutions
FY19: 53%
FY23: 49%

1.7. Extracurriculars, residential, and dining facilities

HCTC, like other community and technical colleges across the US that serve significant populations of commuter students, offers a lower selection of on-campus extracurriculars than do residential four-year institutions. As seen in *Figure 13* on the next page, HCTC currently has seven active clubs/organizations.

Figure 13: HCTC FY25 extracurricular opportunities[30]

HCTC-specific clubs	HCTC branches of national organizations
1. Criminal Justice Club	5. Peer Forward (peer mentorship)
2. HCTC LGBTQ+ Alliance	6. Phi Theta Kappa (academic honor society)
3. President's Student Ambassador Program	7. SkillsUSA (career and technical education and workforce development)
4. Student Government Association (SGA)	

As is also typical in the community and technical college sector, HCTC does not have residential facilities. HCTC has offered dining facilities in the past, and currently has a kitchen space on the Hazard Main Campus. However, in 2015 the dining facility discontinued operations and the space is now open to students to use as a common area and for ad-hoc event catering. The space is 4,398 sq. ft., comprised of a dining area (2,537 sq. ft.) and kitchen area (1,159 sq. ft.).[31] Leadership estimates it needs moderate upgrades and renovations to serve as a dining facility.

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[30] HCTC website, Activities & Organizations, September 2024
[31] HCTC internal data

2. Future state – potential new institution

2.1.1. Governance structure

If HCTC were to award four-year degrees, it would no longer fit the definition of a KCTCS member institution. A range of governance models were considered; ultimately the institution could transition and become a stand-alone institution with a new higher education classification, with its own board of trustees and coordinated by the CPE (as is the case with four-year institution in Kentucky). *Figure 14* shows the range of governance models and highlights the recommended option. The expanded institution could have a new name to reflect the change. A formal new name would require more discussion and deliberation. For the purposes of this Report, the new institution will be referred to as "NewU". NewU could be designated as a separate classification within the KY higher education landscape, rather than expanding the mission of HCTC / NewU under KCTCS—to prevent further blurring between two-year and four-year institutions in the KY landscape. NewU would have its own governing board but continue to receive shared services (for a fee) from KCTCS via a Memorandum of Understanding. MOU details would need to be decided later if the legislatures decides to support the creation of NewU (see Section 2.2: Technology, systems, and services for more detail).

The governance change would require legislative action as well as accreditation approval to define and create a new institutional designation in Kentucky.

Recommendation 1: NewU could become a new classification within the KY higher education landscape and operate as an independent institution with its own governing board.

Figure 14: Potential governance models for Southeastern Kentucky bachelor's-granting institution

	A) Expand UCM to offer bachelor's degrees in partnership with four-years plus robust in-person support	B) Remain part of KCTCS to offer selected four-year programs	C) Become a new classification coordinated by CPE	E) Become designated as a comprehensive university
Benefits	▶ Could build on existing partnerships	▶ Could minimize disruption on non-bachelor's programs	▶ Messages distinct shift in mission and signals unique place of NewU in the KY higher education landscape	▶ Offers traditional bachelor's experience
Risks	▶ Current level of engagement from partners is low ▶ Even if incentives are aligned, education will be delivered primarily online ▶ Given online modality, it is unlikely that this option will drive significant enrollment in the new bachelor's degrees	▶ Could lead to mission overlap at two- and four-year institutions	▶ Would need legislative action and governance change	▶ May lessen attention on non-bachelor's programs

Community college ◀——————————————————▶ Comprehensive university

NewU could be held exempt from Kentucky's performance funding model until at least FY33 when the first full cohort graduates in 150% of time. This would allow time for data collection and formula design given that NewU would be a hybrid of two existing formulas that awards both degrees and certificates.

2.1.2. Accreditation and approvals

NewU would need to apply to its accrediting body, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) for governance, mission, and level change steps. Each new bachelor's program would then also need to be approved by SACSCOC. See
Figure 15 for detail on changes and requirements.[32]

Figure 15: SACSCOC accreditations and approvals needed to launch bachelor's degrees at NewU[33]

Substantive change approval (submitted separately)		Approval steps and requirements
1	Governance change	(1) Substantive change prospectus (2) Notification and approval from Board of Trustees
2	Level change from I) associate to II) baccalaureate	(1) Detailed application incl. proposed programs, budget, etc. (2) Institutional summary form (3) Approval from Board of Trustees (4) Committee visit
	Mission change	(1) 12-part prospectus including impact assessment on the mix of programs (2) Approval from Executive Council of the Board
	New program approvals	(1) 15-part prospectus incl. curriculum, proof of compliance with Principles of Accreditation, faculty, etc. (2) Approval from Executive Council of the Board

In addition to SACSCOC approval, all proposed bachelor's programs will require Kentucky Council on Postsecondary (CPE) approval per KRS 164.020. See *Figure 16* for detail on input components of approval. This process requires many of the same inputs as the SACSCOC program approval process and can be done on a parallel timeline.

Figure 16: CPE new academic program approval requirements[34]

Submissions		Required input components	Examples of required inputs (not exhaustive)
1	Notification of intent form	(1) Program information (2) Demand (3) Unnecessary duplication (4) Cost	(1) 2-digit CIP code, implementation date, description (2) Student, market, employer, and academic demand (3) Feedback from other institutions, comparisons analysis (4) Projected revenue, expenses, net cost, faculty, budget
2	New program approval form	(1) Basic information (2) Overview (3) Objectives (4) Demand (5) Cost (6) Assessment	(1) 6-digit CIP code, date of governing board approval (2) Specialized accreditation needed, clinical overview (3) Course list, admissions and graduation requirements (4) Employer demand (incl. surveys, future HR projections) (5) 5-year cost/funding model from federal and state sources (6) Plans to evaluate post-graduate student success metrics

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[32] Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), Substantive Change Policy and Procedures
[33] Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), Substantive Change Policy and Procedures
[34] Universities – New Academic Program Approval User Guide, Council for Postsecondary Education, March 2024

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Nursing, social work, education, and business have additional discipline-specific accreditation requirements/options:

► **Nursing:** 201 KAR 20:2080 (KY legislation as of 2022) maintains that the state of Kentucky (by proxy, the Kentucky Board of Nursing) require approval of new nursing programs. This requires the institution to ultimately apply for, obtain, and maintain accreditation from one of three national accrediting bodies: Accreditation Commission for Education in Nursing (ACEN), Commission for Nursing Education Accreditation (CNEA), and Commission on Collegiate Nursing Education (CCNE), or any other national accrediting body recognized by the U.S. Department of Education. Institutions must submit a letter of intent (incl. nursing workforce current and project supply and demand data within a 50-mile radius) and full proposal (incl. curriculum, organization chart, etc.). Full nursing accreditation is required within 4 years of achieving initial approval status.[35]

► **Education:** approval from Education Professional Standards Board (EPSB) is required for initial teacher certification in Kentucky.[36] EPSB approval requires full national or state accreditation following program launch, in which accreditation from the Council for the Accreditation of Education Preparation (CAEP) is standard. CAEP accreditation requires 17 components across content and pedagogical knowledge, clinical partnerships and practice, candidate progression, program impact, and quality assurance.[37]

► **Social work:** for program graduates to become Licensed Social Workers (LSW), the institution must obtain accreditation from the Council on Social Work Education (CSWE). Bachelor's of Social Work (BSW) programs at Eastern Kentucky University, Morehead State University, University of Kentucky, University of Pikeville, University of the Cumberlands, and ten other Kentucky institutions have BSW accreditation by CSWE.[38]

2.1.3. Leadership

As it would now exist outside of the KCTCS system, NewU would need its own governing board. This board could perform duties such as those mentioned in the report for SJR 98:[39]

► Advocate for budget priorities and line-item amounts

► Appoint and evaluate presidents and top executives

► Approve executive compensation

► Communicate and engage with stakeholders

► Comply with legal and regulatory guidelines

► Determine programs or courses of study

► Develop budgets

► Oversee academic program quality

► Fundraise

► Monitor system or institutional efficiencies

► Oversee accountability or performance measures

► Oversee development of institution-specific strategic plans

► Oversee opening, merging, or closing of institutions

► Participate in preparation of institutional financial reporting

► Provide professional development or training for faculty, staff and executives at institutions

► Review or approve facility or capital construction plans

► Set faculty and personnel policies

As stated in *Section 1.2: Current state governance,* HCTC currently has a board of directors that is advisory in nature. NewU's new board could draw from the board of directors but may also need to consider a different board composition and members in order to fulfil the duties required of an independent board of trustees with fiduciary responsibility. In early years, it could consider having representation from CPE to guide the process of establishing its four-year programs. Note: board appointments are approved through the Governor of Kentucky's office, see *Section 4: Proposed implementation timeline* for more information on how this may impact launch and accreditation.

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[35] 201 KAR 20:280, Kentucky General Assembly, 13 April 2022
[36] Teacher Certification and Renewal, Kentucky Department of Education, 12 February 2024
[37] Council for the Accreditation of Education Preparation website; CAEP Revised 2022 Standards Workbook; Association for Advancing Quality in Educator Preparation website
[38] Council on Social Work Education website
[39] "Findings and Recommendations Pertaining to SJR98," Council on Postsecondary Education, December 2023

NewU's governing board members could be selected strategically to support the goal of increasing educational attainment as a path to economic development and mobility within Southeastern Kentucky. In particular, NewU's board of trustees would benefit from having representation from current and desired future state-wide employers in addition to regional employers. This could create stronger ties between higher education and economic development efforts to bring employers back to the region, thereby mitigating the risk of an increase in bachelor's attainment without corresponding jobs for bachelor's degree graduates.

2.2. Technology, systems, and services

As detailed in *Section 1.2: Current state governance,* HCTC currently receives support from KCTCS in the form of shared technology, systems, services, and associated employees to manage these supports for which it pays $2.7m annually.

> *Recommendation 2: NewU could continue using current technology systems and receiving shared services from KCTCS, via a mutually agreeable MOU, rather than investing in replacing these systems and supporting personnel.*

While NewU would be governed by a Board of Regents independent from KCTCS, NewU should continue to receive the suite of services it currently obtains from KCTCS (e.g., access to systems such as the ERP, Student Information System, Learning Management System, and any other relevant software and application; as well as staff support in certain key functions such as human resources, legal, and IT). This would minimize disruption to NewU's associate degree and other existing programs and eliminate the need for duplicating back-office software and services with taxpayer funds.

- ► NewU and KCTCS would need to develop a memorandum of understanding (MOU) that specifies the services that would be provided to NewU by KCTCS and sets expectations about service levels and pricing.

- ► This concept has been discussed with KCTCS, HCTC, and CPE, and all parties are receptive to the idea and committed to making it work. However, some additional questions remain that would need to be addressed and negotiated as part of the MOU development process (e.g., transition timing, level of staffing/services, exact payment amount to KCTCS, KCTCS system impact, accountability, data privacy, and other topics). This MOU development process is reflected in the proposed implementation timeline.

- ► For the purposes of this Report, the cost estimates assume that the cost to HCTC of receiving the same set of services from KCTCS would remain approximately the same as the current level of chargeback (by the central KCTCS office to HCTC).

- ► In the event NewU and KCTCS are not able to reach a mutually agreeable MOU, NewU would need to incur additional one-time costs to replace technology systems currently obtained from KCTCS as well as recurring costs to cover subscriptions/licenses and personnel necessary to manage the technology systems and provide user support. Initial quotes and estimates received by HCTC indicate ~$3m in one-time costs and ~$6-7m in annual recurring costs.

While it was not within the scope of the SJR 132 study to negotiate specific MOU terms, this Report puts forward some considerations that would need to be addressed as part of the MOU development process:

- ► **Governance:** define the respective roles of KCTCS and NewU

- ► **Timing:** define the period of the sharing agreement and intention (e.g., ongoing partnership for large purchases subject to revision on a contract renewal cycle)

- ► **Staffing:** outline organization and any reporting lines for shared employees (if applicable)

- ► **Impact on KCTCS system:** forecast potential impact on remaining KCTCS campuses. Note: most contracts are assumed to be held at the KCTCS level, therefore KCTCS could bill NewU as a campus just as it collects funds from other KCTCS members, therefore minimizing impact on remaining KCTCS campuses. As NewU would not be expected to be independently enrolling students before June 30, 2027, it would not impact the current biennial budget cycle's asset preservation funds

- ► **Accountability, data privacy, and compliance:** agree upon usage and data access/storage terms, assign responsibilities for compliance and accountability measures

Recommendation 3: If the legislature decides to support the transformation of HCTC into a four-year residential institution, the transformation process could benefit from CPE having a formal advisory role during the transition period from HCTC to NewU.

The transition from HCTC to NewU will be complex and involve many moving parts. CPE, with its statewide coordinating role and strong relationships across the Commonwealth, can provide valuable advice to HCTC/New U leadership along the way and help facilitate discussions with the KCTCS.

2.3. Academic programs

2.3.1. Program selection

Recommendation 4: NewU could offer bachelor's degree programs that address a workforce need in the EKCEP region and prepare students for the future demands of an evolving economy in Southeastern Kentucky. NewU could begin by selecting the five highest-priority bachelor's degree programs based on labor market analysis.

NewU would prioritize bachelor's degree programs aligned to workforce and economic development needs in Southeastern Kentucky. This section describes the approach to identify five bachelor's degree programs that NewU could launch and a high-level methodology for estimating the net financial impact of the programs (including approach to enrollment estimates, tuition and fee structures, and cost projections for staffing and operations).

Under a new university designation, NewU would be permitted to offer selected bachelor's degree programs in an effort to address an immediate workforce need in the EKCEP region and prepare students for the future demands of an evolving economy in Southeastern Kentucky. Based on analysis of economic and labor market data described in this section, NewU could prioritize the five programs shown in *Figure 17* – nursing, education, social work, IT management, and business.

Figure 17: NewU proposed bachelor's degree programs

Bachelor's degree	Program description
A. Immediate workforce need	
Bachelor's of Nursing	Prepares students to become registered nurses, focusing on patient care, clinical skills, and healthcare leadership
Bachelor's of Education	Trains future educators in pedagogy, classroom management, and curriculum development for K-12 schools
Bachelor's of Social Work	Equips students with the skills to provide social services, mental health support, and community outreach programs
Bachelor's degree	**Program description**
B. Future economic development	
Bachelor's of IT Management	Provides knowledge in IT system management, cybersecurity, and data analytics
Bachelor's of Business Administration (BBA)	Offers foundational knowledge in business operations, management, marketing, and finance/accounting

Recommendation 5: HCTC's existing satellite campuses transfer could be an important part of delivering the new bachelor's degrees to students and could continue to provide access to the current programs delivered to HCTC students. NewU could consider transferring satellite campuses with HCTC into NewU.

While the new programs would be delivered in a hybrid format primarily on HCTC's main campus, the satellite campuses would serve as important internet access points and community engagements spots for participating students.

NewU programs would offer a value proposition to students that could result in increased enrollment in, and completion of, more bachelor's degrees in the region:

► Location: students would have a local institution offering degrees that could be visible and active in the community to build awareness

► Modality: students would have hybrid courses with in-person elements to provide avenues for increased engagement and support

► Cost: a bachelor's at NewU would have an overall lower price. Lower-level courses could continue to be priced in line with associate degree coursework. Upper-level courses could be priced at the same rate as that at of the closest four-year institution, but offer scholarships and financial aid

Additionally, NewU would offer a value proposition to employers and the region that could drive economic growth in the region.

► Increased bachelor's degree attainment: More first-time students and working adults enrolling in bachelor's degree programs locally and stronger completion could generate more bachelor's graduates for workforce

► Employer engagement to strengthen outcomes: NewU could work with employers to incorporate their input into program design and curriculum, and to recruit students into programs

While NewU holds a lot of promise, an education solution alone may not be sufficient to address the challenges faced by Southeastern Kentucky. An intentional economic development and job creation plan – that recruits new employers and addresses infrastructure issues (roads, access to region, etc.) – is likely needed in parallel to create jobs in the economy and increase opportunity for bachelor's degree graduates in the region.

2.3.2. Programs to improve immediate workforce needs

Workforce and higher education leaders in Southeastern Kentucky have reported occupational shortages for teachers, nurses and social workers.

► Nursing: *"Qualified workforce shortage is one of the biggest challenges. Higher education is not optional in healthcare. About 70% of positions require postsecondary education and if people leave Southeastern Kentucky for education, they do not tend to come back. We need to bring more training and educational opportunities into the region to upskill and to educate people here." – VP of Workforce Initiatives, large healthcare employer*

► Education: *"Teachers are part of the second or third largest employer category in the region. We all know the challenges that the school system has had filling teacher vacancies." – Agency director, regional workforce agency*

► Social work: *"Kentucky needs social workers, and demand is expected to increase in the coming years. Social work is among the 20 most-needed professions in the state" – Kentucky Occupational Outlook report[40]*

An analysis of EKCEP's projected job openings compared to current bachelor's degree completions points to a pattern of candidate shortages that echo feedback from workforce leaders. As shown in *Figure 18,* teaching, nursing, and social work / mental health counseling all have over 200 more annual openings than the number of graduates completing bachelor's degrees annually in the region.

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[40] Kentucky Occupational Outlook (through 2024) report via Campbellsville University, KYSTATS

Figure 18: Gap between EKCEP job openings and bachelor's completions[41]

Job type	Annual openings	Annual completions	Annual gap – annual openings less completions
Teaching	411	58	353
Nursing	286	66	220
Social work and mental health counseling	223	17	206
Criminology	77	0	77
Accounting	45	9	36
Physical allied health	34	0	34

2.3.3. Programs to influence future demands of an evolving economy

While filling the current employment gap is critical, NewU can also launch forward-looking programs to drive economic opportunity in the region and attract future employers and jobs. Forward-looking degree programs in Eastern Kentucky have the potential to enhance labor force participation, postsecondary attainment, and per capita income – factors that can positively influence several economic indicators and boost the region's overall economic health.[42]

NewU can identify which bachelor's programs could support an evolving economy by considering the composition of jobs in Appalachian regions with "aspirational" economies.

► The Appalachian Regional Commission (ARC) uses a status designation system to evaluate counties based on economic indicators such as unemployment, per capita income, and poverty rates.

► The highest designations are 'competitive' or 'attainment' economic designations.

► All counties in the EKCEP region are designated as 'distressed', the lowest designation.

► Montour County, Pennsylvania, has a similar profile to Perry County, Kentucky – where HCTC is located – but has achieved 'competitive' ARC status by reducing its poverty rate and increasing the number of residents that *have obtained a bachelor's degree between 2018 and 2022 (see*

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[41] Annual openings (From KY Stat Occupational Outlook), FY21-FY31; Annual completion (From IPEDS), FY23

[42] Appalachian Regional Commission, "The Appalachian Region: A Data Overview from the 2018-2022 American Community Survey" 25 June 2024

- ► *Figure 19 on the next page).*
- ► Montour County could serve as an example of an "aspirational" region for benchmarking to select bachelor's programs to meet future demands of an evolving economy.

Figure 19: Regional comparison of Perry County and the EKCEP vs. Montour County and the Central PA WDA[43]

	Perry County	Montour County
Economic status	Distressed	Competitive
Distance from large metro area	~2 hours from Lexington, KY	~2.5 hours from Philadelphia, PA
Population (7/1/22)	27,361	18,091
Population % change (2010 to 2022)	(4.6%)	(1.1%)
Poverty rate (2018-2022)	23.8%	8.7%
Reduction in poverty rate (2014-2018 average to 2020-2022 average)	(13.9%)	(27.6%)
Percent of persons ages 25+ with a bachelor's degree or higher (2018-2022 average)	13.2%	36.4%
	EKCEP LWA	Central WDA
Economic status	23 distressed counties	8 transitional counties 1 competitive county (Montour)
Population (7/1/22)	421,196	610,994
Percent of persons ages 25+ with a bachelor's degree or higher (2018-2022)	14.2%	28.4%
Median change in per capita income (2014-2018 to 2020-2022)	13.5%	13.2%

If the EKCEP (where Perry County and HCTC are located) were to have an economy structured like that of the Central Pennsylvania workforce area where Montour County is located, it would likely require jobs in areas that a current state analysis of EKCEP cannot yet identify. To estimate a future state job need, the analysis determines the proportion of job types in Central Pennsylvania's workforce relative to the working-age population, then applies those proportions to the EKCEP region to estimate the "aspirational" workforce need. As shown in

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[43] Google Maps; Appalachian Regional Commission, "The Appalachian Region: A Data Overview from the 2018-2022 American Community Survey" 25 June 2024

Figure 20 on the next page*,* in an aspirational state, the EKCEP region would need ~500-1,400 more jobs in nursing, IT management and business if it were to be structured like the economy in Montour County's Central Pennsylvania WDA.

Figure 20: Gap to target benchmark for employment positions in the EKCEP[44]

Job type	Aspirational EKCEP employment	Current EKCEP employment	Employment gap to aspirational state
Nursing	4,722	3,370	1,352
IT management	1,441	353	1,088
Business	4,467	3,887	580
Software development[45]	607	12	595
Industrial engineering[43]	345	7	338
Coaches and scouts[46]	372	109	263

2.3.4. Enrollment of academic programs methodology

Potential enrollment in NewU would likely come from three main populations:

(1) first-time college students enrolling directly into NewU's bachelor's degree program

(2) associate degree students who have completed their first two years of postsecondary education in a related field and transfer to NewU to finish upper-level bachelor's coursework (this would include students who are returning to college after time spent in the workforce)

(3) associate degree completers from HCTC who choose to continue their education at NewU to complete their bachelor's degree

Cohort sizes were determined by analyzing bachelor's completions at comparably sized Kentucky institutions and estimating entering fall enrollment based on retention and graduation rates. The number of transfer students with an associate degree is estimated based on the typical class composition within four-year cohorts at community college baccalaureate programs in nearby states.

In NewU's first year of program launch, the institution would enroll one starting cohort in each of the five academic areas. As it scales, it would add cohorts. Cohorts are expected to move through the program within six years (completions within 150% of time) based on market benchmarks for retention and graduation.

► First-to-second-year retention rates for the bachelor's degree programs are based on average retention rates at Kentucky four-year institutions[47]

► Second-to-third, third-to-fourth-year enrollment, as well as enrollment during a fifth and sixth year for students that need more time to completion, are calculated using average 4- and 6-year graduation rates in Kentucky

► Retention rates are applied to the starting cohort of students in each year to develop enrollment projections

2.3.5. Revenue from academic programs – estimation approach

2.3.5A. Tuition and fees – published price

NewU can choose to publish prices for its bachelor's program at an annual or per-credit-hour rate. For purposes of the analysis, revenue from tuition and fees is calculated on a per-credit-hour basis.

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[44] PA Department of Labor and Industry, FY23; KYSTATS, FY22
[45] Economic development for software development and engineering positions may not be attainable in the medium-term for Southeastern Kentucky, unlike IT management
[46] The demand for Coaches and Scouts in Central PA is driven by the large public college with sizeable athletics programs, dissimilar to the EKCEP's needs
[47] Nursing rates are based on Kentucky Board of Nursing data; other programs are based on IPEDS and CPE reporting

- ► Lower-level (100 and 200) courses would continue to be priced starting at $227 per credit hour for tuition and mandatory fees, in line with KCTCS's current associate degree pricing.

- ► Upper-level (300 and 400) courses would be set at a higher starting rate to reflect the higher cost of providing these classes (e.g., courses taught by professors with terminal degrees). Upper-level courses could be priced at $415 for tuition and fees, which is the result of dividing the closest four-year public institution's annual tuition and fees by the full-time credit load threshold (12 credits, up to 18 per semester).

  - o Full-time tuition and fees would be capped at the minimum full time credit enrollment (12 hours times $415 per hour or $4,980 per semester), even if a student takes more credits in a given semester.

  - o NewU could award students institutional financial aid to offset the cost of tuition (see *Section 2.3.5C: Institutional financial aid*).

  - o This pricing approach could help NewU remain an affordable option for students in both practice and perception, especially considering four-year institutional aid packages.

  - o Pricing excludes course-specific fees (such as lab or technology fees), the inclusion of which could provide additional revenue to NewU to counterbalance specific course expenses if needed in the future.

- ► An annual tuition and fees increase of 2% is applied to adjust for potential changes in inflation, increased operational costs, and market competitiveness.

2.3.5B. Federal and state grants

In a future state, students at NewU would continue to be eligible for federal and state financial aid programs, such as the Federal Pell Grant and Kentucky CAP (College Access Program). These sources of financial aid reduce out-of-pocket expenses for students by providing funding for tuition and fees. The amount of aid awarded to each student is variable based on individual socioeconomic circumstances. For the purposes of this Report, it is estimated that the federal and state awards NewU students will receive will be consistent with the current proportion of gross tuition provided by these sources at HCTC in FY24 (50%).[48] These grant-funded scholarships have a neutral impact on NewU's overall financial position since they appear both as a positive revenue category (federal and state grants) as well as a negative offset to gross tuition (scholarships and financial aid).

2.3.5C. Institutional financial aid

At many four-year universities, students may receive additional financial aid from the institution that offsets the cost of tuition and fees. This financial aid is offered to make the cost of education more affordable and to attract and retain students. This category of financial aid would reduce the net operating revenue an institution receives. In FY23, institutional financial aid at Kentucky four-year institutions resulted in, on average, ~30% less net revenue than if the institution were to receive full published tuition and fees (paid either by students or Pell/CAP/SEOG grants).[49]

2.3.5D. Credit hours

The total number of credit hours per year is calculated based on the average enrollment patterns for full-time and part-time students.

- ► Credential-seeking students at HCTC are 54% full-time, 46% part-time. Bachelor's degree-seeking students at Kentucky four-year institutions are ~70% full-time and 30% part-time.[50]

- ► NewU is expected to attract a higher share of non-traditional, adult, and working students and therefore would be more likely to enroll a higher share of part-time students than a would traditional residential bachelor's program. Analysis assumes that 65% of NewU bachelor's students would enroll full-time and 35% would enroll part-time (midpoint of HCTC's current state and public four-year average).

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[48] HCTC audited financial statements and transaction line-item reports
[49] IPEDS; institutional aid data as reported to CPE
[50] IPEDS

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- Full-time students in NewU's bachelor's degree programs are assumed to take 24 credits per year, consistent with the minimum course load for full-time undergraduates at four-year institutions in Kentucky.[51]

- Part-time students are assumed to take 18 credits per year, which would be the minimum number of credits required to graduate within a 6-year time frame while keeping part-time status. This pattern is in-line with student behavior in associate degree programs at HCTC currently and would include summer courses.[52]

- The analysis converts headcount to full-time equivalent (FTE) students according to IPEDS definitions.

2.3.6. Academic program direct costs (expenses) – estimation approach
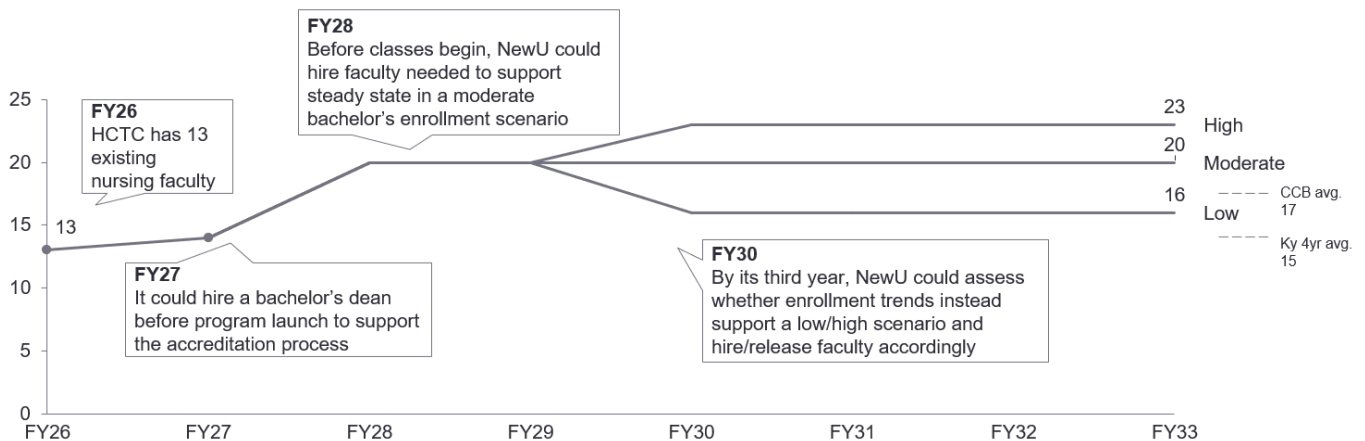
<u>2.3.6A. Recurring costs: faculty</u>

Faculty headcount estimates were determined by using a target student-faculty ratio and average salaries for professors at HCTC, professors at regional four-year universities, and industry practitioners.

- NewU's target student-faculty ratio is set at 25:1, consistent with HCTC's current state and classroom capacity.

- Faculty are then allocated by type (e.g., PhD, instructor) based on an analysis of department structures at four-year public institutions by program. The analysis considered each program's specific requirements, including faculty credentials.

- Faculty salary estimates are based on averages from regional peer institutions, sourced from IPEDS and publicly available salary data.

When NewU launches, it will not yet know enrollment. Therefore, it could add faculty to support a moderate steady state bachelor's enrollment before students arrive and adjust faculty during the third year based on enrollment trends. The example below shows how nursing faculty may be phased in and adjusted over time assuming a target student enrollment date of fall 2027.

Figure 21: Estimated NewU faculty – nursing example (FY26-FY33)[53]

Total student to faculty ratio (incl. associate degree in nursing students)

Low	15.1
Moderate	16.7
High	24.0

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[51] CPE Comprehensive Database
[52] HCTC fall and spring enrollment reports, August 2024; interviews with HCTC leadership
[53] HCTC internal data; University websites; IPEDS; interviews with HCTC leadership, four-year universities, and community college bachelor's programs; analysis. Note: student headcount assumes steady state associate degree enrollment headcount from fall 2023 (FY24)

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2.3.6B. Recurring costs: student support staff

Student support staff are estimated based on a target student-staff ratio of 300:1 from higher education benchmark research.[54] Salaries for student support staff are based on HCTC's current rates for similar positions.

2.3.6C. Recurring costs: institutional support staff

To address NewU's non-academic staffing needs, the analysis examined HCTC's current staffing structure across key administrative functions. Staffing levels are estimated based on NewU's incremental need to serve bachelor's students. As seen in *Figure 22*, in the future state, NewU would assume adding incremental positions in seven departments to perform functions specific to bachelor's granting institutions. While it is assumed that NewU would share some services and positions with KCTCS in an MOU, these would be incremental based on bachelor's-specific needs. Salary estimates are based on average compensation for similarly-leveled roles on HCTC's staff and at four-year universities in the region.

Figure 22: NewU institutional support staff

Department	Position types	Rationale
Business operations	► Accounting Director ► Purchasing Director ► Student Financial Aid Director (Bachelor's Programs) ► Accounts Payable and Purchasing Specialists ► Administrative Support Specialists	While NewU would receive some shared support under its MOU with KCTCS, there would be potential accounting, procurement and administrative needs that a two-year system may not be equipped to provide
Facilities management	► Safety and Security Staff ► Groundskeepers	With the addition of residential facilities, NewU would have more students on its campus more frequently
Human resources	► Human Resources Systems Manager ► Talent Acquisition Manager	While NewU is assumed to continue to receive its ERP software and some HR support through MOU with KCTCS, it could have bachelor's program-specific HR needs that current capacity may not be enough to provide
Marketing	► Public Relations/Social Media Manager ► Video Specialist ► Graphic Designer ► Website Manager	The new programs would require incremental dedicated staff to promote to new programs without reducing capacity for existing associate and workforce promotion
President's office	► Attorney ► Chief Financial Officer ► Paralegal ► Director and Manager of Grants and Contracts ► Advancement Specialist ► Administrative Support	As an independent organization, NewU could require enhanced legal, financial, and advancement staff to lead resource management, fundraising, and compliance
Student services	► Registrar (Bachelor's Programs) ► Admissions Counselors ► Financial Aid Counselors ► Success Coaches ► Testing and Accessibility Staff ► Extracurricular Coordinator	NewU could augment its current capacity for student-facing services to provide support to its bachelor's cohorts without diminishing services to existing associate and workforce programs
Technology	► IT Project Manager ► Student Information Systems Analyst and Programmer ► Learning Management System Analyst ► Enterprise Systems Specialist ► Academic Systems Analyst	NewU is assumed to receive some support through MOU with KCTCS, but may have incremental bachelor's program technology needs the system may not be equipped to provide within its capacity

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[54] National Academic Advising Association (NACADA) standards recommend an average of 300 students per academic advisor, FY23

2.3.6D. Recurring costs: marketing materials and professional services

Marketing efforts will likely be critical to help NewU establish its brand presence, attract prospective students, and meet enrollment targets. Marketing efforts could focus on digital outreach, social media campaigns, partnerships with high schools and employers, and traditional media to reach a broad audience of potential student in the Southeastern Kentucky region. To estimate the marketing budget, a benchmark of ~$280 per student was used based on marketing spend per student at four-year public higher education institutions.[55]

2.3.6E. One-time costs: curriculum development materials and professional services

Before launching its programs, NewU could consider hiring external consultants (practitioners, content professionals, curriculum development professional) to support faculty and academic staff to design the bachelor's level curriculum for NewU's new programs. Consultants would assist in developing course content, assessment strategies, and aligning programs with state and regional standards. Cost estimates for this support are based on industry benchmarks and similar projects at peer institutions.

2.3.6F. One-time costs: accreditation support professional services

During the pre-launch phase, NewU could also engage an accreditation consultant to navigate the complex process of SACSCOC governance and level change and program approvals. This could include preparing documentation, assisting faculty and staff in accreditation reviews, and coordinating with agencies. Costs are estimated based on rates for institutions of similar size and the required scope of work.

2.4. Extracurriculars

Recommendation 6: NewU could consider offering a range of on-campus activities to promote student engagement and retention (intramural clubs, not intercollegiate varsity sports).

This could include:

- ► **5-10 student clubs,** depending on the enrollment scenario.
- ► **1-5 intramural sports, depending** on the enrollment scenario.
- ► **1-2 residential facilities,** depending on the enrollment scenario, given the lack of affordable housing in the area and the proven connection between availability of housing and student retention. In the lower enrollment scenario, the residential facility would offer 48 family-style units; in the highest enrollment scenario, an additional residence, targeted at first time students enrolling directly from high school, could be added to accommodate a total of 96-144 students in the two facilities depending on density (see *Section 2.5: Residential*).
- ► NewU would also bring back **on-campus dining operations** (see *Section 2.5: Residential*).

2.4.1. Rationale

NewU can expand its extracurriculars to build community and support students. Studies from other institutions demonstrate how extracurricular involvement correlate with key indicators of student success, for example:

- ► At Harford Community College (MD), students are 54% more likely to persist to their second year if involved in extracurricular activities.[56]

NewU could launch two types of extracurriculars: (1) academic, professional, and student interest clubs and (2) intramural athletic clubs. To directly support the new extracurriculars and respective students, NewU could hire a full-time

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[55]2022 Cost of Recruiting an Undergraduate Student Report" © 2022 by RNL

[56] Modern Campus, Hartford Community College Engagement Presence, October 2022

extracurriculars coordinator to perform overarching management of such incremental activities. This would include responsibilities such as coordinating extracurricular logistics, budgeting processes, institution-wide recruitment of members, and administrative support.

	Academic, professional, and student interest clubs	Intramural sports
Rationale	Support classroom and career success Build internal community Build connections to external community	Promote school brand and identity Offer opportunities for healthy activities
Benchmarks at HCTC and community college bachelor's institutions (CCBs)[1]	Current HCTC: 6 CCB average: 19 CCB range: 16 – 28	Current HCTC: 0 CCB average: 1 CCB range: 0 – 2

2.4.2. Academic, professional, and student interest clubs

Academic, professional, and student interest clubs would offer program-specific enrichment opportunities that could positively impact academic performance and career outcomes. Community College Baccalaureate (CCB) institutions in the Southeast US (colleges which have transitioned from 2-year institutions to offer limited four-year degrees) have an average of 19 extracurricular programs with a range of 16 to 28 extracurricular programs per institution.[57]

Illustrative clubs for NewU may include, but are not limited to:

Nursing honors society	Business/entrepreneurship club	Volunteer organization
Education leadership club	IT management leadership club	Arts club
Social work leadership club	Student online newspaper/blog	Outdoors club

As one example, NewU could consider investing in a Nursing Honors Society. This club would organize peer tutoring/mentoring, coordinate speaker series, host career days, and sponsor other enrichment activities. It could be open to both new bachelor's and existing associate degree students as an avenue to build a pipeline of future bachelor's candidates.

2.4.3. Intramural athletics

Intramural athletics can promote school brand and attract students to an institution. For many Kentucky students, sports are an important part of life; in the 2022-23 academic year, ~105k of ~200k Kentucky high school students participated in athletics.[58] Sports can also have a positive impact on school culture and provide a healthy avenue to form relationships with peers. Studies show sports can improve student engagement, which can aid student satisfaction, academic performance, and retention rates. For example:

▸ The National Intramural and Reactional Sports Association (NIRSA) reported that in a first-year postsecondary cohort (n = 568), intramural participants had 11% higher retention than non-participants.[59]

Interviews with HCTC leadership and area high schoolers show high interest in athletics:

▸ *"Sports would get people to go to the new college. Even if they're competing against other students from the same place, people would go watch."* – High school senior, Perry County Central High School

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[57] Community College Baccalaureate institutions peer set: Laredo College, Clark State College, College of Central Florida, Potomac State College of West Virginia University, Vincennes University, Greenville Technical College, Georgia Highlands College, Ozarks Technical Community College
[58] The National Federation of State Associations, based on competition at the high school level (2022-2023 academic year)

[59] NIRSA Foundation, Retention and Academic Success of First-Year Student-Athletes and Intramural Sports Participants, FY19

> ▸ *"We want basketball, baseball, soccer, golf, anything really. There is a golf course right by the institution which would be convenient."* – High school senior, Hazard High School

Institutional investment in intramural athletics varies considerably per sport and is influenced by the availability and cost of facilities partnerships. NewU can consider launching 1-5 intramural sports such as:

Archery	Basketball	E-sports
Golf	Swimming	Riflery
Soccer	Tennis	Ultimate frisbee

2.5. Residential

2.5.1. Rationale

NewU could incorporate opportunities for on-campus housing, which can lead to higher rates of student well-being, retention, and graduation:

> ▸ U.S. Department of Housing and Urban Development (HUD) cites that "students appear to be more likely to graduate if they live on campus" and targeted community college housing programs (e.g., Single Stop USA) can improve retention rates as much as 20%.[60]

> ▸ At Central Maine Community College, students who lived on campus had a FY23 to FY24 persistence rate that was 11% higher than off-campus commuter students.[61]

> ▸ At Central Oregon Community College, FY24 students living on-campus had an 89.6% fall-to-winter semester retention rate versus 83.8% for off-campus commuter students.[61]

Offering student housing could also help address the housing shortage in Hazard following recent natural disasters and closures of short-term rental options.[62] HCTC students interviewed believe housing could impact success:

> ▸ *"It would be great to have an apartment that is close to other students, so if we had questions or needed help with anything, we'd be right there for each other."* – Ready to Work student and parent, HCTC

> ▸ *"Especially for single parents, housing would be amazing. It would open so many new opportunities in life up for them. It is hard to find a place in Hazard right now that fits the budget for a single-income family – not to mention if you're also a student."* – Ready to Work student and parent, HCTC

▸ *"We need housing for people to come into the community and stay here on campus. Housing in Hazard is a big issue. There are some new apartment complexes, but they are priced for people with higher salaries."* – Ready to Work student and parent, HCTC

2.5.2. Housing models and potential locations

NewU could consider two options for student housing:

(1) Family housing for single parents in partnership with Family Scholar House (FSH)
(2) Traditional roommate-configured units for first-time college students

Additionally, it has two locations on which it could locate residential facilities (see *Figure 23* on the next page). Given this, it could choose to build one or both models.

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[60] U.S. Department of Housing and Urban Development, Housing Barriers to College Success, 2015
[61] Diverse Education, Community Colleges Increase Housing Options (2024)
[62] Note: Flooding in 2022 damaged or destroyed 9,000 homes in Eastern Kentucky and the area has faced delays and capacity/resource constraints in rebuilding

(A) NewU can purchase and develop a plot across Highway 15, including a pedestrian footbridge connecting housing area to campus.

(B) NewU can build on a site it owns with limited outdoor space currently on the institution's campus.

Note: The FSH model would need to be located at location (A) to have space for family amenities.

As identified in the report to SJR 98, each residential facility could be 48k sq. ft., with 48 two-bedroom units which could accommodate between 96 and 192 residents at an occupancy of 2 to 4 residents per unit.

Figure 23: Potential residential facility development sites
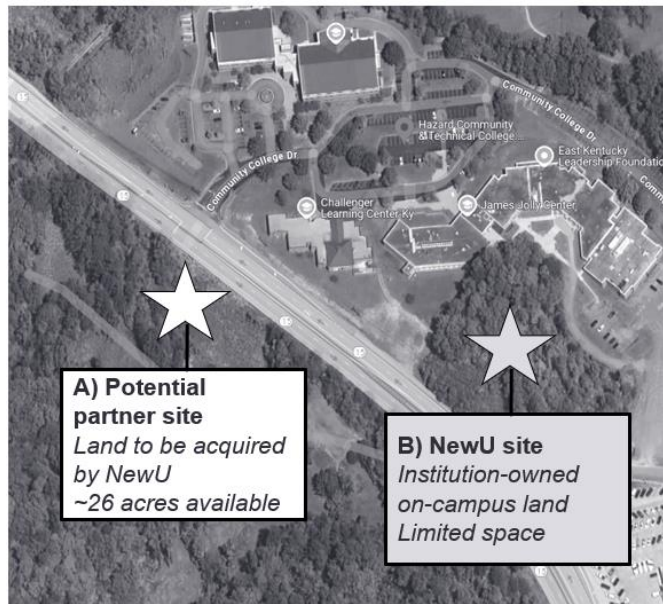
2.5.3. Option 1 – public private partnership

NewU could enter a partnership with a private entity wherein NewU could provide land and the private entity could develop and manage the facility. To support more-affordable rent, NewU could select a partner that is a not-for-profit as for-profit developers typically have higher required returns that translate to higher prices for residents. NewU could examine and identify partners from a range of different options. As one example, Family Scholar House (FSH) is a non-profit organization that provides access to affordable housing and wraparound services such as childcare to single-parent families and young adults pursuing post-secondary education. It is headquartered in Louisville with four locations across KY, TX, and IN. FSH reports that 81% of enrollees in its residential program exit to stable employment and 91% complete the credit hours they attempt.[63]

If partnering, NewU would purchase the 28-acre plot of land across the highway and lease it to the partner. The partner would then secure a developer and finance the residential facility, leveraging available tax credits as applicable. Once built, the partner would manage the facility and lease the land from NewU. In this scenario, the cost to NewU would be the purchase price for a plot of land across the street where the size and location are suitable for family housing plus the cost of a new pedestrian footbridge so residents could safely walk to and from the campus.

While the partner would manage the housing, NewU would need to align with the group on a set of design parameters for residential eligibility, programming, and other areas.

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[63] Family Scholar House, "Family Scholar House By the numbers," 2021

Resident eligibility requirement area	Assumption under partnership
Student family status	Limited to single parents with children
Option to rent outside of NewU	Not available to general population
Courseload or GPA requirement	Low minimum courseload, threshold set by partner
Program of study requirement	All programs
Student demographic factors (e.g., eligible for support programs)	Residents must be eligible for public affordable housing support (section 8 vouchers)
Resident eligibility period	Limited to currently enrolled students, but includes a transition period after graduation

2.5.4. Option 2 – NewU student housing – fee development

NewU could also choose to develop student housing on its own. In this option, it would build a facility that could give preference to first-time full-time bachelor's students. It could work with a private real estate developer and plan to finance via bond issuance, state appropriations, facilities grants, and/or independent fundraising efforts. The institution would be responsible directly for managing the property or contracting all/part of the facility to a third-party management firm.

Resident eligibility requirement parameter	Assumption under NewU management
Student family status	Adults without dependents; may apply as a pair or group
Option to rent outside of NewU	Restricted to currently enrolled NewU students
Courseload or GPA requirement	12 credits per semester (full-time) prioritized
Program of study requirement	Bachelor's prioritized, credential-seeking
Student demographic factors (e.g., eligible for support programs)	No requirement
Resident eligibility period	Must be currently enrolled, no transition period after graduation

2.6. Dining

2.6.1. Rationale

NewU can open an on-campus dining facility to serve the increased number of students present on campus due to new bachelor's programs and residential facilit(ies). Currently, the institution does not have an operational dining option serving students but does have a dedicated facility location on-campus. The dining facility would enable students to stay on-campus for longer periods of time to focus on their studies, collaborate with peers, and meet with instructors and advisors. Additionally, many students in the area struggle with food insecurity and an on-campus, affordable option could help to address these challenges. Studies highlight the impact of dining on student experience:

  ► In a nationally representative survey across 1,200 two-year and four-year institutions, 39% of students ranked "dining facilities open continuously throughout the day" as a top three priority for what their institution should provide to better support students.[64]

2.6.2. Dining approach

NewU could plan on subcontracting its existing, out-of-use dining facility space. NewU would need to renovate the facility and identify a third-party vendor to provide dining services. NewU could consider agreements with vendors that

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[64] Flaherty, Colleen, "Students' Wellness Preferences and Food Priorities," *Inside Higher Ed and College Pulse,* 23 July 2023, via Inside Higher Ed

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encourage an affordable menu with healthy choices (e.g., allow use of the facility outside of dining hours for vendor's independent catering operations in exchange for lower menu prices).[65]

NewU's investment in renovations and upgrades to its existing space would include new kitchen equipment, serving line, tables, chairs, and other one-time expenditures.[66] While NewU would receive revenue from a leasing fee, it would not be impacted by dining profits/losses directly.

2.7. Value proposition to students and employers

NewU value proposition to students

Recommendation 7: NewU could offer degrees at lower cost overall, given the economic challenges and poverty rates faced by the region.

Lower-level courses would be priced in line with associate degree coursework. Upper-level courses would be priced at the rate of the closest four-year institution, but students would also be offered scholarships and financial aid to offset the costs. Additional detail on this is provided in the financial impacts section of the Report.

In addition to program affordability, students would benefit from:

► **Location:** Students would have access to a local institution offering bachelor's degrees that is visible and active in the community to build awareness.

► **Modality:** Students would benefit from a combination of in-person and online instruction. In-person elements would provide avenues for increased engagement and support, and could lead to increases in completion / attainment rates.

NewU value proposition to employers

Recommendation 8: NewU already partners with local employers to deliver its current credit and non-credit offerings. NewU could continue to work closely with local and regional employers to launch the new bachelor's degree programs, to create positive outcomes for both employers and students.

By targeting bachelor's degree programs aligned to workforce needs, NewU will aim to improve bachelor's degree attainment in areas of highest need – by not only enrolling more first-time students and working adults in bachelor's degree programs locally, but also in supporting these students to completion. This should generate more bachelor's graduates for the workforce and contribute positively to the local economy.

By working closely with employers to incorporate their input into program design and curriculum, and to recruit workplace-based students into programs, NewU will aim to incorporate skills and competencies valued by employers into the curriculum, making NewU graduates attractive hires into target industries.

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[65] HCTC leadership interviews
[66] HCTC internal data, August 2024

3. Scenarios and potential financial impacts

3.1. Summary of scenario impact and investment needed

This section summarizes the potential financial impact and investment needs of three enrollment cases – low, moderate, and high – using the range of scenario assumptions described in *Section 3.2: Key assumptions by scenario*. This Report considers three enrollment (demand) scenarios that are rooted in benchmarking of similar programs across Kentucky. The demand scenarios are summarized in the table below.

Enrollment (demand) scenario	Low	Moderate	High
Incremental bachelor's FTE students at steady state	364	653	1,138
% increase over HCTC FTE enrollment in FY24	+26%	+47%	+82%

Based on the enrollment scenario assumptions, NewU could require:

► **Additional annual state appropriations:** ~$5m-$8m in recurring annual state support, primarily driven by personnel costs to deliver bachelor's academic programming. Annual support required is highest in the low enrollment scenario as there are fewer students and less tuition revenue to offset costs.

► **One-time costs:** In total, estimates for the cost to launch NewU could range from ~$14m to ~$35m in one-time startup costs, primarily driven by land preparation and construction of residential facilities.

Please note that figures presented in this section are estimates based on information available to date; if NewU launches, actual figures may differ from these estimates. For the purposes of this Report, the cost estimates assume that the cost to HCTC of receiving the same set of services from KCTCS would remain the same as the current level of chargeback (by the central KCTCS office to HCTC). If NewU and KCTCS were not to reach an MOU, NewU would need to incur additional one-time costs to replace systems and recurring costs for personnel to manage them and to continue to access subscriptions and services. Initial quotes and estimates received by HCTC indicate ~$3m in one-time costs and ~$6-7m in annual recurring costs.

Figure 24 on the next page summarizes the estimated annual recurring state support (incremental state appropriations on top of what HCTC is already receiving today via KCTCS), under the NewU enrollment scenarios, in the steady state year (FY33).

Figure 24: Estimated recurring annual state support needed under NewU enrollment scenarios, FY33E
Note: recurring support need calculated as [Recurring Revenue less Recurring Expenses for bachelor's programs]

		Current state appropriations (HCTC FY23[67])		
A	State appropriations allocated to HCTC, FY23	$11.5m		
B	HCTC FTE student enrollment, FY23	1,387 FTE students		
C	State appropriations per HCTC FTE student, FY23	$8.3k		
		Incremental annual appropriations needed at scale (NewU FY33, bachelor's programs, by enrollment scenario)		
		Low	Moderate	High
D	Incremental recurring state appropriations investment needed for bachelor's programs	~$8.3m	~$7.5m	~$5.2m
E	Incremental bachelor's FTE students (% increase over HCTC FY24)	364 (+26%)	653 (+47%)	1,138 (+82%)
F	Incremental state appropriations per bachelor's FTE student	~$22.8k	~$11.5k	~$4.6k
		Total estimated appropriations at scale NewU FY33, includes all programs (bachelor's, associate, certificates, diplomas, dual credit, etc.)		
		Low	Moderate	High
G = A+D	Total estimated state appropriations	~$19.7m	~$19.0m	~$16.7m
H = B+E	Total estimated FTE students at scale in FY33[68]	1,739	2,029	2,514
I	Total estimated state appropriations per FTE student	~$11.4k	~$9.4k	~$6.6k

In the moderate and high scenarios, NewU's projected total state appropriations would be in line with the average for other Kentucky four-year universities ($6.6k-$11.4k at NewU as compared to $8.2k weighted average in *Figure 25*).

Figure 25: State appropriations per FTE student at Kentucky higher education institutions[69]
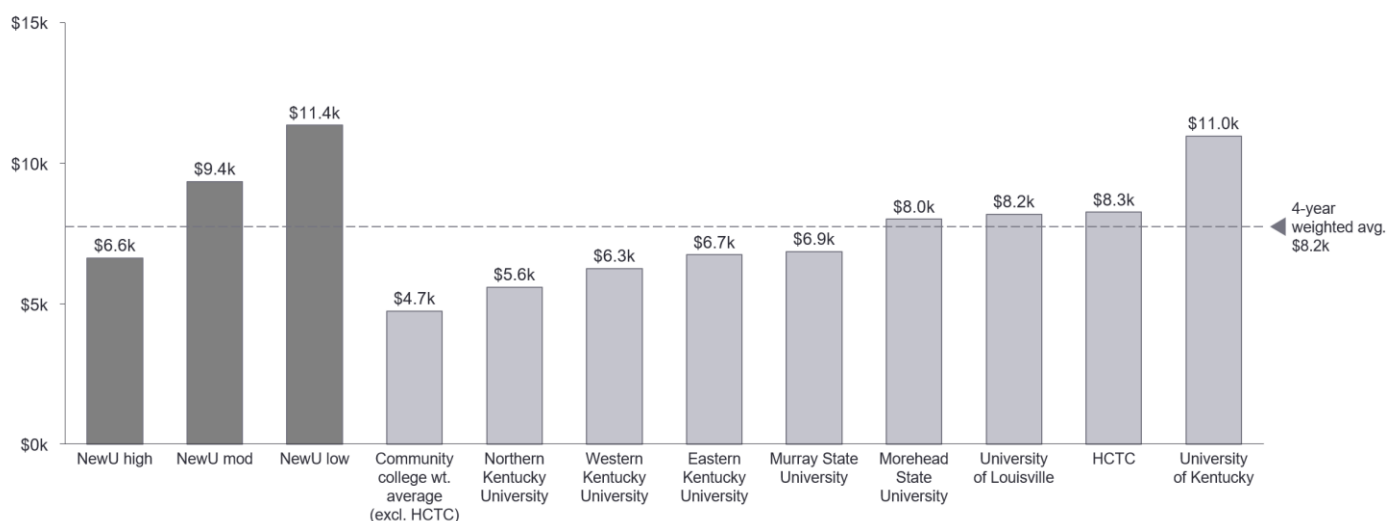
[67] IPEDS
[68] Note: Includes impact of forecasted FY33 enrollment projections for HCTC non-bachelor's FTE (1,376) as calculated based on demographic trend for population in the region aged 18-64 (U.S. Census)

[69] IPEDS; Commonwealth of Kentucky budget; Note: peers use FY23 as it is the latest year available for FTE, Kentucky State University has higher state appropriations relative to FTE enrollment than at other four-year institutions due to its management and improvement plan (HB 250)

NewU would also need a total of $14m-$36.7m in incremental <u>one-time</u> investments (across FY26 and FY27). A summary of these investments is shown in *Figure 26.*

Figure 26: One-time investments by enrollment scenario

Low and moderate	
Residential facilities – partnership	
Land acquisition and site development	~$9.0m
Pedestrian bridge	~$1.0m
Subtotal: residential facilities – partnership	~$10.0m
Dining facility renovations	~$2.0m
Student center renovations	~$2.0m
Extracurricular and intramural supplies	~$0.01m (low) and ~$0.02m (moderate)
Accreditation support	~$0.03m
Curriculum development support	~$0.02m
Total one-time investment	**~$14m**
High	
NewU dormitory owned and operated)	
Site development and construction	~$19.8m
Furnishing	~$1.1m
Subtotal: residential facilities – NewU dormitory	~$20.9m
Residential facilities – partnership (see above)	~$10.0m
Dining facility renovations	~$2.0m
Student center renovations	~$2.0m
Extracurricular and intramural supplies	~$0.04m
Accreditation support	~$0.03m
Curriculum development support	~$0.02m
Total one-time investment	**~$35m**

Kentucky operates on a biennial budget cycle. In order to enroll students in Fall 27, NewU would need state appropriations for one-time and recurring expenses in FY26 as shown in Figure 27 on the next page; these are assumed to be through special appropriation. Scope of analysis does not include projections for potential needs in non-bachelors (associate, certificate, etc.) programming and estimates shown here would not preclude NewU from recognizing additional needs related to such.

Figure 27: Estimated annual state appropriations needed – by NewU enrollment scenario (assuming MOU option)[70]

Memorandum of Understanding. Estimates assume the cost to HCTC of receiving the same set of services from KCTCS would remain approximately the same as the current level of chargeback. In the event NewU and KCTCS are not able to reach a mutually agreeable MOU, NewU would need to incur additional one-time and recurring costs. Initial quotes and estimates received by HCTC indicate ~$3m in one-time costs and ~$6-7m in annual recurring costs as shown below.

Figure 28: Summary of scenario pro forma assumptions[71]

Ideally, NewU would be able to obtain services and technology from KCTCS through an MOU. Figures shown are estimates and would be validated through additional by CPE, KCTCS, and NewU during the MOU process

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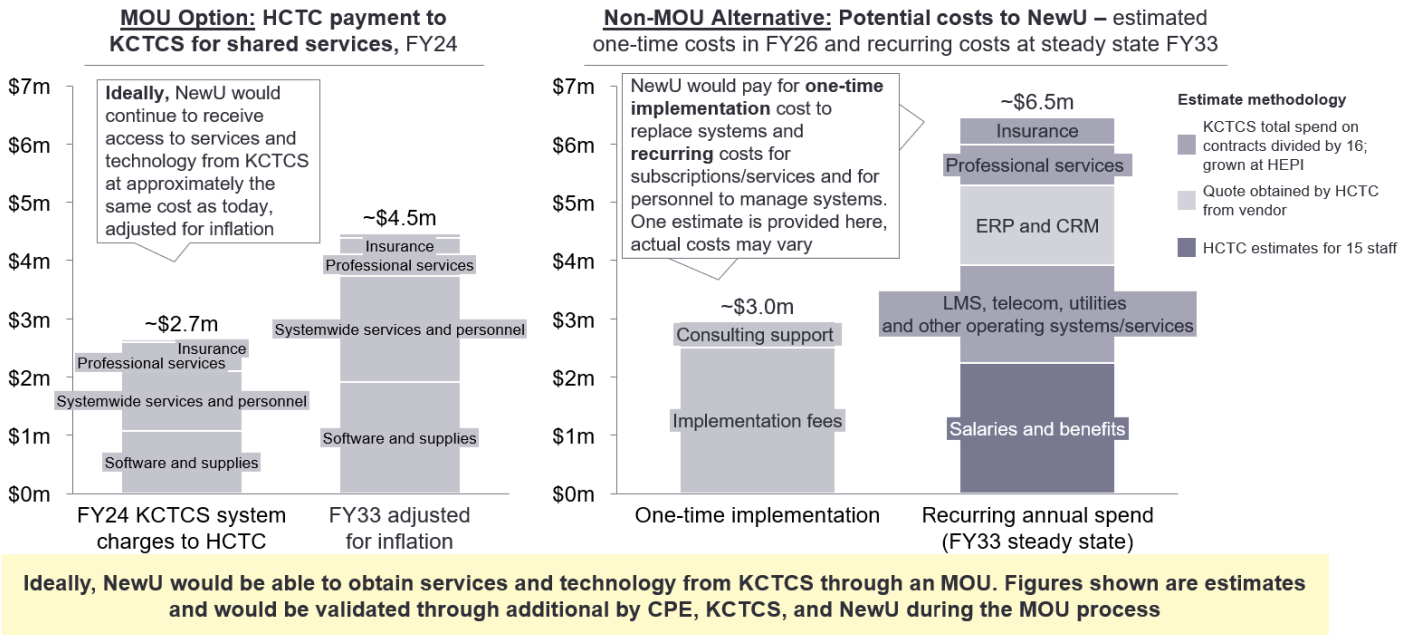
[70] Note: one-time funds represent purchase of land and total building cost of residences/dining. Full amount may not be needed in FY26 as construction is expected to last until FY29. State appropriations total needed is based on net cost of operating program and one-time costs to launch; assumes NewU is exempt from performance funding until after first graduating cohort in 150% of time (FY33) and that it achieves an MOU that does not add incremental costs (e.g., replacing ERP, Learning Management System, etc.)

[71] KCTCS system recovery and recharges; quotes obtained directly by HCTC from technology vendors; Higher Education Price index; interviews

Performance-Based Funding. Since NewU would be a new classification in Kentucky's higher education landscape and would not fit the funding formula of either two-year or four-year institutions in Kentucky, this Report assumes that NewU would be exempt from performance funding until NewU is able to demonstrate outcomes related to its new bachelor's degrees (e.g., until the first cohort of students graduates in 150% of time or FY33).

3.2. Key assumptions by scenario

Each enrollment scenario included the same set of drivers of revenues and expenses. Scenario assumptions for each are summarized in *Figure 29* and assumption sources are provided in Appendix B.

Figure 29: Summary of scenario pro forma assumptions[72]

	Low enrollment scenario	Moderate enrollment scenario	High enrollment scenario
Program, enrollment, facilities, and extracurricular scenario assumptions			
Programs offered	▶ 5 programs begin to enroll students in FY28 (nursing, education, social work, business and IT management)		
Residential facilities offered	▶ NewU offers one 48-unit facility via a partnership (10% of headcount in steady state)	▶ NewU offers one 48-unit facility via a partnership (5% of headcount in steady state)	▶ NewU offers facilities, one in partnership and one managed by NewU ▶ Partnership residence has 48-person capacity or 3% of headcount in steady state ▶ NewU-managed residence opens in FY29, has 96-person capacity or 6% of headcount in steady state
Extracurriculars offered	▶ 6 total (5 clubs, 1 intramural sport)	▶ 10 total (7 clubs, 3 intramural sports)	▶ 15 total (10 clubs, 5 intramural sports)
Enrollment	▶ Cohort sizes based on bottom quartile of KY four-year peers ▶ By steady state, FTE enrollment reaches ~360 students across the bachelor's programs	▶ Cohort sizes based on median of KY four-year peers ▶ By steady state, FTE enrollment reaches ~650 students across the bachelor's programs	▶ Cohort sizes based top quartile of KY four-year peers ▶ By steady state, FTE enrollment reaches ~1,140 students across the bachelor's programs
Part-time and full-time status	▶ Full-time: 65% of students ▶ Part-time: 35% of students ▶ This represents the median between HCTC current state and four-year peer average in Kentucky		
Annual credit hours per enrolled headcount	▶ Full-time: 24 credits ▶ Part-time: 18 credits (assumes participation in summer courses to still be able to graduate in up to six years)		
Retention and graduation rates	▶ Vary by year based on peer averages, for more detail on retention rates see Appendix B		
Recurring revenue scenario assumptions			
Published tuition and fees	▶ Lower-level courses: $227 (consistent with HCTC current pricing for associate degrees) ▶ Upper-level courses: $415 (consistent with closest four-year public option) ▶ Published prices grow at 2% per year beginning in FY27		
Federal and state grants	▶ These are grants related to tuition and fees. Assumes NewU's student demographic profile will be similar to HCTC's, with comparable eligibility for federal and state aid programs (~50% of gross tuition and fees)		
Grants related to workforce and other	▶ Assumes NewU would continue to receive workforce development and other non-tuition grants from current sources, no incremental impact from launch of bachelor's programs (e.g., no research funding)		
Fundraising and gifts	▶ Incremental gifts of ~$200 per FTE student, which represents an increase from HCTC's three-year average per FTE (FY20-22, ~$280) to the three-year average of 77 community college bachelor's institutions (FY20-22, ~$480)		

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[72] Note: Citations for data points in this figure can be found in Appendix C

	Low enrollment scenario	Moderate enrollment scenario	High enrollment scenario
Extracurricular dues and fundraising	► No expectation for student-related dues or fundraising		
Auxiliary revenue from facilities	► $13k in annual land lease income from partner to build and operate on NewU property		► Land lease income plus auxiliary revenue from room charges to students based on peer rates
Recurring expense scenario assumptions			
Faculty headcount	► Calculated based on enrollment as a 25:1 student-faculty ratio (also considers existing faculty and associate and other non-bachelor's enrollment as lower-level course faculty may teach both associate and bachelor's students)		
Faculty salaries	► Average salaries by level consistent with Kentucky four-year public institutions (EKU, KSU, MSU) ► Includes 2% salary increase annually from FY26		
Staff headcount	► Academic support staff calculated based on 300:1 student:staff ratio consistent with industry benchmark[73] ► Other institutional support staff in finance, HR, etc. determined from comparisons of HCTC current capabilities/capacity to expected needs (42 employees)		
Staff salaries	► By position, the higher of (1) HCTC or (2) Morehead State University compensation for comparable role/level		
Institutional financial aid and auxiliary scholarships	► First two entering cohorts pay lower-level tuition and fee rate ($227) for duration of time at NewU (45% less than published upper-level price) ► Subsequent cohorts receive 30% institutional aid for upper-level years		► No differentiated pricing for first two years of entering cohorts ► Upper-level students receive 30% institutional aid
Instructional supplies	► Assumes ~$380 per FTE instructional supplies cost derived from L3Y average of HCTC's historical financials		
Services and technology (e.g., SIS, ERP, LMS, legal, insurance)	► Shared via MOU with KCTCS, no new incremental costs assumed ► No new/additive services or technology		
Extracurricular expenses	► Materials and supplies of $2.5k per club and $5k per intramural sport		
	► $17.5k (5 clubs, 1 intramural)	► $32.5k (7 clubs, 3 intramurals)	► $50.0k (10 clubs, 5 intramurals)
Facilities operations	► No direct expenses for NewU, as partner fully manages the operations		► Operating and maintenance expenses for NewU-managed dormitory
One-time startup investment scenario assumptions			
Accreditation support	► Accreditation consultant required to support HCTC level change and program approval in pre-launch phase		
Curriculum development	► Curriculum design consultant required in pre-launch phase FY26		
Initial investment in extracurricular equipment (intramurals)	► Cost of equipment for 1 intramural program ($7k total)	► Cost of equipment for 3 intramural programs ($21k total)	► Cost of equipment for 5 intramural programs ($35k total)
Housing facility land purchase, development, and building costs	► $4m for dining and student center renovation ► $10m for partner housing facility land acquisition and site development		► $4m for dining and student center renovation ► $10m for partner housing facility land acquisition and site development ► $20.8m for land preparation and construction

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[73] 2022 Cost of Recruiting an Undergraduate Student Report" © 2022 by RNL

3.3. Cumulative financial impact by scenario

NewU would have upfront expenses in the years before it enrolls students – both from one-time initial purchases and recurring salaries of individuals needed to help with bachelor's launch (CFO, legal, faculty, program leadership and staff).

As enrollment would build cohort-by-cohort over time, it would not reach "steady state" until FY33, the year in which NewU enrolls both new first-year starts and some sixth-year students completing their degrees in 150% of time.

The total investment needed over the scaling period from FY26-FY33 could range from ~$73m to ~$81m.

Total investment needed during NewU scaling period (FY26-FY33), nominal dollars			
	Low	**Moderate**	**High**
Total investment need FY26-FY33	~$76.2m	~$72.8m	~$81.5m

Figures 30, 31, and 32 below show additional cost detail by scenario, year over year, from launch to steady state.

Figure 30: Potential revenue and cost estimates for incremental bachelor's degree programs – HIGH enrollment scenario

	Y0 FY26	(planning period) FY27	Y1 FY28	Y2 FY29	Y3 FY30	Y4 FY31	Y5 FY32	Y6 FY33
Enrollment								
FTE students			376	652	885	1,087	1,113	1,138
Revenue								
Gross tuition			$2,998,881	$5,332,274	$8,696,045	$11,767,245	$12,374,530	$13,001,400
Federal and state scholarships (Pell, CAP, SEOG)			($1,499,440)	($2,666,137)	($4,348,022)	($5,883,622)	($6,187,265)	($6,500,700)
Institutional scholarships			($150,616)	($282,090)	($1,264,870)	($2,159,351)	($2,314,120)	($2,474,216)
Net tuition			$1,348,825	$2,384,047	$3,083,153	$3,724,272	$3,873,145	$4,026,484
Grants			$1,499,440	$2,666,137	$4,348,022	$5,883,622	$6,187,265	$6,500,700
Gifts / fundraising			$75,791	$131,541	$178,343	$219,158	$224,295	$229,432
Residential facilities			$13,000	$806,680	$834,136	$862,600	$892,072	$922,600
Subtotal			$2,937,056	$5,988,405	$8,443,654	$10,689,652	$11,176,777	$11,679,215
Expenses								
Incremental faculty headcount	5	42	42	42	61	61	61	61
Incremental academic staff headcount	0	0	2	3	3	4	4	4
Incremental non-academic staff headcount	4	25	41	44	44	44	44	44
Salaries	($1,781,854)	($4,035,365)	($7,826,822)	($8,211,067)	($9,855,519)	($10,148,738)	($10,401,513)	($10,660,585)
Benefits	($766,197)	($1,735,207)	($3,365,533)	($3,530,759)	($4,237,873)	($4,363,957)	($4,472,651)	($4,584,051)
Marketing		($106,018)	($106,018)	($184,003)	($249,471)	($306,564)	($313,750)	($320,935)
Instructional materials and supplies			($184,830)	($341,896)	($494,042)	($647,054)	($705,795)	($769,464)
Non-personnel extracurricular expense			($50,000)	($50,000)	($50,000)	($50,000)	($50,000)	($50,000)
Non-personnel residential expense				($488,596)	($490,499)	($492,469)	($494,508)	($496,621)
Subtotal	($2,548,051)	($5,876,590)	($11,533,202)	($12,806,322)	($15,377,405)	($16,008,782)	($16,438,217)	($16,881,656)
Position								
Total recurring surplus (investment needed)	($2,548,051)	($5,876,590)	($8,596,147)	($6,817,917)	($6,933,751)	($5,319,130)	($5,261,440)	($5,202,441)
		Note: faculty hired for one semester in FY27						
One time expenses								
Accreditation and curriculum development support		($43,500)						
Extracurricular equipment			($35,000)					
Facilities	($34,850,000)							
Subtotal	($34,893,500)		($35,000)					
Overall surplus (deficit for additional state support)	$ (37,441,551)	$ (5,876,590)	$ (8,631,147)	$ (6,817,917)	$ (6,933,751)	$ (5,319,130)	$ (5,261,440)	$ (5,202,441)

Total additional state support needed FY26-FY33	$ (81,483,966)

Figure 31: Potential revenue and cost estimates for incremental bachelor's degree programs – MODERATE enrollment scenario

	Y0	(planning period)	Y1	Y2	Y3	Y4	Y5	Y6
	FY26	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**
Enrollment								
FTE students			223	384	517	631	644	653
Revenue								
Gross tuition			$1,775,126	$3,134,321	$5,068,654	$6,801,850	$7,124,137	$7,402,794
Federal and state scholarships (Pell, CAP, SEOG)			($819,971)	($1,419,425)	($2,250,410)	($2,960,710)	($3,040,191)	($3,097,163)
Institutional scholarships			($162,429)	($300,589)	($1,259,192)	($2,118,078)	($1,776,062)	($1,462,041)
Net tuition			$792,726	$1,414,307	$1,559,052	$1,723,062	$2,307,884	$2,843,589
Grants			$819,971	$1,419,425	$2,250,410	$2,960,710	$3,040,191	$3,097,163
Gifts / fundraising			$44,886	$77,395	$104,289	$127,277	$129,850	$131,694
Residential facilities			$13,000	$13,000	$13,000	$13,000	$13,000	$13,000
Subtotal			$1,670,583	$2,924,127	$3,926,751	$4,824,050	$5,490,925	$6,085,446
Expenses								
Incremental faculty headcount	5	42	42	42	42	42	42	42
Incremental academic staff headcount	0	0	1	2	2	3	3	3
Incremental non-academic staff headcount	4	25	41	42	42	42	42	42
Salaries	($1,781,854)	($4,035,365)	($7,782,480)	($8,054,971)	($8,255,729)	($8,509,240)	($8,721,324)	($8,938,693)
Benefits	($766,197)	($1,735,207)	($3,346,467)	($3,463,638)	($3,549,963)	($3,658,973)	($3,750,169)	($3,843,638)
Marketing		($76,015)	($81,017)	($148,887)	($213,825)	($278,128)	($302,420)	($326,896)
Instructional materials and supplies			($109,462)	($201,162)	($288,900)	($375,780)	($408,601)	($441,671)
Non-personnel extracurricular expense			($32,500)	($32,500)	($32,500)	($32,500)	($32,500)	($32,500)
Subtotal	($2,548,051)	($5,846,587)	($11,351,926)	($11,901,159)	($12,340,916)	($12,854,622)	($13,215,013)	($13,583,397)
Position								
Total recurring surplus (investment needed)	($2,548,051)	($5,846,587)	($9,681,343)	($8,977,031)	($8,414,165)	($8,030,572)	($7,724,088)	($7,497,951)
		Note: faculty hired for one semester in FY27						
One time expenses								
Accreditation and curriculum development support	($43,500)							
Extracurricular equipment			($21,000)					
Facilities	($14,000,000)							
Subtotal	($14,043,500)		($21,000)					
Overall surplus (deficit for additional state support)	($16,591,551)	($5,846,587)	($9,702,343)	($8,977,031)	($8,414,165)	($8,030,572)	($7,724,088)	($7,497,951)

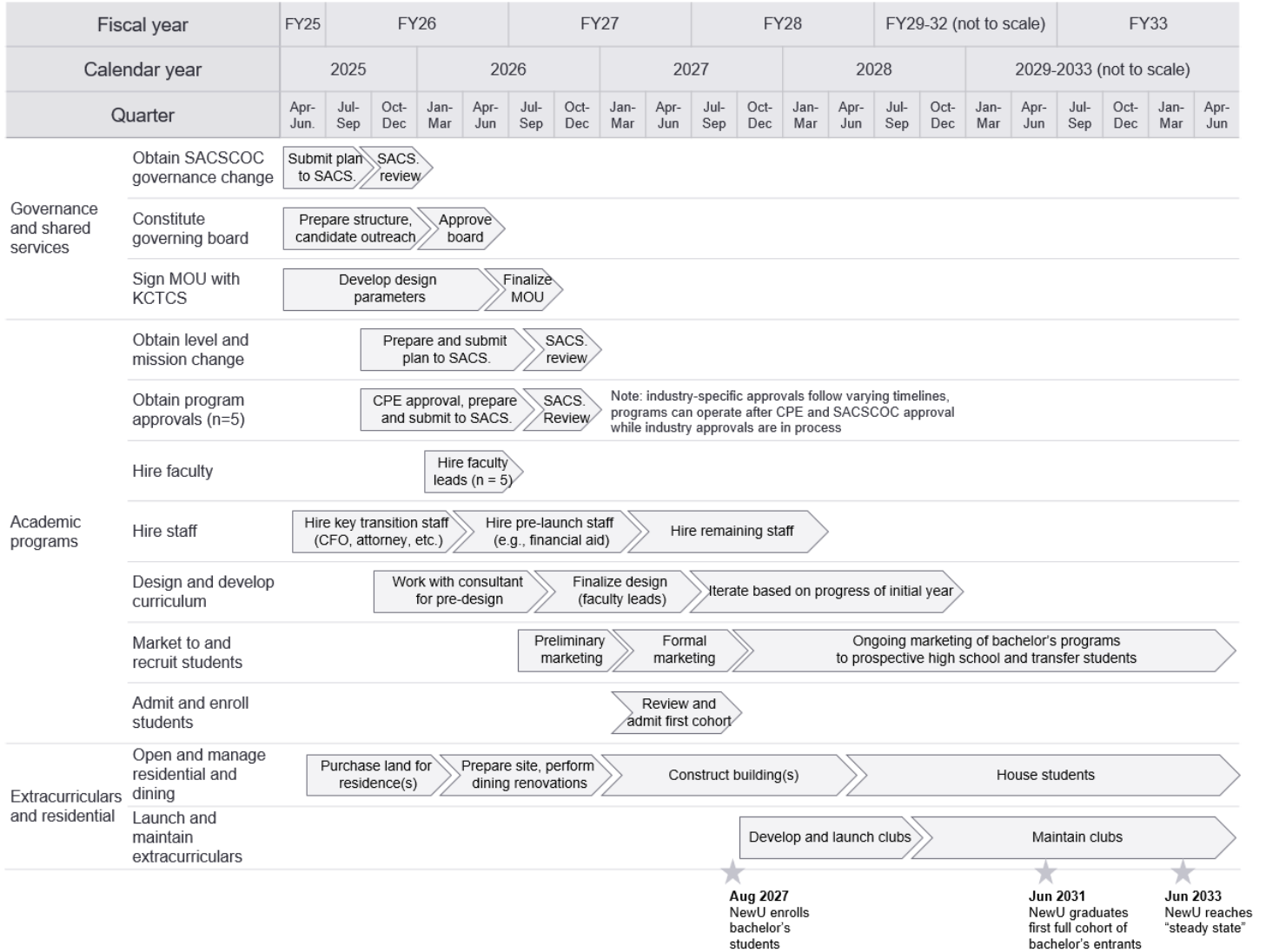| **Total additional state support needed FY26-FY33**	**($72,784,289)**

Figure 32: Potential revenue and cost estimates for incremental bachelor's degree programs – LOW enrollment scenario

	Y0	(planning period)	Y1	Y2	Y3	Y4	Y5	Y6
	FY26	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**
Enrollment								
FTE students			124	213	287	348	356	364
Revenue								
Gross tuition			$990,658	$1,744,220	$2,809,687	$3,744,753	$3,939,232	$4,124,542
Federal and state scholarships (Pell, CAP, SEOG)			($495,329)	($872,110)	($1,404,843)	($1,872,377)	($1,969,616)	($2,062,271)
Institutional scholarships			($86,202)	($156,467)	($627,813)	($1,022,707)	($849,404)	($703,378)
Net tuition			$409,127	$715,643	$777,031	$849,670	$1,120,212	$1,358,893
Grants			$495,329	$872,110	$1,404,843	$1,872,377	$1,969,616	$2,062,271
Gifts / fundraising			$25,018	$43,001	$57,809	$70,190	$71,842	$73,284
Residential facilities			$13,000	$13,000	$13,000	$13,000	$13,000	$13,000
Subtotal			$942,474	$1,643,754	$2,252,683	$2,805,237	$3,174,670	$3,507,448
Expenses								
Incremental faculty headcount	5	42	42	42	26	26	26	26
Incremental academic staff headcount	0	0	1	1	1	2	2	2
Incremental non-academic staff headcount	4	25	41	42	42	42	42	42
Salaries	($1,781,854)	($4,035,365)	($7,782,480)	($8,009,522)	($7,310,908)	($7,540,979)	($7,729,039)	($7,921,790)
Benefits	($766,197)	($1,735,207)	($3,346,467)	($3,444,094)	($3,143,690)	($3,242,621)	($3,323,487)	($3,406,370)
Marketing		($42,369)	($45,157)	($82,721)	($118,526)	($153,380)	($167,319)	($181,909)
Instructional materials and supplies			($61,012)	($111,765)	($160,141)	($207,233)	($226,066)	($245,778)
Non-personnel extracurricular expense			($22,581)	($24,067)	($25,650)	($27,338)	($29,137)	($31,054)
Subtotal	($2,548,051)	($5,812,941)	($11,257,697)	($11,672,169)	($10,758,916)	($11,171,550)	($11,475,048)	($11,786,901)
Position								
Total recurring surplus (investment needed)	($2,548,051)	($5,812,941)	($10,315,222)	($10,028,415)	($8,506,233)	($8,366,314)	($8,300,378)	($8,279,453)
		Note: faculty hired for one semester in FY27						
One time expenses								
Accreditation and curriculum development support	($43,500)							
Extracurricular equipment			($7,000)					
Facilities	($14,000,000)							
Subtotal	($14,043,500)		($7,000)					
Overall surplus (deficit for additional state support)	($16,591,551)	($5,812,941)	($10,322,222)	($10,028,415)	($8,506,233)	($8,366,314)	($8,300,378)	($8,279,453)

Total additional state support needed FY26-FY33	**($76,207,506)**

4. Proposed implementation timeline

NewU would require legislative approval and would need to undergo a governance and level/mission change, as well as obtain program approvals. If the legislature were to approve NewU, it could consider a special appropriation for FY26 and then ongoing biennial appropriations. If the legislature were to proceed with a FY26 appropriation, NewU would enroll its first cohort of bachelor's students by Fall 2027 (FY28), after obtaining the necessary regulatory and accreditation approvals. If appropriations are pushed out to the FY27-FY28 biennial, NewU would not be able to launch its first cohort of students until Fall 2028 (FY29).

Figure 33: Proposed implementation timeline for NewU (if legislature approves in March 2025)

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NewU could target a set of key milestones to enroll its first cohort as shown in *Figure 34.*

Figure 34: Sample key milestones for NewU first cohort launch

Date	Key milestones and deadlines
March 28, 2025	Legislative decision at close of 2025 Regular Session (January 7th – March 28th)
September 15, 2025	Governance change submission forms due to SACSCOC
December 15, 2025	Governance change decision from SACSCOC;
January 30, 2026	Faculty leads for bachelor's programs are appointed/hired *Note: HCTC has some faculty qualified to become leads and may not need new hires for leads, it could begin to recruit leads while waiting for governance change decision*
January 30, 2026	Governing board appointments confirmed
February 27th, 2026	Governing board finalizes MOU with KCTCS
September 15, 2026	Level, mission forms due to SACSCOC; recommended to include program approval forms Following this submission, NewU can market programs with "pending approval" disclaimer and can accept applications; see below for additional detail on program approval
December 15, 2026	Level, mission, and program decision from SACSCOC Following this decision NewU can complete hiring, market programs without disclaimer language, develop student financial aid packages, and provide admissions decisions
August 2027	**First cohort of NewU bachelor's students enrolls**

Figure 35 displays program-specific approvals and accreditations. These are flexible on rolling timelines. SACSCOC program approval forms should be submitted by Sep. 15, 2025 (with level change) so that programs can begin marketing. Similar information (e.g., course structure, learning outcomes, budgets) is required across forms.

Figure 35: Program approval and accreditation detail
ILLUSTRATIVE – industry-specific organizations are rolling and pending internal capacity for review
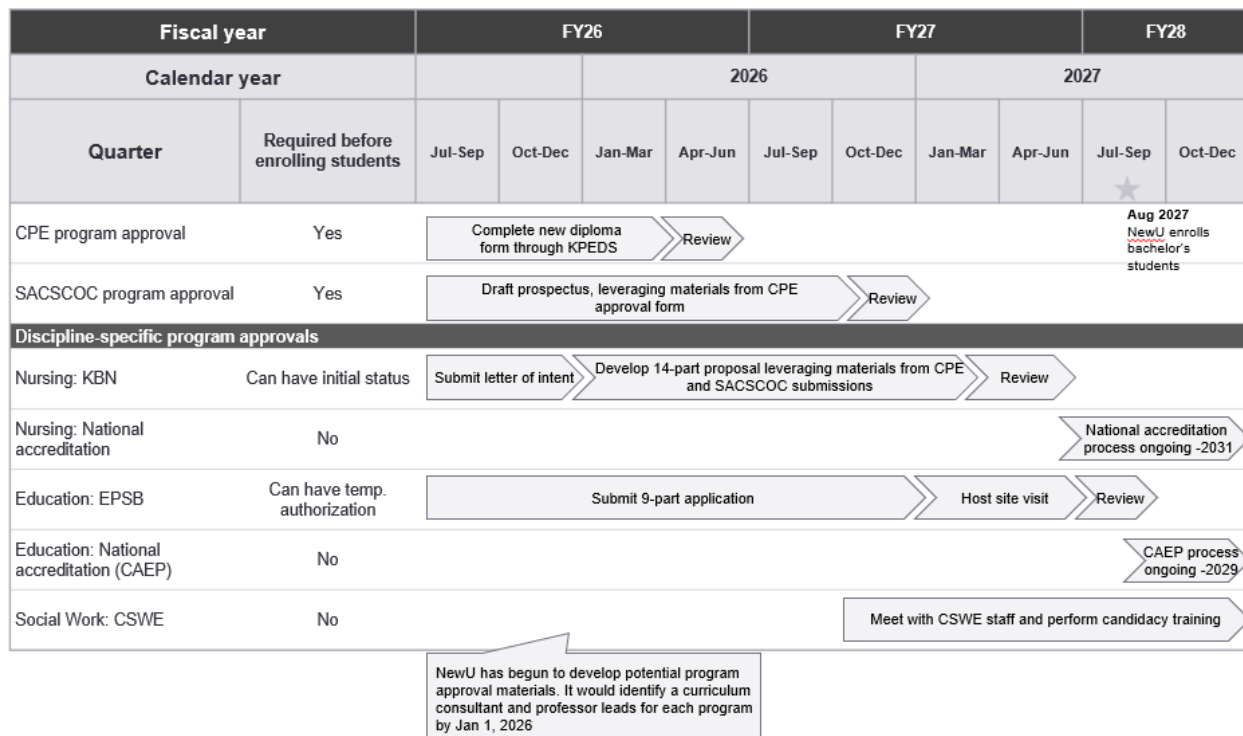
In addition to CPE and SACSCOC approval, NewU's bachelor's programs will require additional state and national accreditations as seen in *Figure 36*. NewU can pursue these national level approvals and operate their bachelor's programs while in process with the accreditors. Some approvals will continue well after programs have launched (through 2031). Note: there are no mandatory discipline specific approvals or accreditations required for business and IT management.

Figure 36: Discipline specific program approval and accreditation detail

Program accreditation body	Description	Timeline
CPE program approval	▶ NewU must submit bachelor's program curriculum for approval to CPE in addition to SACSCOC ▶ CPE approves any changes to higher education curriculum in the state	▶ SACSCOC program approval is contingent on CPE approval, but processes may happen at concurrently ▶ Submissions accepted on rolling basis
SACSCOC program approval	▶ Considered a substantive change and requires notification 6-months in advance of submission of prospectus	▶ Could be submitted in tandem with level and mission change process and CPE program approval ▶ Level change required to offer bachelor's programs
Nursing: Kentucky Board of Nursing (KBN)	▶ KBN must approve all new prelicensure nursing programs[74] ▶ Requires 9-part letter of intent and 14-part full proposal	▶ Submissions accepted on rolling basis ▶ Could be submitted in tandem with CPE program approval
Nursing: National accreditation	▶ National accreditation from ACEN, CNEA, CCNE, or another national accrediting body recognized by the U.S. Dept. of Education[75] is required as part of KBN full approval	▶ Required by fall 2031, within four years of achieving program launch, program must obtain full national accreditation
Education: Education Professional Standards Board (EPSB)	▶ EPSB, a KY state entity, must approve all educator preparation programs[76] ▶ Initial temporary authorization requires a 9-part application, on-site visit, and approval from the Accreditation Audit Committee	▶ Submissions accepted on rolling basis ▶ Could be submitted in tandem with CPE program approval
Education: National accreditation	▶ As part of EPSB full approval, national accreditation is required. The Council for the Accreditation of Educator Preparation (CAEP) is standard in KY[77]	▶ Required by fall 2029, within two years of temporary authorization
Social work: Council for Social Work Education (CWSE)	▶ Not required for program launch ▶ Recommended as KY requires Licensed Social Workers (LSWs) to graduate from a CSWE accredited institution[78]	▶ Submissions accepted on a rolling basis ▶ Accreditation process is ~15-27 months

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[74] 201 KAR 20:260, Kentucky General Assembly, 20 December 2022; 201 KAR 20:280, Kentucky General Assembly, 22 July 2022
[75] Kentucky Board of Nursing (KBN), Accreditation Commission for Education in Nursing (ACEN), Commission for Nursing Education Accreditation (CNEA), and Commission on Collegiate Nursing Education (CCNE)
[76] 16 KAR 5:010, Kentucky General Assembly, 18 February 2022
[77] CAEP Revised 2022 Standards Workbook, Council for the Accreditation of Educator Preparation, 11 June 2021; State accreditation is also an option, however CAEP accreditation is standard in KY as 18 four-year institutions hold CAEP national accreditation
[78] Candidacy process, Council on Social Work Education

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Key activities to launch NewU in six-month intervals could be as follows (assuming legislative decision in March 2025):

April 2025 to September 2025

- ► **Governance:** begin to identify potential board members. If desired, appoint interim board to execute functions until Governor appoints NewU board members; contract accreditation consultant and prepare materials for governance change submission to SACSCOC
- ► **Shared services:** begin process of developing an MOU with KCTCS that would allow NewU to continue to share services with the community college system; answer key questions on staffing, compliance, data privacy, etc.
- ► **Institutional staff:** hire key transition staff (e.g., CFO, legal) that will be unique to NewU (not shared via MOU)
- ► **Academic programs:** begin to identify faculty leads for academic programs, post job descriptions where faculty lead is not within HCTC, begin to prepare materials for SACSCOC level/mission change and program approvals where possible
- ► **Residence and extracurriculars:** begin purchase process for land for residence(s), draft partnership agreements with third parties (e.g., Family Scholar House)
- ► **Key deadlines:** September 15, 2025, governance change submission forms due to SACSCOC

October 2025 to March 2026

- ► **Governance:** SACSCOC issues decision on governance change; Governor appoints NewU board
- ► **Shared services:** iterate on MOU design for shared services, analyze impact on other KCTCS institutions
- ► **Institutional staff:** hire pre-launch staff (e.g., recruiting, marketing) to support bachelor's programs
- ► **Academic programs:** finish identifying/hiring program leads, contract curriculum design consultant(s), continue to prepare level/mission change and program approval prospectus for SACSCOC, draft industry-specific program approval materials for nursing and education
- ► **Residence and extracurriculars:** finalize acquisition of land for residence(s), identify contractors, finalize partnership agreements with third-party (e.g., Family Scholar House), begin site preparations
- ► **Key deadlines:** December 15, 2025, governance change decision from SACSCOC; January 31, 2026, faculty leads for bachelor's programs are appointed/hired (soft deadline for academic program application materials to have adequate revision time with program lead)

April 2026 to September 2026

- ► **Governance:** continue to onboard NewU board
- ► **Shared services:** finalize MOU with KCTCS system by February 27th, 2026
- ► **Institutional staff:** continue to hire pre-launch staff as needed
- ► **Academic programs:** iterate on program design, submit level/mission and program approval forms to SACSCOC, submit program approval forms to industry-specific accreditors and begin to market academic programs with appropriate disclaimers, outlined in *Figure 36* on the previous page
- ► **Residence and extracurriculars:** continue site development and preparations
- ► **Key deadlines:** September 15, 2026, level/mission and program approval forms due to SACSCOC

- ► **Academic programs:** SACSCOC issues level/mission and program decisions, market programs without disclaimers, prepare for first semester courses, hire remaining faculty as needed for first semester, begin to accept student applications and develop financial aid packages

- ► **Residence and extracurriculars:** begin construction of residence(s), purchase one-time club set-up materials

- ► **Key deadlines:** December 15, 2026, level, mission, and programs decision from SACSCOC

April 2027 to September 2027

- ► **Academic programs:** continue to receive applications, provide student financial aid package information, enroll first cohort of bachelor's students

- ► **Key deadlines:** first day of 2027 fall semester, enroll first cohort of bachelor's students

5. Alternative model considerations

The core objective of SJR 132 is to determine a feasible plan to address the postsecondary desert in Southeastern Kentucky and increase the number of bachelor's degree-holders in the region.[79] If expanding HCTC to offer and confer bachelor's degrees independently as NewU – in the manner and at the level of additional investment described above – is not a viable option for the Commonwealth at this point in time, this Report also considers an alternative model to increase educational attainment in Southeastern Kentucky.

HCTC's University Center of the Mountains (UCM) is an existing transfer pathway program that connects students to bachelor's and graduate degrees offered by four-year institutions across the state. Unfortunately, UCM has experienced declining student and four-year partner engagement over the years. A stronger, re-imagined version of UCM could serve more place-bound students and yield additional postsecondary options in Southeastern Kentucky. It would take additional resources (investment by the Commonwealth along with potential investments from four-year partners and the philanthropic community) to realize this vision. The primary benefit of this option is that it uses an existing mechanism to award four-year degrees and would likely carry a lower overall cost than converting HCTC into NewU. The primary downside of this option are the limitations in terms of enrollment. These enrollment/cost tradeoffs need to be evaluated carefully.

5.1. Current state – UCM

UCM is "committed to working collaboratively with partner schools to provide the community with access to advanced degrees." The transfer pathway aims to "address the economic and workforce needs, leadership, and community development needs in Eastern Kentucky."[80] The center, launched in fall 2004, was designed to facilitate transfers for associate degree graduates to bachelor's, master's, and doctoral degree programs. It does not confer degrees, rather it acts as a transfer conduit for HCTC students.

Currently, UCM is run through HCTC where it has designated classroom and office space at Hazard's main campus. Two HCTC employees are fully dedicated UCM staff members. At its inception, UCM had three founding partners: Morehead State University, Eastern Kentucky University, and Lindsey Wilson College. 20 years later, there are now ten partner institutions offering 80+ program options that have conferred more than 1,400 total degrees via UCM. The four-year institutions that are part of UCM receive tuition and fees directly and grant a student's diploma.[80]

In its current state, UCM faces a set of challenges that prevent it from significantly expanding the number of bachelor's degree completions in Southeastern Kentucky:

▶ **UCM has low awareness among prospective students and four-year partners:** it has a physical presence on HCTC's campus, yet stakeholders (prospective students, partner institution leadership, community members, etc.) have expressed limited awareness of its existence; some confuse it with a degree-conferring institution.

> *"I do not know a great deal about UCM. We'd be receptive to being more helpful but would likely need to have a better understanding of their strategy."* – Provost, four-year comprehensive university, current UCM partner

▶ **There is limited in-person interaction for student support and community-building:** UCM began with in-person classes but has shifted to nearly fully remote and majority asynchronous after the COVID-19 pandemic. This is a model that can work well for some students but causes friction/challenges for students who may need more hands-on support.

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[79] KY SJR98 CPE report
[80] HCTC website, University of the Mountains; Note: current member institutions include Eastern Kentucky University, Embry-Riddle Aeronautical University, Kentucky State University, Lindsey Wilson College, Midway University, Morehead State University, Northern Kentucky University, Sullivan University College of Pharmacy and Health Sciences, University of Kentucky Center of Excellence in Rural Health, and University of the Cumberlands; as of August 2024, no pathways offered with

"I come to the UCM classrooms for my live-streamed classes, but I'm the only student here in the room so I don't have anyone to ask questions of or study with. My professor is only available virtually." – Current student at UCM partner institution

▶ **UCM represents a small share of partners' transfer enrollment; it lacks the critical mass to incentivize partner engagement:** UCM offers access to 80+ programs, which can spread enrollment across many partners. The lack of critical mass means UCM is less relevant to partners' overall transfer strategies which can lessen incentives to invest in student recruitment, student supports, etc.

"Normally we don't run classes smaller than 12-25 outside of central campus. We're not going to invest in sending faculty and advisors if there are three students taking a program. Scaling up these programs while making it economically feasible would only be possible if the state invests in it, recognizing the ROI is more about philosophy than financial return." – Provost, four-year comprehensive university, current UCM partner

▶ **Partners are not required to share enrollment and student success data to UCM, so there is limited reporting on outcomes:** When a student transfers through UCM, they leave HCTC and enroll at a partner institution, where they are tracked like any other transfer student. UCM depends on partners to provide student success data, such as retention and completion rates, but there is no formal requirement for them to share this information. This limits UCM's ability to use data for benchmarking, reporting, and strategic planning.

"The data is hard to get because we completely depend on partner institutions to report that to us. The enrollment and completions data is especially hard to track. It's something at the system level we've all been talking about, how do we get solid and dependable data?" – Director, UCM

▶ **UCM is capacity-constrained with a staff of two full-time employees:** UCM has a director and an administrative assistant employed by HCTC. Prior to July 2024, UCM only had part-time employees split across other functions at HCTC.

"UCM staff has been in a transition since the pandemic and flood crisis. Before, it was only part-time co-directors and a transfer advisor who has since retired." – Director, UCM

5.2. Leading practices from peer consortia

If UCM were to expand to further the goal of significantly increasing the number of bachelor's degree holders in Southeastern Kentucky, it can look to peer models for leading practices. The following sections summarize leading practices and potential areas for UCM investment based on peer consortia.

5.2.1. University Center of Lake County, located in Grayslake, Illinois

Description

The University Center of Lake County (UCLC) is a nonprofit 501(c)(3) that manages a consortium-based higher education center with the mission of providing high-quality educational opportunities for residents, workers, and employers of the Lake County region in northern Illinois. The consortium includes 12 partner institutions, of which six are private and six are public.[81] The consortium is physically located adjacent to the College of Lake County, a two-year community college, but UCLC operates as an independent non-profit.

Governance structure

As seen in

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[81] UCLC (public) institutions: Southern Illinois University Edwardsville, University of Illinois Springfield, Northern Illinois University, University of Illinois, Northeastern Illinois University, Southern Illinois University Carbondale; UCLC private institutions: National Louis University, Concordia University Chicago, North Park University Chicago, DePaul University, Dominican University, Lewis University Institute for Workforce Education

Figure 37 on the next page, UCLC has an independent governing board appointed by the Illinois Board of Higher Education which approves member institutions and programs that are part of the collaboration. UCLC is advised by a council of member institutions (one member from each participating institution appointed by that institution's leadership).

Figure 37: University Center of Lake County governance and membership structure

University Center of Lake County (UCLC)

Governing Board
5 member institution (CMI) representatives
5 public community members
1 College of Lake County representative
1 student representative

Executive Director

9 additional staff total
2 recruitment and outreach staff
2 academic affairs staff
2 IT and finance staff
2 admin staff
1 building staff

Council of Member Institutions
14 members
Aim for 50% public institution reps.
50% private institution reps.

Member institutions (12)

College of Lake County (community college, integrated campus)	Concordia University Chicago	DePaul University	Dominican University
	National Louis University	Northern Illinois University	Northeastern Illinois University
	North Park University Chicago	Southern Illinois University Carbondale	Southern Illinois University Edwardsville
	University of Illinois Springfield	University of Illinois	Lewis University

Programs offered

Since its establishment in 1996, UCLC has grown from 27 academic programs to over 100. UCLC has awarded approximately 3,648 undergraduate and graduate degrees and served approximately 8,441 total students, implying an overall graduation rate of ~43%. UCLC awards the most degree/certification options in Education (35) and Business (29) disciplines.[82]

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[82] University Center of Lake County website, "2022-2023 Programs of Study"

Revenue sources

As seen below in *Figure 38: University of Lake County revenue, FY18-FY22*, the University of Lake County's main source of revenue is government funding at 55% of total revenues in 2022. Despite charging member institution and per program fees, member fees made up only 3% of UCLC's overall revenue. UCLC also collects supplemental revenue via space rentals.

UCLC's revenue mix serves as an example where public funding represents the majority of revenue for operations at a transfer pathway consortium.

Figure 38: University of Lake County revenue, FY18-FY22[83]
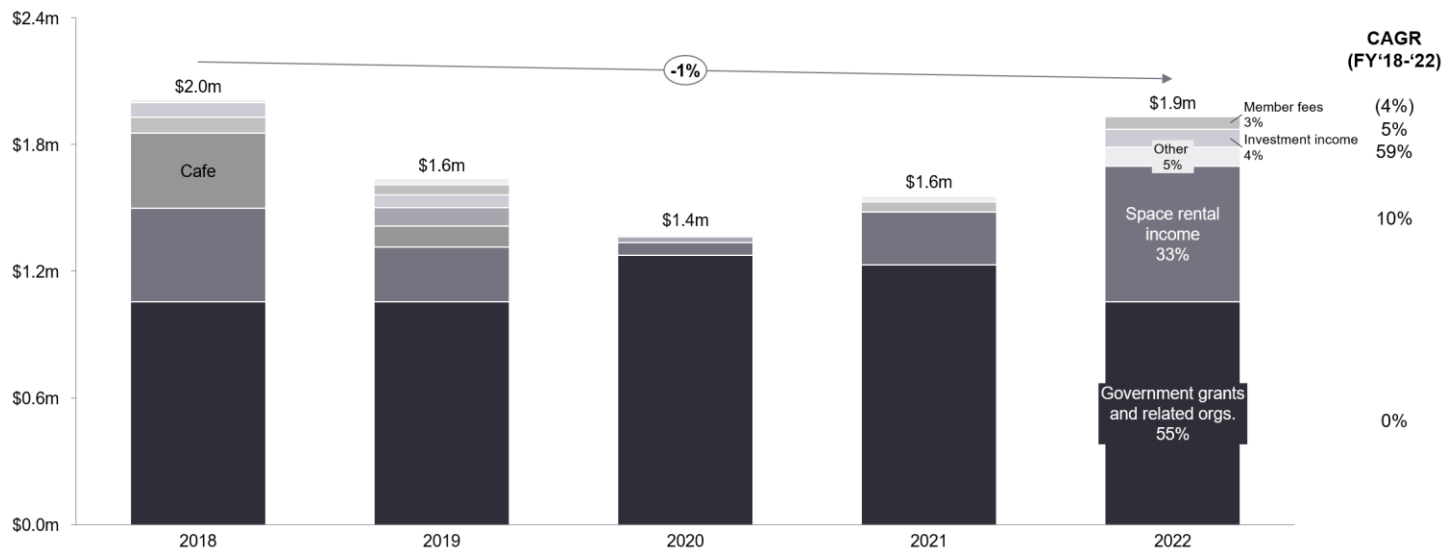
Leading practices at UCLC for consideration

- ► **Targeted programs with workforce demand:** UCLC leadership promotes programs based on current and future labor market and economic needs.

- ► **Partner engagement:** To be eligible to promote programs via UCLC, partners pay a nominal (~$2k-5k) annual fee to become a member and sign a formal agreement. Each program and modality (e.g., fully-online BSN, hybrid BSN) is granted to an underline exclusive partner. While partners may be selected for multiple programs, this competition for an exclusive stream of enrollment can channel a critical mass of students to a partner so that it can become a more significant portion of the partner's overall transfer strategy and therefore serve to align incentives.

- ► **Data on enrollment and outcomes:** Per the UCLC by-laws and member agreements, member institutions are required to report back student success metrics to a centralized UCLC data collection office biannually. UCLC has dedicated staff to collect and analyze data.

- ► **Facilities:** UCLC has a 91k sq. ft. facility where students can take virtual and hybrid courses, receive technology assistance, and participate in UCLC-hosted events that build community for remote learners.

- ► **Staff and leadership capacity:** UCLC has a staff of ten, including an Executive Director, Dean of Academic Programs and Services, Director of IT Systems, and dedicated student support staff and recruiters.

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[83] Internal Revenue Service, University of Lake County Form 990, 2018-2022

- ► **Recruitment:** UCLC partners with the College and Career Navigators at the partner community college (College of Lake County) that promote the opportunities at UCLC before and during their time at CLC. In tandem, UCLC and CLC also host open houses for UCLC member institutions to directly promote their programs to prospective students. At CLC, the ratio of College and Career Navigators to FTE is 376:1 based on FY23 FTE enrollment.[84]

5.2.2. The Universities at Shady Grove, located in Rockville, Maryland

Description

The Universities at Shady Grove (USG) was established in 2000 to offer select degrees at one convenient campus in Montgomery County, Maryland. The consortium offers over 80 degree programs at nine public universities. Its target transfer students are from Montgomery College, a 2-year community college located three miles (~8-minute drive) from the USG dedicated campus.

Governance model

As seen in *Figure 39* on the next page, USG is a state entity under the University System of Maryland (USM). USG partners are institutions withing the system: Bowie State University, Salisbury University, Towson University, University of Baltimore, University of Maryland, UM Baltimore, UM Baltimore County, UM Eastern Shore, and UM Global Campus.

USG independently operates its campus and student services, while academics are delivered to students by partner institution faculty. The USG governance model is structured to support its role as a supplemental regional higher education center which is to encourage collaboration within the University System of Maryland (USM).

USG has a Board of Advisors established under the oversight of the University System of Maryland Board of Regents. The core purpose is to represent the interests and needs of all key stakeholders including students, business, local and state governments, and higher education at large. Additionally, it has an Academic Program Advisory Committee, Provost Executive Group, and Staff Advisory Committee that inform key decisions. It employs an Executive Director to manage the collaboration between the partners and day-to-day operations.

USG receives state support for its operations in the amount of $30.7m in FY24 and $29.9m in FY23.[85] On a total headcount (undergraduate and graduate) basis, this represents $9.6k per student in FY23.[86]

Figure 39

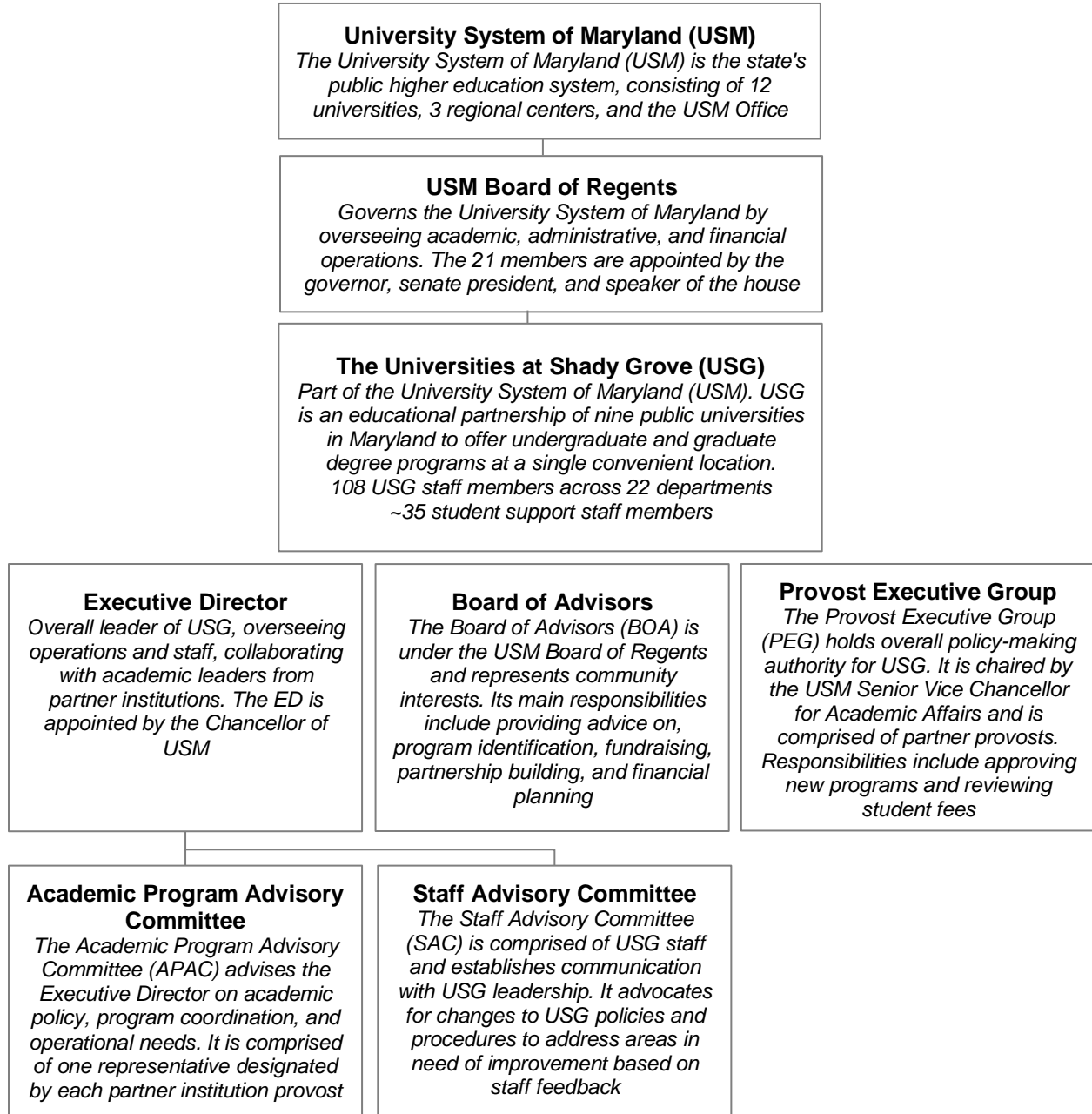[84] University Center of Lake County website; IPEDS
[85] Higher Education Fiscal 2024 Budget Overview, Maryland Department of Legislative Services, February 2023
[86] USM – The Universities at Shady Grove, Maryland Department of Budget and Management; Note: per-student based on FY23 $29.9m in appropriations and 3,107 headcount (1,896 undergraduate and 1,211 graduate)

Figure 39: Universities at Shady Grove governance structure

University System of Maryland (USM)
The University System of Maryland (USM) is the state's public higher education system, consisting of 12 universities, 3 regional centers, and the USM Office

USM Board of Regents
Governs the University System of Maryland by overseeing academic, administrative, and financial operations. The 21 members are appointed by the governor, senate president, and speaker of the house

The Universities at Shady Grove (USG)
Part of the University System of Maryland (USM). USG is an educational partnership of nine public universities in Maryland to offer undergraduate and graduate degree programs at a single convenient location. 108 USG staff members across 22 departments ~35 student support staff members

Executive Director
Overall leader of USG, overseeing operations and staff, collaborating with academic leaders from partner institutions. The ED is appointed by the Chancellor of USM

Board of Advisors
The Board of Advisors (BOA) is under the USM Board of Regents and represents community interests. Its main responsibilities include providing advice on, program identification, fundraising, partnership building, and financial planning

Provost Executive Group
The Provost Executive Group (PEG) holds overall policy-making authority for USG. It is chaired by the USM Senior Vice Chancellor for Academic Affairs and is comprised of partner provosts. Responsibilities include approving new programs and reviewing student fees

Academic Program Advisory Committee
The Academic Program Advisory Committee (APAC) advises the Executive Director on academic policy, program coordination, and operational needs. It is comprised of one representative designated by each partner institution provost

Staff Advisory Committee
The Staff Advisory Committee (SAC) is comprised of USG staff and establishes communication with USG leadership. It advocates for changes to USG policies and procedures to address areas in need of improvement based on staff feedback

Programs offered

USG helps students from Montgomery College apply directly to the institution of their choice in their chosen major and degree for upper-level undergraduate and graduate programs (students must have ~60 credits to be considered and course pathways begin at the junior or 300-level). There are ~4,000 students enrolled in the 80 programs facilitated through USG. In the future, capacity is expected to grow to 7,500.

USG provides a physical campus for in-person instruction and operates essentially as a satellite campus for various public Maryland institutions. The individual partner institutions are responsible for supporting students and hiring faculty who travel to the USG location. While students take courses at a USG facility, they pay tuition to and receive diplomas from the institution of record for their degree program.

Leading practices at USG for consideration

- ► **Scholarship opportunities:** USG offers additional scholarships funded by private donors ($1.3m in FY23).[87] 84% of USG scholarships recipients completed associate-level coursework at Montgomery College (community college).[88] These opportunities to access funding, when coupled with federal and state initiatives, serve to make bachelor's degrees more accessible for students and increase persistence.

- ► **Data on enrollment and outcomes:** USG collects and publishes data on program outcomes that can be used to attract students and message the value of pathways. For example, 88% of USG graduates are working in the region in their intended career field. "A 2020 study from alumni at USG also revealed that on average, students were able to pay off their college debt in less than five years — 16 years sooner than the national average of 21 years." [89]

- ► **Student experience:** USG offers in-person engagement opportunities, academic advising, and wraparound services at its campus that can build community and make support more accessible to students. It hosts events such as a weekly mentoring program, career nights, and open houses. It has 34 student organizations, including the Pre-Health Society, Student Social Work Association, and USG Soccer Club.

- ► **Facilities:** USG has four buildings at its dedicated campus in Montgomery County, Maryland. This includes a 209k sq. ft., six-story Biomedical Sciences and Engineering Education Facility with laboratories, classrooms, maker spaces, academic offices, and a dental clinic that provides dental care to the local community.

- ► **K-12 through career connections:** USG, Montgomery College (two-year), and Montgomery County Public Schools collaborate to provide the Achieving Collegiate Excellence and Success (ACES) program. ACES participates receive individual coaching, scholarship opportunities, and career readiness programming from tenth grade through their bachelor's degree completion.

5.3. Potential future state UCM model

An alternative to transforming HCTC into a bachelor's granting-institution would be to invest in expanding the UCM model. This model, termed here "NewUCM," could consider structural changes and areas of investment that would increase the organization's capacity to recruit and support students through bachelor's pathways aligned to areas of economic development and workforce need in Southeastern Kentucky. The following section presents a hypothetical model based on leading practices. If this option were to be pursued, NewUCM and partner institutions would need to refine and memorialize expectations, roles, data sharing, revenue models, and other details through partnership agreements.

A re-imagined, transformed UCM could have as core elements:

- ► **Governance:** In a hypothetical scenario to estimate resources needed for UCM expansion, UCM could transform into a standalone not-for-profit organization (rather than operating as part of HCTC).

- ► **Academic programs and student supports:** This "NewUCM" could focus on the same set of targeted academic programs identified for NewU. It could negotiate transfer pathways with relevant four-year institutions in Kentucky, with support from CPE, and recruit students to these transfer pathways. Rather than distributing demand across 80+ programs, four-year partners could be chosen through a competitive selection process to encourage NewUCM students to enter the two-year transfer programs as a cohort that could provide more peer-to-peer support and engage partners by providing a critical mass of students in a discipline. It could use its center to provide learning space, academic/career support, and community-building among students and four-year partners.

- ► **Potential enrollment and completions:** As a transfer center that does not enroll its own students and facilitates enrollment into primarily online programs, NewUCM would likely attract lower enrollment than NewU with its in-person/hybrid programs. As a result, NewUCM would likely achieve lower numbers of bachelor's completions than a local bachelor's-granting institution like NewU. This analysis uses 50% of the projected NewU low scenario enrollment, which reflects HCTC's current split of online degree-seeking learners.

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[87] USM – The Universities at Shady Grove, Maryland Department of Budget and Management
[88] "Applying for Scholarships," The Universities at Shady Grove
[89] "Why USG," Universities at Shady Grove website

- ► **Cost to operate:** Based on peer benchmarking, at full scale NewUCM may need ~$2.2m annually to deliver:
  - o 18 new employees to lead the organization, support student recruitment and retention, formalize transfer pathways, lead in-person programming, and perform other activities
  - o Non-personnel operating needs such as software, facilities, etc.
  - o Non-personnel support for support student success and partner engagement through merit scholarships, student trips to four-year institutions, community events, etc.
- ► **Potential revenue models:** NewUCM would need a revenue model that could include a combination of:
  - o State appropriations to provide some (or all) of the funding needed by NewUCM
  - o Member contributions from four-year partners via an annual or per-program fee and/or a revenue sharing agreement for student tuition
  - o Fundraising and donations from the private sector
- ► **Potential additional state appropriations needed:** In the most conservative scenario (no additional funds contributed to NewUCM from partner institutions or private gifts), NewUCM would require ~$2.2m annually in additional state appropriations. The table below highlights the estimated investment potential to expand NewUCM. Note that this figure is illustrative – NewUCM would not enroll students directly and would have other avenues beyond state appropriations to receive revenue (e.g., partner contributions from revenue sharing and/or fees, fundraising). As detailed below:

Figure 40: Potential governance options for NewUCM

Potential incremental state appropriations needed at scale – NewUCM vs. NewU scenarios (FY33 steady state year)				
	NewUCM	**NewU low**	**NewU moderate**	**NewU high**
Estimated incremental bachelor's FTE students (% increase over HCTC FY23)	182 (+13%)	364 (+26%)	653 (+47%)	1,138 (+82%)
Estimated incremental state appropriations needed <u>annually</u> to support bachelor's programs	~$2.2m	~$8.3m	~$7.5m	~$5.2m
Estimated one-time costs (requiring state support)	~$0.1m	~$14.0m	~$14.0m	~$34.9m

5.3.1. NewUCM – Governance considerations

NewUCM could operate under different governance structures; for the most conservative cost estimate, the report assumes NewUCM would operate as a standalone not-for-profit organization as shown in *Figure 41* on the next page*.* The organization would have its own governing board, which – as is the case with the University Center of Lake County – could be comprised of representatives from partner institutions as well as CPE.

Figure 41: Potential governance options for NewUCM

	A) Remain a part of HCTC	B) Become a branch within CPE	C) Become an independent not-for-profit
Benefits	▸ Could leverage current HCTC systems and resources (e.g., student data on SIS, shared personnel) with the least friction	Could share some state-wide resources (e.g., access to state-level benchmarking) and have guidance from CPE on program focus, etc. ▸ Could be more-easily replicated statewide	▸ Could allow for flexibility and brand differentiation ▸ Would signal increase in focus on bachelor's programs and seamless transfer pathways ▸ Objective in nature; able to focus on meeting student needs more than institutions' preferences
Risks	▸ May not have enough separation to focus resources on bachelor's students and solve current state pain points	▸ May not be as directly tied to Southeastern Kentucky if operated at a state level	▸ As an entity independent from the state system, holding partner institutions accountable may be more challenging. This risk could be mitigated through governing board composition (e.g., including a CPE representative on the board)

5.3.2 NewUCM – Program and service offerings, and potential investment needed

5.3.2A. Hypothetical program model (academics, student recruitment, student support, etc.)

As with NewU, NewUCM could focus on a targeted set of academic programs that meet workforce and economic development needs:
- Nursing
- Education
- Social work
- IT
- Business

For each of these programs, a single partner would be granted exclusivity to create critical mass (student enrollment pipeline into program offered/managed by partner institution) and align incentives (i.e., partners would invest behind hybrid delivery since faculty would travel to the NewUCM location to teach and would invest in targeted students supports). This would connect students to partners who have hybrid formats to allow students to access four-year programs without leaving the region.

NewUCM's target populations would be:
- High school students: to educate about a pathway to a bachelor's through an associate degree program
- Current associate degree students: to increase the rate of transfer into bachelor's programs
- Associate degree holders in the workforce: to offer pathways to career advancement through bachelor's degrees

Students would take classes at NewUCM facilities to have strong internet access, technical support, academic tutoring, and access to peers (whether or not they are in the same program).

If a program has critical mass as decided upon in agreements with partners (e.g., 12 students per semester), the partner would send a professor and/or academic advisor to NewUCM's facilities a set number of times (e.g., one week per month) to meet with UCM students and deliver courses in person.

NewUCM would provide periodic trips to partnering four-year institutions to help students feel part of their four-year university community (e.g., attending sports games, career fairs, professor meet-and-greets, etc.).

To track the progress and success metrics of academic program participation, member four-year institutions would be required to report student-level data back to NewUCM. With information about student persistence, performance, and other factors, NewUCM would be able to make data-driven decisions to support students and improve program reach.

This program model could solve some of the key pain points in UCM today, including:

- **Increased awareness:** as an independent organization with a dedicated recruitment staff person for each program, NewUCM could expand awareness and message its value proposition.

- **Improved student experience and in-person opportunities:** By focusing on a streamlined number of key programs, NewUCM could concentrate efforts on workforce and economic development-aligned areas to gain a critical mass of students. Concentrating enrollment (creating a more substantial transfer pipeline) can have positive effects on university engagement (e.g., commitment to professor / advisor in-person travel) and student community (e.g., peer support).

- **Data on enrollment and outcomes:** With a data requirement as part of a partnership agreement, NewUCM staff could make data-driven decisions and share both qualitative and quantitative success stories.

- **Program management capacity:** With a dedicated staff and leadership, NewUCM would have more capacity to dedicate towards growth and student support.

5.3.2B. Enrollment potential

NewUCM, as a transfer center that offers online or hybrid classes, may not be able to achieve the full enrollment assumptions in NewU scenarios that provide a degree-granting, in-person institution in the region. A NewUCM enrollment assumption assumes 50% of the NewU low enrollment scenario, based on HCTC's split of students that take courses fully online.

5.3.2B. Personnel costs

As seen in *Figure 42* on the next page, NewUCM could require 18 full-time employees to lead the organization, support student recruitment and retention, formalize transfer pathways, lead in-person programming, and perform other activities aligned to goals. A 2% year over year increase is included in salary projections.

Figure 42: Proposed NewUCM personnel

Role	Count	Responsibilities
Executive Director / CEO	1	► Develop and executive overall strategy, be key liaison with external stakeholders, provide internal leadership
Director of Operations	1	► Manage the day-to-day operations of NewUCM (incl. finance, HR, data analytics, etc.) and serve as thought partner to CEO
Administrative Lead	1	► Support leadership team in day-to-day in-person operations of NewUCM
Data Analyst	1	► Collect, analyze, and summarize student data from member institutions tracking success metrics
Business Office Manager	1	► Manage procurement, accounts payable, accounts receivable, and other central business functions
Marketing and Events Coordinator	1	► Promote NewUCM across marketing channels, incl. social media; host internal and external events (e.g., back-to-school night, internship and career expo)
Development Associate	2	► Support fundraising efforts including donor outreach, event planning, grant writing and management
Recruitment Specialist	3	► Recruit potential students to respective programs by visiting high schools, associate programs, and employers
Technology Support Specialist	1	► Address classroom and student technology issues
Transfer Pathway Coordinator	3	► Work with two-year and four-year faculty to formalize transfer pathways in focus areas, advise prospective and current students on academic transfer matters
Tutor	3	► Meet with students to provide supplemental tutoring (e.g., nursing coursework); note: full-time equivalence, may be part-time or hourly
Total	**18**	

5.3.2C. Non-personnel costs

Non-personnel costs at NewUCM would support the student experience by providing enhanced technology, wraparound support, financial assistance, and in-person enrichment as detailed in *Figure 43.*

Figure 43: NewUCM non-personnel expenses

Expense category	Rationale
Merit scholarships and stipends	► Additional funds to support students with tuition, living expenses, childcare, etc. while enrolled; assumes target of 5% of operating expenses based on peer benchmarks[90] ► *Note: could be treated as subject to availability of funds raised instead of budgeted level*
Financial software	► Accounting and procurement software to manage accounts payable, accounts receivable, fundraising finances and other business office operations[91]
Campus trips	► Organized visits for enrolled students to respective member institutions (e.g., meeting professors, sports games, etc.); assumes ~$1k per student for a 5-day trip[92]
Community events	► Funding for NewUCM in-person events for recruitment and community building; assumes $1.2k[93] per event with an estimated 3 events per year
Marketing	► Funding for social media/online and traditional media marketing to raise awareness of partnership options, benchmarked as ~$282[94] per student
Facilities lease / rental	► Cost for leasing in-person space for offices and classrooms ($2.40 per square foot)[95]
Investments in facilities and hybrid learning technology	► Annual investments in technology upgrades; can include installation of equipment at partner institutions[96]

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[90] The Council for Advancement and Support of Education
[91] QuickBooks Plus annual subscription
[92] US General Services Administration, AAA
[93] Speaking fee based on faculty hourly rate, US General Services Administration
[94] 2022 Cost of Recruiting an Undergraduate Student Report © 2022 by RNL
[95] Perry County business pages listings for commercial leases
[96] US General Services Administration

5.4. Potential additional state appropriations needed to support NewUCM model

At full scale, NewUCM could require ~$2.2m in recurring funds. Because NewUCM is a transfer pathway, it would not need to seek accreditation to deliver bachelor's degree programs itself and, therefore, could launch enhanced programming shortly after funding is secured to support expanded operations. NewUCM would not need a "year 0" planning period as described in scenarios for NewU. *Figure 44* shows more detail on investment areas.

Figure 44: Potential state appropriations needed to support NewUCM by year

	Y1 FY26	Y2 FY27	Y3 FY28	Y4 FY29	Y5 FY30	Y6 FY31	Y7 FY32	Y8 FY33
Enrollment								
FTE students	62	107	143	175	178	182	182	182
Staff expenses								
UCM staff headcount	18	18	18	18	18	18	18	18
Salaries	($1,036,537)	($1,062,451)	($1,089,012)	($1,116,237)	($1,144,143)	($1,172,747)	($1,202,066)	($1,232,117)
Benefits	($445,711)	($456,854)	($468,275)	($479,982)	($491,982)	($504,281)	($516,888)	($529,810)
Total personnel expenses	($1,482,248)	($1,519,305)	($1,557,287)	($1,596,219)	($1,636,125)	($1,677,028)	($1,718,954)	($1,761,928)
Recurring costs								
Campus visits	($64,532)	($110,915)	($149,112)	($181,587)	($185,308)	($189,028)	($189,028)	($189,028)
Community events	($3,570)	($3,570)	($3,570)	($3,570)	($3,570)	($3,570)	($3,570)	($3,570)
Merit scholarships and stipends	($43,938)	($75,519)	($101,526)	($123,637)	($126,170)	($128,703)	($128,703)	($128,703)
Investments in facilities and distance learning technology	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)
Financial software	($1,188)	($1,188)	($1,188)	($1,188)	($1,188)	($1,188)	($1,188)	($1,188)
Space rental	($43,213)	($43,213)	($43,213)	($43,213)	($43,213)	($43,213)	($43,213)	($43,213)
Marketing	($21,184)	($38,807)	($55,604)	($72,170)	($78,495)	($85,339)	($90,955)	($96,939)
Total one time operating expenses	($180,626)	($276,213)	($357,214)	($428,366)	($440,944)	($454,042)	($459,658)	($465,642)
One time costs								
Technology investment (5 campuses)	($55,000)							
Total incremental investment required	($1,717,874)	($1,795,517)	($1,914,501)	($2,024,585)	($2,077,069)	($2,131,070)	($2,178,611)	($2,227,570)

Total additional state support needed FY26-FY33	($16,066,798)

5.5. Potential revenue models

NewUCM, if operating as a standalone not-for-profit organization, would have a set of potential options to fund the annual investment needed for operations. It could consider a combination of the models as described in

Figure 45 on the next page. Note: with the exception of state appropriations, none of the revenue components below are likely to be able to cover full annual costs exclusively.

Figure 45: Potential revenue sources for NewUCM

Revenue source	Description	Potential benefits
Revenue from four-year partners	NewUCM could receive revenue from four-year partners in a variety of ways, including: ▶ Charge member institutions an annual flat fee (e.g., $4-5k which would be roughly equivalent to a 5% share of net tuition revenue assuming minimal critical mass of 12 students per semester taking on average 12 credit hours per student) [97] ▶ Enter a revenue-sharing agreement to collect a percentage of the partner institution's gross tuition and fee revenue for the duration a UCM-recruited student's time enrolled at the partner institution[98]	Promotes partner buy-in and incentivizes expansion, student retention, and outcomes
Fundraising and donations	NewUCM could secure donations for both general operating expenses and student scholarships	Engages community and corporate partners financially
State appropriations	The state could provide a portion of (or all) funding via state appropriations directly to the NewUCM organization (or have the funds flow through CPE). This may require legislative and/or organizational incorporation language to allow for receipt of funds. The state could also consider structuring funding for this program as an "evergreen" or "pay it forward" program where it pays students tuition and fees for students who enroll in a NewUCM pathway program. Upon graduation and successful employment, the state would then collect alumni repayments as a portion of income over a set threshold. The "New Jersey Pay It Forward Program" delivers this model for in-demand jobs such as healthcare, IT, and clean energy.[99] The "Colorado Pay It Forward Fund" is a similar model wherein zero-interest loans are given to students in high-demand industries with a current workforce gap.[100]	Potential for up to full funding

5.6. Risks and considerations

While investing in NewUCM could bring more attention to the transfer pathways it facilitates, it may not be enough to achieve a significant increase in the number of bachelor's degree holders in Southeastern Kentucky. There are many risks, including:

▶ **Member institution commitment:** NewUCM could encourage, but not mandate, partner commitment and attention to programs. Even with an expanded staff and dedicated recruiting team, the potential transfer student streams may be too small to maintain dedicated investment and commitment from four-year partners.

▶ **Student behavior:** Students in focus group expressed a desire for more in-person experiences and felt in-person learning was more effective, however students may have logistical challenges that make coming to a NewUCM facility difficult, and NewUCM would not be providing them with a campus experience

▶ **Limited internet access:** 25% of KRADD households (1 in 4) do not have broadband internet, which is significantly lower than the 12% average in Kentucky and 14% average nationally.[101] Even if students are able to come in-person to take hybrid/remote classes at NewUCM, students may not be able to access assignments, schedules, study materials, etc. while at home.

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[97] In range with University Center of Lake County member and program fee
[98] Universities at Shady Grove model
[99] New Jersey Pay It Forward Program, Social Finance, August 2024
[100] Colorado Pay It Forward Fund
[101] U.S. Census, American Community Survey, 2018-2022

Additionally, both the hypothetical NewU and NewUCM models contain risks that they may not be able to launch as quickly or reach the scale estimated, particularly in optimistic/high scenarios.

If the goal is to increase educational attainment as a path to economic development and mobility within Southeastern Kentucky, there is a risk that investing in higher education only, if not coupled with a concerted economic development effort to bring employers back to the region, could result in an increase in bachelor's attainment without jobs for graduates in the area. In this event, graduates would either leave the region or be un- or underemployed.

NewU/NewUCM could mitigate against this risk by:

(1) including current and future large employers (state-wide employers, not just regional employers) on its Board of Regents as well as on any program-specific advisory boards. In this, NewU would need support from the Governor's Office and potentially CPE

(2) Conducting ongoing workforce needs assessments to inform program content and career coaching for students.

While NewU holds a lot of promise, an education solution alone may not be sufficient to address the challenges faced by Southeastern Kentucky. An intentional economic development and job creation plan – that recruits new employers and addresses infrastructure issues (roads, access to region, etc.) – is likely needed in parallel to create jobs in the economy and increase opportunity for bachelor's degree graduates in the region.

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Appendix A: Overall methodology

EY performed the following activities as part of the assessment:

- ► Conducted 25 interviews with the Council on Postsecondary Education (CPE), Kentucky Community and Technical College System (KCTCS), and Hazard Community and Technical College (HCTC) leadership to collect hypotheses and perspectives.

- ► Conducted 14 interviews with local employers, workforce development organizations, higher education institutions and others to inform scenarios analyzed.

- ► Conducted four focus groups with 20+ current HCTC students, Eastern Kentucky high school students, and HCTC alumni enrolled in bachelor's programs via the University Center of the Mountains (UCM) to provide perspectives on potential four-year degrees.

- ► Conducted weekly working sessions with CPE and periodic interim updates with HCTC and KCTCS to discuss interim findings.

- ► Analyzed HCTC internal data (historical and year-to-date actuals) to identify trends in enrollment, revenues, and expenses.

- ► Analyzed available market data from the Integrated Postsecondary Education Data System (IPEDS), Appalachian Regional Commission, KYSTATS, KPEDS, U.S. Census (American Community Survey), Bureau of Labor Statistics, industry journals, and other sources to assess trends in four-year participation, costs, program offerings, etc.; see citations within the report and Appendix B.

- ► Assessed what new academic programs the new four-year institution in Southeast Kentucky ("NewU") could offer, including specific baccalaureate programs, based on labor market data analysis and input from CPE, HCTC, and employers.

- ► Assessed what extracurricular and interscholastic programs could initially be offered to students, including clubs and intramurals, and the costs associated with these offerings. Benchmarked against other community colleges that offer four-year degrees.

- ► Assessed trends in scholarships, waivers, and institutional discounting across Kentucky to inform net tuition revenue analysis.

- ► Leveraged analysis conducted to date by CPE and HCTC about the desired format and size of the residential facilities.

- ► Used existing market data to develop ranges for facility-related costs (one-time and ongoing).

- ► Performed secondary research and benchmarking to inform various assumptions used to develop revenue and cost estimates (e.g., estimated sizes of student cohorts by program/discipline, student to faculty ratios, number of extracurricular organizations, costs of key activities).

- ► Provided a sample implementation timeline for the transition and establishment of the new institution.

- ► Drafted a report that synthesizes key insights from the analysis and provides potential revenue and cost estimates associated with a range of scenarios (driven by enrollment, tuition, number and type of academic programs, number of extracurricular programs, and facility-related assumptions), for consideration by the Legislature.

- ► Held regular meetings with CPE and HCTC leadership to discuss findings and incorporate input into analyses.

Appendix B: Additional context on scenario assumptions

B.1 Enrollment headcount by program

Figure 46: Low enrollment scenario headcount, full time equivalent and credit hours

Student headcount						
Program	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Nursing	20	39	56	73	75	78
Social Work	20	34	45	55	56	58
Education	30	51	70	85	87	90
Business	90	152	201	240	243	245
IT management	10	17	22	26	27	28
Total	**170**	**292**	**393**	**478**	**488**	**498**
Student FTE						
Program	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Nursing	15	28	41	53	55	57
Social Work	15	25	33	40	41	42
Education	22	38	51	62	64	66
Business	66	111	147	175	177	179
IT management	7	12	16	19	19	20
Total	**124**	**213**	**287**	**349**	**356**	**364**
Student FTE credit hours						
Program	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Nursing	438	844	1,223	1,602	1,651	1,699
Social Work	438	738	986	1,195	1,229	1,264
Education	657	1,128	1,522	1,863	1,915	1,967
Business	1,971	3,328	4,398	5,254	5,313	5,372
IT management	219	362	474	562	583	604
Total	**3,723**	**6,399**	**8,603**	**10,476**	**10,691**	**10,905**

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Figure 47: Moderate enrollment scenario headcount, full time equivalent and credit hours

Headcount						
Program	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Nursing	45	87	126	165	170	170
Social Work	30	51	68	82	84	87
Education	40	69	93	113	117	120
Business	170	287	379	453	458	463
IT management	20	33	43	51	53	55
Total	**305**	**526**	**709**	**865**	**882**	**895**
FTE						
Program	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Nursing	33	63	92	121	124	124
Social Work	22	37	49	60	61	63
Education	29	50	68	83	85	87
Business	124	210	277	331	335	338
IT management	15	24	32	37	39	40
Total	**223**	**384**	**517**	**631**	**644**	**653**
FTE credit hours						
Program	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Nursing	986	1,897	2,757	3,616	3,724	3,724
Social Work	657	1,107	1,479	1,793	1,844	1,895
Education	876	1,504	2,030	2,484	2,553	2,623
Business	3,723	6,286	8,307	9,924	10,036	10,147
IT management	438	723	948	1,124	1,166	1,207
Total	**6,680**	**11,517**	**15,519**	**18,940**	**19,323**	**19,597**

Figure 48: high enrollment scenario headcount, full time equivalent and credit hours

Headcount						
Program	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Nursing	100	193	279	366	377	388
Social Work	120	202	270	327	337	346
Education	75	129	174	212	218	224
Business	190	321	424	506	512	518
IT management	30	50	65	77	80	83
Total	**515**	**894**	**1,212**	**1,489**	**1,524**	**1,559**
FTE						
Program	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Nursing	73	141	204	267	275	283
Social Work	88	148	197	239	246	253
Education	55	94	127	155	159	164
Business	139	234	309	370	374	378
IT management	22	36	47	56	58	60
Total	**376**	**652**	**885**	**1,087**	**1,113**	**1,138**
FTE credit hours						
Program	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Nursing	2,190	4,218	6,115	8,012	8,253	8,494
Social Work	2,628	4,429	5,916	7,170	7,376	7,582
Education	1,643	2,818	3,803	4,653	4,784	4,914
Business	4,161	7,026	9,284	11,092	11,216	11,341
IT management	657	1,085	1,421	1,686	1,749	1,811
Total	**11,279**	**19,575**	**26,539**	**32,613**	**33,378**	**34,142**

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NewU, by offering a local hybrid four-year option, may be able to increase college enrollment in the region by capturing share of non-college going students. Eastern Kentucky has a 56% college-going rate (two- and four-year). Based on headcount of projected first-time first-year students across programs (excluding projected impact of transfers), this could imply an increase in college-going rates in the counties near to NewU.

Figure 49: projected high school graduates and NewU estimated enrollment for first-time first-years[102]

Projected high school graduates in EKCEP by intended college-going status after graduation,
(number of students, FY27)
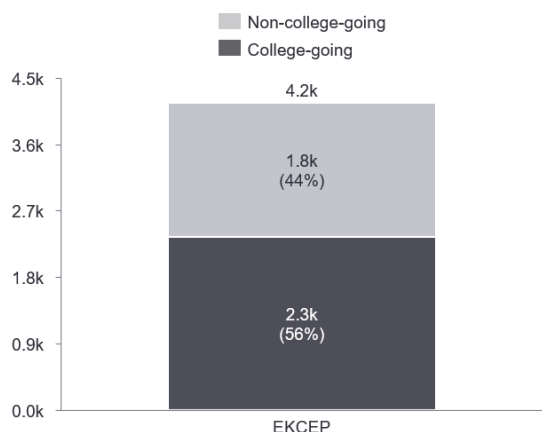
NewU estimated enrollment as a percentage of EKCEP high school graduates,
(student headcount, FY28 NewU as a percent of FY27 HS grads)

NewU enrollment scenario	FY28 NewU non-transfer enrollment headcount	Implied increase in college-going rate if all headcount is from HS grads in EKCEP
High	464	+27% to 83%
Moderate	275	+15% to 71%
Low	153	+8% to 64%

B.2 Cohort size, retention, and graduation rate benchmarking

The 21 universities listed below were considered to estimate projected cohort sizes for NewU's enrollment. These institutions were chosen for comparable size (<10k full-time equivalent enrollment) and location (Kentucky):

- ► Beckfield College-Florence
- ► Kentucky Christian University
- ► Union College
- ► Spalding University
- ► Berea College
- ► Kentucky State University
- ► Thomas More University
- ► Bellarmine University
- ► Lindsey Wilson College
- ► Murray State University
- ► Morehead State University

- ► Brescia University
- ► Asbury University
- ► University of Pikeville
- ► Campbellsville University
- ► Alice Lloyd College
- ► Kentucky Wesleyan College
- ► Transylvania University
- ► Midway University
- ► Georgetown College
- ► Sullivan University

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[102] KYSTATS; IPEDS; interviews and analysis; Note: FY28 high school graduates calculated using projected census population growth estimates by age group and FY23 proportion of college-going and non-college-going
Counties include Bell, Breathitt, Carter, Clay, Elliot, Floyd, Harlan, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Magoffin, Martin, Menifee, Morgan, Owsley, Perry, Pike, Wolfe

Figure 50 provides an overview of class sizes by program quartile, graduation rates and retention rates based on analyzing peer institutions. Cohort sizes are estimated from completions by program divided by the six-year graduation rate as reported.

Figure 50: Quartiles of program enrollment estimates[103]

	Nursing	Social Work	Education	Business	IT management
Low Quartile	20	20	30	90	10
Median	45	30	40	170	20
High Quartile	100	120	75	190	30
Average 6-year graduation rate	37%	43%	31%	27%	37%
Average retention rate	67%	70%	68%	64%	67%

Retention rates are applied to entering cohorts as students progress through the path to a degree. For example, the yellow shading below shows a high scenario education cohort. In FY28, 75 education students enter the program of which 68 are assumed to be first-year students (remaining 7 are transfers that enter in the third year). For the first four years, 68% of students progress to the next year until reaching a six-year graduation rate of 31%.

	FY28	FY29	FY30	FY31	FY32	FY33
Year 1	68	68	68	68	68	68
Year 2		48	48	48	48	48
Year 3			40	40	40	40
Year 4				34	34	34
Year 5					6	6
Year 6						6

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[103] IPEDS

B.3. Extracurriculars

Publicly available benchmarks from two- and four-year public colleges were used to identify potential expenses for an illustrative club and intramural sport.[104] Key expenses include a faculty advisor, study materials (e.g., to support preparation for board certifications), and some event expenses (e.g., for career networking nights). The illustrative club would require ~$2.5k investment annually as seen in *Figure 51*. An illustrative intramural sport would include the key expenses of facilities fees, a faculty advisor, and equipment replacements. Intramurals would require $5.0k investment annually and ~$7.0k for one-time startup costs as seen in *Figure 52*.

Figure 51: Illustrative club expense component estimates[105]

	Description	Estimate
Total annual costs	▶ Faculty advisor stipend (~$700) ▶ Refreshments (~$600) ▶ Exclusive study materials ($500) ▶ Speaker fees ($200) ▶ Mentorship program expenses ($200) ▶ Other program expenses (~$300)	**~$2.5k annually**

Figure 52: Illustrative intramural sport expense component estimates[106]

	Description	Estimate
Total annual costs	▶ Facilities usage fees for nearby course (~$3.5k) ▶ Faculty advisor (~$700) ▶ Equipment replacements (~$400) ▶ Promotional materials (~$100) ▶ Other general supplies (~$300)	**~$5.0k annually**
One-time startup costs	▶ Initial investment in club, bags, and other equipment ($7k)	**~$7k one-time startup in FY27**

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[104] Peer set includes the following public institutions: Laramie County Community College, Riverside City College, Rowan University, Stony Brook University, Old Dominion University, Stockton University, Old Dominion University, University of Michigan, Borough of Manhattan Community College, and Winona State University selected based on comparability and data availability

[105] HCTC website, Ogeechee Technical College website, Borough of Manhattan Community College website, ATI testing, Kaplan, Amazon (Revenue and expenses data year from FY19 to FY23)

[106] University of Pikeville golf roster, Hazard Herald, Golf Link, Ogeechee Technical College website, Amazon, Borough of Manhattan Community College, FY19-FY25

B.4. Residential

Residential facilities

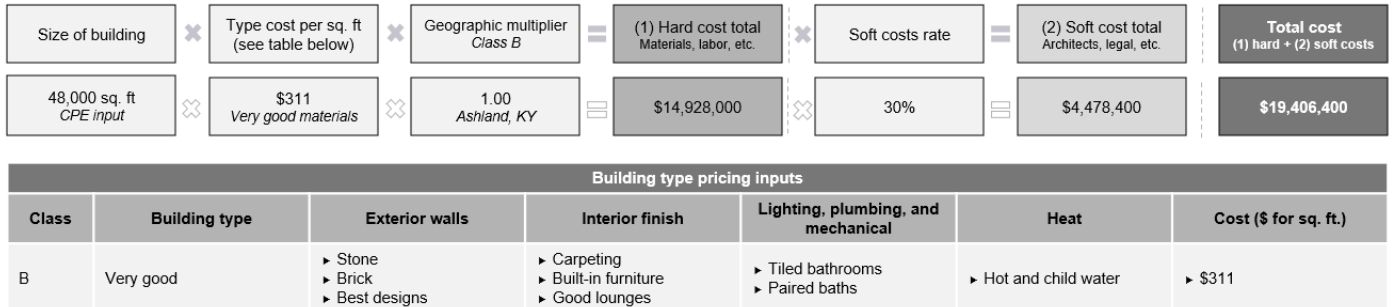*Figure 53: Residential facility construction cost methodology[107]*

Size of building	×	Type cost per sq. ft (see table below)	×	Geographic multiplier *Class B*	=	(1) Hard cost total Materials, labor, etc.	×	Soft costs rate	=	(2) Soft cost total Architects, legal, etc.		Total cost (1) hard + (2) soft costs
48,000 sq. ft *CPE input*	×	$311 *Very good materials*	×	1.00 *Ashland, KY*	=	$14,928,000	×	30%	=	$4,478,400		$19,406,400

Building type pricing inputs						
Class	Building type	Exterior walls	Interior finish	Lighting, plumbing, and mechanical	Heat	Cost ($ for sq. ft.)
B	Very good	‣ Stone ‣ Brick ‣ Best designs	‣ Carpeting ‣ Built-in furniture ‣ Good lounges	‣ Tiled bathrooms ‣ Paired baths	‣ Hot and child water	‣ $311

Figure 54: Range of estimates for new residential facility construction[108]

$17.2m Family Scholar House private developer estimate	$18.2m CPE average estimate	$19.4m Independent estimate	$20m HCTC estimate

Figure 55: Site development cost estimate for existing on-campus plot of land (New-U managed site)[109]

Full site development cost estimate		
Site information		
Area (sq. ft.)	~128k sq. ft.	
Area (acres)	~2.9 acres	
Terrain	*Steep with heavy growth and trees*	
Land development costs		
Component	**% of total**	**Estimated cost**
Utility connections	43%	$151k
Impact fees	20%	$70k
Foundation prep	12%	$42k
Finish work	11%	$39k
Land clearing	6%	$21k
Soil grading	4.5%	$16k
Survey	1.5%	$5k
Engineer inspection	1%	$4k
Permits	1%	$4k
Total	**$350k**	

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[107] Marshall and Swift Valuation Service August 2024
[108] Family Scholar House private developer, MMY US, based on modular housing; CPE estimate in response to SJR98, 2023; HCTC consultation with local private developer
[109] Marshall and Swift Valuation service, August 2024; Kompareit, "Cost of Site Preparation and Land Clearing," February 2023; Forbes, "Land Clearing Cost," August 2024; Land Cost Clearing Calculator, Homeadvisor, May 2022; Farming Thing, "Clearing and Grubbing Cost Per Acre," July 2023; Angi, "2024 Land Development Costs: Average Site Development Cost," December 2023

Recurring revenue and costs from housing

Figure 56: Estimated revenues and expenses for NewU-managed residential facility

Program	Y1 of operations FY29	Y2 of operations FY30	Y3 of operations FY31	Y4 of operations FY32	Y5 of operations FY33
Operating income					
Rental income	**$775k**	**$803k**	**$831k**	**$861k**	**$891k**
# of units occupied	48	48	48	48	48
Annual (10-month) rental revenue per 2bd. unit	$16k	$17k	$17k	$18k	$19k
Auxiliary income (laundry, vending machines)	$19k	$19k	$19k	$19k	$19k
Gross operating income	**$794k**	**$821k**	**$850k**	**$879k**	**$910k**
Recurring costs					
NewU facility-dedicated personnel expenses	**$194k**	**$199k**	**$203k**	**$208k**	**$213k**
Residential Director	$75k	$77k	$77k	$80k	$82k
Residential Programming Coordinator	$75k	$77k	$77k	$80k	$82k
Groundskeeper	$45k	$46k	$47k	$48k	$49k
Non-personnel operating expenses	**$489k**	**$490k**	**$492k**	**$495k**	**$497k**
Utilities (electrical, water, gas, garbage, internet)	$230k	$230k	$230k	$230k	$230k
Maintenance and cleaning (external vendors)	$194k	$194k	$194k	$194k	$194k
Property management (external)	$54k	$56k	$58k	$60k	$62k
Property insurance	$6k	$6k	$6k	$6k	$6k
Vending machine expenses	$5k	$5k	$5k	$5k	$5k
Total operating expenses	**$683k**	**$689k**	**$696k**	**$703k**	**$709k**
Net operating income	**$111k**	**$132k**	**$154k**	**$177k**	**$200k**

Rental rates

Figure 57: NewU-managed residential per-unit charge assumptions

Assumptions	
Unit set-up	2-bedroom, 1 bathroom
Months of occupancy	10 months of rent per FY August – May
Annual room price increase	3.55% (avg. of KY and national figures) - Kentucky CAGR ('20-'25): 3.46% - Avg. of national CAGRs: 3.63%

2-bedroom unit rentals	Rate
KY university residential facilities (FY25) 2-bedroom total, per month	
Eastern Kentucky University	$2,109
Morehead State University	$1,845
University of the Cumberlands	$1,558
Average	**$1,807**
Local benchmarks (FY24, FY25) 2-bedroom total, per month	
Local postings, Hazard (FY25)	$1,216
Local postings, Kentucky (FY24)	$1,001
Dept. of Housing and Urban Dev., Perry County (FY25)	$942
Local postings, Perry County (FY24)	$850
Average	**$1,002**
NewU residential facility assumption per unit (Weighted 50% university avg., 50% local benchmark avg.)	**$1,405**

B.5. Faculty

B.5.1. Faculty headcount

Faculty and academic staff headcount were determined by the 25:1 student-faculty, 10:1 for clinical faculty, and 300:1 student-academic staff ratios.

Figure 58: Low enrollment scenario faculty and staff estimates

Program	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Faculty							
Professor	5	7.5	10	10	6	6	6
Associate Professor	0	4	8	8	5	5	5
Assistant Professor	0	6	12	12	8	8	8
Instructor	0	5.5	11	11	6	6	6
Clinical faculty	0	0.5	1	1	1	1	1
Total	**5**	**23.5**	**42**	**42**	**26**	**26**	**26**
Academic staff							
Academic advisors	0	1	1	1	2	2	2

Figure 59: Moderate enrollment scenario faculty and staff estimates

Program	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Faculty							
Professor	5	7.5	10	10	10	10	10
Associate Professor	0	4	8	8	8	8	8
Assistant Professor	0	6	12	12	12	12	12
Instructor	0	5.5	11	11	11	11	11
Clinical faculty	0	0.5	1	1	1	1	1
Total	**5**	**23.5**	**42**	**42**	**42**	**42**	**42**
Academic staff							
Academic advisors	0	1	2	2	3	3	3

Figure 60: High enrollment scenario faculty and staff estimates

Position	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Faculty							
Professor	5	7.5	10	10	15	15	15
Associate Professor	0	4	8	8	11	11	11
Assistant Professor	0	6	12	12	17	17	17
Instructor	0	5.5	11	11	15	15	15
Clinical faculty	0	0.5	1	1	3	3	3
Total	**5**	**23.5**	**42**	**42**	**61**	**61**	**61**
Academic staff							
Academic advisors	0	2	3	3	4	4	4

B.5.2. Faculty salaries

Salary estimates for faculty by position can be found in *Figure 61.* Salary estimates are based on FY24 averages at nearby four-year public institutions and grown at the five-year average of faculty salaries found in the Higher Education Price Index (2.5%).[110] A fringe rate of 43% was applied to all full-time positions consistent with HCTC's current rate.

Figure 61: Estimated average salary of NewU faculty

Headcount	
Student-faculty ratio	25:1
Salary estimates by position	
Faculty	
Position	**Salary estimate – FY24**
Professor	$75,739
Associate Professor	$67,251
Assistant Professor	$62,313
Instructor	$56,699
Clinical faculty	$62,088

Salary estimates for academic advisors are based on HCTC benchmarks.

Figure 62: Estimated headcount and average salary of NewU student support staff

Headcount	
Student-academic support staff ratio	300:1
Salary estimates by position	
Student support staff	
Position	**Salary estimates**
Academic advisors	$40k

B.6. Staff

B.6.1 Staff headcount

All scenarios include estimated required non-academic institutional support staff. These ~40 new staff positions, outlined by department in *Figure 63* and *Figure 64,* fill business support functions such as accounting, finance and procurement.

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[110] HEPI; Websites; IPEDS. Note: four-year institutions included in the average are Eastern Kentucky University, Kentucky State University and Morehead State University

The President's office includes a new position of Chief Financial Officer (CFO), to provide strategic oversight of the university's financial health and resource allocation. Additionally, enhanced development and advancement staff will focus on cultivating relationships with donors, alumni, and community partners to generate external gifts and grants funding which provide important revenue sources for NewU's ongoing operations. Some positions are phased in Year 0 to provide support to the transition including a CFO, Attorney, Paralegal and Administrative Assistant.

Figure 63: Non-academic faculty and staff estimates, low and moderate enrollment scenarios

Department	Year 0 (planning)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
President's office	0	7	12	12	12	12	12	12
Business operations	0	2	7	7	7	7	7	7
Marketing	0	5	6	6	6	6	6	6
Technology	4	5	6	6	6	6	6	6
Student services	0	0	5	5	5	5	5	5
Facilities management	0	6	3	4	4	4	4	4
Human resources	0	0	2	2	2	2	2	2
Total	**4**	**25**	**41**	**42**	**42**	**42**	**42**	**42**

Figure 64: Non-academic faculty and staff estimates, high scenario

Department	Year 0 (planning)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
President's office	0	7	12	12	12	12	12	12
Business operations	0	2	7	7	7	7	7	7
Marketing	0	5	6	6	6	6	6	6
Technology	4	5	6	6	6	6	6	6
Student services	0	0	5	5	5	5	5	5
Facilities management	0	6	6	6	6	6	6	6
Human resources	0	0	2	2	2	2	2	2
Total	**4**	**25**	**44**	**44**	**44**	**44**	**44**	**44**

B.6.2. Staff salaries

Salaries are based on internal data benchmarks at HCTC and at Morehead States University for similarly leveled positions. Salaries are grown at the five-year average of the Higher Education Price Index for administrative staff (2.5%) and a fringe rate of 43% is applied to all full-time positions consistent with HCTC's current rate.

Figure 65: Estimated headcount and average salary of NewU institutional support staff

Department	Est. number of new staff included in NewU	Est. average salary
President's office	12	$89,262
Business operations	7	$60,876
Marketing	6	$52,926
Technology	6	$69,881
Student services	6	$40,000
Facilities management	4-6 (two staff for NewU-run dorm in high scenario)	$57,988
Human resources	2	$74,735
Total	**42-44**	**Varies**

B.7. Vendor and HCTC estimates if no MOU were to be reached

As described throughout the report, NewU estimates and scenarios assume KCTCS and HCTC are able to reach a Memorandum of Understanding wherein the cost to NewU of receiving the same set of services from KCTCS would remain approximately the same as the current level of chargeback (by the central KCTCS office to HCTC).

In the event NewU and KCTCS are not able to reach a mutually agreeable MOU, NewU would need to incur additional one-time costs to replace technology systems currently obtained from KCTCS as well as recurring costs to cover subscriptions/licenses and personnel necessary to manage the technology systems and provide user support. The figures below provide detail on vendor quotes obtained by HCTC and estimates of personnel from HCTC if it were to need to replace the services and staff provided by KCTCS.

Figure 66: Vendor estimates for ERP and CRM replacement provided to HCTC, FY26 – FY33[111]

$k	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
ERP and CRM annual cost	975	1,024	1,075	1,129	1,185	1,244	1,307	1,372
One-time implementation	1,250	1,250						
One-time consultant	450							
Total	2,675	2,274	1,075	1,129	1,185	1,244	1,307	1,372

Vendor estimates do not include pricing for other key software and services (e.g., learning management system). These are estimated by applying higher education price index last-five-year increases to FY24 line-item recharge detail from KCTCS for items outside of ERP and CRM ($1.9m in FY24 growing at 5% to $2.9m in FY33)

Figure 67: HCTC estimates for personnel to fill shared services functions, FY26 – FY33[112]

	Count of positions	Estimated compensation, FY26	Estimated compensation, FY33
Student services	2	$123k	$134k
Human resources	3	$438k	$520k
Technology solutions	10	$1,330k	$1,582k
Total	15	$1,881k	$2,236k

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[111] HCTC interviews; vendor estimates provided to HCTC
[112] HCTC interviews; HCTC internal data; university websites

Appendix C: Additional sources for Report figures

Sources are primarily referenced in footnotes on the respective Report page. However, for analyses with extensive secondary research, a summary of sources is captured below.

Sources for Figure 29 'Summary of scenario pro forma assumptions' in in *Section 3.2: Key assumptions by scenario*

Category	Description
Programs offered	KYSTATS Occupational Outlook, SJR 98, Appalachian Regional Commission, Interviews with regional industry leaders
Enrollment	IPEDS, HCTC internal data
Part-time and full-time status	IPEDS, CPE data dashboard, HCTC internal data
Annual credit hours per enrolled headcount	IPEDS, CPE data dashboard, HCTC internal data
Retention and graduation rates	IPEDS, CPE data dashboard, HCTC internal data
Recurring revenue scenario assumptions	
Published tuition and fees	University websites, CPE data dashboard, IPEDS
Federal and state grants related to tuition & fees	CPE data dashboard, HCTC internal data
Grants related to workforce and other	HCTC internal data
Fundraising and gifts	HCTC internal data, IPEDS
Recurring expense scenario assumptions	
Faculty headcount	HCTC internal data, University program department websites
Faculty salaries	HCTC internal data, IPEDS, Glassdoor
Staff headcount	HCTC internal data, NACADA
Staff salaries	HCTC internal data, Glassdoor
Institutional financial aid and auxiliary scholarships	HCTC internal data, CPE data dashboard, IPEDS
Instructional supplies	HCTC internal data
Services and technology (e.g., SIS, ERP, LMS, legal, insurance)	HCTC internal data
One-time startup cost scenario assumptions	
Accreditation support	HCTC internal data
Curriculum development	HCTC internal data, 3rd party consultant quotes

Sources for Figure 56 in Appendix B.4: Estimated revenues and expenses for NewU-managed residential facility

Line Items	Source
Occupancy	Findings and Recommendations Pertaining to SJR 98, Council on Postsecondary Education, December 2023
Rent	Average from multiple sources: HUDUser.gov, Rentdata.org, Yahoo.com, KY University dorm rent (UK, WKU, MSU)
Vending machine service	Average from multiple sources: Vendinglocator.com, Naturals2go.com, vend-co.com
Laundry service	Average from multiple sources: Buildium.com, Freshstartls.com, Lakesidelaundry.com
Capital expenditure	Marshall and Swift Valuation Service August 2024
Property management	Average from multiple sources: ipropertymanagement.com, steadily.com, stessa.com, roofstock.com
Maintenance	Average from multiple sources: ipropertymanagement.com, avail.co, bankrate.com
Groundskeeper	HCTC Internal data
Residential programming manager	HCTC Internal data
Insurance	Average from multiple sources: stantonins.com, realpage.com
Electrical	Average from multiple sources: findenergy.com, saveonenergy.com, forbes.com - monthly utility cost
Water	Average from multiple sources: psc.ky.gov, reddit.com/Louisville, forbes.com - monthly utility cost
Gas	Average from multiple sources: naturalgaslocal.com/Kentucky, unbiased.com - cost of living in Kentucky, forbes.com - monthly utility cost
Garbage collection	Average from multiple sources: bosswastesolutions.com, paducahky.gov, edvoy.com
Internet	Per-month cost: windstreamoffers.com

Appendix D: Public disclosure of EY Report

This report (the Report) has been prepared by Ernst & Young LLP (EY), from information and material supplied by the Council on Postsecondary Education, for the sole purpose of assisting Council on Postsecondary Education in connection with the research study directed by the state legislature in Senate Joint Resolution 132.

The nature and scope of our services was determined solely by the Agreement between EY and Council on Postsecondary Education dated September 5, 2024 (the Agreement). Our procedures were limited to those described in that Agreement. Our work was performed only for the use and benefit of the Council on Postsecondary Education and should not be used or relied on by anyone else. Other persons who read this Report who are not a party to the Agreement do so at their own risk and are not entitled to rely on it for any purpose. We assume no duty, obligation or responsibility whatsoever to any other parties that may obtain access to the Report.

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In the preparation of this Report, EY relied on information provided by the Council on Postsecondary Education (CPE), Hazard Community and Technical College (HCTC), and Kentucky Community and Technical College System (KCTCS) or on publicly available resources, and such information was presumed to be current, accurate and complete. EY has not conducted an independent assessment or verification of the completeness, accuracy or validity of the information obtained.

Council on Postsecondary Education management has formed its own conclusions based on its knowledge and experience.

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