KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION
WORK SESSION, CAMPUS SPOTLIGHT & DINNER

November 21, 2024 – 1:00-7:30 p.m. ET
Bellarmine University, 2021 Newburg Rd, Louisville, KY 40205

I. Work Session (1:00 p.m. ET)

Location: Centro Hall, Hilary's

A. Welcome Remarks

B. Briefing on SJR 132 feasibility study on transforming the Hazard Community and Technical College into a four-year, residential university. 2

C. Briefing on SJR 170 feasibility study on expanding postbaccalaureate program offerings at comprehensive universities. 93

II. Campus Spotlight and Tour (4:45 p.m. ET)

Location: Spotlight will begin in Hilary's, then guests will convene on a walking tour around campus.

III. Dinner for Council members and Bellarmine Leadership (6:00 p.m. ET)

Location: Centro Building, Legacy room, 3rd floor

A JOINT RESOLUTION directing the Council on Postsecondary Education to conduct a feasibility study on transforming the Hazard Community and Technical College into a four-year, residential university.

WHEREAS, during the 2023 Regular Session, Senate Joint Resolution 98 was passed by the General Assembly to direct the Council on Postsecondary Education to study the impact and feasibility of establishing a regional, residential, four-year public university in southeastern Kentucky; and

WHEREAS, the Council on Postsecondary Education conducted a study and reported its findings to the Legislative Research Commission; and

WHEREAS, in that report, the Council reported an option for consideration that would expand the Hazard Community and Technical College into a stand-alone, four-year, residential university offering limited technical and baccalaureate programs; and

WHEREAS, the General Assembly requires detailed information for a potential transformation of the Hazard Community and Technical College into a four-year, residential university;

NOW, THEREFORE,

Be it resolved by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. The Council on Postsecondary Education shall conduct a feasibility study on transforming the Hazard Community and Technical College into a four-year, residential university that offers specific technical and baccalaureate programs. The Council shall consult with the college and the Kentucky Community and Technical College System as necessary to gather information and conduct analysis in support of the study. The Council shall study the following, and develop specific recommendations for the General Assembly to consider for action during the 2025 Regular Session:

(1) A potential annual budget for the transition and initial establishment of the university's operation that identifies:

(a) 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;

(b) The various revenues that the institution could expect to generate based on both conservative and moderate growth scenarios;

(c) The projected recurring costs, including retirement and health care for employees;

(d) Anticipated tuition and fee charges, and projected gross and net tuition and fee revenue;

(e) Federal funds that the institution would access or seek; and

(f) 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 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 Kentucky Community and Technical College system;

(4) Demand for the institution's academic programs and services within the projected service area by soliciting input from potential students and area employers;

(5) The curricular offerings of the institution that addresses:

(a) Whether any of the current college's programs would be discontinued and which programs the new institution would offer, including specific baccalaureate programs to be offered; and

(b) 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;

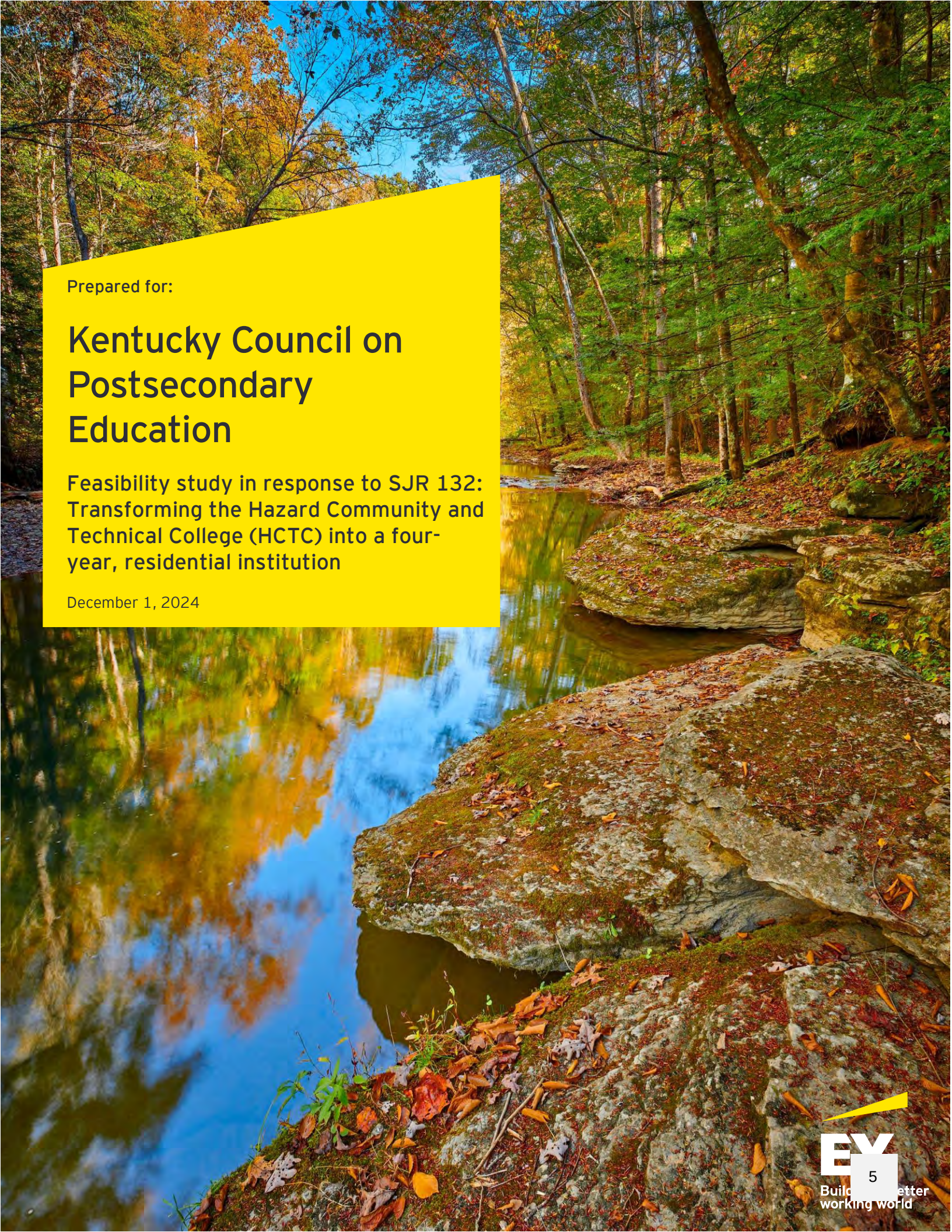
(6) How student financial aid would be offered, and the tuition and fee rates that may be charged to best ensure accessibility for the residents of the region;

(7) How the state postsecondary education budget 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; and

(9) A proposed implementation timeline for the transition and establishment of the institution that incorporates the study items in subsections (1) to (8) of this section.

➔Section 2. The results of the study and recommendations required by Section 1 of this Joint Resolution shall be submitted to the Legislative Research Commission by December 1, 2024, for referral to the Interim Joint Committee on Education and the Interim Joint Committee on Appropriations and Revenue.



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

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

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

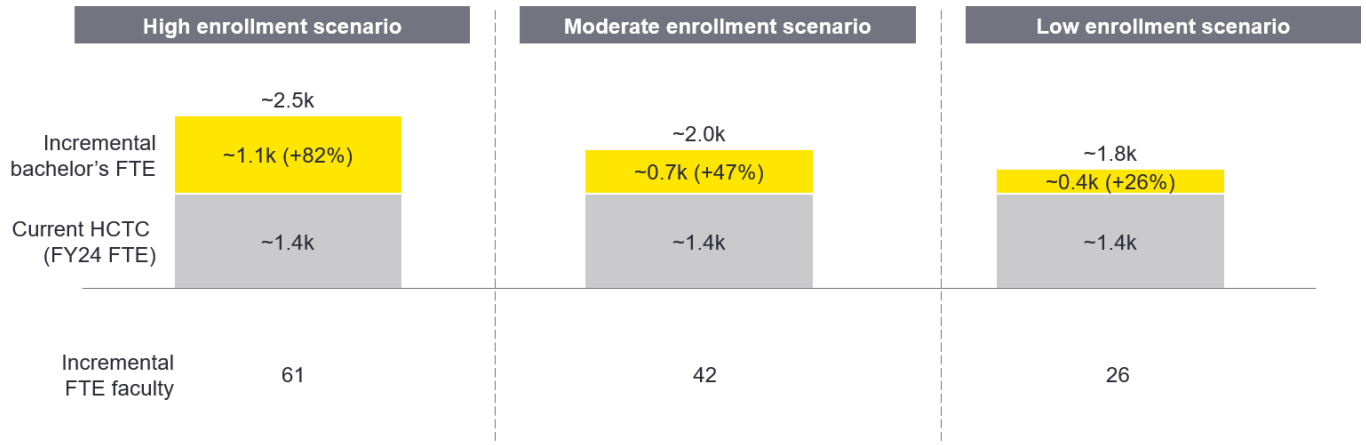
Recommendation 8: NewU already partners with local employers to deliver its current credit and non-credit offerings. NewU could continue to work closely with local and regional employers to launch the new bachelor's degree programs, to create positive outcomes for both employers and students.

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.

ENROLLMENT SCENARIOS

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



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 and 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.

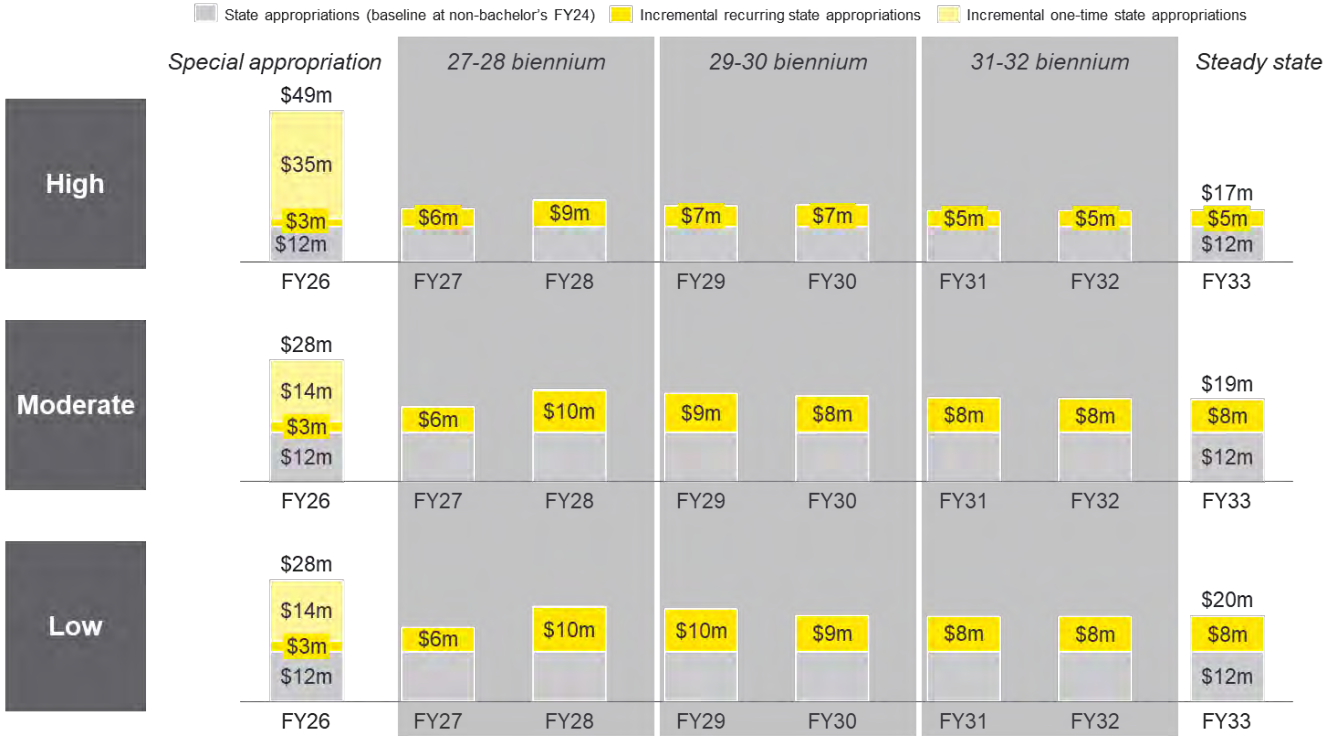
Potential total investment needed during NewU scaling period (FY26-FY33), nominal dollars			
	Low	**Moderate**	**High**
Total investment need FY26-FY33	~$76.2m	~$72.8m	~$81.5m

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

[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.



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.

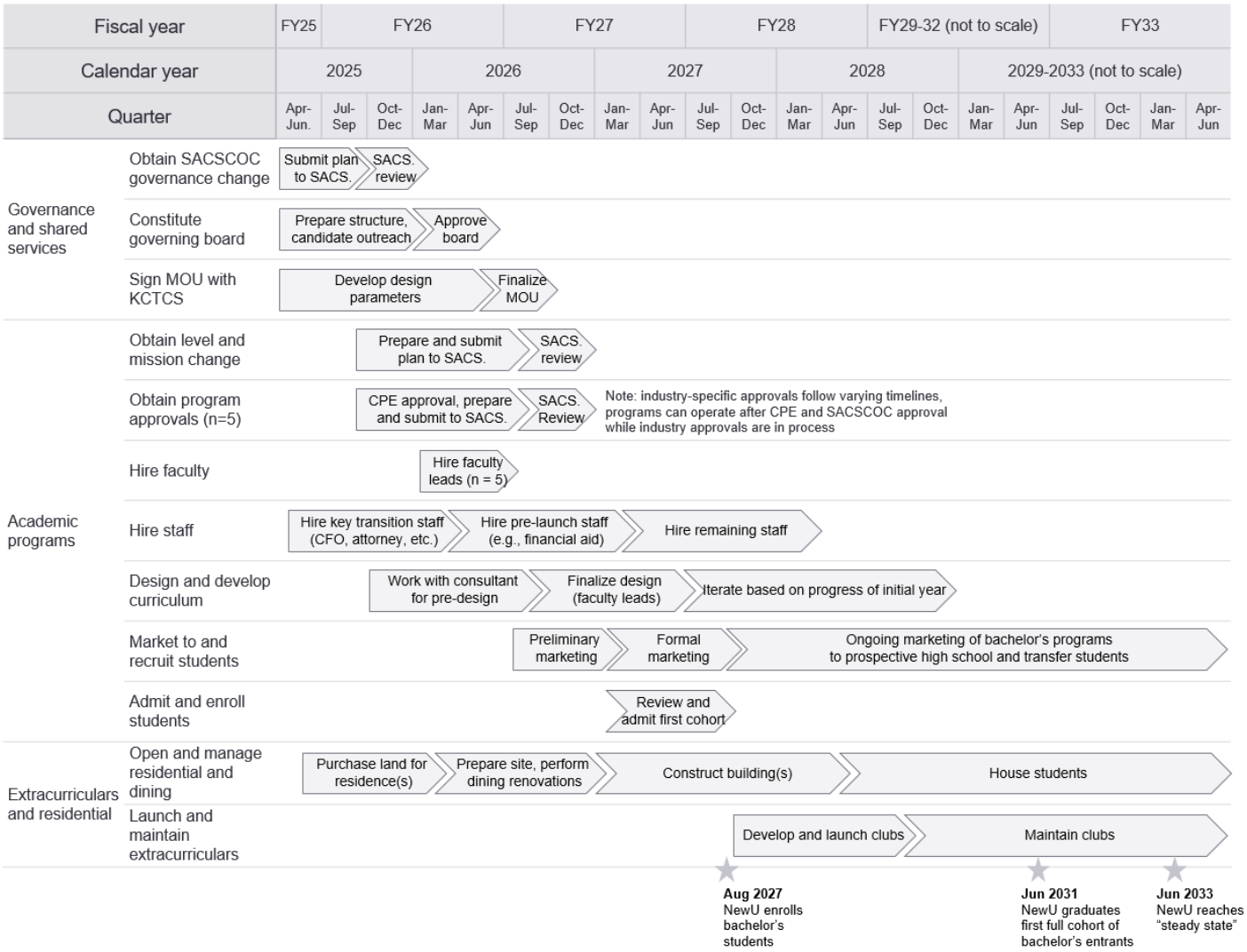
Performance-Based Funding. Since NewU would be a new classification in Kentucky's higher education landscape and would not fit the funding formula of either two-year or four-year institutions in Kentucky, this Report assumes that NewU would be exempt from performance funding until it is able to demonstrate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

PROPOSED IMPLEMENTATION TIMELINE

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).



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:
    - 18 new employees to lead the organization, support student recruitment and retention, formalize transfer pathways, lead in-person programming, and perform other activities
    - Non-personnel operating needs such as software, facilities, etc.
    - 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:
    - State appropriations to provide some (or all) of the funding needed by NewUCM
    - Member contributions from four-year partners via an annual or per-program fee and/or a revenue sharing agreement for student tuition
    - 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 annually 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.

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.

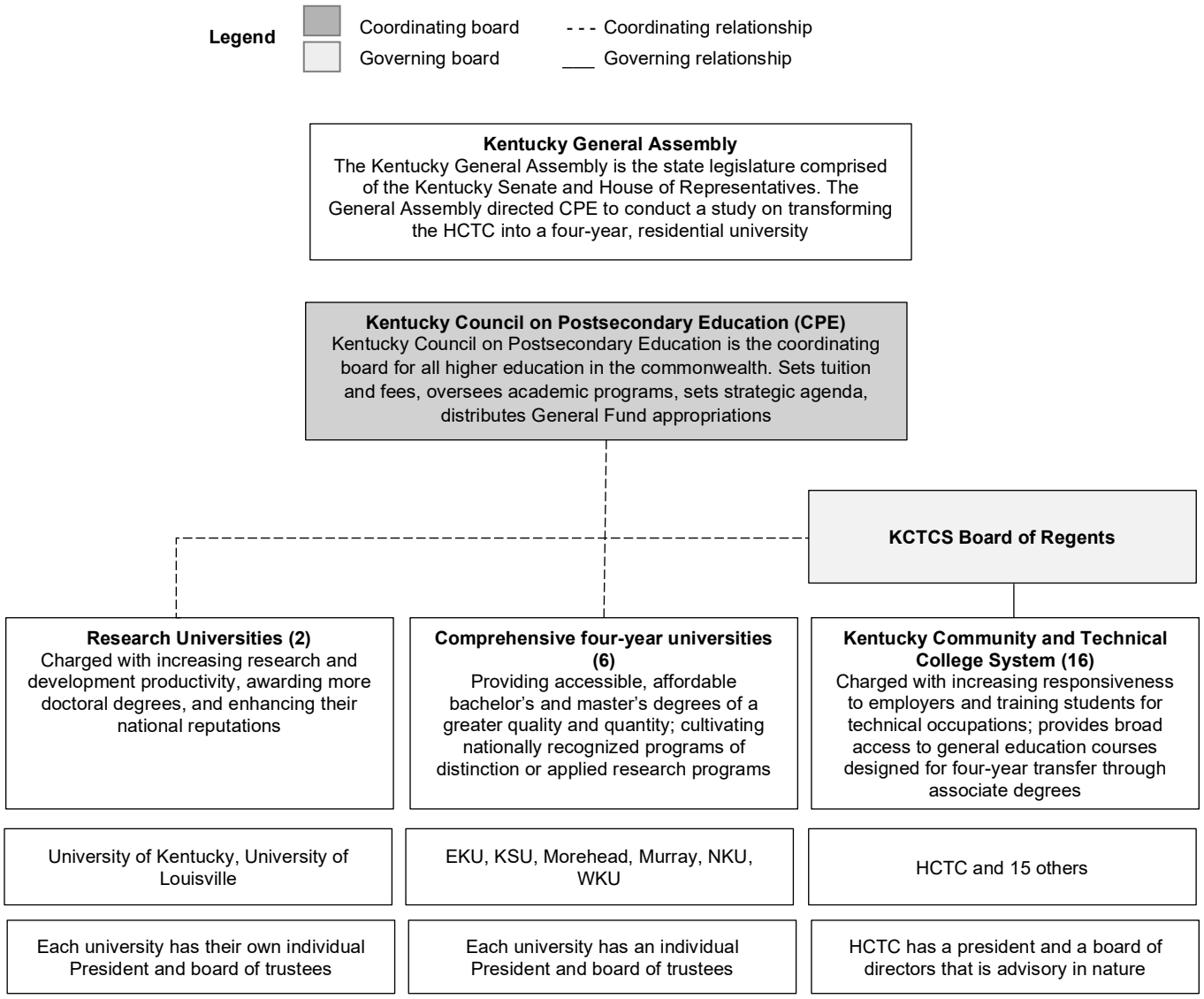
1.2. Governance

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.

[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



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)

[9] KCTCS system recovery and recharges, FY24

1.3. Curricular offerings

1.3.1. Program offerings

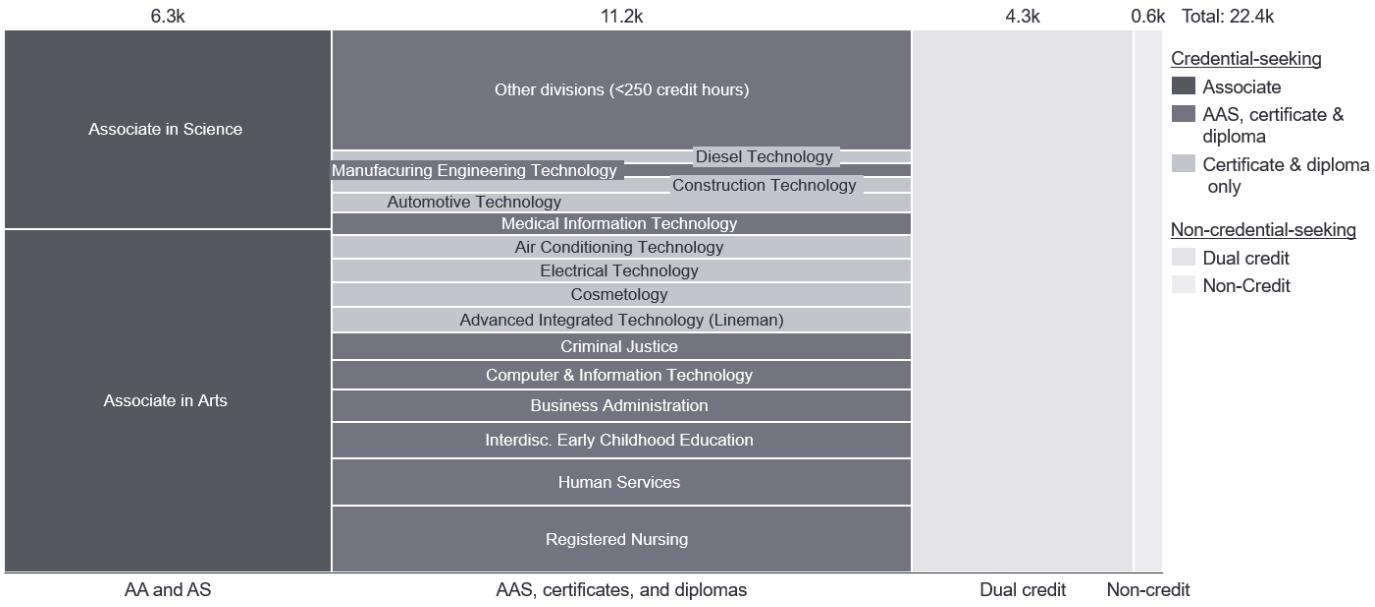
HCTC serves a broad range of learners through its for-credit and non-credit programs as outlined in *Figure 2.* Consistent with all KCTCS institutions, the highest degree currently awarded is an associate degree.

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]

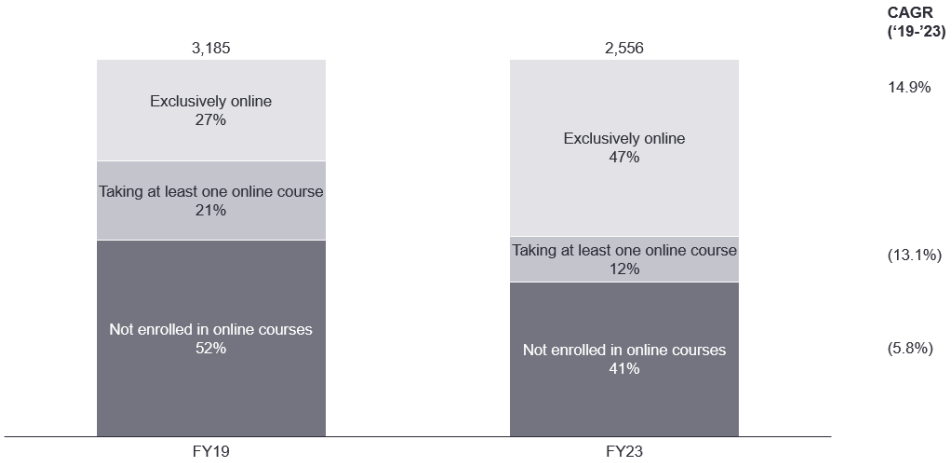


[10] HCTC fall and spring enrollment reports
[11] Draft HCTC fall enrollment for FY2025, as-of September 2024 (enrollment window closes October 31, 2024)

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.*

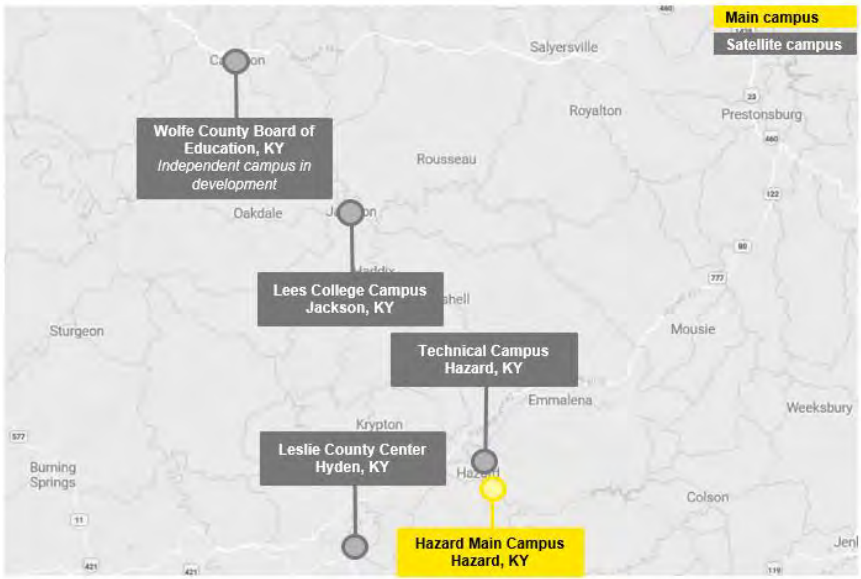
Figure 4: Percent of HCTC total headcount enrolled in distance education courses, FY19 and FY23[12]



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]



[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

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%)

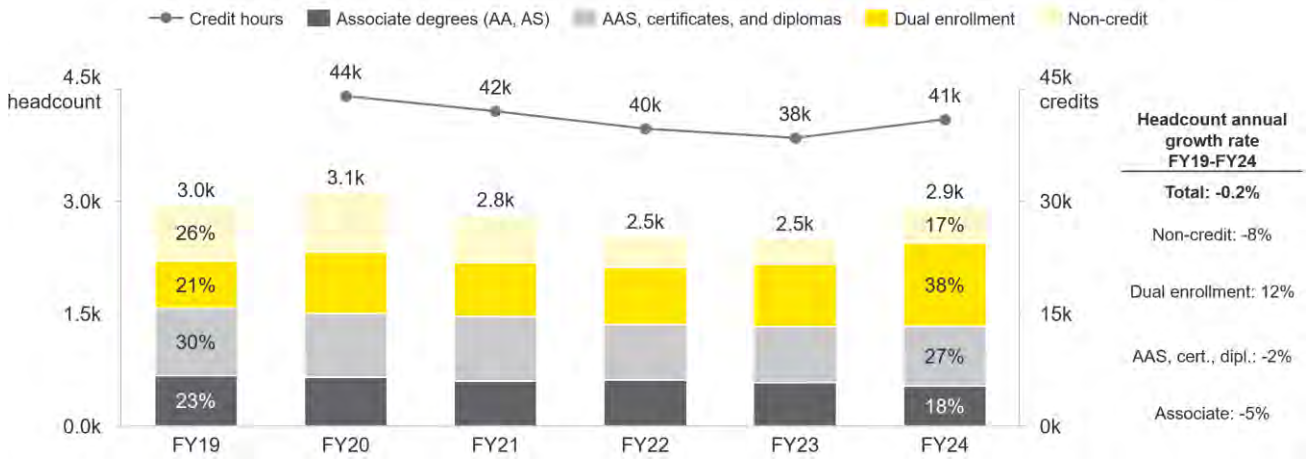
1.4. Enrollment trends

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]

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

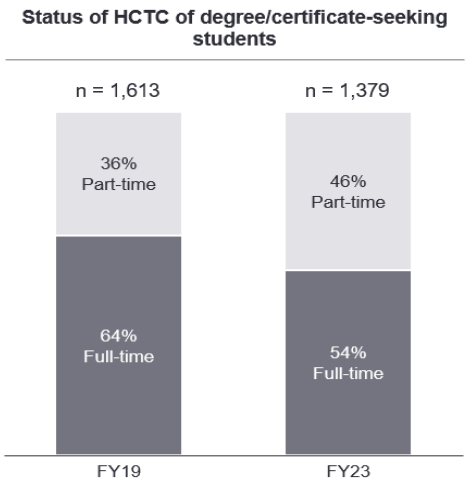
Figure 7: enrollment by headcount by program and total credit hours, FY19-FY24[16]



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

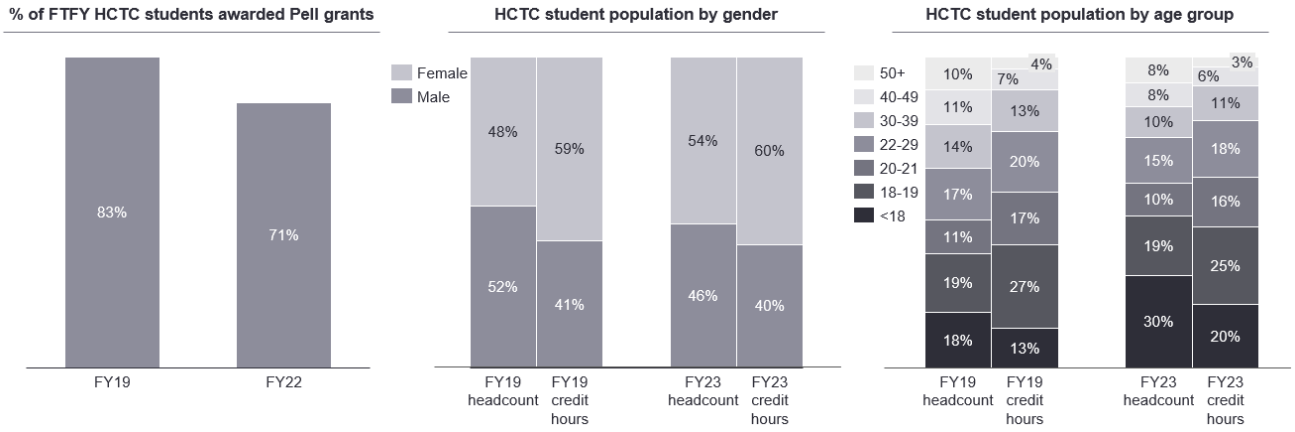
Nearly 89% of the FY24 student headcount at HCTC is from the KRADD, and the remaining 11% are primarily from other Kentucky counties (0.5% out-of-state). Perry (36%), Breathitt (13%), and Leslie (11%) counties have the highest representation at HCTC.

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]

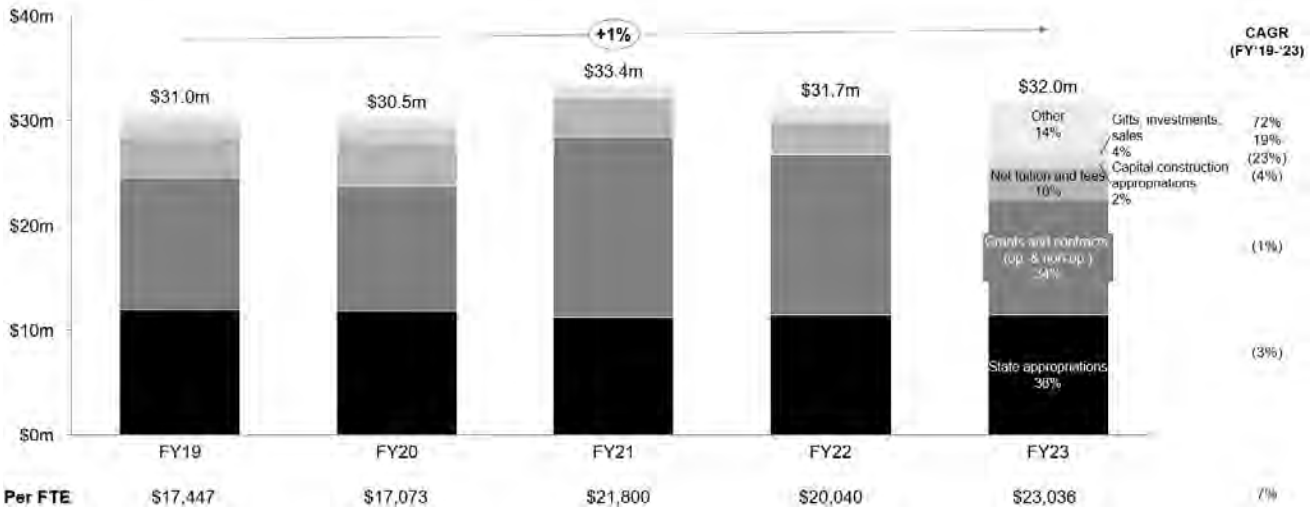


1.5. Financial trends

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]



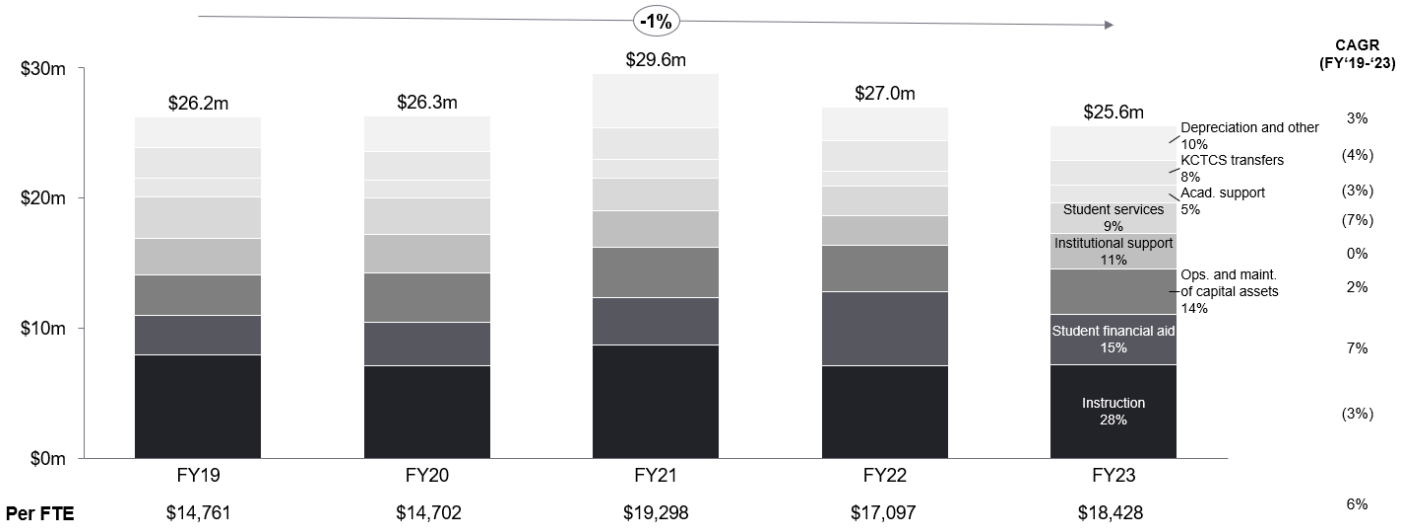
1.5.2. Expenses

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

[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]

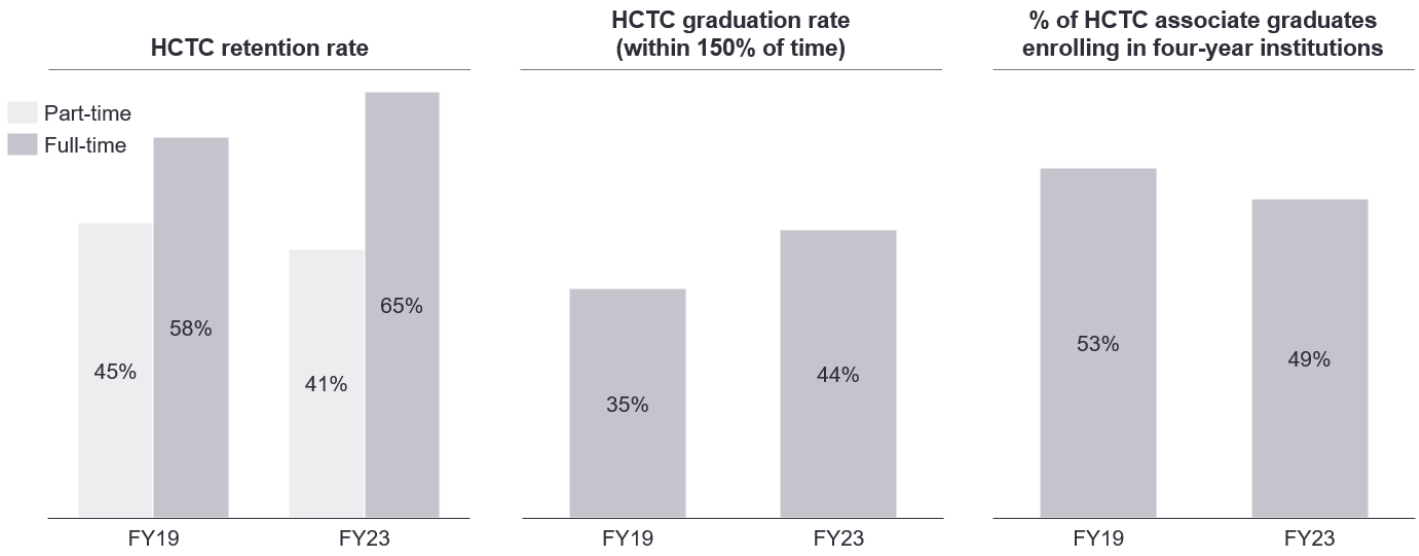
1.6. Student outcomes

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]

[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



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.

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

2. Future state – potential new institution

2.1. Governance

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

[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

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.

[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.

[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*

[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

[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.

[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).
    - 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.
    - NewU could award students institutional financial aid to offset the cost of tuition (see *Section 2.3.5C: Institutional financial aid*).
    - This pricing approach could help NewU remain an affordable option for students in both practice and perception, especially considering four-year institutional aid packages.
    - 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).

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

- 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

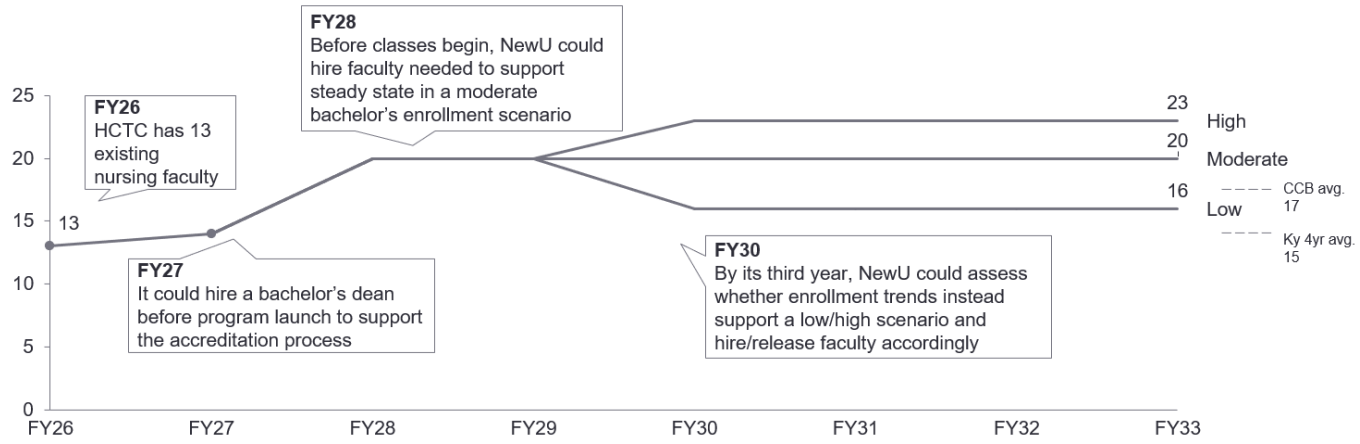
2.3.6A. Recurring costs: faculty

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

[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)

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

[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

[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

[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.

[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

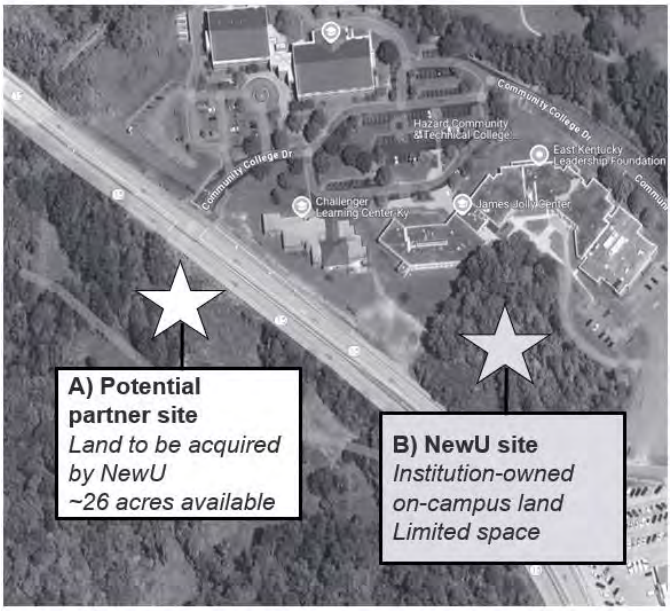
(A) NewU can purchase and develop a plot across Highway 15, including a pedestrian footbridge connecting housing area to campus.

(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.

[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

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

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.

[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.

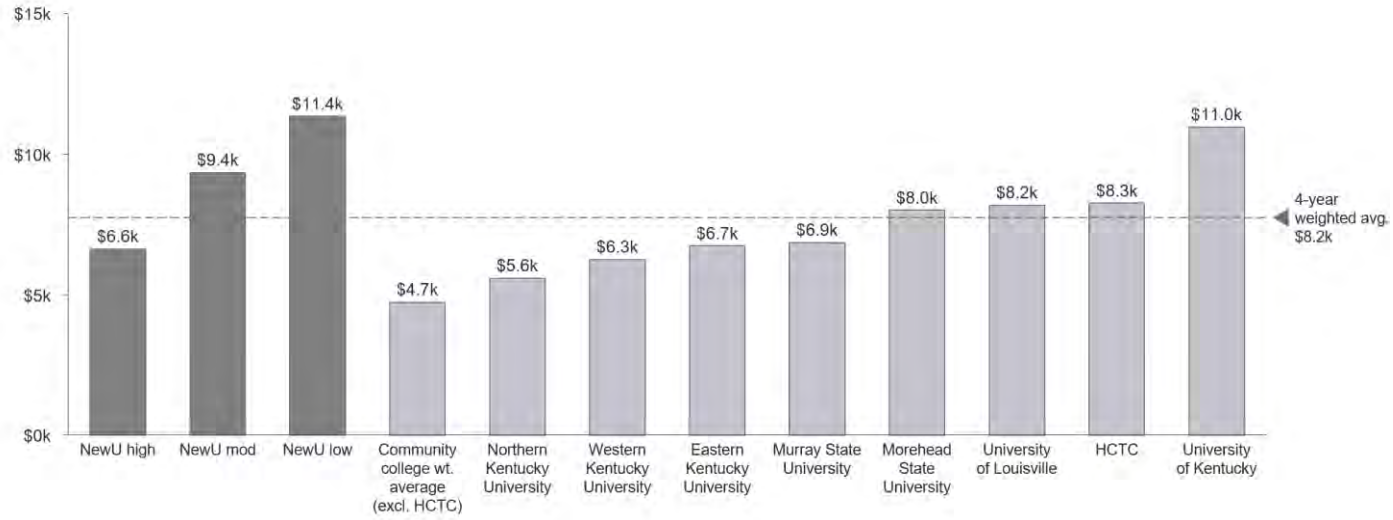
Figure 24 on the next page summarizes the estimated annual recurring state support (incremental state appropriations on top of what HCTC is already receiving today via KCTCS), under the NewU enrollment scenarios, in the steady state year (FY33).

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)

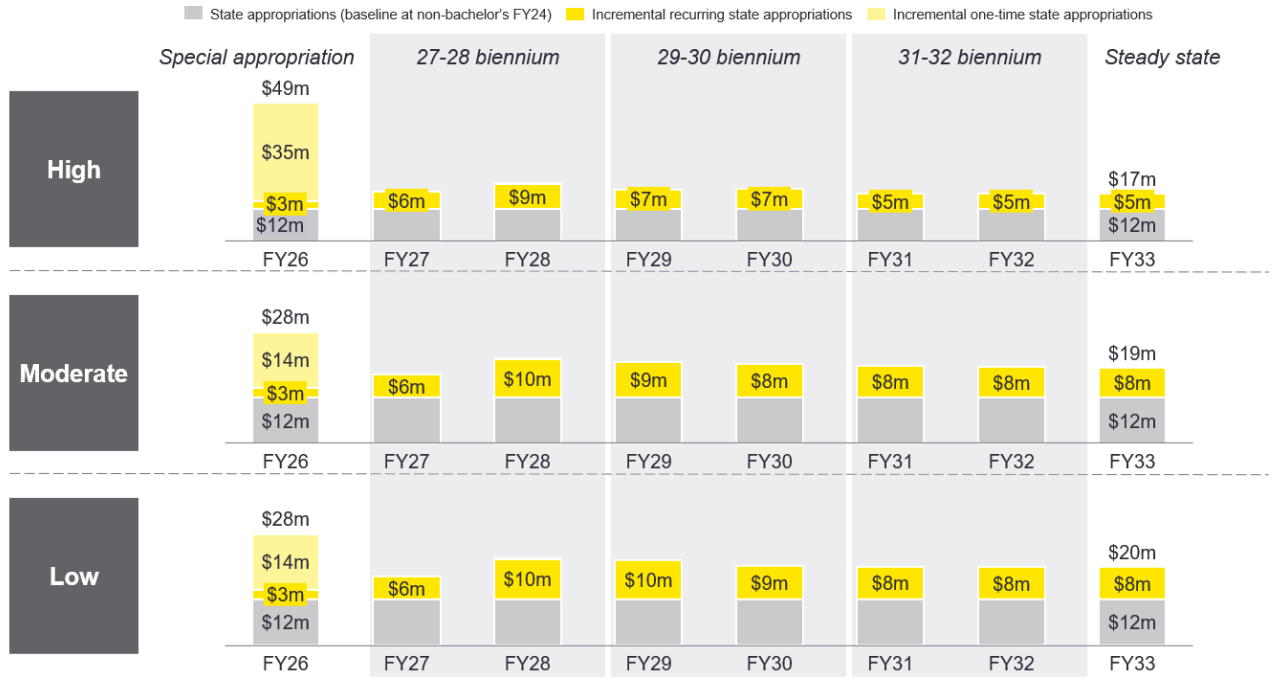
NewU would also need a total of $14m-$36.7m in incremental one-time investments (across FY26 and FY27). A summary of these investments is shown in *Figure 26.*

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**

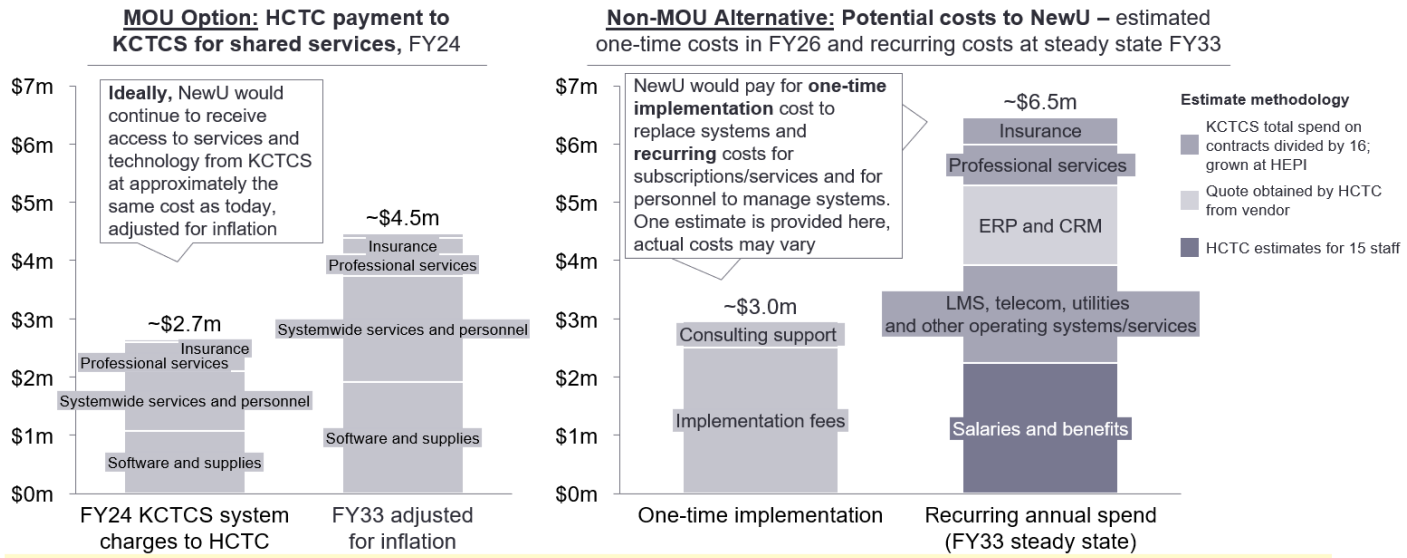
Kentucky operates on a biennial budget cycle. In order to enroll students in Fall 27, NewU would need state appropriations for one-time and recurring expenses in FY26 as shown in Figure 27 on the next page; these are assumed to be through special appropriation. Scope of analysis does not include projections 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

[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)		

[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

[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 FY26	(planning period) FY27	Y1 FY28	Y2 FY29	Y3 FY30	Y4 FY31	Y5 FY32	Y6 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

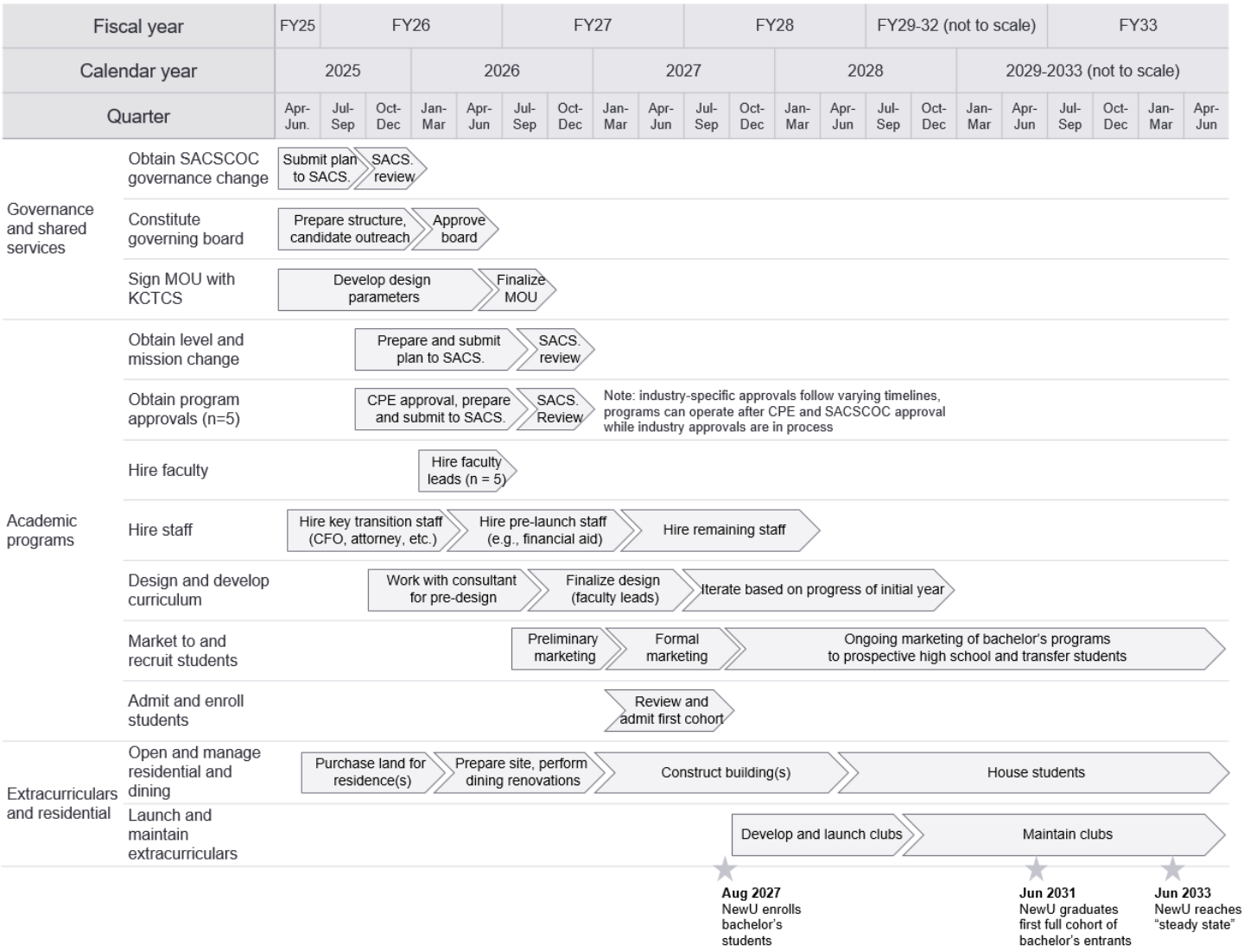
	Y0 FY26	(planning period) FY27	Y1 FY28	Y2 FY29	Y3 FY30	Y4 FY31	Y5 FY32	Y6 FY33
Enrollment								
FTE students			124	213	287	348	356	364
Revenue								
Gross tuition			$990,658	$1,744,220	$2,809,687	$3,744,753	$3,939,232	$4,124,542
Federal and state scholarships (Pell, CAP, SEOG)			($495,329)	($872,110)	($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)



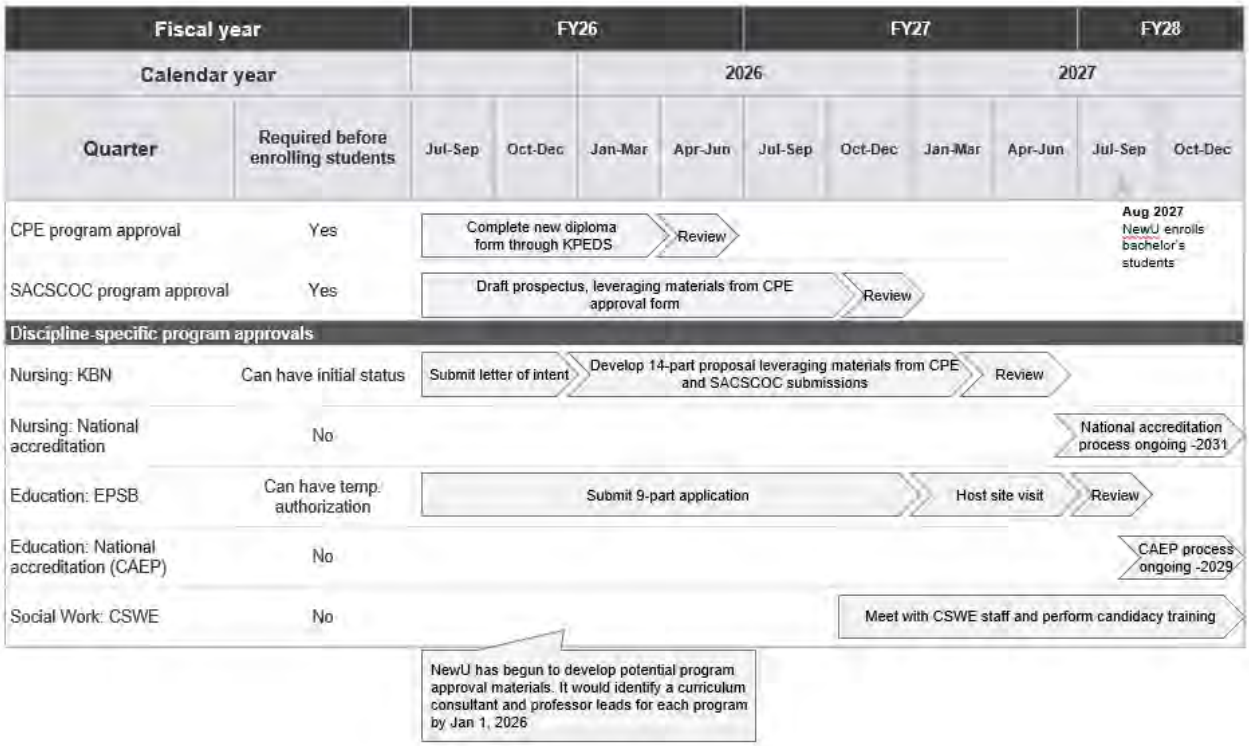
NewU could target a set of key milestones to enroll its first cohort as shown in *Figure 34.*

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

[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

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

October 2026 to March 2027

- **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.

[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.

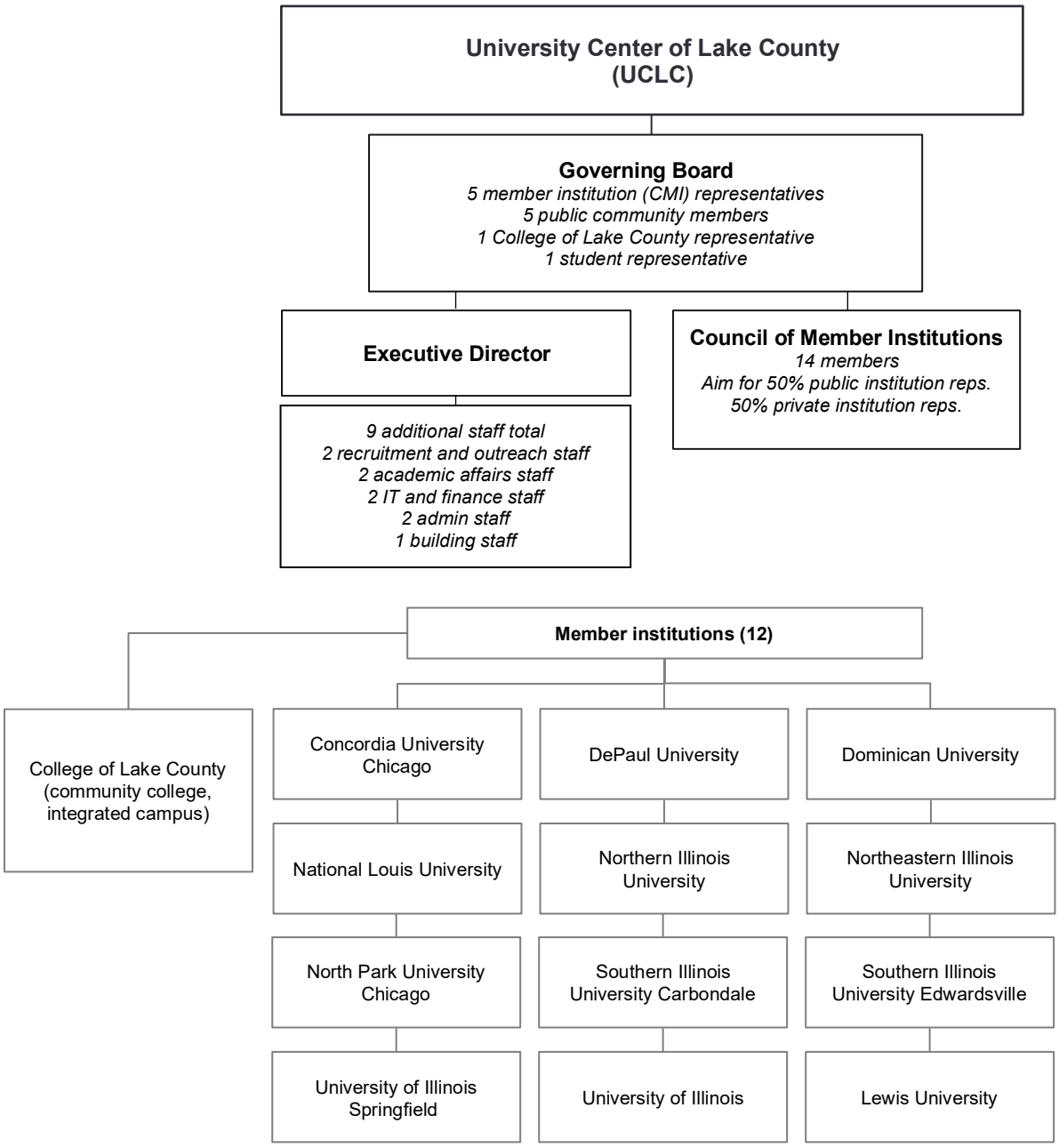
Governance structure

As seen in

[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



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]

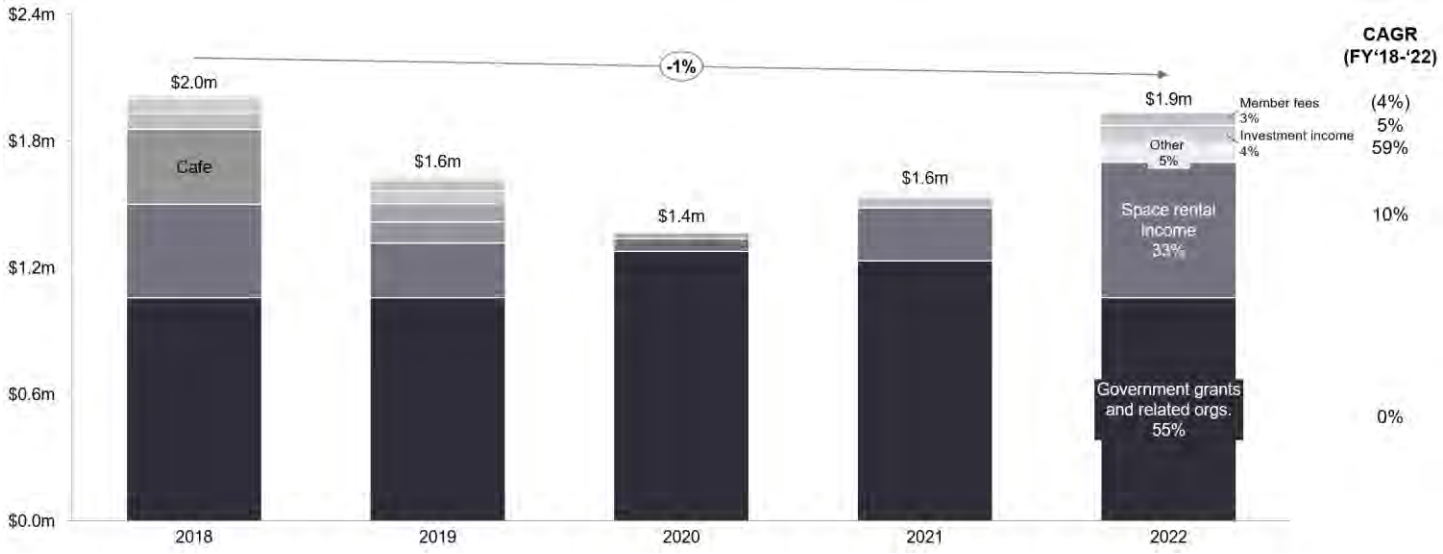
[82] University Center of Lake County website, "2022-2023 Programs of Study"

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 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.

[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).

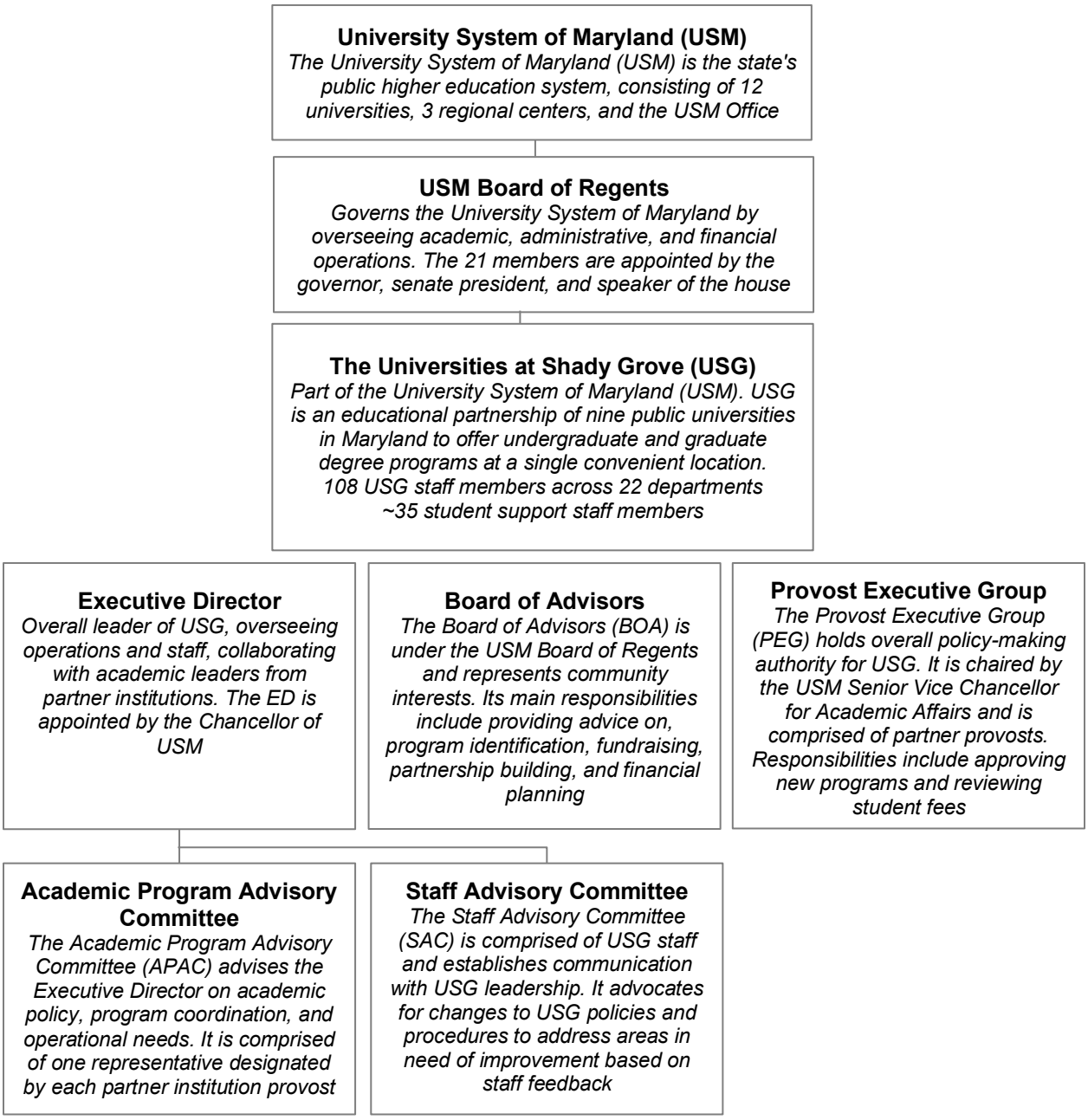
USG has a Board of Advisors established under the oversight of the University System of Maryland Board of Regents. The core purpose is to represent the interests and needs of all key stakeholders including students, business, local and state governments, and higher education at large. Additionally, it 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



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.

[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:
  - 18 new employees to lead the organization, support student recruitment and retention, formalize transfer pathways, lead in-person programming, and perform other activities
  - Non-personnel operating needs such as software, facilities, etc.
  - 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:
  - State appropriations to provide some (or all) of the funding needed by NewUCM
  - Member contributions from four-year partners via an annual or per-program fee and/or a revenue sharing agreement for student tuition
  - 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 annually 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]

[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.

[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.

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**

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**

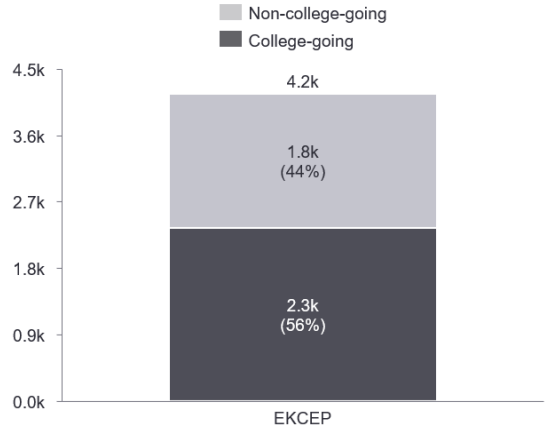
Figure 48: high enrollment scenario headcount, full time equivalent and credit hours

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**

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

[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

[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]

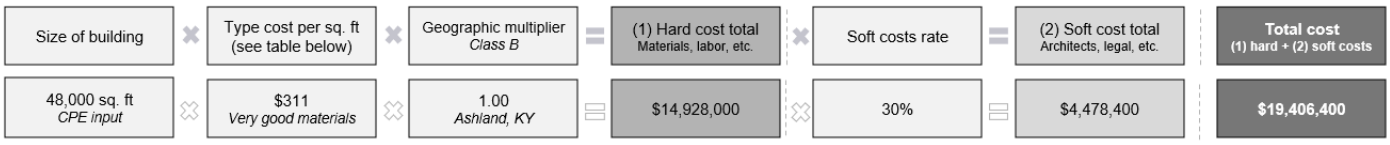
	Description	Estimate
Total annual costs	▶ Facilities usage fees for nearby course (~$3.5k) ▶ Faculty advisor (~$700) ▶ Equipment replacements (~$400) ▶ Promotional materials (~$100) ▶ Other general supplies (~$300)	**~$5.0k annually**
One-time startup costs	▶ Initial investment in club, bags, and other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

[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]



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]

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**	

[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.

[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

[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.

The services we performed were advisory in nature. While EY's work in connection with this Report was performed under the standards of the American Institute of Certified Public Accountants (the "AICPA"), EY did not render an assurance report or opinion under the Agreement, nor did our services constitute an audit, review, examination, forecast, projection or any other form of attestation as those terms are defined by the AICPA. None of the services we provided constituted any legal opinion or advice. This Report is not being issued in connection with any issuance of debt or other financing transaction.

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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A JOINT RESOLUTION directing the Council on Postsecondary Education to conduct a feasibility study on expanding postbaccalaureate program offerings at comprehensive universities.

WHEREAS, KRS 164.020 directs the activities of the Council on Postsecondary Education; and

WHEREAS, through KRS 164.020(15), the General Assembly requires the Council to define and approve the offering of all postsecondary education technical, associate, baccalaureate, graduate, and professional degree, certificate, or diploma programs in the public postsecondary education institutions; and

WHEREAS, KRS 164.295 restricts the postbaccalaureate offerings of Kentucky's comprehensive universities; and

WHEREAS, KRS 164.295 requires action by the General Assembly to approve changes to the postbaccalaureate offerings of a comprehensive university; and

WHEREAS, many of Kentucky’s comprehensive universities have requested that the General Assembly approve expansion of their postbaccalaureate programs and degree offerings; and

WHEREAS, the General Assembly should regularly evaluate the evolving workforce needs of this Commonwealth, the ability of Kentucky's existing postsecondary education system to serve those needs, and the feasibility of expanding postbaccalaureate offerings at comprehensive universities to better serve those needs;

NOW, THEREFORE,

Be it resolved by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. (1) The Council on Postsecondary Education shall meet with the president of each comprehensive university to identify regional economic and workforce development needs that may be addressed by a postbaccalaureate initiative to expand an existing postbaccalaureate program or create a new postbaccalaureate program at the comprehensive university.

(2) The Council on Postsecondary Education shall contract with an outside entity to conduct a study on each comprehensive university's postbaccalaureate initiative and develop and present specific recommendations for the General Assembly to consider for action during the 2025 Regular Session. Each study shall take into consideration the accreditation needs of the postbaccalaureate initiative.

(3) The studies shall, at a minimum, include separate studies on establishing each of the following postbaccalaureate programs:

(a) A doctoral program for professional practice and licensure in veterinary medicine at Murray State University;

(b) A doctoral program for professional practice and licensure in osteopathic medicine at Eastern Kentucky University; and

(c) Doctoral programs to obtain an R2 "High Research Activity" designation from the Carnegie Classification of Institutions of Higher Education at Western Kentucky University.

(4) The evaluation of a potential expansion or creation of a postbaccalaureate offering at a comprehensive university shall include but not be limited to the following factors to inform a recommendation to General Assembly on whether to pursue that postbaccalaureate initiative:

(a) Consideration of the recent performance history of the university in the comprehensive funding model established by KRS 164.092;

(b) The university’s capacity to expand or create the postbaccalaureate degree program that is the focus of the postbaccalaureate initiative without jeopardizing the university’s ability to fulfill its statutory responsibilities;

(c) The alignment of the postbaccalaureate initiative to the economic and workforce needs of the Commonwealth; and

(d) The projected ability of the postbaccalaureate initiative to meet or exceed those needs in an efficient manner.

(5) Any recommendation for an expansion to postbaccalaureate offerings at comprehensive universities shall include the following information in regard to each recommended offering:

(a) A potential annual budget for the transition and initial implementation;

(b) The various additional revenues that the comprehensive university could expect upon implementation based on conservative and moderate projections;

(c) The projected additional recurring costs, including retirement and health care for employees;

(d) Anticipated tuition and fee charges and projected gross and net tuition and fee revenue;

(e) Projected enrollment;

(f) The projected ability of the comprehensive university to attract necessary high-quality faculty;

(g) The availability of federal funds and private funding that might offset the identified costs;

(h) The projected economic impact; and

(i) A proposed implementation timeline for each postbaccalaureate initiative.

➔Section 2. The results of the study and recommendations required by Section 1 of this Resolution shall be submitted to the Legislative Research Commission by December 1, 2024, for referral to the Senate Committee on Education, House Committee on Education, Senate Committee on Appropriations and Revenue, and House Committee on Appropriations and Revenue during the 2025 Regular Session.

Postbaccalaureate Program Expansion Feasibility Study

Directed by SJR 170

Contracted by Kentucky Council on Postsecondary Education

Prepared by Deloitte Consulting

Final Report

November 25, 2024

Table of Contents

Executive Summary

Scope of Study

EXECUTIVE SUMMARY

SJR 170 Study Overview

The Kentucky Council on Postsecondary Education (CPE) contracted with Deloitte Consulting between August and November 2024 to conduct four feasibility studies and offer recommendation regarding the new program approval process going forward.

The study evaluates the feasibility of launching these four new postbaccalaureate programs:

A doctoral program for professional practice and licensure in **osteopathic medicine (DO)** at **Eastern Kentucky University**

One or more PhD programs leading to an **R2 "High Research Activity" designation** from the Carnegie Classification at **Western Kentucky University**

A doctoral program for professional practice and licensure in **veterinary medicine (DVM)** at **Murray State University**

A **Doctor of Philosophy (PhD)** in Integrated Agroecology and Sustainable Agriculture at **Kentucky State University**

The study also offers recommendations to CPE and policy leaders regarding the evaluation and approval of future program proposals.

EXECUTIVE SUMMARY

Eastern Kentucky University Proposal Overview

Proposal and Institution Overview

Institutional Background

- Eastern Kentucky University (EKU) is a regional public institution located in Richmond, Kentucky, with a headcount enrollment of nearly 14,000 undergraduate and graduate students[1].
- EKU has proposed opening a doctoral program for professional practice and licensure in osteopathic medicine (DO). This would be the second DO school in Kentucky and the first to be offered by a public institution. Kentucky currently has two MD programs at the University of Kentucky and the University of Louisville.

Institutional Motivating Factors

- Help address the growing shortage of physicians at both the national and state levels.
- Provide opportunities for members of Kentucky's regional and rural communities to obtain a medical education, enabling them to return and practice in areas with the direst need for primary care physicians.
- Enhance the institution's brand by expanding its academic offerings, thereby attracting a wider pool of students and faculty.
- Increase institutional revenue with the expected high margins of a DO program.

What is Osteopathic Medicine?

A College of Osteopathic Medicine (COM) produces Doctors of Osteopathic Medicine (DOs), who take a holistic, patient-centered approach focusing on preventive health care and nutrition. This contrasts with an allopathic medical school, which produces Medical Doctors (MDs) and emphasizes diagnosing and treating medical conditions. Both programs share similar application requirements and curricular structures, though most DO graduates tend to practice in primary care settings while more MD graduates go into medical specialties. Notably, most COMs employ a distributive model of clinical education that sends students into community hospitals, clinics, and other medical facilities for clinical rotations in their third and fourth years, while allopathic medical schools have affiliated teaching hospitals where students complete their clinical education.

Fast Facts[2]

Fall 2028
Target Program Launch Date

150
Target Cohort Size by Year 5

600
Target Enrollment by Year 5

19
Estimated New Faculty Hired by Year 5

62
Estimated New Staff and Administrators by Year 5

Notes: 1) Enrollment headcounts exclude Dual Credit students; 2) Faculty and staff estimates are based on peer analysis and are subject to change. Sources: EKU stakeholder interviews, proposal, and related materials; KY CPE Data Center.

EXECUTIVE SUMMARY

Murray State University Proposal Overview

Proposal and Institution Overview

Institutional Background

- Murray State University (Murray State) is a regional public institution located in Murray, Kentucky, with a headcount enrollment of nearly 9,000 undergraduate and graduate students[1].
- Murray State has proposed a doctoral program for professional practice and licensure in veterinary medicine, utilizing a distributive model for veterinary education. This would be the first veterinary medical (DVM) program in Kentucky.

Institutional Motivating Factors

- Help address the shortage of rural veterinarians at both the national and state levels and support Kentucky's agriculture industry.
- Provide opportunities for members of Kentucky's regional and rural communities to obtain a veterinary education close to home and offer their existing pre-veterinary students an opportunity to continue their studies.
- Leverage existing agriculture school's facilities (e.g., Breathitt Veterinary Center) to expand veterinary education.

What is a Distributive Model of Veterinary Medicine?

In a distributive model of veterinary education, veterinary students complete their core science, anatomy, and pre-clinical skills curricular requirements in a traditional classroom setting on-campus and complete their clinical education with a distributed network of clinical partners, including private practices, urgent care clinics, emergency clinics, referral hospitals, shelters, zoos, and wildlife rehabilitation centers. This contrasts with a traditional model of veterinary education, where Doctor of Veterinary Medicine (DVM) students complete most of their clinical education in affiliated teaching hospitals.

Fast Facts[2]

Fall 2027
Target Program Launch Date

70
Target Cohort Size by Year 5

280
Target Enrollment by Year 5

15
Estimated Incremental Faculty by Year 5

42
Estimated Staff and Administrators by Year 5

Notes: 1) Enrollment headcounts exclude Dual Credit students; 2) Faculty and staff estimates are based on peer analysis and are subject to change. Faculty count includes current Murray State faculty who may teach in the College of Veterinary Medicine (CVM). Sources: Murray State stakeholder interviews, proposal, and related materials; KY CPE Data Center.

EXECUTIVE SUMMARY

Western Kentucky University Proposal Overview

Proposal and Institution Overview

Institutional Background

- Western Kentucky University (WKU) is a regional, comprehensive university located in Bowling Green, KY serving nearly 14,500 undergraduate and graduate students[1]. WKU's current Carnegie Classification is Doctoral Universities: Doctoral/Professional Universities.
- WKU leadership has proposed launching one or more doctoral research programs in pursuit of a Doctoral Universities: High Research Activity (R2) Carnegie Classification.[2] There are currently no R2 universities in Kentucky. WKU leadership have identified a PhD in Data Sciences as the likely first program launched should their R2 proposal be approved.

Institutional Motivating Factors

- Recognize past research achievements and reinforce WKU's strategic commitment to advancing education through research-driven undergraduate and graduate programs.
- Enhance and elevate the university's profile and attract high-quality faculty and students and external funding.
- Capitalize on economic growth in region, particularly in labor-aligned fields such as data sciences, to serve the needs of the Commonwealth and drive increased economic development in Bowling Green.

What is an R2 Carnegie Classification?

The Carnegie Classification system was originally developed to support higher education research, but were recently revamped out of concerns that, in some cases "the chase for an R1 or R2 designation may come at the expense of an institution's core missions, like service to the community and undergraduate instruction."[3] Classifications are released every three years (next in 2025) and are based on a) three-year rolling average data or b) most recent year data. **To achieve R2 status, a university must confer a minimum of 20 doctoral research degrees[4] and a minimum $5M in total research expenditures**.

Fast Facts[5]

Fall 2026
Target Data Sciences PhD Program Launch Date[2]

29
Target Data Sciences PhD Enrollment by Year 5

2
Estimated Number of New Data Sciences Program Faculty by Year 5

Notes: 1) Enrollment headcounts exclude Dual Credit students; 2) As of 2025 this will be retitled to "R2: High Research Spending and Doctorate Production;" 3) Reimagining the Carnegie Classifications: A Q&A; 4) Doctoral research degrees defined by National Center for Education Statistics IPEDS data; 5) Fast Facts represent the PhD in Data Sciences program. WKU has proposed three additional programs proposed for launch by 2030, but details on target enrollment and number of faculty hires have not yet been finalized. Sources: Carnegie Classification of Institutions of Higher Education 2025 Research Designations; 2025 Research Designation FAQs; KY CPE Data Center; Reimagining the Carnegie Classifications: A Q&A; WKU stakeholder interviews, proposal, and related materials.

EXECUTIVE SUMMARY

Kentucky State University Proposal Overview

Proposal and Institution Overview

Institutional Background

- Kentucky State University (KSU) is a regional, comprehensive university located in Frankfort, KY serving over 1,400 undergraduate and graduate students.[1] KSU's current Carnegie Classification is Baccalaureate Colleges: Diverse Fields. KSU is one of two land-grant institutions in Kentucky.
- Land-grant institutions were established to expand agricultural and technical education and access to such education. KSU is also one of two Historically Black Colleges and Universities (HBCU) in Kentucky. HBCU's are institutions "established prior to 1964 with the primary mission of educating Black Americans."
- KSU leadership has proposed launching a PhD in Integrated Agroecology and Sustainable Agriculture. This would be the first doctoral program of its kind in Kentucky, although related doctoral programs in agriculture and sustainability exist.

Institutional Motivating Factors

- Expand access to agriculture, environment, and data sciences PhD programs for traditionally underrepresented groups.
- Maximize KSU's existing high levels of research and grant funding and elevate awareness of KSU's research profile.
- Capitalize on institutions strengths in Environmental Studies, Aquaculture, and other agriculture programs.

What is Integrated Agroecology?

KSU's proposal highlights that Integrated Agroecology and Sustainable Agriculture focuses on advanced teaching and research on agricultural principles and practices with the goal of long-run enhancements to agricultural production, environmental quality, nonrenewable resource management. The program is designed to prepare a specialized workforce to ensure a viable and socially responsible economy for the citizens of Commonwealth. Agroecology is the integrative study of the nexus of plants, animals, soil, environment, and humans. Balancing the relationship among these components is imperative for sustainable agriculture production.

Fast Facts

Fall 2025
Target Program Launch Date

20
Target Enrollment by Year 5

4
Estimated Number of New Faculty by Year 5

Note: 1) Enrollment headcounts exclude Dual Credit students. Sources: Association of Public & Land-Grant Universities; KY CPE Data Center; KSU stakeholder interviews, proposal, and related materials; NCES Historically Black Colleges and Universities.

Approach and Methodology

EXECUTIVE SUMMARY

Guiding Principles

The following guiding principles formed the foundation of our approach, ensuring rigor and objectivity throughout our feasibility study.

Guiding Principle	Description
School-Level Collaboration Balanced with Evidence-Based Independence	• Actively engaged university leadership throughout the analysis for their input and awareness. • Maintained the overall validity and independence of the analysis by mapping final conclusions to validated and reputable data sources.
Holistic and Comprehensive Assessment	• Considered an expansive array of feasibility metrics, both quantitative and qualitative. • Provided decision-makers with a comprehensive understanding of the proposals under review.
Consistent Approach while Considering University Specifics	• Applied a consistent overarching approach to all feasibility studies while independently evaluating each institution's unique attributes and contexts.
Stakeholder Viewpoints	• Included diverse stakeholder perspectives in the assessment. • Developed a holistic understanding of the program proposals, processes, and statutes under consideration.
Forward-Thinking Perspective	• Reviewed the programs, processes, and statutes reviewed from the perspective of both the current and future operating environment. • Considered expected future changes in the higher education ecosystem.
Materiality of Impact	• Prioritized attention on analysis elements that significantly impact feasibility outcomes, engaging in deeper analysis for high impact areas.
Balanced Focus on Kentucky Needs and University Goals	• Dedicated to understanding how proposals could help to address the needs of th Kentucky Commonwealth as well as unique goals of individual universities.

EXECUTIVE SUMMARY

Feasibility Study Methodology | Qualitative Inputs

The project team engaged with a diverse range of internal and external stakeholders, including academic and administrative leaders, government officials, industry professionals, and peer institution leaders, to gather comprehensive feedback and insights.

75

UNIVERSITY FACULTY, STAFF, ADMINISTRATORS

Engaged with 75+ academic and administrative leaders (including provosts, deans, and faculty and staff representatives) through on-campus and virtual meetings.

11

UNIVERSITY PRESIDENTS AND CPE LEADERSHIP

Met with each university president to discuss the vision and strategy for the new programs of study at their institution. Led seven interviews with CPE leaders and maintained regular communication with CPE through weekly status calls to promote alignment and transparency.

5

ON-SITE VISITS

Visited all four campuses as well as CPE in person to gain first-hand perspective to each campus, visiting relevant facilities and engaging with key stakeholders where possible.

12

GOVERNMENT AND COMMUNITY OFFICIALS

Engaged with more than twelve Kentucky government officials, including state Senators, Representatives, the Warren County Judge/Executive, the Governor's office, and the Bowling Green Chamber of Commerce.

7

PEER INSTITUTIONS

Conducted seven interviews with leaders from other Kentucky universities (UK, KCTCS, Morehead) and peer institutions (Auburn, LMU, Texas Tech, UMES) to gain perspectives, financial benchmarks, and lessons learned. Benchmarked against 100+ additional peer institutions using publicly available data.

9

INDUSTRY LEADERS AND EMPLOYERS

Met with leaders from industry associations, reviewed letters from interested indu practitioners, and engaged with pote employers and clinical partners.

EXECUTIVE SUMMARY

Feasibility Study Methodology | Quantitative Inputs

The project team conducted a thorough review of internal documents and data, alongside external benchmarks and trends, to independently validate institutional assumptions and provide a comprehensive feasibility evaluation.

University Provided

Reviewed 220+ documents from CPE, EKU, KSU, Murray State, and WKU, covering academic, student, financial, strategic, personnel/employee, and facilities data (e.g., strategic plans, feasibility studies, program proposals, organizational charts, university policies). Analyzed CPE's Interactive Data Center for **publicly reported data** on enrollment, academic, and student success metrics.

Data Categories

- ❑ Enrollment Data
- ❑ Financial Data
- ❑ Student Success Data
- ❑ Salaries Data
- ❑ Program Budget Projections

External Sources

Validated institutional assumptions by reviewing agency reports (e.g., credit agencies, government entities) as well as accreditation standards, policies, and requirements from COCA[1], AVMA[2], and SACSCOC[3]. Researched **peer benchmarking data** for projections using reputable sources and insights from external stakeholder interviews.

Data Categories

- ❑ Demographic Data
- ❑ Labor Market Data
- ❑ Peer Institutional Benchmarks
- ❑ Kentucky Performance Funding Model Data
- ❑ Industry Association Data
- ❑ Accreditation Requirements

Notes: 1) Commission on Osteopathic College Accreditation (COCA); 2) American Veterinary Medical Association (AVMA); 3) Southern Association of Colleges and Schools Commission on Colleges (SACSCOC).

EXECUTIVE SUMMARY

Feasibility Study Methodology | Program Evaluation Criteria

The project team evaluated the feasibility of each program proposal across nine dimensions in alignment with SJR 170. Each feasibility study in this report is organized around these nine criteria, found below.

SJR-170 Required Current State Considerations

The institution's **recent financial performance** as measured by net operating margins, balance sheet ratios, capital expenditures, and Composite Financial Index (CFI).

The **sufficiency of research facilities**, funding availability, and institutional support for faculty and student research initiatives.

The institution's **historical performance** on student success outcomes, such as graduation rates, retention rates, and performance funding metrics.

The institution's ability **to attract and retain** qualified faculty members.

The alignment of academic programs with current and future workforce needs, **including partnerships with industry** and employment opportunities for graduates.

The costs associated with **launching and operating** new programs relative to the expected returns on investment.

The current and projected student interest and **enrollment trends** for specific programs or fields of study.

The institution's ability to meet the **standards and requirements**, necessary to obtain and maintain program accreditation.

The availability and quality of clinical placement **opportunities for students** in programs that require ha on, practical experience.

Summary of Findings

EXECUTIVE SUMMARY

Feasibility Assessment: Eastern Kentucky University

Eastern Kentucky University has proposed launching a new college of osteopathic medical (COM) with a target enrollment of 150 students per cohort, with new cohorts starting annually in 2028.

SJR-170 Required Current State Considerations

Financial Health	Y	EKU's financial health assessment surfaced some risks from elevated debt levels that could jeopardize their ability to access funding and manage a significant new financial investment.
Student Success	G	EKU currently outperforms other Kentucky regional comprehensives on first-time, full-time student retention. EKU has performed better than other KY public comprehensive institutions on five out of nine metrics tracked in the comprehensive funding model in the last five years.
Research Infrastructure	Y	EKU's current research expenditures are low relative to the other KY comprehensive universities, though it has foundational infrastructure to support research growth, including a dedicated Office of Sponsored Programs.
Cost-Benefit Analysis	G	The proposed EKU COM is resource-intensive but projected to generate surpluses under both moderate and conservative planning assumptions by FY31 without ongoing state support and is anticipated to generate significant economic impact in Madison County and KY more broadly.
Student Demand	G	Student demand for seats in COMs is high, even amid growth in the program pipeline as new COMs launch.
Workforce Alignment	G	By producing more physicians, many of whom would be expected to go into primary care, the EKU COM could address the current shortage of primary care physicians in eastern KY and the Commonwealth more broadly.
Faculty Recruitment	Y	Peer COM benchmarks suggest that EKU will need to offer salaries that far exceed their current average faculty salary levels to compete for medical faculty.
Accreditation Standards	Y	Per accreditation guidelines, EKU will need to hold approximately $48.75M in reserves until it graduates its first class, which EKU plans to ask the state legislature to fund. EKU will also need to grow research infrastructure and ensure quality across clinical education sites to maintain accreditation, requiring significant new investments.
Clinical Placements	Y	Several regional healthcare leaders, including Baptist Health Richmond, ARH, and CHI St. Joseph, have expressed interest in providing clinical education to EKU COM students, documented in letters of support, though evidence of an anchor partner or sufficient clinical capacity could not be validated.

Overall Feasibility Assessment: While some feasibility concerns are noted, many of these concerns would be present at any institution planning to launch a COM given the significant financial and reputational risk that such an endeavor carries. If given permission to pursue the COM, EKU will need to carefully manage its balance sheet to ensure access to necessary capital, to plan to offer faculty salaries that exceed its current salary levels to attract faculty, to cultivate and manage an extensive network of clinical partners, and to invest in research infrastructure to meet accreditation standards for scholarly activity.

Assessment Key

G No/few feasibility concerns Y Some feasibility concerns R Significant feasibility co

EXECUTIVE SUMMARY

Feasibility Assessment: Murray State University

Murray State University has proposed launching a new college of veterinary medicine (CVM) with a target enrollment of 70 students per cohort, with new cohorts starting annually in 2027.

SJR-170 Required Current State Considerations

Financial Health	G	Murray State's financial health assessment points to strong financial management practices and a healthy balance sheet. Financial pressures observed (e.g., slowed tuition revenue growth) are common across public higher education.
Student Success	G	Murray State's undergraduate retention rates and six-year graduation rates have consistently outperformed their peer group average, and Murray State has performed better than or equivalent to other KY public comprehensive institutions on 8 of 9 metrics tracked in the KY performance funding model.
Research Infrastructure	G	Murray State's research expenditures are comparable to the other KY regional comprehensives and have grown by ~30% across the last five years. Murray State also possesses veterinary research equipment in their Breathitt Veterinary Center and other facilities.
Cost-Benefit Analysis	Y	Murray State's CVM is projected to break-even under moderate planning assumptions in FY30 without ongoing state support and anticipated to generate significant economic impact in Calloway County and KY. Murray State's existing faculty and infrastructure in animal sciences offset some of the significant startup costs.

Overall Feasibility Assessment: Murray State has a strong foundation upon which to build a new CVM, including strong institutional finances, existing facilities and expertise in animal sciences, and the proposed CVM would contribute positively to the state and local economy. However, opposition from the veterinary industry in KY could hamper their pursuit, calling into question the alignment of this program with state workforce needs, particularly considering the perceived effectiveness of existing pathways for KY residents to pursue vet education. Faculty recruitment also poses a risk due to current industry shortages.

Student Demand	G	Student demand for seats in DVM programs is high, even amid growth in the program pipeline as new CVMs launch.
Workforce Alignment	Y	Industry experts disagree about the demand for new veterinarians at the national level, though there is an undisputed shortage of rural large animal vets in KY. Some experts purport that a CVM cannot meaningfully address the rural shortage, though Murray State has a record of successfully placing graduates in rural settings.
Faculty Recruitment	Y	There is presently a shortage of veterinary faculty in the US, which is positioned to worsen as planned new vet schools launch in the next decade. Murray State has several existing veterinary faculty on staff who can teach in this program, mitigating the risk.
Accreditation Standards	Y	To meet accreditation standards, Murray State will need to invest significantly to provide sufficient facilities for the housing of animals used in teaching and research, to satisfactorily produce substantial related research, and to ensure quality of education and facilities at distributed clinical sites.
Clinical Placements	Y	In a KVMA[1] survey, over 170 veterinarians across KY expressed interest in supporting clinical education for Murray State students, though a distributive clinical education model requires an expansive partner network, and Murray State may need to look out of state to fulfill its needs, particularly for veterinary specialties.

Assessment Key

G No/few feasibility concerns Y Some feasibility concerns R Significant feasibility co

Note: 1) Kentucky Veterinary Medical Association (KVMA)

EXECUTIVE SUMMARY

Feasibility Assessment: Western Kentucky University

Western Kentucky University has proposed launching one or more doctoral research degrees, starting with a PhD in Data Sciences, with the goal of achieving an R2 (High Research) Carnegie Classification. PhD in Data Sciences is proposed to launch in Fall 2026 with six students.

SJR-170 Required Current State Considerations

Financial Health	Y	**R2**: Risks from declining operating revenues and rising expenses as identified in WKU's financial health assessment raise some concerns over the institution's long-term ability to fund the pursuit of new initiatives.
Student Success	G	**R2**: WKU's graduation and retention rates rank above the average for comprehensive four-year institutions in KY. In 2022, WKU's first-year retention rate was 77% and six-year graduation rate was 54%.
Research Infrastructure	G	**R2**: WKU has taken several intentional steps to lay the foundation for increased research, including expanded central research staffing and trainings, budget allocations to provide research seed funding, and refining faculty workload policies.
Cost-Benefit Analysis	Y	**Data Sciences PhD**: Like most PhD programs, WKU's PhD in Data Sciences is not expected to generate net surplus, but the program will require relatively limited institutional investment to support operational expenses given the small program size and existing infrastructure.

Student Demand	G	**Data Sciences PhD**: Nationally, program conferrals in Data Sciences and related fields across levels increased from 2020 to 2023. Doctoral programs represent a small but growing enrollment market, with just 14 conferrals in 2023 (33% CAGR 2020-2023).
Workforce Alignment	G	**Data Sciences PhD**: Data Sciences occupations in Kentucky have grown steadily over the past five years (1.5% CAGR 2018-23), outpacing overall occupation growth in Kentucky, with growth projected over the next decade.
Faculty Recruitment	G	**Data Sciences PhD**: WKU is planning a relatively small number of faculty hires (two new faculty in first five years), which limits faculty recruitment risks. Proposed salaries are in line with average faculty salaries at KY comprehensive peers.
Accreditation Standards	G	**Data Sciences PhD**: Approval of new doctoral programs, including Data Sciences PhD, will require review and approval by SACSCOC[1] under the Substantive Changes process.
Clinical Placements	◌	Not Applicable

Overall Feasibility Assessment: PhDs offered in pursuit of R2 will not generate net surplus (like most PhD programs); each will require a relatively small, but sustained, institutional investment. New PhDs and R2 status could benefit KY via industry partnerships and expanded access to research for citizens. It could elevate WKU's profile beyond KY as well. WKU's intentional approach to expanding research infrastructure supports feasibility, but enrollment declines and expense growth raise some concerns about long-term financial management. Data Sciences is a sound choice for first research PhD given growing enrollment and labor market.

Assessment Key

G No/few feasibility concerns Y Some feasibility concerns R Significant feasibility co

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Note: 1) Southern Association of Colleges and Schools Commission on Colleges (SACSCOC).

EXECUTIVE SUMMARY

Feasibility Assessment: Kentucky State University

Kentucky State University, a land-grant and HBCU, has proposed launching a PhD in Integrated Agroecology in Fall 2025 with an inaugural cohort of fifteen students to expand on institutional strengths in agriculture-related disciplines.

SJR-170 Required Current State Considerations

Financial Health	R	Although KSU is showing some signs of financial improvement, including progress on its Management Improvement Plan to address cash flow and financial policy concerns, ongoing financial issues may provide an unsteady foundation from which to launch a new endeavor such as research PhDs.
Student Success	R	KSU has the lowest first-year retention rates and six-year graduation rates of KY four-year public universities. Six-year graduation rates have improved from 18% in 2018 to 33% in 2022 but remain below the KY comprehensives average.
Research Infrastructure	G	Thanks in part to its access to land-grant funding and ongoing faculty research contributions, KSU's research expenses far exceed its Kentucky comprehensive peers.[1] Recent investments in the Office of Sponsored Research and facilities also supports viability of Integrated Agroecology PhD.
Cost-Benefit Analysis	Y	Like most PhD programs, the Agroecology PhD is not expected to generate net surplus. However, the program will require a relatively limited institutional investment to support operational expenses given the small program size and existing infrastructure.

Overall Feasibility Assessment: KSU's proposed PhD in Integrated Agroecology would grow an area of strength for KSU in a key industry for KY. However, significant concerns remain about KSU's ability to launch this new program without jeopardizing the institution's commitment to undergraduate success and ongoing financial stability, given the institution's historical financial and student success challenges.

Student Demand	G	PhD in Integrated Agroecology capitalizes on institutional strengths, both in enrollment pipeline and strategic alignment between agriculture and land-grant status. Enrollment in KSU's School of Agriculture & Natural Resources grew by 112% from 2019 to 2023.
Workforce Alignment	G	PhD in Integrated Agroecology aligns with Kentucky employment in the agriculture industry. The PhD program prepares students for industry employment (direct workforce impact) as well as academia (indirect workforce impact via research and innovation).
Faculty Recruitment	G	The relatively small number of planned faculty hires (four by Year 5) limits faculty recruitment risks. Proposed salaries exceed average faculty salaries at peer colleges and universities, which may further ease recruitment and hiring.
Accreditation Standards	G	Approval of the PhD in Integrated Agroecology will require review and approval by SACSCOC[1] under the Substantive Changes process.
Clinical Placements	◌	Not Applicable

Assessment Key

G No/few feasibility concerns Y Some feasibility concerns R Significant feasibility co

Note: 1) Southern Association of Colleges and Schools Commission on Colleges (SACSCOC).

EXECUTIVE SUMMARY

Relevant Powers & Duties of CPE

Denotes duties and responsibilities related to the scope of SJR 170

To ensure a well-coordinated and efficient public postsecondary education system, CPE's statutory duties outlined by KRS 164.020 include, among other duties, overseeing the strategic agenda, leading the budget process, and approving academic programming.

CPE | Select Relevant Duties & Responsibilities (Representative, Not Exhaustive)

Strategic Agenda

"Develop and implement the strategic agenda… Revise the strategic agenda and strategic implementation plans based on the strategic agenda…"

Budget & Funding Model

"Lead and provide staff support for the biennial budget process as provided under KRS Chapter 48, in cooperation with the committee…"

Academic Programming

"Define and approve the offering of all postsecondary education…degree, certificate, or diploma programs in the public postsecondary education institutions…Eliminate, in its discretion, existing programs or make any changes in existing academic programs…"

Tuition & Admissions

"Determine tuition and approve the minimum qualifications for admission to the state postsecondary educational system."

Institutional Missions

"Review, revise, and approve the missions of the state's universities and the KCTCS… [CPE] shall have the final authority to determine the compliance of postsecondary institutions with their academic services, and research missions."

Policy Guidance

"Devise, establish, and periodically review and revise policies to be used in making recommendations ot the Governor for consideration in developing recommendations to the General Assembly for appropriations to the universities…"

Technology Management

"Ensure the coordination, transferability, and connectivity of technology among postsecondary institutions…including the development and implementation of a technology plan as a component of the strategic agenda."

Data Analysis

"Engage in analyses and research to determine the overall needs of postsecondary education and adult education in the Commonwealth."

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Sources: About the Council: Who We Are - Ky. Council on Postsecondary Education, The Council's Role and Responsibilities (Handout), KRS 164.020.

KRS 164.295: History of Statutes Governing Comprehensive Universities

The legislation created in the Kentucky Postsecondary Education Improvement Act has been amended several times across the past two decades to incrementally expand the scope of comprehensive universities.

Each Senate Bill Amends KRs 164.295

1997

Kentucky Postsecondary Education Improvement Act

Included **KRS 164.295** which outlined which programs the six comprehensive state universities could provide, including **graduate programs with CPE's approval.**

2010

SB 127

Allowed comprehensive universities to offer **advanced practice doctoral (APD) degrees in nursing.**

2011

SB 130

Permitted comprehensive universities to offer up to **three APD degree programs** and an **Ed.D program,** specifying that comprehensive universities are **not allowed** to offer "first professional degrees" in medicine.

2012

SB 131

Removed the limit of three APDs and one Ed.D at individual institutions and set **a maximum of eighteen total advanced practice doctorates and Ed.Ds** for the six comprehensive universities, with at least two available for each institution.

2017

SB 147

Removed the cap of eighteen total APDs and Ed.Ds for comprehensive universities. Also removed "first professional degree" language and changed it to **doctoral degrees "required for professional practice and licensure…"** in fields including medicine and veterinary medicine.

These incremental changes to KRS 164.295, driven by individual institutions' interest in expanding program offerings, have **blurred the lines between the missions of higher education institutions in Kentucky** (research vs. comprehensive), contributed to an **unpredictable strategic environment**, and **created confusion around roles and responsibilities** for program review and approval at public institutions in Kentucky.

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Sources: KRS 164.295; Chapter 80 (SB 127); CHAPTER 94 (SB 130); CHAPTER 29 (SB 131); CHAPTER 51 (SB 147, Givens and Wilson).

Legislative Recommendations

Legislative changes may be necessary to address the outcomes of the SJR 170 study. Moreover, the coordinating entity (CPE) should continue to be empowered to review and approve academic program decisions in the future, consistent with statute and in alignment with leading practices.

Clarify the Missions of Public Institutions in Statute *(SJR 170 Outcomes Dependent)*

- The missions of KY's public institutions may need to be reconsidered based on not only the outcomes of SJR 170, but also the changing nature of higher education in KY and the US more broadly.
- Statutory language should broadly set the mission for each institution, clarifying its place in the commonwealth, particularly with regards to research and doctoral programs, providing each institution with clarity, differentiation, and opportunities to innovate.

Ensure that the Coordinating Entity (CPE) is empowered to carry out its statutory role of defining and approving all academic programs

- With statute broadly defining mission for each institution, CPE should continue to be empowered to efficiently and effectively approve individual program proposals, as statute dictates.
- A clear separation of duties between the legislature and the coordinating entity is leading practice across US public higher education.
- The coordinating entity should be funded at a level that allows them to carry out their statutory responsibilities.

Sources: KRS 164.295 Programs of state and comprehensive universities -- Criteria for approval of advanced practice doctoral programs -- Review of doctorates -- Degrees a comprehensive university may not offer; KRS 164.020 Powers and duties of council.

EXECUTIVE SUMMARY

Process Overview and Recommendations

The project team interviewed university and CPE stakeholders to surface process strengths and challenges and reviewed academic program approval processes at 45 state systems or coordinating bodies to identify leading practices and inform a set of four recommendations.

Per KRS 164.020, the Council on Postsecondary Education (CPE) is the approving body for academic programs at Kentucky's public institutions.

CPE administers a new program approval process for all new programs that is **thorough, accessible,** and **encouraging of innovation.** CPE currently **requires additional documentation for Advanced Practice Doctorates (APD)** at comprehensive universities.

However, analysis, informed by both stakeholder feedback and industry leading practices, **surfaced several limitations of the current process, including:**

- Confusion around roles and decision-making authority
- Need for additional differentiation of process steps and external review for higher-risk proposals
- Lack of clarity around decision-making criteria
- Insufficient accountability for post-launch program performance

The following recommendations to address stakeholder concerns and improve the process are informed by benchmarking of 45 state systems' and coordinating boards' leading program review practices:

1. **Further Differentiate Proposal Requirements,** creating a different process for programs requiring "extraordinary consideration"
2. **Consider Requiring External Review,** including for proposals that deviate from an institution's historical scope or require significant financial investment
3. **Clarify Approval Criteria for Programs** to increase trust and transparency in the approval process
4. **Instill Accountability for New Program Performance,** ensuring that new programs deliver on their original goals and intent

University Commentary

Eastern Kentucky University | University Commentary

On November 19, 2024, the project team met with the Eastern Kentucky University (EKU) president and leadership team to brief them on the results of our feasibility study. At the conclusion of this briefing, the university was invited to provide commentary where they disagreed with a material element of the study, which points are captured below:

EKU asserts that the study's Clinical Placement Assessment does not appreciate the current restrictions on the institution's ability to secure an anchor partner prior to receiving statutory authority to launch the osteopathic school.

Murray State University | University Commentary

On November 19, 2024, the project team met with the Murray State University (Murray State) president and leadership team to brief them on the results of our feasibility study. At the conclusion of this briefing, the university was invited to provide commentary where they disagreed with a material element of the study, which points are captured below:

- Murray State asserts that the study's Cost-Benefit Analysis and its assumed 40 staff FTEs needed to operate the college of veterinary medicine (CVM) is overstated and does not reflect their intent of leveraging existing staff dedicated to animal care in the existing Hutson School of Agriculture and Breathitt Veterinary Center, centralized administrative staff, and student workers.
- Murray State asserts that the Workforce Alignment Assessment over-values the AVMA's assertion that there is no anticipated shortage of veterinarians and under-estimates the likelihood of Murray State graduates to practice in rural areas serving large animals.
- In relation to the Faculty Recruitment Assessment, Murray State cites recent successes in recruiting veterinarians at the Hutson School of Agriculture and Breathitt Veterinary Center as evidence that, despite the national shortage of veterinarian faculty, they will not experience significant challenges in this area.

Western Kentucky University | University Commentary

On November 19, 2024, the project team met with the Western Kentucky University (WKU) president and leadership team to brief them on the results of our feasibility study. At the conclusion of this briefing, the university was invited to provide commentary where they disagreed with a material element of the study, which points are captured below:

- WKU asserts that the Financial Health Assessment does not reflect recent progress in improving their financial position, specifically recent enrollment increases, modifications to financial management practices, and reduction of the discount rate.
- WKU asserts that the Cost-Benefit Analysis undervalues the potential of expanded eligibility for federal research funding, increased attractiveness to prospective students and faculty, expanded industry partnerships, and elevated institutional reputation that could result from the approval of a PhD in Data Sciences.

Kentucky State University | University Commentary

On November 19, 2024, the project team met with the Kentucky State University (KSU) president and leadership team to brief them on the results of our feasibility study. At the conclusion of this briefing, the university was invited to provide commentary where they disagreed with a material element of the study, which points the project team has represented below:

- KSU asserts that the study's Financial Health Assessment does not reflect the recent progress the institution has made towards the goals of the Management Improvement Plan, namely stabilizing cash flow, reinforcing financial policies, and improving Performance Funding metrics.
- Similarly, KSU asserts that the study's Student Success Assessment does not reflect recent improvements in student access and success, namely the creation of partnerships to expand affordability, dedicated initiatives to drive improved retention, and better-articulated undergraduate-to-graduate academic pathways.

Detailed Feasibility Studies

EKU | Doctoral Program for Professional Practice and Licensure in Osteopathic Medicine

Financial Health Assessment

Overall Feasibility Assessment

Financial Health	Y	EKU's financial health assessment surfaced some risks from elevated debt levels that could jeopardize their ability to access funding and manage a significant new financial investment.

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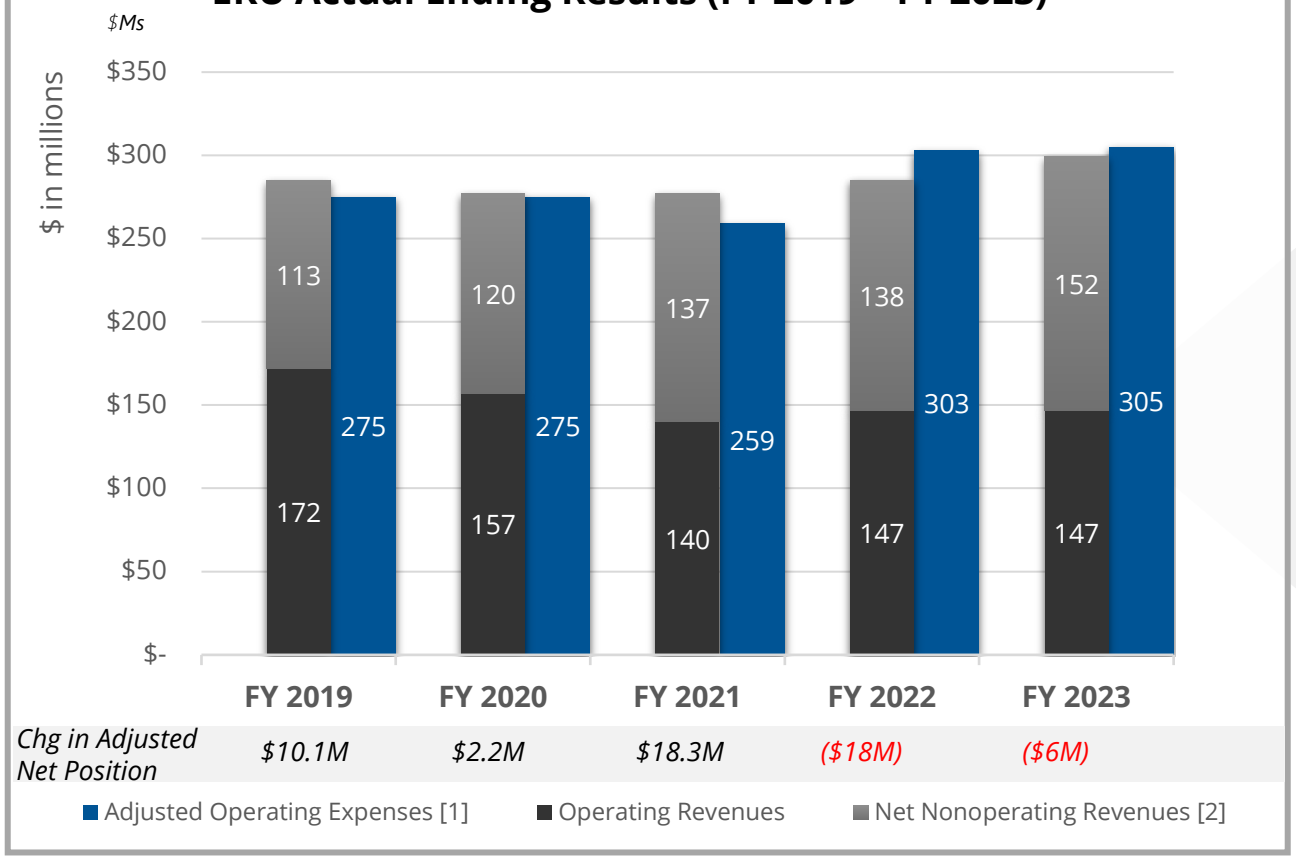
Financial Health Assessment | Net Position

From Fiscal Year (FY)19 to FY21, EKU recorded positive changes in net position (from audited financial statements, adjusted to exclude Pension/Other Postemployment Benefits (OPEB) Expense Adjustments) ranging from $10.1M in FY19 to $18.3M in FY21. In recent years, slowed revenue growth and rising expenses have posed growing financial challenges.

EKU Actual Ending Results (FY 2019 – FY 2023)



Key Takeaways

EKU's total expenses decreased from $275M in FY2019 to $259M in FY2021, reflecting a 5.8% reduction during the COVID-19 pandemic. **Expenses have accelerated since FY2021, rising to $305M in FY2023**, representing a 17.8% increase in total expenses.

The main driver of revenues for EKU, **Net Tuition and Fees, has declined in recent years from $88M in FY 2019 to $81M in FY 2023.** In addition, Auxiliaries generated $20M in FY 2023, down from $26M in FY 2022. Moody's notes, "while EKU's enrollment growth has resumed post-pandemic…net tuition revenue growth remains constrained due to competitive dynamics and challenging demographics."

The main drivers of expenses for EKU, Instruction and Institutional Support[3], **have grown in recent years from $79M and $26M in FY 2019 to $90M and $44M in FY 2023 respectively.**

EKU has been able to keep total revenues balanced with total expenses through **increased State Appropriations and Federal/State Grants and Contracts.** These sources amounted to $145M in FY 2023, which was nearly 50% of all EKU revenues.

EKU has generally balanced growth in net position; however, the institution, along with most public institutions in KY, is facing growing financial pressure from slowed net tuition revenue growth and high fixed costs which limit its ability to better align revenues with expenses.

Notes: 1) Adjusted to not include Pension Expense Adjustments and OPEB expense adjustments; 2) Includes Net Nonoperating Revenues and Capital Appropriations; 3) Reflects administrative support for the University and includes noncapital maintenance expenses, technology support, legal, and other similar operational support costs. Sources: EKU Audited Financial Statements, Moody's Rating Report (Aug 2024)

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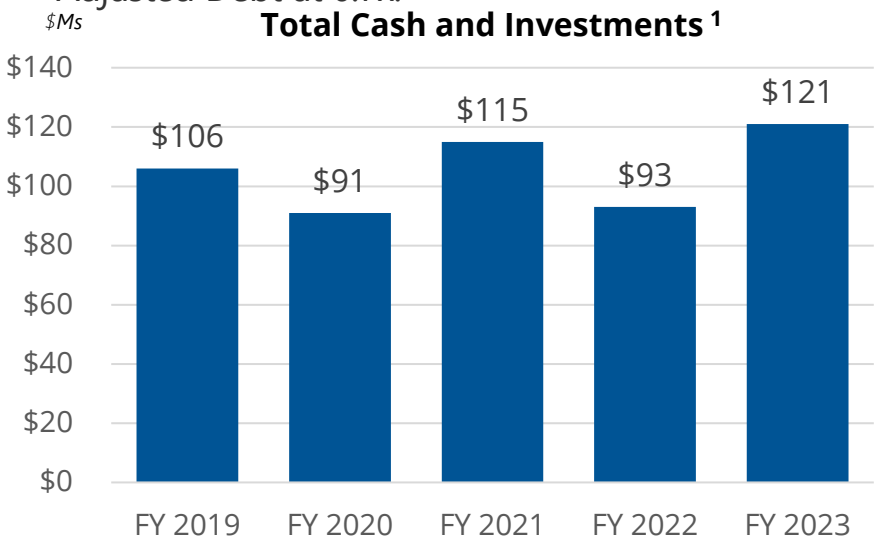
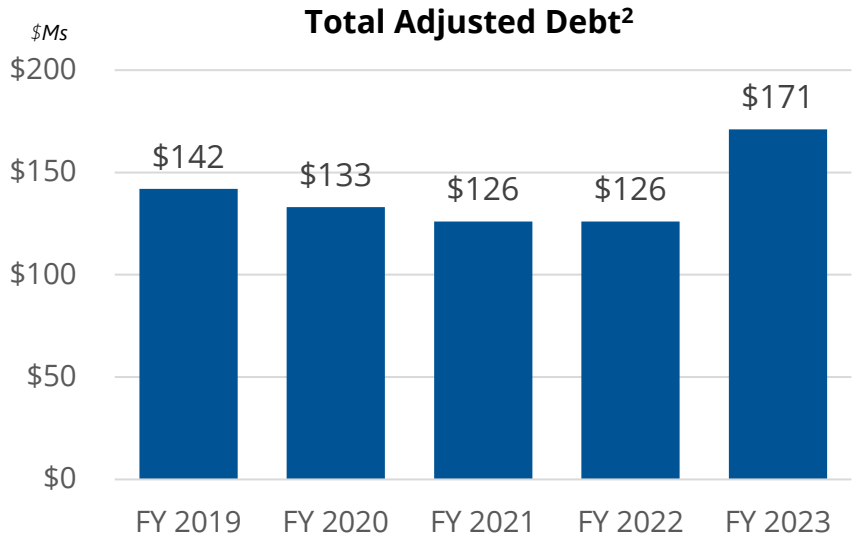
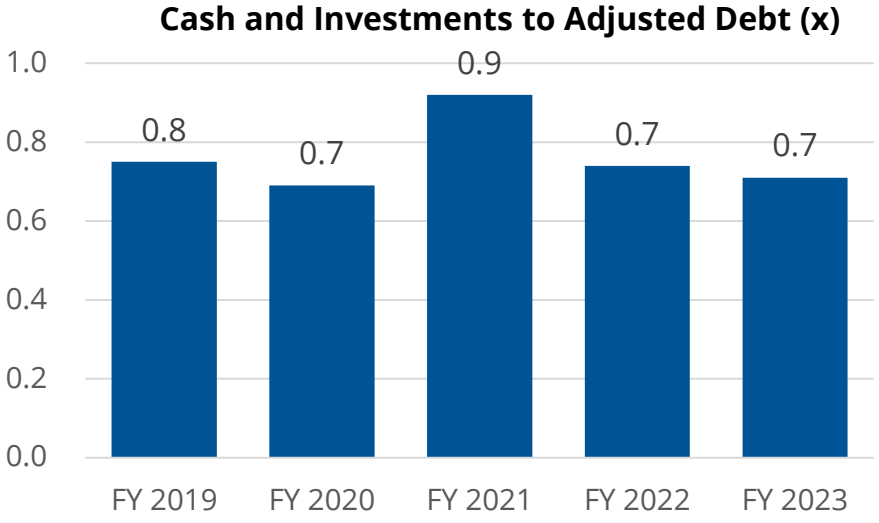
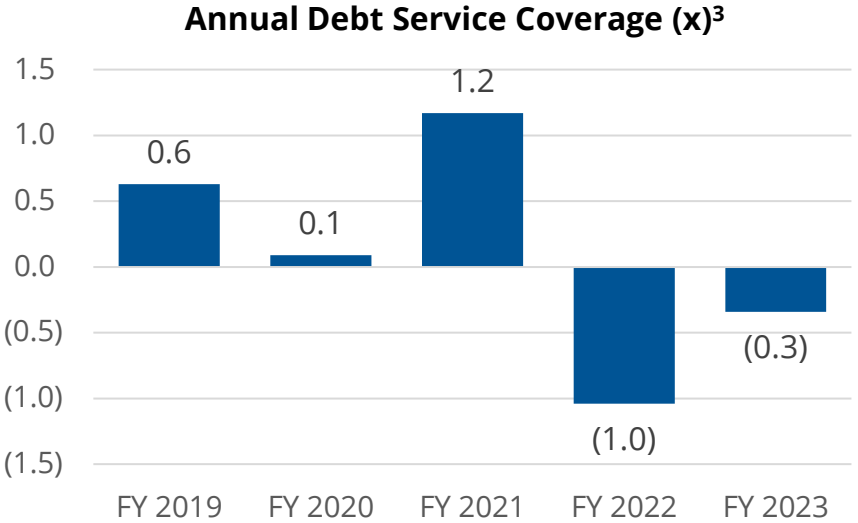
Financial Health Assessment | Balance Sheet Summary

EKU's balance sheet demonstrates some risks due to elevated leverage, with Total Cash and Investments (C&I) not being of equal magnitude to Total Adjusted Debt at 0.7x.









Key Takeaways

Growing Cash and Investments
Cash and Investments increased 14% from FY 2019 to FY 2023, demonstrating positive growth in recent years.

Growing Total Adjusted Debt
Total Adjusted Debt increased 20% from FY 2019 to FY 2023, outpacing growth in Cash and Investments. Moody's notes that much of this new debt was allocated towards capital uses.

Elevated Leverage Position
An elevated debt load that is now above total cash and investments has resulted in a Debt to C&I ratio below one of 0.7x. If EKU continues to operate at a deficit, this will challenge the institution's ability to grow Cash and Investments to strengthen its balance sheet and to make annual debt service payments.

Notes: 1) Reflects Cash and Cash Equivalents, Restricted Cash and Cash Equivalents, Investments ; 2) Reflects Bonds Payable, Finance Purchase Obligations, RTU Current Lease Liability, RTU Current SBITA Liability, Bonds Payable (Noncurrent Portion), Finance Purchase Obligations (Noncurrent Portion), RTU Lease Liability, RTU SBITA Liability; 3) Reflects Principal Paid on Capital Debt, Interest Paid on Capital Debt, Interest Paid on Leased Assets. Sources: Audited Fin. Statement, Moody's Rating Report);

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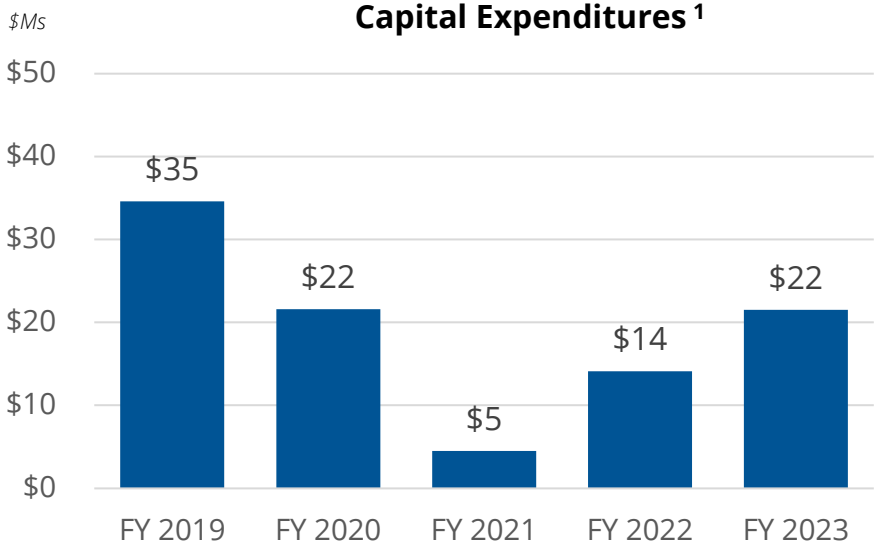
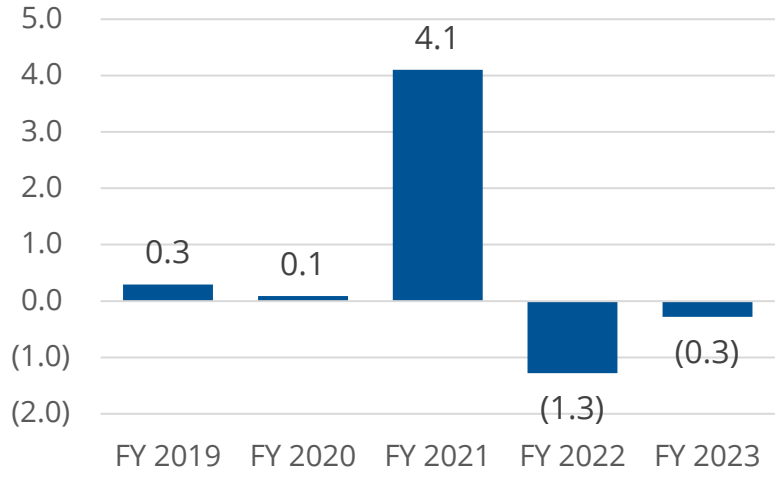
Financial Health Assessment | Capital Expenditures

Capital expenditures (CapEx) have increased from $5M in FY 2021 to $22M in FY 2023, driven by an increase strategic investments and state support.

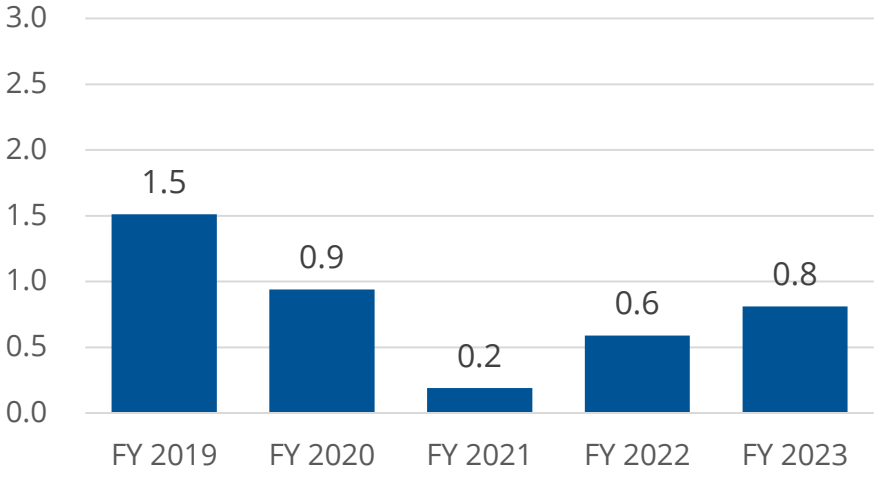
Capital Expenditures [1]



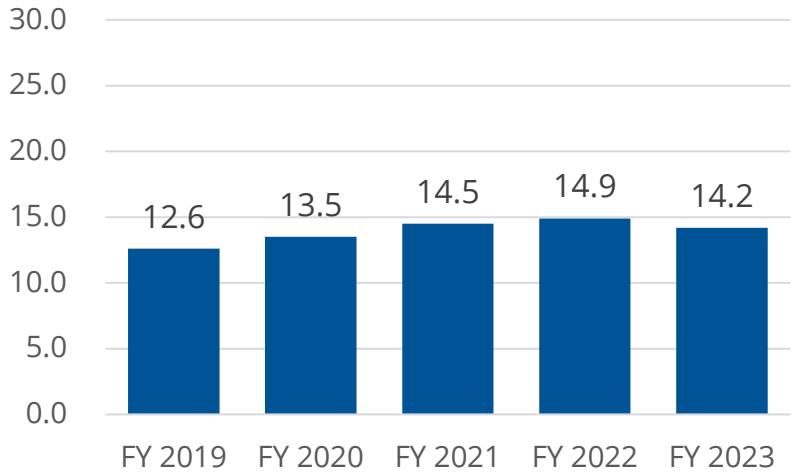
Change in Adjusted Net Position [2] to CapEx (x)



Capital Spending Ratio (x)



Average Age of Plant (Years)



Key Takeaways

Post-Pandemic Rebound in Capital Spending
Capital spending reached its lowest point at $5M in FY 2021 in the wake of the Covid-19 pandemic, but has been increasing since, reaching $22M in FY23.

Strategic Growth
The university's increase in strategic capital investments, aimed at new construction and campus renovations, have been bolstered by recent state support for new projects and deferred maintenance.

Managing Growth of Capital Planning
Moody's notes, "EKU now faces the need to fund the long-term fixed costs for debt support and rebuild reserves that were allocated for capital uses, a challenge given rising expense pressures and historically near balanced operations."

Notes: 1) Reflects Purchase of Capital Assets; 2) Adjusted to not include Pension/OPEB Expense Adjustments. Sources: EKU Audited Financial Statements; Moody's Rating Report (Aug 2024).

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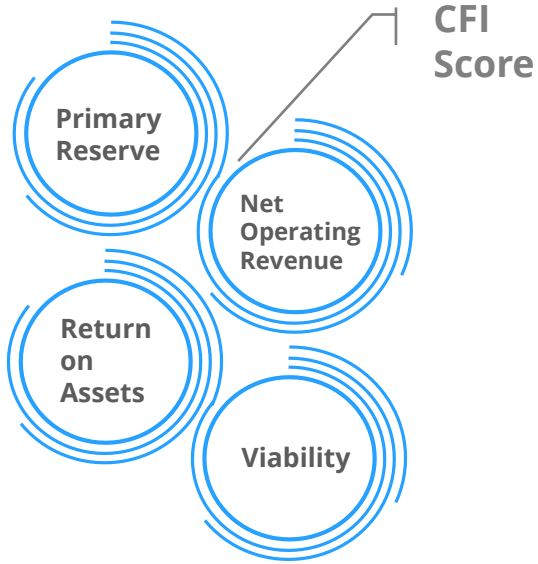
Financial Health Assessment | Composite Financial Index (CFI)

EKU's Composite Financial Index (CFI) score of 1.84 in 2023 provides a point-in-time indicator of financial health and a "need to re-engineer" the institution.

The four ratios are **primary reserve, net operating revenue, return on assets, and viability**. These ratios **gauge the fundamental elements of the financial health** of an institution. The composite score reflects the overall relative financial health along a scale from **negative 4.0 to positive 10.0** for higher education institutions. A score **greater than 3 is considered relatively financially healthy**.

CFI Components



Key Ratios

Primary Reserve Ratio

$$\frac{\text{expendable net assets}}{\text{total expenses}}$$

Net Operating Revenue Ratio

$$\frac{\text{net operating income}}{\text{total unrestricted operating revenues}}$$

Return on Assets Ratio

$$\frac{\text{change in net assets}}{\text{total net assets}}$$

Viability Ratio

$$\frac{\text{expendable net assets}}{\text{long-term debt}}$$

EKU CFI Score[1,2]	Ratio	CFI Score
Primary Reserve	0.42x	1.12
Net Operating Revenue	-3%	-0.23
Return on Assets	3%	0.26
Viability	0.84x	0.71
Total	---	1.84

Notes: 1) Adjusted to not include Pension Expense Adjustments and OPEB expense adjustments; 2) Ratio calculations include Component Unit (CU) data. Sources: EKU Audited Financial Statements; Higher Learning Commission CFI Workshe The Financial Resilience of Independent Colleges and Universities; State Higher Education Executive Officers Association.

Student Success Assessment

Overall Feasibility Assessment

Student Success

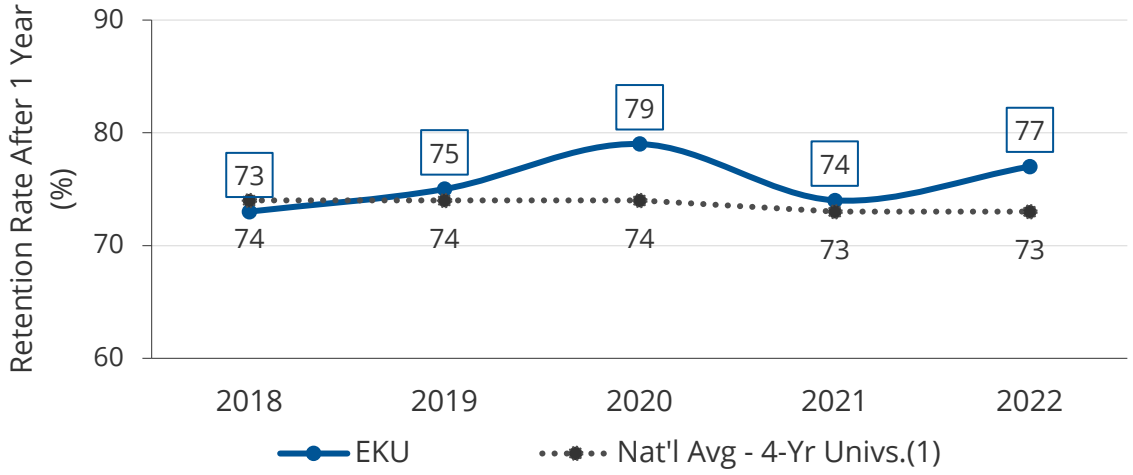
G

EKU currently outperforms other Kentucky regional comprehensives on first-time, full-time student retention. EKU has performed better than other KY public comprehensive institutions on five out of nine metrics tracked in the comprehensive funding model in the last five years.

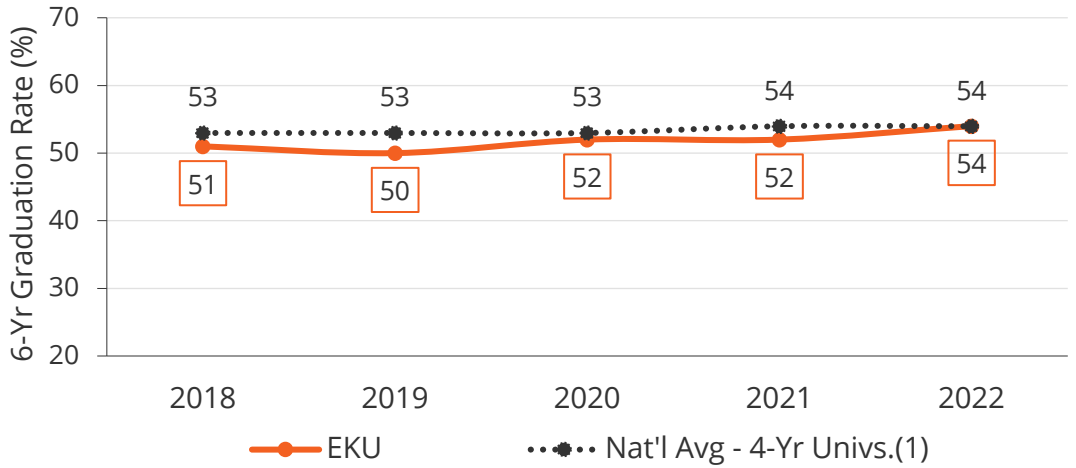
Current State Performance on Key Student Success Metrics

Eastern Kentucky University's undergraduate retention rates and graduation rates have demonstrated positive growth (despite modest declines during the COVID pandemic). EKU outperforms the national average in first-year retention.

EKU First-Year Retention Rate (First-Time, Full-Time Students)



EKU 6-Year Graduation Rate (First-Time, Full-Time Students)



Retention rates recovering and above national averages…

- First-to-second year retention rates for first-time, full-time students experienced an overall increase of four percentage points from Fall 2018 (73%) to Fall 2022 (77%).
- From Fall 2021 to Fall 2022, EKU's first-year retention increased three percentage points (77%), exceeding the national average by four percentage points and representing a return close to pre-pandemic highs.

…while graduation rates at a 5-year high

- The share of students receiving a bachelor's degree or equivalent within six years at EKU remained closely aligned with the national average between 2018 and 2022.
- EKU's graduation rate increased three percentage points from 51% in 2018 to 54% in 2022, which represented a five-year high for the institution.

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Note: 1) National averages include all public and private not-for-profit four-year colleges and universities as reported in IPEDS. Source: IPEDS Data Dashboard.

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Current State Performance on the Comprehensive Funding Model

EKU performed better than the KY comprehensive average on five of the KPIs incentivized by the performance funding model.

CPE utilizes a performance-based funding model that aligns funding with institutional performance on desired state policy goals. After each institution receives their "funding floor", the remaining resources are distributed based on the funding formula:

35% *based on student success metrics* **35%** *based on course completions* **30%** *based on operational support.*[1]

From 2013-14 to 2022-23, EKU performed better than other KY public comprehensive institutions on **five out of nine KPIs:**

- Total Bachelor's Produced
- STEM+H[2] Bachelor's Produced
- Low Income Bachelor's Produced
- URM[3] Bachelor's Produced
- Progression at 30 Hours
- Progression at 60 Hours
- Progression at 90 Hours
- Student Credit Hours Earned
- FTE[4] Student Enrollment

- Despite performing worse than their peer group, performance on STEM+H Bachelor's, Progression at 30 hours, and Total Bachelor's Produced were within five percentage points of the average across KY comprehensives.

Key

- Performed better than or equivalent to KY comps average
- Performed worse than KY comps average

Notes: 1) Funding proportions were amended to 40% for student success metrics and 30% for course completions for the 2024-25 funding distribution; 2) Science, Technology, Engineering, Math, and Health Sciences (STEM+H); 3) Underrepresented Minority (URM); 4) Full-Time Equivalent (FTE). Sources: 13 KAR 2:120E; Performance Funding - Ky. Council on Postsecondary Education; KRS 164.092; Workbook: Kentucky Postsecondary Education Interactive Data Dashboard; Funding Model Data provided by CPE.

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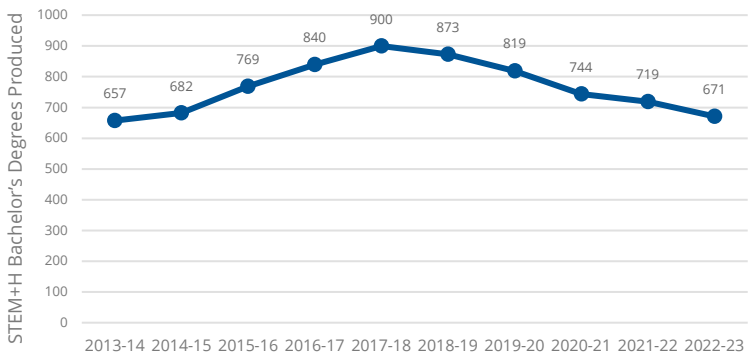
Current State Performance on the Comprehensive Funding Model

EKU has grown its production of STEM+H and URM Bachelor's degrees. Its low-income bachelor's production growth has slowed, in line with other Kentucky comprehensives.

Data Trends

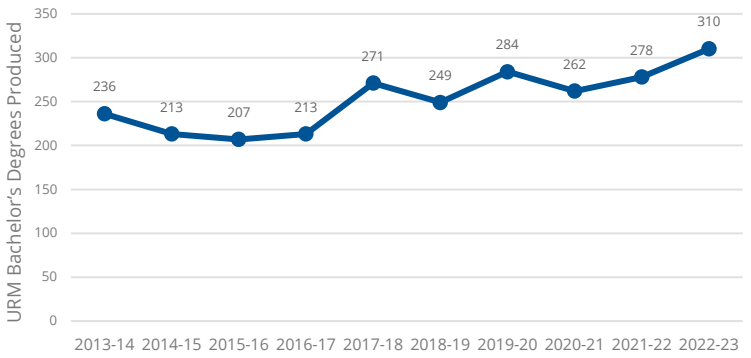
STEM+H Bachelor's Produced



2% EKU | **7%** KY Comps[2]

number of STEM+H Bachelor's produced from 2013-14 to 2022-23

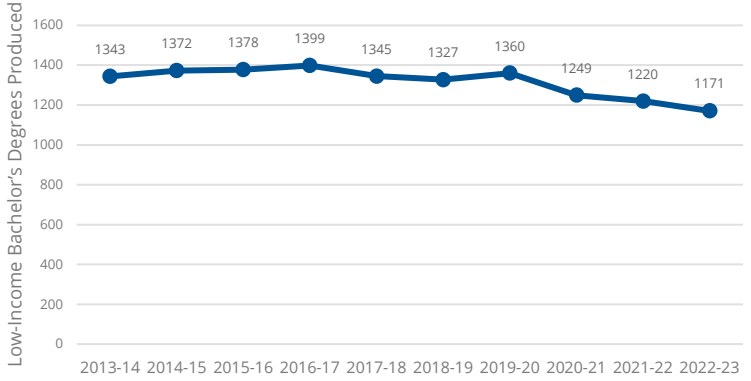
Underrepresented Minority Student (URM) Bachelor's Produced[1]



31% EKU | **23%** KY Comps

number of URM Bachelor's produced from 2013-14 to 2022-23

Low-Income Bachelor's Produced



13% EKU | **15%** KY Comps

number of Low-Income Bachelor's produced from 2013-14 to 2022-23

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Notes: 1) The URM Bachelor's Degrees metric has been amended to "underrepresented students", defined as "first generation college students", for the 2024-25 funding distribution. 2) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

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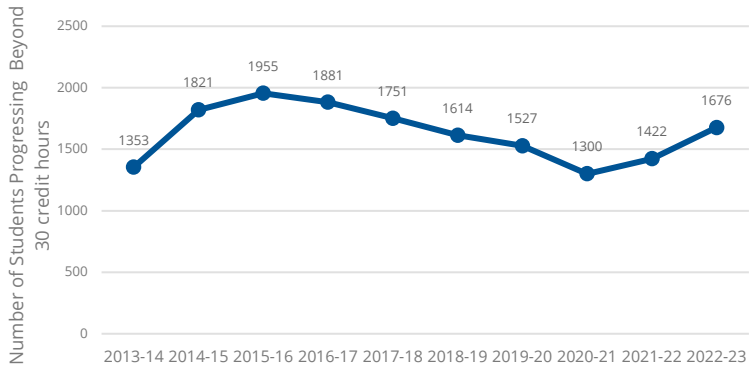
Current State Performance on the Comprehensive Funding Model

While EKU has increased its progression at 30 hours, its progression at 60 and 90 hours has declined since 2013, reflecting broader trends across the KY comprehensives.

Data Trends

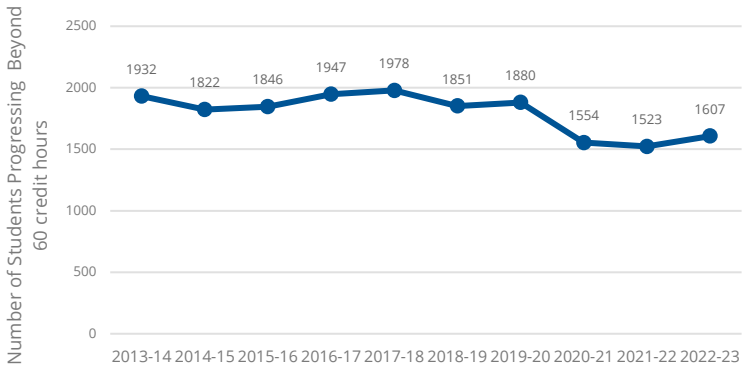
Progression @ 30 hours



24% EKU | **20%** KY Comps[1]

number of undergraduate students @ 30 hours from 2013-14 to 2022-23

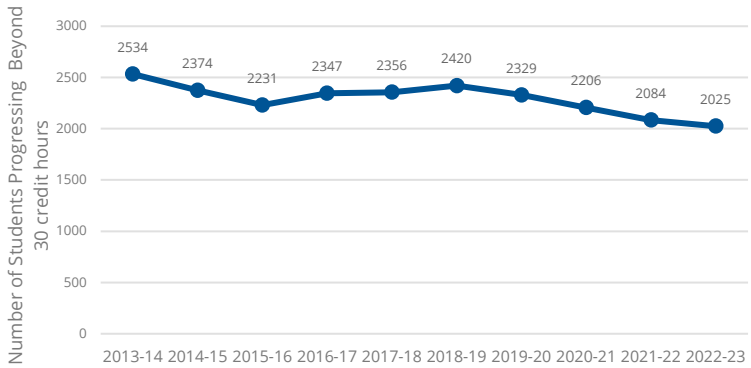
Progression @ 60 hours



17% EKU | **15%** KY Comps

number of undergraduate students @ 60 hours produced from 2013-14 to 2022-23

Progression @ 90 hours



20% EKU | **11%** KY Comps

number of undergraduate students @ 90 hours from 2013-14 to 2022-23

135

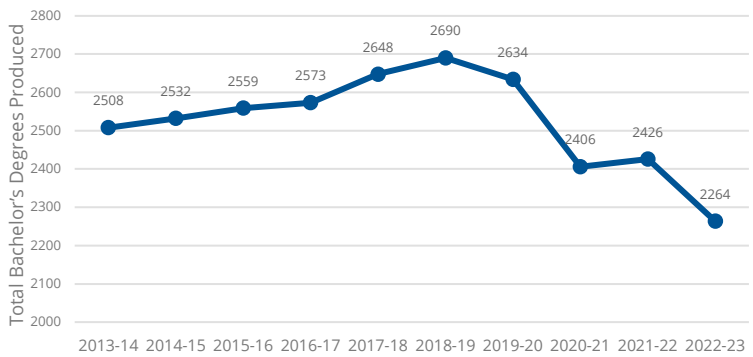
Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

EKU's total volume metrics have experienced negative or slowed growth, although they've fared slightly better than KY comprehensives overall.

Data Trends

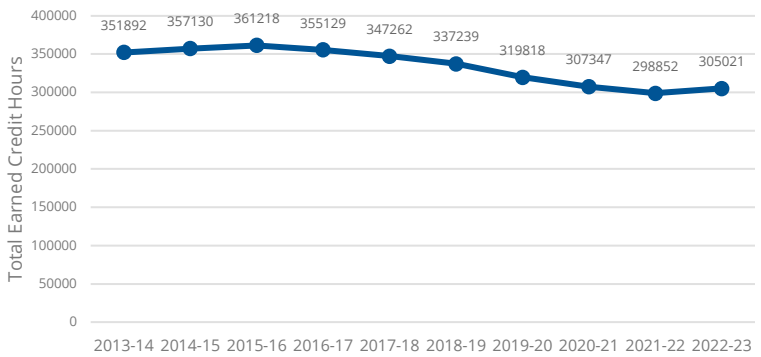
Total Bachelor's Produced



10% EKU | **8%** KY Comps[1]

number of Total Bachelor's produced from 2013-14 to 2022-23

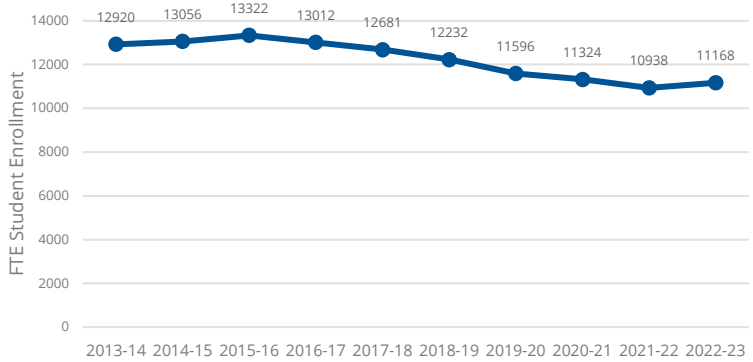
Student Credit Hours Earned



13% EKU | **16%** KY Comps

number of Student Credit Hours earned from 2013-14 to 2022-23

FTE Student Enrollment



14% EKU | **21%** KY Comps

number of FTE Student Enrollment from 2013-14 to 2022-23

136

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Research Infrastructure Assessment

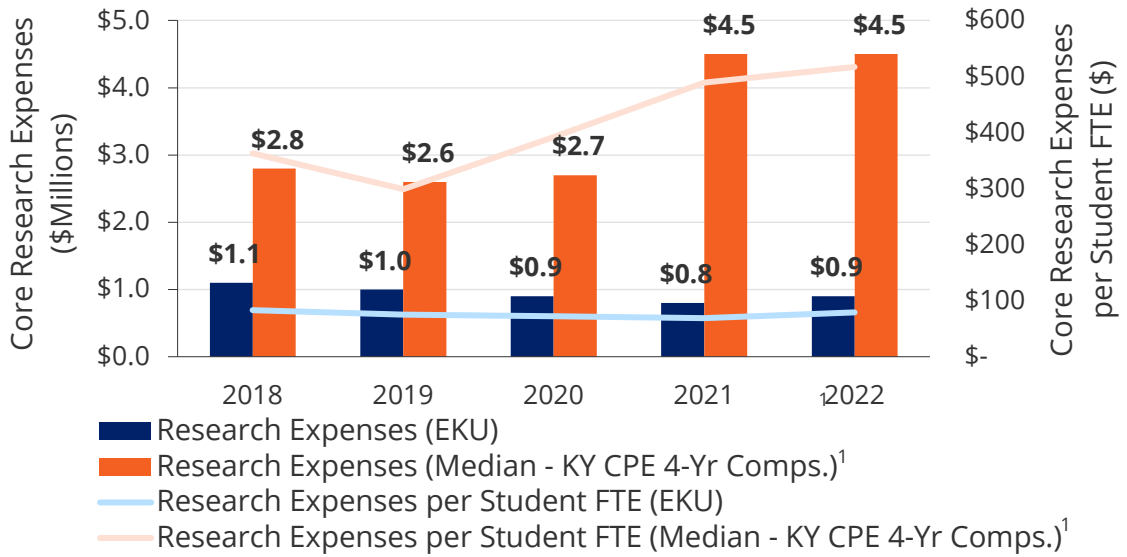
Overall Feasibility Assessment

Research Infrastructure 	Y	EKU's current research expenditures are low relative to the other KY comprehensive universities, though it has foundational infrastructure to support research growth, including a dedicated Office of Sponsored Programs.

Current State Research Infrastructure

EKU's current research expenditures are low relative to the other comprehensive universities in Kentucky, though it has foundational infrastructure to support research growth.

EKU Core Research Expenses (2018-2022)



EKU's total core research expenses decreased by 27% from 2018 to 2021. Although core research spending increased slightly from 2021 to 2022, total core research expenses still decreased by close to 20% over a 5-year period. Comparatively, EKU's research expenditures lags other Kentucky comprehensive universities.

Research Infrastructure Highlights

Central Office of Sponsored Programs

EKU has a dedicated Office of Sponsored Programs with 5 FTEs at present that manage the administration and compliance of grants and research. The Office of Sponsored Programs also hosts trainings for faculty and staff on pre-/post-award planning and management.

Undergraduate Research and Creative Endeavors (URCE)

URCE supports faculty-student mentorships to enhance learning and develop professional skills. It sponsors conference travel, mentorship opportunities, and scholarship programs for students. The program focuses on promoting research application, developing knowledge resources, and engaging the community through partnerships.

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University/ Sources: IPEDS Data Center, EKU's Office of Sponsored Programs; EKU's Undergraduate Research and Creative Endeavors.

Cost-Benefit Analysis

Overall Feasibility Assessment

Cost-Benefit Analysis

G

The proposed EKU COM is resource-intensive but projected to generate surpluses under both moderate and conservative planning assumptions by FY31 without ongoing state support and is anticipated to generate significant economic impact in Madison County and KY more broadly.

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Assumptions Driving Financial Model

The COM timeline, EKU stakeholder discussions, market research, and COCA guidelines inform moderate and conservative drivers.

	Line Item	Forecast Approach	Moderate Driver	Conservative Driver
REVENUES	**Enrollment**	Market Research and COCA Guidelines	Enrollment ramp-up is defined by COCA Guidelines as the COM grows to a target capacity of 150 students per year. Annual attrition of 3% is calculated based on the MD Association of American Medical Colleges (AAMC) average.	Conservative capacity calculated as 85% of target. Conservative annual attrition rate estimated at 2 percentage points higher (5%).
	Tuition & Fees	EKU Proposal Materials, Market Research and Peer Comparisons	Tuition pricing is set at $45,000 and $65,000 for in-state and out-of-state students respectively in FY30 (provided by EKU) and is expected to grow at 3%. This pricing is competitive with its DO peers. Per EKU, there is no plan to offer additional scholarships or institutionally funded grants to admitted students.	Tuition pricing is set the same as the moderate scenario and is expected to grow at 2%.
	Other Revenues	EKU Proposal Materials, EKU Historical Trends, and Market Research	Revenues from Grants & Contracts are estimated at 3.3% of faculty wages based on analysis of peers with similar target enrollment. Operating Gifts are estimated at an increase of 5% of nongovernmental grants, contracts, and gifts from 2023 based on analysis of peers with similar target enrollment.	Conservative contribution rates for Operating Gifts and Grant & Contracts estimated at 1 percentage point lower than moderate scenario.
EXPENSES	**Faculty and Staff Salary and Benefits**	EKU Proposal Materials, Market Research and Peer Comparisons	Faculty and staff headcounts and salaries calculated based on analysis of peers with similar target enrollment. EKU is estimated to need to hire 8 administrators, 19 faculty, and 54 staff. Gradual hiring timeline is aligned with COCA guidelines and student enrollment ramp-up. Personnel salaries forecast a 2.7% annual increase, based on the 10-year average of annual inflation rates from the Bureau of Labor Statistics/ Consumer Price Index. Employee Benefits are projected at 33% of compensation, in line with existing EKU Operations.	Conservative personnel costs estimated at 15% higher than moderate scenario. Conservative annual growth rate estimated at 4% based on 5-year average of annual inflation rates from the Bureau of Labor Statistics/ Consumer Price Index. Employee Benefits are projected at the same rate as the moderate scenario.
	Faculty Start-up Packages	Market Research	Start-up Packages are assumed to be ~$100k per faculty FTE based on analysis of peer operations.	Conservative start-up Packages are estimated at 15% higher than moderate scenario.
	Rotation Payments	EKU Proposal Materials	Rotation payments expense estimates were shared by EKU and assume four rotations per student per year and a $2.4k fee per rotation. The moderate scenario uses the low end of the range provided by EKU.	Conservative fee per rotation estimated based on upper range of annual estimate provided by EKU.
	All Other Operating Expenses	COCA Guidelines and Market Research	Includes COCA accreditation fees including new COM Application Fee ($107,000), Maintain Application Annual Fee ($80,250), Candidate State Application Fee ($107,000), Maintain Candidate Status Annual Fee ($53,500), Pre-Accreditation Application Fee ($53,500), Maintain Pre-Accreditation Status Annual Fee ($53,500), and Maintain Accreditation Status Annual Fee per COCA ($48,150).	Same assumptions as moderate model.
	Facilities Expense	EKU Proposal Materials and Market Research	Facility Operating Expense (OpEx) is estimated using Gross Square Feet (GSF) plans provided by EKU and OpEx per GSF calculated through peer benchmarking.	Conservative rate for Facilities OpEx per GSF estimated at 15 percent higher than moderate scenarios.
	Depreciation	EKU Proposal Materials and Market Research	New COM building assumed to be straight-line depreciated with useful life of 40 years for the building per GAAP with depreciation beginning in FY30 post completion of construction.	Same assumptions as moderate model.
RESERVES	**Reserves**	COCA Guidelines	Escrow & Reserve Requirements including the unwind upon graduation of the 1st class are defined by COCA. Escrowed reserved fund ($39M) calculated by the highest tuition ($65,000) multiplied by the approved number of students (150) for the proposed COM multiplied by 4 years. Operating reserve fund ($9.75M) is equal to one-quarter of the escrowed reserve fund. EKU estimated an additional $7.5M in initial operating costs from the General Assembly.	Same assumptions as moderate model.

Sources: American Osteopathic Association's Commission on Osteopathic College Accreditation (COCA) New & Developing Accreditation Standards 2023; U.S. Bureau of Labor Statistics; University Websites.

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Staffing and Enrollment Assumptions

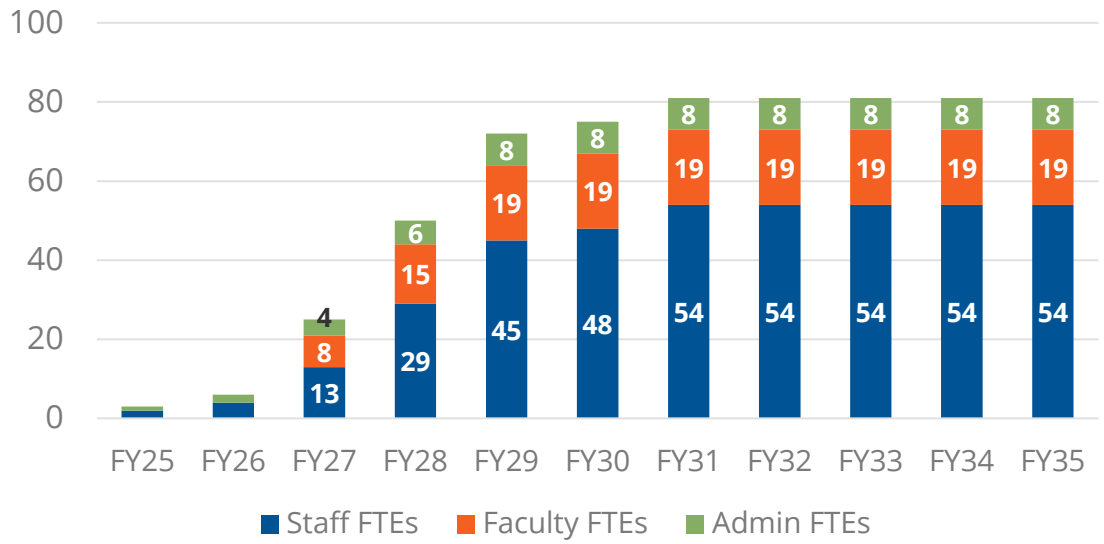
Faculty and staff, beginning with the Founding Dean, ramp up to support operations and anticipated enrollments as the COM matures to steady state operations in FY2035 and beyond.

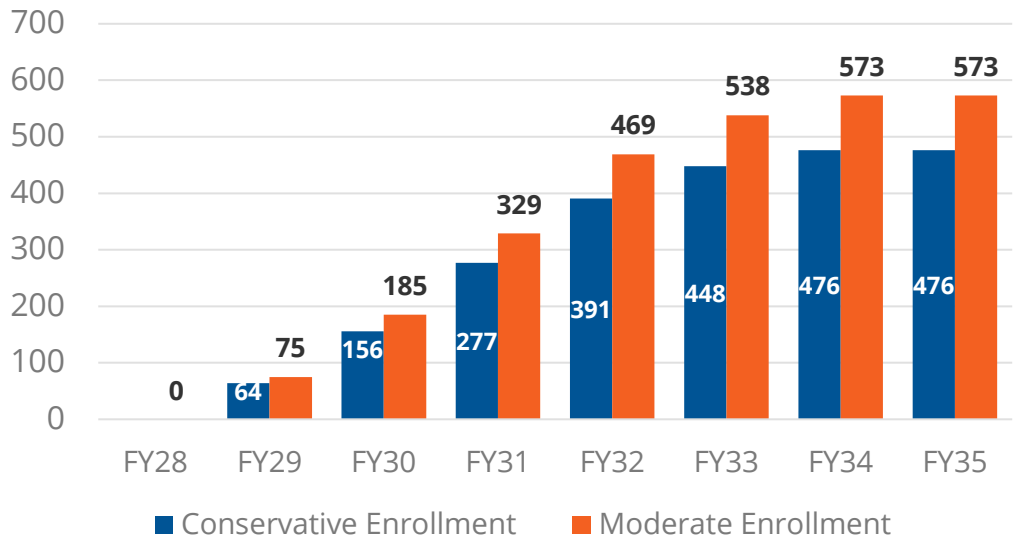
Faculty and Staff Ramp-up, FY28 – FY35

- The COM Founding Academic Dean is hired and brought on board in FY25
- Initial faculty are hired starting in FY27 and the required 19 FTEs are in place by FY29.
- Staff includes Finance, IT, Academic Affairs, Research, Student Affairs, Professional Development, Clinical Affairs, and Clinical Education professionals.

Enrollment Ramp-up, FY29 – FY35[1]

- According to COCA guidelines, a pre-accredited COM may accept and matriculate students only in the following progressive enrollment:
  - Year 1 – No more than 50% of the approved class size;
  - Year 2 – No more than 75% of the approved class size; and
  - Years 3 and 4 – No more than 100% of the approved class size.
- In the moderate scenario, the first class begins in FY29 at 75 Students and reaches steady-state of four full classes of 150 students by FY35.





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Notes: 1) Enrollment at "steady-state" does not reach 600 as the model moderately assumes anticipated annual attrition of 3%, in line with the reported MD Association of American Medical Colleges (AAMC) average.

Moderate Projection – COM Pro-forma Operating Results

The operating results[1] in the moderate projection represents the most likely scenario with many estimates provided directly by EKU.

Income Statement - Moderate Scenario *$000s*	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Enrollment - DO	-	-	-	-	75	185	329	469	539	573	573
Faculty FTEs	-	-	8	15	19	19	19	19	19	19	19
Staff FTEs	2	4	13	29	45	48	54	54	54	54	54
Administrator FTEs	1	2	4	6	8	8	8	8	8	8	8
Revenues:											
Tuition & Fees	$ -	$ -	$ -	$ -	$ -	$ 9,955	$ 18,082	$ 26,445	$ 31,236	$ 34,228	$ 35,260
Other Operating Revenues:											
Grants & Contracts	-	-	-	-	-	322	343	351	361	372	383
Operating Gifts	-	-	-	-	-	235	242	249	256	264	272
Total Operating Revenues	-	-	-	-	-	10,512	18,667	27,045	31,854	34,865	35,915
Operating Expenses:											
Faculty and Staff Salaries	307	632	2,665	5,095	7,115	7,485	7,986	8,226	8,473	8,727	8,989
Start-up Packages	-	-	-	1,639	450	-	-	-	-	-	-
Employee Benefits	110	227	959	1,834	2,561	2,695	2,875	2,961	3,050	3,142	3,236
Rotation Payments	-	-	-	-	-	-	696	1,760	2,530	2,969	3,049
Other Operating Expenses	187	187	107	54	54	54	54	54	48	48	48
Facilities Expense	-	-	-	-	-	1,356	1,378	1,399	1,422	1,460	1,499
Total Operating Expense	604	1,046	3,732	8,621	10,180	11,589	12,988	14,400	15,523	16,345	16,821
Operating EBIDA	$ (604)	$ (1,046)	$ (3,732)	$ (8,621)	$ (10,180)	$ (1,077)	$ 5,679	$ 12,645	$ 16,331	$ 18,519	$ 19,094
Operating EBIDA Margin %	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*-10.2%*	*30.4%*	*46.8%*	*51.3%*	*53.1%*	*53.2%*
Depreciation & Amortization	-	-	-	-	-	2,957	2,957	2,957	2,957	2,957	2,957
Depreciation & Interest Expense	-	-	-	-	-	2,957	2,957	2,957	2,957	2,957	2,957
Operating Income	$ (604)	$ (1,046)	$ (3,732)	$ (8,621)	$ (10,180)	$ (4,034)	$ 2,722	$ 9,688	$ 13,374	$ 15,563	$ 16,137
Operating Margin %	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*-38.4%*	*14.6%*	*35.8%*	*42.0%*	*44.6%*	*44.9%*
Non Operating Income:											
State Appropriations	-	7,500	-	-	-	-	-	-	-	-	-
Total Non Operating Income:	$ -	$ 7,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Surplus/(Deficit) -	$ (604)	$ 6,454	$ (3,732)	$ (8,621)	$ (10,180)	$ (4,034)	$ 2,722	$ 9,688	$ 13,374	$ 15,563	$ 16,137
Net Surplus/(Deficit) %	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*-38.4%*	*14.6%*	*35.8%*	*42.0%*	*44.6%*	*44.9%*

Key Takeaways

- **Operating Income Driven by Tuition Revenues:** Revenues are driven by tuition and fees, which **reach $35M by FY35** as the COM nears full enrollment capacity.
- **Largest Expenses Due to Faculty and Staff Salaries and Benefits:** Salaries and benefits are forecasted to be the primary cost driver at steady-state, with **>$8M in estimated salaries spend by FY32**.
- **Program Projected to Breakeven in FY31 and Generate Positive Contribution Margins Thereafter:** The COM is expected to generate positive margins beginning in FY31 under the moderate scenario. These margins can be reinvested in the program or other EKU strategic priorities. This is in-line with operating performance expectations from other US DO schools.

Note: 1) Assumptions detailed earlier in this section of the report on Slide 45.

Conservative Projection – COM Pro-forma Operating Results

The operating results[1] in the conservative projection represents the financial impact of a "worst case" scenario.

Income Statement - Conservative Scenario *$000s*	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Enrollment - DO	-	-	-	-	64	156	277	391	448	476	476
Faculty FTEs	-	-	8	15	19	19	19	19	19	19	19
Staff FTEs	2	4	13	29	45	48	54	54	54	54	54
Administrator FTEs	1	2	4	6	8	8	8	8	8	8	8
Revenues:											
Tuition & Fees	$ -	$ -	$ -	$ -	$ -	$ 8,459	$ 15,100	$ 21,674	$ 25,275	$ 27,390	$ 27,945
Net Tuition Revenue	-	-	-	-	-	8,459	15,100	21,674	25,275	27,390	27,945
Other Operating Revenues:											
Grants & Contracts	-	-	-	-	-	298	321	334	347	361	376
Operating Gifts	-	-	-	-	-	188	193	199	205	211	218
Total Operating Revenues	-	-	-	-	-	8,945	15,615	22,207	25,828	27,963	28,539
Operating Expenses:											
Faculty and Staff Salaries	353	733	3,125	6,031	8,505	9,034	9,732	10,122	10,527	10,948	11,386
Start-up Packages	-	-	-	2,049	563	-	-	-	-	-	-
Employee Benefits	116	242	1,031	1,990	2,807	2,981	3,212	3,340	3,474	3,613	3,757
Rotation Payments	-	-	-	-	-	-	889	2,258	3,291	3,910	4,067
Other Operating Expenses	187	187	107	54	54	54	54	54	48	48	48
Facilities Expense	-	-	-	-	-	1,545	1,571	1,597	1,623	1,688	1,756
Total Operating Expense	656	1,163	4,263	10,124	11,928	13,613	15,457	17,370	18,963	20,207	21,013
Operating EBIDA	$ (656)	$ (1,163)	$ (4,263)	$ (10,124)	$ (11,928)	$ (4,669)	$ 157	$ 4,837	$ 6,865	$ 7,756	$ 7,525
Operating EBIDA Margin %	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*-52.2%*	*1.0%*	*21.8%*	*26.6%*	*27.7%*	*26.4%*
Depreciation & Amortization	-	-	-	-	-	3,400	3,400	3,400	3,400	3,400	3,400
Depreciation & Interest Expense	-	-	-	-	-	3,400	3,400	3,400	3,400	3,400	3,400
Operating Income	$ (656)	$ (1,163)	$ (4,263)	$ (10,124)	$ (11,928)	$ (8,069)	$ (3,243)	$ 1,437	$ 3,465	$ 4,356	$ 4,125
Operating Margin %	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*-90.2%*	*-20.8%*	*6.5%*	*13.4%*	*15.6%*	*14.5%*
Non Operating Income:											
State Appropriations	-	7,500	-	-	-	-	-	-	-	-	-
Total Non Operating Income:	$ -	$ 7,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Surplus/(Deficit) -	$ (656)	$ 6,337	$ (4,263)	$ (10,124)	$ (11,928)	$ (8,069)	$ (3,243)	$ 1,437	$ 3,465	$ 4,356	$ 4,125
Net Surplus/(Deficit) %	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*-90.2%*	*-20.8%*	*6.5%*	*13.4%*	*15.6%*	*14.5%*

Key Takeaways

The delta between moderate and conservative is driven by the following key assumptions:

1. Lower than expected enrollments driving lower tuition revenues: **$1.3M impact in FY32**
2. Higher than expected faculty salaries needed to attract and retain quality faculty: **~$0.6M impact in FY32**
3. Higher than expected clinical rotation payments to fulfill curricular requirements: **~$1.1M impact in FY32**

The conservative scenario also assumes expenses will grow at higher than historical rates (4.7% vs. 2% annually).

The resulting net surplus assumes all conservative assumptions are triggered.

Note: 1) Assumptions detailed earlier in this section of the report on Slide 45.

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Potential COM Effects on Regional Economy

A College of Osteopathic Medicine at EKU would not just help to source a new, in-demand revenue stream, but also provide a substantial economic benefit to the surrounding region.

A COM may generate significant economic impact:

$102M One-Time **$16.7M** Annual Recurring — Economic Impact In Madison County

Based on estimated hiring needs (i.e., new jobs), a new COM is estimated to generate $16.7M in economic output in Madison County, including an estimated $8.3M in labor wages associated with 117 total jobs annually (direct + indirect and induced).

Capital projects planned in conjunction with the COM launch are estimated to support a total of 931 jobs during the period of construction ($44.1M in labor income) and generate a total of $102.1M in economic output.

$134M One-Time **$24.0M** Annual Recurring — Economic Impact In Kentucky

Based on estimated hiring needs (i.e., new jobs), a new COM is estimated to generate $24M in economic output in Kentucky, including an estimated $10.3M in labor wages associated with 139 total jobs annually (direct + indirect and induced).

Capital projects planned in conjunction with the COM launch are estimated to support a total of 980 jobs during the period of construction ($58.3M in labor income) and generate an additional $134.1M in economic output.

A new osteopathic medical school may also:

- **Address workforce needs** by increasing the number of highly qualified doctors who have regional connections and interests in the Commonwealth of Kentucky.
- **Expand health-care access** for underserved populations. As a result, the quality of life for community residents improves as well as the ability to leverage health-care cost savings.
- **Anchor innovation economy** whereby companies are launched in and attracted to the region; new jobs are created; and research sparks technology transfer, commercialization, and economic value.

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Sources: IMPLAN Model, 2022 Data Year, using inputs provided by EKU and IMPLAN model data for the State of Kentucky and Madison County

Student Demand

Overall Feasibility Assessment

Student Demand

G

Student demand for seats in COMs is high, even amid growth in the program pipeline as new COMs launch.

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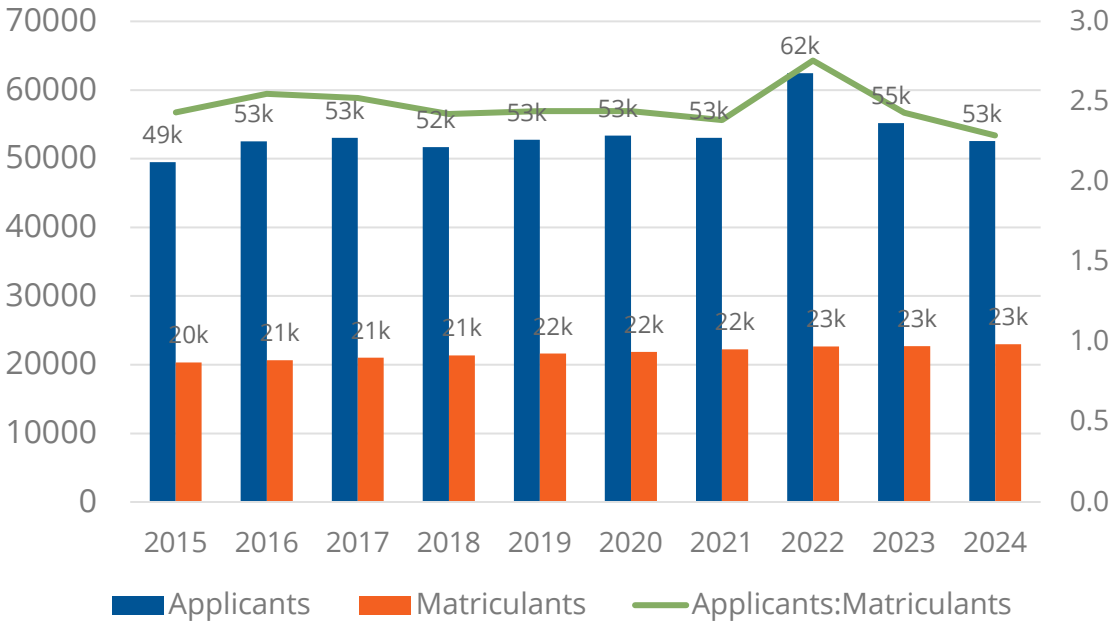
National & Regional Medical School Demand

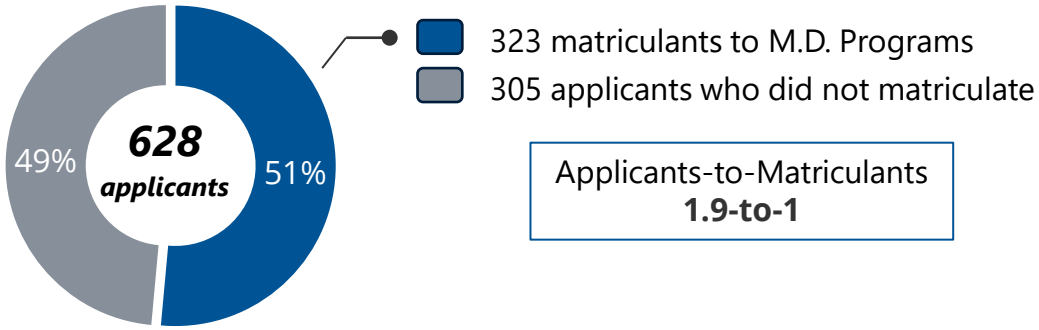
Nationally, Student Demand for Seats in Medical Schools (MD and DO) Outpacing Supply

Over the last decade, the AAMC reported a 6.26% rise in total applicants to national medical schools, while the number of matriculants increased by 13%.[1] **In 2023, only 43% of applicants matriculated to US medical schools**.

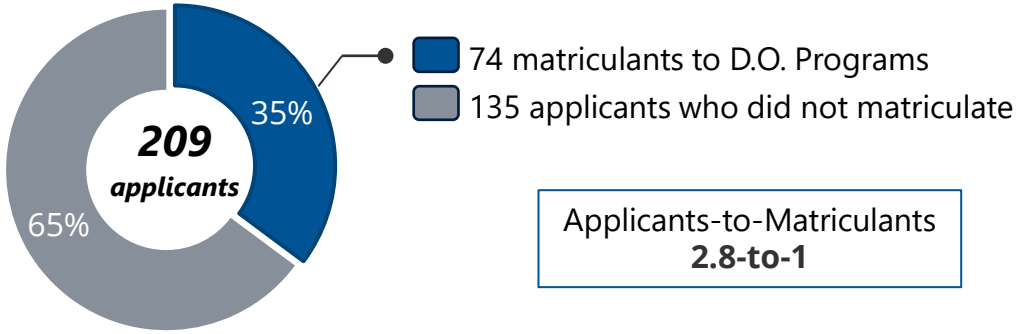


In Kentucky, Medical School Demand Mirrors National Trends, with Large Applicant Pools for Small Number of Seats

In 2023, 628 Kentucky residents applied to M.D. Programs [2]



In 2022, 209 Kentucky residents applied to D.O. Programs [3]



Notes: 1) Applicant: An individual who has formally submitted an application to a program of study at an educational institution, seeking admission for a specific academic term. Matriculant: An individual who has been admitted to a pr f study at an educational institution and has officially enrolled in courses for the specified academic term; 2) The most recent data available for MD applicants and matriculants is from 2022; 3) The most recent data available for DO applicants and matriculants is from 2023. Sources: AAMC; AACOM; 2023 FACTS: Applicants and Matriculants Data | AAMC; AACOM 2022 Applicant and Matriculant Report.

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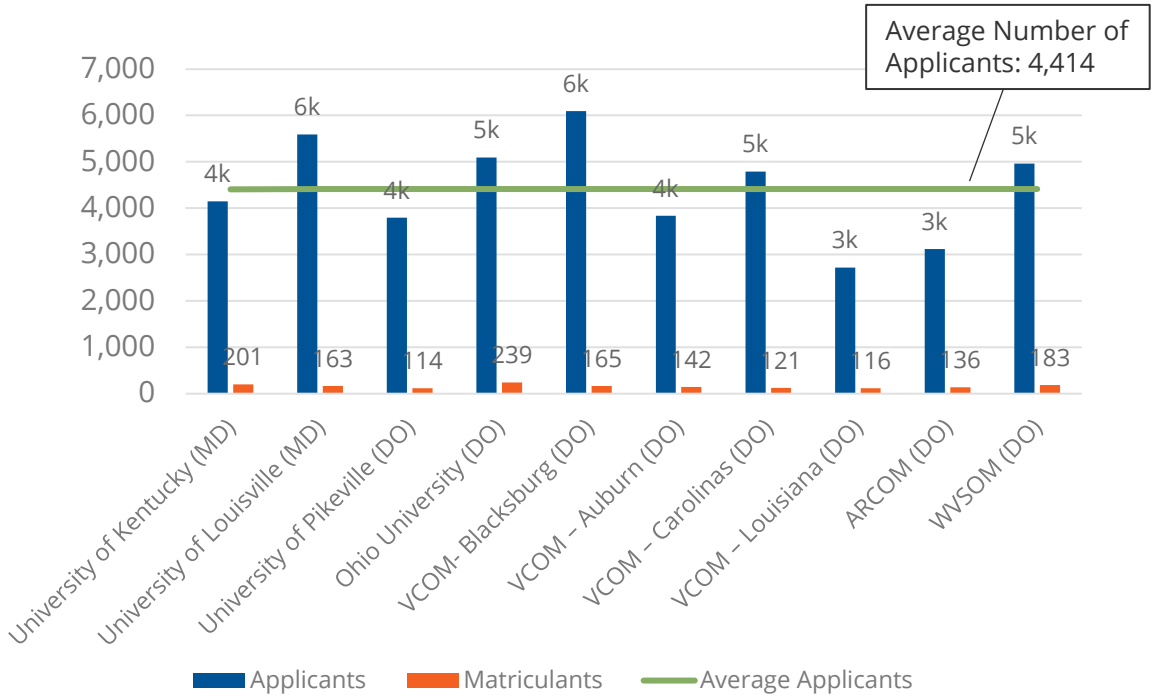
Select Peer Admissions Statistics

Peer Applicants and Matriculants

Among select peer medical education programs (MD and DO), the **average number of applications exceeded 4,414 in the most recently reported entering year**. By comparison, average matriculants totaled less than 158 students. Data for peer DO schools is based on the most recent published AACOM data for the 2022 entering year. Data for peer MD schools is based on the most recent published AAMC data for the 2023 entering year.

Average Applicants and Matriculants at Peer Institutions



Recently Opened Colleges of Osteopathic Medicine

Institution	Year Opened	Applicants (*first year*)	Matriculants (*first year*)
University of the Incarnate Word (TX)	2017	3,403	162
Noorda College (UT)	2021	1,277	89
Kansas Health Sciences University (KS)	2022	994	90
Baptist Health Sciences University (TN)	2024	1,863	81
Duquesne University (PA)	2024	2,725	91

Recently established medical schools are experiencing high application volumes relative to their class sizes, suggesting that, to this point, demand for seats in DO programs continues to outpace supply.

Sources: AAMC Applications & Matriculants, 2023;, AACOM Applicants & Matriculants 2022, Institutional websites AY22-23 1st year COA., Applicants & Matriculants by Gender and COM 2009-2024 | AACOM

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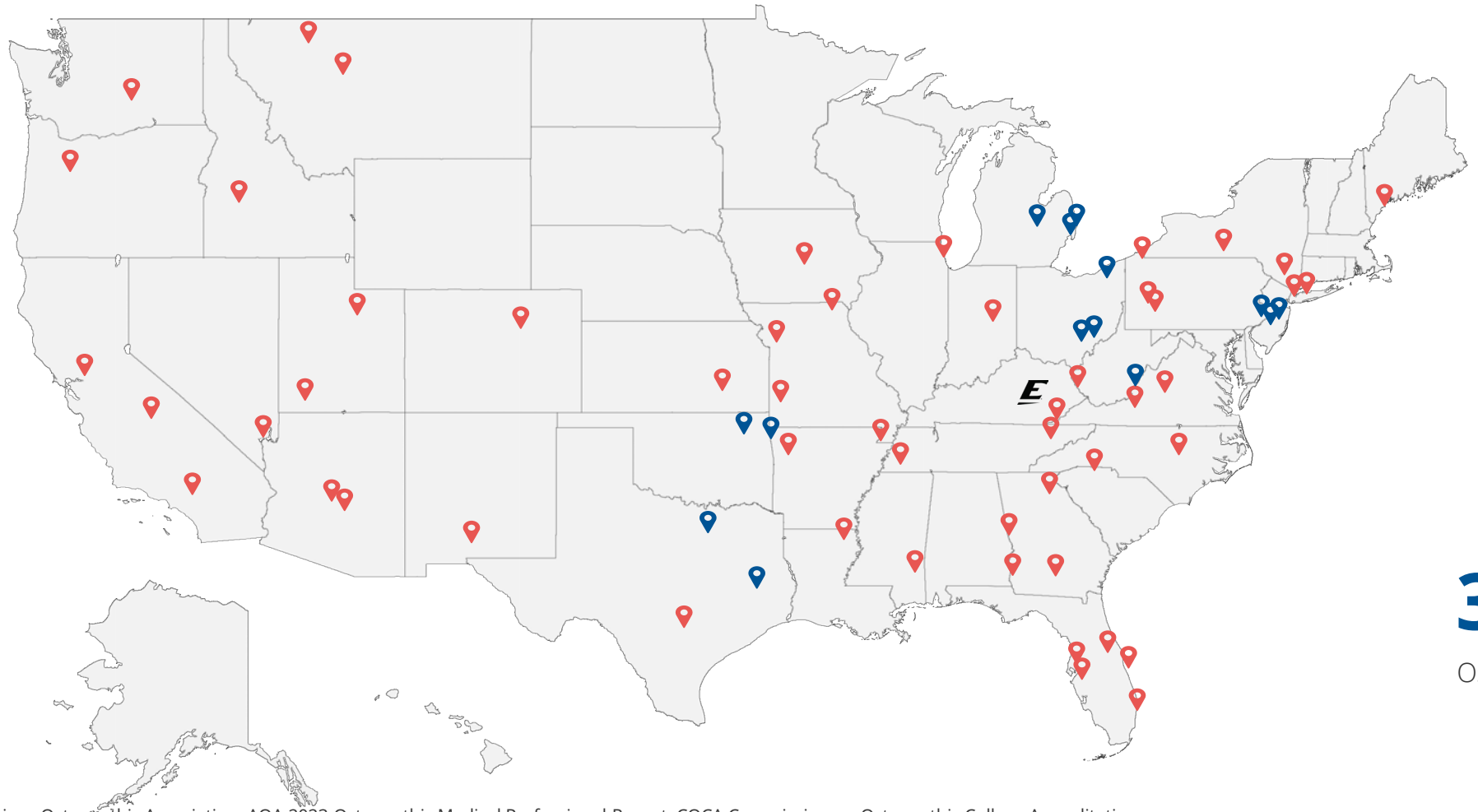
Landscape of Osteopathic Medical Schools

The Commission on Osteopathic College Accreditation (COCA) accredits 42 Colleges of Osteopathic Medicine (COMs) which offer instruction at 67 teaching locations. Additionally, there are currently eleven new COMs in various stages of development (not included on map below).

Fully Accredited COMs as of 2024 at all Teaching Locations



1 in 4

U.S. medical students attends an osteopathic medical school

36,500

Osteopathic medical students in the US as of 2024

148

Sources: American Osteopathic Association; AOA 2023 Osteopathic Medical Professional Report, COCA Commission on Osteopathic College Accreditation

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Timeline of New DO Programs

Eleven new colleges of osteopathic medicine are currently in various stages of development. Six of those have welcomed their inaugural classes, though they have not yet achieved full accreditation status.

2021

- **Noorda College (UT):** Pre-accredited

2022

- **Kansas Health Sciences University(KS) :** Pre-accredited

2024

- **Orlando College (FL):** Pre-accredited
- **Duquesne University (PA):** Pre-accredited
- **Baptist Health Sciences University (TN):** Pre-accredited

2025

- **Meritus College (MD):** Pre-accredited
- **D'Youville University (NY):** Candidate
- **Morgan State University (MD):** Status N/A

2026

- **University of Northern Colorado (CO):** Candidate
- **Illinois College (IL):** Candidate

2027

- **Indiana University of Pennsylvania (PA):** Status N/A

Assuming each COM will enroll ~150[1] seats per class, there will be an estimated **additional 1,650 first-year DO seats** in US COMs within the next 3 years.

The accreditation of all 11 colleges would result in a **26%**[2] **increase** in DO Programs in the U.S.

Notes: 1) Percent increase based on total number of accredited COMs as of November 2024 (42); 2) Based on average number of seats proposed across new planned Colleges of Osteopathic Medicine. Sources: Osteopathic Medical College Enrollment by Gender and Class Year 2000-2023 | AACOM; COMMISSION ON OSTEOPATHIC COLLEGE ACCREDITATION; At Morgan State University, a new medical college to open in 2024 | WYPR; Proposed College of Osteopathic Medicine Project Advances in FY25 Federal Funding Process - IUP Now – IUP.

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EKU COM Differentiating Factors

While the market for osteopathic medical students is increasingly competitive due to new program entrants, the following differentiating factors may help EKU compete for students over competitor programs.

- As the only public osteopathic medicine program in the state, EKU would offer in-state tuition rates, making DO school more accessible to Kentucky residents.

- EKU's central location in a rural area positions it to attract rural students and send them back to their communities, addressing the rural physician shortage.
- With 91% of undergraduate students from Kentucky and 75% of graduates finding employment in the state within three years, EKU demonstrates a commitment to serving and retaining local talent which may appeal to prospective students.

- EKU has a robust portfolio of programs in health-related fields, including pre-med, biomedical sciences, psychology, nutrition, and EMT/paramedic. These programs could serve as a pipeline to the COM.

Sources: IPEDS EKU Profile; EKU Financial Affairs Annual Report.

Workforce Alignment

Overall Feasibility Assessment

Workforce Alignment	G	By producing more physicians, many of whom would be expected to go into primary care, the EKU COM could address the current shortage of primary care physicians in eastern KY and the Commonwealth more broadly.

EKU | COLLEGE OF OSTEOPATHIC MEDICINE

National & Regional Demand for Physicians

Demographics such as population growth and aging continue to be critical drivers of increased physician demand across the nation and in Kentucky.

The US is facing a shortage of physicians[1]

The Association of American Medical Colleges (AAMC) predicts that the US will face a **shortage** of **13,500 to 86,000 physicians** by 2036, with a shortfall of **20,200 to 40,400 primary-care physicians**, due to the growth and aging of the population and the impending retirements of older physicians.

Key Statistics:

- The **U.S. population** is projected to grow by $28M people, to $360M, an **8.4% increase** from 2021 to 2036.
- The nation's **65-and-older population** is projected to **grow by 34%** in the same time period.
- Physicians **aged 55+ made up 42% of the active workforce** in 2021. Therefore, it is very likely that more than a third of currently active physicians will retire within the next decade.

Kentucky is also facing a shortage of physicians, particularly in rural areas

By **2031**, The Kentucky Center for Statistics projects a shortage of **644 physicians** and **751 primary-care physicians.**

Key Statistics:

- The 2022 Kentucky Physician Report indicates that of the 10,002 physicians practicing in Kentucky, **75% are in urban counties**, with almost half working in Fayette and Jefferson counties.
- **Kentucky ranks 40th** among the states in primary-care physicians per 100,000 people, with only 2,696 practicing statewide.
- Almost a third of Kentucky physicians have been licensed for 31 to 50+ years (32.3%).

HPSA[2] Counties in Kentucky

County Type	Number of Counties	Counties with Physician HPSA (%)	Counties with PCP HPSA (%)
Rural	86	15 (17%)	32 (37%)
Urban	34	10 (29%)	12 (35%)
Total	120	25 (21%)	44 (37%)

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Notes: 1) Physicians include all those that graduated from DO and MD programs; 2) Health Profession Shortage Area (HPSA) designations indicate areas where there are 3,500 or more patients for every one provider; Sources: AAMC Supply and Demand Projections, KY Center for Statistics Occupational Outlook Dashboard, UK Kentucky Physician Report 2022.

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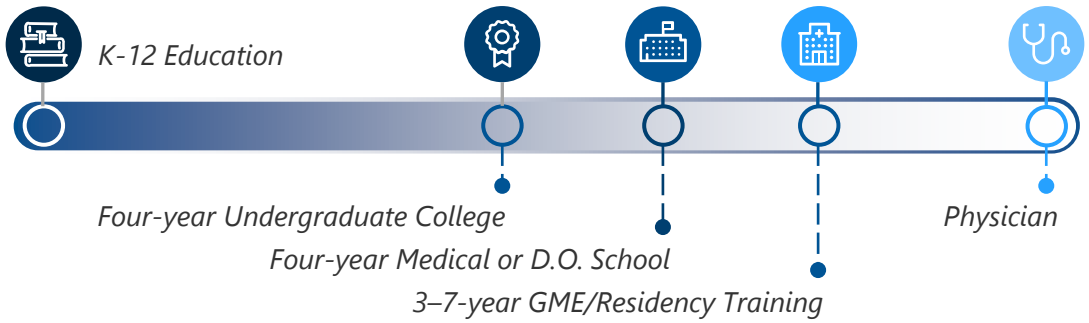
Osteopathic vs. Allopathic Medical Education

While osteopathic and allopathic education provide a similar path to educating licensed physicians, career paths of MD vs. DO grads tend to differ. A majority of DOs practice in primary care compared to MDs, which may make a DO school particularly effective at addressing primary care shortages.

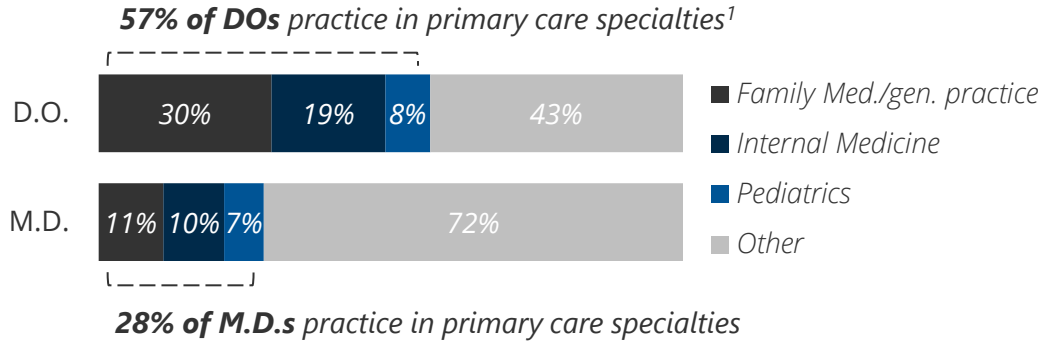
The typical path to become a physician is the same

The path to become a physician can span 11 – 15 years. A student must complete a four-year undergraduate degree, attend two years of medical school in a classroom setting followed by 2 years of medical school conducting clinical clerkships outside of the classroom. Finally, the student must complete GME and a residency program for 3 – 7 years.



But there are important differences in the approach

Both allopathic and osteopathic medical schools teach students the scientific foundations needed to become licensed physicians, but they take different approaches. Allopathic medicine focuses on diagnosing and treating medical conditions, while **osteopathic medicine takes a more holistic, patient-centered approach**, focusing heavily on preventive health care and nutrition.



Osteopathic medicine's propensity to produce primary care physicians aligns closely with the **workforce needs of Kentucky**, particularly those in **rural communities**.

Notes: 1) Primary care includes family medicine/general practice, internal medicine and pediatrics specialties. Sources: AOA; AAMC

Faculty Recruitment

Overall Feasibility Assessment

Faculty Recruitment

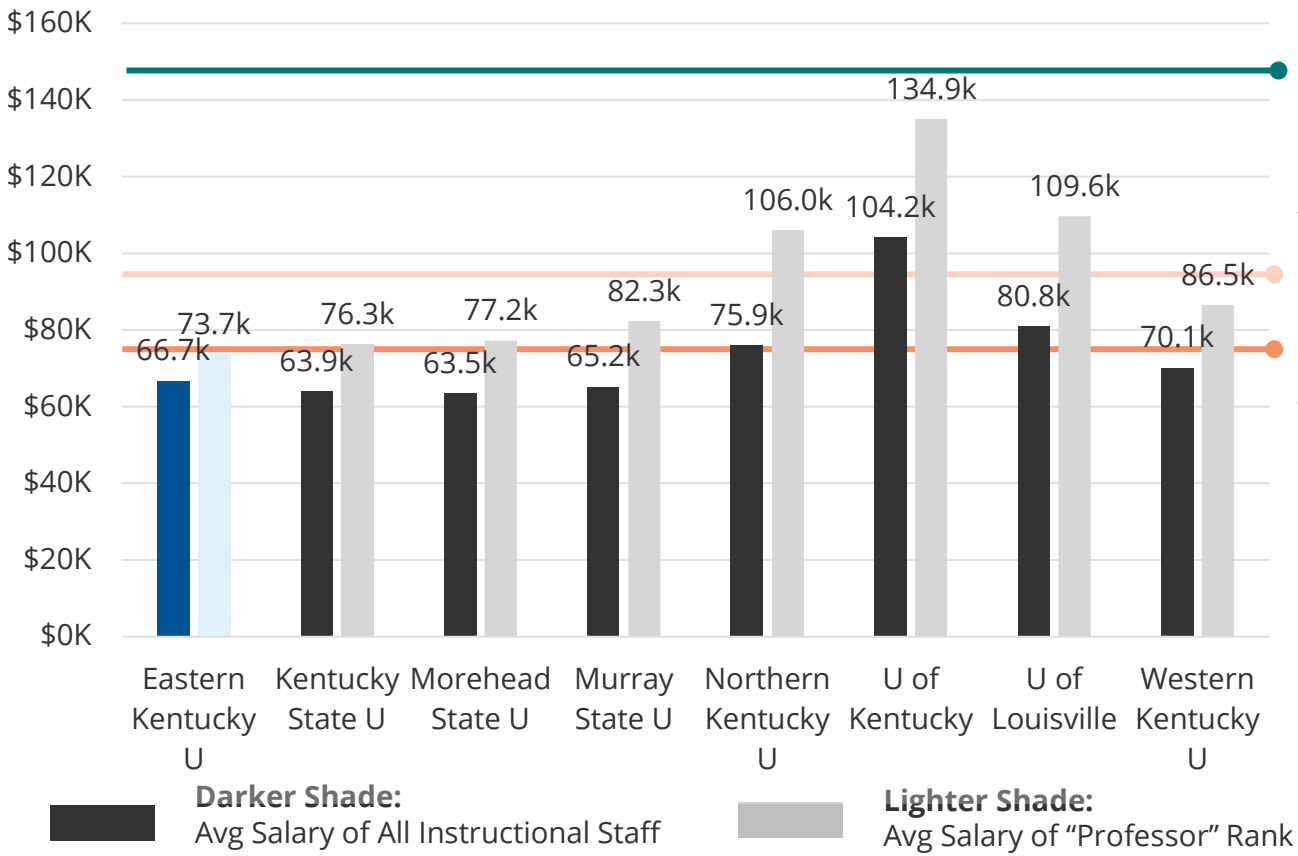
Y

Peer COM benchmarks suggest that EKU will need to offer salaries that far exceed their current average faculty salary levels to compete for medical faculty.

EKU Faculty Recruitment Considerations

EKU's average instructional salaries in AY2022-23 were lower than many other regional comprehensive universities in Kentucky and lower than their benchmark peer group. EKU can expect to need to pay DO faculty salaries that far exceed its current average.

Average Salaries of Full-Time Instructional Nonmedical Staff equated to 9-Months Worked, by Academic Rank: Academic Year 2022-23[1]



$146k
Peer benchmark for average faculty salary at similarly sized DO school

$96.1k
Average Professor Salaries at EKU's Benchmark Institutions

$75.6k
Average Instructional Staff Salaries at EKU's Benchmark Institutions

Key Takeaways

- **EKU's salaries for all Instructional Staff and Professors fall below the average for Kentucky comprehensives and for its peer group**, with average professor salaries lower than any other KY regional comprehensive and all 20 peer benchmark institutions.
- **EKU has not yet determined salary ranges for faculty in its proposed DO school** but should be prepared to offer salaries that are significantly higher than its current faculty averages. DO school benchmarks suggest that EKU may need to pay ~$146k in average faculty salaries, and more for administrators and deans.
- **EKU COM's founding dean may be the highest paid faculty or staff member at EKU**, with DO school benchmarks showing founding dean salaries approximating $500k.

Notes: 1) Reflects IPEDS "All instructional staff total of Average salaries of full-time instructional nonmedical staff equated to 9-months worked, by academic rank : Academic year 2022-23;" 2) See Appendix for full list of EKU Benchmark Peers.
Sources: IPEDS Data Center; EKU Benchmark Institutions.

Accreditation Standards

Accreditation Standards

Y

Per accreditation guidelines, EKU will need to hold approximately $48.75M in reserves until it graduates its first class, which EKU plans to ask the state legislature to fund. EKU will also need to grow research infrastructure and ensure quality across clinical education sites to maintain accreditation, requiring significant new investments.

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Accreditation Standards | Overview

The American Osteopathic Association's Commission on Osteopathic College Accreditation (COCA) sets forth twelve standards, including 78 individual elements, for the accreditation of new Colleges of Osteopathic Medicine (COMs), serving the interests of the public and of the students enrolled in COMs in the United States.[1]

1. Mission and Governance
2. Leadership & Administration
3. Finances
4. Facilities
5. Learning Environment
6. Curriculum
7. Faculty and Staff
8. Scholarly Activity
9. Students
10. Graduate Medical Education (GME)
11. Program and Student Assessment and Outcomes
12. Institutional Accreditation[2]

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Notes: 1) In addition to COCA standards, EKU will also need to comply with all applicable SACSCOC accreditation processes, including those for Substantive Changes; 2) The Institutional Accreditation standard is not applicable, because EKU is already institutionally accredited, and does not require COCA to serve as their institutional accreditor. Source: COCA Accreditation Standards.

EKU | COLLEGE OF OSTEOPATHIC MEDICINE

Accreditation Standards | Key Challenges and Risks (1 of 3)

While all 12 COCA standards are robust and require significant administration overhead, the following 9 represent the most significant for EKU.

Standard	Requirement	Risk
2 **Leadership and Administration**	- Qualified leadership and administrative structures, including a dean and senior staff.	- Recruitment, selection and retention of a founding dean is crucial to the COM's success as this individual provides principal guidance in the development of the COM through all steps of the candidate status process and beyond through pre-accreditation status and into accreditation. A change in the dean during this time period requires re-initiation of the candidate status application process per COCA guidelines.

3 **Finances**	- Sufficient financial resources, including:
	  - Escrowed reserve fund equal to the greater value of $30M **or** tuition multiplied by the approved number of students multiplied by four years. This reserve must be maintained until graduation of the first class (~8 years).
	  - Operating reserve fund of one-quarter of the minimum escrowed reserve fund.
		- EKU's financial health assessment surfaced some risks from elevated debt levels that creates some risk around their ability to access funding and manage a significant new financial investment.
		- EKU will need to secure significant reserves funds (~$48.75M) to meet accreditation requirements. They presently plan to seek this funding for from the legislature. A new DO school will also require significant upfront and recurring operating funds. Estimated operating expenses at steady state are in the range of $15M - $21M per year.

4 **Facilities**	- Adequate physical facilities, equipment, and resources for clinical, instructional, research, and technological functions at all COM locations, including clinical partner sites.	- EKU is currently planning a ~$75M facility for EKU COM, and the materiality of this investment to EKU's overall finances elevates the risk profile, particularly given EKU's existing debt levels (note that EKU currently plans to ask the legislature for funding.) Assessing all clinical partner facilities also poses additional complexities and expenses.
5 **Learning Environment**	- Responsibility for the educational program at all teaching locations, including third-party clinical partner sites, ensuring appropriate student supervision during patient care.	- EKU COM will depend on clinical partners to uphold standards, requiring ongoing engagement from EKU faculty and staff to minimize the risk of inconsistencies across partner sites. Peer institutions employ staff (~15 FTEs) to run their clinical education program.

Sources: COCA Accreditation Standards; Peer benchmarking data and analysis from like-sized osteopathic medical schools.

Accreditation Standards | Key Challenges and Risks (2 of 3)

While all 12 COCA standards are robust and require significant administration overhead, the following 9 represent the most significant for EKU.

Standard	Requirement	Risk
6 Curriculum	- Faculty must design and implement a curriculum that enables students to achieve Osteopathic core competencies and ensures comparable clinical education experiences across all sites.	- Securing Clinical Affiliation agreements for clerkships/rotation slots are increasingly competitive and in high demand among competitor institutions. While interviewed health partners expressed preliminary interest in providing clinical rotations for EKU COM students, the limited supply of available slots presents a risk as the feasibility of the COM relies on student placement in clinical settings, particularly since EKU has not yet secured any clinical partners.
7 Faculty and Staff	- Sufficient faculty resources and qualifications at all teaching sites. - Qualified faculty and staff through education, training, experience, and ongoing professional development. - Comprehensive, fair, and uniform system of student assessment.	- Hiring high-quality faculty and staff is critical for the success of the COM, impacting student recruitment and retention, research, and curriculum development. Based on peer benchmarks, EKU will require around 19 faculty and 62 new staff and administrators. In total for faculty and staff, EKU can expect to pay $8 – 12 M in salaries. This will very likely require the institution to attract new talent to the Richmond area.
8 Scholarly Activity	- Commitment to research and scholarly activity through budgetary support, faculty research, research infrastructure, and student inclusion in research throughout all four years of the program.	- EKU currently does not engage in significant research activity, so the institution will need to invest in research infrastructure and demonstrate an ongoing commitment to research in its budget and curriculum to meet the COCA requirement. Peer institutions staff ~6 FTEs to oversee and support research in DO school.

Sources: COCA Accreditation Standards; Peer benchmarking data and analysis from like-sized osteopathic medical schools.

Accreditation Standards | Key Challenges and Risks (3 of 3)

While all 12 COCA standards are robust and require significant administration overhead, the following 9 represent the most significant for EKU.

Standard	Requirement	Risk
9 Students	- Comprehensive student counseling services (academic, career, debt management, mental health, physical health).	- Recruiting and maintaining robust staff and budget dedicated to student success is imperative for positive outcomes. (Peer institutions staff ~6 FTEs to oversee student affairs in DO school.) This may require the institution to attract new talent to the Richmond area.
10 Graduate Medical Education (GME)	- Dedicated GME office. - Curriculum that prepares students for entry into GME programs and subsequent medical practice.	- Residency slots from GME are increasingly competitive and in high demand among competitor institutions. The limited supply of available slots presents a risk as the feasibility of the COM relies on graduate placement in clinical settings.

Sources: COCA Accreditation Standards; Peer benchmarking data and analysis from like-sized osteopathic medical schools.

Clinical Placements

Clinical Placements

Y

Several regional healthcare leaders, including Baptist Health Richmond, ARH, and CHI St. Joseph, have expressed interest in providing clinical education to EKU COM students, documented in letters of support, though evidence of an anchor partner or sufficient clinical capacity could not be validated.

EKU | COLLEGE OF OSTEOPATHIC MEDICINE

DO Distributive Model of Clinical Education Operating Requirements

EKU's proposed model of clinical education will require an extensive partner network as well as investments in faculty and staff, technology, and payments to clinical partners.

In an **osteopathic medical program**, students gain hands-on clinical experience at various off-campus clinical sites rather than at an on-campus teaching hospital.

These clinical sites include hospitals, clinics, private practices, outpatient facilities, and long-term care facilities.

Factors Driving Cost and Complexity in Distributive Models

Breadth of Clinical Partner Network

Peer institutions partner with **20-80** hospitals, clinics, and other facilities across the US for clinical education. Since EKU plans to focus on rural education, they may establish partnerships with rural clinics which tend to have capacity to accommodate a smaller number of students, requiring them to enter into more partnerships overall.

FTEs Required to Run Program

Benchmarked DO programs employ **~fifteen FTE** to administer their clinical education program, including a Director of Clinical Education and multiple clerkship coordinators. These individuals help students manage their rotation schedules and ensure quality teaching experiences.

Other Costs to Administer Placements

EKU anticipates needing to pay **$9.6k** per year per student to clinical partners to educate students, which is materially aligned with peer expense estimates. New technology systems may also be needed to administer clinical schedules.

⚠ While the cost of administering a distributive model of clinical education is lower than a traditional model with a teaching hospital, **the complexity and risk are higher**. EKU will need to develop a network of partners and invest in faculty and staff to administer the program and ensure that students consistently receive high-quality training.

Sources: Peer benchmarking data and analysis from like-sized osteopathic medical schools.

EKU | COLLEGE OF OSTEOPATHIC MEDICINE

Regional Clinical Capacity

Based on stakeholder interviews, the proposed new osteopathic medical school is well-positioned to establish and arrange formal relationships with community partners, though clinical placement opportunities may limited by physician capacity to train students, particularly amid existing clinical relationships with other regional medical schools (MD and DO).

Clinical Landscape in Kentucky

As of 2023, Kentucky is home to 29 Critical Access Hospitals, 404 Rural Health Clinics, 374 Federally Qualified Health Centers outside of urbanized areas, and 44 short-term hospitals located of urbanized areas.

Clinical Landscape in Richmond Area

There are seventeen Teaching Hospitals in Kentucky and two of these hospitals are within a 50-mile radius of Richmond. There are several hospitals in the area which are not teaching hospitals, but they may have potential for future partnerships. Clinical landscape is limited by physician capacity to provide clinical education, and many local partners already provide clinical education to students from the University of Kentucky, the University of Louisville, the University of Pikeville, and Lincoln Memorial University.

Community Partners Expressing Preliminary Interest in Providing Clinical Education[1]

CHI Saint Joseph Health

BAPTIST HEALTH® Richmond

ARH Appalachian Regional Healthcare

WHITE HOUSE CLINICS WWW.WHITEHOUSECLINICS.COM

Industry Associations Expressing Preliminary Interest on Behalf of Their Members[1]

KPCA KENTUCKY PRIMARY CARE ASSOCIATION

KAHCF KCAL

Note: 1) Regional health partners and association spokespersons expressed preliminary interest during project team interviews. These organizations have no obligation to enter into partnerships in the future. This list is representative exhaustive.
Source: Open Payments List of Teaching Hospitals 2023

EKU | COLLEGE OF OSTEOPATHIC MEDICINE

Clinical Capacity and Scale

While no formal clinical partnerships can be entered into at this time, evidence that there is sufficient clinical scale is critical to the feasibility assessment. At scale, EKU COM will ultimately need to facilitate clinical education for approximately 300 students, fulfilling four rotations per year per student.

EKU and the project team gathered and analyzed the following sources to assess capacity for clinical placements:

Potential Clinical Education Partner	Source	Outcome / Clinical Capacity
Mountain People's Health Councils, Inc	Letter of Support provided by EKU	"…prepared to accommodate up to 5-10 students annually"
KAHCF/KCAL	Letter of Support provided by EKU	General letter of support, particularly underscoring workforce alignment
KPCA	Letter of Support provided by EKU	General letter of support, particularly underscoring workforce alignment
HCA Healthcare Nashville	Letter of Support provided by EKU	Specifically references their desire to matriculate "graduates (not hosting clinical rotations) from your proposed medical school on their trajectory toward licensure and board qualifications "
KAHCF/KCAL	Project team interview	Represented general support on behalf of membership
White House Clinics	Project team interview	Currently not hosting students for MD/DO clinical rotations, but would welcome the opportunity to work with EKU
CHI St. Joseph Health	Project team interview	Voiced desire to forge stronger partnership; Current total DO clinical placements of approximately 13 students annually
KPCA	Project team interview	Voiced interest in growing the EKU relationship and excitement about the prospect of a DO school focused on rural health; shared inherent challenges with preceptor capacity and preceptor support
Baptist Health Richmond	Project team interview	Currently hosting placements for 10-20 MD and DO annually and would roughly hope to double this if they expand .
Appalachian Regional Healthcare (ARH)	Project team interview	Voiced excitement over the prospect of a regional medical school and would prioritize regional (EKU) students

While numerous partners expressed support for EKU COM, the project team did not receive evidence of an anchor partner sufficient clinical placement capacity to remove feasibility concerns at the time of this report.

Note: 1) Health partners and association spokespersons expressed preliminary interest during project team interviews. These organizations have no obligation to enter into partnerships in the future.

Murray State | Doctoral Program for Professional Practice and Licensure in Veterinary Medicine

Financial Health Assessment

Overall Feasibility Assessment

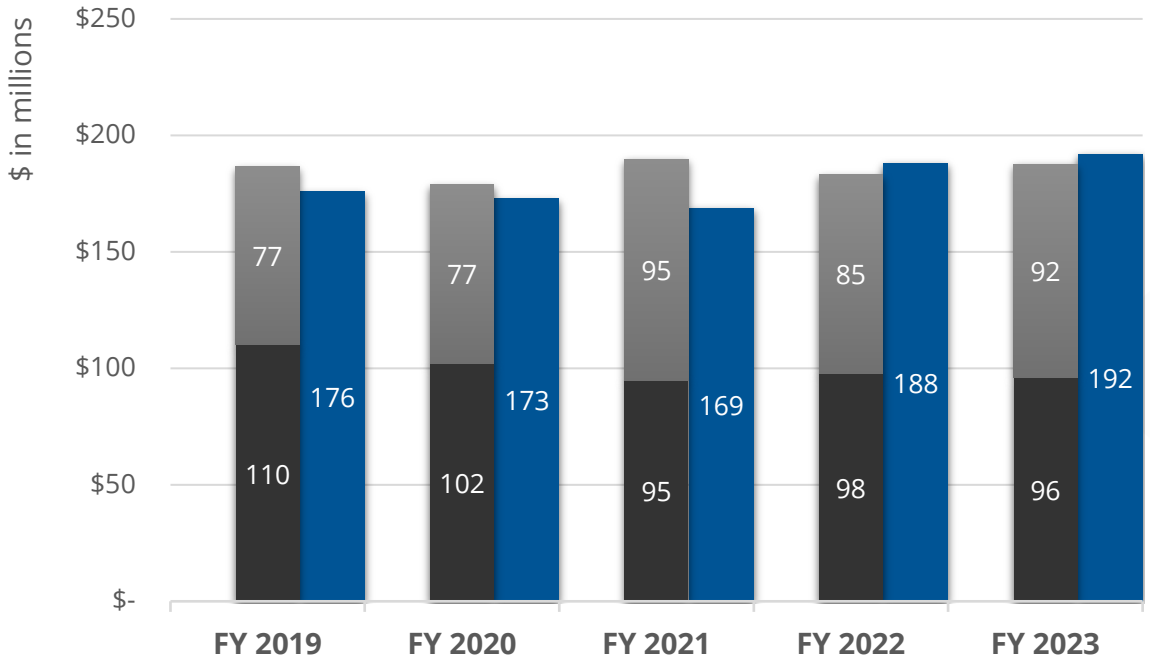
Financial Health	G	Murray State's financial health assessment points to strong financial management practices and a healthy balance sheet. Financial pressures observed (e.g., slowed tuition revenue growth) are common across public higher education.

MURRAY STATE | COLLEGE OF VETERINARY MEDICINE

Financial Health Assessment | Net Position

From Fiscal Year (FY)19 to FY21, Murray State recorded positive changes in net position (from audited financial statements, adjusted to exclude Pension/Other Postemployment Benefits (OPEB) Expense Adjustments) from $10.7M in FY19 to $20.8M in FY21. In recent years, slowed revenue growth and rising expenses have posed some financial challenges.

Murray State Actual Ending Results (FY 2019 – FY 2023)



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Chg in Adjusted Net Position	*$10.7M*	*$5.9M*	*$20.8M*	*($4.9M)*	*($4.4M)*

■ Adjusted Operating Expenses [1] ■ Operating Revenues ■ Net Nonoperating Revenues [2]

Key Takeaways

Murray State has managed to mostly keep **total revenues balanced with total expenses**. However, expense growth (9.1%) over the past 5 years is significantly outpacing stagnant revenue growth (<1%).

The main driver of revenues for Murray State, **Net Tuition and Fees, has declined in recent years from $60.5M in FY 2019 to $51.1M in FY 2023.** Total undergraduate enrollment growth during this time remained stagnant (<1%). Moody's notes that "net tuition revenue has been constrained by state tuition caps as well as weak regional demographics."

The main drivers of expenses for Murray State, Instruction and Operation/Maintenance of Plant**, have grown in recent years from $61.1M and $20.0M in FY 2019 to $62.6M and $22.8M in FY 2023 respectively.**

Murray State has been able to keep total revenues balanced with total expenses through **increased State Appropriations and Federal/State Grants and Contracts.** Appropriations from the Commonwealth of Kentucky increased 14% over the last five years.

Murray State has generally balanced growth in net position; however, the institution, along with many other public institutions in Kentucky, is facing growing financial pressure from slowed net tuition revenue growth and high fixed costs, which may limit its ability to better align revenues with expen

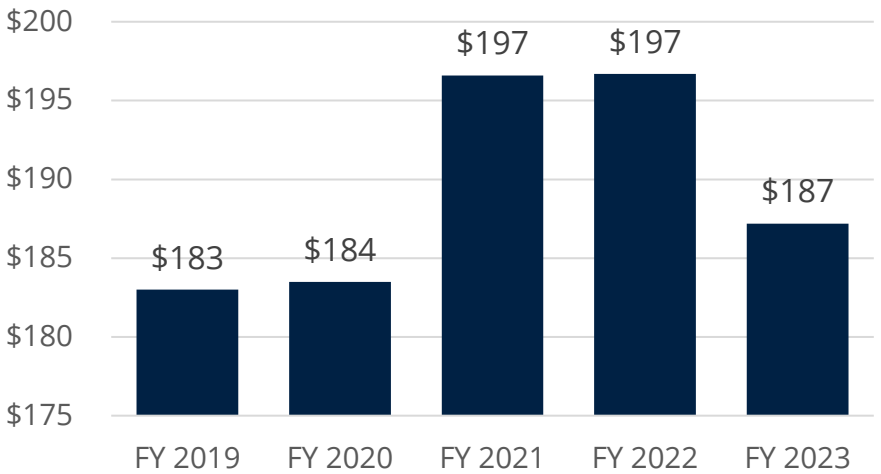
Notes: 1) Adjusted to not include State Pension Expense (Benefit) GASB and State OPEB Expense (Benefit) GASB 75; 2) Include Net Nonoperating Revenues, State Capital Appropriations, Other Insurance Proceeds, Capital Gifts, Additions to Permanent Endowments Sources: Murray State Audited Financial Statements, Moody's Rating Report (May 2024).

MURRAY STATE | COLLEGE OF VETERINARY MEDICINE

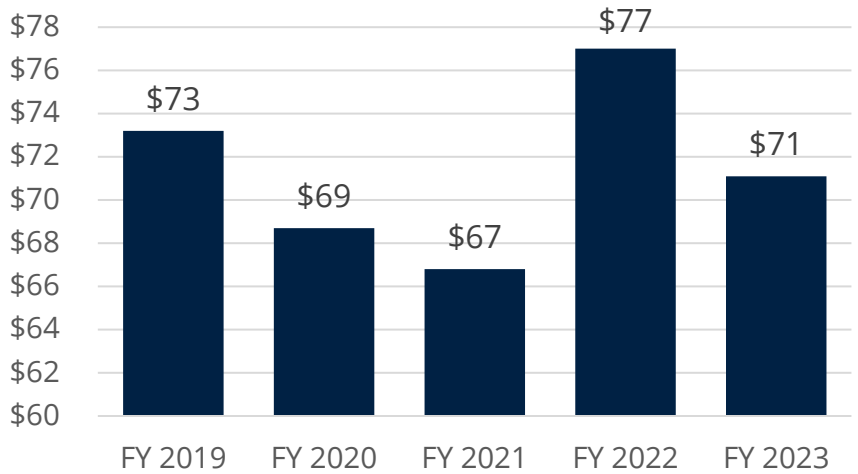
Financial Health Assessment | Balance Sheet Summary

Despite pressures on operational performance, Murray State's balance sheet demonstrates relatively steady wealth and liquidity, with Cash and Investments (C&I) covering total debt 2.6x.

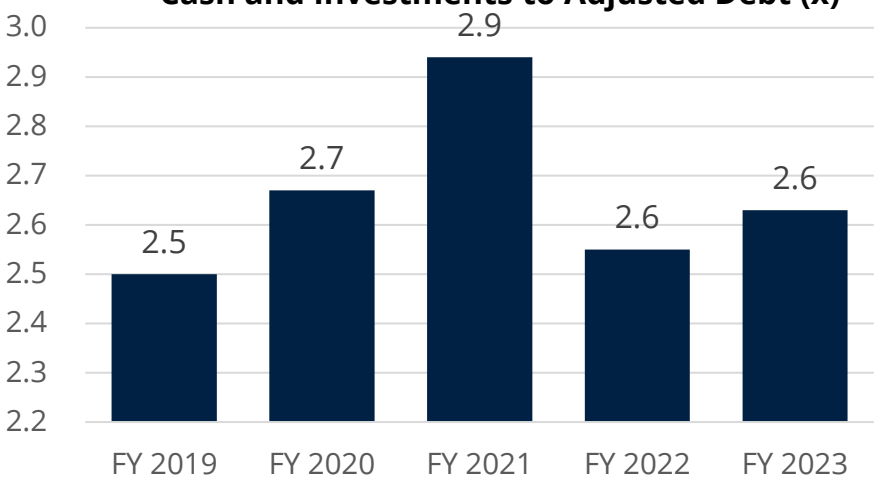
Total Cash and Investments [1]



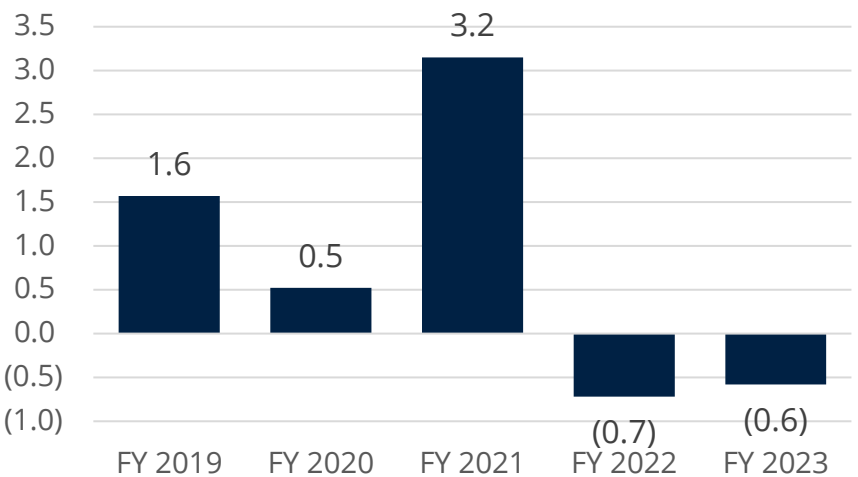
Total Adjusted Debt[2]



Cash and Investments to Adjusted Debt (x)



Annual Debt Service Coverage (x)[3]



Key Takeaways

Steady Cash and Investments
Moody's notes that Murray State's management has a good track record of expense management, which has supported the university's good financial policy and is reflected in their total C&I in recent years.

Steady Total Adjusted Debt
Total Adjusted Debt decreased 3% from FY 2019 to FY 2023, remaining relatively steady in recent years.

Manageable Leverage Position
Despite recent financial challenges from operations, a manageable debt load with C&I at 2.6x debt has put the institution in a strong and flexible position for funding future strategic initiatives and objectives.

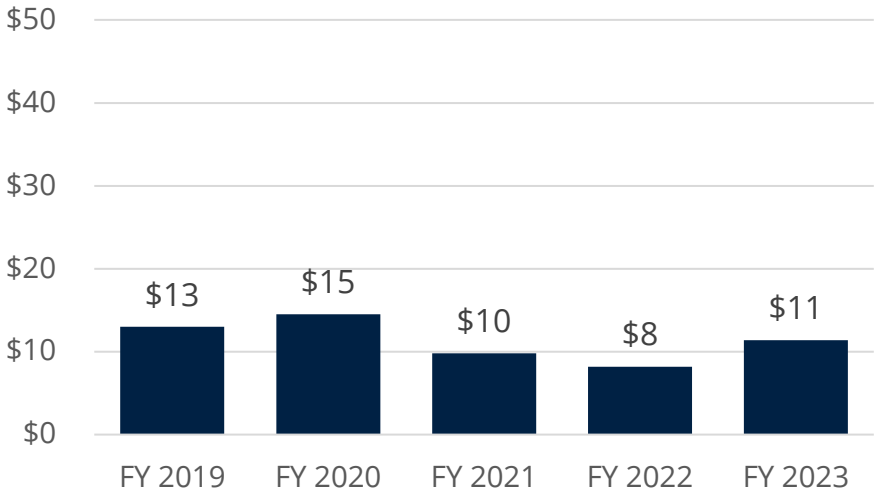
Notes: 1) Reflects Cash and Cash Equivalents, Restricted Cash and Cash Equivalents, Restricted Investments; 2) Reflects Leases Payable (Current Portion), Long-Term Debt (Current Portion), Leases Payable, Long-Term Debt; 3) Reflects Principal Paid on Capital Debt, Interest Paid on Capital Debt, Interest Paid on Leased Assets. Sources: Murray State Audited Financial Statements, Moody's Rating Report (May 2024).

MURRAY STATE | COLLEGE OF VETERINARY MEDICINE

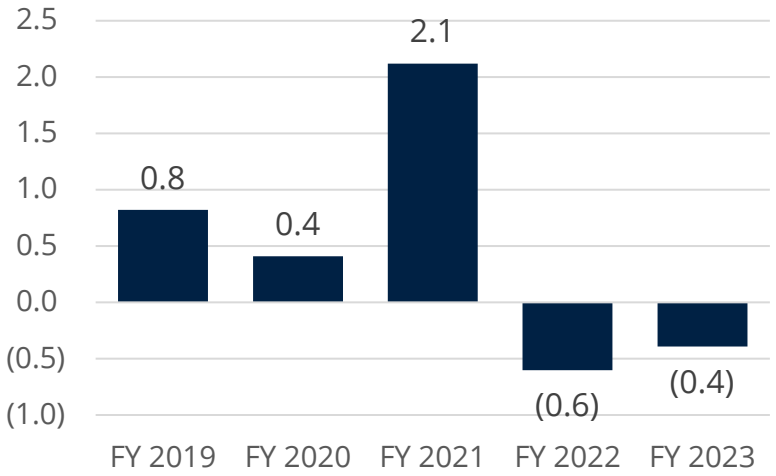
Financial Health Assessment | Capital Expenditures

Murray State's annual capital spend is mostly in line with depreciation expense. Expenditures are supported by operating performance and state aid.

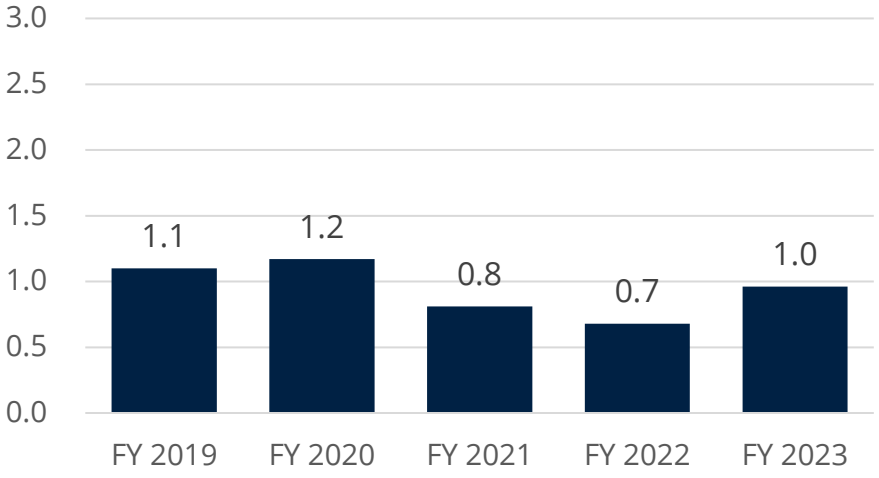
Capital Expenditures [1]



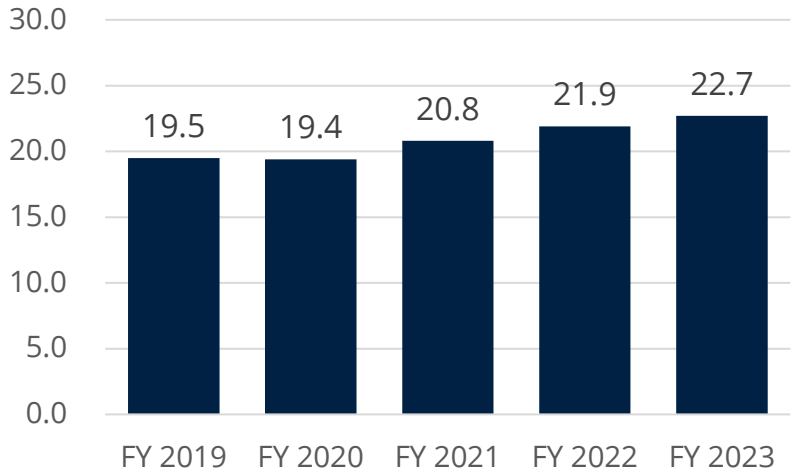
Change in Adjusted Net Position [2] to CapEx (x)



Capital Spending Ratio (x)



Average Age of Plant (Years)



Key Takeaways

Supported Capital Spending
Capital spend peaked in FY 2020 with spend of nearly $15M and has mostly kept pace with depreciation and the aging of facilities.

Strategic Growth
The uptick in capital investments in the last few years has been bolstered by improved government support for operations and capital, as noted by Moody's.

Further Growth of Capital Planning
Moody's highlights that Murray State's high average age of plant represents a challenge to its credit and financial position. Continuing to plan around current capital needs can enable the institution to more strategically allocate and manage resources going forward.

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Note: 1) Reflects Purchase of Capital Assets; 2) Adjusted to not include Pension/OPEB Expense Adjustments. Sources: Murray State Audited Financial Statements; Moody's Rating Report (May 2024).

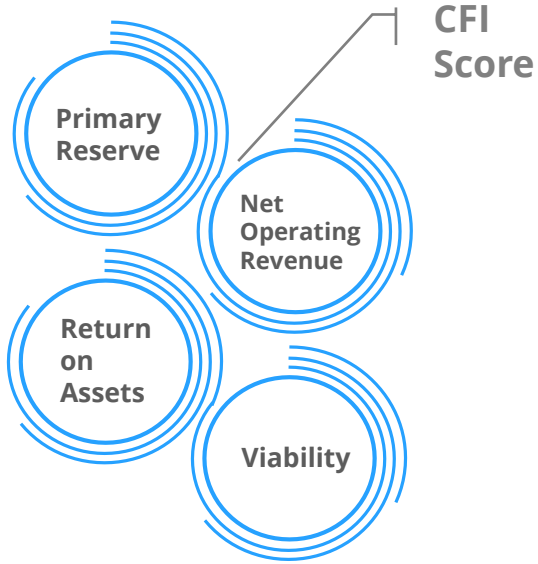
MURRAY STATE | COLLEGE OF VETERINARY MEDICINE

Financial Health Assessment | Composite Financial Index (CFI)

Murray State's Composite Financial Index (CFI) score of 5.91 in 2023 provides a point-in-time indicator of strong financial health that supports focusing resources to compete in future states.

The four ratios are **primary reserve, net operating revenue , return on assets, and viability**. These ratios **gauge the fundamental elements of the financial health** of an institution. The composite score reflects the overall relative financial health along a scale from **negative 4.0 to positive 10.0** for higher education institutions. A score greater than 3 is considered relatively financially healthy.

CFI Components



Key Ratios

Primary Reserve Ratio

$$\frac{\text{expendable net assets}}{\text{total expenses}}$$

Net Operating Revenue Ratio

$$\frac{\text{net operating income}}{\text{total unrestricted operating revenues}}$$

Return on Assets Ratio

$$\frac{\text{change in net assets}}{\text{total net assets}}$$

Viability Ratio

$$\frac{\text{expendable net assets}}{\text{long-term debt}}$$

Murray State CFI Score[1,2]	Ratio	CFI Score
Primary Reserve	0.72x	1.90
Net Operating Revenue	-1%	-0.11
Return on Assets	9%	0.86
Viability	3.89x	3.27
Total	---	5.91

Notes: 1) Adjusted to not include Pension Expense Adjustments and OPEB expense adjustments; 2) Ratio calculations include Component Unit (CU) data. Sources: Murray State Audited Financial Statements; Higher Learning Commission CFI Worksheet ; TIAA The Financial Resilience of Independent Colleges and Universities (2017).

Student Success Assessment

Overall Feasibility Assessment

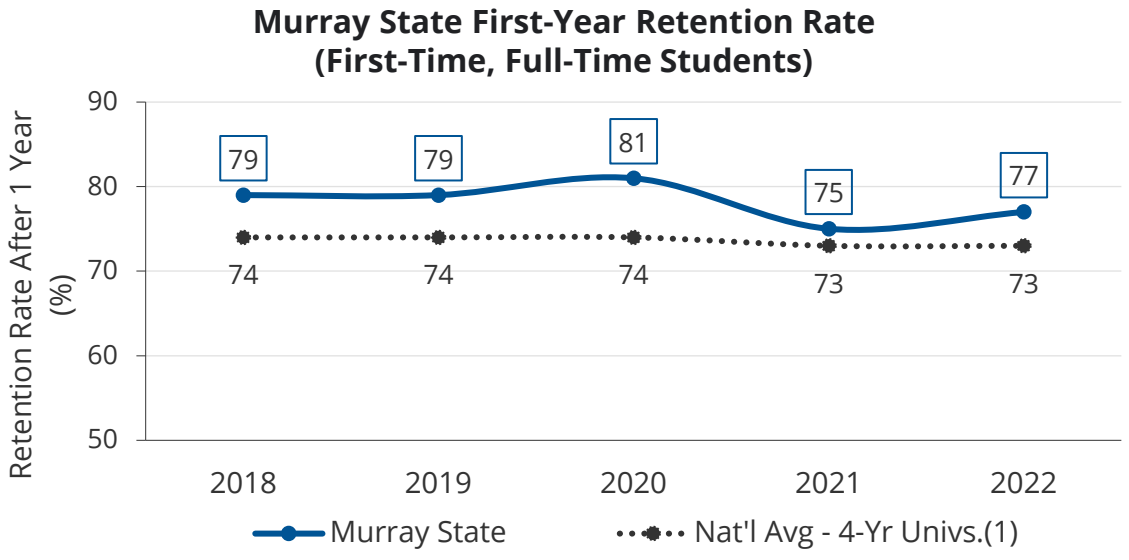
Student Success

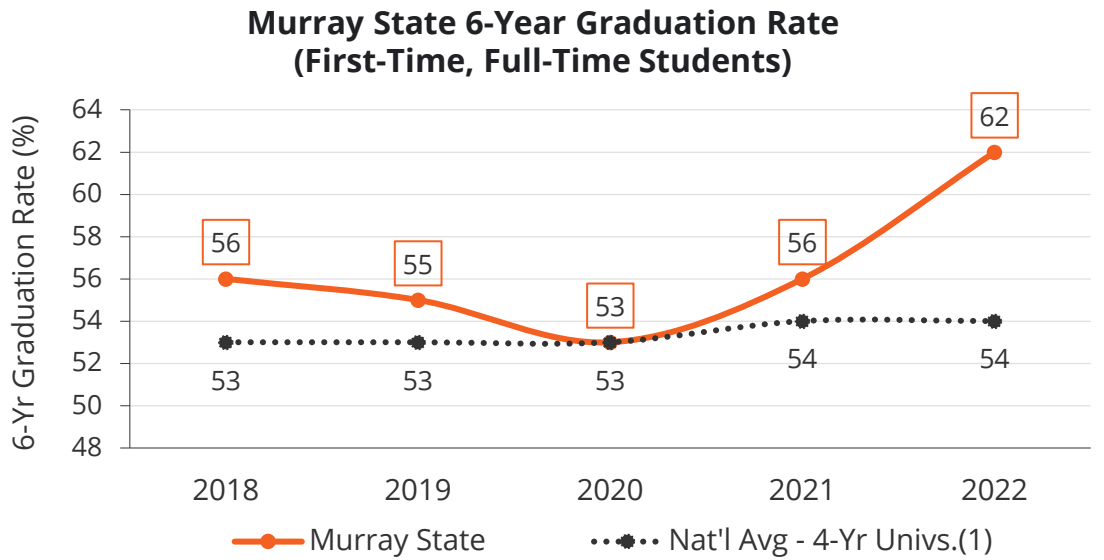
G

Murray State's undergraduate retention rates and six-year graduation rates have consistently outperformed their peer group average, and Murray State has performed better than or equivalent to other KY public comprehensive institutions on 8 of 9 metrics tracked by the KY performance funding model.

Current State Performance on Key Student Success Metrics

Murray State's undergraduate retention rates and six-year graduation rates have consistently outperformed their peer group average.





Retention rates recovering and above national averages…

- First-to-second year retention rates for first-time, full-time students has remained consistently above the national average over the last 5 years.
- First-year retention rates fell significantly from Fall 2020 to Fall 2021 by 6 percentage points. In Fall 2022, Murray State's first-year retention rebounded slightly, representing a partial recovery to pre-pandemic highs.

…while graduation rates at a 5-year high

- Across the five-year period from 2018 to 2022, Murray State had the largest net increase in six-year graduation rates among all Kentucky comprehensive universities at 6 percentage point.
- Murray State's graduation rates ranked the highest among Kentucky comprehensive universities in Fall 2022.

Notes: 1) National averages include all public and private not-for-profit four-year colleges and universities as reported in IPEDS. Source: IPEDS Data Dashboard.

MURRAY STATE | COLLEGE OF VETERINARY MEDICINE

Current State Performance on the Comprehensive Funding Model

Murray State outperformed or performed equivalent to the KY comprehensive average on eight of the KPIs incentivized by the model.

CPE utilizes a performance-based funding model that aligns funding with institutional performance on desired state policy goals. After each institution receives their "funding floor", the remaining resources are distributed based on the funding formula:

35% *based on student success metrics* **35%** *based on course completions* **30%** *based on operational support.*[1]

From 2013-14 to 2022-23, Murray State performed better than or equivalent to other KY public comprehensive institutions on **eight out of nine KPIs:**

- Murray State performed 10 or more percentage points better than comprehensives overall on STEM+H Bachelor's, Low Income Bachelor's, Progression at 60, Progression at 90 Hours, and Total Bachelor's Produced.

Key

- Performed better than or equivalent to KY comps average
- Performed worse than KY comps average

Notes: 1) Funding proportions were amended to 40% for student success metrics and 30% for course completions for the 2024-25 funding distribution; 2) Science, Technology, Engineering, Math, and Health Sciences (STEM+H); 3) Underrepresented Minority (URM); 4) Full-Time Equivalent (FTE). Sources: 13 KAR 2:120E; Performance Funding - Ky. Council on Postsecondary Education; KRS 164.092; Workbook: Kentucky Postsecondary Education Interactive Data Dashboard; Funding Model Data provided by CPE.

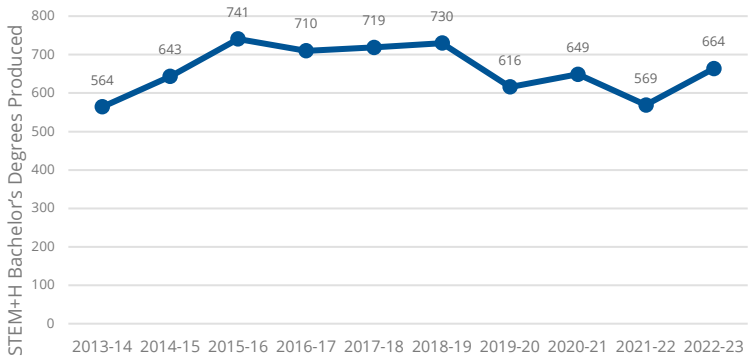
MURRAY STATE | COLLEGE OF VETERINARY MEDICINE

Current State Performance on the Comprehensive Funding Model

Murray State has recorded growth in STEM+H, URM, and Low-Income Bachelor's produced.

Data Trends

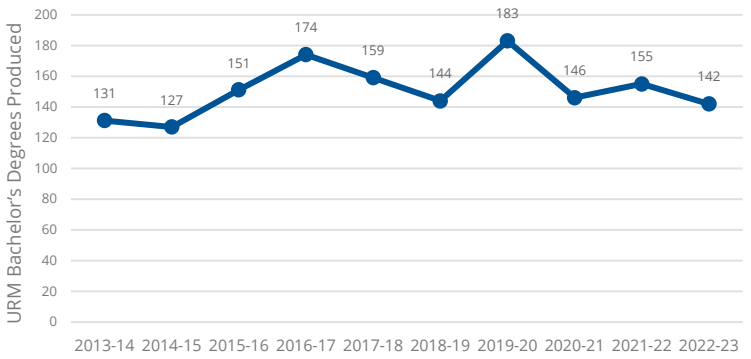
STEM+H Bachelor's Produced



18% Murray State | **7%** KY Comps[2]

number of STEM+H Bachelor's produced from 2013-14 to 2022-23

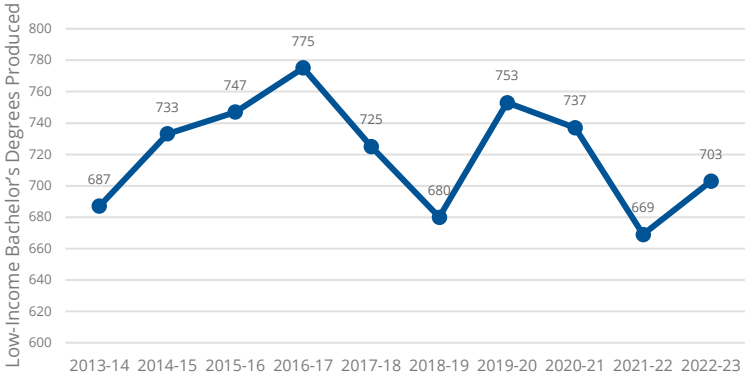
Underrepresented Minority Student (URM) Bachelor's Produced[1]



8% Murray State | **23%** KY Comps

number of URM Bachelor's produced from 2013-14 to 2022-23

Low-Income Bachelor's Produced



2% Murray State | **15%** KY Comps

number of Low-Income Bachelor's produced from 2013-14 to 2022-23

174

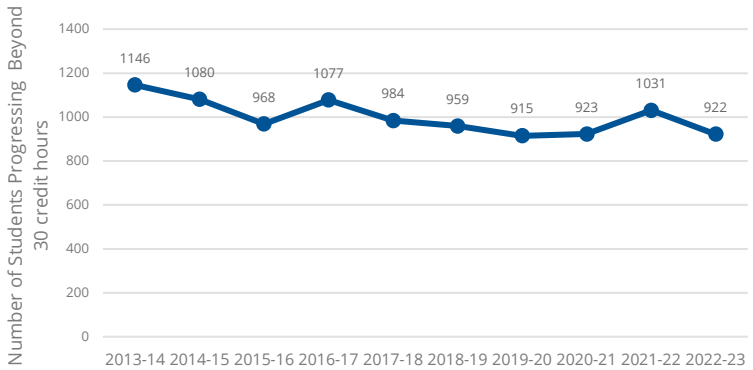
Notes: 1)The URM Bachelor's Degrees metric has been amended to "underrepresented students", defined as "first generation college students", for the 2024-25 funding distribution. 2) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

Murray State has experienced declines in all three progression metrics across the past decade, though those declines have been smaller or comparable than those recorded at other public comprehensives in Kentucky.

Data Trends

Progression @ 30

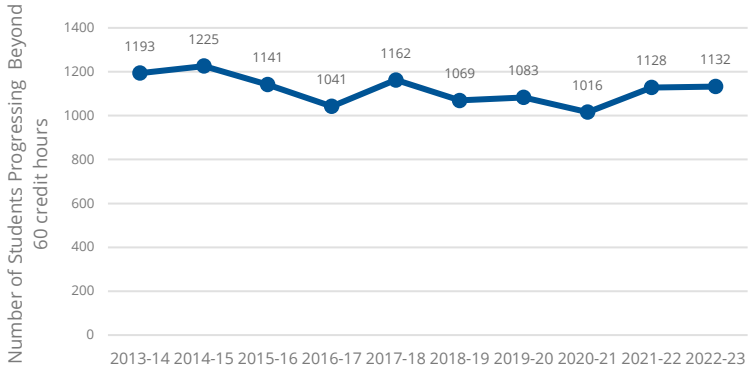


20% Murray State

20% KY Comps[1]

number of undergraduate students @ 30 hours from 2013-14 to 2022-23

Progression @ 60

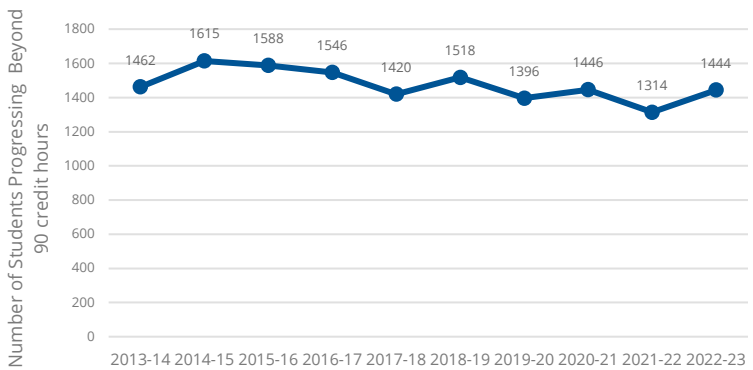


5% Murray State

15% KY Comps

number of undergraduate students @ 60 hours from 2013-14 to 2022-23

Progression @ 90



1% Murray State

11% KY Comps

number of undergraduate students @ 90 hours from 2013-14 to 2022-23

Notes: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

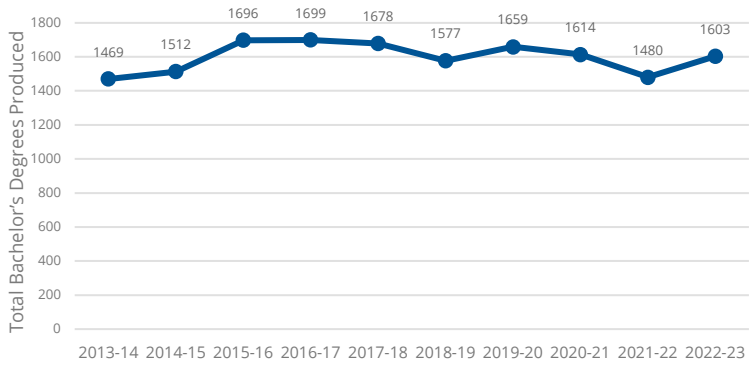
MURRAY STATE | COLLEGE OF VETERINARY MEDICINE

Current State Performance on the Comprehensive Funding Model

While Murray State has recorded growth in total bachelor's produced, their enrollment and credit hours have decreased similarly to KY comprehensives overall.

Data Trends

Total Bachelor's Produced

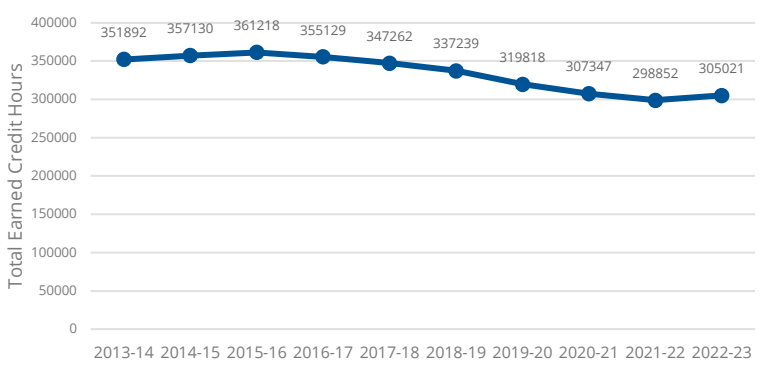


9% Murray State

8% KY Comps[1]

number of Total Bachelor's produced from 2013-14 to 2022-23

Student Credit Hours Earned

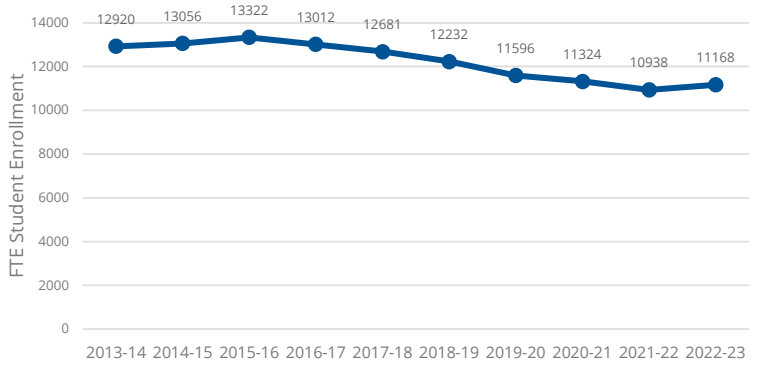


14% Murray State

16% KY Comps

number of Student Credit Hours earned from 2013-14 to 2022-23

FTE Student Enrollment



14% Murray State

21% KY Comps

number of FTE Student Enrollment from 2013-14 to 2022-23

Notes: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Research Infrastructure Assessment

Overall Feasibility Assessment

Research Infrastructure

G

Murray State's research expenditures are comparable to the other KY regional comprehensives and have grown by ~30% across the last 5 years. Murray State also possesses veterinary research equipment in their Breathitt Veterinary Center and other facilities.

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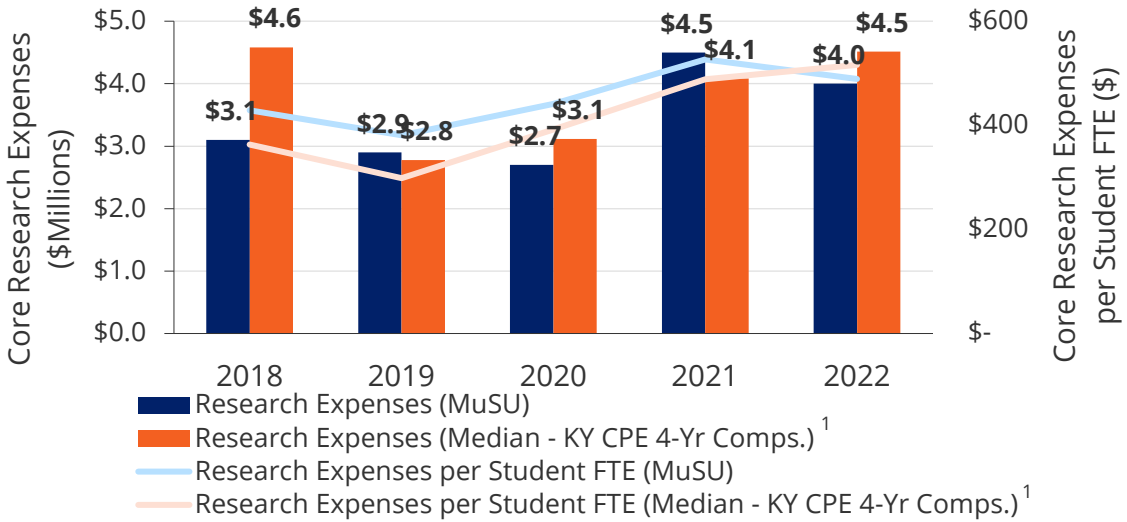
Current State Research Infrastructure

Murray State has increased its research expenditures across the last five years and has foundational infrastructure to support research growth.

Murray State Core Research Expenses (2018-2022)



Murray State's total core research expenses grew by over 45% from 2018 to 2021. Although core research spending decreased from 2021 to 2022, total core research expenses still grew by close to 30% over a five-year period.

Murray State's research investment has been comparable to those of its Kentucky comprehensive peers. Murray State's total core research expenses was equal to or above the peer median for four out of the last five years.

Research Infrastructure Highlights

Office of Research and Creative Activity (ORCA)

Murray State's Office of Research and Creative Activity supports faculty-mentored scholarly and research opportunities for undergraduate/graduate students. ORCA offers grants and organizes campus/community events to support student and faculty research in all disciplines.

Breathitt Veterinary Center (BVC)

The BVC is a diagnostic laboratory and research facility that is part of Murray State, located in Hopkinsville, Kentucky. The center provides a wide range of veterinary services to support animal and public health.

Veterinary Technology/Pre-Veterinary Facilities

The Veterinary Technology/Pre-Veterinary Medicine Program is located on the main farm complex in the A. Carman Animal Health Technology Center. The center houses classrooms, faculty offices, laboratories, a pharmacy, surgery suite, kennels and a radiology laboratory. The program is equipped with state-of-the-art supplies and equipment.

Notes: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Sources: IPEDS Data Center, Murray State's Office of Research and Creative Activity; AVMA Accreditation Policies and Procedures

Cost-Benefit Analysis

Overall Feasibility Assessment

Cost-Benefit Analysis

Y

Murray State's CVM is projected to break-even under moderate planning assumptions in FY30 without ongoing state support and anticipated to generate significant economic impact in Calloway County and KY. Murray State's existing faculty and infrastructure in animal sciences offset some startup costs.

Assumptions Driving Financial Model

The Veterinary School timeline, Murray State stakeholder discussions, market research, and competitive analysis inform the drivers behind the financial model.

	Line Item	Forecast Approach	Moderate Driver	Conservative Driver
REVENUES	Enrollment	Murray State Proposal Materials, Market Research and Peer Comparisons	Target enrollment of 70 students per year provided by Murray State. Annual attrition of 7% is calculated based on AAVMC enrollment data.	Conservative enrollment is calculated as 85% of target enrollment. Conservative annual attrition rate estimated at two percentage points higher (9%).
REVENUES	Tuition & Fees	Murray State Proposal Materials, Market Research and Peer Comparisons	Tuition rates were provided by Murray State ($29,000 and $50,750 per year for in-state and out-of-state students respectively) in FY27. This pricing is competitive with first year resident tuition and fees at peer colleges of veterinary medicine. Tuition rate is expected to grow at 3% annually. Per Murray State, there is no plan to offer additional scholarships or institutionally funded grants to admitted students.	Tuition pricing is set the same as the moderate scenario and is expected to grow at 2%.
REVENUES	Other Operating Revenues	Murray State Proposal Materials	Estimates for the use of University Private Funds during construction period and first year of operations to fund initial start-up costs were shared by Murray State.	Same assumptions as moderate model.
EXPENSES	Faculty and Staff Salary and Benefits Costs	Murray State Proposal Materials, Murray State Historical Trends, Market Research and Peer Comparisons	Faculty and staff headcounts were calculated based on an analysis of peer institutions using the distributive model. Murray State is estimated to need to hire two administrators, fifteen faculty, and 40 staff. The number of faculty has been adjusted to account for the additional ten current faculty that Murray State anticipates supporting the Veterinary School. The personnel FTE targets initially provided by Murray State were below those of peer institutions and were subsequently adjusted by the project team to align with peer figures. Personnel salaries were provided by Murray State at $132,000 for Faculty, $44,000 for Staff, and $214,500 for Administrators. Personnel salaries forecast a 2% annual increase, based on the history of cost-of-living increases by the institution, other Kentucky public universities, and the Commonwealth. Start-up packages are not included in the model, as Murray State indicated that they do not anticipate significant cost from start-up packages for new personnel. Employee Benefits are projected at 45%, of compensation, in line with existing Murray State Operations.	Faculty and staff headcounts are the same as the moderate model. Conservative faculty and admin salaries are estimated at 15% higher than moderate scenario. Staff salaries are held constant. Conservative annual growth rate estimated at one percentage point higher than the moderate scenario (3%). Employee benefits are projected at the same rate as the conservative scenario.
EXPENSES	Rotation Payments	Murray State Proposal Materials and Market Research	Rotation Payment estimates were shared by Murray State and assume $12k fee per student per year. Rotation payments forecast a 2.7% annual increase, based on the ten-year average of annual inflation rates from the Bureau of Labor Statistics/ Consumer Price Index.	Conservative rate per student estimated at 15% higher than moderate scenario. Conservative annual growth rate estimated at 4% based on five-year average of annual inflation rates from the Bureau of Labor Statistics/ Consumer Price Index.
EXPENSES	All Other Operating Expenses	Murray State Proposal Materials	Estimates for Other Operating Expenses were shared by Murray State and are projected out assuming a 2% annual increase, based on the institution's historical expense growth rates and annual adjustments of comparative research programs. These expenses are meant to estimate all other operating costs excluding salary/fringes.	Conservative annual growth rate estimated at one percentage point higher than the moderate scenario (3%).
EXPENSES	Facilities Expense	Murray State Proposal Materials	Murray State is currently not planning to build new facilities to house the vet school. Instead, they are planning the construction of a new Veterinary Sciences building that will serve the needs of future veterinary students as well as students in their pre-vet and vet tech programs, which they have already secured funding for. Murray State plans to commence this construction project independent of the vet school. As such, these expenses are not included in the financial model, as they are not fully attributable to the vet school.	Same assumptions as moderate model.

Sources: AAVMC Public Data; U.S. Bureau of Labor Statistics

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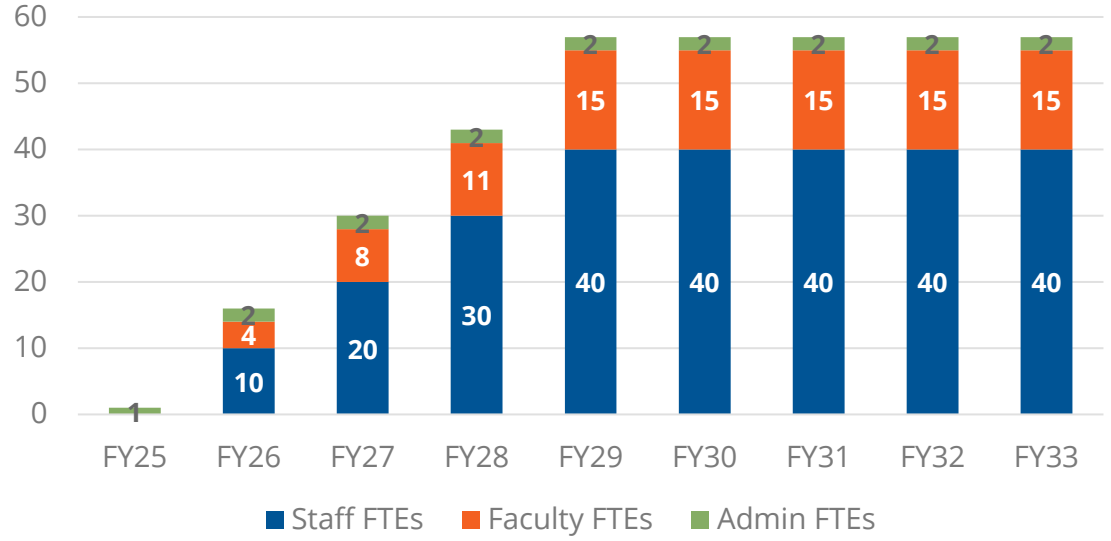
Staffing and Enrollment Assumptions

Faculty and staff, beginning with the Founding Dean, will be added gradually to support operations and anticipated enrollments as the Veterinary School matures to steady state operations in FY2030 and beyond.

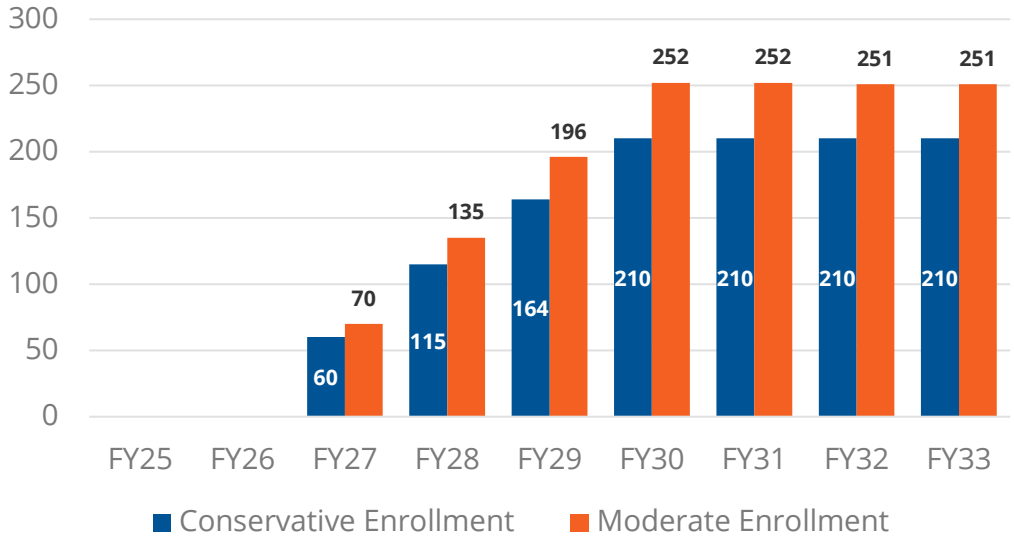
Faculty and Staff Ramp-up, FY26 – FY33[1]

- The Veterinary School Founding Academic Dean is hired and onboarded in FY25.
- Initial faculty are hired starting in FY26 and the required fifteen FTEs are in place by FY29. Per Murray State, an additional ten existing Faculty FTEs will support the Veterinary School.
- Staff includes Finance, IT, Academic Affairs, Research, Student Affairs, Professional Development, Clinical Affairs, and Clinical Education professionals.



Enrollment Ramp-up, FY26 – FY33[2]

- Assuming moderate enrollment, the first class begins in FY27 at 70 students, with total enrollment reaching 251 students at full capacity.
- Under the conservative model, the first class begins in FY27 at 60 students, with total enrollment reaching 210 students at full capacity.



Notes: 1) Total faculty and staff assumptions are calculated based on analysis of personnel headcounts at peers using the distributive model and account for existing faculty FTEs that Murray State has indicated will support the Veterinary School; 2) Enrollment at "steady-state" does not reach 280 as the model moderately assumes anticipated annual attrition of 7%, in line with the reported AAVMC enrollment data. Source: AAVMC Public Data.

Moderate Projection – Veterinary School Pro-forma Operating Results

The operating results[1] in the moderate projection represents the most likely scenario with many estimates provided directly by Murray State.

Income Statement - Moderate Scenario *$000s*	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Enrollment	-	-	70	135	196	252	251	251	252	252	252
Faculty FTEs	-	4	8	12	15	15	15	15	15	15	15
Staff FTEs	-	10	20	30	40	40	40	40	40	40	40
Administrator FTEs	1	2	2	2	2	2	2	2	2	2	2
Revenues:											
Tuition & Fees	$ -	$ -	$ 1,478	$ 2,966	$ 4,467	$ 10,742	$ 11,151	$ 11,600	$ 12,067	$ 12,553	$ 13,077
Total Operating Revenues	-	-	1,478	2,966	4,467	10,742	11,151	11,600	12,067	12,553	13,077
Operating Expenses:											
Faculty and Staff Salaries	215	1,397	2,412	3,468	4,424	4,513	4,603	4,695	4,789	4,885	4,982
Employee Benefits	-	629	1,086	1,560	1,991	2,031	2,071	2,113	2,155	2,198	2,242
Rotation Payments		-	-	-	-	676	689	703	717	726	746
Other Operating Expenses	250	2,197	2,603	3,637	3,710	3,784	3,860	3,937	4,016	4,096	4,178
Total Operating Expense	465	4,223	6,101	8,665	10,125	11,003	11,223	11,448	11,677	11,905	12,149
Operating Income	$ (465)	$ (4,223)	$ (4,623)	$ (5,699)	$ (5,658)	$ (262)	$ (72)	$ 152	$ 390	$ 648	$ 928
Operating Margin %	*N/A*	*N/A*	*-312.8%*	*-192.1%*	*-126.6%*	*-2.4%*	*-0.6%*	*1.3%*	*3.2%*	*5.2%*	*7.1%*
Non Operating Income:											
University/Private Funds	1,247	1,270	-	-	-	-	-	-	-	-	-
Total Non Operating Income:	$ 1,247	$ 1,270	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Surplus/(Deficit) -	$ 782	$ (2,952)	$ (4,623)	$ (5,699)	$ (5,658)	$ (262)	$ (72)	$ 152	$ 390	$ 648	$ 928
Net Surplus/(Deficit) %	*N/A*	*N/A*	*-312.8%*	*-192.1%*	*-126.6%*	*-2.4%*	*-0.6%*	*1.3%*	*3.2%*	*5.2%*	*7.1%*

Key Takeaways

- **Operating Income Driven by Tuition Revenues:** Revenues are driven by tuition and fees, which are projected to **reach $13M by FY35** as the Veterinary School operates at full enrollment capacity.
- **Largest Expenses Due to Faculty Salary/Benefits:** Murray State intends to leverage ten existing faculty in the program to limit the amount of net new investment needed. ~15 new faculty hires will drive $3.1M in annual expenses for the program in FY32.
- **Vet School Projected to Breakeven Under Current Assumptions:** At steady-state operations, under current assumptions, **the veterinary school is expected to breakeven** in FY32 and generate moderate surpluses thereafter. Under these assumptions, it will not require internal subsidization and/or state support to sustain its operations.

Note: 1) Assumptions detailed earlier in this section of the report on Slide 85.

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Conservative Projection – Veterinary School Pro-forma Operating Results

The operating results[1] in the conservative projection represents the financial impact of a "worst case" scenario.

Income Statement - Conservative Scenario *$000s*	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Enrollment	-	-	60	115	164	210	210	210	210	210	210
Faculty FTEs	-	4	8	11	15	15	15	15	15	15	15
Staff FTEs	-	10	20	30	40	40	40	40	40	40	40
Adminstrator FTEs	1	2	2	2	2	2	2	2	2	2	2
Revenues:											
Tuition & Fees	$ -	$ -	$ 1,255	$ 2,468	$ 3,644	$ 8,648	$ 8,911	$ 9,183	$ 9,463	$ 9,751	$ 10,048
Total Operating Revenues	-	-	1,255	2,468	3,644	8,648	8,911	9,183	9,463	9,751	10,048
Operating Expenses:											
Faculty and Staff Salaries	247	1,555	2,681	3,711	4,967	5,116	5,269	5,427	5,590	5,758	5,930
Employee Benefits	111	700	1,206	1,670	2,235	2,302	2,371	2,442	2,515	2,591	2,669
Rotation Payments	-	-	-	-	-	624	643	662	682	702	723
Other Operating Expenses	250	2,197	2,603	3,637	3,746	3,859	3,975	4,094	4,217	4,343	4,474
Total Operating Expense	608	4,452	6,490	9,018	10,948	11,900	12,257	12,625	13,004	13,394	13,796
Operating Income	$ (608)	$ (4,452)	$ (5,236)	$ (6,550)	$ (7,304)	$ (3,253)	$ (3,346)	$ (3,443)	$ (3,541)	$ (3,643)	$ (3,748)
Operating Margin %	*N/A*	*N/A*	*-417.3%*	*-265.4%*	*-200.4%*	*-37.6%*	*-37.6%*	*-37.5%*	*-37.4%*	*-37.4%*	*-37.3%*
Non Operating Income:											
University/Private Funds	1,247	1,270	-	-	-	-	-	-	-	-	-
Total Non Operating Income:	$ 1,247	$ 1,270	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Surplus/(Deficit) -	$ 639	$ (3,182)	$ (5,236)	$ (6,550)	$ (7,304)	$ (3,253)	$ (3,346)	$ (3,443)	$ (3,541)	$ (3,643)	$ (3,748)
Net Surplus/(Deficit) %	*N/A*	*N/A*	*-417.3%*	*-265.4%*	*-200.4%*	*-37.6%*	*-37.6%*	*-37.5%*	*-37.4%*	*-37.4%*	*-37.3%*

Key Takeaways

The delta between moderate and conservative is driven by the following key assumptions:

1. Lower than expected enrollments driving lower tuition revenues: **$2.1M impact in FY30**
2. Higher than expected faculty salaries needed to attract and retain quality faculty: **$0.5M impact in FY30**

The conservative scenario also assumes expenses will grow at higher than historical rates (3% vs. 2% annually).

The resulting net surplus assumes all conservative assumptions are triggered.

Notes: 1) Assumptions detailed earlier in this section of the report on Slide 85. 2) Total operating expenses are lower under conservative projections because in this scenario, the CVM is projected to enroll fewer students, resulting in lower expenses from rotation payments, which are calculated based on enrollments in years 3 and 4 of the DVM program.

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Potential CVM Benefits on Regional Economy

A veterinary school at Murray State would not just help to source a new, in-demand student population, but also provide a substantial economic benefit to the surrounding region.

A CVM may generate significant economic impact:

$85M One-Time **$46.3M** Annual Recurring **Economic Impact In Calloway County**

Based on estimated hiring needs (i.e., new jobs), a new CVM is estimated to generate $46.3M in economic output in Calloway County, including an estimated $16.8M in labor wages associated with 175 total jobs annually.

Capital projects planned in conjunction with the CVM launch are estimated to support a total of 777 jobs during the period of construction ($32.3M in labor income) and generate a total of $85.4M in economic output. (Note that current construction on new facilities will commence regardless of Murray State receives approval to launch the CVM.)

$107M One-Time **$19.1M** Annual Recurring **Economic Impact In Kentucky**

Based on estimated hiring needs (i.e., new jobs), a new CVM is estimated to generate $19.1M in economic output in Kentucky, including an estimated $8.1M in labor wages associated with 113 total jobs annually.

Capital projects planned in conjunction with the COM launch are estimated to support a total of 783 jobs during the period of construction ($45.9M in labor income) and generate an additional $107.4M in economic output. (Note that current construction on new facilities will commence regardless of Murray State receives approval to launch the CVM.)

A new college of veterinary medicine may also:

- **Expand access to veterinary medical care** to residents of the Murray region and Kentucky more broadly.
- **Expand veterinary education opportunities** for residents of western Kentucky and its surrounding region.
- **Produce new research** on animal health and welfare that benefits industry in the Commonwealth of Kentucky.

Sources: IMPLAN Model, 2022 Data Year, using inputs provided by Murray State and IMPLAN model data for the State of Kentucky and Calloway County

Student Demand

Overall Feasibility Assessment

Student Demand

G

Student demand for seats in DVM programs is high, even amid growth in the program pipeline as new CVMs launch.

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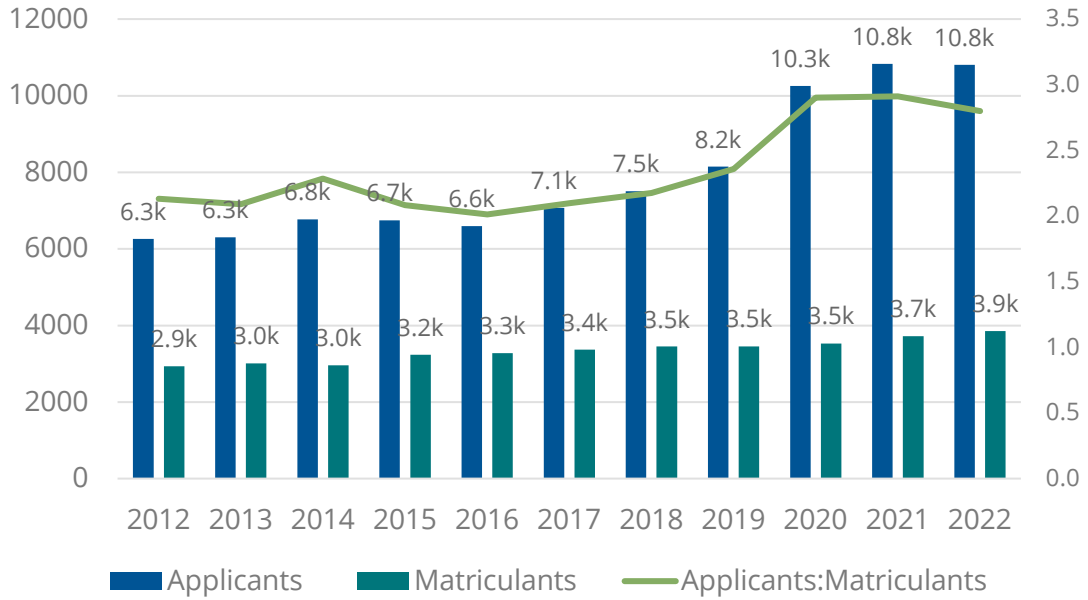
National & Regional Veterinary School Demand

Nationally, Student Demand for Seats in Veterinary School Outpacing Supply

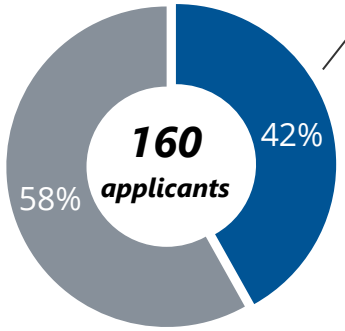
Over the last decade (2012-2022) the AAVMC reported a 72.6% rise in total applications to national veterinary colleges, while the number of US DVM first year seats has increased by 31.6%. In 2022, only 44% of applicants matriculated to U.S. Veterinary schools.

Total U.S. Veterinary Applicants and Matriculants



In Kentucky, Veterinary Medical School Demand Mirrors National Trends, with Large Applicant Pools for Small Number of Seats

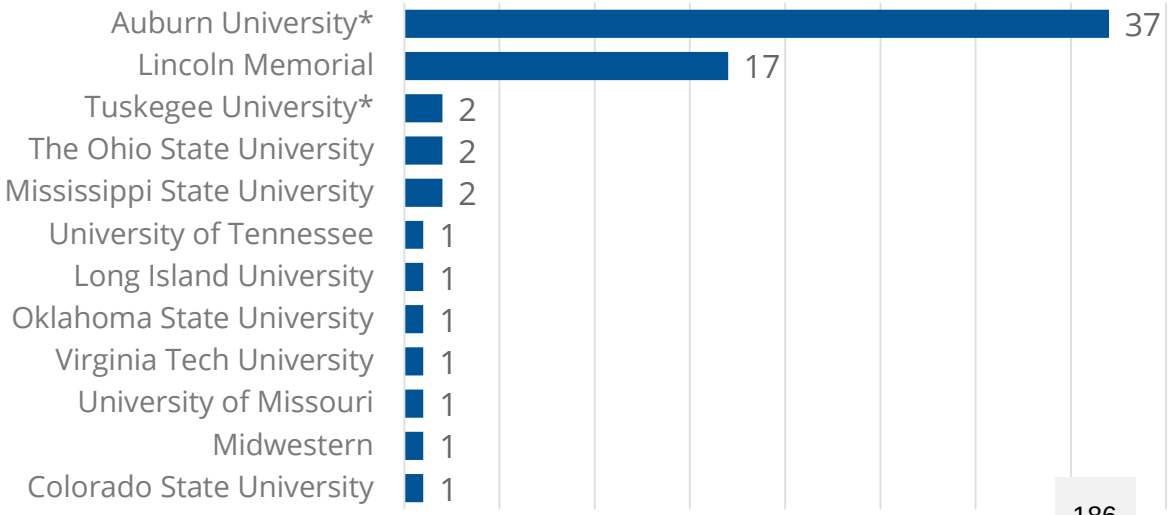
In 2023, 160 Kentucky residents applied to DVM Programs



67 matriculants to US DVM Programs
93 applicants who did not matriculate

Applicants-to-Matriculants
2.4-to-1

Accepted Kentucky Residents by Veterinary School



186

* Auburn and Tuskegee have an established agreement under Kentucky Veterinary Contract Spa
Program that hold seats for KY residents in their classes each year (38 at Auburn and 3 at Tuskegee)

Sources: AVMA Accredited Colleges; AAVMC Annual Report; AAVMC Admitted Student Profiles.

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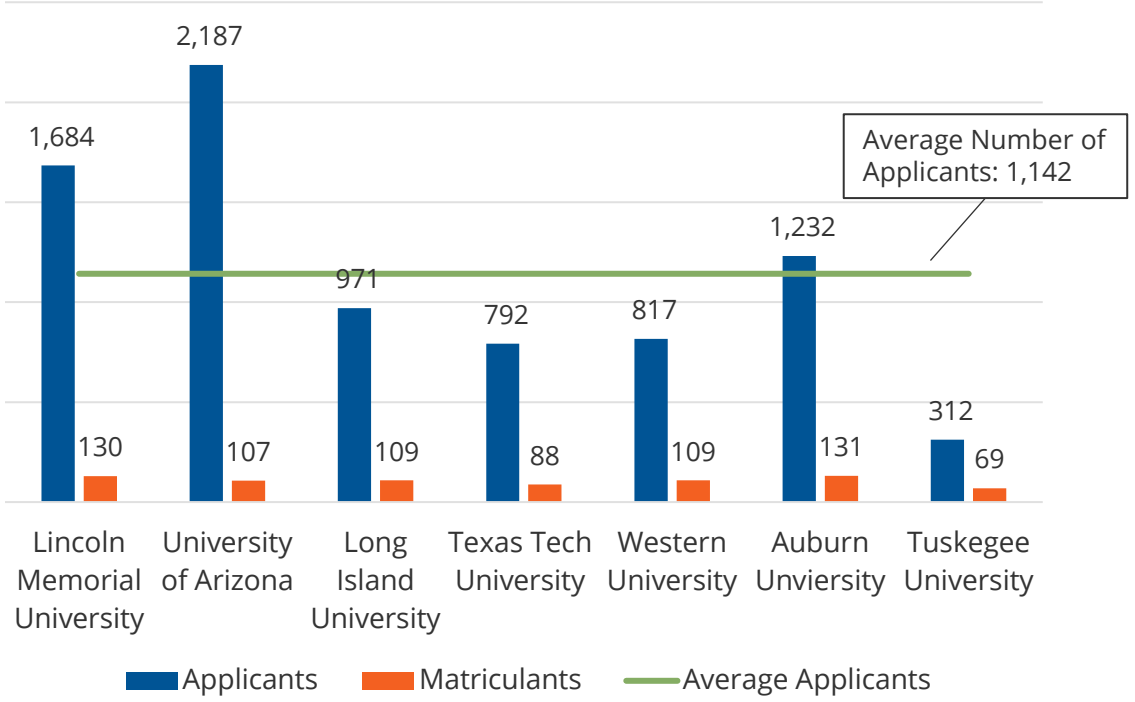
Select Peer Admissions Statistics

Peer Applicants and Matriculants

Among select peer veterinary education programs, the **average number of applicants exceeded 1,100 in 2023,** which is the most recently reported entering year**.** By comparison, average matriculants totaled less than 110 students.

Total Veterinary Applicants and Matriculants at Peer Institutions



Applicants & Matriculants at Recently Opened Vet Schools Using Distributive Model of Clinical Education

	First Year		*Latest Year (2023)*	
Institution	Applicants	Matriculants	Applicants	Matriculants
Lincoln Memorial University (TN) *Opened 2014*	367	96	1,684	130
University of Arizona (AZ) *Opened 2020*	518	110	2,187	107
Long Island University (NY) *Opened 2020*	450	107	971	109
Texas Tech University (TX) *Opened 2021*	617	64	792	88

Recently established veterinary schools are experiencing high application volumes relative to their class sizes, suggesting that, to this point, demand for seats in DVM programs continues to outpace supply.

The **average incoming GPAs for newer vet schools was 3.5** compared to **3.6 at established schools** in 2023, suggesting that recently established veterinary schools continue to enroll qualified applicant pools.

187

Sources: AVMA Accredited Colleges; AAVMC Annual Report; AAVMC Admitted Student Profiles.

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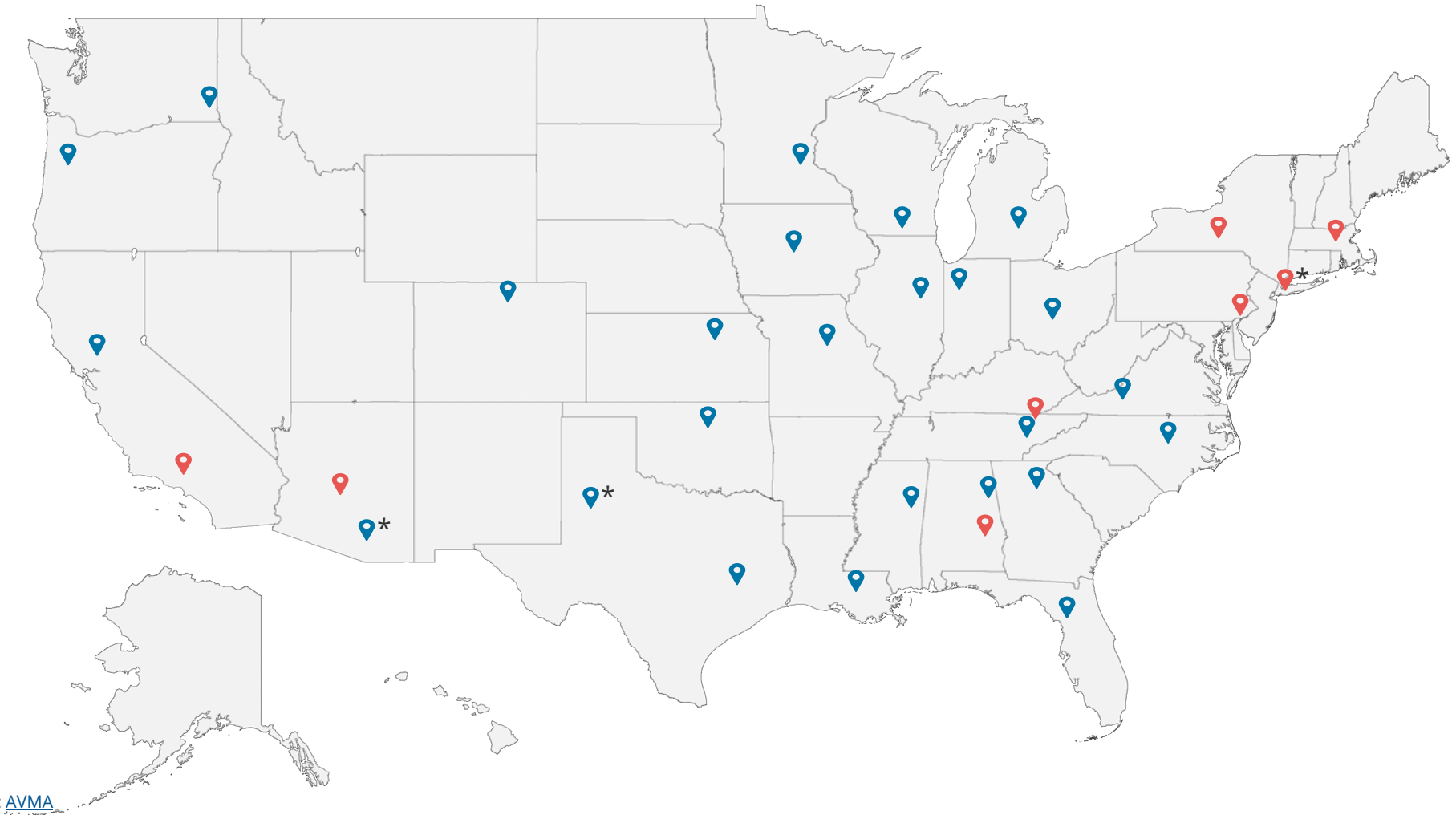
Landscape of Veterinary Schools

AVMA accredits 30 veterinary schools and three schools with provisional accreditation. There are currently fifteen additional veterinary schools in various stages of the development process.

Fully Accredited CVMs as of 2024



- Public
- Private
- * Provisionally Accredited

13,323

Veterinary students in the US as of 2019

Sources: AVMA

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Planned New DVM Programs and Seat Expansions | Timeline

Fifteen additional colleges of veterinary medicine are in various stages of development. Of those, three have already welcomed their inaugural classes and are working towards full accreditation.

***** Using or planning to use Distributive Model of Clinical Education

2020

- **University of Arizona* (AZ):** Pre-Accredited
- **Long Island University* (NY):** Pre-Accredited

2021

- **Texas Tech University* (TX):** Pre-Accredited

2024

- *25 seats from university expansions*

2025

- **Lyon College* (AR)**
- **Lincoln Memorial University – Orange Park Campus* (FL)**
- **Rowan University (NJ)**
- **Utah State University* (UT)**
- *152 seats from university expansions*

2026

- **Arkansas State University (AR)**
- **Chamberlin University (GA)**
- **Clemson University* (SC)**
- **University of Maryland Eastern Shore (MD)**
- **Rocky Vista College (MT)**
- *20 seats from university expansions*

2027

- **Hanover College* (IN)**
- **Midwestern University (IL)**
- *10 seats from university expansions*

2028

- *10 seats from university expansions*

The accreditation of all fifteen colleges will result in a **45% increase in DVM Programs in the U.S.**
Based on proposed class sizes, by 2028, there will be an **additional 1,500 first-year seats** derived from both new programs and expansion of existing programs.

Sources: A proliferation of newly proposed veterinary colleges | American Veterinary Medical Association; Demand for and Supply of Veterinarians in the U.S. to 2032.

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KY Contract Spaces Program at Auburn and Tuskegee

KY currently funds seats for a select number of KY residents at two DVM programs, which allows students to pay in-state tuition rates. The cost of these programs to students, coupled with their history of serving the KY veterinary workforce, **position these programs as strong competitors with Murray State for Kentucky-resident DVM students**, if the contract spaces program continues to receive funding.

Contract Spaces Program Overview

The most recent Executive Branch budget bill (HB 200, 2018) funds 164 spaces at **Auburn University College of Veterinary Medicine** and **Tuskegee University College of Veterinary Medicine:**

- 152 total seats at Auburn, 38 first-year seats
- 12 total seats at Tuskegee, 3 first-year seats

Other Auburn Vet Commitments to KY

Auburn participates in the USDA-NIFA Veterinary Service Grant Program (VSGP), which helps place graduates from the CVM in rural Kentucky[1]:

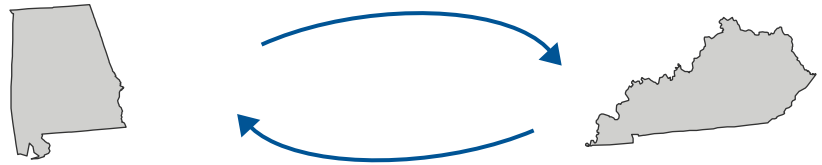
- Grant designed to recruit and advance students interested in rural service
- Offers internships/preceptorships and matches students with rural practices
- Of the 20 identified students participating in the partnership, 19 have entered rural practice after graduating

By the Numbers

130 Kentucky applicants for 38 seats at Auburn CVM in 2023

$5.3M Cost to Commonwealth in 2024 to fund KY students at Auburn and Tuskegee

67% of KY residents with Auburn University Vet degrees returned to KY



Notes: 1) Both Auburn and Tuskegee participate in this program, but data is only available from Auburn. Sources: Grant Strengthens Veterinary Medicine in Rural Kentucky – Auburn Veterinarian – Auburn University | College of Veterinary Medicine; Report of the Veterinary Medicine Contract Spaces Working Group to Interim Joint Committee on Appropriations and Revenue; KHEAA Report on Optometry Scholarship & Veterinary Contract Spaces 2024; Peer Benchmarking Interviews.

Murray State Differentiating Factors

While the market for veterinary students is increasingly competitive due to new program entrants, the following differentiating factors may help Murray State compete for students over competitor programs.

- Murray State's CVM would be the first offering in the Commonwealth. Kentucky residents can currently receive in-state tuition rates at Auburn and Tuskegee through the contract spaces program, minimizing the relative competitive advantage of offering in-state tuition. However, the College's location in western Kentucky may be appealing to some applicants who wish to stay close to home for further education.

- Murray State University currently offers a range of programs that highlight their expertise in animal science, including Veterinary Technology, Pre-Veterinary Medicine, and Animal/Equine Science. These programs could serve as a pipeline to the veterinary school and increase Murray's credibility in veterinary medicine for potential applicants.

- Because Murray State is rurally located, they may be positioned to attract rural Kentucky students and establish partnerships with rural clinics.

Workforce Alignment

Overall Feasibility Assessment

Workforce Alignment

Y

Industry experts disagree about the demand for new veterinarians at the national level, though there is an undisputed shortage of rural large animal vets in KY. Some experts purport that a CVM cannot meaningfully address the rural shortage, though Murray has a record of successfully placing graduates in rural settings.

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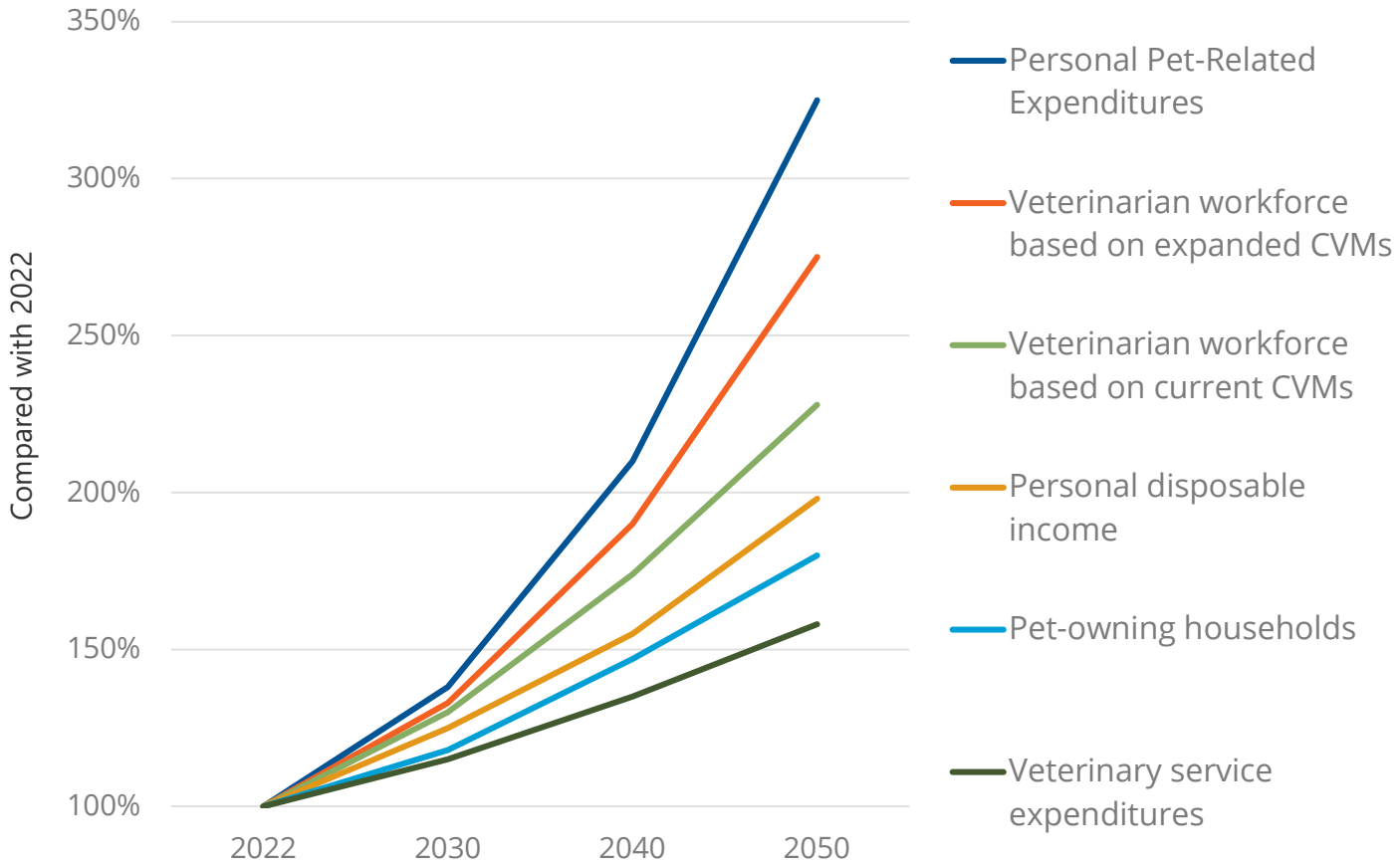
National Demand for Veterinarians

Recently released data study commissioned by the American Veterinary Medical Association (AVMA) does not forecast a national shortage of veterinarians.

Brakke Consulting's Analysis of the Veterinary Workforce
Projected Growth of Supply & Demand Factors (Fall 2024)



Key Takeaways from Brakke Consulting's Veterinary Workforce Forecast Project

- The report indicates that **the current supply of veterinary school graduates is sufficient to meet workforce demand** through 2035.
- Accounting for new CVMs in planning stages and some established CVMs planning to grow their class sizes, if all 13 proposed veterinary schools are accredited, the **veterinary workforce could increase by nearly 40%** in a decade.
- Beyond 2035, the **number of veterinarians may exceed demand**, potentially risking the economic health of the profession unless there is a significant increase in the utilization of veterinary services.

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Sources: AVMA - No Dire Shortage of Veterinarians Anticipated in Coming Years Report, AVMA - Straight Talk About Veterinary Workforce Issues, AVMA - Chart of the Month: No Dire Shortage of Veterinarians Needed.

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Shortage of Veterinarians in Rural Areas

Although the national supply of veterinarians is expected to meet overall demand until 2035 and exceed it thereafter, rural areas, including much of Kentucky, are currently experiencing veterinarian shortages.

Rural Veterinary Shortage Areas Currently Observed Across Most of the US

In 2023, the National Institute of Food and Agriculture (NIFA) designated **237 rural veterinary shortage areas** across **47 states** in the US, including Kentucky.

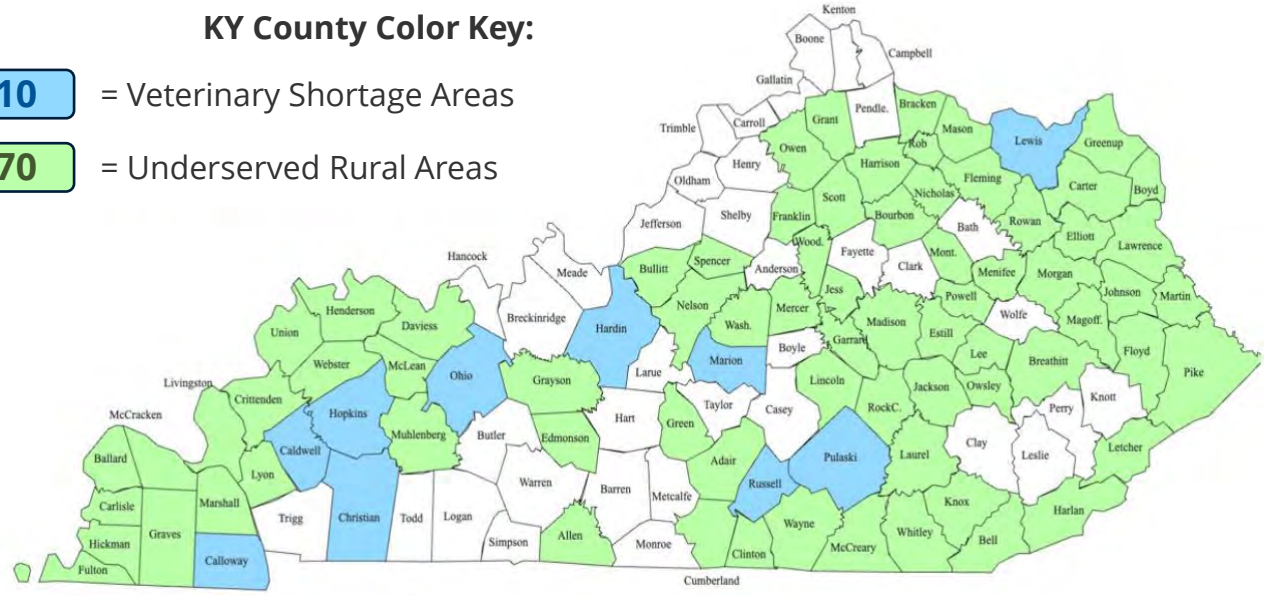
- In 2023, the AVMA reported that only 19.5% of veterinarians practice in rural areas
- Among veterinarians working in suburban areas, only 5% would prefer to work in a rural area
- Among veterinarians working in urban areas, 8.1% would prefer to work in a rural area
- 87% of veterinarians currently working in rural areas prefer to remain there, indicating a strong preference for their rural location

Veterinary Shortage and Underserved Rural Areas in Kentucky

KY County Color Key:

10 = Veterinary Shortage Areas

70 = Underserved Rural Areas



Note: **Veterinary shortage service area** are defined through implementation of a shortage nomination process, where nominations are reviewed by an external panel of veterinary experts and provided a designation.
Underserved rural area means an area of Kentucky, as designated by the KY State Veterinarian, with a low ratio of practicing veterinarians to livestock in a city with a population of less than twenty-five thousand (25,000) and more than twenty (20) miles from a city wit population of more than fifty thousand (50,000).

194

Sources: AVMA Report, AVMA Press Release, AVMA. KHEEA KRVLRP, USDA-NIFA VSGP, VMLRP, VMLRP FAQ , AVMA Report on the Economic State of the Veterinary Profession (2024).

Shortage of Veterinarians in Rural Areas, Continued

Veterinary experts believe that a lack of incentives for students to go into large animal care in rural areas—not a lack of veterinary students—is the greatest contributor to the rural veterinarian shortages in Kentucky and nationally.

Characteristics of the DVM student population driving them towards companion animal practices in suburban and urban environments:

Majority of Students from Urban/Suburban Areas

According to the AVMA, ~80% of all incoming veterinary students, on average, come from urban or suburban areas and intend to seek employment in urban or rural locations.

High Student Debt Levels Among Many DVM Graduates

According to the AVMA, median salaries for associates in companion animal predominant and exclusive practices are $110k and $125k, respectively, compared to $91k in food animal and $95k in mixed animal practices. Higher-paying fields may be particularly attractive to new DVM graduates, as the average debt for new DVM graduates in 2023 was $154,451.

76% of surveyed Kentucky veterinarians do not believe that the current lack of an in-state veterinary school is contributing to the rural veterinary shortage.

Sources: KVMA Membership Survey regarding a proposed KY Veterinary School; AVMA Report on the Economic State of the Veterinary Profession (2024); 2019-Admissions-Analysis-Monograph.pdf.

Faculty Recruitment

Overall Feasibility Assessment

Faculty Recruitment

Y

There is presently a shortage of veterinary faculty in the US, which is positioned to worsen as planned new vet schools launch in the next decade. Murray State has several existing veterinary faculty on staff who can teach in this program, mitigating the risk.

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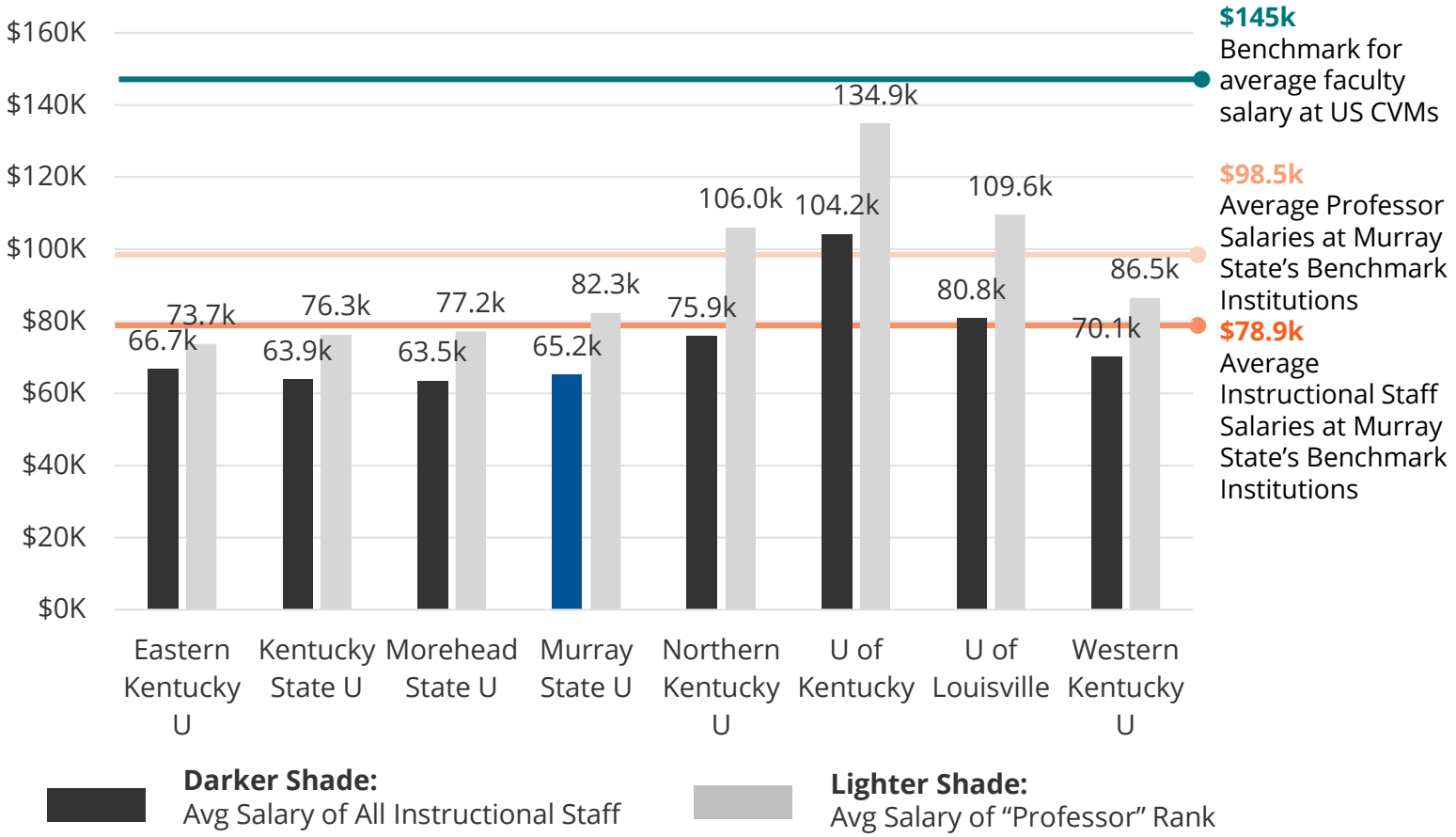
Murray State Faculty Recruitment Considerations

Murray State's average instructional salaries in AY2022-23 were on the lower end of Kentucky peers and considerably lower than benchmark peers. The proposed veterinary medicine faculty range is $121,000 – $161,000, well above averages for both sets of peers.

Average Salaries of Full-Time Instructional Nonmedical Staff equated to 9-Months Worked, by Academic Rank: Academic Year 2022-23[1]



Key Takeaways

- **Murray State's average professor salaries are in the top half of Kentucky regional comprehensives,** while their average instructional salaries are lower than most of their KY peers and lower than eighteen of the nineteen identified peer benchmark institutions.
- **Murray State's proposed CVM faculty salaries range is aligned with industry averages.** Murray State is planning to offer CVM faculty salaries in the range of **$121k-$161k.** In comparison, the average US CVM faculty salary is $145k.
- **Murray State CVM's founding dean may be among the highest paid faculty or staff member at the institution**, based on peer analysis.

Notes: 1) Reflects IPEDS "All instructional staff total of Average salaries of full-time instructional nonmedical staff equated to 9-months worked, by academic rank : Academic year 2022-23;" 2) See Appendix for full list of Murray State Benchmark Peers. Sources: IPEDS Data Center; Murray State Benchmark Institutions, AVMA Report on the Economic State of the Veterinary Profession (2024), peer interviews

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Veterinary Medicine Faculty Hiring Market Overview

The American Association of Veterinary Medical Colleges (AAVMC) reports a current shortage of veterinary faculty, which creates a risk that Murray State may struggle to recruit sufficient faculty at new Colleges of Veterinary Medicine.

AAVMC Data on National Veterinary Faculty Shortage

474 Funded & Unfilled Veterinary Medicine Faculty Positions in 2023

10% of all positions in the current veterinary faculty workforce are unfilled

1,000 Funded & Unfilled Veterinary Faculty Positions Projected by 2030

Murray State CVM Faculty Hiring Projections

25 Estimated faculty FTEs needed to run CVM using distributive clinical education mode at proposed student enrollment levels

10 Current Murray State faculty expected to teach in vet school

15 Expected CVM hiring needs in first four years of the program

Due to the national shortage of veterinary faculty, Murray State University may struggle to attract candidates. This challenge is compounded the **nascency of the program**, making it difficult to compete with the high-paying private sector and more established peer institutions. Although some local veterinarians have shown interest in teaching and providing rotational sites, no formal agreements have been made.

Sources: AAVMC Faculty Shortage Overview, AVMA Report on the Economic State of the Veterinary Profession (2024), peer interviews

Accreditation Standards

Accreditation Standards

Y

To meet accreditation standards, Murray State will need to invest significantly to provide sufficient facilities for the housing of animals used in teaching and research, to satisfactorily produce substantial related research, and to ensure quality of education and facilities at distributed clinical sites.

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Accreditation Standards | Overview

The American Veterinary Medical Association Council on Education (AVMA COE) sets forth eleven standards, including 78 individual elements, for the accreditation of new colleges of veterinary medicine to ensure high-quality education and training for veterinary students.[1]

1. Organization
2. Finances
3. Physical Facilities and Equipment
4. Clinical Resources
5. Information Resources
6. Students
7. Admission
8. Faculty
9. Curriculum
10. Research Programs
11. Outcomes Assessment

Note: 1) In addition to AVMA COE accreditation standards, Murray State will also need to comply with all applicable SACSCOC accreditation processes, including those for Substantive Changes. Source: AVMA Accreditation Standards

Accreditation Standards | Key Challenges and Risks (1 of 2)

Of the eleven AVMA COE accreditation standards, the following six represent the most significant and challenging for Murray State.

Standard	Requirement	Risk
2 Finances	- Financial stability to sustain educational programs.	- A new CVM will require significant startup and recurring operating funding. Operating expenses at steady state are estimated in the range of $11.0M - $12.1M per year.
3 Physical Facilities and Equipment	- Facilities for the housing of animals used for teaching and research shall be sufficient in number, properly constructed, and maintained in a manner consistent with accepted animal welfare standards. - Off-campus required training sites must be directly (in-person) and regularly (no less than annually) inspected and overseen by qualified college personnel to provide a safe and effective learning environment.	- Murray State is currently not planning to build new facilities to house the vet school. Instead, they are planning the construction of a new Veterinary Sciences building that will serve the needs of future veterinary students as well as students in their pre-vet and vet tech programs, which they have already secured funding for from the legislature. Murray State plans to commence this construction project independent of the vet school. - Deans of peer veterinary programs using a distributive model of clinical education expressed concerns that Murray State was not fully appreciating and planning for the full range of facilities needs to successfully operate a CVM, noting that curricular and compliance needs for a DVM program are distinct from animal sciences programs.
4 Clinical Resources	- Adequate clinical resources, including availability of diverse animals and variety of patients. - Supervision of all clinical sites, whether on-campus or off-campus.	- Distributive model introduces potential variance in the clinical experiences of students. - Ensuring all clinical partners meet the required standards for educational quality and safety requires dedicated resources, robust communication and coordination. Peer programs using distributive models of clinical education staff ~5 FTEs to administer clinical education programs.

Sources: AVMA Accreditation Standards, peer benchmarking interviews

Accreditation Standards | Key Challenges and Risks (2 of 2)

Of the eleven AVMA COE accreditation standards, the following six represent the most significant and challenging for Murray State.

Standard	Requirement	Risk
8 Faculty	- Sufficient qualified faculty and qualified to deliver the educational program. - Participation in scholarly activities is important for faculty evaluation.	- The national shortage of veterinary faculty creates a highly competitive environment for faculty recruitment, and as a rural institution with a nascent DVM program, Murray State stands to face challenges competing for faculty talent. Murray State is also not currently budgeting for faculty start-up packages, which stands to exacerbate these faculty recruitment issues.
10 Research Programs	- Maintain substantial high-quality research integrated with the professional program.	- Ensuring high-quality research activities and their integration with the professional program requires significant resources and support, including startup packages for research faculty, which peer program leadership estimated at $300k-400k per research faculty FTE. The AVMA COE (accrediting body) recently issued a major deficiency to another distributive model DVM program at a university without high research activity (i.e., not an R1 or R2), illustrating the challenges that universities may face when meeting the AVMA's accreditation standards in the research domain.
11 Outcomes Assessment	- Minimum of 80% NAVLE[1] pass rate by graduates within the first two years.	- Growing competition for DVM students as new CVMs launch and establish CVMs grow their student populations introduce risk that Murray may need to recruit less qualified applicants to fill their classes who may not be prepared to take licensing exams.

Note: 1) The North American Veterinary Licensing Examination (NAVLE), is a requirement for licensure to practice veterinary medicine in all licensing jurisdictions in the US and Canada. Sources: AVMA Accreditation Standards, NAVLE, peer benchmarking interviews

Clinical Placements

Clinical Placements

Y

In a KVMA survey, over 170 veterinarians across KY expressed interest in supporting clinical education for Murray State students, though a distributive clinical education model requires an expansive partner network, and Murray State may need to look out of state to fulfill its needs, particularly for veterinary specialties.

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DVM Distributive Model of Clinical Education Operating Requirements

Murray State's proposed model of clinical education will require an extensive partner network as well as investments in faculty and staff, technology, and payments to clinical partners.

In a **distributive model of veterinary education**, students gain hands-on clinical experience at various off-campus clinical sites rather than at an on-campus teaching hospital.

These clinical sites include private practices, urgent care clinics, emergency clinics, referral hospitals, shelters, zoos, and wildlife rehabilitation centers.

Factors Driving Cost and Complexity in Distributive Models

Breadth of Clinical Partner Network

Peer institutions partner with 130-600 hospitals, clinics, and other facilities across the US for clinical education. Adjusting for Murray State's targeted enrollment, they may need **>200 partners** at steady state and will likely need to engage partners outside the Southeast.

FTEs Required to Run Program

Peer programs employ an average of **five FTEs** to administer their clinical education program, including an associate dean of clinical relations.

Other Costs to Administer Placements

Murray State anticipates needing to pay **$12k** per year per student to clinical partners to educate students, which is materially aligned with peer estimates. New technology systems are also needed to administer clinical schedules.

⚠ While the cost of administering a distributive model of clinical education is lower than a traditional model with a teaching hospital, **the complexity and risk are higher**. Murray State will need to develop an extensive network of partners and invest in faculty and staff to administer the program and ensure that students consistently receive high-quality training.

Source: Peer benchmarking interviews.

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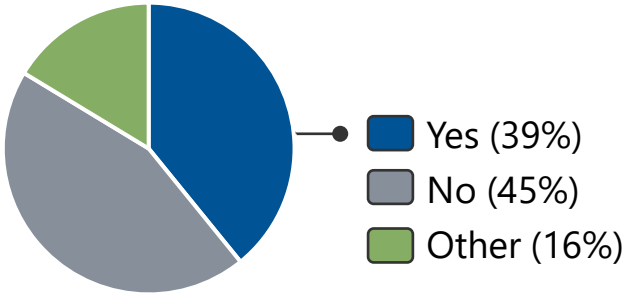
Regional Clinical Capacity

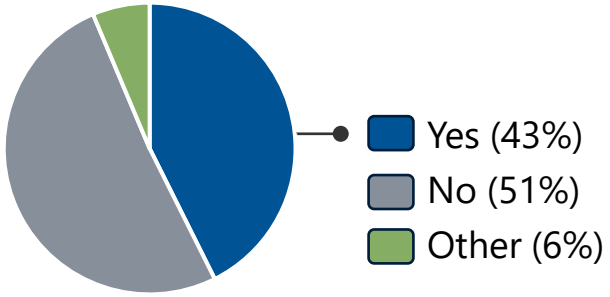
The Kentucky Veterinary Medical Association (KVMA) recently conducted a survey of its members that assessed their capacity for providing clinical education to new veterinary students in a distributive model. Relevant results are summarized across the next two slides.

KVMA Membership Survey: Interest in Clinical Site Service and Quality Education Capacity

If your practice met the…requirements to be a clinical education site for a new veterinary school in KY, would you be interested in participating?



Given your current workload, do you feel you could provide a quality educational experience [to students]…during their clinical rotations?



n=449 out of an estimated 1,600 vets licensed in Kentucky

- **188** respondents indicated capacity to provide clinical education, though only **178** respondents indicated an interest in providing clinical education to students in a distributive model. Interest in hosting students does not guarantee that clinics will meet AVMA Council of Education requirements to serve as a clinical education site.
- Projecting the survey results across the broader population of veterinarians in KY suggests that Murray State will see robust interest in partnership across the Commonwealth, which will help them meet clinical education needs, which could require >200 partners.
- KVMA data does not specify what types of clinical education each respondent clinician can provide. Peer interviews suggest that Murray State may need to look outside the Commonwealth to identify partners for some required clinical courses where clinical partner capacity is [illegible]ted.

Source: KVMA Membership Survey regarding a proposed KY Veterinary School.

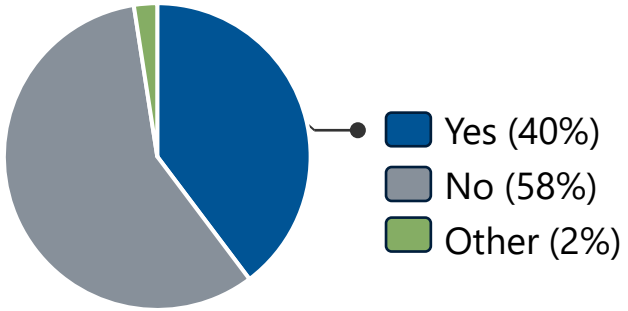
MURRAY STATE | COLLEGE OF VETERINARY MEDICINE

Regional Clinical Capacity, Continued

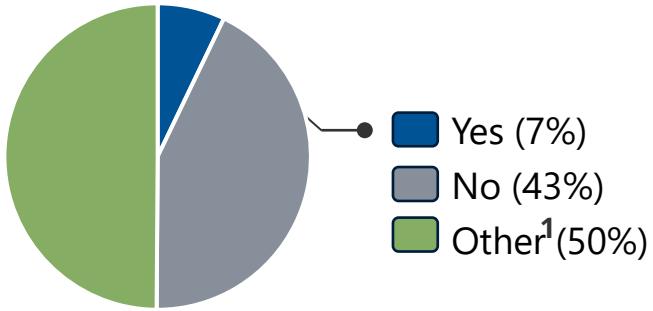
The Kentucky Veterinary Medical Association recently conducted a survey of its members that assessed their capacity for providing clinical education to new veterinary students in a distributive model. Relevant results are summarized below and on the prior slide.

KVMA Membership Survey: Prior Experience and Perceptions of Distributive Model Schools

Have you directly participated as a clinical site for distributive model schools?



If you have participated as a clinical site…, do you feel a distributive model school provides the same level of education or better than…students currently receive through [the] contract spaces?



n=449 out of an estimated 1,600 vets licensed in Kentucky

- 175 respondents indicated that they have directly participated in the clinical education of veterinary medical students in a distributive model of clinical education. Of those, **only 7%, or 32 respondents**, believe that the distributive model of clinical education provides the same (or better) quality of clinical education as a traditional model (in this survey, the education at Auburn and Tuskegee in particular).
- While some survey respondents may be biased as graduates of Auburn or Tuskegee (this was not controlled for in the survey**), the quality concerns expressed by many survey respondents poses a risk to Murray State's ability to secure clinical placements**. They will need to change perceptions among the KY veterinarian community to effectively secure and maintain clinical sites for their students.

Note: 1) "Other" captures the responses of veterinarians that have not participated as a clinical site for students in a distributive model. Source: KVMA Membership Survey regarding a proposed KY Veterinary School.

WKU | One or More PhD Programs Leading to an R2 “High Research Activity” Designation

Financial Health Assessment

Overall Feasibility Assessment

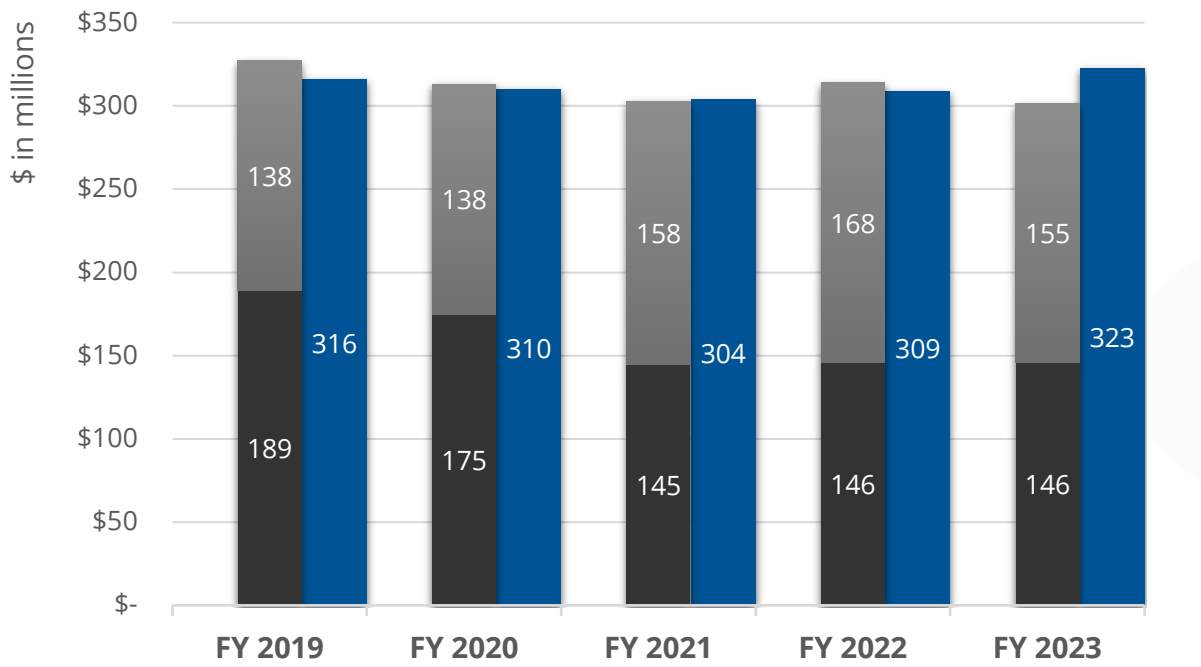
Financial Health	Y	**R2**: Risks from declining operating revenues and rising expenses as identified in WKU's financial health assessment raise some concerns over the institution's long-term ability to fund the pursuit of new initiatives.

WKU | PURSUIT OF R2 "HIGH RESEARCH ACTIVITY" DESIGNATION

Financial Health Assessment | Net Position

Since Fiscal Year (FY) 21, WKU's expenses have accelerated above pre-pandemic levels, while operating revenues remain depressed and federal COVID funds have diminished, leading to a -$22M margin in FY23 (from audited financial statements, adjusted to exclude Pension/OPEB Expense Adjustments).

WKU Actual Ending Results (FY 2019 – FY 2023)



Key Takeaways

Expenses (excl. pension/OPEB adjustment) have grown 2.2% in the last five years while revenues have declined by 8.2%, leading to deficits in FY21 and FY23. Recent expense growth was primarily driven by increases in instruction, student services, and depreciation and amortization expenses.

Net Tuition and Fees, WKU's largest revenue source, has declined significantly in recent years from $127M in FY19 to $92M in FY23, driven by a 21.5% decline in enrollment since AY2013-14. In concert with slowing tuition revenues, Auxiliaries generated $14M in FY 2023, down from $22M in FY 2019.

WKU's non-operating revenues were supplemented by federal COVID relief funds from FY20 to FY23, but federal relief aid **dropped significantly in FY23, from $33M in FY21 and $24M in FY22 to only $3M in FY23,** contributing to a net loss of $13M in nonoperating revenues from FY22 to FY 23**.**

While the chart on the left adjusts for OPEB/pension, a 2022 Moody's report highlights "**the university's significant and growing net pension liability continues to weigh heavily** on WKU's total leverage while also adding to its inflexible costs."

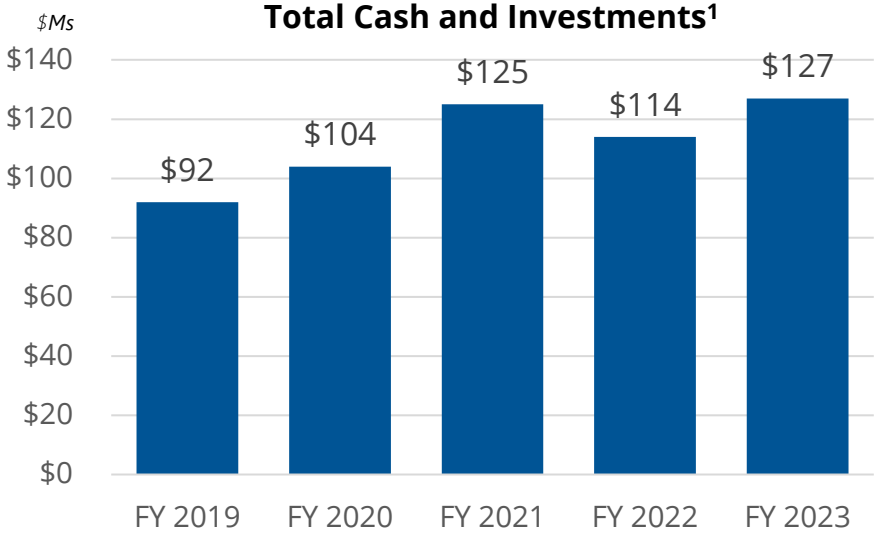
WKU has experienced varied net operating results in recent years; weakening operating performance, fueled by declining net tuition revenues and accelerating expenses, pose risks to the institution's long-term financial stability. Expense management and revenue diversification can help addre ese financial pressures, which are also affecting other comprehensive universities in Kentucky.

Notes: 1) Adjusted to not include Pension Expense Adjustments and Other Postemployment Benefits (OPEB) Expense Adjustments; 2) Includes Net Nonoperating Revenues and State Capital Appropriations. Sources: CPE Funding Model Outcomes data; Moody's Rating Report (Dec 2022); WKU Audited Financial Statements.

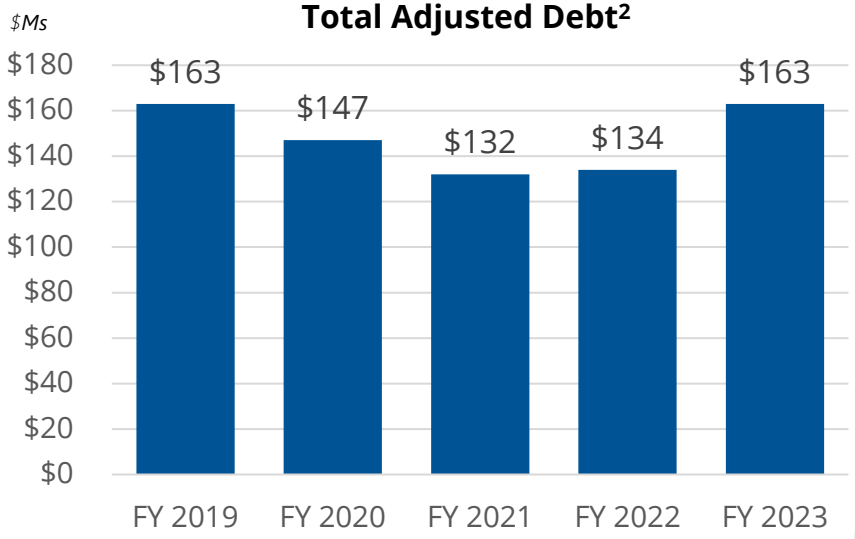
Financial Health Assessment | Balance Sheet Summary

WKU's balance sheet demonstrates some risks due to elevated leverage, with Total Cash and Investments (C&I) not being of equal magnitude to Total Adjusted Debt at 0.8x.

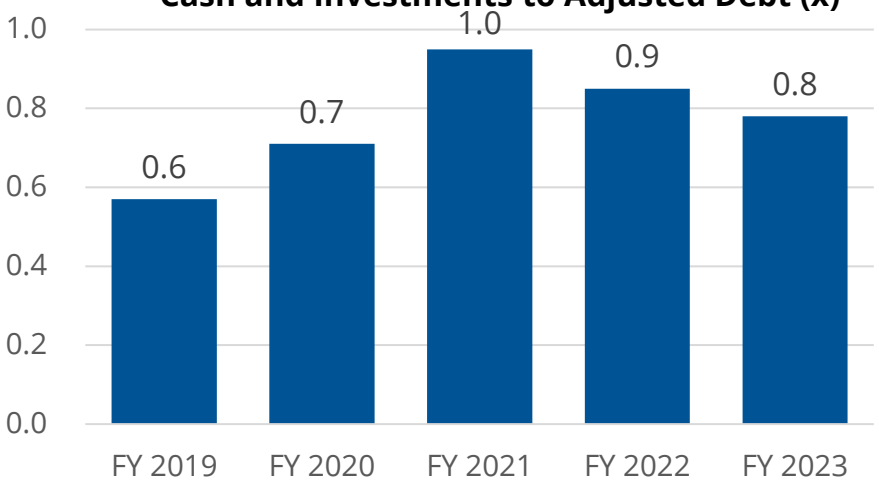
Total Cash and Investments[1]



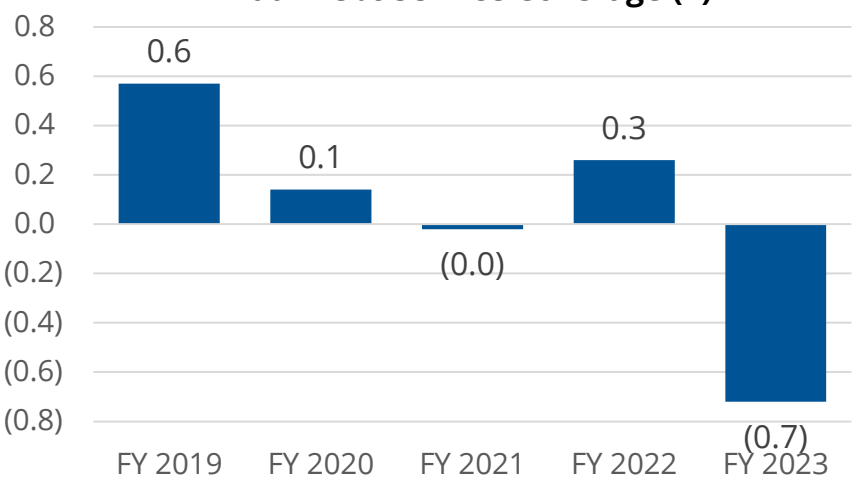
Total Adjusted Debt[2]



Cash and Investments to Adjusted Debt (x)



Annual Debt Service Coverage (x)[3]



Key Takeaways

Growing Cash and Investments
Cash and Investments increased 38% from FY 2019 to FY 2023, demonstrating substantial growth in recent years. WKU's foundations also provide a strong pool of liquidity.

Steady Total Adjusted Debt
Total Adjusted Debt decreased by 25% from FY 2019 to FY 2021 but has since risen back to pre-pandemic numbers, driven by $50M of bonds issued in FY 2023.

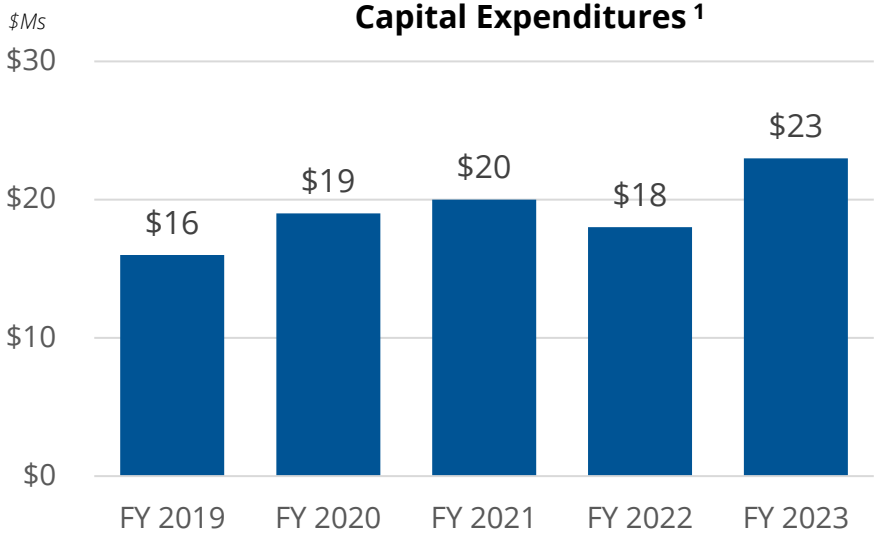
Elevated Leverage Position
An increasing debt load with C&I at 0.8x debt and annual debt service coverage at -0.7x may challenge the institution's future ability to fund strategic initiatives and maintain long-term financial stability.

Notes: 1) Reflects Cash and Cash Equivalents, Restricted Cash and Cash Equivalents, Short-Team Investments, Noncurrent Investments; 2) Reflects Pledges to the City, General Receipts Bonds, Leases, Subscriptions, Other Long-Term Obligations; 3) Reflects Principal Paid on Capital Debt and Leases, Interest Paid on Capital Debt and Leases. Source: WKU Audited Financial Statements.

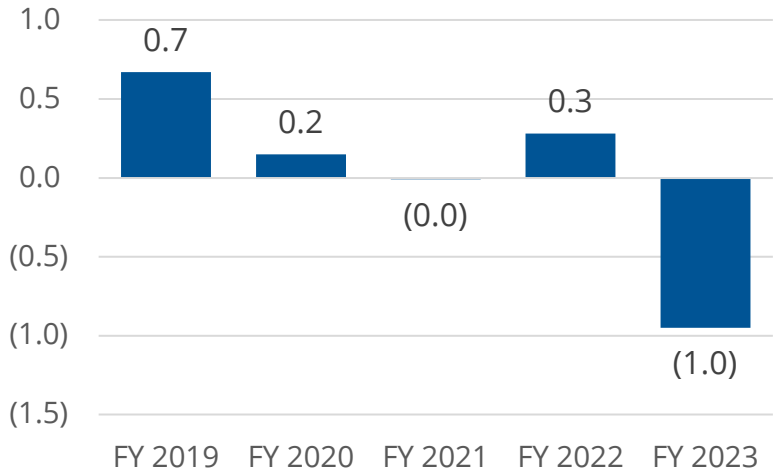
Financial Health Assessment | Capital Expenditures

Capital expenditures have increased from $18M in FY 2022 to $23M in FY 2023, driven by an increase in strategic investments and state support.

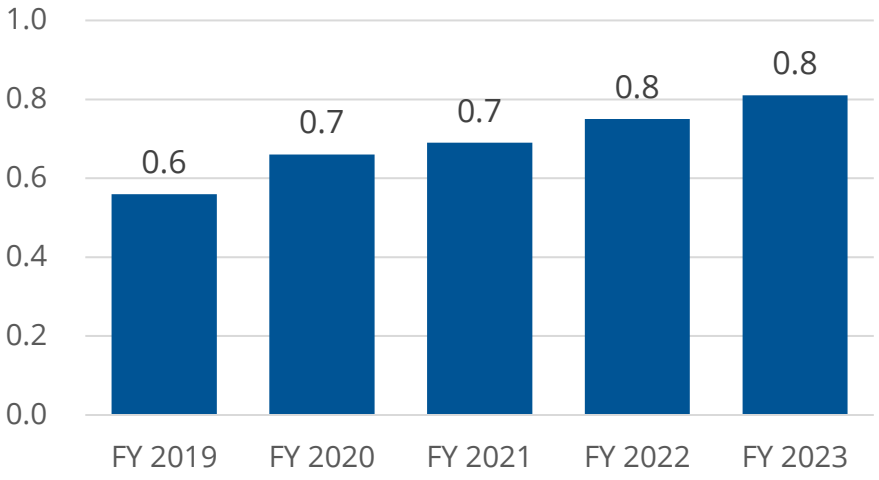
Capital Expenditures [1]



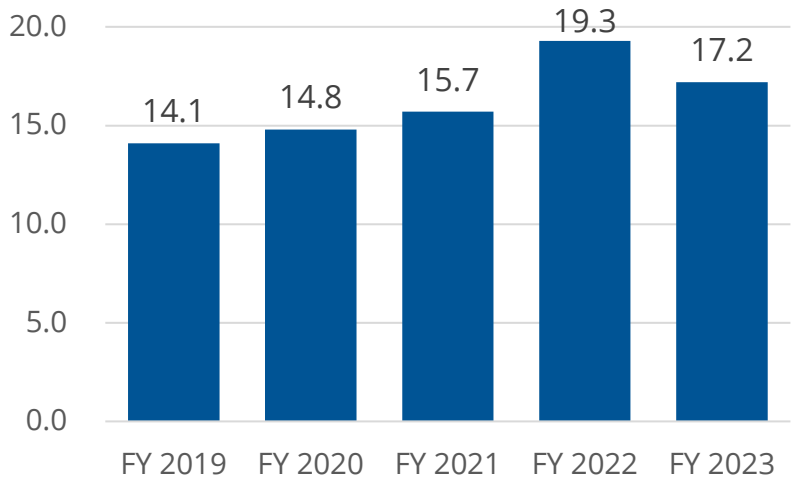
Change in Adjusted Net Position[2] to CapEx (x)



Capital Spending Ratio (x)



Average Age of Plant (Years)



Key Takeaways

Growth in Capital Spending
Capital spending has been increasing since FY 2019, rising to $23M in FY 2023. The university's increase in strategic capital investments, aimed at new construction and campus renovations, have been bolstered by recent state capital support for new projects.

Depreciation Outpacing CapEx
Despite increased investment, capital expenditures have not yet caught up to depreciation, evidenced by consistent <1.0 capital spending ratios.

Other Capital Expenditures
Western Kentucky University Foundation, Inc., spent an additional $1M on capital expenditures in FY 2023, supplementing the university's own expenditures.

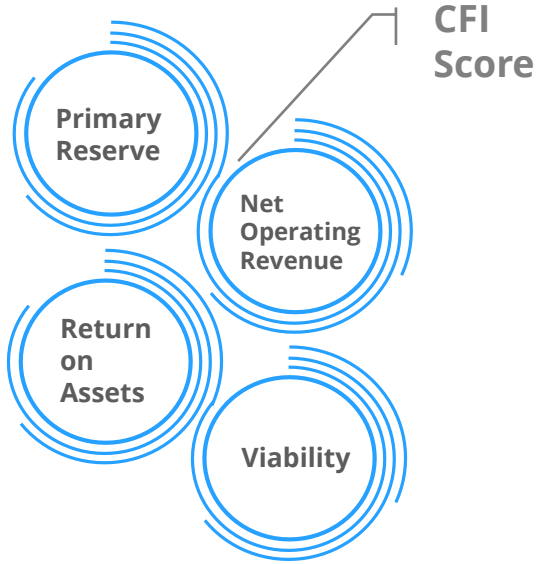
Notes: 1) Reflects Purchase of Capital Assets; 2) Adjusted to not include Pension/OPEB Expense Adjustments. Source: WKU Audited Financial Statements.

Financial Health Assessment | Composite Financial Index (CFI)

WKU's Composite Financial Index (CFI) score of 1.18 in 2023 provides a point-in-time indicator of financial health and a "need to re-engineer" the institution.

The four ratios are **primary reserve, net operating revenue , return on assets, and viability**. These ratios **gauge the fundamental elements of the financial health** of an institution. The composite score reflects the overall relative financial health along a scale from **negative 4.0 to positive 10.0** for higher education institutions. A score greater than 3 is considered relatively financially healthy.

CFI Components



Key Ratios

Primary Reserve Ratio

$$\frac{\text{expendable net assets}}{\text{total expenses}}$$

Net Operating Revenue Ratio

$$\frac{\text{net operating income}}{\text{total unrestricted operating revenues}}$$

Return on Assets Ratio

$$\frac{\text{change in net assets}}{\text{total net assets}}$$

Viability Ratio

$$\frac{\text{expendable net assets}}{\text{plant-related debt}}$$

WKU CFI Score[1,2]	Ratio	CFI Score
Primary Reserve	0.44x	1.15
Net Operating Revenue	-6%	-0.40
Return on Assets	-1%	-0.10
Viability	0.63x	0.52
Total	---	1.18

Notes: 1) Adjusted to not include Pension/OPEB Expense Adjustments; 2) Ratio calculations include Component Unit (CU) data. Sources: WKU Audited Financial Statements; Higher Learning Commission CFI Worksheet; TIAA The Financial Resilience of Independent Colleges and Universities (2017).

Student Success Assessment

Overall Feasibility Assessment

Student Success

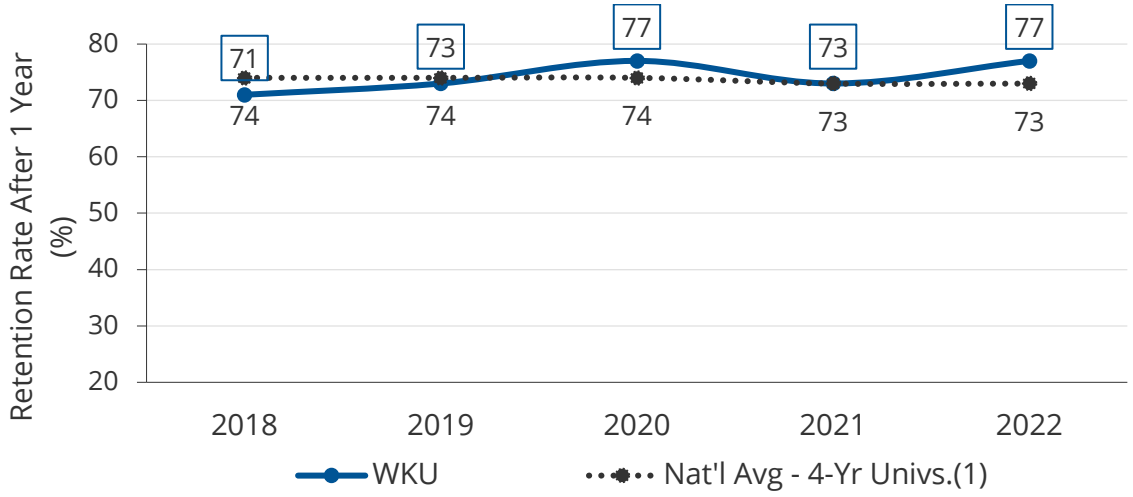
G

R2: WKU's graduation and retention rates rank above the average for comprehensive four-year institutions in KY. In 2022, WKU's first-year retention rate was 77% and six-year graduation rate was 54%.

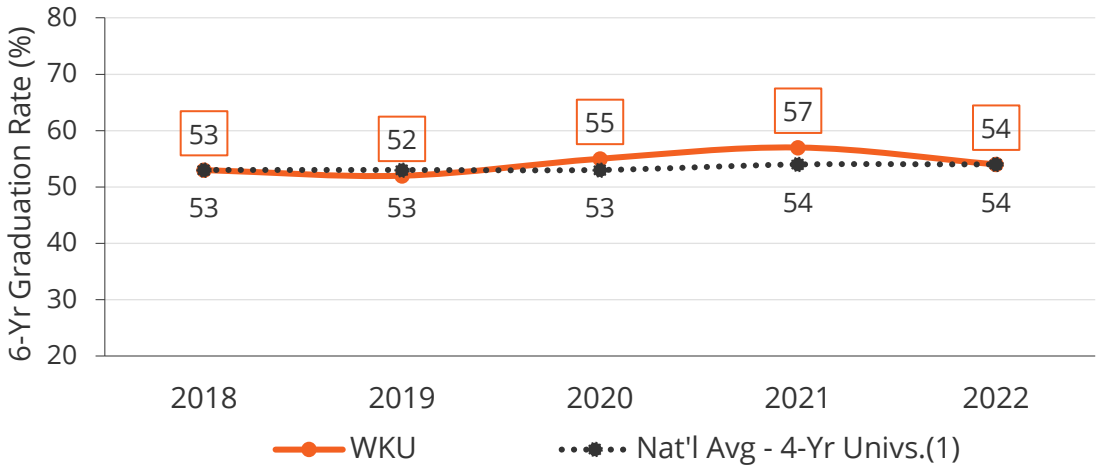
Current State Performance on Key Student Success Metrics

WKU's undergraduate retention rates and graduation rates have remained in line with, or above, peer averages in recent years.

WKU First-Year Retention Rate (First-Time, Full-Time Students)



WKU 6-Year Graduation Rate (First-Time, Full-Time Students)[1]



Retention rates at a five-year high…

- First-to-second year retention rates for first-time, full-time first-year students experienced an overall increase of six percentage points from Fall 2018 (71%) to Fall 2022 (77%).
- First-year retention rates fell below the national average in just one of the past five years. In Fall 2022, WKU's first-year retention reached 77%, exceeding the national average by four percentage points and representing a return to pre-pandemic highs.

…with graduation rates above peer averages but falling.

- The share of students receiving a bachelor's degree or equivalent within six years at WKU remained closely aligned with the national average but fell three percentage points from 57% in 2021 to 54% in 2022.
- WKU's graduation rates ranked the highest among Kentucky comprehensive universities in Fall 2020 and Fall 2021.

Note: 1) National averages include all public and private not-for-profit four-year colleges and universities as reported in IPEDS. Source: IPEDS Data Dashboard.

Current State Performance on the Comprehensive Funding Model

WKU performed worse than the KY comprehensive average on five of the KPIs incentivized by the performance funding model.

CPE utilizes a performance-based funding model that aligns funding with institutional performance on desired state policy goals. After each institution receives their "funding floor", the remaining resources are distributed based on the funding formula:

35% *based on student success metrics* **35%** *based on course completions* **30%** *based on operational support.*[1]

From 2013-14 to 2022-23, WKU performed better than or equivalent to other KY public comprehensive institutions on **four out of nine KPIs:**

- Total Bachelor's Produced
- STEM+H[2] Bachelor's Produced
- Low Income Bachelor's Produced
- URM[3] Bachelor's Produced
- Progression at 30 Hours
- Progression at 60 Hours
- Progression at 90 Hours
- Student Credit Hours Earned
- FTE[4] Student Enrollment

- Three out of five of the underperforming metrics were within three percentage points of the KY comprehensives average.
- WKU has the largest student body among KY public comprehensives universities, so **their performance is less sensitive to change than other institutions.**

Key

- Performed better than or equivalent to KY comps average
- Performed worse than KY comps average

Notes: 1) Funding proportions were amended to 40% for student success metrics and 30% for course completions for the 2024-25 funding distribution; 2) Science, Technology, Engineering, Math, and Health Sciences (STEM+H); 3) Underrepresented Minority (URM); 4) Full-Time Equivalent (FTE). Sources: 13 KAR 2:120E; Performance Funding - Ky. Council on Postsecondary Education; KRS 164.092; Workbook: Kentucky Postsecondary Education Interactive Data Dashboard; Funding Model Data provided by CPE.

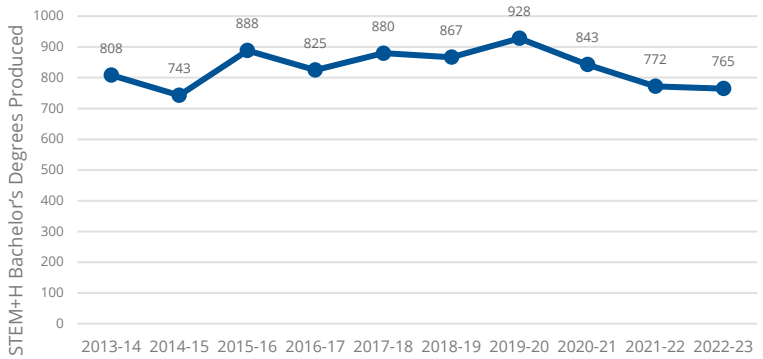
WKU | PURSUIT OF R2 "HIGH RESEARCH ACTIVITY" DESIGNATION

Current State Performance on the Comprehensive Funding Model

WKU has shown notable growth in URM bachelor's produced across the last decade, though its growth in STEM+H Bachelor's and Low-Income Bachelor's lags the other regional comprehensives in Kentucky.

Data Trends

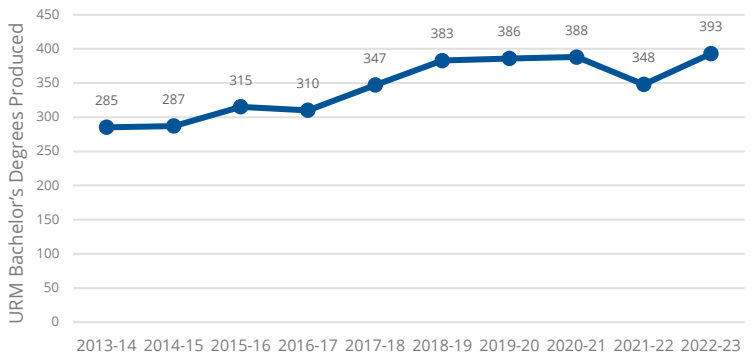
STEM+H Bachelor's Produced



5% WKU | **7%** KY Comps[2]

number of STEM+H Bachelor's produced from 2013-14 to 2022-23

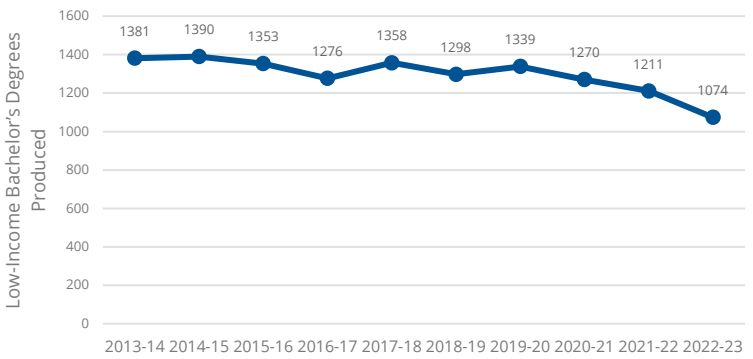
Underrepresented Minority Student (URM) Bachelor's Produced[1]



38% WKU | **23%** KY Comps

number of URM Bachelor's produced from 2013-14 to 2022-23

Low-Income Bachelor's Produced



22% WKU | **15%** KY Comps

number of Low-Income Bachelor's produced from 2013-14 to 2022-23

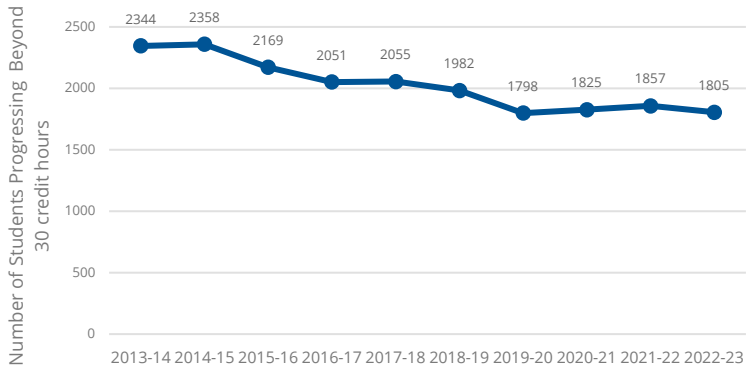
Notes: 1) The URM Bachelor's Degrees metric has been amended to "underrepresented students", defined as "first generation college students", for the 2024-25 funding distribution; 2) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

Although WKU's progression metrics have faced long-term declines, they've seen slight increases in recent years, and they've outperformed other regional comprehensives in progression @ 60 and 90 hours.

Data Trends

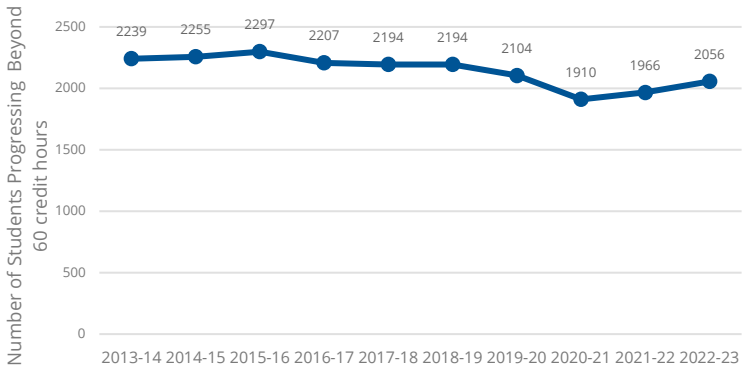
Progression @ 30 hours



23% WKU | **20%** KY Comps[1]

number of undergraduate students @ 30 hours from 2013-14 to 2022-23

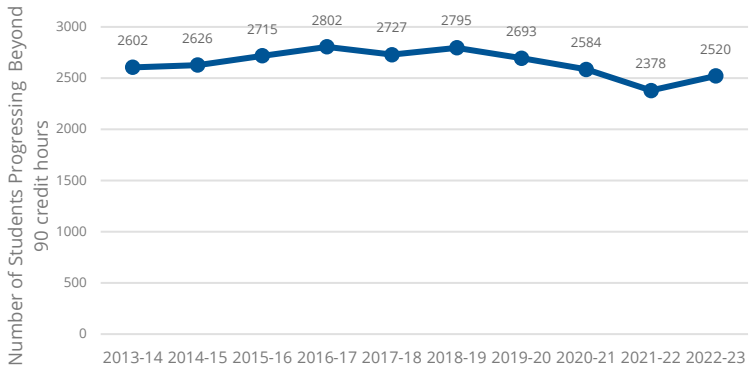
Progression @ 60 hours



8% WKU | **15%** KY Comps

number of undergraduate students @ 60 hours produced from 2013-14 to 2022-23

Progression @ 90 hours



3% WKU | **11%** KY Comps

number of undergraduate students @ 90 hours from 2013-14 to 2022-23

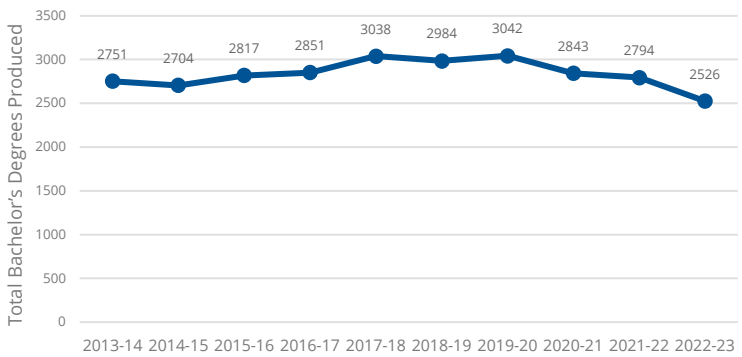
Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current Performance on the Comprehensive Funding Model

WKU has experienced downward trends in growth in bachelor's degree production, student credit hours earned, and FTE student enrollment, in line with broader trends across the KY comprehensives.

Data Trends

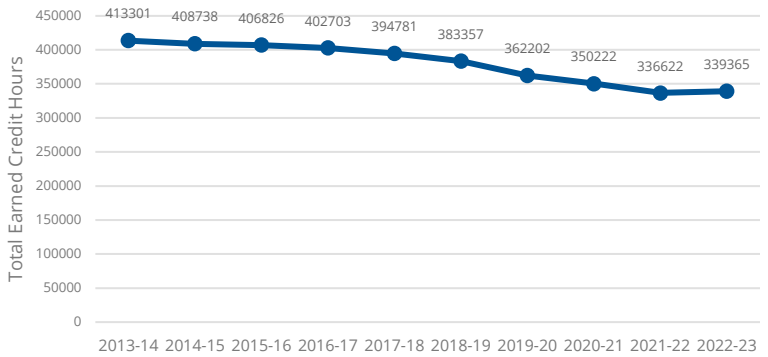
Total Bachelor's Produced



8% WKU | **8%** KY Comps[1]

number of Total Bachelor's produced from 2013-14 to 2022-23

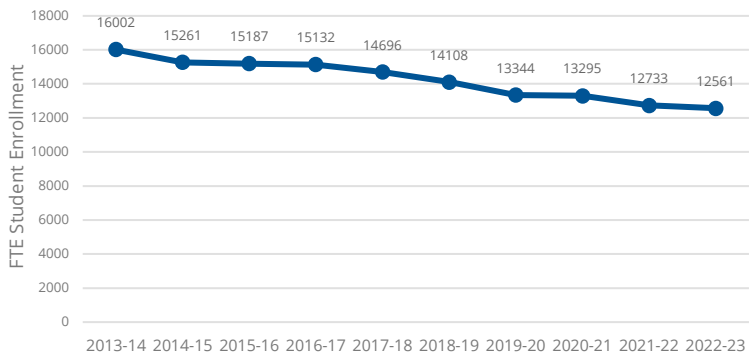
Student Credit Hours Earned



18% WKU | **16%** KY Comps

number of Student Credit Hours earned from 2013-14 to 2022-23

FTE Student Enrollment



22% WKU | **21%** KY Comps

number of FTE Student Enrollment from 2013-14 to 2022-23

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Research Infrastructure Assessment

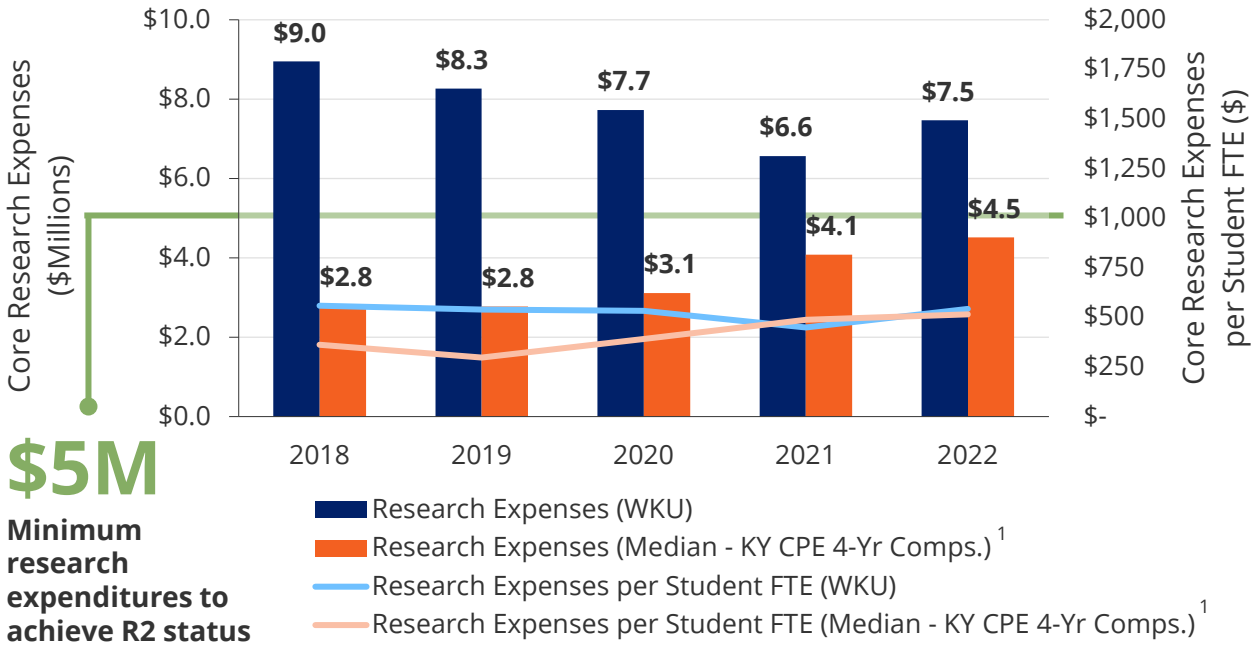
Overall Feasibility Assessment

Research Infrastructure	G	**R2**: WKU has taken several intentional steps to lay the foundation for increased research, including expanded central research staffing and trainings, budget allocations to provide research seed funding, and refining faculty workload policies.

Current State Research Infrastructure

WKU has taken several steps to lay the groundwork for increased institutional research, including central policies, supports, and funds. While WKU's total research expenses have declined since 2018, research spending as a share of total expenses has remained steady.

WKU Core Research Expenses (2018-2022)



After declining to just under $6.6M in 2021, WKU's core research expenditures increased $0.9M to nearly $7.5M dollars in 2022. While 2022 totals represent a net decline of nearly $1.5M from 2018 (-4.4% CAGR), when considered proportionally to overall core expenses, research expenses have remained relatively steady across this time period, representing approximately between 2.9% and 3.2% of core expenses. WKU's core research expenses per student FTE declined slightly from 2018 to 2022 (-0.7% CAGR).

Additional Research Infrastructure Feasibility Considerations

Central Research Office Investments and Trainings

WKU has grown its Office of Research and Creative Activity in recent years, with eight FTE at present and plans to add five more positions in the next three to five years. The Office of Sponsored Research hosts trainings for faculty and staff on pre-/post-award planning and management.

Policy-Based Approach to Faculty Workloads and Research Expectations

WKU has implemented a new Flexible Workload and Compensation policy, as well as individual college and school-specific policies, to encourage an equitable approach to balancing teaching, research, and service expectations in a manner that promotes the institution's research strategy while continuing to prioritize students' educational needs.

Internal Seed Funding to Jump-Start Campus Research

WKU offers five internal funding pools designed to launch faculty and student research endeavors, with annual awards ranging from $500 to $50,000.

220

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Sources: IPEDS Data Center; WKU stakeholder interviews and materials.

Cost-Benefit Analysis

Overall Feasibility Assessment

Cost-Benefit Analysis

Y

Data Sciences PhD: Like most PhD programs, WKU's PhD in Data Sciences is not expected to generate net surplus, but, the program will require relatively limited institutional investment to support operational expenses given the small program size and existing infrastructure.

Assumptions Driving Financial Model

WKU stakeholder discussions, program proposal and related materials, and peer/market research inform the drivers behind the financial model.

OTHER EXPENSES — REVENUES

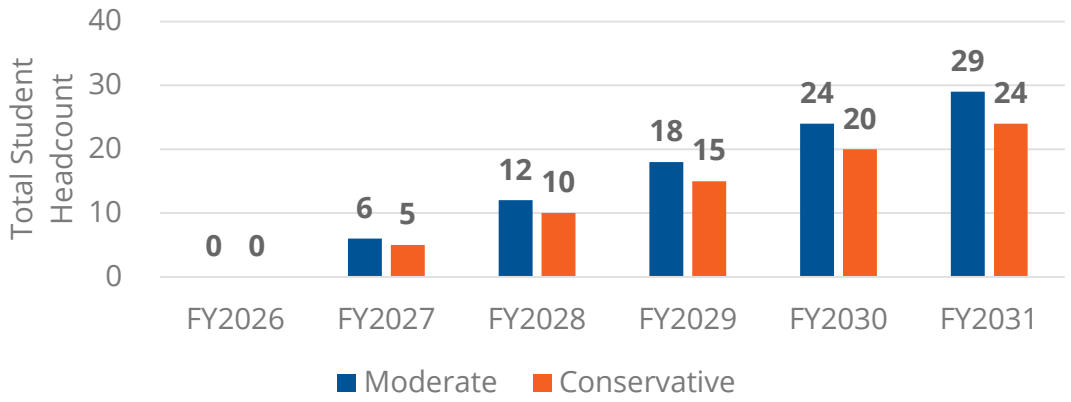
Line Item	Forecast Approach	Moderate Drivers	Conservative Drivers
Enrollment	WKU Proposal Materials, Market Research and Peer Comparisons	Annual enrollment totals supplied by WKU and evaluated against peer conferral trends for similar PhD programs. WKU estimated 20% program attrition rate. Model assumes all attrition will occur between a student's 4th and 5th year in the program.	Annual enrollment estimated to be 25% lower than moderate model. Program attrition rate adjusted up to 35%. All other assumptions same as moderate model.
Tuition & Fees	WKU Proposal Materials	Annual tuition and fees, including application fees, based on WKU AY2024-25 graduate rates, with annual increase projected at 2.5%, based on ten-year historical tuition increases at WKU. Per credit charges based on a 90-credit program with 25 credits accumulated in students' 1st and 2nd years, 19 credits in students' 3rd and 4th years, and 2 credits in students' 5th year in program.	Same assumptions as moderate model.
Graduate Fellowships	WKU Proposal Materials	Model adopts assumption that students will receive full tuition waiver/fellowships for full length of program, in accordance with WKU proposal and related materials.	Same assumptions as moderate model.
Faculty and Staff Salary and Benefits	WKU Proposal Materials, WKU Historical Trends, Market Research and Peer Comparisons	Faculty and staff headcounts reflect WKU proposal. WKU indicated faculty will be hired in Years 3 and 4 with existing faculty sufficient to operate the program until that time. Model assumes staff will be hired in Year 0. Starting salaries for faculty and staff supplied by WKU, as well as forecasted 2.5% annual salary expense increase. Administrative stipend annual totals supplied by WKU. Employee Benefits are projected at the following rates based on existing WKU rates: Administration: 24.2%, Faculty: 20.4%, Staff: 47.4%.	Same headcounts, benefit rates, and initial salary rates as moderate model, but annual increase for faculty and staff salary expenses estimated one percentage point higher (3.5%).
Faculty Start-up Packages	WKU Proposal Materials	WKU estimated faculty start-up funds as ranging from $50,000 to $150,000 per faculty. Model assumes start-up funds will fall in the middle of this range ($100,000 per faculty). Model assumes this full amount will be billed 100% to the program/department, with any amount in excess of the listed rate to be absorbed by the relevant college or the Office of Sponsored Research. Model assumes that 100% of start up funds are budgeted/expensed in the year that faculty are hired in order to get a short-term view of financial outlays, but recognize that, in reality, purchases may carry forward for a few years.	Same assumptions as moderate model, but start-up fund costs projected to be 15% higher.
Graduate Assistantships	WKU Proposal Materials	Employs rate used in WKU proposal and related materials ($25,000 per student per year).	Same assumptions as moderate model.
All Other Operating Expenses	WKU Proposal Materials, National Trends	Incorporates estimates and timeline for expenses as outlined in WKU proposal and related materials with minimal adjustments. Detailed breakdown of these assumptions is included in the Appendix. Model incorporates annual increase for all other operating expenses equal to 2.7%, based on the average annual inflation rates from 2014-2023.	Same assumptions as moderate model, but annual increase equal to 4.0% (avg annual inflation 2019-23).
Internal Reallocations	WKU Proposal Materials, WKU Historical Trends, External Funding Analysis	Model follows approach used in WKU proposal and related materials in which budget allocations are equal to remaining program expenses after a) any net revenue and b) internal reallocations from the Strategic Initiative Fund ($200,000 maximum annually).	Same assumptions as moderate model.

Note: 1) Faculty-generated competitive grant funding is not included in the projections above as the assumption is that new grant funding will largely be used to fund new research rather than PhD program operations.

Enrollment and Conferral Assumptions

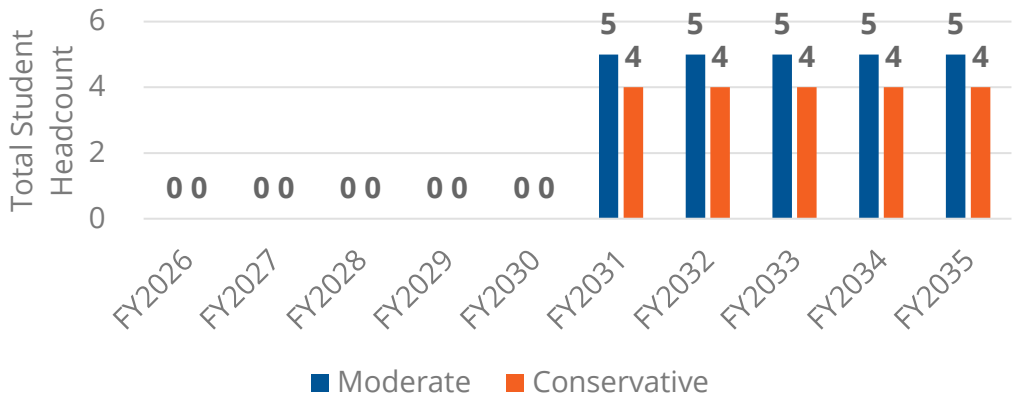
Limiting new student cohorts to a maximum of six students helps to limit the largest contributor to program expenses – graduate assistantships, which total $25,000 per student, per year.

Projected Enrollment, PhD in Data Sciences, FY26–FY31[1,2]



Assuming moderate enrollment, the first class begins in FY27 (AY2026-27) at six students with total enrollment increasing at a steady state in following years to around 29 total students beginning in FY2031. The conservative model follows this same cadence but instead beginning at five students and normalizing enrollment at 24 total students beginning in FY2031.

Projected Conferrals, PhD in Data Sciences, FY26–FY35



Conferrals are likely to begin in FY31 (AY2030-31) and will continue at a rate of approximately five students per year under the moderate model, four under the conservative model. The moderate and conservative models assume program attrition rates of 20% and 35%, respectively.[2]

One of the conditions of achieving R2 status is *conferring* at least 20 research doctoral degrees. While this financial model focuses on a single program (PhD in Data Sciences PhD, WKU intends to launch three to four additional PhD programs in order to generate sufficient conferrals to achieve R2 status.

Notes: 1) Moderate totals based on WKU proposal, with conservative estimates developed using assumptions outlined previously; 2) Enrollment and conferral totals are rounded up in instances of partial students due to program attrition or adjustments between conservative and moderate models. Sources: Carnegie Classification: 2025 Basic Classification FAQs; WKU proposal and follow up materials.

WKU | PURSUIT OF R2 "HIGH RESEARCH ACTIVITY" DESIGNATION

Financial Model | Moderate Projection

The operating results[1] in the moderate scenario represents the most likely scenario with many estimates provided directly by WKU.

Budget - Moderate Scenario	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Enrollment	-	6	12	18	24	29
Revenues:						
Tuition & Fees	-	96,069	196,942	278,677	364,377	380,902
Fellowships (Graduate Tuition Waivers)	-	(95,659)	(196,102)	(277,386)	(362,612)	(378,716)
Net Tuition Revenue	$ -	$ 410	$ 840	$ 1,291	$ 1,765	$ 2,186
Total Operating Revenues	$ -	$ 410	$ 840	$ 1,291	$ 1,765	$ 2,186
Operating Expenses:						
Personnel						
Faculty Salaries and Stipends	-	-	-	75,000	151,875	153,750
Staff Salaries	33,000	33,825	34,671	35,537	36,426	37,336
Employee Benefits	19,276	19,667	20,068	44,495	68,294	69,296
Start-up Packages	-	-	-	100,000	100,000	-
Graduate Assistants	-	150,000	300,000	450,000	600,000	725,000
Other OpEx						
Marketing, Program Development and Curriculum Design	35,000	-	-	-	-	-
Libraries	5,000	5,135	5,274	5,416	5,562	5,712
Travel	1,000	7,189	13,711	21,664	30,036	36,560
Equipment	30,000	10,270	10,547	10,832	11,125	11,425
Other Operating Expenses (e.g., software, supplies)	10,000	10,270	10,547	10,832	11,125	11,425
Facilities Expense	-	-	-	-	-	-
Total Operating Expense	$ 133,276	$ 236,356	$ 394,818	$ 753,776	$ 1,014,442	$ 1,050,505
Net Surplus/(Deficit) - Before Internal Reallocations	$ (133,276)	$ (235,946)	$ (393,978)	$ (752,485)	$ (1,012,677)	$ (1,048,319)
Internal Reallocations						
Strategic Initiative Fund	133,276	200,000	200,000	200,000	200,000	200,000
Budget Reallocations	-	35,946	193,978	552,485	812,677	848,319
Total Internal Reallocation	133,276	235,946	393,978	752,485	1,012,677	1,048,319
Net Surplus/(Deficit) - After Internal Reallocations	$ -	$ -	$ -	$ -	$ -	$ -

Key Takeaways

- **Revenue Primarily Limited to Potential for Faculty Grant Funding:** Like most PhD programs, the PhD in Data Sciences is unlikely to generate significant tuition revenue, as students will receive a graduate fellowship sufficient to cover all tuition and fees, save application fees. As such, revenue generation is uncertain and would depend upon generation of new research grants by program faculty. WKU estimates that new competitive grant funding generated could be $75,000 in Year 3 and $150,000 in Years 4 and 5.[2]
- **Largest Expenses Due to Graduate Assistantships, Faculty Salary/Benefits:** WKU intends to leverage existing faculty across multiple departments in early years, curbing net new personnel investments, but two faculty hires across Years 3 and 4 will result in an additional $200k+ in annual faculty salary and benefits costs. Graduate assistantships, the largest single expense driver, will range from $150k to $725k as enrollment grows.
- **Although the program is net negative before internal reallocations (~$1M in FY2031), the total annual investment required from internal budget allocations, including the Strategic Initiative Fund, is relatively small.**

Notes: 1) Assumptions detailed earlier in this section of the report on Slide 127. 2) Faculty-generated competitive grant funding is not included in the projections above as the assumption is that new grant funding will largely be used to fund new research rather than PhD program operations. Sources: IPEDS Data Center; WKU Proposal and Follow-Up Materials; WKU Tuition and Fees; US Bureau of Labor Statistics Consumer Price Index for All Urban Consumers.

Financial Model | Conservative Projection

The operating results[1] in the conservative projection represents the financial impact of a "worst case" scenario.

Budget - Conservative Scenario	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Enrollment	-	5	10	15	20	24
Revenues:						
Tuition & Fees	-	80,058	164,118	232,231	303,647	317,172
Fellowships (Graduate Tuition Waivers)	-	(79,716)	(163,418)	(231,155)	(302,177)	(315,362)
Net Tuition Revenue	$ -	$ 341	$ 700	$ 1,076	$ 1,471	$ 1,809
Total Operating Revenues	$ -	$ 341	$ 700	$ 1,076	$ 1,471	$ 1,809
Operating Expenses:						
Personnel						
Faculty Salaries and Stipends	-	-	-	75,000	152,625	155,250
Staff Salaries	33,000	34,155	35,350	36,588	37,868	39,194
Employee Benefits	19,276	19,824	20,391	44,993	69,206	70,633
Start-up Packages	-	-	-	115,000	115,000	-
Graduate Assistants	-	125,000	250,000	375,000	500,000	600,000
Other OpEx						
Marketing, Program Development and Curriculum Design	35,000	-	-	-	-	-
Libraries	5,000	5,200	5,408	5,624	5,849	6,083
Travel	1,000	6,240	11,898	19,123	26,907	32,850
Equipment	30,000	10,400	10,816	11,249	11,699	12,167
Other Operating Expenses (e.g., software, supplies)	10,000	10,400	10,816	11,249	11,699	12,167
Facilities Expense	-	-	-	-	-	-
Total Operating Expense	$ 133,276	$ 211,219	$ 344,679	$ 693,825	$ 930,853	$ 928,343
Net Surplus/(Deficit) - Before Internal Reallocations	$ (133,276)	$ (210,877)	$ (343,979)	$ (692,749)	$ (929,382)	$ (926,534)
Internal Reallocations						
Strategic Initiative Fund	133,276	200,000	200,000	200,000	200,000	200,000
Budget Reallocations	-	10,877	143,979	492,749	729,382	726,534
Total Internal Reallocation	**133,276**	**210,877**	**343,979**	**692,749**	**929,382**	**926,534**
Net Surplus/(Deficit) - After Internal Reallocations	$ -	$ -	$ -	$ -	$ -	$ -

Key Takeaways

- **Lower Enrollment Contributes to Reduced Revenue in Conservative Scenario:** Lower estimated enrollment and graduation rates further reduces already small operating revenues. [2]
- **Lower Expenses in Conservative Scenario due to Fewer Graduate Assistantships:** Despite incorporating higher annual increases for personnel and other operating expenses, the smaller number of graduate assistantships to be funded in the conservative model results in lower overall expenses, ranging from $133k in Year 0 to ~$930K in Year 5. By comparison, Year 5 expense totals in the moderate scenario are over $1M.
- **Under conservative model, program is net negative before internal reallocations (over $873k in FY2030 and over $850k in FY2031).** However, as in the moderate model, the total annual investment required from internal budget allocations, including the Strategic Initiative Fund, is relatively small.

Notes: 1) Assumptions detailed earlier in this section of the report on Slide 127. 2) Faculty-generated competitive grant funding is not included in the projections above as the assumption is that new grant funding will largely be used to fund new research rather than PhD program operations. Sources: IPEDS Data Center; WKU Proposal and Follow-Up Materials; WKU Tuition and Fees; US Bureau of Labor Statistics Consumer Price Index for All Urban Consumers.

Qualitative Benefits of Proposed PhD Program

A PhD in Data Sciences, specifically, lends some key benefits, such as limited institutional investment and strong workforce alignment. A move towards R2, more generally, also creates potential benefits to WKU.

Benefits of Data Sciences

Seizes Opportunity in Emerging Field with Broad Appeal

Data Sciences is associated with a growing labor market with broad appeal to students and professionals a variety of disciplines (including WKU's Master's of Public Health and Data Sciences, Computer Sciences, Geospatial Information System bachelor's degree).

The combination of few established regional competitors with strong workforce and enrollment demand makes a PhD in Data Sciences a strong candidate for WKU's first doctoral research program.

Maximizes Cross-Department Research, Minimizes Institutional Investment

An interdisciplinary approach enables the institution to leverage existing faculty and facilities and limits additional financial investment required to launch the program.

An interdisciplinary approach also maximizes potential opportunities for joint research across departments, providing potential research exposure to a broader set of graduate and undergraduate students.

Benefits of R2

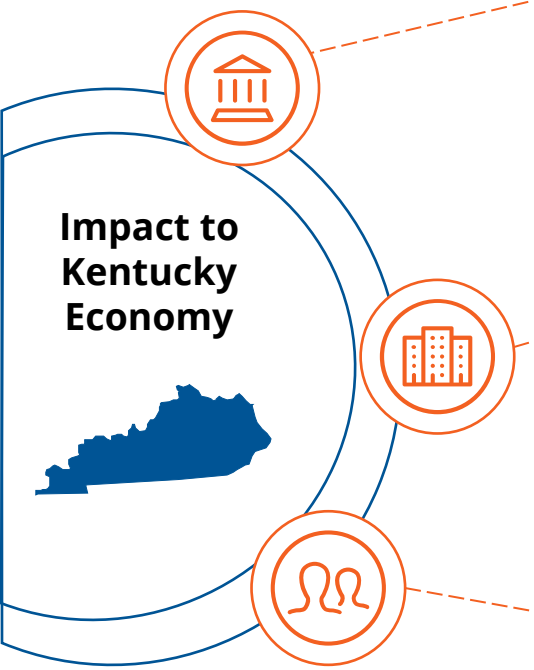
Elevates Institutional Profile

R2 status could elevate WKU's institutional profile in Kentucky and beyond, which could help them attract research-driven faculty, graduate students, which may result in generation of new competitive grant funding. WKU estimates that new competitive grant funding generated as a result of new program launch could be $75,000 in Year 3 and $150,000 in Years 4 and 5.

Sources: WKU Stakeholder Interviews, Proposal, and Related Materials.

Potential Economic Impact of PhD in Data Sciences and R2 Pursuit

The economic impacts to Kentucky and Bowling Green from the PhD in Data Sciences are likely minimal, but achieving R2 could spur industry investments and reach a new market of Kentucky graduate enrollment prospects.



R2 Addresses Gap in Current Kentucky Public University Footprint

- Currently no R2 institutions exist within Kentucky, representing a gap in the offerings available to Kentucky citizens who may be interested in pursuing research but may not be interested in, or qualified for, R1 level programs
- R2 status could attract students and faculty interested in research focus, resulting in positive impacts to the local economy by drawing these individuals to live and work in Bowling Green

R2 Attractiveness to Industry Investments in Bowling Green

- Representatives from the Bowling Green Chamber of Commerce and other local officials emphasize that reaching R2 status would elevate WKU's status with potential industry partners
- Recent local investments, while not directly tied to WKU, provide illustrative examples of impacts from industry investments (e.g., Envision AESC's investment in a new $2 billion electric vehicle plant which will create ~2,000 jobs)

Small Workforce Inflow from Data Sciences and Subsequent Programs

- Direct impact from PhD in Data Sciences faculty and graduates entering the local and commonwealth workforce is likely minimal (three new hires in first five years, five or fewer conferrals per year)
- Impacts to local and commonwealth workforce likely to expand with launch of the intended additional PhD programs (i.e., Disaster Sciences in 2027, Neuroscience in 2029, Learning Sciences in 2030) due to additional hires and c 227 rals

Sources: Electric Vehicle Battery Plant with 2,000 Jobs Coming to Bowling Green; WKU interviews, proposal, and related materials.

Student Demand

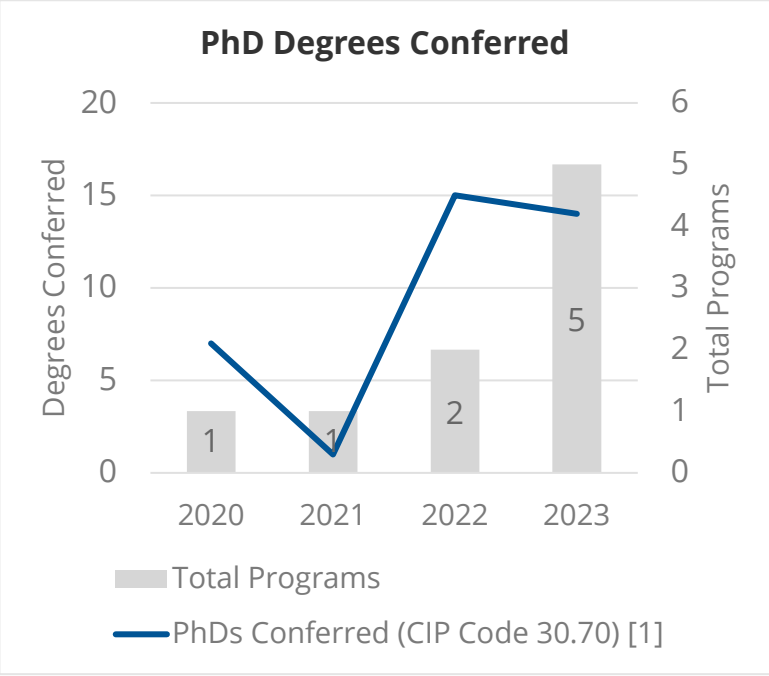
Overall Feasibility Assessment

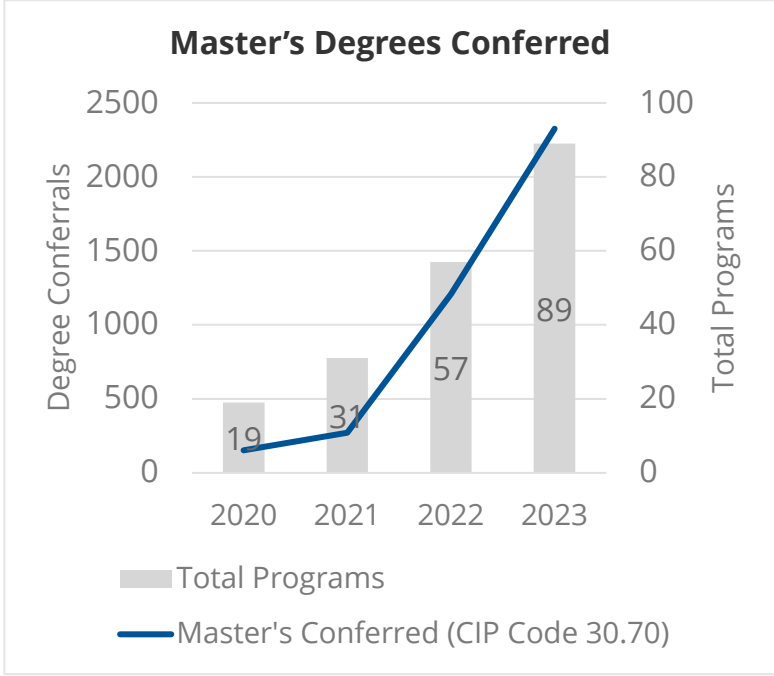
Student Demand 	G	**Data Sciences PhD**: Nationally, program conferrals in Data Sciences and related fields across levels increased from 2020 to 2023. Doctoral programs represent a small but growing enrollment market, with just 14 conferrals in 2023 (33% CAGR 2020-2023).

Data Sciences | Student Demand Overview

Data Sciences is a rapidly growing academic field, with 50+ new master's programs and 150+ new bachelor's programs launched from 2020 to 2023, indicating growing student demand.

The proposed PhD program would likely fall under CIP Code 30.70: Data Science. Degree conferrals and program data was sourced from IPEDs using this CIP Code.





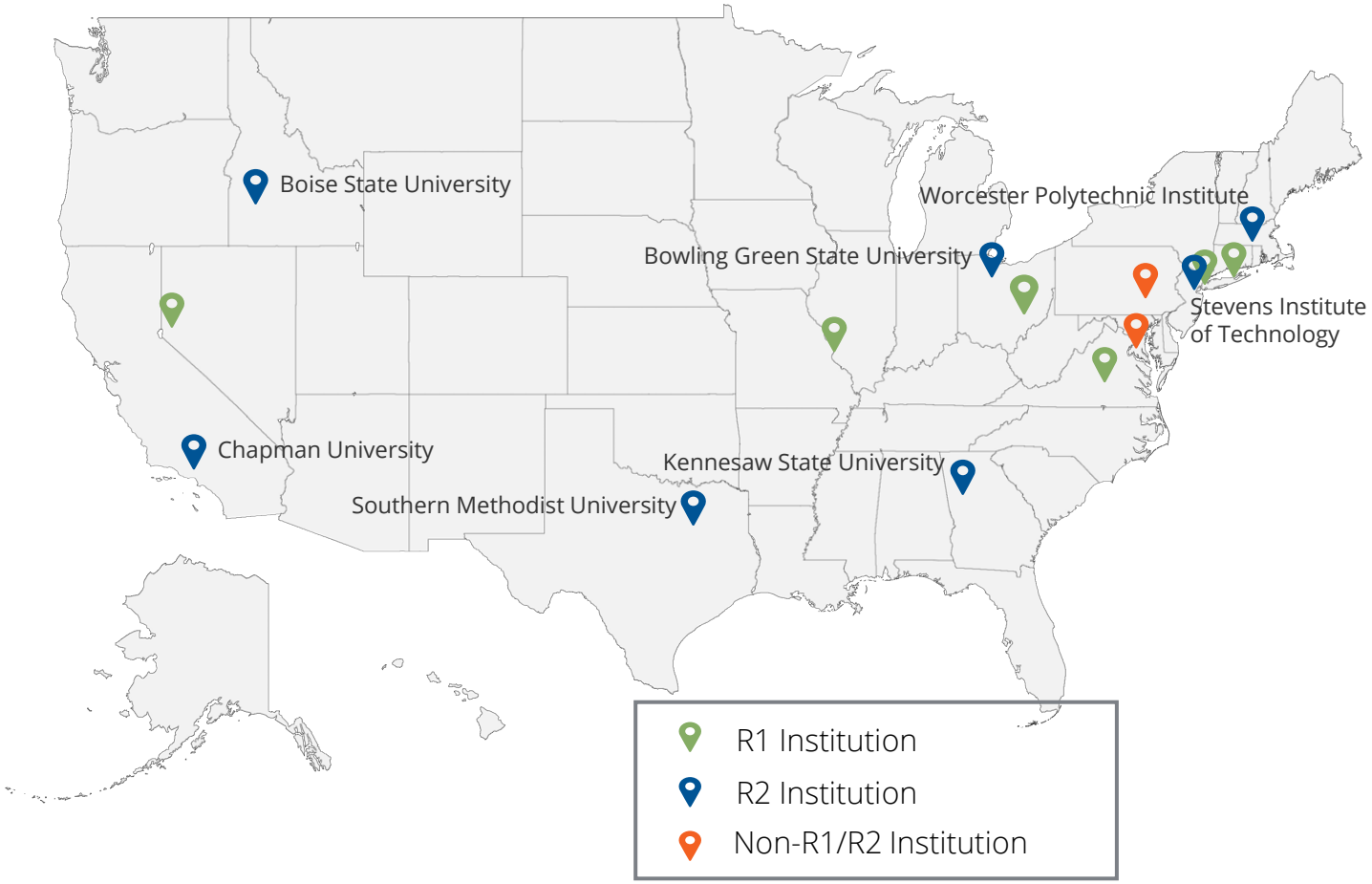
Growth in **Degree Conferrals**, 2020-2023	**100%**	**1420%**	**1850%**
Growth in **Total Programs**, 2020-2023	**400%**	**368%**	**468%**

Note: 1) Conferrals data from 2020 to 2022 also includes Kennesaw State University's program filed under CIP Code 30.7101: Data Analytics. Source: IPEDS Data Center, programs identified using CIP Codes 30.7001 and 30.7099.

Competitive Landscape for Data Sciences PhD Programs

Although data sciences PhD programs are a new market, many have launched at R1 and R2 institutions; a market may remain for a program at a Doctoral/Professional University in the South/Midwest.

Data Sciences PhD Programs (As of 2024)



Important Considerations

New and Growing Market

Doctoral data sciences programs **are less than a decade old**: the first PhD program was launched at Kennesaw State University in 2015. Since 2020, **70 new master's programs** and **150 new bachelor's programs** have launched.

Competitive Analysis

Of the sixteen identified data sciences PhD programs, **seven are at R1 institutions and seven are at R2 institutions**. WKU's Carnegie classification of Doctoral/Professional University could provide both a competitive advantage (e.g., different pool of likely applicants) or disadvantage (e.g., less attractive to competitive applicants).

Internal Enrollment Pipeline

Western Kentucky's BS in Business Data Analytics and online MS in Cybersecurity Data Analytics demonstrate the institution's ability to enroll and teach in the field of data science.

Note: 1) R2 institutions labeled by name, full list of schools found in Appendix. Sources: PhD in Data Science | Find the Best Data Science PhD Programs; Carnegie Classifications.

Workforce Alignment

Overall Feasibility Assessment

Workforce Alignment

G

Data Sciences PhD: Data Sciences occupations in Kentucky have grown steadily over the past five years (1.5% CAGR 2018-23), outpacing overall occupation growth in Kentucky, and with growth projected over the next decade.

PhD in Data Sciences Workforce Alignment

The proposed PhD program in Data Sciences would align with workforce trends within the region and Commonwealth in a local area experiencing strong overall population growth.

Expanding Demand for Data Analytics & Tech Jobs

- According to WKU leadership, "from 2017 to 2023, the number of tech jobs in South Central Kentucky and the Nashville area has grown by over 25%. This rate of job growth will outpace the national tech job growth of 10%."[1]
- A doctoral program in Data Sciences will align with the analytical and technological workforce demands of Bowling Green and the surrounding areas.

Growing Market Appeal of Interdisciplinary Skillsets

- The proposed PhD in Data Sciences will be interdisciplinary, blending STEM and business concepts. WKU's Gordon Ford College of Business or the Ogden College of Science and Engineering collaborated to develop the BS in Data Sciences and would continue working together.
- Given the enduring value of human skills such as curiosity, critical thinking, problem-solving, and logical reasoning, the interdisciplinary nature of the program will equip graduates with a diverse portfolio of technical and non-technical skills that may equip them for the workforce.

Strong Population Growth and Economic Investment in Bowling Green

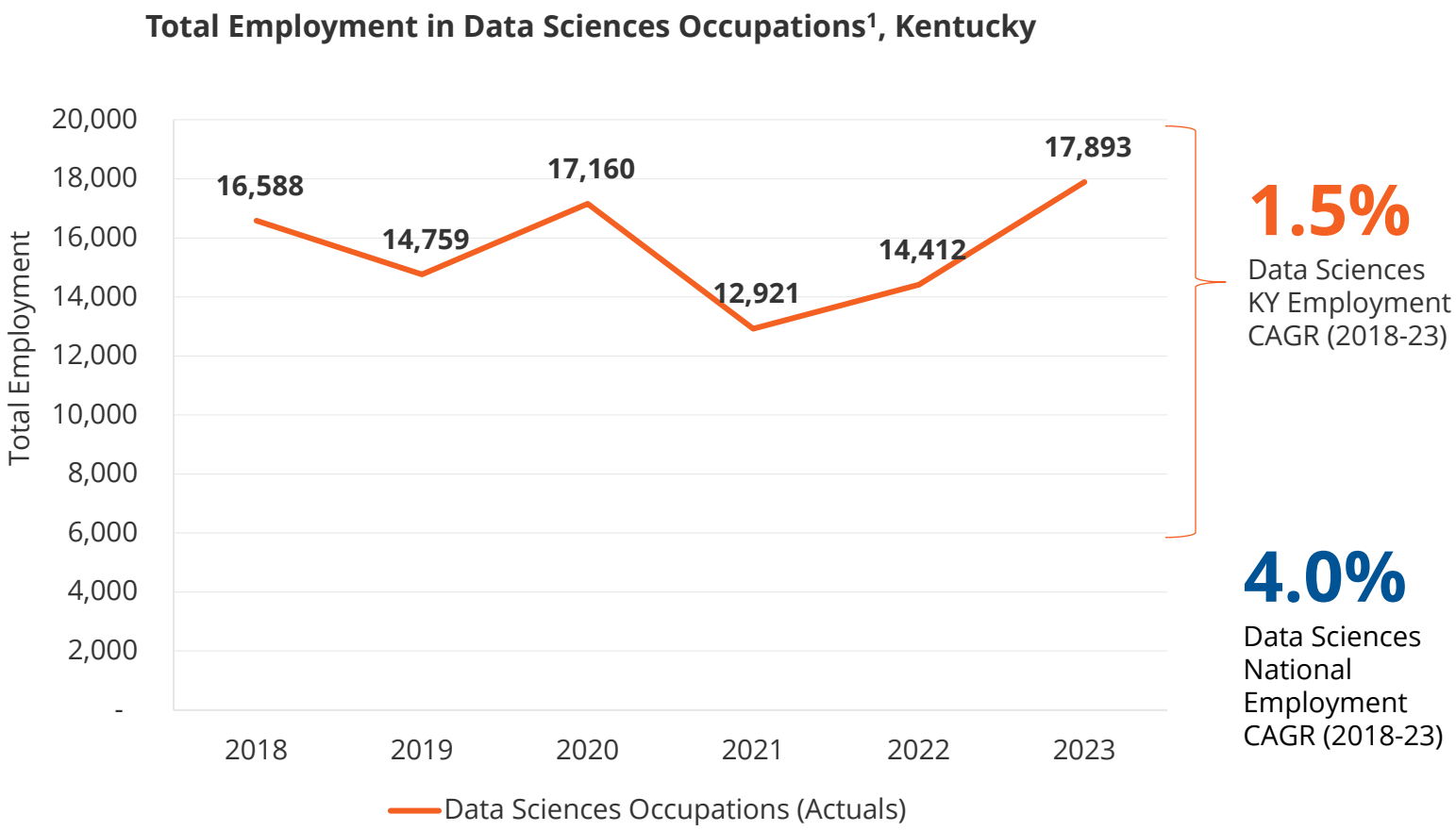
- Bowling Green is a quickly growing city, with a 31% increase in total population since 2010, outpacing growth in Kentucky over this period (4.3%).
- Bowling Green's Chamber of Commerce was also ranked #1 for economic development in communities <200,0000 people.
- Economic growth has recently been driven by a $2 billion dollar investment in an electric vehicle battery plant.
- Expanding WKU's academic and research capacity by launching a PhD program and pursuing R2 will align with local growth in population and industry investments.

Note: 1) Sourced from WKU materials. Sources: U.S. Census Bureau QuickFacts; Bowling Green Ranked #1 Economic Development Organization for Areas with Populations Under 200,000 - Bowling Green Area Chamber of Commerce; Electric Vehicle Battery Plant with 2,000 Jobs Coming to Bowling Green, Future of Work Institute™ | Deloitte US, WKU stakeholder interviews, proposal, and related materials.

Kentucky Employment in Data Sciences Occupations

KY employment in Data Sciences occupations[1] is growing at a rate of 1.5% annually from 2018-2023 with growth expected to continue into 2032.

Rising Demand For Data Sciences Jobs In Kentucky



Key Takeaways

Data Sciences KY Job Growth

Employment in Data Sciences occupations is growing quickly, up 7.9% overall since 2018, outpacing general Kentucky occupational growth during this time (3.9%). Growth for these occupations in Kentucky is expected continue, with projections indicating an additional 2,200 jobs by 2032, with the largest growth anticipated for Statisticians.

National Data Sciences Demand

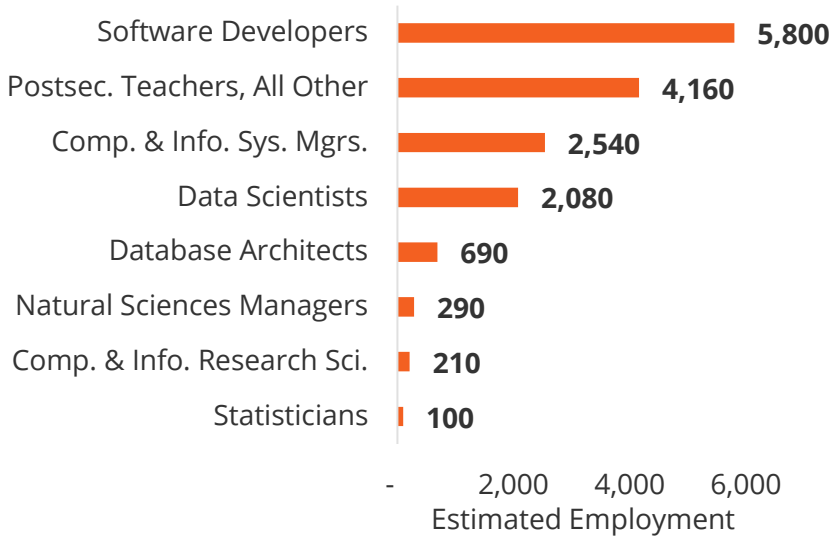
Despite solid growth in Kentucky for Data Sciences occupations, this is exceeded by national growth, indicating a strong labor market beyond Kentucky, of particular relevance as R2 status could elevate WKU's profile outside of the Commonwealth as well.

Note: 1) Data Sciences occupations identified as those Standard Occupational Classification (SOC) codes aligned with Classification of Instructional Programs (CIP) codes 30.7001 – Data Sciences and 30.7099, - Data Science, Other as identifi using the NCES CIP-SOC crosswalk. Occupation employment totals include SOC code equivalents from prior years in instances where SOC codes changed. Sources: Bureau of Labor Statistics Occupational Employment and Wage Statistics; NCES CIP-SOC Crosswalk; Projections Central Long-Term Projections.

Occupation and Salary Alignment with Data Sciences

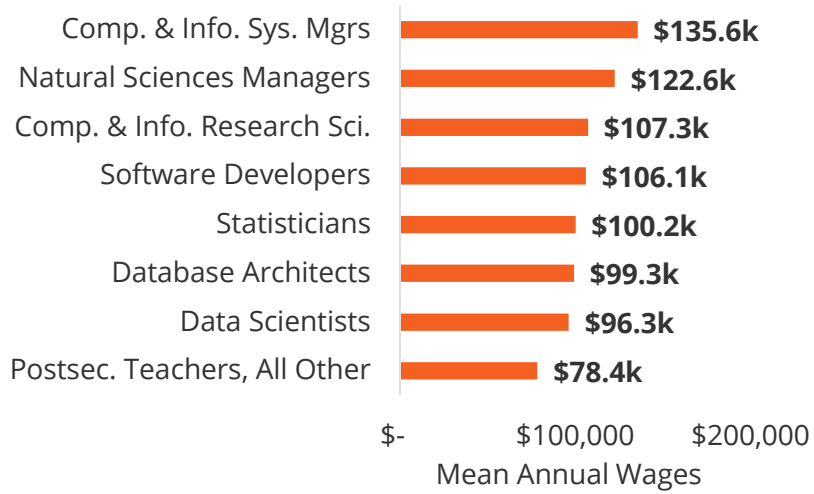
The Data Sciences field is aligned with a number of technology-focused occupations[1], with average salaries for these occupations upwards of $105,000.

KY Data Sciences Employment by Occupation[1], 2024



- Jobs for data sciences-affiliated occupations degrees in Kentucky are primarily technology-centric, including Software Developers, Data Scientists and Computer and Information Sciences Researchers.
- Occupations span a variety of national industries, ranging from Computer Systems Design, Federal/State/Local Government, and Management, Scientific, and Technical Consulting Services.

KY Data Sciences Average Annual Salaries by Occupation[1], 2024



- The average annual wage for all data sciences-affiliated occupations was over $105,000, with top salaries for management occupations.
- Lowest salaries for these occupations are reported for Postsecondary Teachers, All Other[2], indicating that financial return on investment for Data Sciences PhD graduates may lead them to careers in industry rather than academia.

Notes: 1) Data Sciences occupations identified as those Standard Occupational Classification (SOC) codes aligned with Classification of Instructional Programs (CIP) codes 30.7001 – Data Sciences and 30.7099, - Data Science, as identified us the NCES CIP-SOC crosswalk. 2) Postsecondary Teachers, All Other includes all post-secondary employment not listed under one of the 36 specific Postsecodary Teacher SOC codes, and therefore not all of these jobs may align with Data Sciences PhDs. Sources: Bureau of Labor Statistics Occupation Profiles; Kentucky Center for Statistics Employment and Wages by Occupation; NCES CIP-SOC Crosswalk.

Faculty Recruitment

Overall Feasibility Assessment

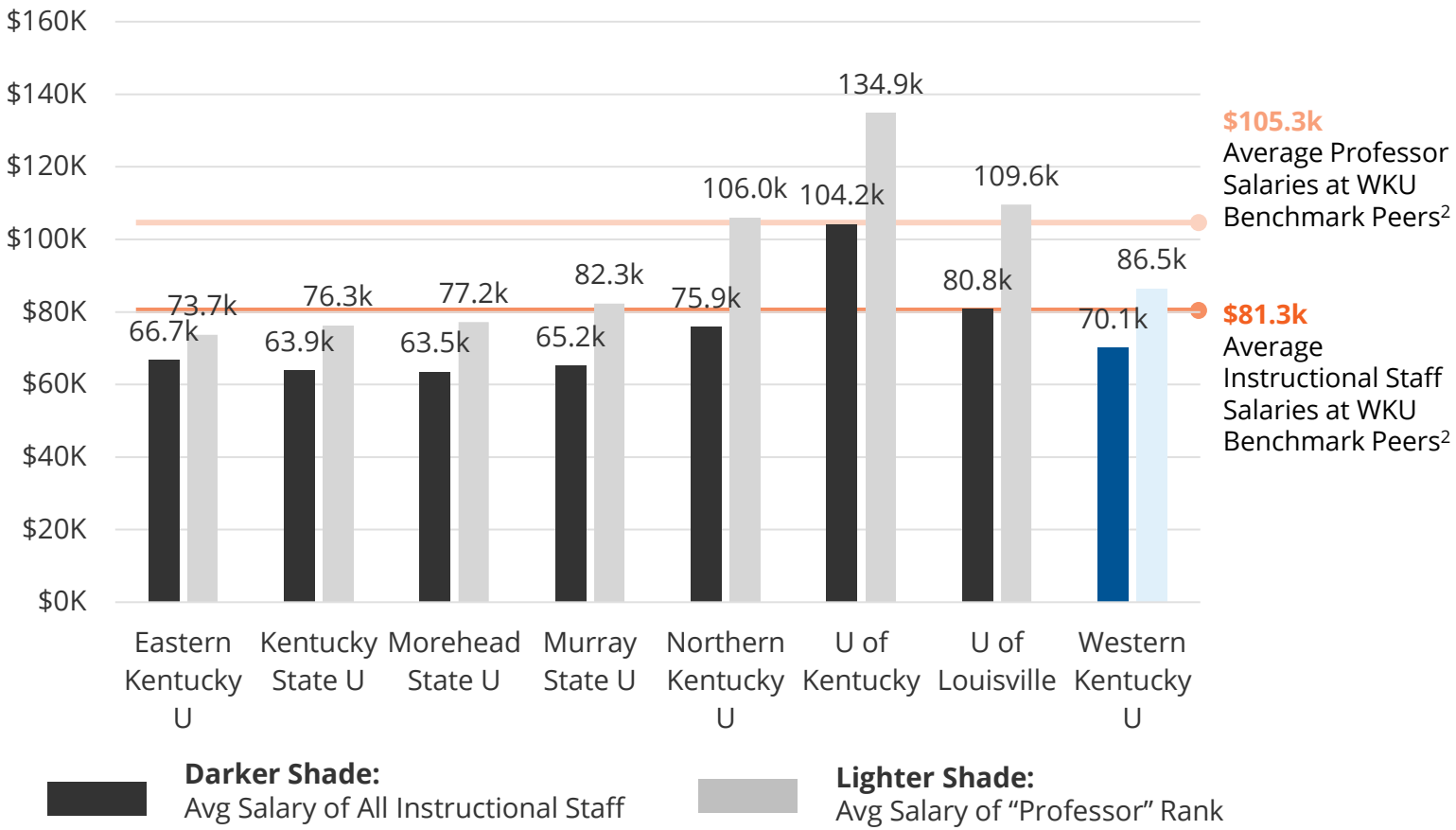
Faculty Recruitment	G	**Data Sciences PhD**: WKU is planning a relatively small number of faculty hires, which limits faculty recruitment risks. Proposed salaries are in line with average faculty salaries at KY comprehensive peers.

WKU | PURSUIT OF R2 "HIGH RESEARCH ACTIVITY" DESIGNATION

WKU Faculty Recruitment Considerations

Within Kentucky, WKU salaries are above Kentucky peer comprehensive averages. However, Western Kentucky's Instructional Staff and Professors salaries fall below aspirational benchmark peers.

Average Salaries of Full-Time Instructional Nonmedical Staff equated to 9-Months Worked, by Academic Rank: Academic Year 2022-23[1]



Key Takeaways

- **WKU's wages** for all Instructional Staff and Professors **are above the average for Kentucky four-year comprehensive peers.** Only one comprehensive peer, **Northern Kentucky University,** has higher salaries.
- **WKU's salaries rank below the average across its established list of benchmark peers. Fifteen of the eighteen peer institutions on this list are designated as R2 or higher** research activity, indicating WKU salaries have room to grow on the path to R2 status but may not be entirely out of line with its current classification.
- **WKU's location in Bowling Green, likely to ease faculty hiring.** Bowling Green's population grew 5.4% from 2020 to 2023, compared to 0.4% for Kentucky, and 1.0% for the U.S. at large. **The city's proximity to Nashville (<90 miles), recent economic investments,[3] and related growth also contribute to potential desirability** for candidates.

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Notes: 1) Reflects IPEDS "All instructional staff total of Average salaries of full-time instructional nonmedical staff equated to 9-months worked, by academic rank: Academic year 2022-23;" 2) See Appendix for full list of WKU Benchmark Pee
Recent economic investments include Envision AESC's $2 billion electric vehicle battery plant. Sources: Electric Vehicle Battery Plant with 2,000 Jobs Coming to Bowling Green; IPEDS Data Center; U.S. Census Quick Facts; WKU proposal and related materials; WKU Benchmark Universities.

Accreditation Requirements

Overall Feasibility Assessment

Accreditation Standards	G	Approval of new doctoral programs, including Data Sciences PhD, will require review and approval by SACSCOC under the Substantive Changes process.

Relevant SACSCOC Accreditation Requirements

A PhD in Data Sciences would require approval by SACSCOC, WKU's accrediting body, as it is a new program and results in a substantive change to the institution.

Substantive Change Policy

- SACSCOC requires review of "Substantive Change," which includes anything that involves significant modification or expansion of the nature and scope of an accredited institution, particularly those deemed high-impact, high risk, or with potential to impact educational quality.
- If WKU's proposal to launch a PhD in Data Sciences is approved, WKU will need to follow the Substantive Change process for "New Program – Approval," as 50-100% new content is a significant departure from the institution's existing programs.

New Program Approval Process and Deadlines

Submission Elements:

WKU will need to submit the following to receive necessary approval from the Executive Council of the SACSCOC Board of Trustees to launch a new doctoral research program:

- Fee
- Prospectus[1]

Submission Deadlines:

- For changes to be Implemented July 1-December 31: **January 1**
- For changes to be implemented January 1-June 30: **July 1**

Note: 1) A list of required prospectus elements can be found in the Appendix. Sources: SACSCOC Substantive Change Policy and Procedures

KSU | Doctor of Philosophy in Integrated Agroecology and Sustainable Agriculture

Financial Health Assessment

Overall Feasibility Assessment

Financial Health	R	Although KSU is showing some signs of financial improvement, including progress on its Management Improvement Plan to address cash flow and financial policy concerns, ongoing financial issues may provide an unsteady foundation from which to launch a new endeavor such as research PhDs.

Financial Health Assessment | Recent Historical Context

Several organizational and financial health concerns at KSU necessitated $23M in financial assistance from the Kentucky General Assembly in Fiscal Year (FY)22 as well as the launch of a Management Improvement Plan (MIP). KSU has made progress on the MIP, but some efforts are ongoing.

Findings and Resulting Actions from Kentucky CPE Assessment of Current Financial Status of KSU

- **Operating Deficits and Resulting Depletion in Cash Reserves:** Cash reserves declined precipitously from $14M in 2018 to $2M in 2020. $35M in operating deficits from 2016-2020 was a primary contributor to liquidity strain.
- **Improper Financial Practices, Policies, and Management**: Internal audit function was deemed "non-existent" due to internal vacancies. Staff, at the direction of senior leadership, failed to follow policy, and insufficient controls existed to prevent overspending established budgets. Audited financial statement deadlines were consistently missed.
- **$23M in Financial Assistance Provided by Kentucky General Assembly, Management Improvement Plan Launched:** As a result of the Kentucky CPE Assessment, the KSU received $23M to cover short-term projected cash shortfall. A Management Improvement Plan was developed to assist with organizational and financial stability, including elements related to policies, training, finances, academic programs, student success, and other areas of strategic importance.

Summary of Financial Health Assessment, Pension- and OPEB[1]-Adjusted Ratio Results from CPE Assessment of KSU Current Financial Status[2]

CFI Score	2015-15	2016-17	2017-18	2018-19	2019-20
Primary Reserve (35%)	1.37	1.14	1.19	0.60	0.25
Net Operating Revenue (10%)	-0.28	-0.37	-0.40	-0.40	-0.40
Return on Net Assets (20%)	-0.28	0.15	-0.19	-0.80	-0.44
Viability (35%)	3.50	3.50	3.50	3.50	0.38
CFI Score	4.33	4.42	4.10	2.90	-0.21

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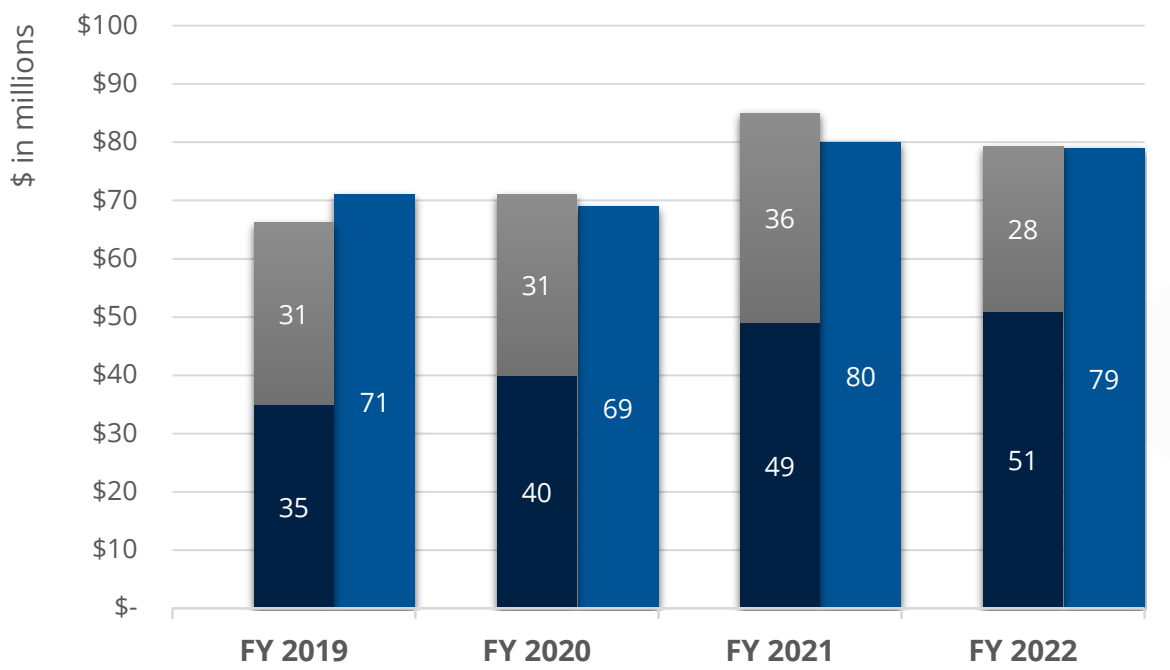
Notes: 1) Other Postemployment Benefits (OPEB); 2) CFI and component totals and other findings reflect those reported in Kentucky CPE Assessment of Current Financial Status of Kentucky State University. Sources: Kentucky State University Management Improvement Plan Quarterly Report for Q4 2024 – Revised; Kentucky CPE Assessment of Current Financial Status of Kentucky State University.

KSU | PHD IN INTEGRATED AGROECOLOGY

Financial Health Assessment | Net Position

In recent years, KSU has recorded positive changes in net position, ranging from $4.8M in FY21 to $0.3M in FY22. Surpluses in these years have been significantly bolstered by COVID aid and HB 250 stabilization funding, preventing a deficit due to growing expenses.

KSU Actual Ending Results (FY 2019 – FY 2022)



Key Takeaways

Unlike the other institutions, **KSU has not yet finalized their FY 2023 audit statements**. This delay may cause issues with the U.S. Department of Education and has prompted a warning from SACSCOC.

From FY19 to FY22**, revenues from Net Tuition and Fees grew by $7M**, driven by a 25.7% increase in enrollment from AY2018-19 to AY2021-22. Revenue from Auxiliaries also grew from $4.2M to $7M.

Federal and state COVID-19 aid, including $8M in FY21 and $11M in FY22, significantly bolstered revenues, preventing the institution from operating at a deficit. KSU also received **$23M in HB 250 Stabilization funding in FY22** to address cash shortfalls and projected budget imbalances.

Expenses have grown 11.2% since FY19, driven by increases in Institutional Support (+$5M since FY19) and Student Aid (+$6M since FY19). However, the FY22 audit attributed some of the increase in student aid to expenditures supported by COVID-19 federal funds.

Revenue support through COVID relief funding and HB 250 Stabilization funding has helped KSU achieve positive operating margins in FY20-FY22; however, accelerating expenses and a lack of sufficient sustainable revenue streams may impact future financial performance.

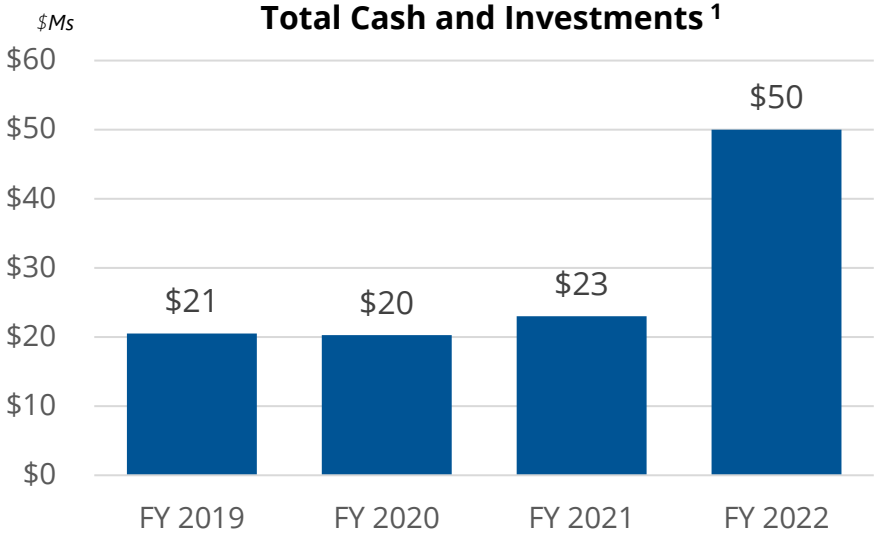
Note: 1) Includes Net Nonoperating Revenues and Capital Appropriations/Grants. Sources: KSU Audited Financial Statements; CPE Funding Model Outcomes data.

KSU | PHD IN INTEGRATED AGROECOLOGY

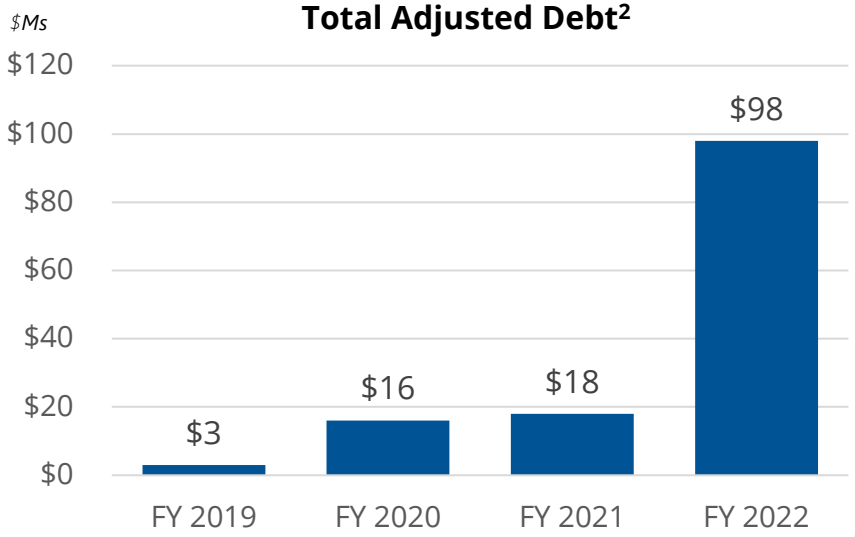
Financial Health Assessment | Balance Sheet Summary

KSU's balance sheet demonstrates risks due to elevated leverage, with Cash and Investments (C&I) at 0.5x total debt and annual debt service coverage at 0.1x as operating margins are challenged.

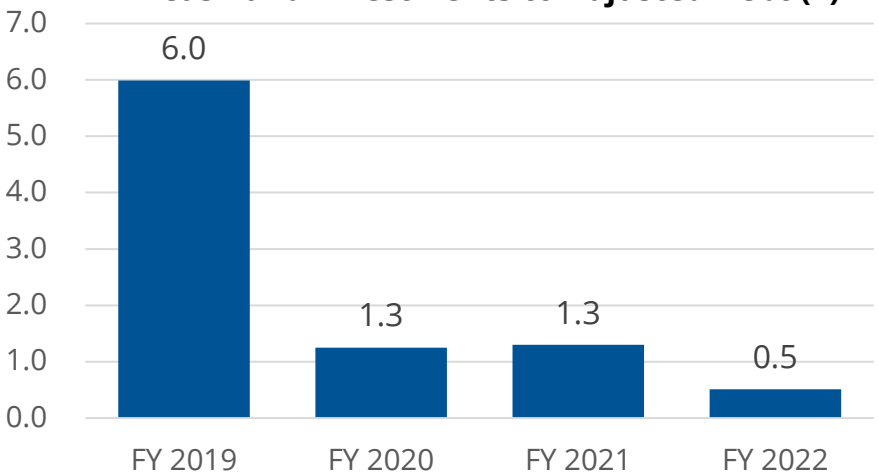
Total Cash and Investments [1]



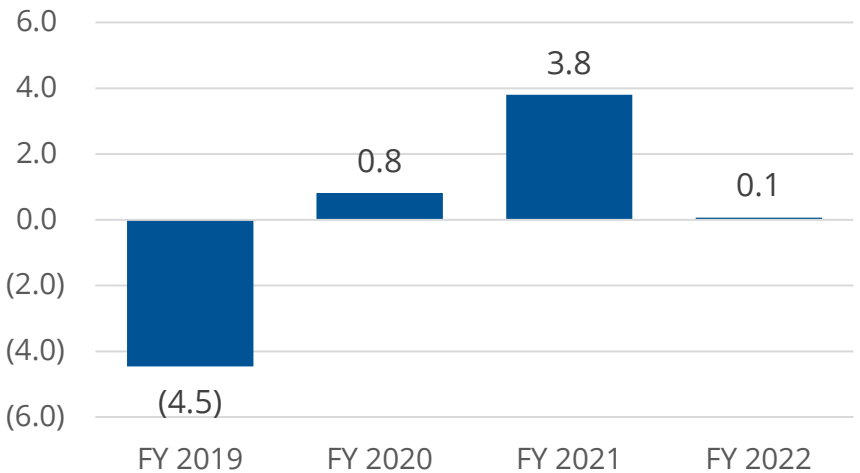
Total Adjusted Debt[2]



Cash and Investments to Adjusted Debt (x)



Annual Debt Service Coverage (x)[3]



Key Takeaways

Growing Cash and Investments
Cash and Investments increased 138% from FY 2019 to FY 2022. The primary driver was the addition of $22M in restricted cash and cash equivalents from "cash held by trustee for certificates of participation project."

Large Increase in Total Adjusted Debt
Total Adjusted Debt increased by $80M from FY 2021 to FY 2022, driven by $57M in certificates of participation, which is being used to fund campus renovations, and $23M in HB 250 stabilization funding.

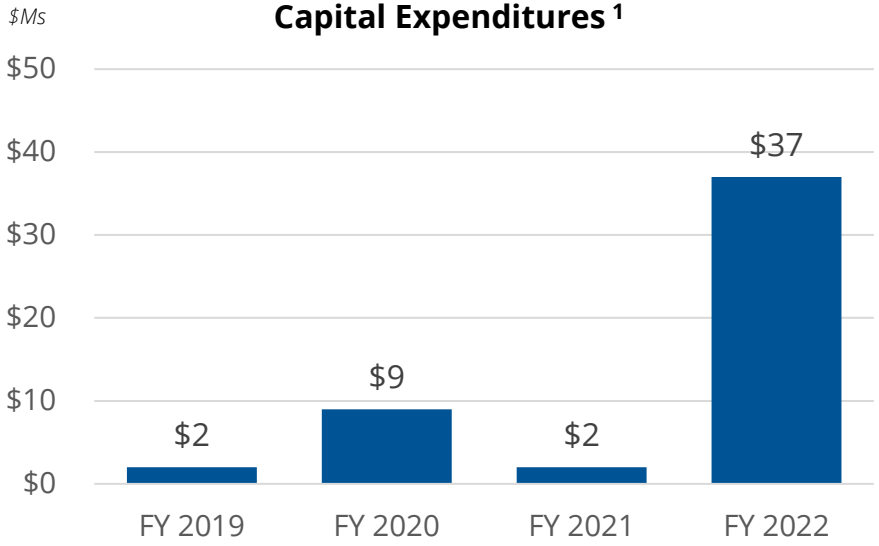
Elevated Leverage Position
The institution's growing debt load, with C&I at 0.5x debt and an annual debt service coverage of 0.1x, has weakened its ability to fund future strategic initiatives through additional debt.

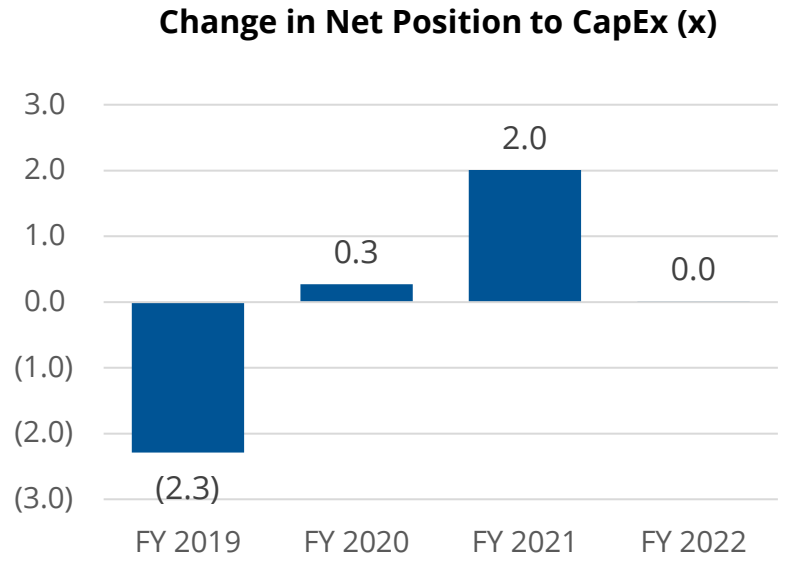
Notes: 1) Reflects Cash and Cash Equivalents, Restricted Cash and Cash Equivalents, Investments; 2) Reflects Lease Obligations/Finance Purchase, Note Payable to City of Frankfort, General Receipts Bonds, Bond Discount, Certificates of Participation, Certificates of Participation-Premium, Lease Liability, HB 250 Stabilization Funding; 3) Reflects Principal Paid on Capital Debt, Interest Paid on Capital Debt. Source: KSU Audited Financial Statements;

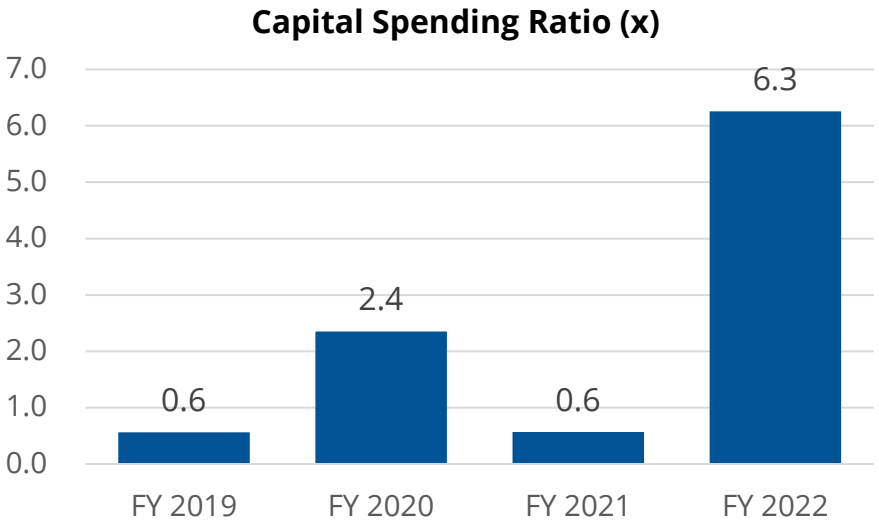
KSU | PHD IN INTEGRATED AGROECOLOGY

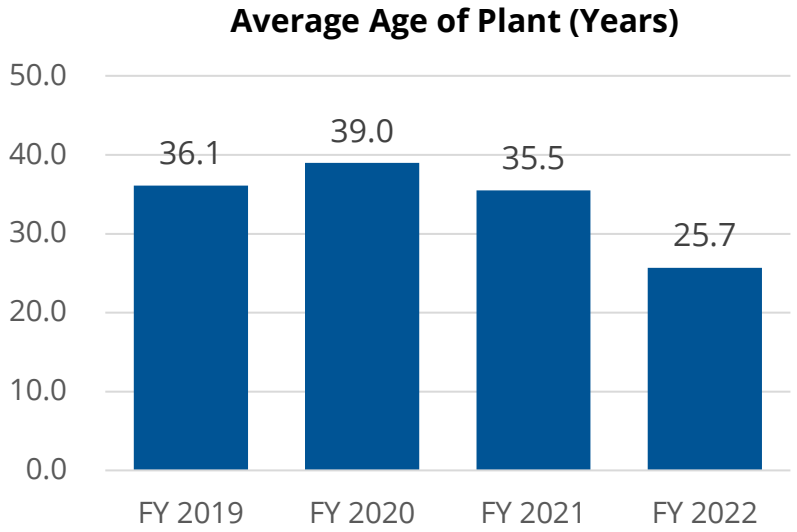
Financial Health Assessment | Capital Expenditures

Supported by state and federal appropriations, KSU accelerated capital expenditures in FY22 to address aging facilities and deferred maintenance.









Key Takeaways

Growth in Capital Spending
Capital spending reached its peak in FY 2022, increasing by $35M compared to FY 2019. This increased spending is aligned with the aging of facilities, which saw a ten-year average age reduction in FY 2022.

Addressing Aging Facilities
Kentucky State's facilities are in significant need of investment due to their high age. Recent increases in capital investments have specifically targeted new construction and campus renovations, including a new residence hall.

State-Supported Growth
The university's increase in strategic capital expenditures has been heavily supported by state and federal capital support for deferred maintenance and renovations. Construction of a new residence hall is being funded through the sale of certificates of participation.

Note: 1) Reflects Purchase of Capital Assets. Source: KSU Audited Financial Statements.

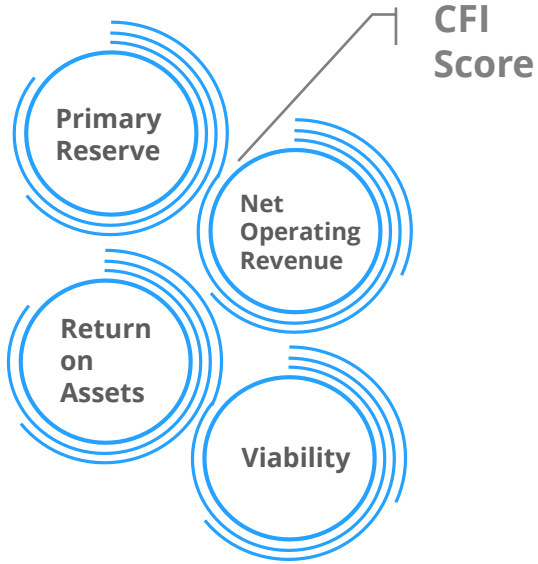
KSU | PHD IN INTEGRATED AGROECOLOGY

Financial Health Assessment | Composite Financial Index (CFI)

KSU's Composite Financial Index (CFI) score of -0.74 in 2022[1] provides a point-in-time indicator of a need to consider substantive programmatic adjustments. The current financial environment presents some risks to allocating resources to new projects.

The four ratios are **primary reserve, net operating revenue, return on assets, and viability**. These ratios **gauge the fundamental elements of the financial health** of an institution. The composite score reflects the overall relative financial health along a scale from **negative 4.0 to positive 10.0** for higher education institutions. A score greater than 3 is considered relatively financially healthy.

CFI Components



Key Ratios

Primary Reserve Ratio

$$\frac{\text{expendable net assets}}{\text{total expenses}}$$

Net Operating Revenue Ratio

$$\frac{\text{net operating income}}{\text{total unrestricted operating revenues}}$$

Return on Assets Ratio

$$\frac{\text{change in net assets}}{\text{total net assets}}$$

Viability Ratio

$$\frac{\text{expendable net assets}}{\text{plant-related debt}}$$

KSU CFI Score[2,3]	Ratio	CFI Score
Primary Reserve	0.04x	0.10
Net Operating Revenue	-1%	-0.07
Return on Assets	-12%	-0.80
Viability	0.04x	0.03
Total	---	-0.74

Notes: 1) KSU Audited Financial Statements for 2023 were not available; 2) Adjusted to not include Pension Expense Adjustments and OPEB expense adjustments; 3) Ratio calculations include Component Unit (CU) data. Sources: KSU Audited Financial Statements; Higher Learning Commission CFI Worksheet; TIAA The Financial Resilience of Independent Colleges and Universities (2017).

Student Success Assessment

Overall Feasibility Assessment

Student Success

R

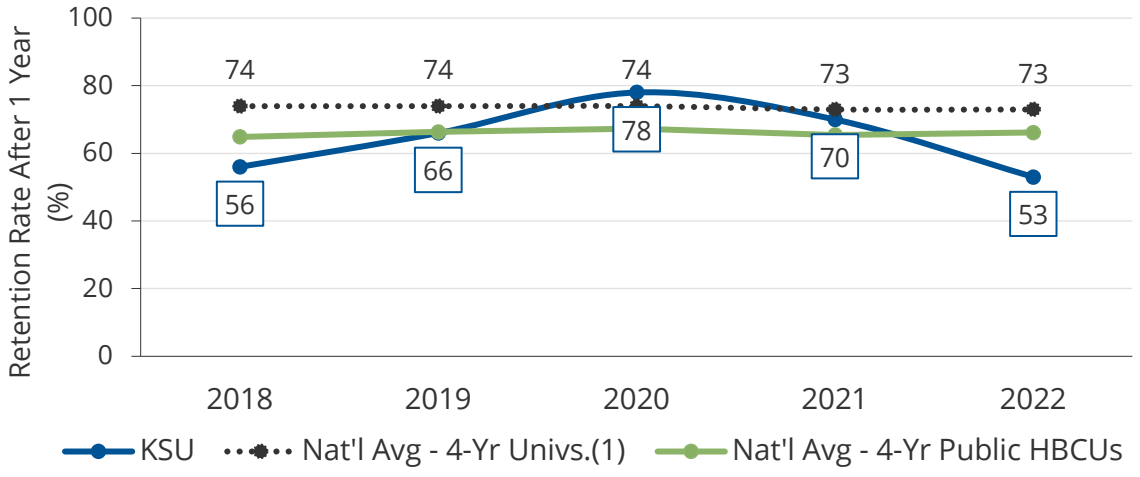
KSU has the lowest first-year retention rates and six-year graduation rates of KY four-year public universities. Six-year graduation rates have improved from 18% in 2018 to 33% in 2022 but remain below the KY comprehensives average.

KSU | PHD IN INTEGRATED AGROECOLOGY

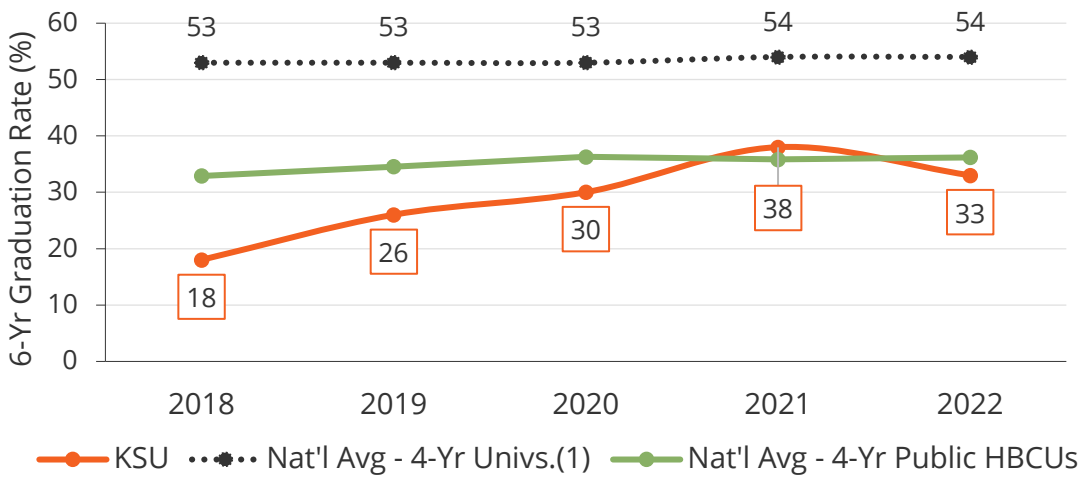
Current State Performance on Key Student Success Metrics

KSU's undergraduate graduation and retention rates, while showing some signs of improvement in recent years, both fell from 2021 to 2022.

KSU First-Year Retention Rate (First-Time, Full-Time Students)



KSU 6-Year Graduation Rate (First-Time, Full-Time Students)



Retention rates at a five-year low…

- KSU's first-to-second year retention rates for first-time, full-time first-year undergraduate students rose to meet the national average in Fall 2020, but it has since fallen 25 percentage points to 53% in Fall 2022. While all Kentucky comprehensives experienced declining retention from Fall 2020 to Fall 2021, KSU saw larger, sustained declines from Fall 21 to 22.
- KSU's retention similarly lagged behind those of its Public HCBU peers, falling thirteen percentage points below this average.

…but graduation rates largely trending upwards.

- Kentucky State University's undergraduate graduation rates have improved markedly since 2018. The share of students receiving a bachelor's or equivalent within six years grew from 18% in 2018 to 33% in 2022.
- Although lagging behind national graduation averages, KSU has closed the gap with its Public HBCU peers, trailing this average by three percentage points in 2022.

Note: 1) National averages include all public and private not-for-profit four-year colleges and universities as reported in IPEDS. Source: IPEDS Data Dashboard.

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Current State Performance on the Comprehensive Funding Model

KSU performed worse than the KY comprehensive average on seven of the KPIs incentivized by the performance funding model.

CPE utilizes a performance-based funding model that aligns funding with institutional performance on desired state policy goals. After each institution receives their "funding floor", the remaining resources are distributed based on the funding formula:

35% *based on student success metrics* **35%** *based on course completions* **30%** *based on operational support.*[1]

From 2013-14 to 2022-23, KSU performed worse than other KY public comprehensive institutions on **seven out of nine KPIs:**

- Total Bachelor's Produced
- STEM+H[2] Bachelor's Produced
- Low Income Bachelor's Produced
- URM[3] Bachelor's Produced
- Progression at 30 Hours
- Progression at 60 Hours
- Progression at 90 Hours
- Student Credit Hours Earned
- FTE[4] Student Enrollment

- As an HBCU, it may not be meaningful to compare Kentucky State's performance on URM bachelor's production to other regional comprehensive universities in the Commonwealth.
- KSU's student body size is much smaller than the other comprehensives, so their performance is more sensitive to change than the other institutions.

Key

- Performed better than or equivalent to KY comps average
- Performed worse than KY comps average

Notes: 1) Funding proportions were amended to 40% for student success metrics and 30% for course completions for the 2024-25 funding distribution; 2) Science, Technology, Engineering, Math, and Health Sciences (STEM+H); 3) Underrepresented Minority (URM); 4) Full-Time Equivalent (FTE). Sources: 13 KAR 2:120E; Performance Funding - Ky. Council on Postsecondary Education; KRS 164.092; Workbook: Kentucky Postsecondary Education Interactive Data Dashboard; Funding Model Data provided by CPE.

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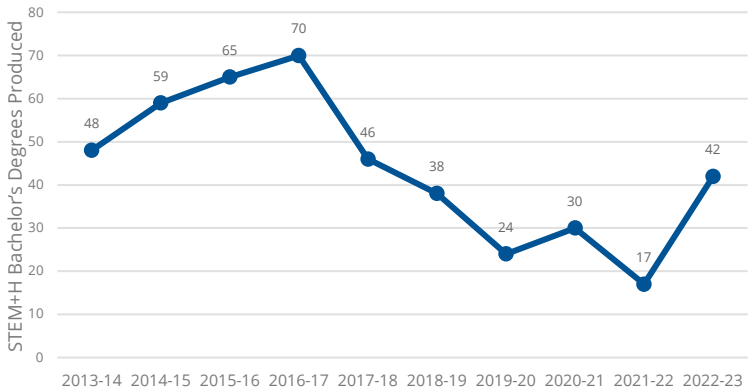
Current State Performance on the Comprehensive Funding Model

Kentucky State has recorded net decreases in STEM+H, URM, and Low-Income Bachelor's degrees production over the last decade.

Data Trends

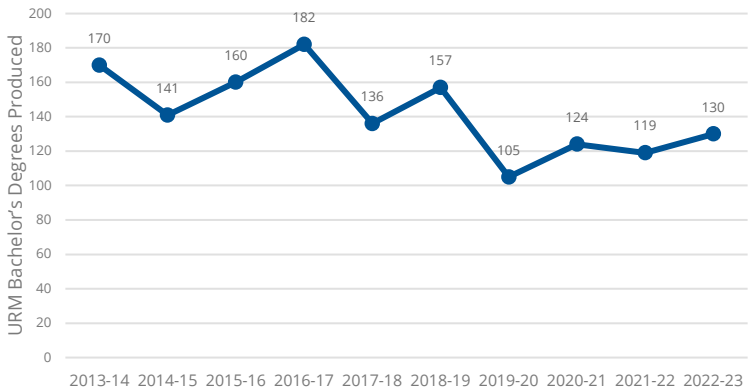
STEM+H Bachelor's Produced



13% KSU | **7%** KY Comps[2]

number of STEM+H Bachelor's produced from 2013-14 to 2022-23

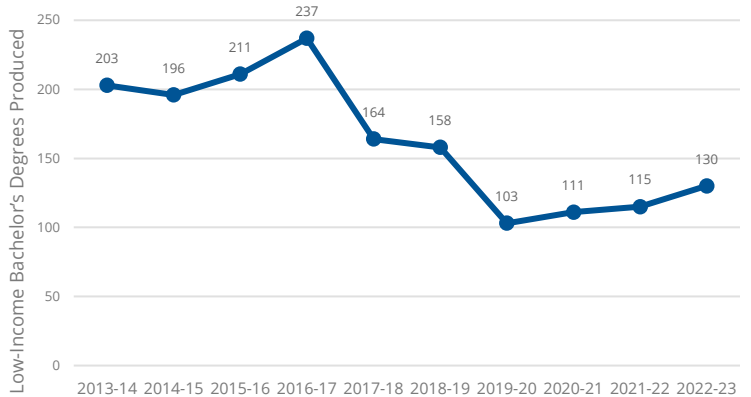
Underrepresented Minority Student (URM) Bachelor's Produced[1]



24% KSU | **23%** KY Comps

number of URM Bachelor's produced from 2013-14 to 2022-23

Low-Income Bachelor's Produced



36% KSU | **15%** KY Comps

number of Low-Income Bachelor's produced from 2013-14 to 2022-23

Note: 1) The URM Bachelor's Degrees metric has been amended to "underrepresented students", defined as "first generation college students", for the 2024-25 funding distribution. 2) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

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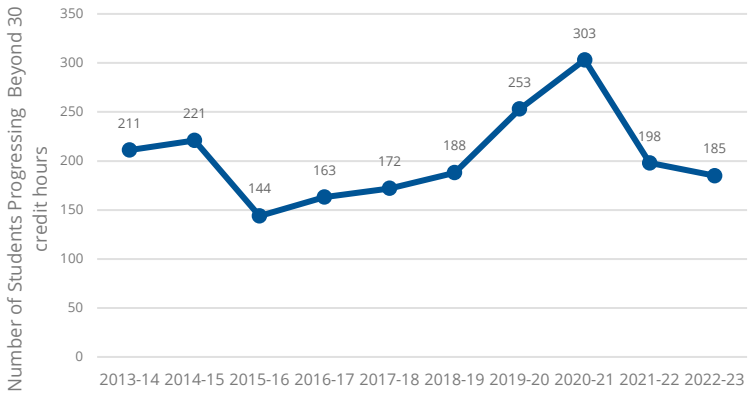
Current State Performance on the Comprehensive Funding Model

KSU's progression metrics have declined across the past decade, reflecting broader trends across the KY comprehensives.

Data Trends

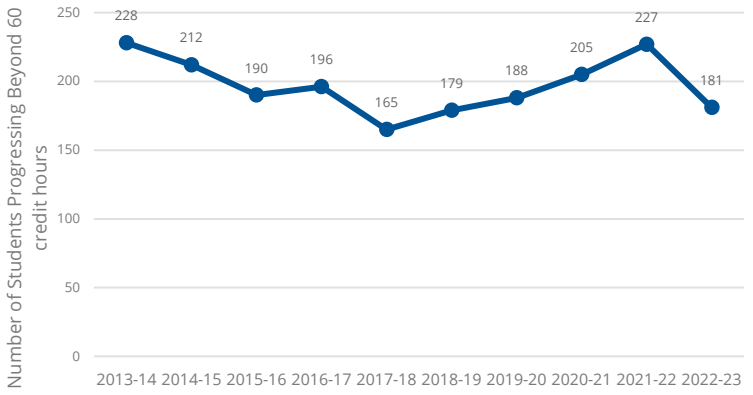
Progression @ 30 hours



12% KSU | **20%** KY Comps[1]

number of undergraduate students @ 30 hours from 2013-14 to 2022-23

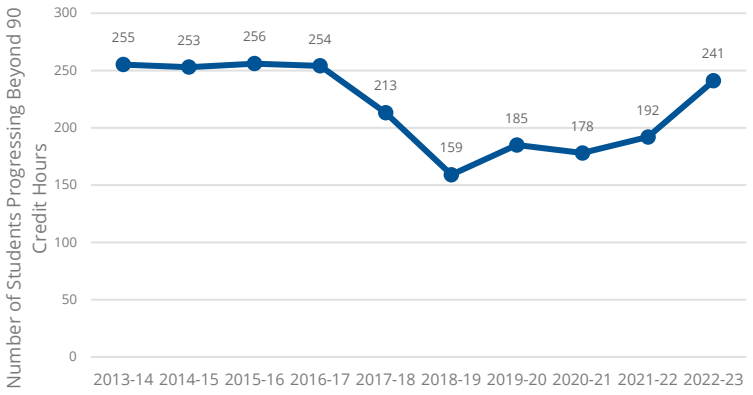
Progression @ 60 hours



21% KSU | **15%** KY Comps

number of undergraduate students @ 60 hours produced from 2013-14 to 2022-23

Progression @ 90 hours



5% KSU | **11%** KY Comps

number of undergraduate students @ 90 hours from 2013-14 to 2022-23

250

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

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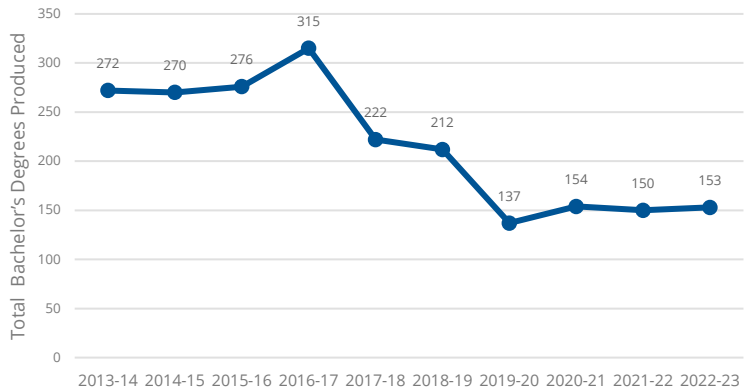
Current State Performance on the Comprehensive Funding Model

Across the past decade, KSU has experienced negative trends in enrollment and total bachelor's produced, shrinking from 2,033 total FTE student enrollment to 1,345 between Fall 2013 and Fall 2022.

Data Trends

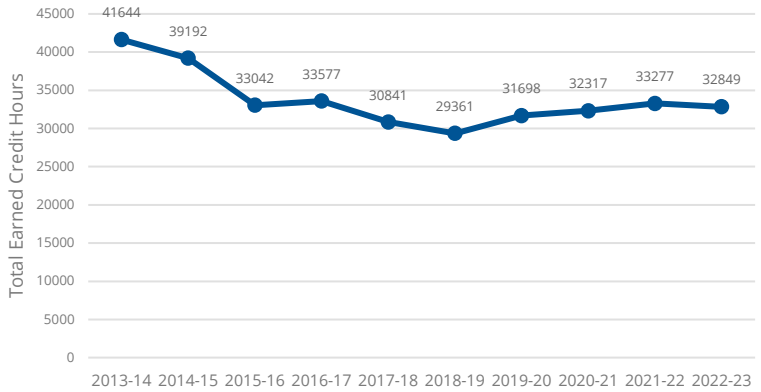
Total Bachelor's Degrees Produced



44% KSU | **8%** KY Comps[1]

number of Total Bachelor's produced from 2013-14 to 2022-23

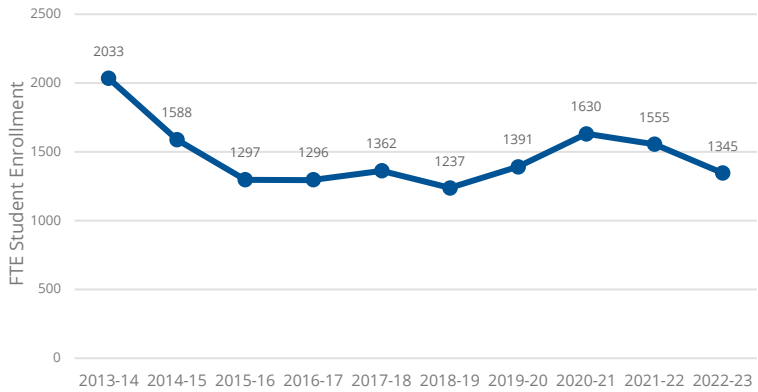
Student Credit Hours Earned



21% KSU | **16%** KY Comps

number of Student Credit Hours earned from 2013-14 to 2022-23

FTE Student Enrollment



34% KSU | **21%** KY Comps

number of FTE Student Enrollment from 2013-14 to 2022-23

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Research Infrastructure Assessment

Overall Feasibility Assessment

Research Infrastructure	G	Thanks in part to its access to land-grant funding and ongoing faculty research contributions, KSU's research expenses far exceed its Kentucky comprehensive peers. Recent investments in the Office of Sponsored Research and facilities also supports viability of Integrated Agroecology PhD.

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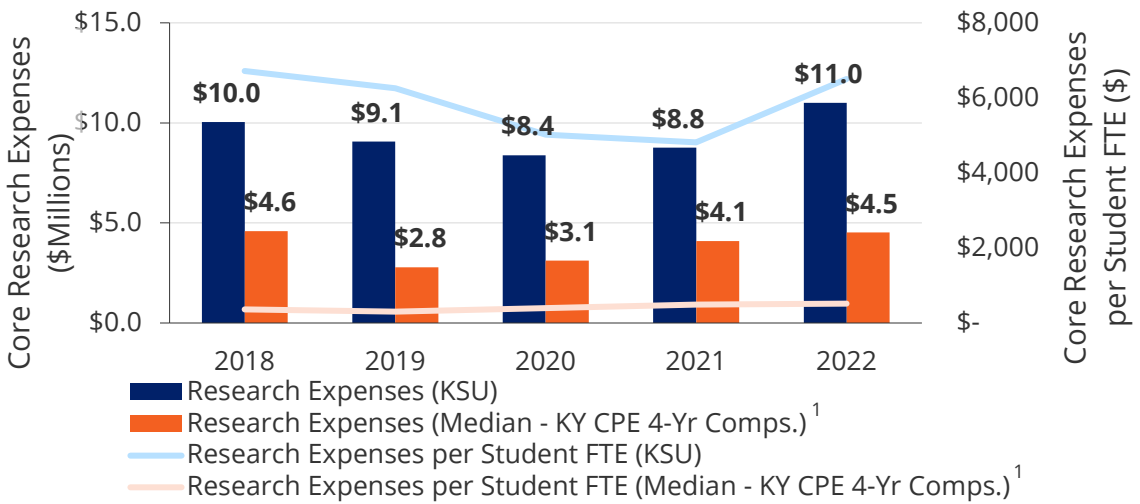
Current State Research Infrastructure

KSU's status as a land-grant institution lends strong research funding for core research expenses as well as facility investments.

KSU Core Research Expenses (2018-2022)



Thanks in part to its access to land-grant funding and ongoing faculty research contributions, KSU's research expenses far exceed its Kentucky comprehensive peers[1], with over $11M in core research expenses in FY2022, compared to the median at Kentucky comprehensives of $4.5M. However, from 2018 to 2022, core research expenses at KSU grew at a slower rate than the Kentucky comprehensive peer average, with a CAGR of 2.3% for KSU compared to a CAGR of 4.0% for its peers.

Recent Research Infrastructure Investments at KSU Lend Support to Feasibility of PhD in Integrated Agroecology

KSU has focused on rebuilding its Office of Sponsored Programs (OSP) in recent years, with two hires in FY2023, including a full-time Director of OSP and a full-time Coordinator of Grants and Sponsored Programs. The unit is now comprised of five staff members.

Recent KSU capital projects also indicate renewed attention to research facilities, including the $7.4M USDA-funded renovation of the Atwood Research Facility in KSU's School of Agriculture and Natural Resources (pictured below). The 34,510 sq ft facility houses fourteen research laboratories as well as classrooms, teaching labs, and offices.

What is a Land-Grant Institution?

Land-grant institutions were **established to expand agricultural and technical education and access** to such education. **1890 Land-Grant institutions, which are historically black land-grant universities, are eligible for a variety of funding**, including both competitive grants and appropriations, primarily from the USDA's National Institute for Food and Agriculture (NIFA) and relevant state matching funds. **Funding is intended to "strengthen research, Extension, and teaching in the food and agricultural sciences" through institutional capacity investments.**

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentuc University; Sources: Association of Public & Land-Grant Universities; IPEDS Data Center, KSU Atwood Research Facility; KSU Office of Sponsored Programs FY2023 Annual Report; Omni Architects Atwood Agricultural Research Building Renovation; USDA 1890 Land-Grant Institutions Program

Cost-Benefit Analysis

Overall Feasibility Assessment

Cost-Benefit Analysis 	Y	Like most PhD programs, Agroecology PhD is not expected to generate net surplus. However, the program will require a relatively limited institutional investment to support operational expenses given the small program size and existing infrastructure.

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Assumptions Driving Financial Model

KSU stakeholder discussions, program proposal and related materials, and peer/market research inform the drivers behind the financial model.

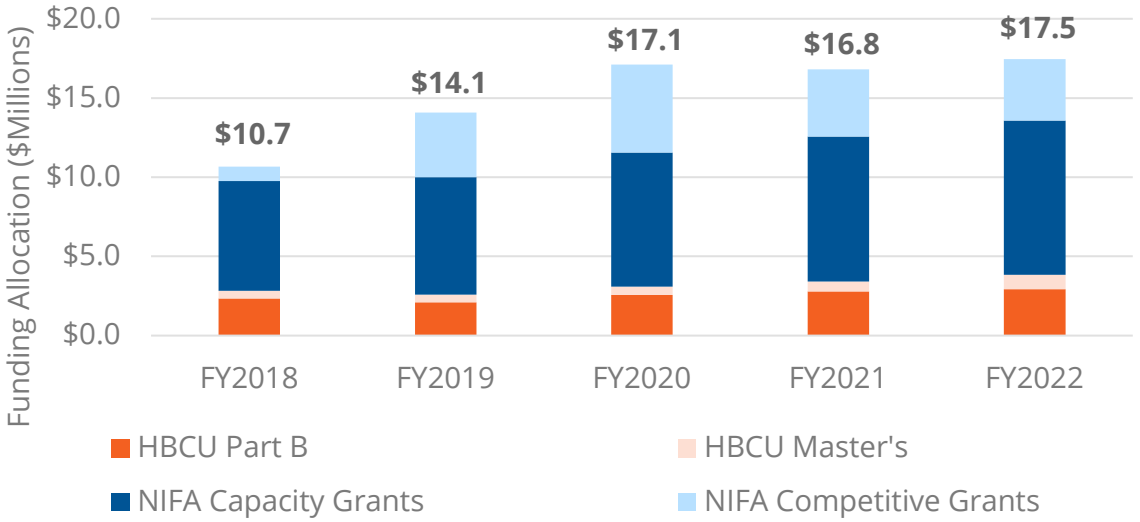
	Line Item	Forecast Approach	Moderate Drivers	Conservative Drivers
REVENUES	Enrollment	KSU Proposal Materials, Market Research and Peer Comparisons	Annual enrollment totals and international/domestic distribution were supplied by KSU and evaluated against peer conferral trends for similar PhD programs. KSU estimated a 66% graduation rate for the program, which is confirmed to be in line with the higher end of national PhD trends. KSU estimated slightly higher attrition for international than domestic students. Model assumes all attrition will occur between a student's 3rd and 4th year in the program.	Annual enrollment estimated to be 25% lower than moderate model. Graduation rates adjusted down to 55%. All other assumptions same as the moderate model.
REVENUES	Tuition & Fees	KSU Proposal Materials, KSU Historical Trends	Annual tuition and fees, including application fees, based on KSU AY2024-25 graduate rates, with annual increase projected at 2.0%, based on ten-year historical tuition increases at KSU. Per credit charges based on a 60-credit program with 18 credits accumulated in students' 1st to 3rd years in program, and 9 credits in students' 4th year.	Same assumptions as moderate model.
REVENUES	Graduate Fellowships	KSU Proposal Materials	Model assumes that full tuition scholarships/fellowships for domestic students will be funded through the HBCU Master's Grant. KSU affirmed that this funding source was viable, but the project team could not confirm with certainty. However, it is common practice for PhD programs to fund tuition scholarships for enrolled students, so we have built scholarships for all domestic students into the model despite uncertainty around funding source. KSU indicated that international students will not be eligible to receive a tuition scholarship/fellowship.	Same assumptions as moderate model.
EXPENSES	Faculty and Staff Salary and Benefits	KSU Proposal Materials, KSU Historical Trends, Market Research and Peer Comparisons	Faculty and staff headcounts shared by KSU in proposal. KSU indicated faculty will be hired in Years 3 and 4 with existing faculty sufficient to operate the program until that time. Model assumes staff will be hired in Year 0. Starting salaries for faculty and staff supplied by KSU, but model forecasts a 4.7% annual increase, based on five-year trend analysis of KSU's instructional staff/faculty expenses as reported in IPEDS. Employee Benefits are projected at 40% of compensation, in line with existing KSU rates.	Same headcounts, benefit rates, and initial salary rates as moderate model, but annual increase for salary expenses estimated one percentage point higher (5.7%).
EXPENSES	Faculty Start-up Packages	KSU Proposal Materials, Market Research and Peer Comparisons	KSU provided estimated start up funds at $20,000 per faculty, per year. Assume that start-up funds will be available to faculty for a minimum of three years after hiring, likely five years, which would provide a total start-up package of $60,000-$100,000 per faculty, which is in line with the lower end of peer comparison estimates.	Same assumptions as moderate model, but start-up fund costs projected to be 15% higher.
EXPENSES	Graduate Assistantships	KSU Proposal Materials	Employs rate used in KSU proposal and related materials ($40,000 per student per year).	Same assumptions as moderate model.
EXPENSES	All Other Operating Expenses	KSU Proposal Materials, National Trends	Incorporates estimates and timeline for expenses as outlined in KSU proposal and related materials with minimal adjustments. Detailed breakdown of these assumptions is included in the Appendix. Model incorporates annual increase for all other operating expenses equal to 2.7%, based on the average annual inflation rates from 2014-2023.	Same assumptions as moderate model, but annual increase equal to 4.0% (avg annual inflation 2019-23).
OTHER	Internal Reallocations	KSU Proposal Materials, KSU Historical Trends, External Funding Analysis	Model follows KSU proposal which indicates that land-grant and HBCU appropriations and other recurring, noncompetitive grants and contracts will be used to offset costs of the program in the following areas: staff salaries/benefits, graduate assistants, student support, program development/curriculum design, marketing. Model assumes the total to be reallocated from E&G funds to be equal to the remaining program expenses after net revenue and internal reallocations from land-grant and HBCU funds, based on KSU proposal.	Same assumptions as moderate model.

Note: Faculty-generated competitive grant funding is not included in the projections above as the assumption is that new grant funding will largely be used to fund new research rather than PhD program operations.

Potential Funding Sources and Impacts to New Grant Generation

KSU's HBCU and Land-Grant status provides a recurring source of funding that could be used with reallocations from E&G[1] funds to support program expenses as, like most research PhD programs, higher enrollment will result in higher net costs rather than additional net revenue.

KSU NIFA[4] and HBCU[5] Funding, FY18-22



- **Land-Grant Funding:** Nearly $9.8M in capacity grants was obligated by NIFA in FY2022 as a result of KSU's land-grant status. KSU has indicated that a portion of such funding in future years would be used to support costs related to the PhD in Integrated Agroecology as these funds are intended to support research and extension activities. NIFA competitive awards resulted in another $4.2M for KSU in FY2022.
- **HBCU Funding**: HBCU Title III Part B funds are formula- based awards that can be used for a variety of activities, including equipment, library materials, and STEM program purchases. This funding source exceeded $2.9M in FY2022. KSU also received over $900k in FY2022 to support Master's program scholarships.

Despite limited net revenue from PhD level enrollments, new competitive grant funding could be a quantitative benefit resulting from the additional research generated. This could produce a flywheel effect as program faculty use grants to fund new equipment, graduate assistantships, etc. and conduct more research. Based on KSU estimates, new competitive grant funding resulting from the PhD in Integrated Agroecology program could be $1.5M or more per year.

Notes: 1) Education & General (E&G); 2) Moderate totals based on KSU proposal, with conservative estimates developed using assumptions outlined previously; 3) Conferrals will be lower under the conservative model due to lower starting enrollment and higher rates of attrition; 4) US Department of Agriculture, National Institute for Food and Agriculture (NIFA); 5) Historically Black Colleges and Universities. Sources: KSU Proposal and Follow-Up Materials; US Department of Agr NIFA Grant Funding Dashboard; US Department of Education, Master's Degree Programs at Historically Black Colleges and Universities; US Department of Education, Title III Part B, Strengthening Historically Black Colleges and Universities Program.

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Financial Model | Moderate Projection

The operating results[1] in the moderate scenario represents the most likely scenario with many estimates provided directly by KSU.

Budget - Moderate Scenario	Year 0 FY2026	Year 1 FY2027	Year 2 FY2028	Year 3 FY2029	Year 4 FY2030	Year 5 FY2031
Enrollment	-	15	20	20	15	19
Revenues:						
Tuition & Fees	-	185,831	252,376	257,424	116,497	221,222
Fellowships (Graduate Scholarships - HBCU Masters)	-	(56,650)	(115,566)	(117,877)	(80,156)	(138,991)
Net Tuition Revenue	$ -	$ 129,181	$ 136,811	$ 139,547	$ 36,341	$ 82,231
Total Operating Revenues	$ -	$ 129,181	$ 136,811	$ 139,547	$ 36,341	$ 82,231
Operating Expenses:						
Personnel						
Faculty Salaries	-	-	-	180,000	377,064	377,064
Staff Salaries	58,500	61,273	64,177	67,219	70,405	73,743
Employee Benefits	23,400	24,509	25,671	98,888	178,988	180,323
Start-up Packages	-	-	-	40,000	80,000	80,000
Graduate Assistants	-	600,000	800,000	800,000	600,000	760,000
Other OpEx						
Program Development and Curriculum Design (e.g., consulting services)	50,000	-	-	-	-	57,124
Student Support (e.g., health insurance, travel, training)	-	102,700	105,473	108,321	111,245	114,249
Marketing	20,000	-	-	-	-	-
Other Operating Expenses (e.g., software, supplies)	30,000	5,135	5,274	5,416	5,562	5,712
Facilities Expense	-	-	-	-	-	-
Total Operating Expense	$ 181,900	$ 793,617	$ 1,000,595	$ 1,299,844	$ 1,423,265	$ 1,648,215
Net Surplus/(Deficit) - Before Internal Reallocations	$ (181,900)	$ (664,436)	$ (863,784)	$ (1,160,296)	$ (1,386,924)	$ (1,565,984)
Internal Reallocations						
Grants & Contracts - includes HBCU Title III, HBCU Title VII, Land Grant Evans-Allen Funds and State Match	151,900	659,301	858,510	934,880	924,298	1,103,207
E&G Funds	30,000	5,135	5,274	225,416	462,626	462,776
Total Internal Reallocation	**181,900**	**664,436**	**863,784**	**1,160,296**	**1,386,924**	**1,565,984**
Net Surplus/(Deficit) - After Internal Reallocations	$ -	$ -	$ -	$ -	$ -	$ -

Key Takeaways

- **International Enrollment Provides Limited Revenue[2]:** Due to KSU's intention to only provide graduate fellowships to domestic students, the PhD in Integrated Agroecology is projected to generate between $36k and $140k in fee revenue and tuition revenue from international students in the first five years of enrollment.
- **Largest Expenses Due to Graduate Assistantships, Faculty Salary/Benefits:** KSU intends to leverage seven existing faculty in the early years of the program, curbing net new personnel investments, but four faculty hires across years 3 and 4 will result in an additional $527k in annual faculty salary and benefits expenses. Graduate assistantships, the largest single expense driver, range from $600k to $800k annually.
- Although the program is net negative before internal reallocations (~$1.5M in FY2031), **KSU's total annual investment is relatively small.** Additionally, availability of **land-grant and HBCU funding reduces share of internal reallocations** necessary from E&G funds.

Notes: 1) Assumptions detailed earlier in this section of the report on Slide 147. 2) Faculty-generated competitive grant funding is not included in the projections above as the assumption is that new grant funding will largely be used to fund new research rather than PhD program operations. Sources: IPEDS Data Center; KSU Office of Sponsored Programs FY2023 Annual Report; KSU Proposal & Follow-Up Materials; KSU Tuition and Fees; US Bureau of Labor Statistics Consumer Price Index for All Urban Consumers.

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Financial Model| Conservative Projection

The operating results[1] in the conservative projection represents the financial impact of a "worst case" scenario.

Budget - Conservative Scenario	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Enrollment	-	12	16	16	11	15
Revenues:						
Tuition & Fees	-	148,665	201,901	205,939	88,029	175,946
Fellowships (Graduate Scholarships - HBCU Masters)	-	(45,320)	(92,452)	(94,301)	(64,125)	(110,375)
Net Tuition Revenue	$ -	$ 103,345	$ 109,449	$ 111,638	$ 23,904	$ 65,571
Total Operating Revenues	$ -	$ 103,345	$ 109,449	$ 111,638	$ 23,904	$ 65,571
Operating Expenses:						
Personnel						
Faculty Salaries	-	-	-	180,000	380,664	380,664
Staff Salaries	58,500	61,858	65,409	69,163	73,133	77,331
Employee Benefits	23,400	24,743	26,163	99,665	181,519	183,198
Start-up Packages	-	-	-	46,000	92,000	92,000
Graduate Assistants	-	480,000	640,000	640,000	440,000	600,000
Other OpEx						
Program Development and Curriculum Design (e.g., consulting services)	50,000	-	-	-	-	57,124
Student Support (e.g., health insurance, travel, training)	-	104,000	108,160	112,486	116,986	121,665
Marketing	20,000	-	-	-	-	-
Other Operating Expenses (e.g., software, supplies)	30,000	5,200	5,408	5,624	5,849	6,083
Facilities Expense	-	-	-	-	-	-
Total Operating Expense	$ 181,900	$ 675,801	$ 845,140	$ 1,152,939	$ 1,290,151	$ 1,518,066
Net Surplus/(Deficit) - Before Internal Reallocations	$ (181,900)	$ (572,456)	$ (735,691)	$ (1,041,301)	$ (1,266,246)	$ (1,452,495)
Internal Reallocations						
Grants & Contracts - includes HBCU Title III, HBCU Title VII, Land Grant Evans-Allen Funds and State Match	151,900	567,256	730,283	809,677	787,733	973,748
E&G Funds	30,000	5,200	5,408	231,624	478,513	478,747
Total Internal Reallocation	181,900	572,456	735,691	1,041,301	1,266,246	1,452,495
Net Surplus/(Deficit) - After Internal Reallocations	$ -	$ -	$ -	$ -	$ -	$ -

Key Takeaways

- **Lower Enrollment Contributes to Reduced Revenue in Conservative Scenario**: Lower estimated enrollment and graduation rates reduces already small operating revenues.[2]
- **Lower Expenses in Conservative Scenario due to Fewer Graduate Assistantships**: Despite incorporating higher annual increases for personnel and other operating expenses, the smaller number of graduate assistantships to be funded in the conservative model results in lower overall expenses, ranging from around ~$182k in Year 0 to over $1.5M in Year 5. By comparison, Year 5 expense totals in the moderate scenario are over $1.6M.
- **Under the conservative model, the program is net negative before internal reallocations (over $1.4M in FY2031).** However, as in the moderate scenario, availability of land-grant and HBCU funding offset the amount of E&G funds that must be reallocated to support the program.

Notes: 1) Assumptions detailed earlier in this section of the report on Slide 147; 2) Faculty-generated competitive grant funding is not included in the projections above as the assumption is that new grant funding will largely be used to fund research rather than PhD program operations. Sources: IPEDS Data Center; KSU Office of Sponsored Programs FY2023 Annual Report; KSU Proposal and Follow-Up Materials; KSU Tuition and Fees; US Bureau of Labor Statistics Consumer Price Index for All Urban Consumers.

Qualitative Benefits of Proposed PhD Program

A PhD in Integrated Agroecology and Sustainable Agriculture requires strategic financial investment by Kentucky State University but would potentially provide a variety of benefits for both KSU and the Commonwealth.

Service to Small and Minority Kentucky Farmers

Kentucky State stakeholder interviews indicated that the **PhD in Integrated Agroecology will embrace an interdisciplinary approach, with a special focus on sustainability and data analytics, in order to better serve small and medium sized farms that may have less access to specialized, data-informed approaches** than large-scale farms. In 2022, there were 43,200 farms in Kentucky with sales between $1,000 and $9,999. The average Kentucky farm size was 176 acres in 2022.

Strengthened Alignment with Land-Grant Mission

Due to the students enrolled and research produced in an agricultural-oriented field, **the PhD in Integrated Agroecology will further contribute to KSU's ability to deliver on its mission** as an 1890 Land-Grant institution. These institutions were established **to expand agricultural and technical education and access to such education.**

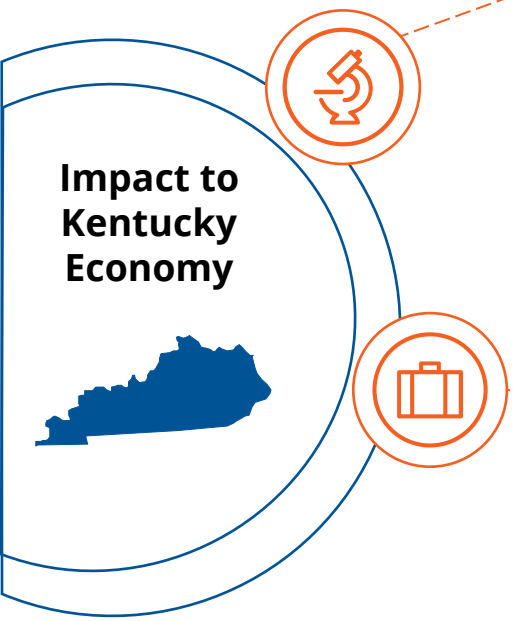
Promotes Interdisciplinary Programming, Resource Sharing

Kentucky State stakeholder interviews indicated that the PhD in Integrated Agroecology will embrace an interdisciplinary approach, which enables the institution to leverage existing faculty and facilities**, limiting additional financial investment required to launch the program**. Additionally, interdisciplinarity **equips graduates for the workforce by developing skills and expertise across a variety of areas** (e.g., data analytics, sustainability best practices).

Sources: Association of Public & Land-Grant Universities; Kentucky Agricultural Statistics 2023 Annual Bulletin; KSU stakeholder interviews and proposal materials.

Potential Economic Impact of PhD in Integrated Agroecology

Primary economic impacts from a PhD in Integrated Agroecology are likely to result from agricultural innovations and emerging practices implemented by Kentucky farmers as a result of research conducted by program faculty and PhD candidates.



Agricultural Innovation from Program Research

As a research doctoral program, the PhD in Integrated Agroecology is likely to result in growth in agriculture and sustainability research at KSU and probable trickle-down effects to the Kentucky economy as this research is disseminated and translated into innovative practices.

According to the USDA, benefits from agriculture research & development investment is the "primary driver of long-term productivity growth in U.S. agriculture" and leads to "improvements in natural resources and forestry management, helps advance rural development, enhances food safety and quality, and informs markets and policy."

70%

Share of U.S. public agricultural research conducted by land-grant universities and other non-Federal institutions

20x

Estimated average benefit to economy from spending on public agricultural research in the U.S.

Minor Regional Workforce Inflow

In its first five years, the PhD in Integrated Agroecology is expected to draw four new faculty hires, so direct impacts to the Frankfort economy from new jobs will be minimal.

There is potential that, in the medium-to-long term, there could be an increase in the Kentucky workforce resulting from any program graduates that elect to work in Kentucky, either in academia or the agriculture industry. However, at least in the early years, this impact will be likely be lower due to the high number of international students, who are likely to return to their country of origin after completion of the program and any subsequent visa extensions due to post-graduate work initiatives (e.g., STEM Optional Practical Training (OPT)).

Sources: Investment in U.S. Public Agricultural Research and Development Has Fallen by a Third Over Past Two Decades, Lags Major Trade Competitors; KSU interviews, proposal, and related materials.

Student Demand

Overall Feasibility Assessment

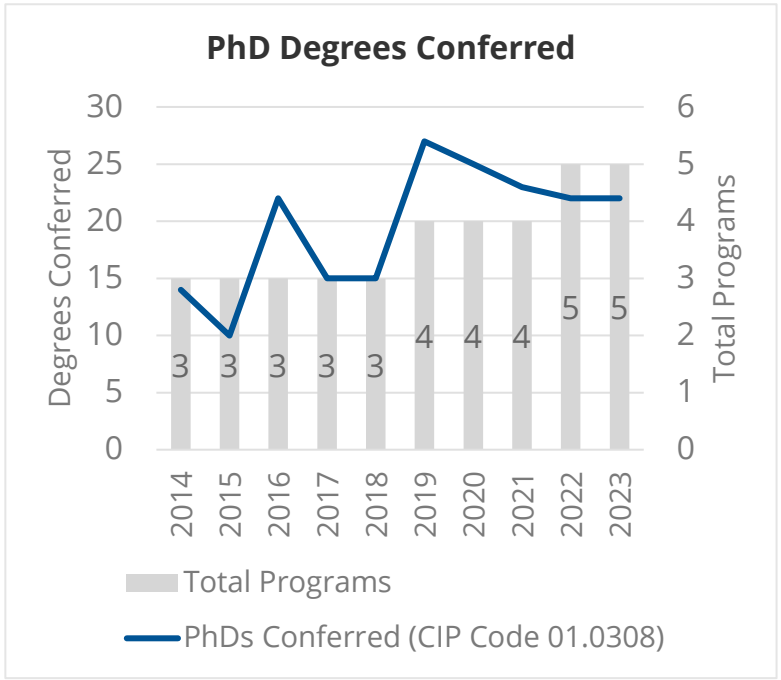
Student Demand 	G	PhD in Integrated Agroecology capitalizes on institutional strengths, both in enrollment pipeline and strategic alignment between agriculture and land-grant status. Enrollment in KSU's School of Agriculture & Natural Resources grew by 112% from 2019 to 2023.

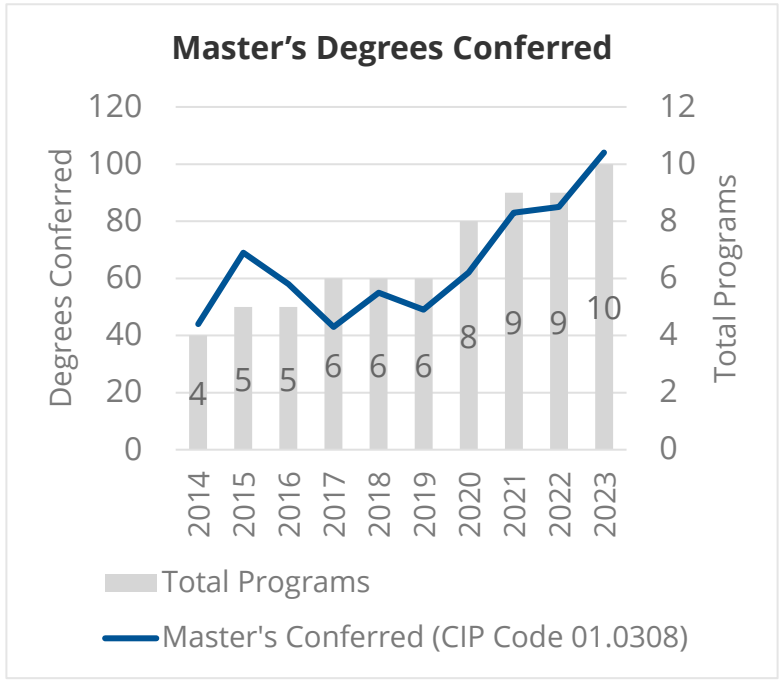
KSU | PHD IN INTEGRATED AGROECOLOGY

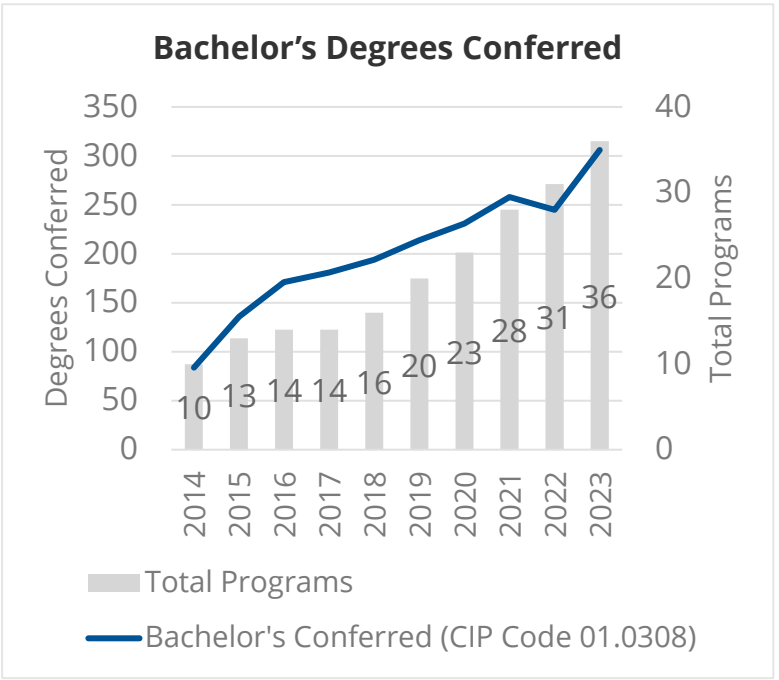
Agroecology and Sustainable Agriculture | Student Demand Overview

KSU's proposed PhD program focuses on a niche academic discipline with a small but growing number of degree conferrals nationally.

KSU's proposed program will fall under CIP Code 01.0308: Agroecology and Sustainable Agriculture. Degree conferrals and program data was sourced from IPEDS using this CIP Code.







Growth in **Degree Conferrals**, 2014-2023	**57%**	**136%**	**264%**
Growth in **Total Programs**, 2014-2023	**67%**	**150%**	**260%**

Source: IPEDS Data Center.

Competitive Landscape for Agroecology & Sustainable Agriculture Programs

The national landscape for agroecology PhD programs highlights the prevalence of land-grant institutions and the unique nature of the program.

Agroecology and Sustainable Agriculture PhD Programs (2024)[1]

Important Considerations

Peer Similarities

Four out of five of the PhD programs are located at land-grant institutions (all except Southern Illinois University-Carbondale). North Carolina A&T, which launched the newest program, is also an HBCU, making it a strong peer to Kentucky State.

Niche Program

The small market for Agroecology and Sustainable Agriculture PhDs is due in part to its niche subject. While many other schools study the subject, it is typically the "focus" or "concentration" of a broader degree in agricultural and environmental sciences.

Master's Program Pipeline

Six out of ten of the Master's programs in Agroecology and Sustainable Agriculture are located at land-grant institutions, highlighting the natural alignment of programs in this discipline with the land-grant mission.

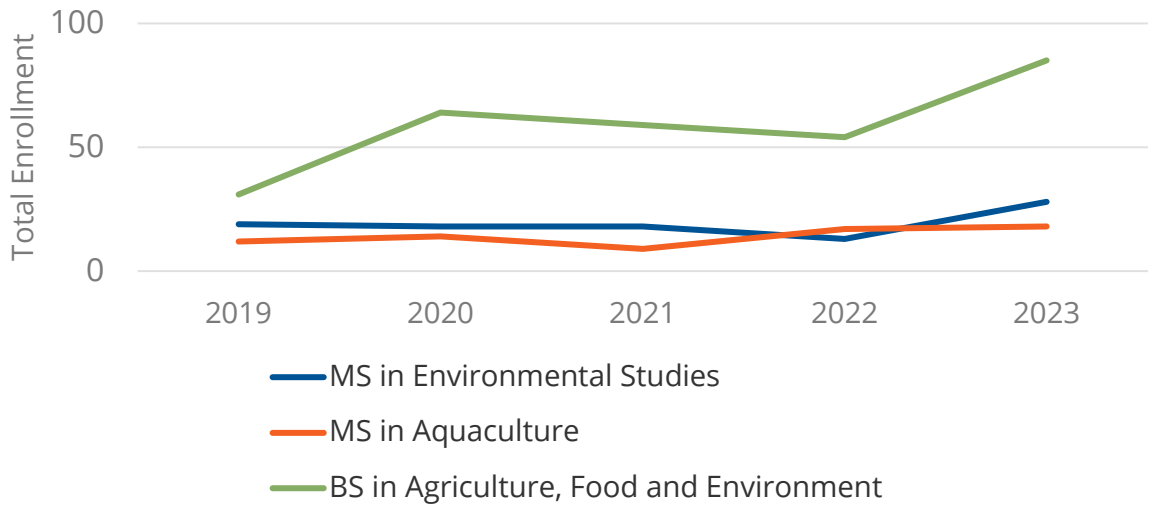
Note: 1) programs identified using CIP Code 01.0308: Agroecology and Sustainable Agriculture. Source: IPEDS Data Center.

KSU | PHD IN INTEGRATED AGROECOLOGY

Student Demand for Agroecology at Kentucky State University

The proposed PhD program aligns with KSU's internal enrollment strengths and internal reports point to a solid enrollment pipeline.

Enrollment in Feeder Programs



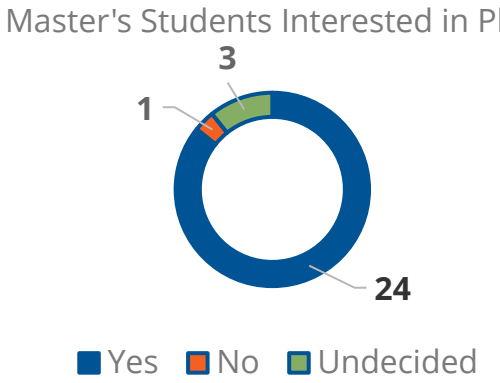
Feeder Programs Are Growing

- The primary feeder programs for KSU's proposed PhD, **the MS in Environmental Studies and the MS in Aquaculture**, **grew by 47% and 50%** respectively from 2019 to 2023, and KSU is projecting continued growth in 2024.
- Enrollment in the School of Agriculture & Natural Resources **grew by 112%** from 2019 to 2023.
- Agriculture, Food and the Environment (AFE) was the fastest growing major at Kentucky State from 2019 to 2023.

Enrollment Pipeline for Agroecology PhD

- Kentucky State views **students in their current master's programs,** specifically the MS in Environmental Studies and the MS in Aquaculture, as the **primary enrollment pipeline** for the PhD in Integrated Agroecology.
- According to KSU's data, approximately **34% of Environmental Studies master's students and 22% of Aquaculture master's students go on to pursue doctoral degrees**.
- Although external recruitment is secondary to internal, KSU is also planning to hire a recruiter solely for the College of Agriculture.

Results of KSU Internal Survey on Current Graduate Student Interest in a PhD in Agroecology[1]



- 24 out of 28 respondents were interested in the proposed PhD program.
- At least ten of the affirmative respondents will graduate by Spring 2025, and another ten by Winter 2025.

Note: 1) Survey conducted internally by KSU in June 2024 among current graduate students to gauge potential interest in a "PhD in Agroecology and Sustainable Agriculture blended with Data Science to be launched in Fall 2025". Sources: KSU Cursory Enrollment by Program provided by CPE, KSU data on MES/Aquaculture Graduates completed/pursuing doctoral degree, KSU proposal, and other related materials.

Workforce Alignment

Overall Feasibility Assessment

Workforce Alignment	G	PhD in Integrated Agroecology aligns with Kentucky employment in Agriculture industry. The PhD program prepares students for industry employment (direct workforce impact) as well as academia (indirect workforce impact via research and innovation).

PhD in Integrated Agroecology Workforce Alignment

KSU has designed the proposed PhD in Integrated Agroecology and Sustainable Agriculture to prepare graduates for careers in both academia and industry.

PhD in Integrated Agroecology Suited to Both Aspiring Academics and Agriculture Practitioners

Academia

Similar to the majority of research PhD programs, KSU articulates that their graduates will primarily be candidates for employment in higher education. Academic jobs will benefit Kentucky by training the next-generation of experts and conducting important research and extension work.

Industry

Graduates of the program may also go into industry to work as research scientists, policy analysts, and specialists. The program's training will prime graduates to work in increasing agricultural efficiency and sustainability, ultimately benefiting the greater Kentucky community.

Integrated Agroecology PhD Graduates Will be Prepared To:

Strengthen Extension Services:

The existing Kentucky State University Cooperative Extension Program (KSUCEP) provides research-based education to underserved farmers. Integrated Agroecology PhD students and their research will augment the support provided to small, local farmers.

Develop and Distribute Innovative Practices:

By integrating data sciences and advanced technology in research and practice, students will graduate prepared to tackle modern complex agricultural and environmental problems in an increasingly multi-disciplinary industry.

Promote Global Sustainability:

The UN's Food and Agriculture Organization highlights agroecology as "the heart of the 2030 Agenda for Sustainable Development." KSU's network of international partnerships and students will support sustainability within Kentucky and beyond.

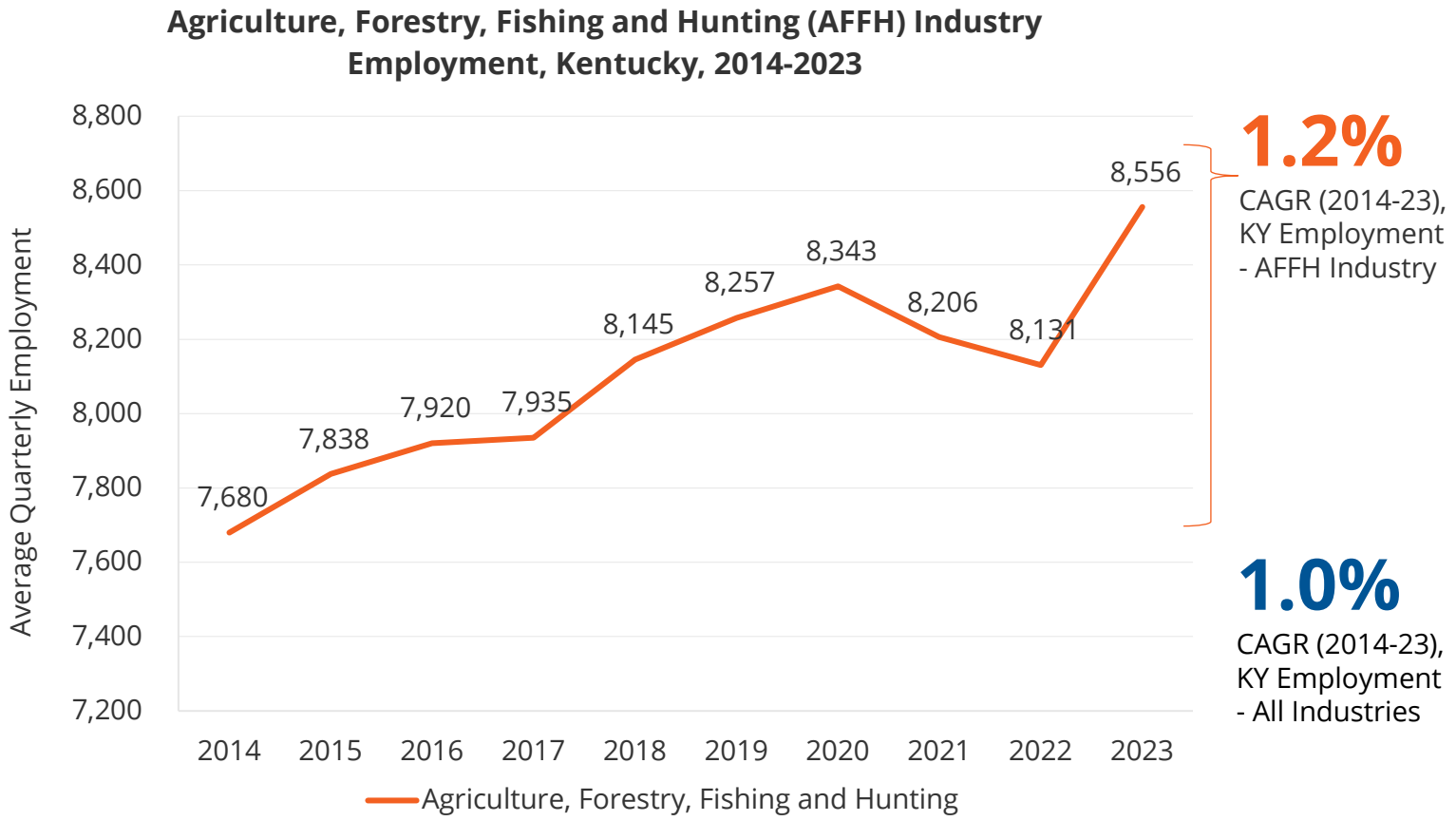
Sources: KSU stakeholder interviews and proposal materials; Kentucky State University | Cooperative Extension; Overview | Agroecology Knowledge Hub | Food and Agriculture Organization of the United Nations.

KSU | PHD IN INTEGRATED AGROECOLOGY

Kentucky Employment in Agriculture Industry

Although a relatively small industry in terms of employment, agriculture industry employment is growing, indicating promising opportunities for graduates of KSU's program and alignment with Kentucky workforce needs.

Growing Employment In Agriculture Industry



Key Takeaways

Small Industry Employment, but Large Footprint

Agriculture, Forestry, Fishing and Hunting (AFFH) is a small industry in terms of employment. AFFH employment represents roughly 0.4% of total Kentucky employment. However, this represents a fairly large footprint, with over $8 billion in market value from agriculture product sales and 69,000 farms across 12.4M acres within Kentucky as of 2022.

Growing Employment Demand

Despite facing declines in 2020-22 likely related to the COVID-19 pandemic, employment in AFFH has been growing. With a 1.2% CAGR since 2014, the industry is slightly outpacing overall employment growth in Kentucky.

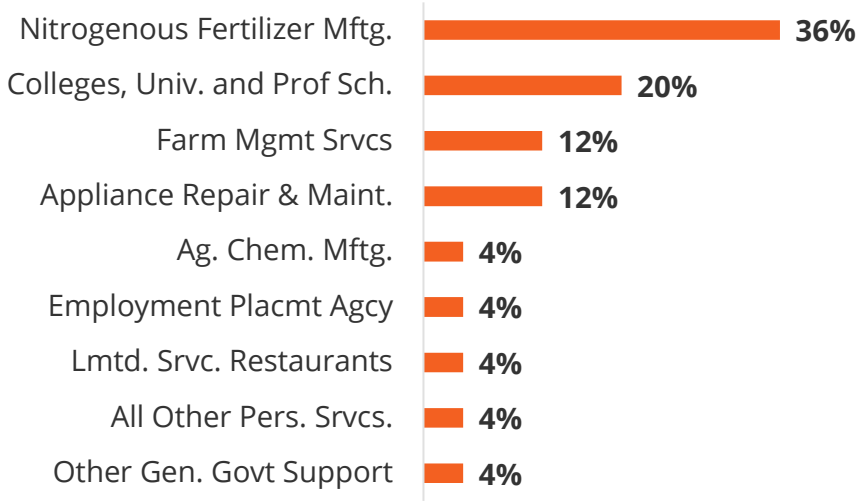
Sources: Kentucky Center for Statistics Employment and Wages by Industry; USDA 2022 Census of Agriculture.

KSU | PHD IN INTEGRATED AGROECOLOGY

Integrated Agroecology PhD Holder Job Outcomes within Kentucky

Analysis of resumes, including social media websites, job boards, and job posting sites, identified 25 individuals within Kentucky with agroecology-related doctoral degrees. These graduates were employed in roles across the agriculture industry as well as academia.

Top Sub-Industries as % of Total



20% of Kentucky residents with agroecology and related doctoral degrees work in the Colleges, Universities, and Professional Schools sub-industry, which lends support to KSU's intent to prepare graduates for careers in academia as well as the broader agricultural industry.

Top Job-Titles as % of Total

Within Kentucky, agronomists, agricultural specialists, and extension agents rank within the top job titles for graduates of agroecology doctoral programs.

Note: 1) Based on public profiles for 25 PhD in Agroecology graduates located in Kentucky; Source: Deloitte Labor Market Intelligence™

Faculty Recruitment

Overall Feasibility Assessment

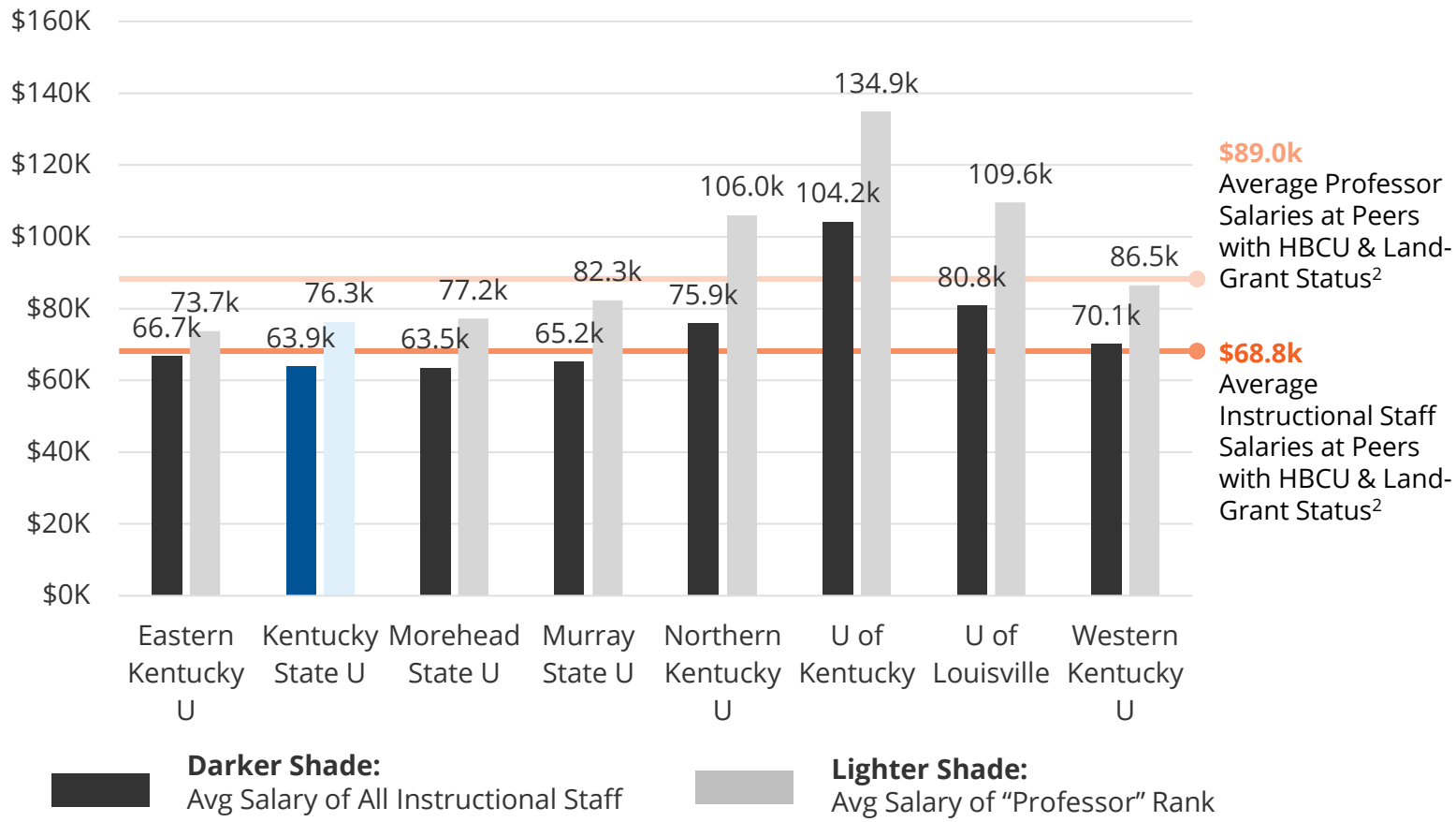
Faculty Recruitment	G	The relatively small number of planned faculty hires (four by Year 5) limits faculty recruitment risks. Proposed salaries exceed average faculty salaries at peer colleges and universities, which may further ease recruitment and hiring.

KSU | PHD IN INTEGRATED AGROECOLOGY

KSU Faculty Recruitment Considerations

While Kentucky State's average instructional salaries in AY2022-23 were lower than both Kentucky and HBCU/Land-Grant Peers, the proposed hiring rate for PhD in Integrated Agroecology is $90,000 – well above averages for both sets of peers.

Average Salaries of Full-Time Instructional Nonmedical Staff equated to 9-Months Worked, by Academic Rank: Academic Year 2022-23[1]



Key Takeaways

- **Kentucky State's wages for all Instructional Staff and Professors fall below the average for Kentucky comprehensives and for peers with HBCU & Land-Grant status**, with wages for Instructional Staff higher than just one Kentucky four-year public (Morehead State) and seven of twenty-one HBCU/Land-Grant peers.
- **Salaries are well below University of Kentucky and University of Louisville, each within 40 miles of KSU**, but **competition for faculty with these institutions may be limited** given the different institutional classifications, missions, and enrollment sizes.
- KSU's **ability to recruit faculty is bolstered by the higher-than-average salaries proposed** for new Integrated Agroecology PhD program hires ($90,000). Care should be taken to ensure program hiring does not result in internal equity concerns.

Notes: 1) Reflects IPEDS "All instructional staff total of Average salaries of full-time instructional nonmedical staff equated to 9-months worked, by academic rank : Academic year 2022-23;" 2) See Appendix for full list of HBCU & Land-Grant Peers; Sources: IPEDS Data Center; KSU proposal and related materials.

Accreditation Requirements

Overall Feasibility Assessment

Accreditation Standards		
	G	Approval of the PhD in Integrated Agroecology will require review and approval by SACSCOC under the Substantive Changes process.

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Relevant SACSCOC Accreditation Requirements

A PhD in Integrated Agroecology would require approval by SACSCOC, KSU's accrediting body, as it is a new program and results in a substantive change to the institution.

Substantive Change Policy

- SACSCOC requires review of "Substantive Change," which includes anything that involves significant modification or expansion of the nature and scope of an accredited institution, particularly those deemed high-impact, high risk, or with potential to impact educational quality.
- If KSU's proposal to launch a PhD in Integrated Agroecology is approved, KSU will need to follow the Substantive Change process for "New Program – Approval," as 50-100% new content is a significant departure from the institution's existing programs.[1]

New Program Approval Process and Deadlines

Submission Elements:

KSU will need to submit the following to receive necessary approval from the Executive Council of the SACSCOC Board of Trustees to launch a new doctoral research program:

- Fee
- Prospectus[2]

Submission Deadlines:

- For changes to be Implemented July 1-December 31: **January 1**
- For changes to be implemented January 1-June 30: **July 1**

Notes: 1) KSU is presently on warning[1] with SACSCOC due to failure to comply with the "Principles of Accreditation". KSU's accreditation status is set to be reviewed in Dec. 2024 by the SACSCOC Board of Trustees. As KSU is on *substantive change restriction* (an institution that has been placed on warning, probation, or probation for good cause), approval would be required at a lower threshold as well (25%-100% new content); 2) A list of required prospectus elements can be found in the Appendix. Sources: SACSCOC Substantive Change Policy and Procedures.

Academic Program Approval | Policy and Process Recommendations

Legislative Overview and Recommendations

Roles & Responsibilities of CPE, KY General Assembly, and Accreditation Bodies

Kentucky Council on Postsecondary Education (CPE), Kentucky's General Assembly, and Accreditation Bodies carry out different responsibilities to regulate and support KY public universities and the Kentucky Community and Technical College System.

Kentucky General Assembly

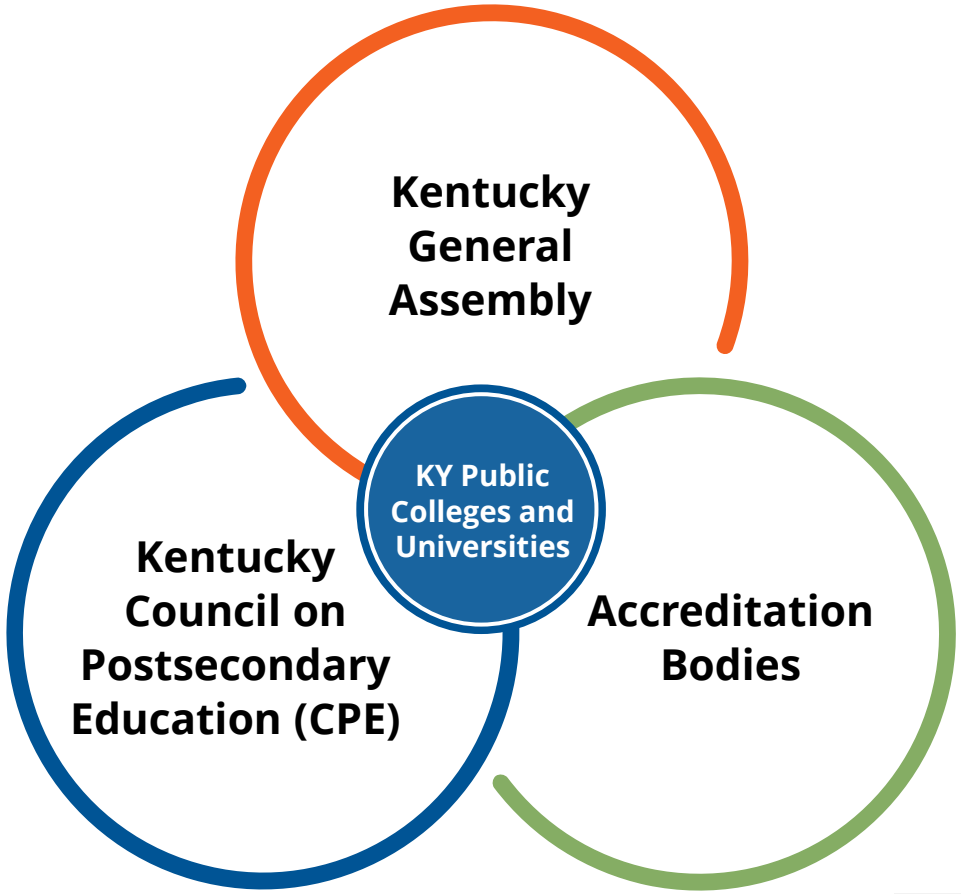
The Kentucky General Assembly passes legislation that establishes, regulates, and supports public colleges and universities. The General Assembly is also responsible for approving state appropriations to schools and appointing members of the CPE board.

Kentucky Council on Postsecondary Education

Established in its current form by the Postsecondary Education Improvement Act of 1997, CPE is the coordinating body for Kentucky's public colleges and universities. CPE facilitates a positive return on investment of public funds supporting higher education by monitoring academic quality, affordability and student success through policy and accountability measures. CPE's sixteen-member board is supported by an attached state agency; the state agency is led by a president appointed by the General Assembly, who also serves as an advisor to the General Assembly.

Accreditation Bodies

Kentucky universities are required to comply with standards set by accreditation bodies. All public KY universities are accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), while programs in certain disciplines (e.g., osteopathic medicine, veterinary medicine) have their own accreditation bodies.



Sources: About the Council: Who We Are - Ky. Council on Postsecondary Education.

Relevant Powers & Duties of CPE

Denotes duties and responsibilities related to the scope of SJR 170

To ensure a well-coordinated and efficient public postsecondary education system, CPE's statutory duties outlined by KRS 164.020 include, among other duties, overseeing the strategic agenda, leading the budget process, and approving academic programming.

CPE | Select Relevant Duties & Responsibilities (Representative, Not Exhaustive)

Strategic Agenda

"Develop and implement the strategic agenda… Revise the strategic agenda and strategic implementation plans based on the strategic agenda…"

Budget & Funding Model

"Lead and provide staff support for the biennial budget process as provided under KRS Chapter 48, in cooperation with the committee…"

Academic Programming

"Define and approve the offering of all postsecondary education…degree, certificate, or diploma programs in the public postsecondary education institutions…Eliminate, in its discretion, existing programs or make any changes in existing academic programs…"

Tuition & Admissions

"Determine tuition and approve the minimum qualifications for admission to the state postsecondary educational system."

Institutional Missions

"Review, revise, and approve the missions of the state's universities and the KCTCS… [CPE] shall have the final authority to determine the compliance of postsecondary institutions with their academic services, and research missions."

Policy Guidance

"Devise, establish, and periodically review and revise policies to be used in making recommendations to the Governor for consideration in developing recommendations to the General Assembly for appropriations to the universities…"

Technology Management

"Ensure the coordination, transferability, and connectivity of technology among postsecondary institutions…including the development and implementation of a technology plan as a component of the strategic agenda."

Data Analysis

"Engage in analyses and research to determine the overall needs of postsecondary education and adult education in the Commonwealth."

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Sources: About the Council: Who We Are - Ky. Council on Postsecondary Education, The Council's Role and Responsibilities (Handout), KRS 164.020.

KRS 164.295: History of Statutes Governing Comprehensive Universities

The legislation created in the Kentucky Postsecondary Education Improvement Act has been amended several times across the past two decades to incrementally expand the scope of comprehensive universities.

Each Senate Bill Amends KRs 164.295

1997

Kentucky Postsecondary Education Improvement Act

Included **KRS 164.295** which outlined which programs the six comprehensive state universities could provide, including **graduate programs with CPE's approval.**

2010

SB 127

Allowed comprehensive universities to offer **advanced practice doctoral (APD) degrees in nursing.**

2011

SB 130

Permitted comprehensive universities to offer up to **three APD degree programs** and an **Ed.D program,** specifying that comprehensive universities are **not allowed** to offer "first professional degrees" in medicine.

2012

SB 131

Removed the limit of three APDs and one Ed.D at individual institutions and set **a maximum of eighteen total advanced practice doctorates and Ed.Ds** for the six comprehensive universities, with at least two available for each institution.

2017

SB 147

Removed the cap of eighteen total APDs and Ed.Ds for comprehensive universities. Also removed "first professional degree" language and changed it to **doctoral degrees "required for professional practice and licensure…"** in fields including medicine and veterinary medicine.

These incremental changes to KRS 164.295, driven by individual institutions' interest in expanding program offerings, have **blurred the lines between the missions of higher education institutions in Kentucky** (research vs. comprehensive), contributed to an **unpredictable strategic environment**, and **created confusion around roles and responsibilities** for program review and approval at public institutions in Kentucky.

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Sources: KRS 164.295; Chapter 80 (SB 127); CHAPTER 94 (SB 130); CHAPTER 29 (SB 131); CHAPTER 51 (SB 147, Givens and Wilson).

Legislative Recommendations

Legislative changes may be necessary to address the outcomes of the SJR 170 study. Moreover, the coordinating entity (CPE) should continue to be empowered to review and approve academic program decisions in the future, consistent with statute and in alignment with leading practices.

Clarify the Missions of Public Institutions in Statute *(SJR 170 Outcomes Dependent)*

- The missions of KY's public institutions may need to be reconsidered based on not only the outcomes of SJR 170, but also the changing nature of higher education in KY and the US more broadly.
- Statutory language should broadly set the mission for each institution, clarifying its place in the commonwealth, particularly with regards to research and doctoral programs, providing each institution with clarity, differentiation, and opportunities to innovate.

Ensure that the Coordinating Entity (CPE) is empowered to carry out its statutory role of defining and approving all academic programs

- With statute broadly defining mission for each institution, CPE should continue to be empowered to efficiently and effectively approve individual program proposals, as statute dictates.
- A clear separation of duties between the legislature and the coordinating entity is leading practice across US public higher education.
- The coordinating entity should be funded at a level that allows them to carry out their statutory responsibilities.

Sources: KRS 164.295 Programs of state and comprehensive universities -- Criteria for approval of advanced practice doctoral programs -- Review of doctorates -- Degrees a comprehensive university may not offer; KRS 164.020 Powers and duties of council.

Process Overview and Recommendations

New Academic Program Review and Approval Process | Current State

Per KRS 164.020, CPE has statutory responsibility to "define and approve the offering of all postsecondary…programs in the public postsecondary education institutions."

CPE New Academic Program Approval Process[1] (High-Level Summary | Current State)

All University Degree Programs Except Advanced Practice Doctorates (APDs) at Comprehensive Universities

Notification of Intent	Proposal	Response & Review	Council Approval
Institutions **submit a Notification of Intent (NOI)** through CPE's online system. The notification is shared with chief academic officers at other public institutions.[2]	If no issues are identified, the proposing institution then **submits a full proposal** within one year. *See next slide for new program approval form questions.*	**Other KY public institutions and CPE staff have 30 days** to post questions or concerns about the proposal. If CPE identifies issues, the review period is extended, and CPE works with the proposing institution to resolve the issue (rather than denying proposal outright).	Once any issues are resolved, the proposal is sent to the Council for approval. If identified issues cannot be resolved, CPE staff informs the institution to stop any internal program approval processes.

APDs[3] at Comprehensive Universities

Pre-Proposal	Response Period	Proposal	CPE Review	Council Approval
Institutions **submit a Pre-Proposal** through CPE's online system.	**Other institutions and CPE staff have 30 days** to review and comment. If CPE requests additional information, the proposing institution must comply within 30 days.	If issues are resolved and CPE pre-approves the program, the proposing institution must **submit a full proposal** within six months. *See next slide for program approval form questions.*	If the full proposal meets the administrative requirements in 13 KAR 2:110, CPE staff recommend the program for approval.	The council either approves the program or denies the program and identifies deficiencies to be corrected in a revised proposal submitted within 90 worki days.

Notes: 1) A separate approval process governs new academic program review at KCTCS and can be found in CPE's New Academic Program Policy; 2) An additional step involving KCTCS exists for associate degree programs; 3) Advanced Practice Doctorates. Sources: Kentucky Council of Postsecondary Education New Academic Program Policy and New Academic Program Approval Form; KRS 164.020; Kentucky Title 013, Chapter 002, Regulation 110.

New Program Approval Form Questions

CPE's new program approval form contains five sections of questions (with supplemental questions for APDs); the list below is not an exhaustive list of the questions asked.

Overview of CPE's New Program Approval Form

Centrality to the Institution's Mission and Consistency with State's Goals

- Provide brief description of the program with its estimated date of implementation
- Describe the rationale and need for the program to include how the institution determined need

Cost and Funding of the Proposed Program

- The resource requirements and planned sources of funding of the proposed program must be detailed in order to assess the adequacy of the resources to support a quality program
- Includes description of available financial resources, projected revenues and expenditures, resources for contractual support or support services

Program Review and Assessment

- Plans to evaluate students' post-graduate success

Program Quality and Student Success

- Provide specific programmatic goals (objectives) and specific student learning outcomes for the program
- Describe how the student learning outcomes for the program will be assessed
- Highlight any distinctive qualities of the proposed program
- Describe admissions and graduation requirements for the program

Program Demand/Unnecessary Duplication

- Provide evidence of student demand
- Project estimated enrollment and degrees conferred for the first five years of the program
- Provide evidence of employer demand (e.g., openings, average wages)
- Provide "a comparison of objectives / focus / curriculum to similar programs, student populations,..., and feedback from other institutions"

Supplemental Questions for APDs:

- Describe how the doctorate builds upon the reputation and resources of the existing master's degree program in the field
- Provide a description of the master's program or programs and note any distinctive qualities of these programs as well as any national recognition bestowed upon the program
- Provide evidence that funding for the program will not impair funding of any existing program at any other public university
- Upload a letter from each institution with a similar program stating that the proposed program will not negatively impact the existing program

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Source: CPE New Program Approval Form

New Academic Program Review and Approval Process | Current State

CPE's Process for Review of New Academic Programs has several strengths, including clearly articulated steps for universities to follow related to initial submissions, but some challenges exist related to approval roles and criteria, secondary review timelines, and post-launch monitoring.

Strengths of New Academic Program Approval Process

Transparent Guidance and Accessible Documentation for Initial Steps
The process around initial submissions for new academic program approval is outlined on CPE's website. CPE also provides a variety of supporting resources (e.g., policy guidance, glossary of terms, expense and revenue worksheet) to clarify terms and promote shared understanding.

Balances Innovation with Non-Duplication
The current CPE process provides opportunities for campuses to launch new programs, encouraging innovation and institutional autonomy, while also providing criteria and steps designed to manage duplication amongst CPE institution programs.

Differentiated Process for APD Programs
Current policy differentiates process steps for advanced practice doctorates (APD) at comprehensive universities versus other programs, which streamlines some data reporting requirements, but additional opportunities to tailor reporting requirements or process steps to financial or other strategic thresholds may exist.

Challenges in New Academic Program Approval Process

Confusion in CPE Role and Decision-Making
Frequent changes to KRS 164.295 and resulting changes in approved institutional offerings has led to some confusion about the scope of CPE's role in new program approval.

No External Validation Required for High-Risk Programs
While CPE validates institution-provided data for all new programs, additional review of program proposals by subject matter experts may be needed to mitigate the risk of programs that require significant financial investment or deviate from an institution's historical scope or mission.

Uncertainty Around Criteria for Approving Programs
While university leaders commend CPE for allowing them to provide feedback on new program proposals, they perceive that all programs are ultimately approved regardless of concerns and question how their feedback is factored into approval decisions.

Insufficient Accountability for Program Performance Post-Launch
Once new academic programs are launched, there is currently no separate process for post-launch monitoring of new programs by which CPE monitors and holds programs accountable to original proposal projections, though the review process for existing program remains as a general check-and-balance.

Sources: Stakeholder interviews; Kentucky Council of Postsecondary Education New Academic Program Policy and New Academic Program Approval Form; KRS 164.020; Kentucky Title 013, Chapter 002, Regulation 110.

New Academic Program Review and Approval Process | Benchmarking

The project team reviewed 45 state systems or coordinating bodies' new academic program approval processes and identified leading practices that informed our recommendations for CPE.

Leading Practices in New Academic Program Approval Processes

Differentiated Process Based on Program Criteria

Eighteen systems or coordinating bodies had different processes or forms for a bachelor's vs. doctorate degree program.

Idaho requires different types of proposals based on a program's financial impact >$250k.

New Mexico's new graduate programs must additionally be approved by the Council of Graduate Deans and the State Board of Finance.

Use of External Review

Twenty state systems or coordinating bodies incorporate external review into their program approval process.

In **New Jersey,** new degree programs must be evaluated by an independent external consultant.

All new graduate-level programs in **Oregon** must undergo an external review by qualified experts.

Process Transparency and Clarity

Leading review processes provided transparency and clarity through timelines, clear responsibilities, and evaluation criteria.

UNC has a well-defined timeline detailing when each step occurs and who is responsible for each step.

Illinois clearly outlines approval criteria and provides minimum requirements to receive program approval.

Post-Launch Program Review

Some systems or coordinating bodies hold institutions accountable for new program performance through post-launch reviews.

South Dakota evaluates the enrollment and financial data of new programs annually from Year 2 to Year 6.

During a new program's first productivity review, **South Carolina** completes a more thorough analysis that compares metrics to proposal projectio

Sources: Idaho State Board of Education; New Mexico Higher Education Department; New Jersey Presidents' Council; Oregon Higher Education Coordinating Commission; The University of North Carolina System; Illinois Board of Higher Education; South Dakota Board of Regents; South Carolina Commission on Higher Education.

New Academic Program Review and Approval Process | Recommendations

CPE should adopt the following recommendations to address existing concerns about the academic program approval process and make the process more transparent, equitable, and effective.

Further Differentiate Proposal Requirements

- CPE, guided by statute, currently has three different processes for program review and approval—one for KCTCS, one for advanced practice doctorates, and one for all other degree programs.
- CPE should consider creating an additional differentiated process for programs requiring "extraordinary consideration," **such as those requiring the creation of a new college or school, or those that deviate from an institution's historical scope/mission.**

Consider Requiring External Review

- CPE should consider requiring external review of proposals that **exceed a certain financial threshold, will require significant state support for start-up costs or ongoing operations, and proposals that deviate from an institution's historical scope and mission**.
- These reviews may be conducted by qualified faculty in related disciplines at other institutions outside of the Commonwealth of Kentucky, though CPE should vet reviewers for potential biases.

Clarify Approval Criteria for Programs

- While stakeholders acknowledge the detailed program approval form, **they raise questions around the criteria used in the decision to approve programs.**
- Increased transparency on the overarching process for decision-making may address the stakeholder perception that every program proposal is ultimately approved, regardless of any stakeholder concerns.
- Clear articulation of why program decisions have been made will also increase transparency and stakeholder trust in the process and may ultimately yield higher quality proposals in the future.

Instill Accountability for New Program Performance

- CPE should consider **establishing a post-launch review process for all approved programs**, which would include monitoring the programs' performance on a pre-defined set of performance metrics and agreeing upfront to amending or sunsetting the program if underperformance continues.
- Metrics should be determined in concert with program leadership at the institution and may include enrollment, financial, or research KPIs, depending on the type of program.

Appendix

Appendix | Eastern Kentucky University

EKU Campus Visit

On 9/13/24, the project team visited the Eastern Kentucky University Campus and met with the following stakeholders.

Meeting Time (EST)	**Participants**
President McFaddin (8:30 – 9:30 AM)	• President McFaddin • Colleen Chaney – Chief of Staff, Chief Communication Officer
COM Working Group (10:00 -11:30 AM)	• President McFaddin • Colleen Chaney – Chief of Staff, Chief Communication Officer • Dana Fohl – University Counsel • Tanlee Wasson – Senior Vice President for Student Success, Engagement, and Opportunity) Sara Ziegler – Provost and Senior Vice President for Academic Affairs • Mary Beth Neiser – Vice President of University Development and Alumni Engagement
President's Leadership Council (1:00 – 2:30 PM)	• Carrie Ernst – Chief Innovation and Optimization Officer • Tom Martin – Dean of the College of Business • Dan Hendrickson – Associate Vice President of Student Success, Engagement, and Opportunity • Bryan Makinen – Associate Vice President of Public Safety • Elizabeth Smith – Dean of the College of Education and Applied Human Sciences • Anna Catterson – Executive Officer of EKU Online • Derek Paulsen – Dean of the College of Justice, Safety, and Military Science • Ryan Baggett – Dean of Online Learning, Graduate Education, and Research • Tom Otieno – Dean of the College of Science, Technology, Engineering, and Math • Brian Mullins – Interim Vice President for Finance/Chief Financial Officer (CFO) • Kyle Moats – Vice President and Director of Athletics • Mercy Cannon – Dean of the College of Letters, Arts, and Social Sciences • John Dixon – Chief Human Resources Officer and ADA Coordinator • Jeff Whitaker – Chief Information Officer • Julie George – Dean of Libraries • Mary Beth Neiser – Vice President of University Development and Alumni Engagement • Amy Scarborough – Chief Government, Community and Corporate Relations Officer • John Williamson – Dean of K12 Programs and Superintendent Model Laboratory School • Daniel Czech – Dean of the College of Health Sciences (10/3) • Mackenzie Winkler – Communications Specialist • Sara Zeigler – Provost and Senior Vice President for Academic Affairs (Chief Academic Officer)

EKU External Stakeholders

The project team hosted six virtual meetings with eight leaders from various healthcare organizations in Richmond and the surrounding region.

Stakeholder Group	Meeting Participants
Appalachian Region Hospitals (ARH)	Tammy Allen – Clinical Education Director/GME Administrator
Kentucky Association of Health Care Facilities and Kentucky Care for Assisted Living	Adam Manther – President
White House Clinics	Stephanie Moore – President and CEO
Baptist Health	Greg Gerard – President Judy Ponder – Director of Education and Professional Development Mendy Blair – Chief Nursing Officer
CHI Saint Joseph Health	Dan Goulson – Chief Medical Officer
Kentucky Primary Care Association	Molly Lewis – CEO Ashley Gibson – Director of Member Advancement

EKU Composite Financial Index (CFI) Calculation

EKU's CFI is calculated using the methodology outlined for public institutions by the Higher Learning Commission.

PUBLIC

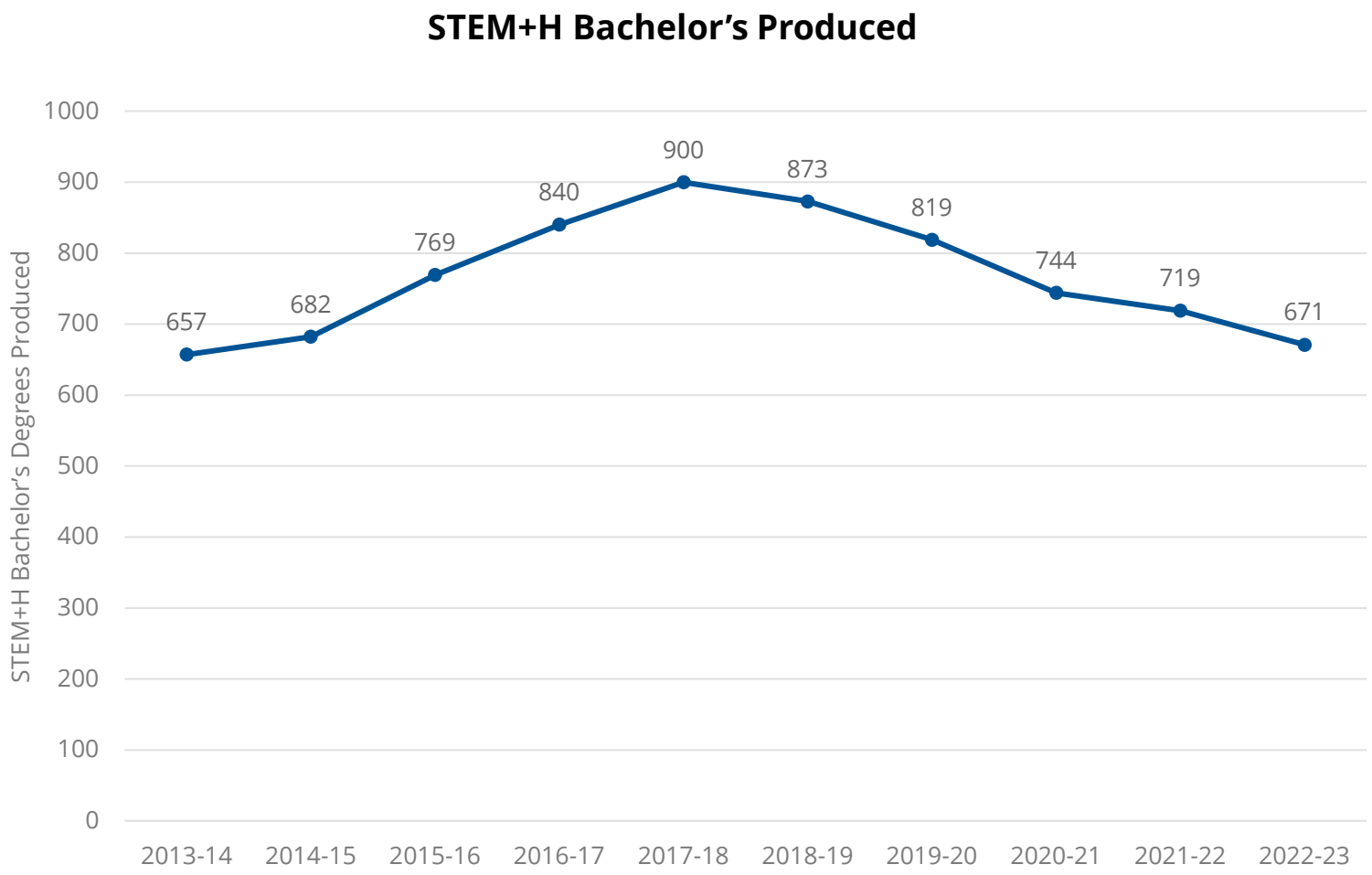
Primary Reserve	Strength = ratio / .133 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .35 cfi = strength * weight
Net Operating Revenue	Strength = ratio /.013 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .10 cfi = strength * weight
Return on Net Assets	Strength = ratio /.02 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .20 ratio = strength * weight
Viability	Strength = 10 if denominator = 0 Strength = ratio /.417 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .35 cfi = strength * weight

Financial Ratios

Primary Reserve Ratio Calculation:		Data	Strength	Weight	CFI
Institution unrestricted net assets	+	21,301,558.0			
Institution expendable restricted net assets	+	69,731,384.0			
C.U. unrestricted net assets	+	11,863,852.0			
C.U. temporary restricted net assets	+	32,753,020.0			
C.U. net investment in plant	-	646,652.0			
Numerator Total		135,003,162.0			
Institution operating expenses	+	304,694,197.0			
Institution non-operating expenses	+	7,854,062.0			
C.U. total expenses	+	5,932,486.0			
Denominator Total		318,480,745.0			
Primary Reserve Ratio =	÷	**0.42**	**3.19**	**0.35**	**1.12**
Net Operating Revenue Ratio Calculation:					
Institution operating income (loss)	+	(157,458,936.0)			
Institution net non-operating revenues	+	147,467,459.0			
C.U. change in unrestricted net assets	+	812,356.0			
Numerator Total		(9,179,121.0)			
Institution operating revenues	+	147,235,261.0			
Institution non-operating revenues	+	147,467,459.0			
C.U. total unrestricted revenues	+	6,744,842.0			
Denominator Total		301,447,562.0			
Net Operating Revenue Ratio =	÷	**-0.03**	**-2.34**	**0.10**	**-0.23**
Return on Net Assets Ratio Calculation:					
Change in net assets + C.U. change in net assets		4,784,780.0			
Total net assets + C.U. total net assets (beginning of year)		186,038,485.0			
Return on Net Assets Ratio =	÷	**0.03**	**1.29**	**0.20**	**0.26**
Viability Ratio Calculation:					
Expendable net assets **Numerator Total =**		135,003,162.0			
Institution long-term debt (total project related debt)	+	160,665,942.0			
C.U. long-term debt (total project related debt)	+	0.0			
Denominator Total		160,665,942.0			
Viability Ratio =	÷	**0.84**	**2.02**	**0.35**	**0.71**
COMPOSITE FINANCIAL INDICATOR SCORE (CFI)					**1.84**

Sources: EKU State Audited Financial Statements; Higher Learning Commission CFI Worksheet

Current State Performance on the Comprehensive Funding Model



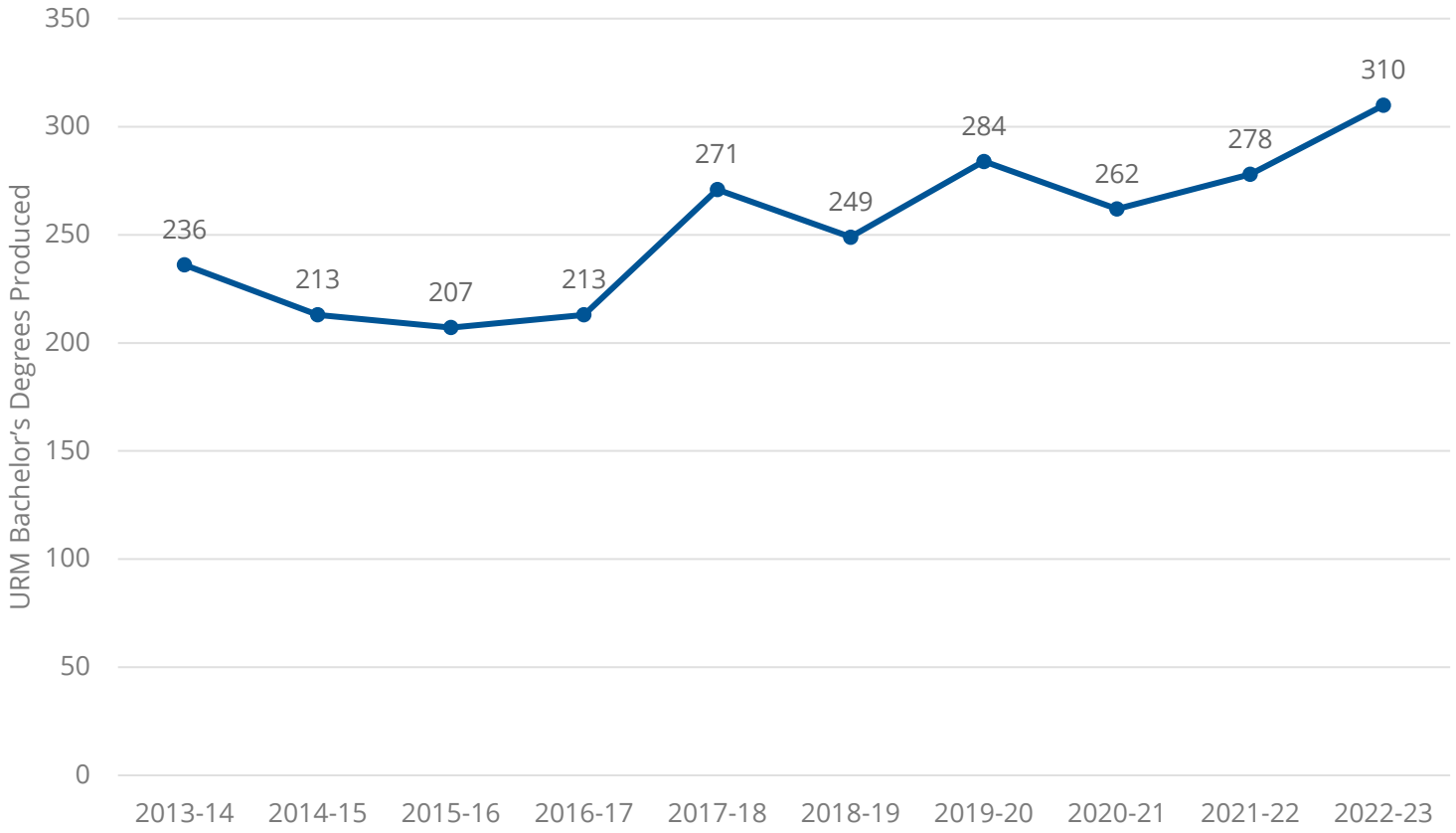
2% EKU

7% KY Comps[2]

number of STEM+H Bachelor's produced from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model

Underrepresented Minority Student (URM) Bachelor's Produced[1]

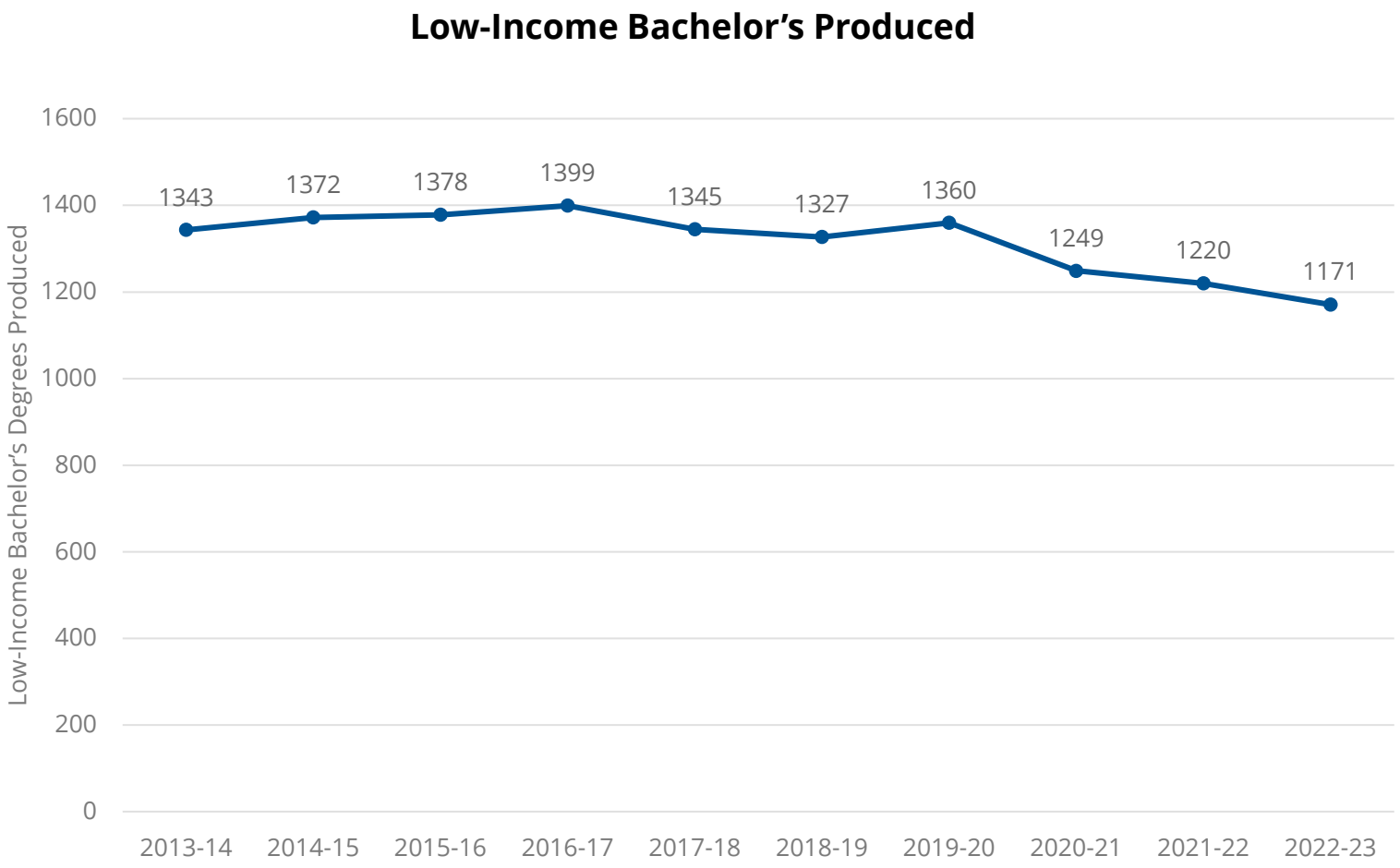


31% EKU | **23%** KY Comps

number of URM Bachelor's produced from 2013-14 to 2022-23

Notes: 1) The URM Bachelor's Degrees metric has been amended to "underrepresented students", defined as "first generation college students", for the 2024-25 funding distribution.

Current State Performance on the Comprehensive Funding Model

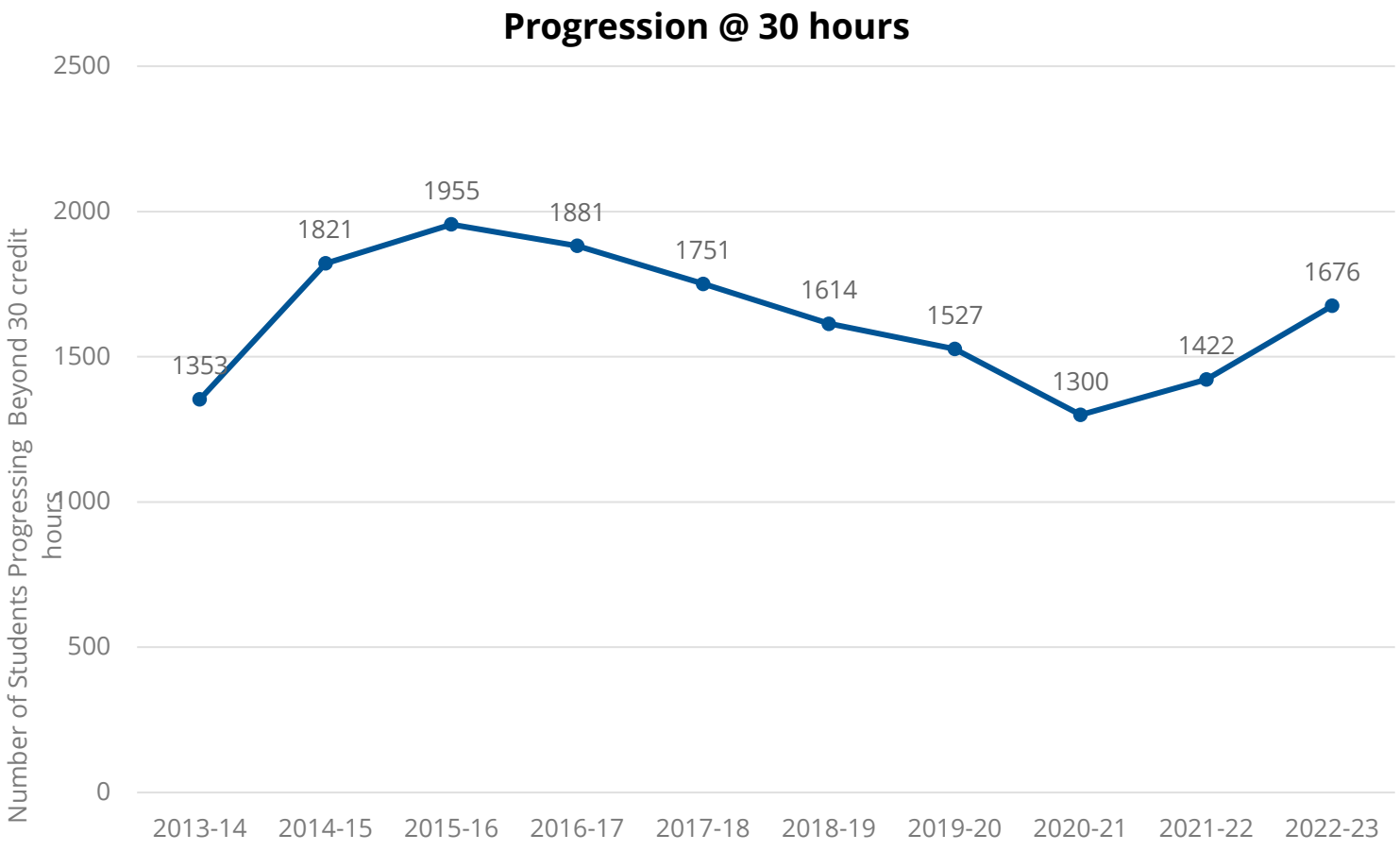


13% EKU

15% KY Comps

number of Low-Income Bachelor's produced from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



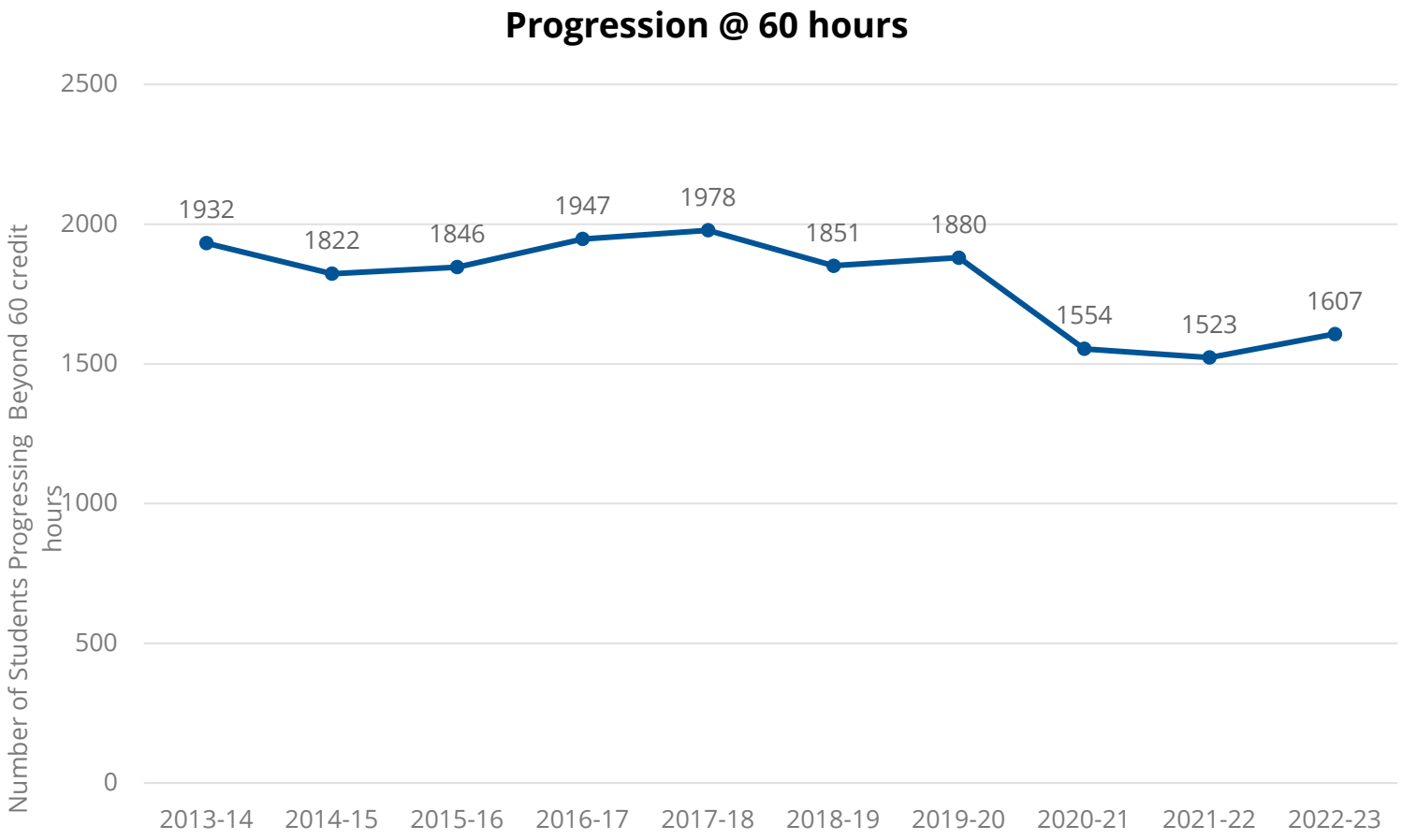
24% EKU

20% KY Comps[1]

number of undergraduate students @ 30 hours from 2013-14 to 2022-23

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

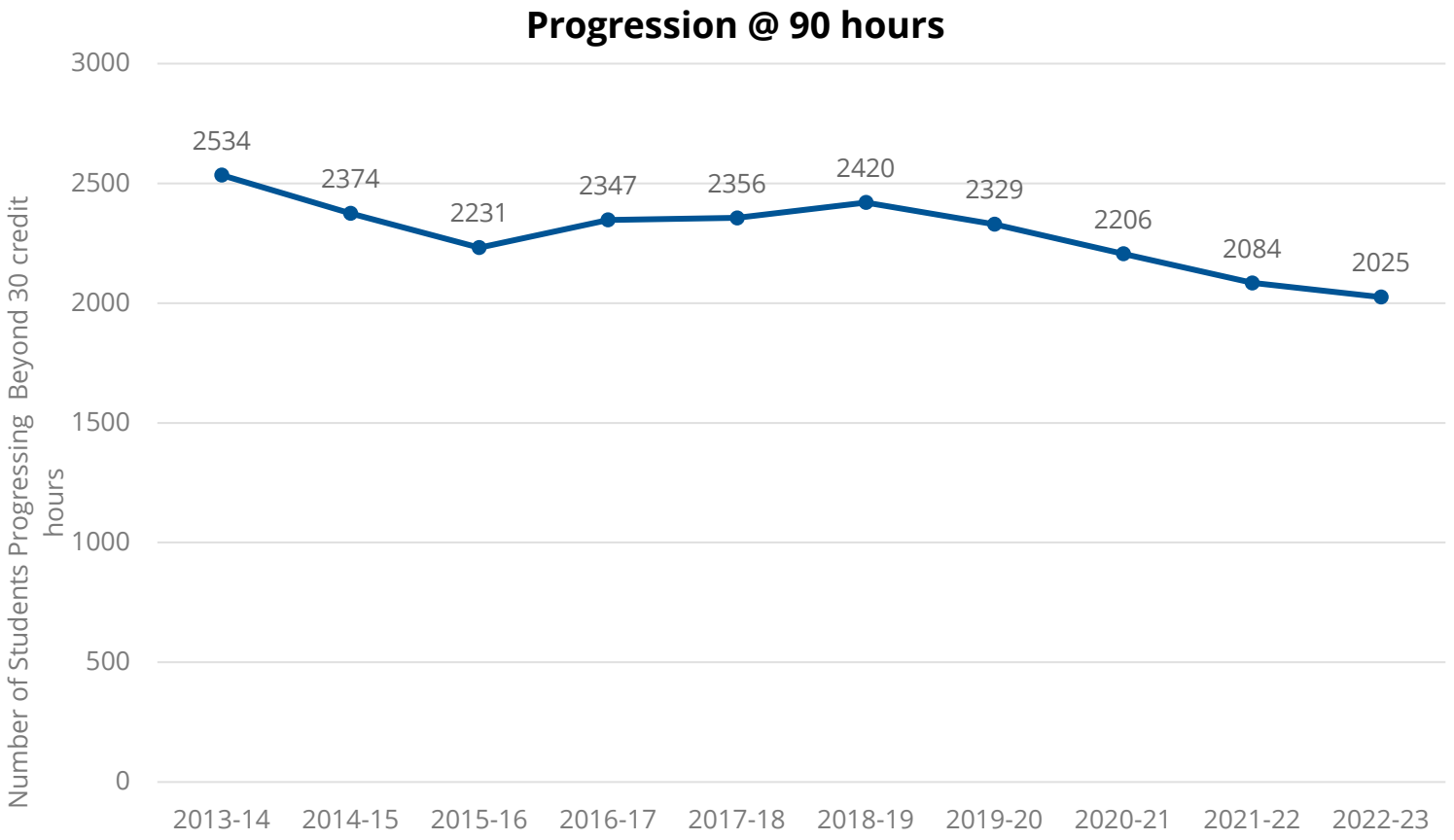


17% EKU

15% KY Comps

number of undergraduate students @ 60 hours produced from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model

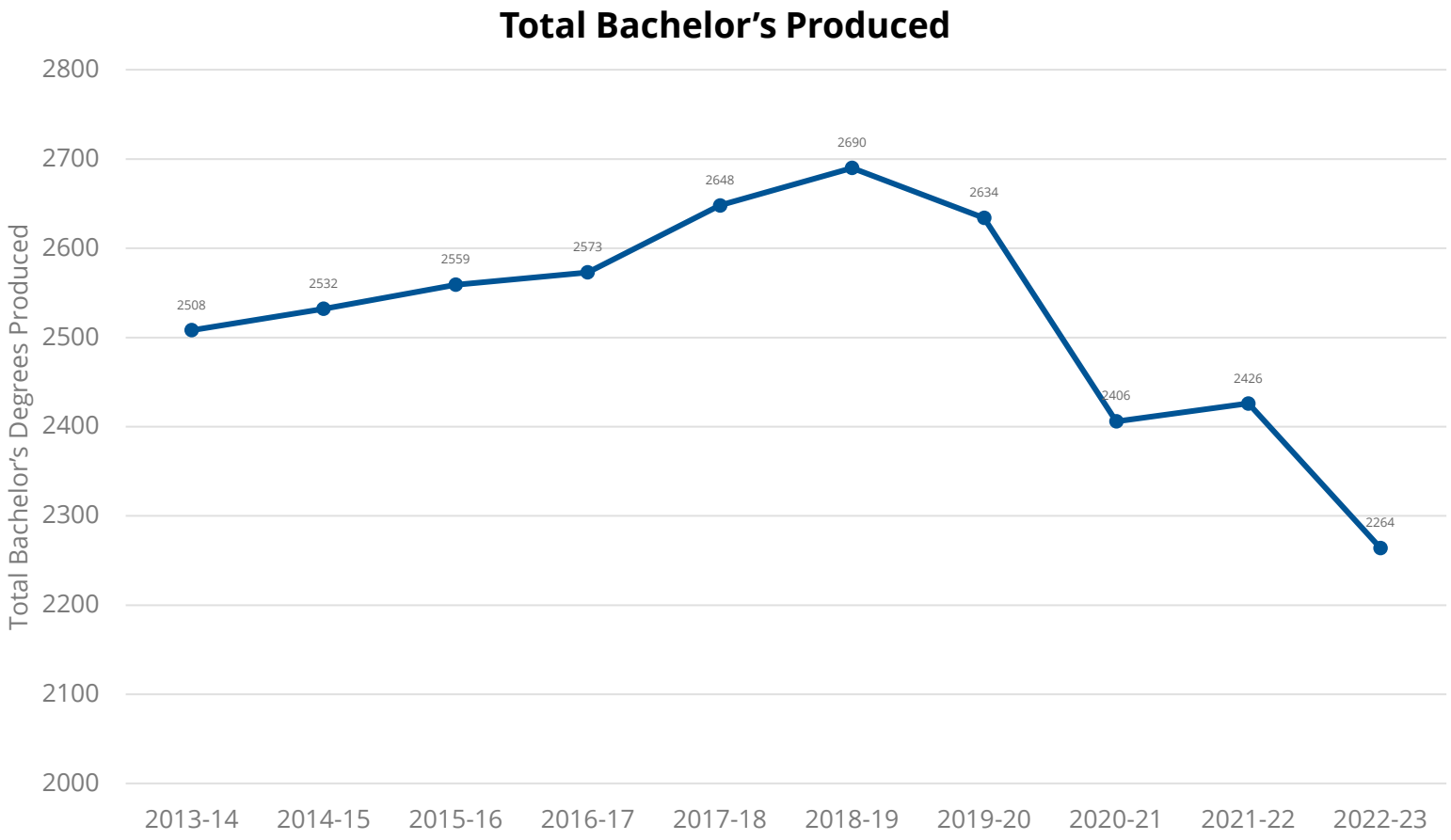


20% EKU

11% KY Comps

number of undergraduate students @ 90 hours from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



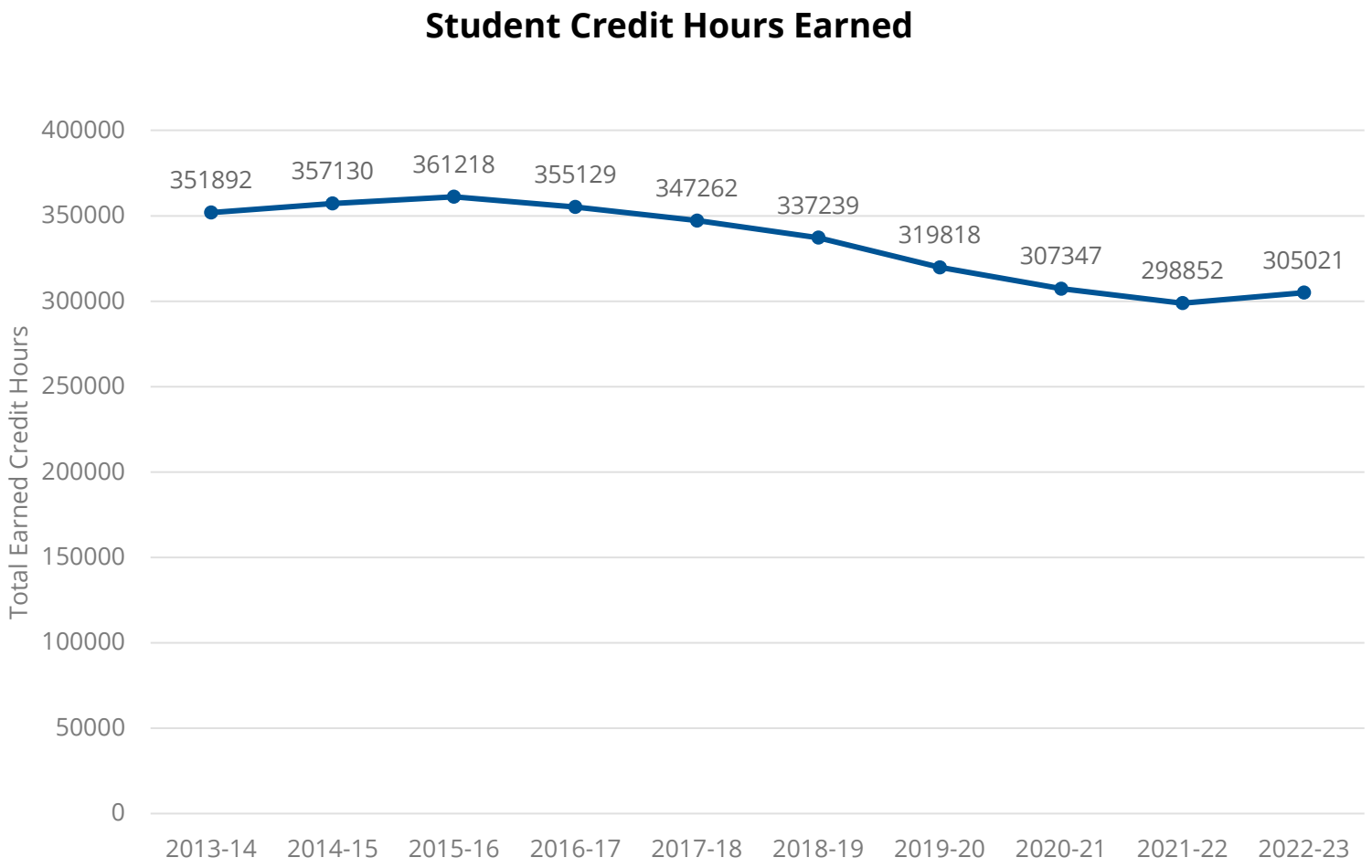
10% EKU

8% KY Comps[1]

number of Total Bachelor's produced from 2013-14 to 2022-23

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

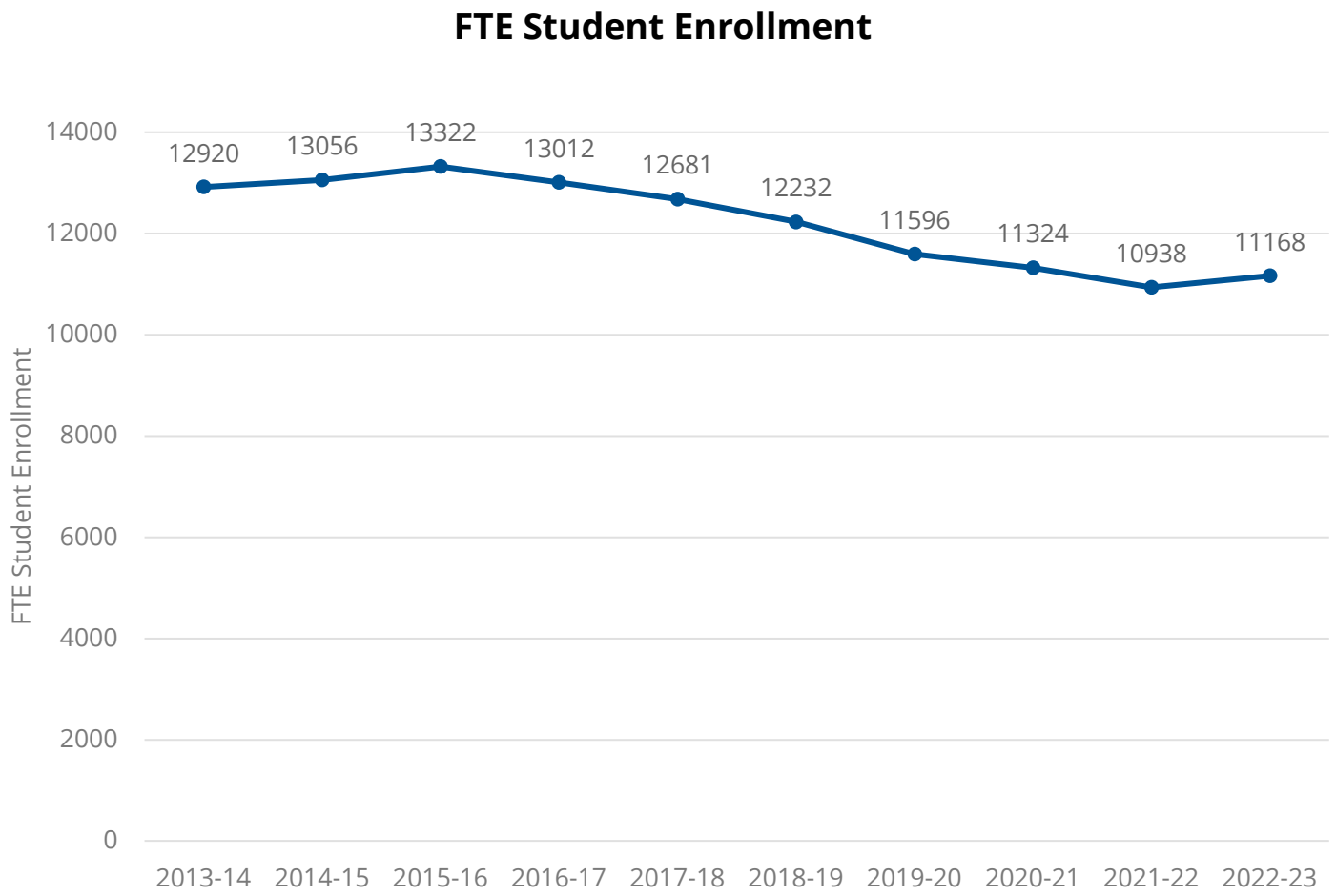


13% EKU

16% KY Comps

number of Student Credit Hours earned from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



14% EKU

21% KY Comps

number of FTE Student Enrollment from 2013-14 to 2022-23

EKU Benchmark Peers | Faculty Salary

The institutions listed below were used for peer salary benchmarking for Eastern Kentucky University.

Institution	Average Salary of All Instructional Staff	Average Salary of "Professor" Rank
Wright State University-Main Campus	$88,282	$114,107
University of Louisiana at Lafayette	$78,140	$113,460
University of Tennessee-Chattanooga	$82,780	$111,625
Florida Gulf Coast University	$81,640	$107,886
Northern Kentucky University	$75,898	$106,006
Western Illinois University	$82,948	$101,427
Southern Illinois University-Edwardsville	$79,599	$98,247
Radford University	$81,781	$97,938
University of North Alabama	$78,383	$97,228
University of Southern Mississippi	$74,841	$96,379
Southeast Missouri State University	$72,400	$95,484
University of West Georgia	$74,327	$92,370
Austin Peay State University	$76,316	$90,871
University of Southern Indiana	$69,487	$89,686
Stephen F Austin State University	$70,509	$87,996
East Tennessee State University	$71,618	$87,523
Marshall University	$74,238	$87,066
Western Kentucky University	$70,087	$86,500
Murray State University	$65,186	$82,334
Morehead State University	$63,464	$77,17
AVERAGE	**$75,596**	**$96,0**

Sources: IPEDS Data Center; EKU Benchmark Institutions

Understanding Economic Impact

The IMPLAN model utilizes a methodology called input-output analysis to evaluate the potential economic impact of the proposed relocation. Input-output analysis is a means of examining the relationships within an economy between businesses, and between businesses and consumers. The resulting mathematical formula allows one to examine the effects of a change in one or several economic activities upon an entire economy (called impact analysis). Each industry that produces goods and services generates demands for other goods and services and so on, round by round. These iterations can be mathematically summarized and described by "multipliers." This buying of goods and services (indirect purchases) continues until leakages from the region stop the cycle.

MEASUREMENTS OF ECONOMIC IMPACT

- **Output** – represents the estimated increase in total production for all industries in the regionsupported by the project and is a measure of overall economic activity. Output can also be thought of as the increase in the value of total sales for the region, or "Gross Local Product".
- **Labor Income –** represents the total value of all forms of employment-based income paid to Households by a given Industry or throughout a defined economy during a specified period of time, both total payroll paid to employees (e.g. wages and salaries, supplements to wages, payroll taxes), and payments received by self-employed individuals and unincorporated business owners
- **Employment** – represents the estimated total jobs created and supported by the project, onboth a temporary and ongoing basis.

COMPONENTS OF ECONOMIC IMPACT

- **Direct effects** measure the changes in the employment and expenditures due to the operation of the development itself. Direct impacts include employment, construction, infrastructure improvements, property taxes, etc.
- **Indirect effects** measure the changes in inter-industry purchases as they respond to the demands of the directly affected industries. Indirect impacts include business-to-business purchases arising from local spending for goods and services.
- **Induced effects** measure the effects on all local industries caused by the expenditures of household income generated by the direct and indirect impacts.

COM Economic Impact Summary | Kentucky Higher Education

EASTERN KENTUCKY UNIVERSITY PROJECT – IMPACT ON MADISON COUNTY, KY

Impact Type	Effect Type	Construction (2025)	Operations – Faculty + Administrator (Single-Year)	Operations – Staff (Single-Year)
Employment (Jobs)	Direct	759	27	54
	Indirect + Induced	172	25	11
	Total	**931**	**52**	**65**
	Multiplier	**1.23**	**1.93**	**1.20**
Output ($M)	Direct	$75.0M	$7.6M	$3.4M
	Indirect + Induced	$27.1M	$3.9M	$1.8M
	Total	**$102.1M**	**$11.5M**	**$5.2M**
	Multiplier	**1.36**	**1.51**	**1.53**
Labor Income ($M)	Direct	$36.7M	$4.8M	$2.2M
	Indirect + Induced	$7.4M	$0.9M	$0.4M
	Total	**$44.1M**	**$5.7M**	**$2.6M**
	Multiplier	**1.20**	**1.19**	**1.18**

EASTERN KENTUCKY UNIVERSITY PROJECT – IMPACT ON STATE OF KENTUCKY

Impact Type	Effect Type	Construction (2025)	Operations – Faculty + Administrator (Single-Year)	Operations – Staff (Single-Year)
Employment (Jobs)	Direct	682	27	54
	Indirect + Induced	298	40	18
	Total	**980**	**67**	**72**
	Multiplier	**1.44**	**2.48**	**1.33**
Output ($M)	Direct	$75.8 M	$9.1 M	$4.1 M
	Indirect + Induced	$58.3 M	$7.4 M	$3.4 M
	Total	**$134.1 M**	**$16.5 M**	**$7.5 M**
	Multiplier	**1.77**	**1.81**	**1.83**
Labor Income ($M)	Direct	$41.0 M	$5.0 M	$2.3 M
	Indirect + Induced	$17.3 M	$2.1 M	$0.9 M
	Total	**$58.3 M**	**$7.1 M**	**$3.2 M**
	Multiplier	**1.42**	**1.42**	**1.39**

Note: "Construction" refers to the capital investments and the associated impacts of the development and construction of new educational facilities; "Operations" refers to the direct project staffing and operation of the new academic programs represented in a single-year; results are presented for both schools/academic programs and are intended to represent the impact that each project has on the respective county economy.

COM Timeline Assumptions

The illustrative timeline for opening the COM below lays out key milestones and inflection points that significantly influence revenue, expense, and accreditation activities. The timeline below was developed using key activities and dates outlined by EKU but includes adjustments as determined appropriate for timeline feasibility. Additionally, this timeline is our best assessment based on available information and may change as a result of unforeseen circumstances and/or program assumption adjustments.

Assumed Timeline[1] for Modeling Purposes (Illustrative)

CURRENT YEAR:

FY 2025

- General Assembly may approve doctoral program in osteopathic medicine at EKU
- CPE approves doctoral program in osteopathic medicine at EKU
- EKU applies for COM Applicant Status with COCA
- COM Founding Dean is hired (at least twelve months prior to candidate status application submission) and initial steps for launching the COM begin

FY 2026

- EKU solidifies COM financing plan (state appropriations, gifts, etc.)
- Associate deans are hired (at least one of which must be a board-certified DO for candidate status)
- Clinical agreements to support COM students are established
- EKU finalizes business plan and applies for Candidate Status; $48.75M in required COCA reserves are in place

FY 2027

- Initial hires are made to more fully fill faculty positions needed to develop programming
- EKU develops Pre-accreditation plan and applies for Pre-accreditation Status (eighteen months prior to first class)

FY 2028

- Admissions staff start in advance of recruiting first class (anticipated Fall 29)
- Approval of Pre-Accreditation Status[2] is subject to a site visit no less than six months prior to the COM's matriculating students

FY 2029

- **Best-case scenario**, considering hiring and accreditation, **would allow the 1st class to matriculate in Fall 2028**

FY 2030+

- The first full complement of students may not matriculate until FY 2032+
- EKU graduates first class and seeks full accreditation status

Considering the full planning lifecycle, from due diligence, accreditation requirements, as well as hiring, marketing and other factors, it is realistic to assume that EKU would not enroll its first cohort of DO students until FY 2029 or later.

Notes: 1) Timeline considerations are based on preliminary assumptions of the Osteopathic Medicine Financial Model provided by EKU and initial conversations; The above is subject to change pending approvals and risk factors. 2) A COM may hold Pre-Accreditation Status for a period of up to five years. During this 5-year period, the COM must graduate its inaugural class in order to be eligible for consideration for accreditation status. Sources: COCA.

Appendix | Murray State University

Murray State Campus Visit

On 10/02/24, the project team visited the Murray State University campus and met with the following stakeholders.

Meeting Time (EST)	**Participants**
9:00 AM – 12:00 PM	• Bob Jackson – President • Brian Parr – Dean, Hutson School of Agriculture • Tim Todd – Provost and VP for Academic Affairs • Jackie Dudley – Vice President for Financial Services • Jordan Smith – Assistant Vice President for Public Affairs • Richard Heath – KY House of Representatives • Robert Miller – General Counsel • Bob Pervine – Associate Provost, Hutson School of Agriculture • Jason Howell – KY Senate • Danny Carroll – KY Senate • Renee Fister – Associate Provost

Murray State External Stakeholders

The project team conducted interviews with leaders from Veterinary Medicine colleges and schools.

Stakeholder Group	Meeting Participants
Kentucky Veterinary Medical Association (KVMA)	Dr. Wade King, President
Lincoln Memorial University (LMU)	Dr. Stacy Anderson, Executive Dean, College of Veterinary Medicine
Auburn University	Dr. Calvin Johnson, Dean, College of Veterinary Medicine
University of Maryland Eastern Shore (UMES)	Dr. Stanley Robertson, School of Veterinary Medicine
Texas Tech University	Dr. Guy Loneragan, Dean, School of Veterinary Medicine

Murray State Composite Financial Index (CFI) Calculation

Murray State's CFI is calculated using the methodology outlined for public institutions by the Higher Learning Commission.

PUBLIC

Primary Reserve	Strength = ratio / .133 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .35 cfi = strength * weight
Net Operating Revenue	Strength = ratio /.013 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .10 cfi = strength * weight
Return on Net Assets	Strength = ratio /.02 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .20 ratio = strength * weight
Viability	Strength = 10 if denominator = 0 Strength = ratio /.417 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .35 cfi = strength * weight

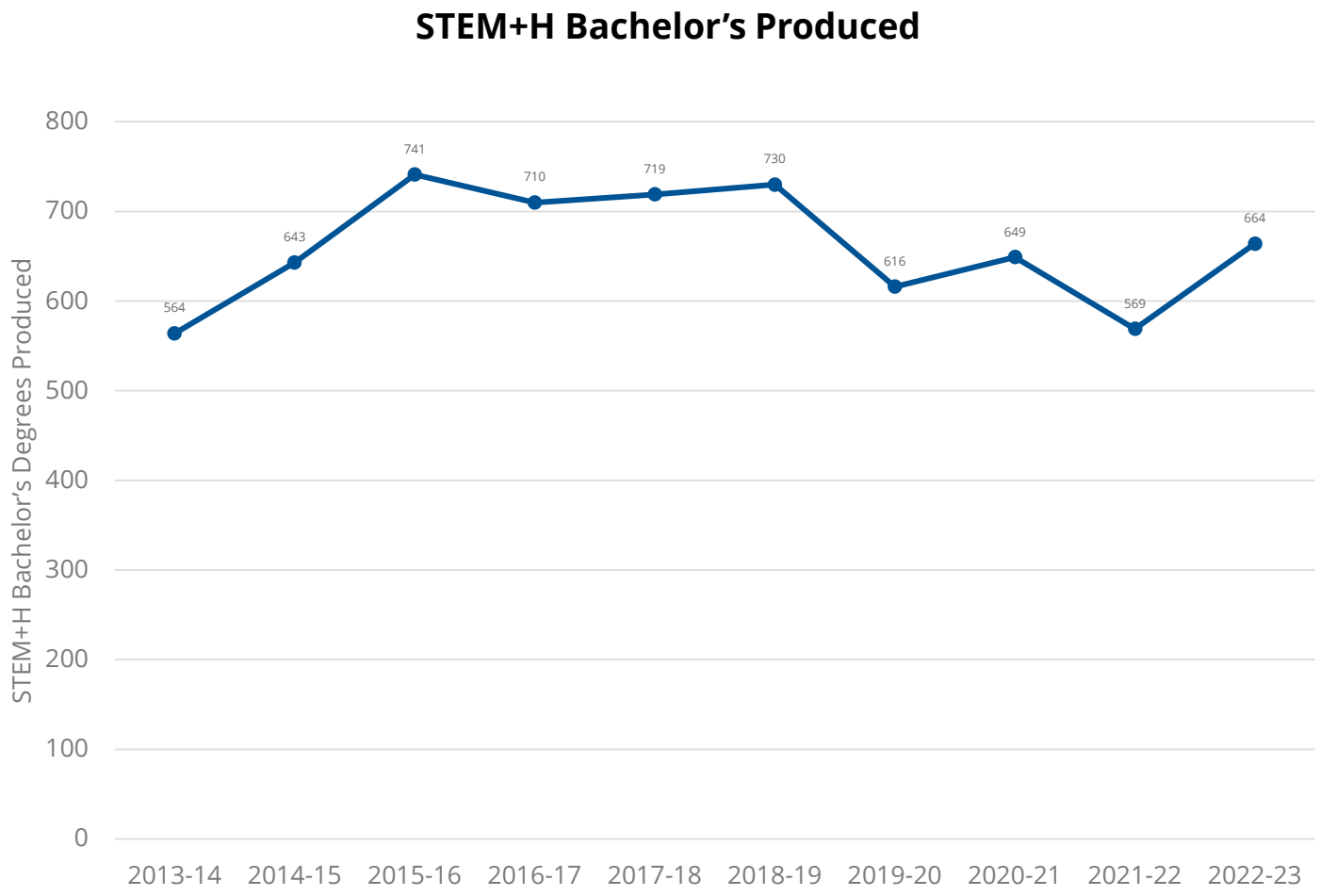
Financial Ratios

Primary Reserve Ratio Calculation:		Data	Strength	Weight	CFI
Institution unrestricted net assets	+	127,265,028.0			
Institution expendable restricted net assets	+	18,378,604.0			
C.U. unrestricted net assets	+	27,824,589.0			
C.U. temporary restricted net assets	+	104,582,688.0			
C.U. net investment in plant	-	6,166,398.0			
Numerator Total		271,884,511.0			
Institution operating expenses	+	191,770,742.0			
Institution non-operating expenses	+	4,299,438.0			
C.U. total expenses	+	179,673,536.0			
Denominator Total		375,743,716.0			
Primary Reserve Ratio =	÷	**0.72**	**5.44**	**0.35**	**1.90**
Net Operating Revenue Ratio Calculation:					
Institution operating income (loss)	+	(95,589,577.0)			
Institution net non-operating revenues	+	88,466,023.0			
C.U. change in unrestricted net assets	+	4,135,265.0			
Numerator Total		(2,988,289.0)			
Institution operating revenues	+	96,181,165.0			
Institution non-operating revenues	+	92,765,461.0			
C.U. total unrestricted revenues	+	11,069,677.0			
Denominator Total		200,016,303.0			
Net Operating Revenue Ratio =	÷	**-0.01**	**-1.15**	**0.10**	**-0.11**
Return on Net Assets Ratio Calculation:					
Change in net assets + C.U. change in net assets		24,869,842.0			
Total net assets + C.U. total net assets (beginning of year)		290,310,231.0			
Return on Net Assets Ratio =	÷	**0.09**	**4.28**	**0.20**	**0.86**
Viability Ratio Calculation:					
Expendable net assets **Numerator Total =**		271,884,511.0			
Institution long-term debt (total project related debt)	+	63,884,673.0			
C.U. long-term debt (total project related debt)	+	6,000,063.0			
Denominator Total		69,884,736.0			
Viability Ratio =	÷	**3.89**	**9.33**	**0.35**	**3.27**
COMPOSITE FINANCIAL INDICATOR SCORE (CFI)					**5.91**

306

Sources: Murray State Audited Financial Statements; Higher Learning Commission CFI Worksheet

Current State Performance on the Comprehensive Funding Model



18% Murray State

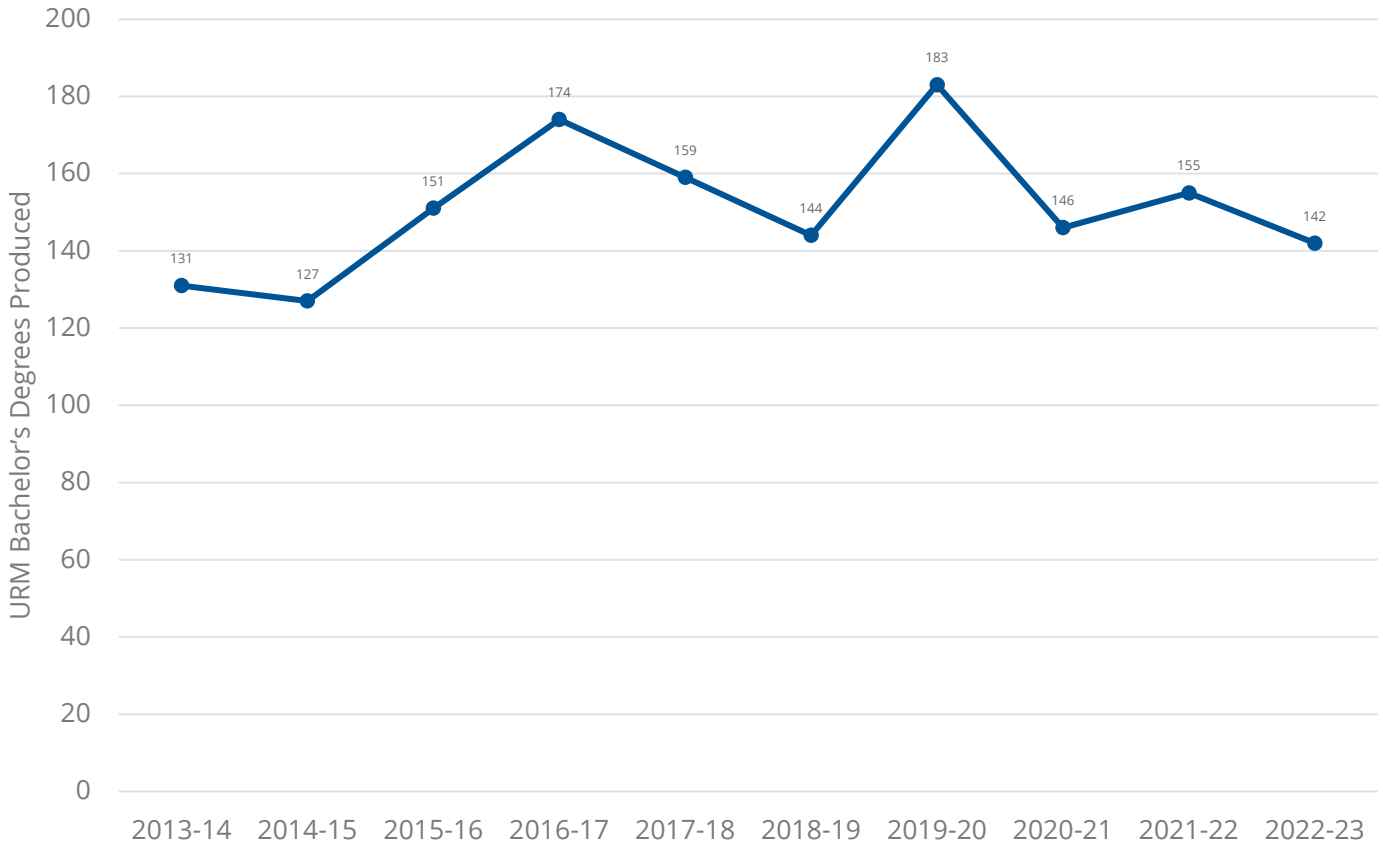
7% KY Comps[1]

number of STEM+H Bachelor's produced from 2013-14 to 2022-23

Notes: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

Underrepresented Minority Student (URM) Bachelor's Produced[1]



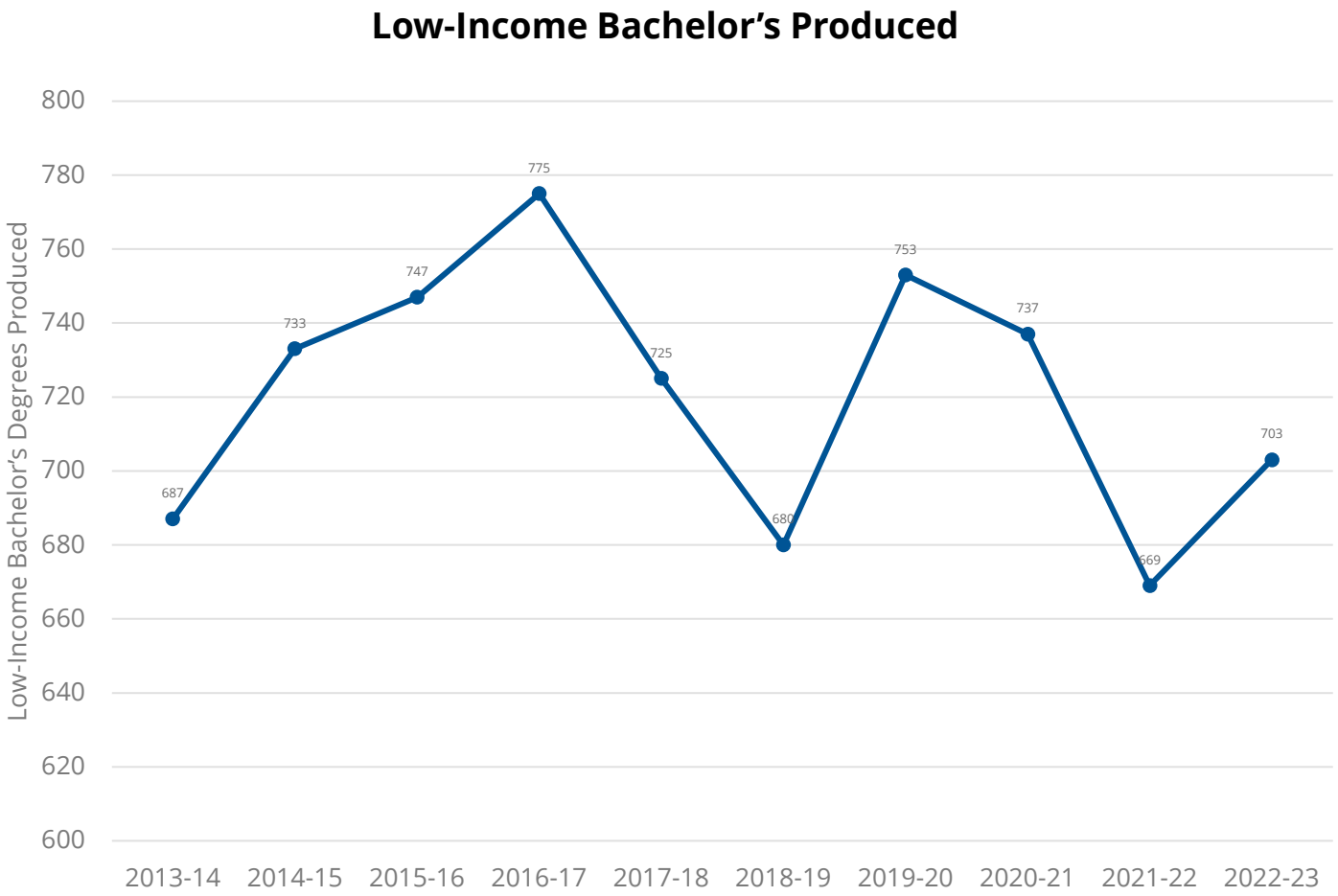
8% Murray State

23% KY Comps

number of URM Bachelor's produced from 2013-14 to 2022-23

Notes: 1)The URM Bachelor's Degrees metric has been amended to "underrepresented students", defined as "first generation college students", for the 2024-25 funding distribution.

Current State Performance on the Comprehensive Funding Model

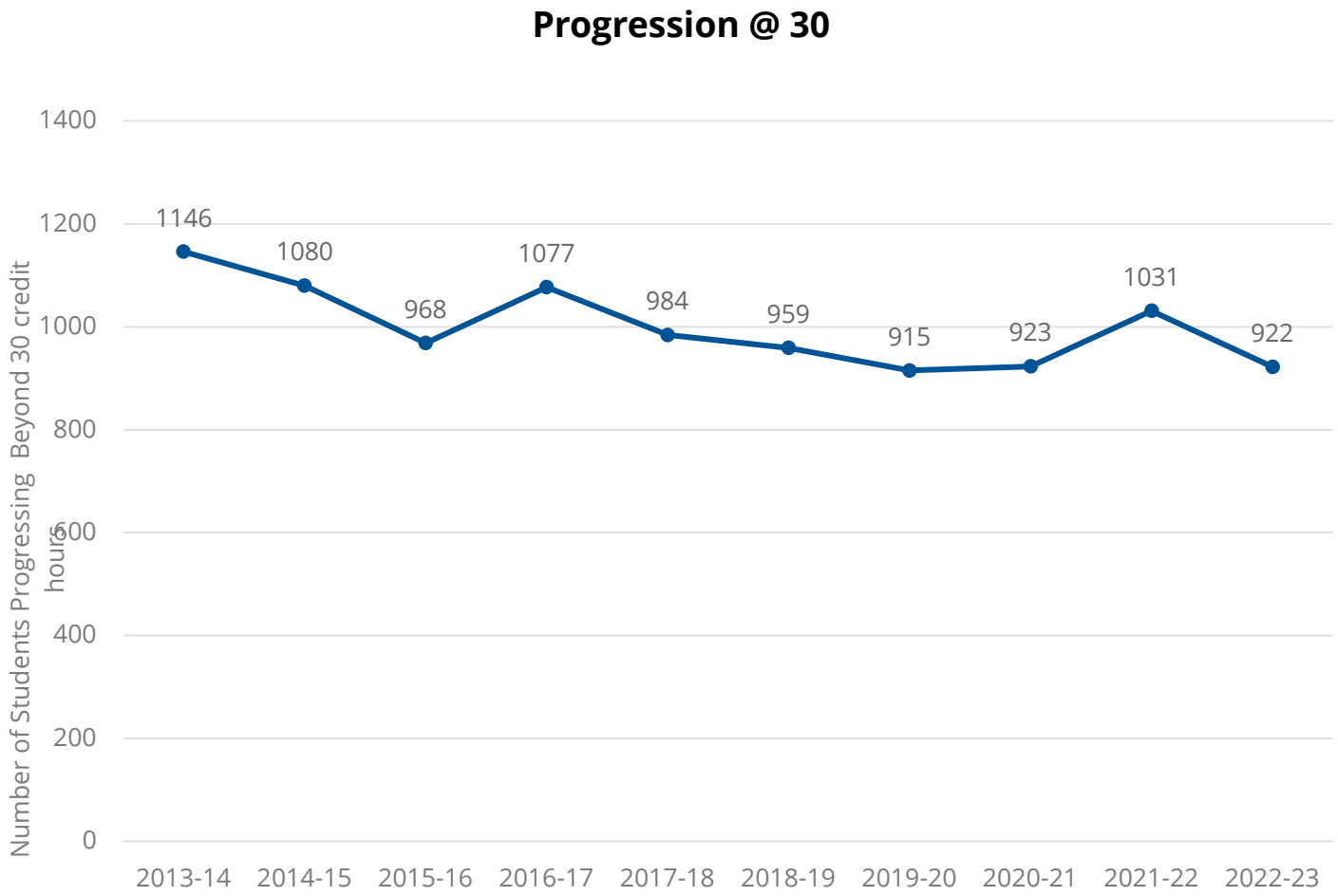


2% Murray State

15% KY Comps

number of Low-Income Bachelor's produced from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



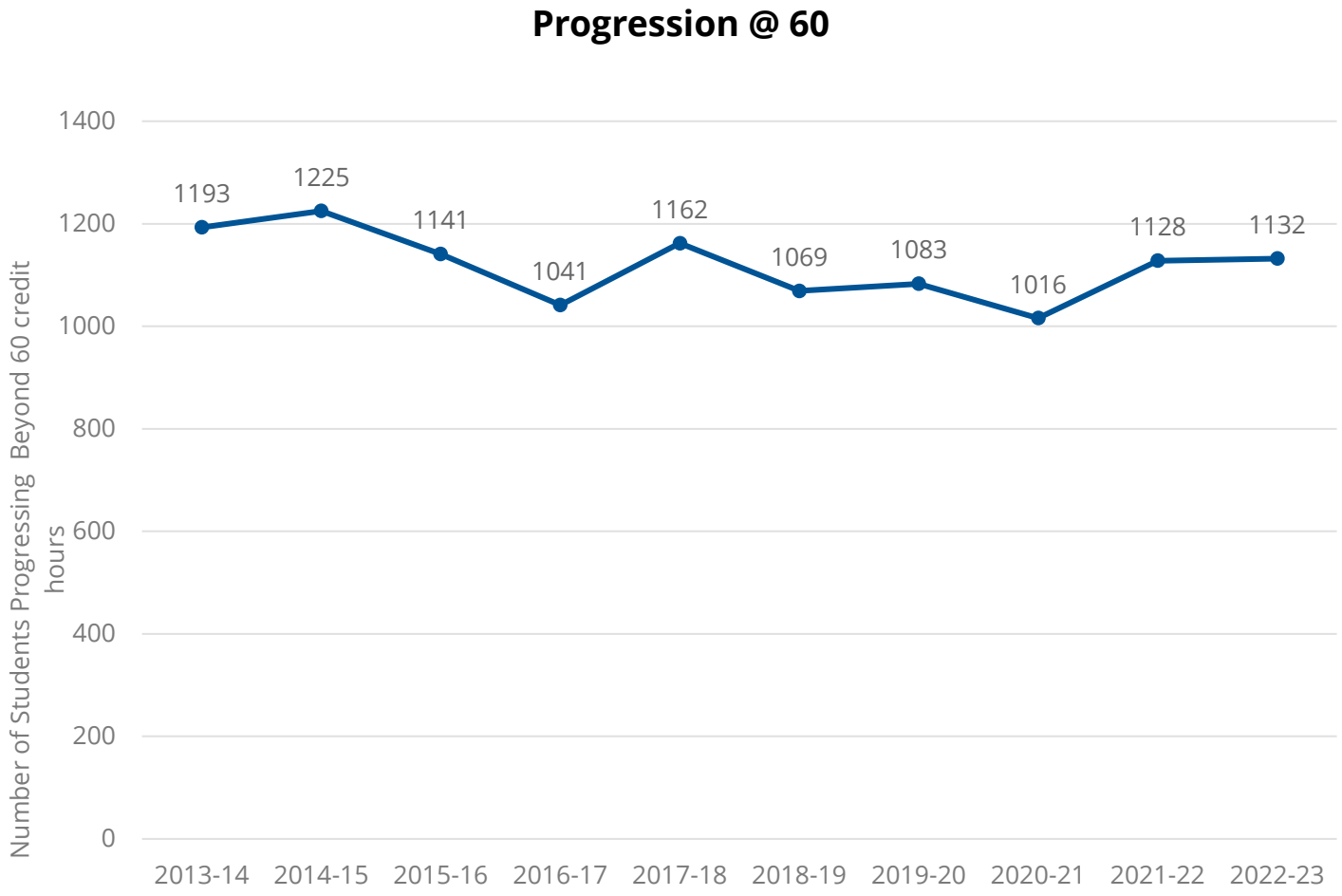
20% Murray State

20% KY Comps[1]

number of undergraduate students @ 30 hours from 2013-14 to 2022-23

Notes: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

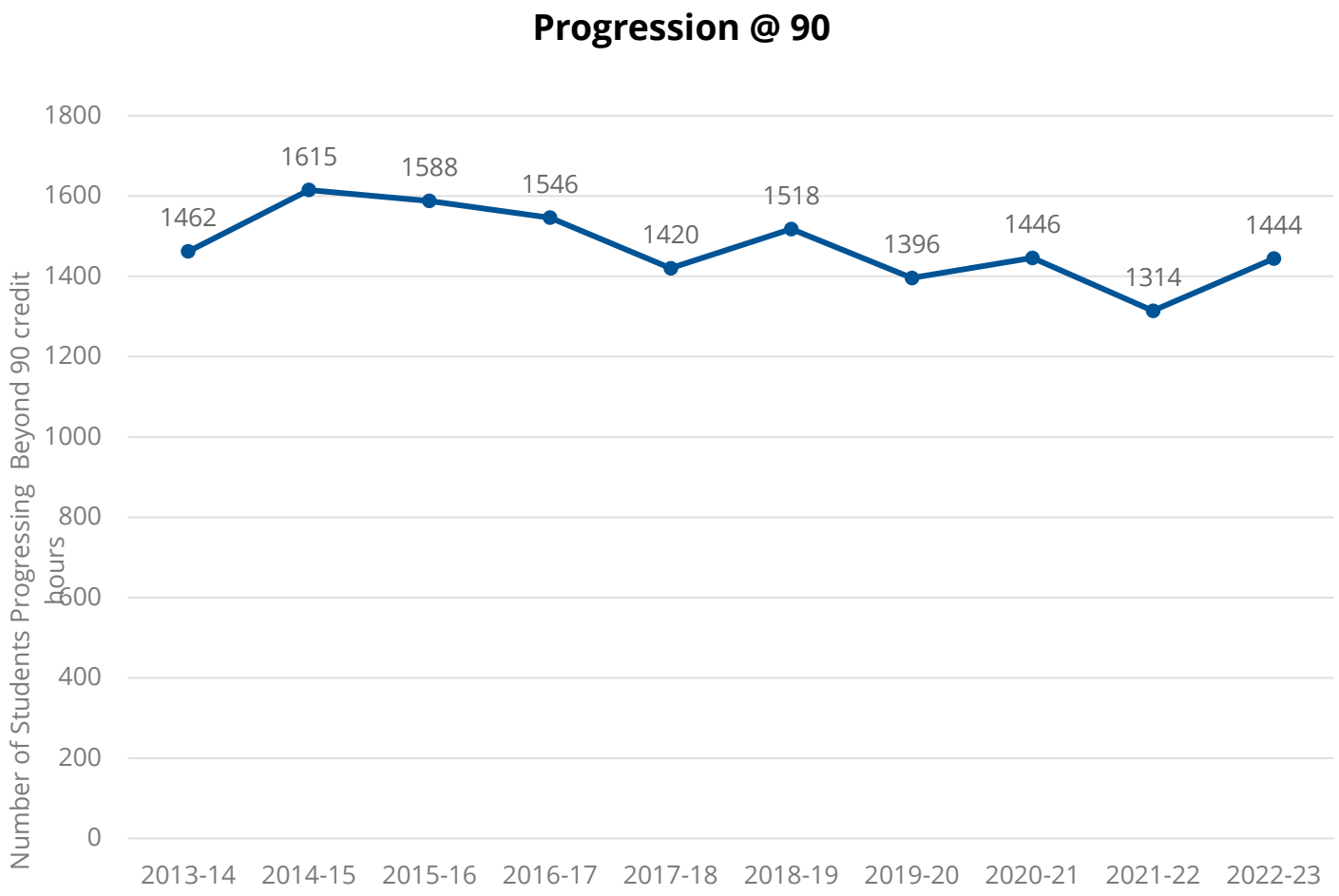


5% Murray State

15% KY Comps

number of undergraduate students @ 60 hours from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model

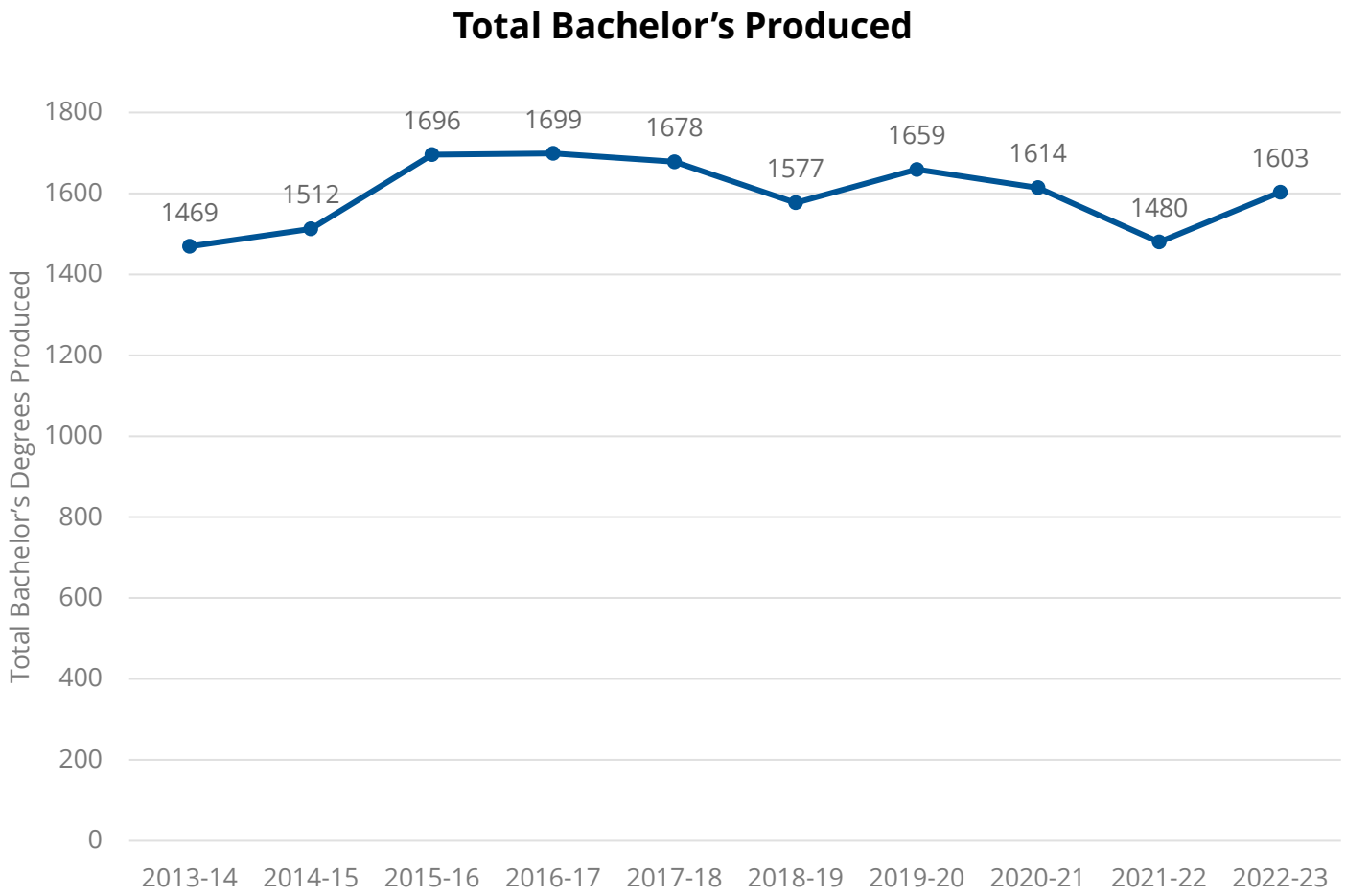


1% Murray State

11% KY Comps

number of undergraduate students @ 90 hours from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



↑ **9%** Murray State

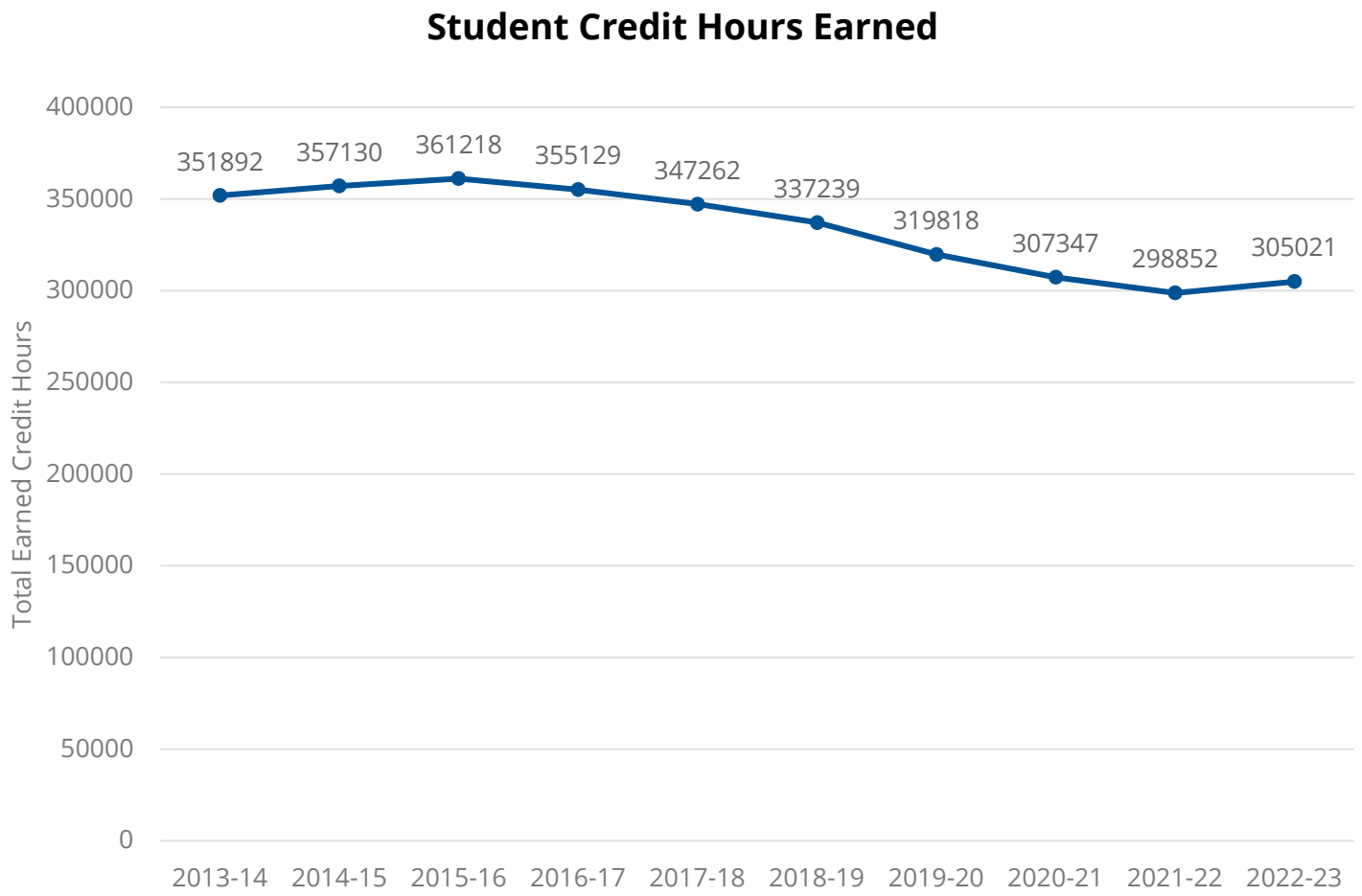
8% ↓ KY Comps[1]

number of Total Bachelor's produced from 2013-14 to 2022-23

313

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

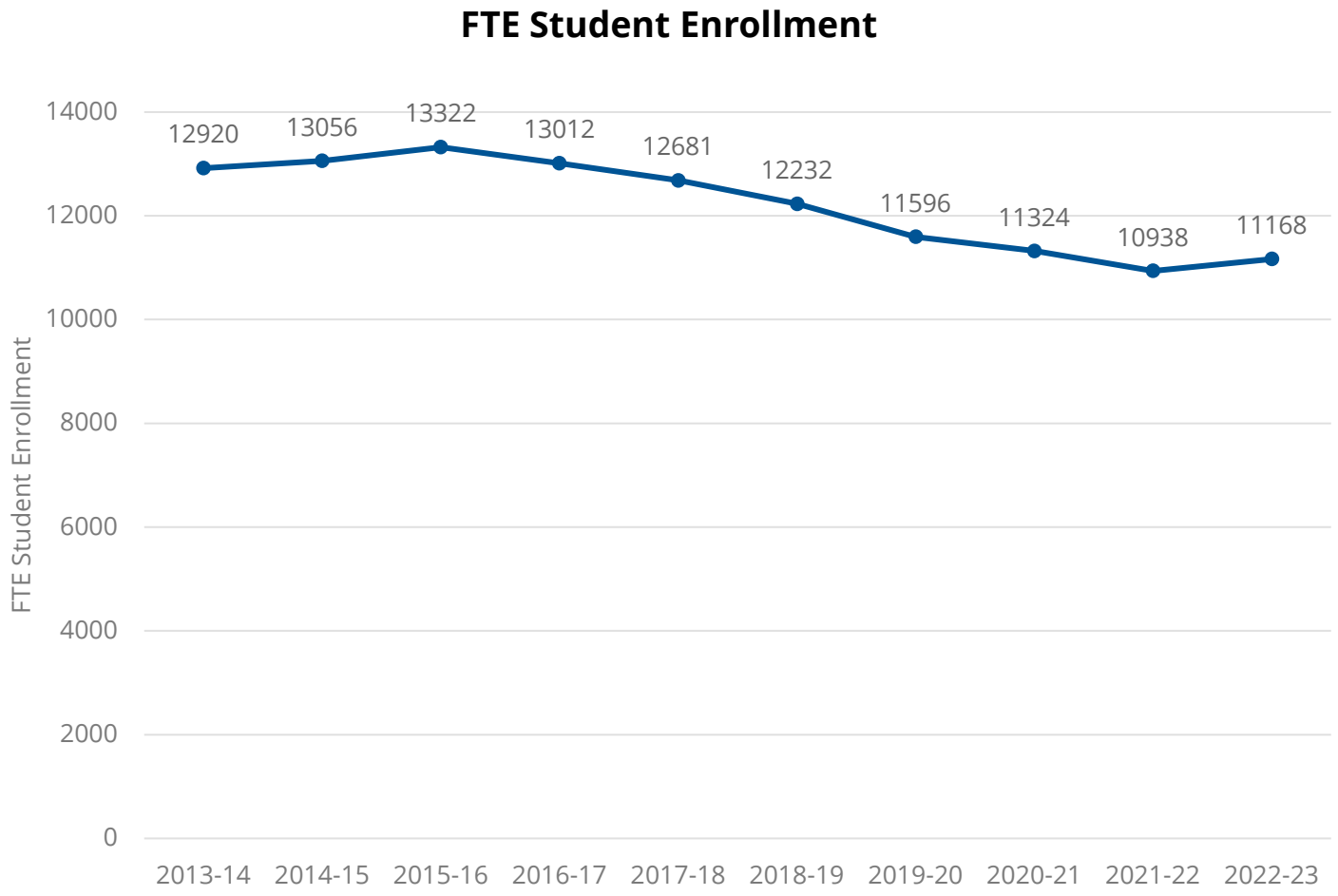


14% Murray State

16% KY Comps

number of Student Credit Hours earned from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



14% Murray State

21% KY Comps

number of FTE Student Enrollment from 2013-14 to 2022-23

Murray State Benchmark Peers | Faculty Salary

The institutions listed below were used for peer salary benchmarking for Murray State University.

Institution	Average Salary of All Instructional Staff	Average Salary of "Professor" Rank
Eastern Washington University	$89,419	$115,927
Rhode Island College	$95,976	$114,346
Oakland University	$90,076	$114,183
The University of Tennessee - Chattanooga	$82,780	$111,625
Central Connecticut State University	$93,427	$110,411
Western Carolina University	$76,259	$104,961
Western Illinois University	$82,948	$101,427
University of Nebraska - Omaha	$78,853	$101,213
Plymouth State University	$80,100	$97,913
Southeast Missouri State University	$72,400	$95,484
Eastern Illinois University	$77,117	$94,552
Frostburg State University	$76,620	$94,285
University of Central Missouri	$76,210	$94,113
Indiana State University	$68,850	$89,186
University of Montevallo	$76,970	$89,058
Northwest Missouri State University	$68,768	$88,618
Stephen F. Austin State University	$70,509	$87,996
The University of Tennessee - Martin	$71,217	$84,304
Pittsburg State University	$69,645	$81,976
AVERAGE	**$78,850**	**$98,5**

Understanding Economic Impact

The IMPLAN model utilizes a methodology called input-output analysis to evaluate the potential economic impact of the proposed relocation. Input-output analysis is a means of examining the relationships within an economy between businesses, and between businesses and consumers. The resulting mathematical formula allows one to examine the effects of a change in one or several economic activities upon an entire economy (called impact analysis). Each industry that produces goods and services generates demands for other goods and services and so on, round by round. These iterations can be mathematically summarized and described by "multipliers." This buying of goods and services (indirect purchases) continues until leakages from the region stop the cycle.

MEASUREMENTS OF ECONOMIC IMPACT

- **Output** – represents the estimated increase in total production for all industries in the regionsupported by the project and is a measure of overall economic activity. Output can also be thought of as the increase in the value of total sales for the region, or "Gross Local Product".
- **Labor Income –** represents the total value of all forms of employment-based income paid to Households by a given Industry or throughout a defined economy during a specified period of time, both total payroll paid to employees (e.g. wages and salaries, supplements to wages, payroll taxes), and payments received by self-employed individuals and unincorporated business owners
- **Employment** – represents the estimated total jobs created and supported by the project, onboth a temporary and ongoing basis.

COMPONENTS OF ECONOMIC IMPACT

- **Direct effects** measure the changes in the employment and expenditures due to the operation of the development itself. Direct impacts include employment, construction, infrastructure improvements, property taxes, etc.
- **Indirect effects** measure the changes in inter-industry purchases as they respond to the demands of the directly affected industries. Indirect impacts include business-to-business purchases arising from local spending for goods and services.
- **Induced effects** measure the effects on all local industries caused by the expenditures of household income generated by the direct and indirect impacts.

CVM Economic Impact Summary – Kentucky Higher Education

MURRAY STATE UNIVERSITY PROJECT – IMPACT ON CALLOWAY COUNTY, KY

Impact Type	Effect Type	Construction (2025)	Operations – Faculty + Administrator (Single-Year)	Operations – Staff (Single-Year)
Employment (Jobs)	Direct	628	27	40
	Indirect + Induced	149	72	36
	Total	**777**	**99**	**76**
	Multiplier	**1.24**	**3.67**	**1.90**
Output ($M)	Direct	$60.0M	$18.7M	$9.2M
	Indirect + Induced	$25.4M	$12.3M	$6.1M
	Total	**$85.4M**	**$31.0M**	**$15.3M**
	Multiplier	**1.42**	**1.66**	**1.66**
Labor Income ($M)	Direct	$29.3M	$8.6M	$4.2M
	Indirect + Induced	$3.0M	$2.7M	$1.3M
	Total	**$32.3M**	**$11.3M**	**$5.5M**
	Multiplier	**1.10**	**1.31**	**1.31**

MURRAY STATE UNIVERSITY PROJECT – IMPACT ON STATE OF KENTUCKY

Impact Type	Effect Type	Construction (2025)	Operations – Faculty + Administrator (Single-Year)	Operations – Staff (Single-Year)
Employment (Jobs)	Direct	545	27	40
	Indirect + Induced	238	31	15
	Total	**783**	**58**	**55**
	Multiplier	**1.44**	**2.15**	**1.38**
Output ($M)	Direct	$60.7 M	$7.0 M	$3.5 M
	Indirect + Induced	$46.7 M	$5.7 M	$2.9 M
	Total	**$107.4 M**	**$12.7 M**	**$6.4 M**
	Multiplier	**1.77**	**1.81**	**1.83**
Labor Income ($M)	Direct	$32.8 M	$3.9 M	$1.9 M
	Indirect + Induced	$13.9 M	$1.5 M	$0.8 M
	Total	**$45.9 M**	**$5.4 M**	**$2.7 M**
	Multiplier	**1.43**	**1.38**	**1.42**

Note: "Construction" refers to the capital investments and the associated impacts of the development and construction of new educational facilities; "Operations" refers to the direct project staffing and operation of the new academic programs represented in a single-year; results are presented for both schools/academic programs and are intended to represent the impact that each project has on the respective county economy.

CVM Timeline Assumptions

The illustrative timeline 1 for opening the CVM below lays out key milestones and inflection points that significantly influence revenue, expense, and accreditation activity. The timeline below was developed using key activities and dates outlined by Murray State but includes adjustments as determined appropriate for timeline feasibility. Additionally, this timeline is our best assessment based on available information and may change as a result of unforeseen circumstances and/or program assumption adjustments.

CURRENT YEAR:

FY 2025

- General Assembly passes statutory changes to permit a doctoral program in veterinary medicine at Murray State
- CPE approves doctoral program in veterinary medicine at Murray State
- DVM Founding Dean is hired and initial steps for launching the CVM begin
- Murray State submits self-study and applies for letter of reasonable assurance[2] from AVMA COE.

FY 2026

- Initial hires are made to more fully fill faculty positions needed to develop programming
- Admissions staff hired and begin recruitment efforts

FY 2027

- Clinical agreements to support CVM students are established
- Murray State receives provisional accreditation from the AVMA COE and organizes subsequent site visits/ reports as required
- Best-case scenario, considering hiring and accreditation, would allow the first class to matriculate in FY27

FY 2028

- Murray State organizes AVMA COE site visits/reports as required

FY 2029

- Murray State organizes AVMA COE site visits/reports as required

FY 2030+

- The first full complement of students may not matriculate until FY 2030+
- Murray State graduates its inaugural class and receives full accreditation by AVMA COE. The Council on Education expects that 80% or more of each college's graduating senior students sitting for the NAVLE will have passed at the time of graduation.

Considering the full planning lifecycle, from due diligence, accreditation requirements, as well as hiring, marketing and other factors, it is realistic to assume that the CVM's first cohort would not begin until FY 2027+.

Notes: 1) Timeline considerations are based on preliminary assumptions of the DVM Financial Model provided by Murray State and initial conversations. The timeline is subject to change pending approvals and risk factors; 2) A college granted Reasonable Assurance must offer admission to and matriculate its first class of students within three years. Sources: AVMA COE Pathways to Accreditation; AVMA COE Accreditation Policies and Procedures

Appendix | Western Kentucky University

WKU Campus Visit

On 9/25/24, the project team visited the Western Kentucky University Campus and met with the following stakeholders.

Meeting Time (EST)	**Participants**
University Leadership (8:30 – 9:50 AM)	• President Timothy Caboni • Robert "Bud" Fischer – Provost & Vice President for Academic Affairs • Susan Howarth – Executive VP for Strategy, Operations and Finance • Jennifer Breiwa Smith – Assistant Vice President, Government & External Relations • Kate Wood Hall – Government Affairs Consultant • Ron Bunch – President & CEO of Bowling Green Chamber of Commerce • Meredith Rozanski – Executive VP of Operations, Bowling Green Chamber of Commerce • Doug Gorman – Warren County Judge/Executive • Jenni Redifer – Interim Associate Provost for Research
University Deans and Research Administration (9:55 -11:15 AM)	• Robert "Bud" Fischer – Provost & Vice President for Academic Affairs • Jennifer Breiwa Smith – Assistant Vice President, Government & External Relations • Kate Wood Hall – Government Affairs Consultant • Corrinne Murphy – Dean, College of Education and Behavior Sciences • Evelyn Thrasher – Dean, Gordon Ford College of Business • David Brown – Dean, Ogden College of Science and Engineering • Tania Basta – Dean, College of Health and Human Services • Jenni Redifer – Interim Associate Provost for Research • Cathleen Webb – Professor, Associate Dean for Research, Ogden College of Science and Engineering, Director, ARTP
University Deans and Faculty (11:30 AM – 12:50 PM)	• Corrinne Murphy – Dean, College of Education and Behavior Sciences • Evelyn Thrasher – Dean, Gordon Ford College of Business • David Brown – Dean, Ogden College of Science and Engineering • Tania Basta – Dean, College of Health and Human Services • Jenni Redifer – Interim Associate Provost for Research • Faculty representatives working in the data sciences area

WKU Benchmark Peers

The institutions listed below have been identified by Western Kentucky University as benchmark peer institutions.

- Ball State University
- Bowling Green State University-Main Campus
- Central Michigan University
- East Carolina University
- East Tennessee State University
- Florida Atlantic University
- Illinois State University
- James Madison University
- Middle Tennessee State University
- Northern Illinois University
- University of North Carolina at Charlotte
- University of North Carolina at Greensboro
- University of South Alabama
- Ohio University-Main Campus
- University of Southern Mississippi
- Indiana State University
- Appalachian State University
- Towson University

Sources: WKU Benchmark Universities.

Data Sciences Peer Programs

The institutions listed below were identified as having Data Sciences doctoral programs.

- Boise State University – Computing, Data Science Concentration
- Boston University – Computing and Data Sciences
- Bowling Green State University – Data Science
- Capitol Technology University – Business Analytics and Data Science
- Chapman University – Computational and Data Sciences
- Harrisburg University of Science and Technology – Data Sciences
- Kennesaw State University – Data Science and Analytics
- New Jersey Institute of Technology – Business Data Science
- New York University – Data Science
- Southern Methodist University – Data Science
- Stevens Institute of Technology – Data Science
- Stony Brook University – Data Science
- University of Nevada Reno – Statistics and Data Science
- University of Virginia – Data Science
- Washington University in St. Louis – Computational and Data Sciences
- Worcester Polytechnic Institute – Data Science

Sources: Institutions identified using publicly available data and PhD in Data Science | Find the Best Data Science PhD Programs.

WKU Composite Financial Index (CFI) Calculation

WKU's CFI is calculated using the methodology outlined for public institutions by the Higher Learning Commission.

PUBLIC

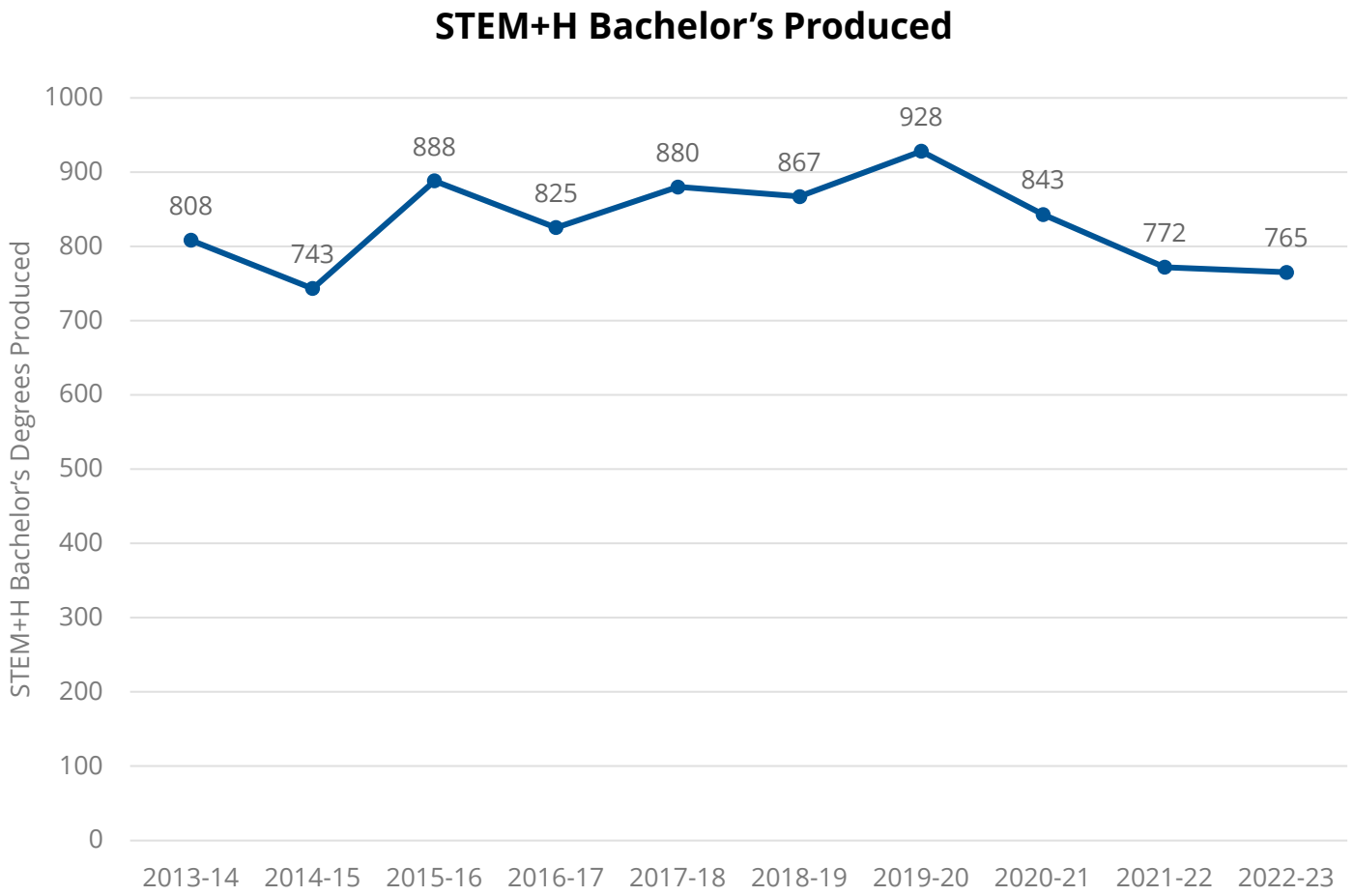
Primary Reserve	Strength = ratio / .133 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .35 cfi = strength * weight
Net Operating Revenue	Strength = ratio /.013 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .10 cfi = strength * weight
Return on Net Assets	Strength = ratio /.02 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .20 ratio = strength * weight
Viability	Strength = 10 if denominator = 0 Strength = ratio /.417 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .35 cfi = strength * weight

Financial Ratios

Primary Reserve Ratio Calculation:		Data	Strength	Weight	CFI
Institution unrestricted net assets	+	43,008,781.0			
Institution expendable restricted net assets	+	457,148.0			
C.U. unrestricted net assets	+	71,219,468.0			
C.U. temporary restricted net assets	+	189,653,437.0			
C.U. net investment in plant	-	143,224,691.0			
Numerator Total		161,114,143.0			
Institution operating expenses	+	323,289,155.0			
Institution non-operating expenses	+	6,642,177.0			
C.U. total expenses	+	37,869,361.0			
Denominator Total		367,800,693.0			
Primary Reserve Ratio =	÷	**0.44**	**3.29**	**0.35**	**1.15**
Net Operating Revenue Ratio Calculation:					
Institution operating income (loss)	+	(177,455,198.0)			
Institution net non-operating revenues	+	152,446,080.0			
C.U. change in unrestricted net assets	+	5,432,783.0			
Numerator Total		(19,576,335.0)			
Institution operating revenues	+	145,833,957.0			
Institution non-operating revenues	+	152,446,080.0			
C.U. total unrestricted revenues	+	47,355,435.0			
Denominator Total		345,635,472.0			
Net Operating Revenue Ratio =	÷	**-0.06**	**-4.00**	**0.10**	**-0.40**
Return on Net Assets Ratio Calculation:					
Change in net assets + C.U. change in net assets		(4,116,051.0)			
Total net assets + C.U. total net assets (beginning of year)		405,260,639.0			
Return on Net Assets Ratio =	÷	**-0.01**	**-0.51**	**0.20**	**-0.10**
Viability Ratio Calculation:					
Expendable net assets **Numerator Total =**		161,114,143.0			
Institution long-term debt (total project related debt)	+	147,924,079.0			
C.U. long-term debt (total project related debt)	+	109,730,686.0			
Denominator Total		257,654,765.0			
Viability Ratio =	÷	**0.63**	**1.50**	**0.35**	**0.52**
COMPOSITE FINANCIAL INDICATOR SCORE (CFI)					**1.18**

Sources: WKU State Audited Financial Statements; Higher Learning Commission CFI Worksheet

Current State Performance on the Comprehensive Funding Model



5% WKU

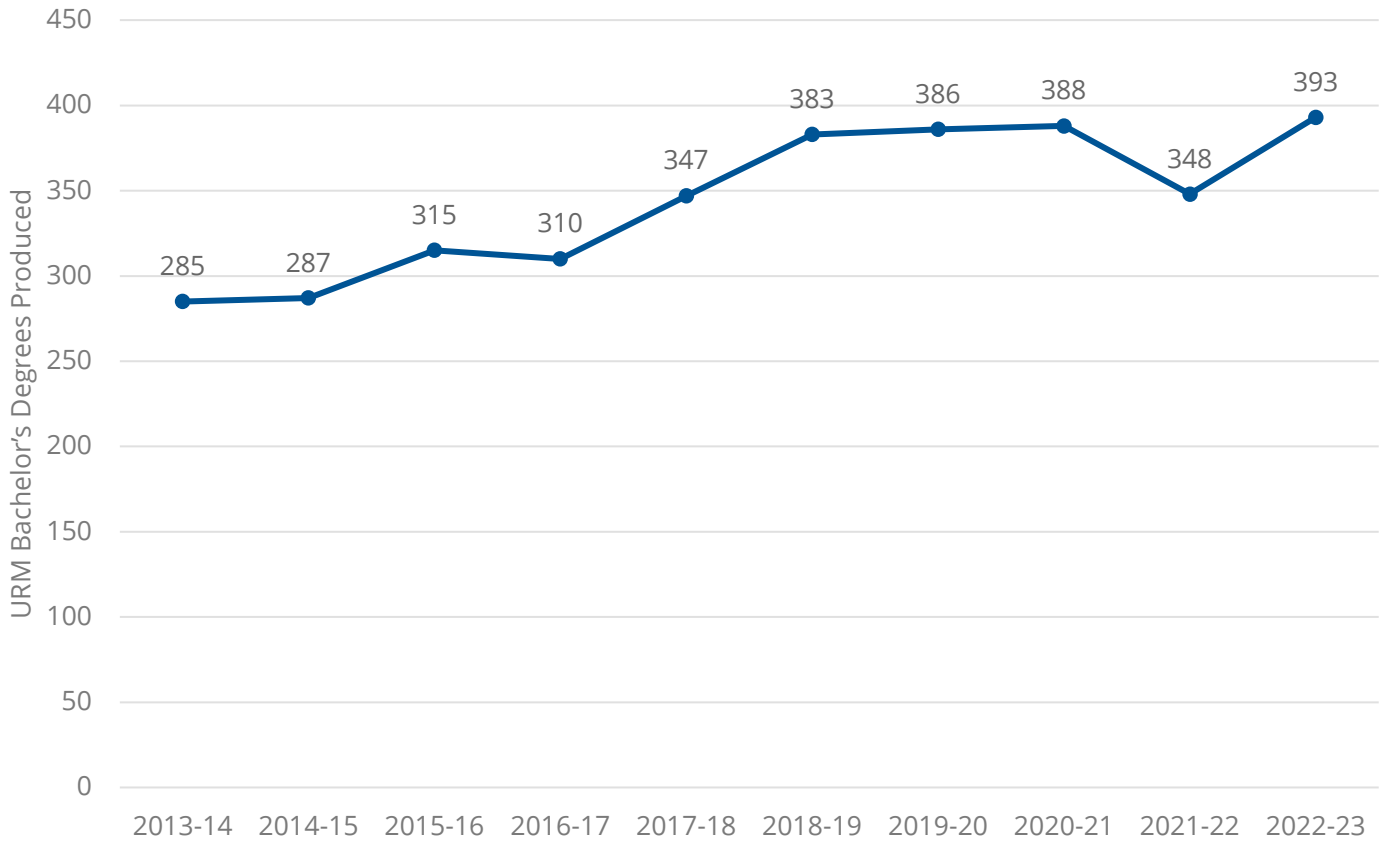
7% KY Comps[1]

number of STEM+H Bachelor's produced from 2013-14 to 2022-23

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

Underrepresented Minority Student (URM) Bachelor's Produced[1]

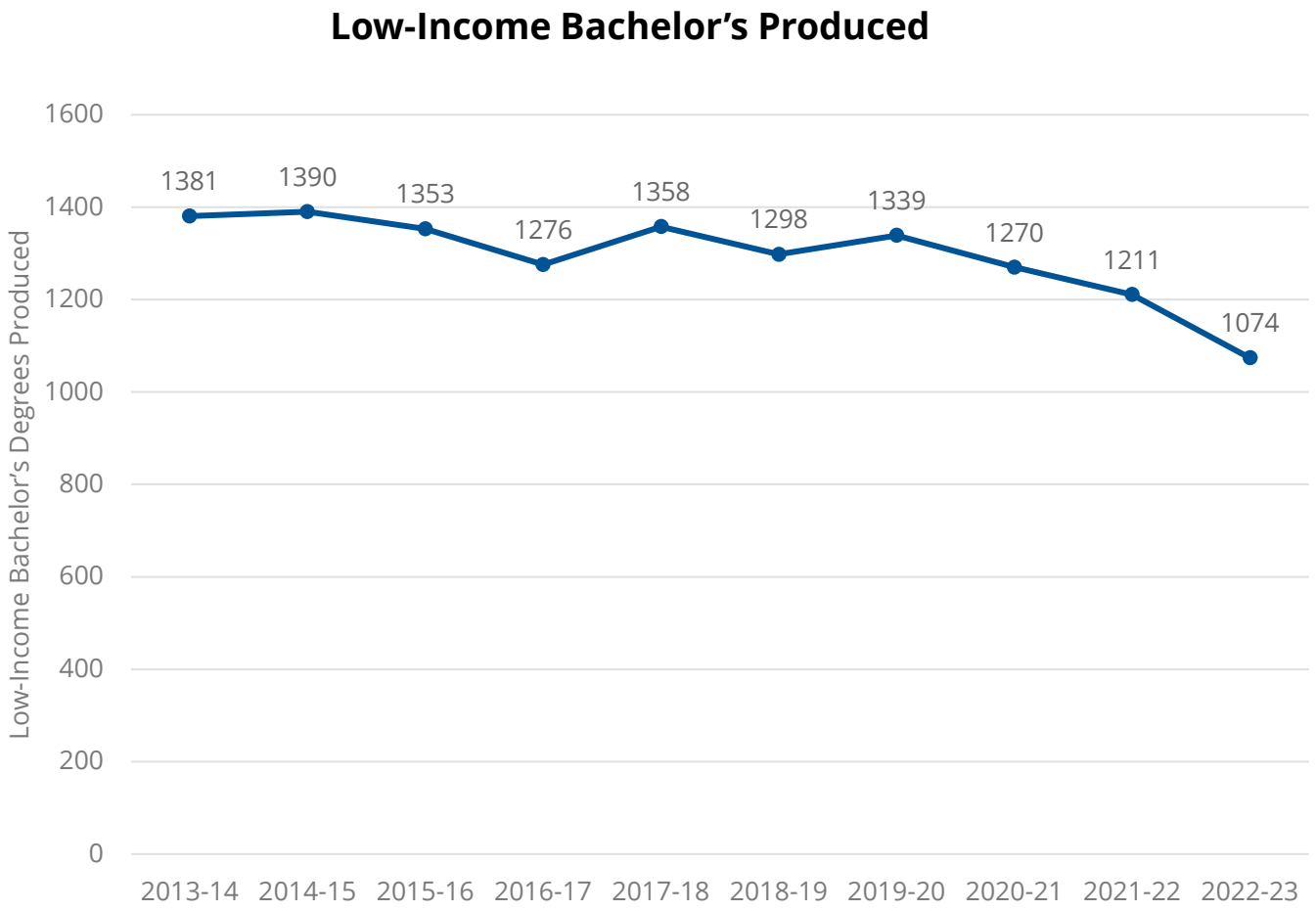


38% WKU | **23%** KY Comps

number of URM Bachelor's produced from 2013-14 to 2022-23

Note: 1) The URM Bachelor's Degrees metric has been amended to "underrepresented students", defined as "first generation college students", for the 2024-25 funding distribution.

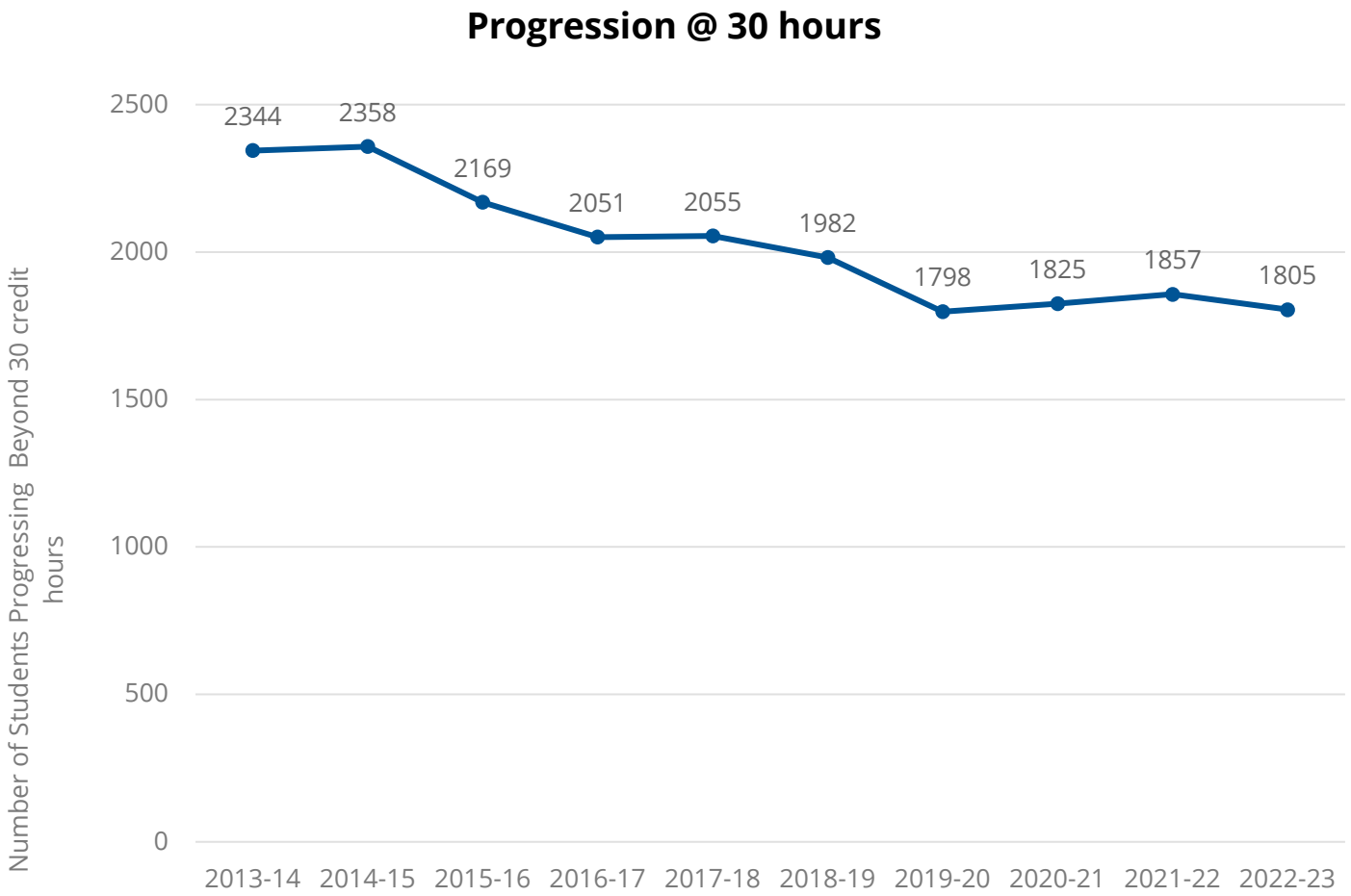
Current State Performance on the Comprehensive Funding Model



22% WKU | **15%** KY Comps

number of Low-Income Bachelor's produced from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



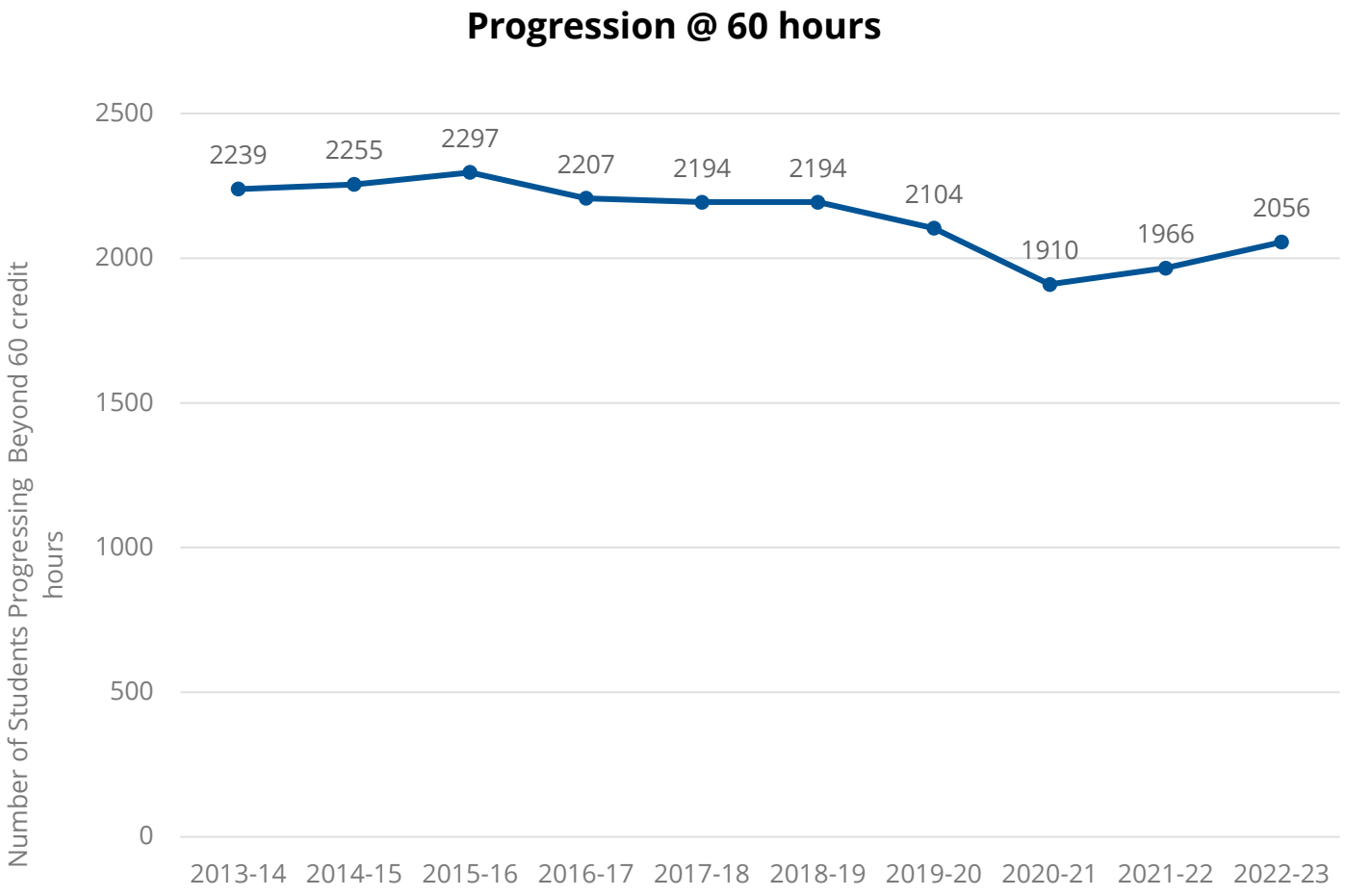
23% WKU

20% KY Comps[1]

number of undergraduate students @ 30 hours from 2013-14 to 2022-23

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

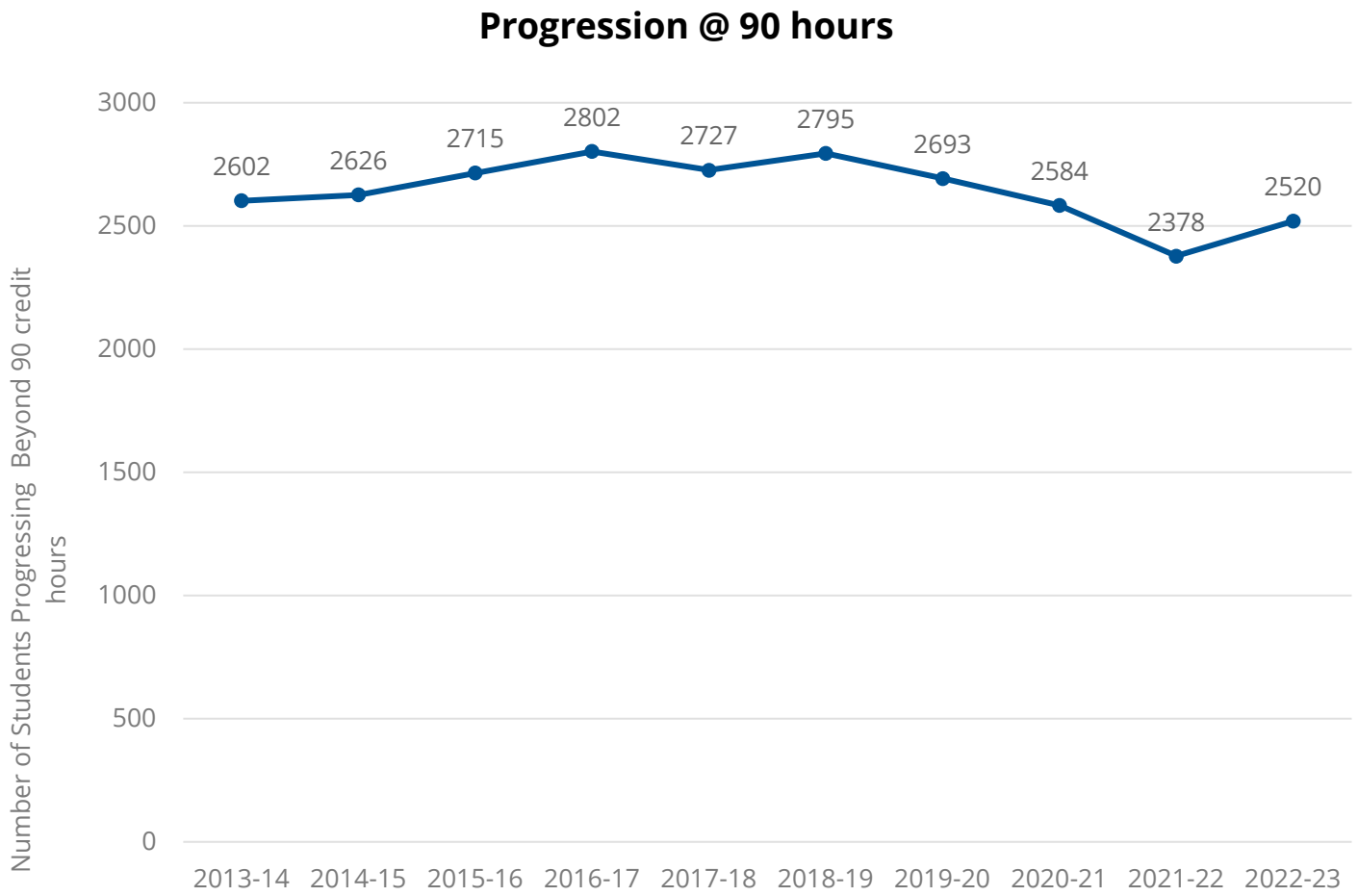


8% WKU

15% KY Comps

number of undergraduate students @ 60 hours produced from 2013-14 to 2022-23

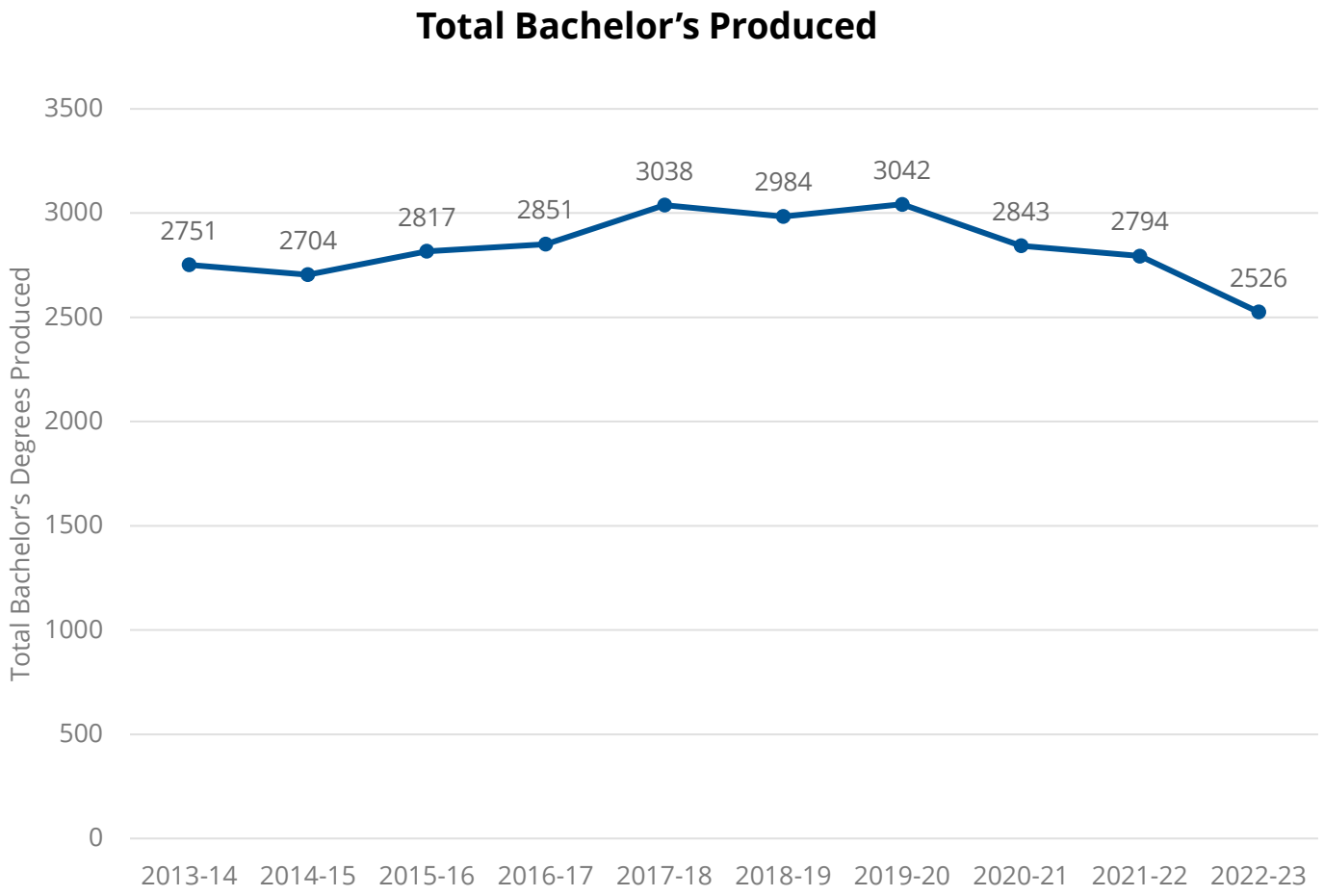
Current State Performance on the Comprehensive Funding Model



3% WKU | **11%** ↓ KY Comps

number of undergraduate students @ 90 hours from 2013-14 to 2022-23

Current Performance on the Comprehensive Funding Model



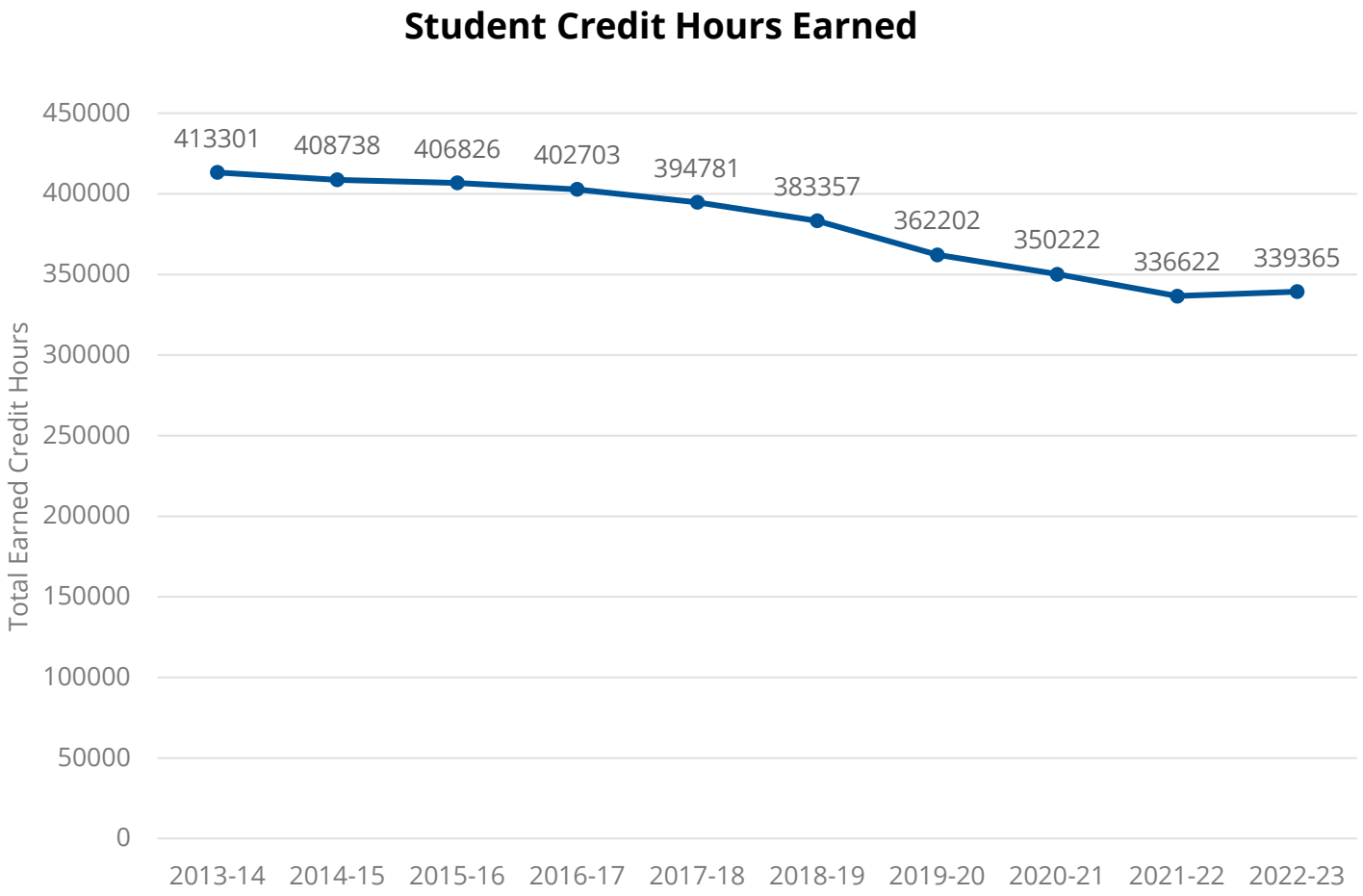
8% WKU

8% KY Comps[1]

number of Total Bachelor's produced from 2013-14 to 2022-23

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

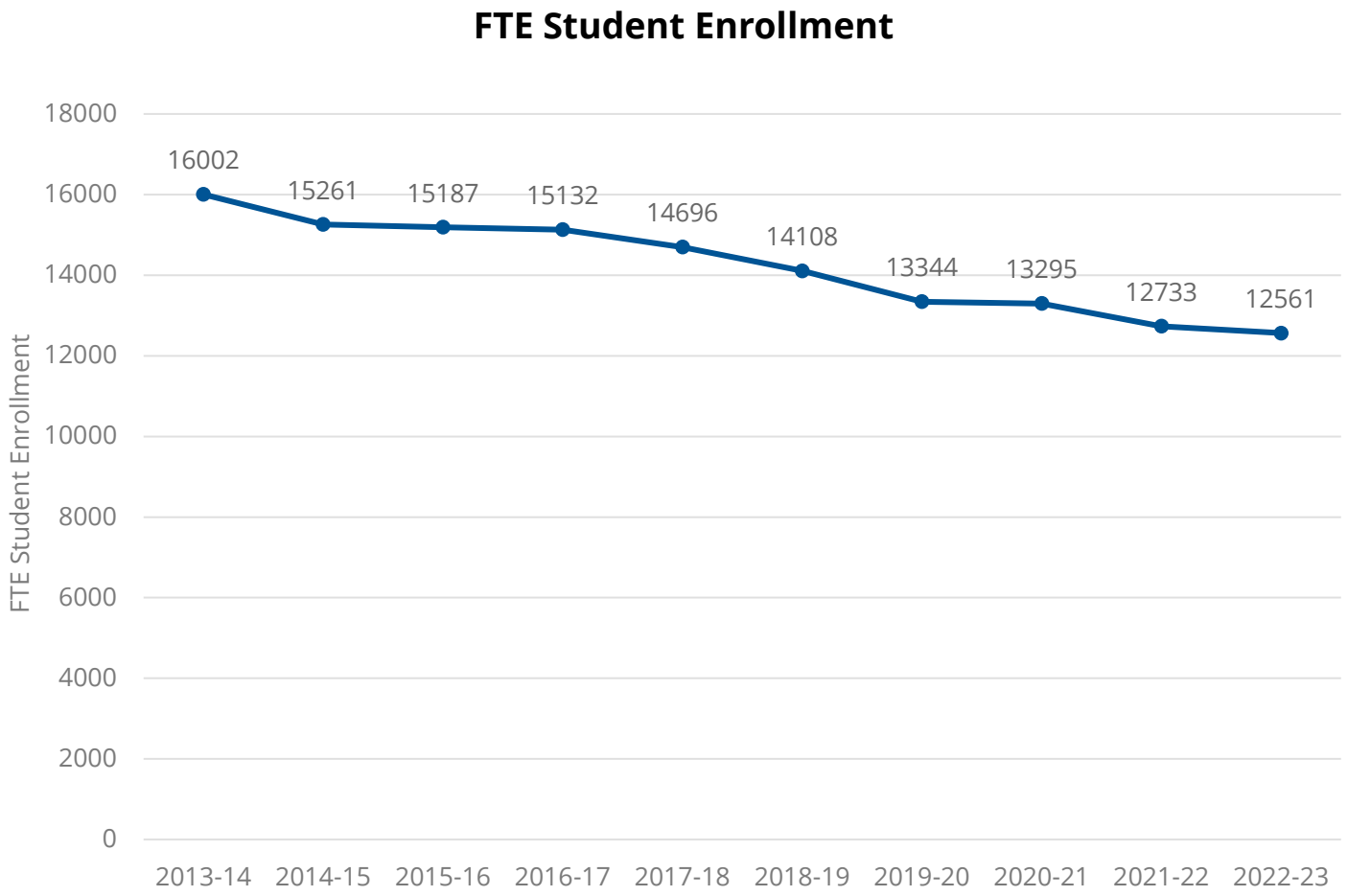
Current Performance on the Comprehensive Funding Model



18% WKU | **16%** KY Comps

number of Student Credit Hours earned from 2013-14 to 2022-23

Current Performance on the Comprehensive Funding Model



22% WKU

21% KY Comps

number of FTE Student Enrollment from 2013-14 to 2022-23

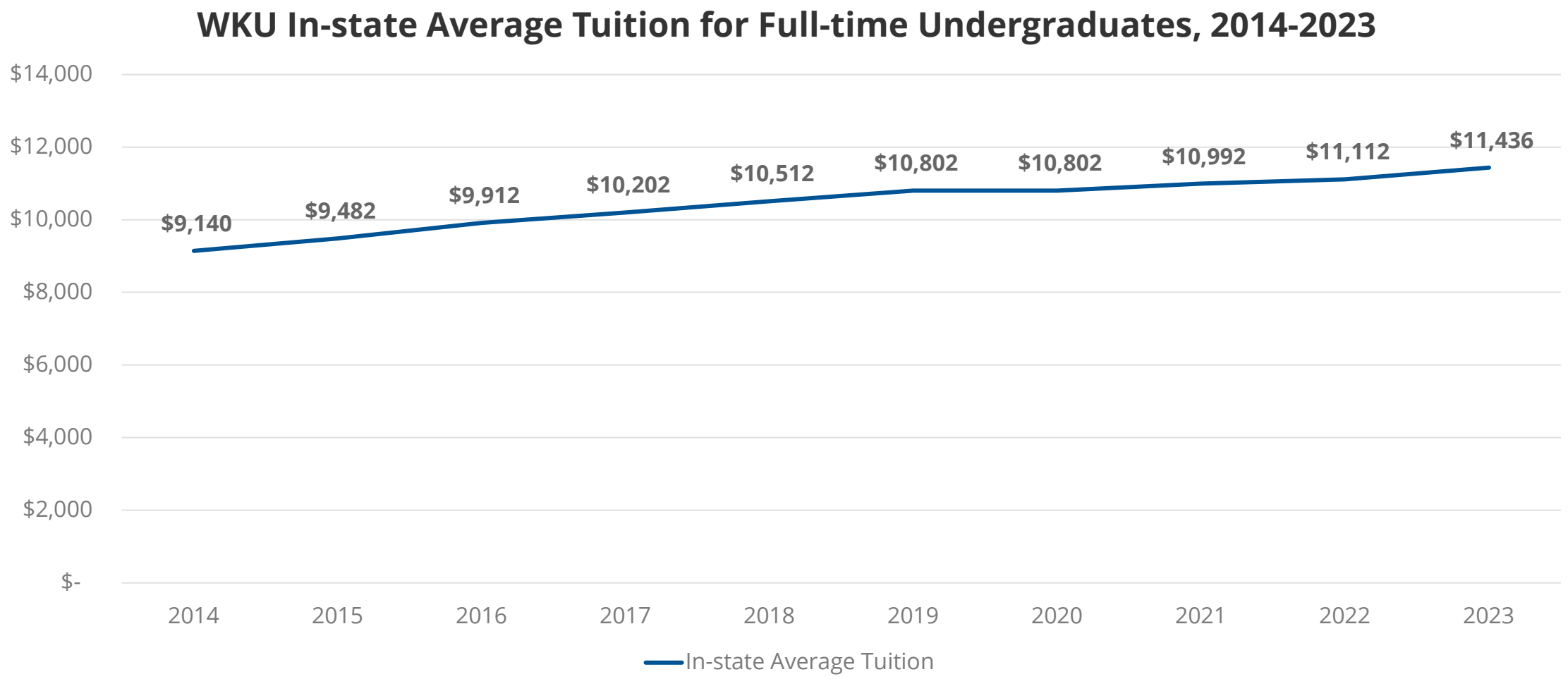
Financial Model Driving Assumptions | Other Expenses (Detailed)

WKU stakeholder discussions, proposal and related materials, and peer / market research inform the drivers behind the financial model.

Line Item	Forecast Approach	Moderate Driver	Conservative Driver
Marketing, Program Development, and Curriculum Design	WKU Proposal and Related Materials	WKU provided rates and indicated that costs will be zero or near zero after Year 0. WKU indicated that 100% of marketing, program development, and curriculum design expense totals will be funded by internal reallocations from the Provost's Strategic Initiative Fund.	Same assumptions as moderate model.
Library	WKU Proposal and Related Materials	Incorporates annual rates indicated by WKU.	Same assumptions as moderate model.
Travel	WKU Proposal and Related Materials	WKU estimated travel totals at $20,000 per year, regardless of personnel or enrollment totals. Model instead treats travel expenses as variable, with rates of $1,000 per faculty, administrator, and student. This averages $20,000 per year over Years 1-5 before annual increases for inflation. Staff travel is budgeted at $0.00. Assume costs in excess of this amount would be billed to faculty start-up funds and/or central university Graduate Student Travel & Research grants.	Same assumptions as moderate model.
Equipment	WKU Proposal and Related Materials	Incorporates annual rates indicated by WKU.	
Facilities	WKU Proposal and Related Materials	Assume that facilities expenses will be $0. WKU indicated that existing spaces on campus will be repurposed to support the program and therefore no additional facilities expenses will be necessary.	Same assumptions as moderate model.
Other Operating Expenses	WKU Proposal and Related Materials	Incorporates annual rates indicated by WKU.	Same assumptions as moderate model.

Historical Tuition Rates

Annual tuition increases in the WKU financial projections were based on the Compound Annual Growth Rate (CAGR) of 2.5% for WKU's in-state tuition rates from 2014 through 2023.



Sources: IPEDS Data Center.

Workforce Alignment Methodology

The project team assessed trends in the Kentucky labor market compared to the associated occupations for Data Sciences programs to understand how the proposed program aligns to the needs of the region and the state.

Methodology:

- Evaluated national and Kentucky labor market demand, including historical demand and long-term employment projections for occupational groups into 2032
- Analyzed workforce projections for Standard Occupational Classification (SOC) codes aligned to relevant academic program Classification of Instructional Program (CIP) codes using the NCES CIP-SOC Crosswalk

The following Data Sciences CIP Codes…

30.7001: Data Sciences, General

30.7099: Data Sciences, Other

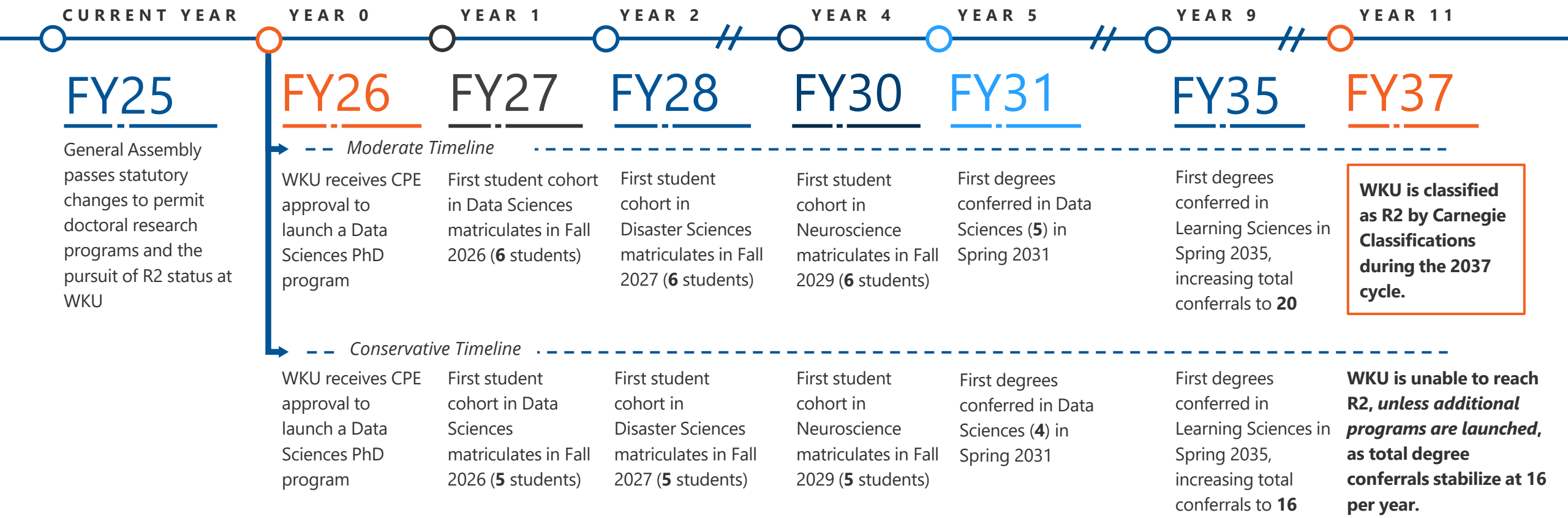
…are aligned with the following SOC codes (occupations).

- 11-3021 Computer and Information Systems Managers
- 11-9121 Natural Sciences Managers
- 15-1221 Computer and Information Research Scientists
- 15-1243 Database Architects
- 15-1252 Software Developers[1]
- 15-2041 Statisticians
- 15-2051 Data Scientists
- 25-1199 Postsecondary Teachers, All Other

Notes: 1) CIP-SOC Crosswalk for Data Sciences includes 12-1252 Software Developers, which is also associated with the following 2010 and 2018 SOC Codes:. 15-1132: Software Developers, Applications, 15-1133: Software Developers, Syste Software, 15-1256: Software Developers and Software Quality Assurance Analysts and Testers. Sources: Bureau of Labor Statistics Occupational Employment and Wage Statistics; Bureau of Labor Statistics Occupation Profiles; Kentucky Center for Statistics Employment and Wages by Occupation; NCES CIP-SOC Crosswalk; Projections Central Long-Term Projections.

R2 Pursuit Implementation Timeline

If approved, the success of WKU's pursuit of an R2 Carnegie Classification will depend on the size of the doctoral research programs; under moderate assumptions, WKU will be classified as R2 during the 2037 Carnegie Classification cycle.



Proposed timelines above were developed using key activities and dates outlined by WKU but include adjustments as determined appropriate for timeline feasibility. Additionally, this timeline is our best assessment based on available information and may change as a result of unforeseen circumstances and program assumption adjustments.

Detailed Moderate R2 Timeline

Under moderate assumptions, WKU will be able to reach R2 status by the 2037 Carnegie Classifications cycle.

To reach R2, WKU must confer at least 20 doctoral degrees a year

Moderate Timeline for WKU's Pursuit of R2													
	FY26^	**FY27**	**FY28***	**FY29^**	**FY30**	**FY31***	**FY32^**	**FY33**	**FY34***	**FY35^**	**FY36**	**FY37***	**FY38^**
Data Sciences													
Enrollment		6	12	18	24	29	29	29	29	29	29	29	29
Degrees						5	5	5	5	5	5	5	5
Disaster Sciences													
Enrollment			6	12	18	24	29	29	29	29	29	29	29
Degrees							5	5	5	5	5	5	5
Neuroscience													
Enrollment					6	12	18	24	29	29	29	29	29
Degrees									5	5	5	5	5
Learning Sciences													
Enrollment						6	12	18	24	29	29	29	29
Degrees										5	5	5	5
Total Degrees	0	0	0	0	0	5	10	10	15	20	20	20	20

Legend

^ : last year data collected for upcoming Carnegie cycle
*: Carnegie classifications released

The last year data is collected is two years before each classification cycle (e.g., for the 2025 classification cycle, 2022-23 is the last year data is collected).

Moderate Assumptions:

- 5-year program
- 6 new students per year until 29 total enrollment
- 20% attrition rate
- Expected launch years provided by WKU

Using moderate assumptions, WKU will reach R2 status by the 2037 Carnegie Classification c

Detailed Conservative R2 Timeline

Without adding an additional fifth PhD programs, WKU will be unable to reach R2 under conservative assumptions.

To reach R2, WKU must confer at least 20 doctoral research degrees a year

Conservative Timeline for WKU's Pursuit of R2													
	FY26^	**FY27**	**FY28***	**FY29^**	**FY30**	**FY31***	**FY32^**	**FY33**	**FY34***	**FY35^**	**FY36**	**FY37***	**FY38^**
Data Sciences													
Enrollment		5	10	15	20	24	24	24	24	24	24	24	24
Degrees						4	4	4	4	4	4	4	4
Disaster Sciences													
Enrollment			5	10	15	20	24	24	24	24	24	24	24
Degrees							4	4	4	4	4	4	4
Neuroscience													
Enrollment					5	10	15	20	24	24	24	24	24
Degrees									4	4	4	4	4
Learning Sciences													
Enrollment						5	10	15	20	24	24	24	24
Degrees										4	4	4	4
Total Degrees	0	0	0	0	0	4	8	8	12	16	16	16	16

Legend

^ : last year data collected for upcoming Carnegie cycle
*: Carnegie classifications released

The last year data is collected is two years before each classification cycle (e.g., for the 2025 classification cycle, 2022-23 is the last year data is collected).

Conservative Assumptions:

- 5-year program
- 5 new students per year until 24 total enrollment
- 35% attrition rate
- Expected launch years provided by WKU

Using conservative assumptions, WKU will not reach R2 with the current four proposed PhD program

Appendix | Kentucky State University

KSU Campus Visits and Virtual Interview

On 9/23/24, the project team visited the Kentucky State University Campus and met with the following stakeholders.

Meeting Time (EST)	**Participants**
University Leaders & Agroecology Leadership (12:00 – 1:30 PM)	• Michael D. Dailey – Provost and Vice President of Academic Affairs • Maheteme Gebremedhin – Acting Chair, School of Agriculture and Natural Resources • Marcus Bernard – Dean of the College of Agriculture, Health and Natural Resources & Director of Land-Grant Programs • Buddhi Gywali – Interim Director, Graduate Studies & Professor Geospatial Applications, Human Dimensions and Climate Studies
President Akakpo (2:00 -3:00 PM)	• President Koffi Akakpo
Relevant Faculty (3:00 – 4:30 PM)	• Rita Sharma – Associate Professor of Chemistry • Jyotica Batra – Assistant Professor of Physics • Andrew Ray – Associate Professor of Aquaculture Production • Suraj Upadhaya – Assistant Professor of Sustainable Systems • Anuj Chiluwal – Assistant Professor of Agronomy

On 10/4/24, the project team conducted a virtual interview with the following stakeholders.

Meeting Time (EST)	**Participants**
Relevant Faculty (9:00 – 9:30 AM)	• Kirk Pomper – Professor, School of Agriculture, Communities, and the Environment • Bruce Griffis – Assistant Professor of Biology

KSU HBCU/Land-Grant Peers

The institutions listed below have both Land-Grant and HBCU status, making them mission-similar peers to Kentucky State University.

- Alabama A & M University
- Alcorn State University
- Central State University
- Delaware State University
- Florida Agricultural and Mechanical University
- Fort Valley State University
- Langston University
- Lincoln University
- North Carolina A & T State University
- Prairie View A & M University
- South Carolina State University
- Southern University and A & M College
- Southern University Law Center
- Tennessee State University
- Tuskegee University
- University of Arkansas at Pine Bluff
- University of Maryland Eastern Shore
- University of the District of Columbia
- University of the Virgin Islands
- Virginia State University
- West Virginia State University

Sources: IPEDS Data Center.

Agroecology Peer Programs

The institutions listed below were identified as a) doctoral programs under the CIP code 01.0308: Agroecology and Sustainable Agriculture or b) opportunities within doctoral programs to study agroecology or sustainable agriculture (concentration, focus, etc.).

Programs in CIP Code 01.0308: Agroecology and Sustainable Agriculture

- Iowa State University – Sustainable Agriculture
- Louisiana State University and Agricultural & Mechanical College – Plant, Environmental, and Soil Sciences
- Mississippi State University – program name unknown
- North Carolina A&T State University – Agricultural and Environmental Sciences, concentration in Sustainable Agriculture
- Southern Illinois University-Carbondale – Agricultural Sciences

Similar Doctoral Programs

- Cornell University – Soil and Crop Sciences, focus in Agronomy
- Colorado State University – Soil and Crop Sciences, focus in Agroecology
- Delaware State University – Integrative Agriculture, Food and Environment Sciences
- Florida International University – Earth Systems Science, concentration in Agroecology
- Michigan State University – Crop and Soil Sciences, focus on Sustainable Agriculture
- Pennsylvania State University – Agricultural and Environmental Plant Science, focus on Agroecology
- North Carolina State University – Crop Science, focus on Sustainable Agriculture
- Oregon State University – Crop Science, focus on Sustainable Agriculture
- University of California, Davis – Horticulture and Agronomy with focus on Agroecology
- University of California, Santa Cruz – Environmental Studies, focus on Agroecology
- University of Florida – Concentration in Global Systems Agroecology
- University of Illinois Urbana-Champaign – Agroecology and Sustainable Agriculture Program
- University of Minnesota – Applied Plant Sciences, focus on Agroecology
- University of New Hampshire – Natural Resources and Earth Systems Science, focus on Sustainable Agriculture
- University of Vermont – Plant and Social Science, focus on Agroecology
- Washington State University – Crop Sciences, focus on Sustainable Agriculture

Sources: Institutions identified using publicly available data and IPEDS Data Center.

KSU Composite Financial Index (CFI) Calculation

KSU's CFI is calculated using the methodology outlined for public institutions by the Higher Learning Commission.

PUBLIC

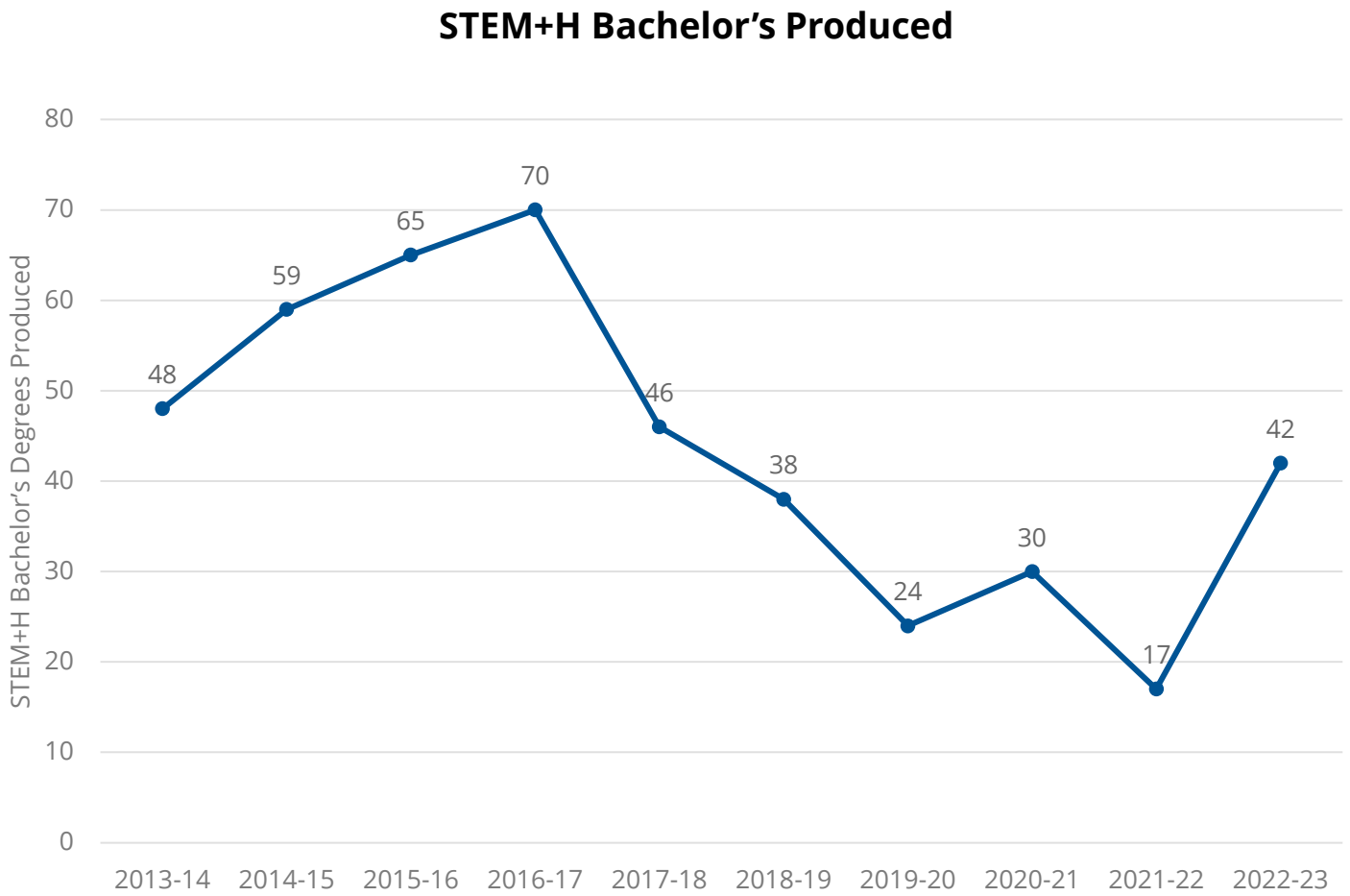
Primary Reserve	Strength = ratio / .133 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .35 cfi = strength * weight
Net Operating Revenue	Strength = ratio /.013 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .10 cfi = strength * weight
Return on Net Assets	Strength = ratio /.02 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .20 ratio = strength * weight
Viability	Strength = 10 if denominator = 0 Strength = ratio /.417 Strength = 10 if > 10 Strength = -4 if < -4 Weight = .35 cfi = strength * weight

Financial Ratios

Primary Reserve Ratio Calculation:		Data	Strength	Weight	CFI
Institution unrestricted net assets	+	(19,250,207.0)			
Institution expendable restricted net assets	+	10,367,263.0			
C.U. unrestricted net assets	+	1,604,846.0			
C.U. temporary restricted net assets	+	10,669,081.0			
C.U. net investment in plant	-	0.0			
Numerator Total		3,390,983.0			
Institution operating expenses	+	78,527,900.0			
Institution non-operating expenses	+	5,872,029.0			
C.U. total expenses	+	1,336,879.0			
Denominator Total		85,736,808.0			
Primary Reserve Ratio =	÷	**0.04**	**0.30**	**0.35**	**0.10**
Net Operating Revenue Ratio Calculation:					
Institution operating income (loss)	+	(27,351,203.0)			
Institution net non-operating revenues	+	27,501,144.0			
C.U. change in unrestricted net assets	+	(885,347.0)			
Numerator Total		(735,406.0)			
Institution operating revenues	+	51,176,697.0			
Institution non-operating revenues	+	27,501,144.0			
C.U. total unrestricted revenues	+	451,532.0			
Denominator Total		79,129,373.0			
Net Operating Revenue Ratio =	÷	**-0.01**	**-0.71**	**0.10**	**-0.07**
Return on Net Assets Ratio Calculation:					
Change in net assets + C.U. change in net assets		(2,069,000.0)			
Total net assets + C.U. total net assets (beginning of year)		17,884,064.0			
Return on Net Assets Ratio =	÷	**-0.12**	**-4.00**	**0.20**	**-0.80**
Viability Ratio Calculation:					
Expendable net assets **Numerator Total =**		3,390,983.0			
Institution long-term debt (total project related debt)	+	96,130,526.0			
C.U. long-term debt (total project related debt)	+	0.0			
Denominator Total		96,130,526.0			
Viability Ratio =	÷	**0.04**	**0.08**	**0.35**	**0.03**
COMPOSITE FINANCIAL INDICATOR SCORE (CFI)					**-0.74**

Sources: KSU State Audited Financial Statements; Higher Learning Commission CFI Worksheet

Current State Performance on the Comprehensive Funding Model



13% KSU

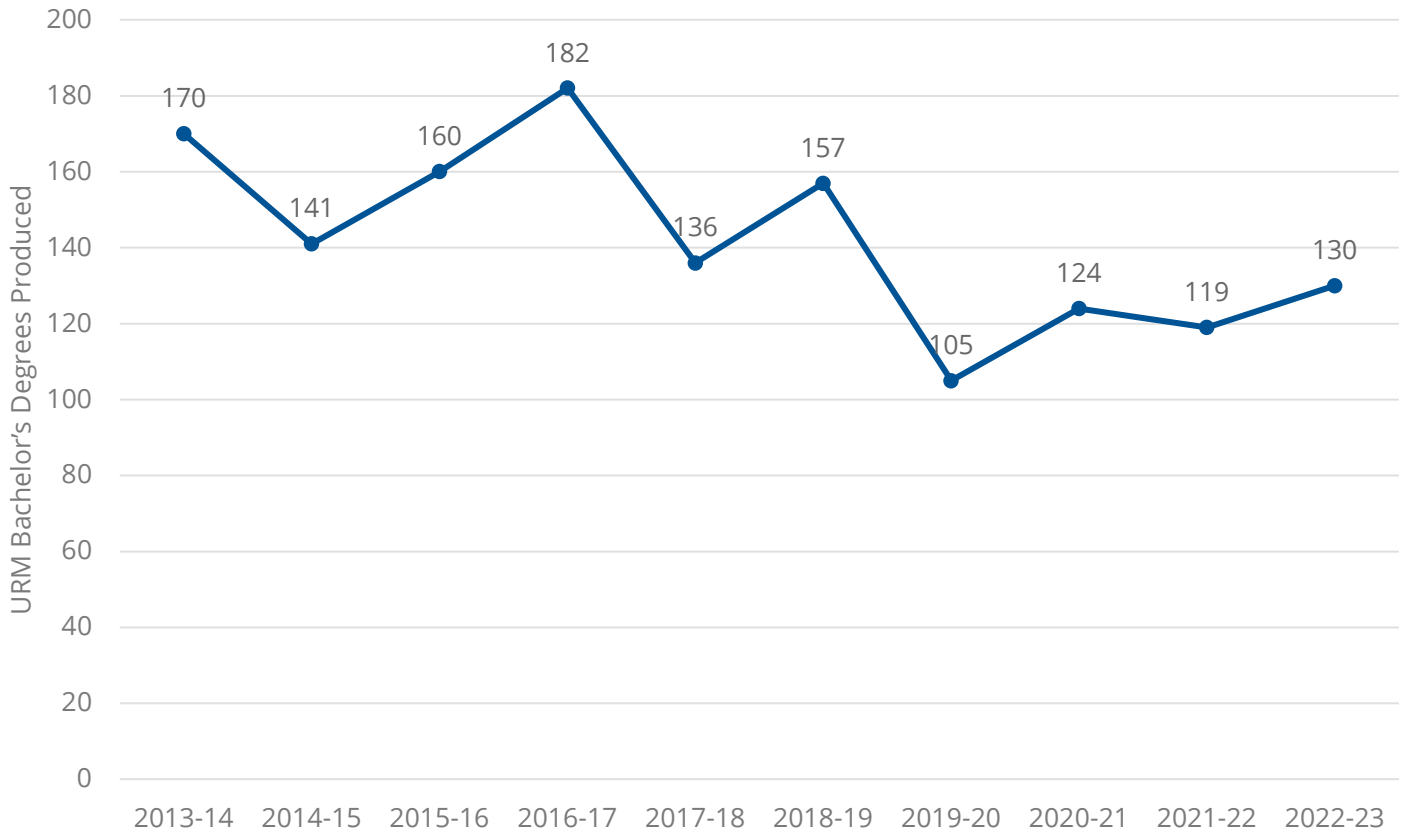
7% KY Comps[1]

number of STEM+H Bachelor's produced from 2013-14 to 2022-23

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

Underrepresented Minority Student (URM) Bachelor's Produced[1]



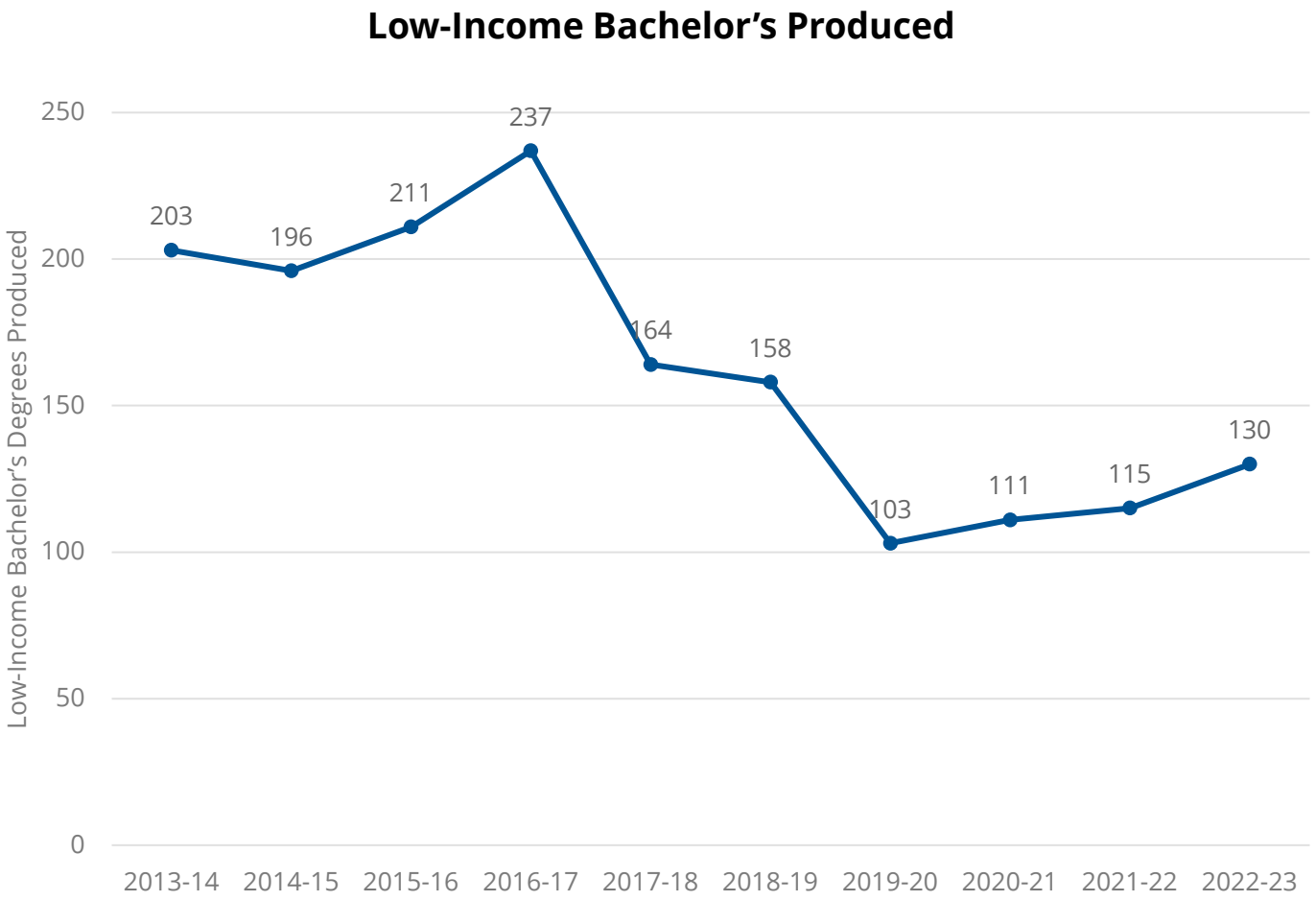
24% KSU

23% KY Comps

number of URM Bachelor's produced from 2013-14 to 2022-23

Note: 1) The URM Bachelor's Degrees metric has been amended to "underrepresented students", defined as "first generation college students", for the 2024-25 funding distribution.

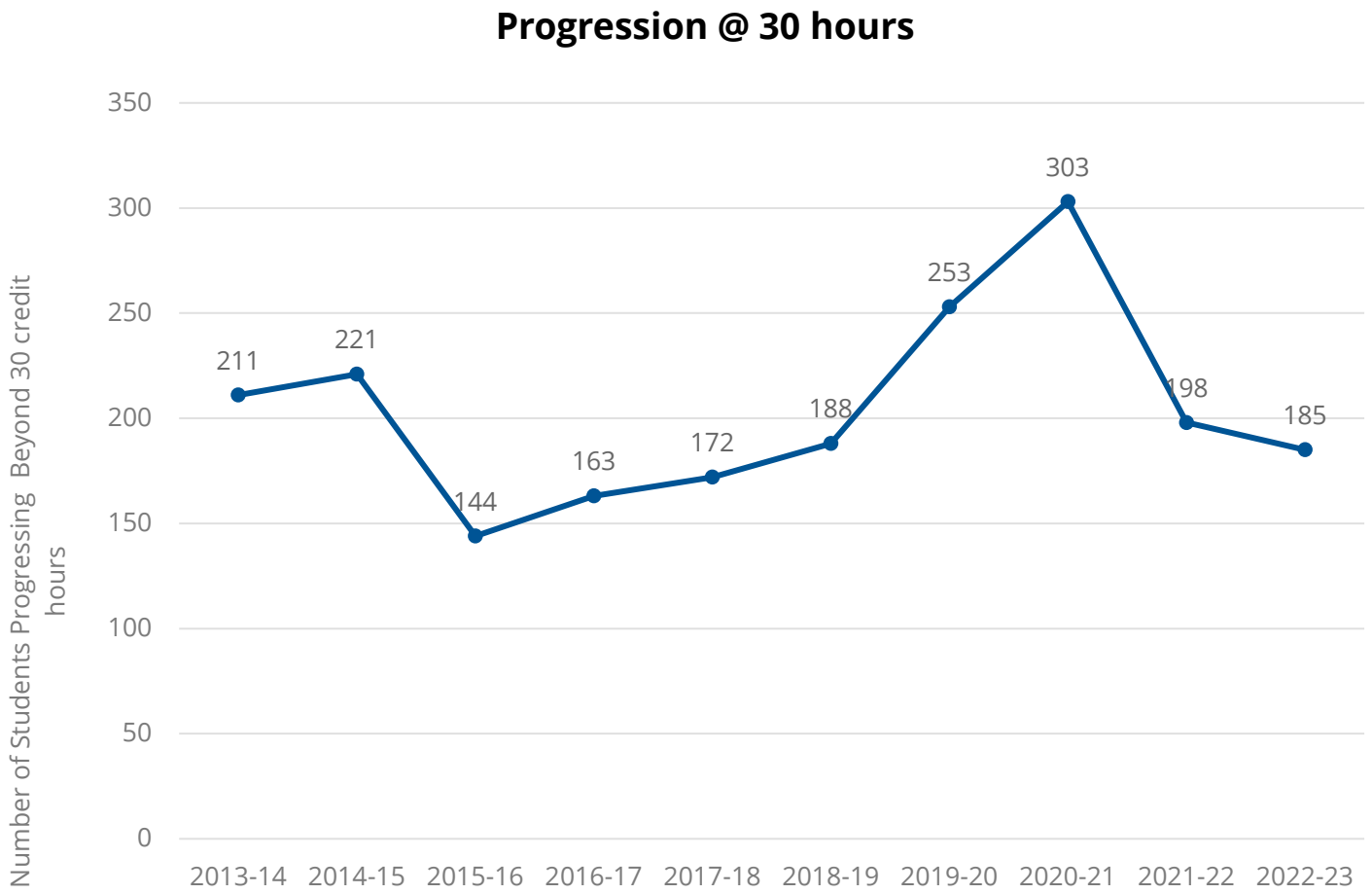
Current State Performance on the Comprehensive Funding Model



36% KSU | **15%** KY Comps

number of Low-Income Bachelor's produced from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



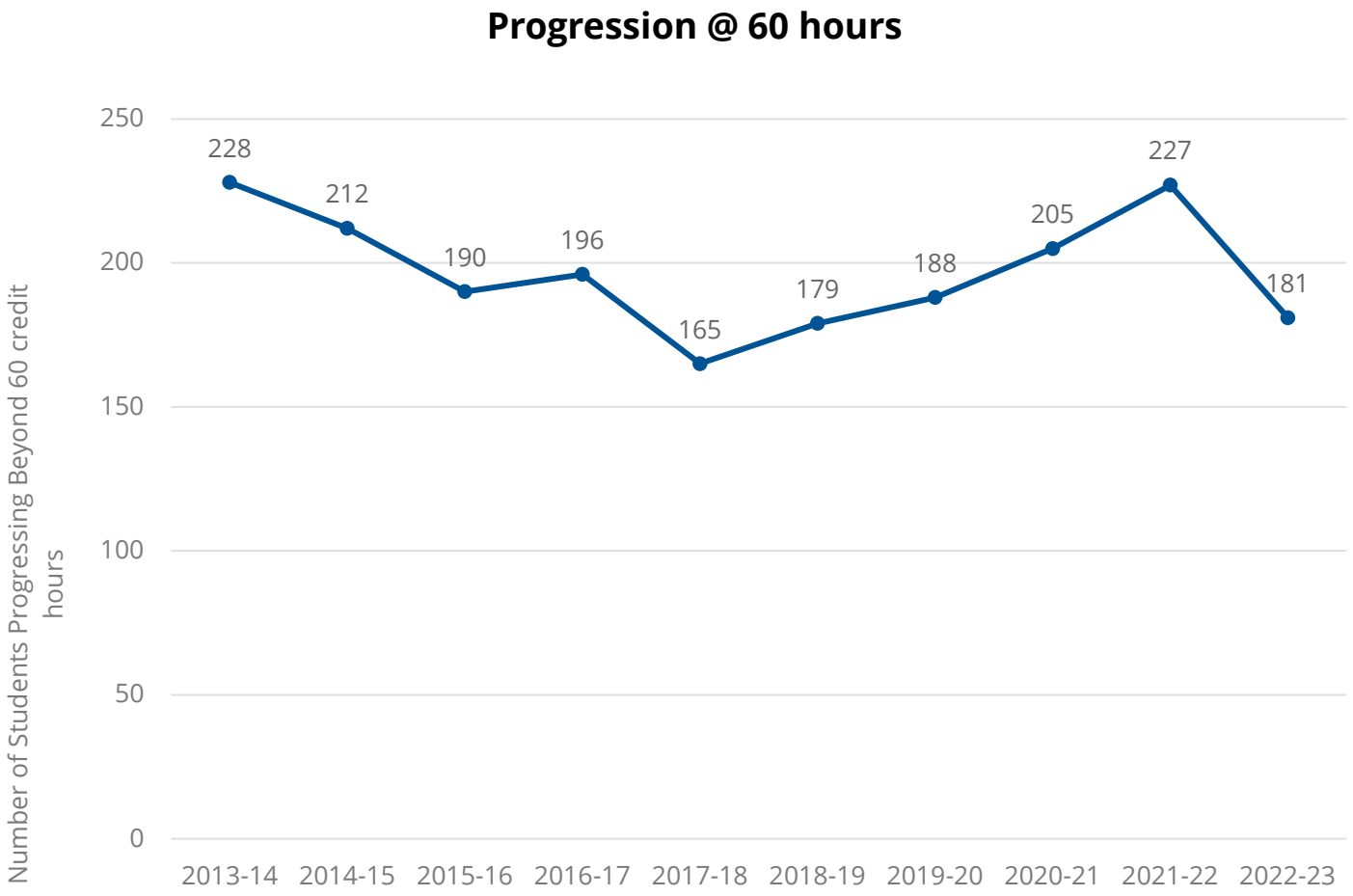
12% KSU

20% KY Comps[1]

number of undergraduate students @ 30 hours from 2013-14 to 2022-23

Notes: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

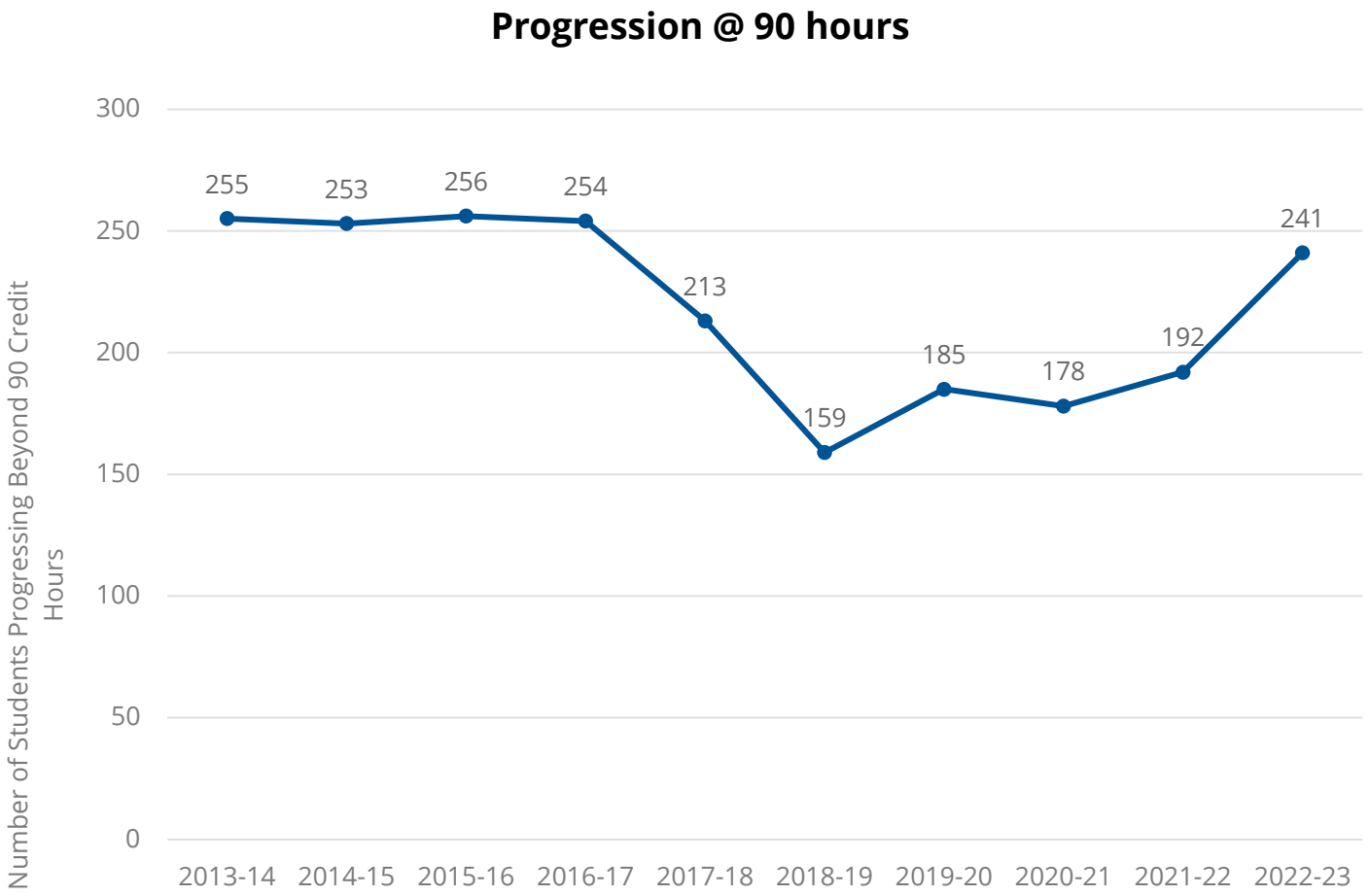


21% KSU

15% KY Comps

number of undergraduate students @ 60 hours produced from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model

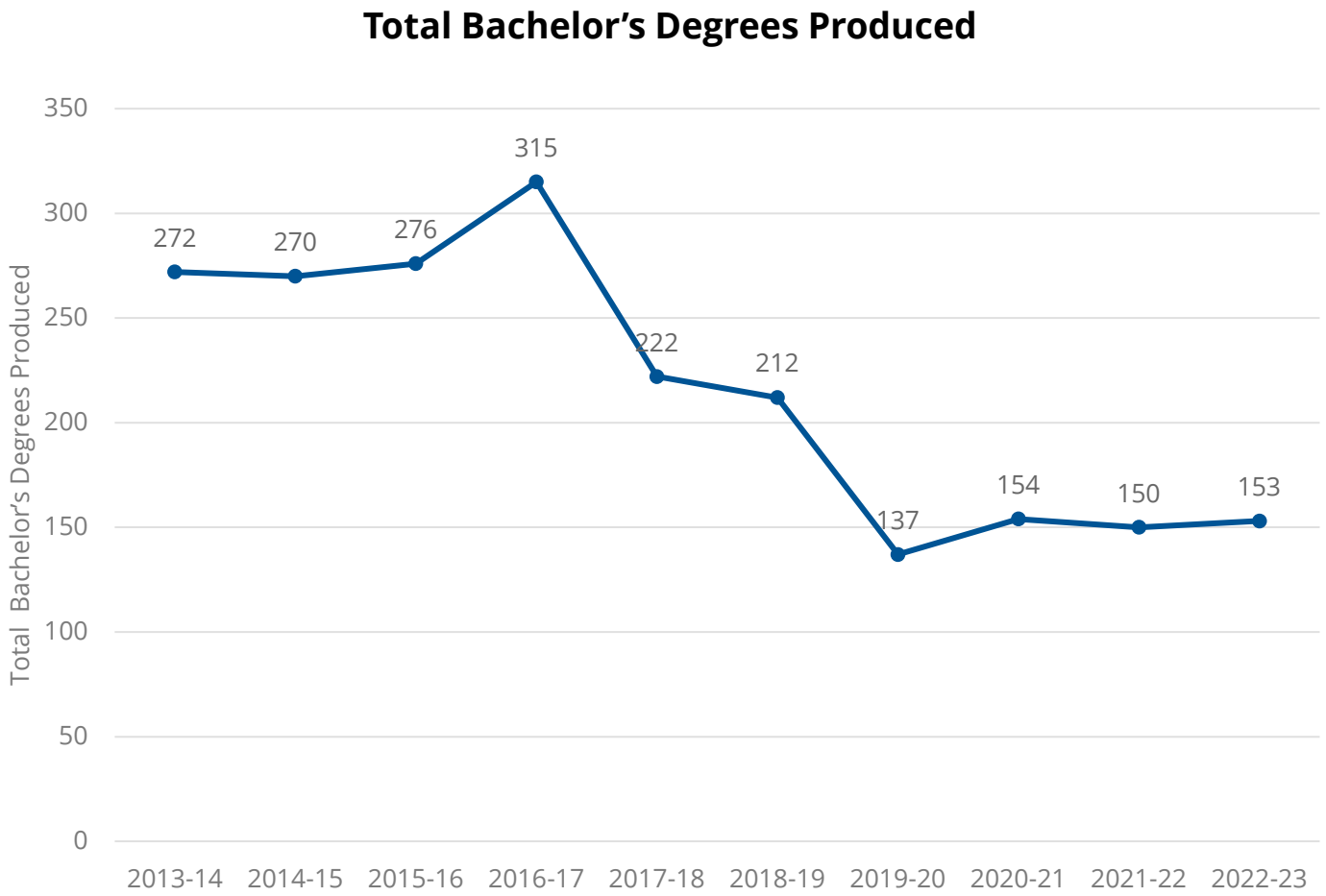


5% KSU

11% KY Comps

number of undergraduate students @ 90 hours from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



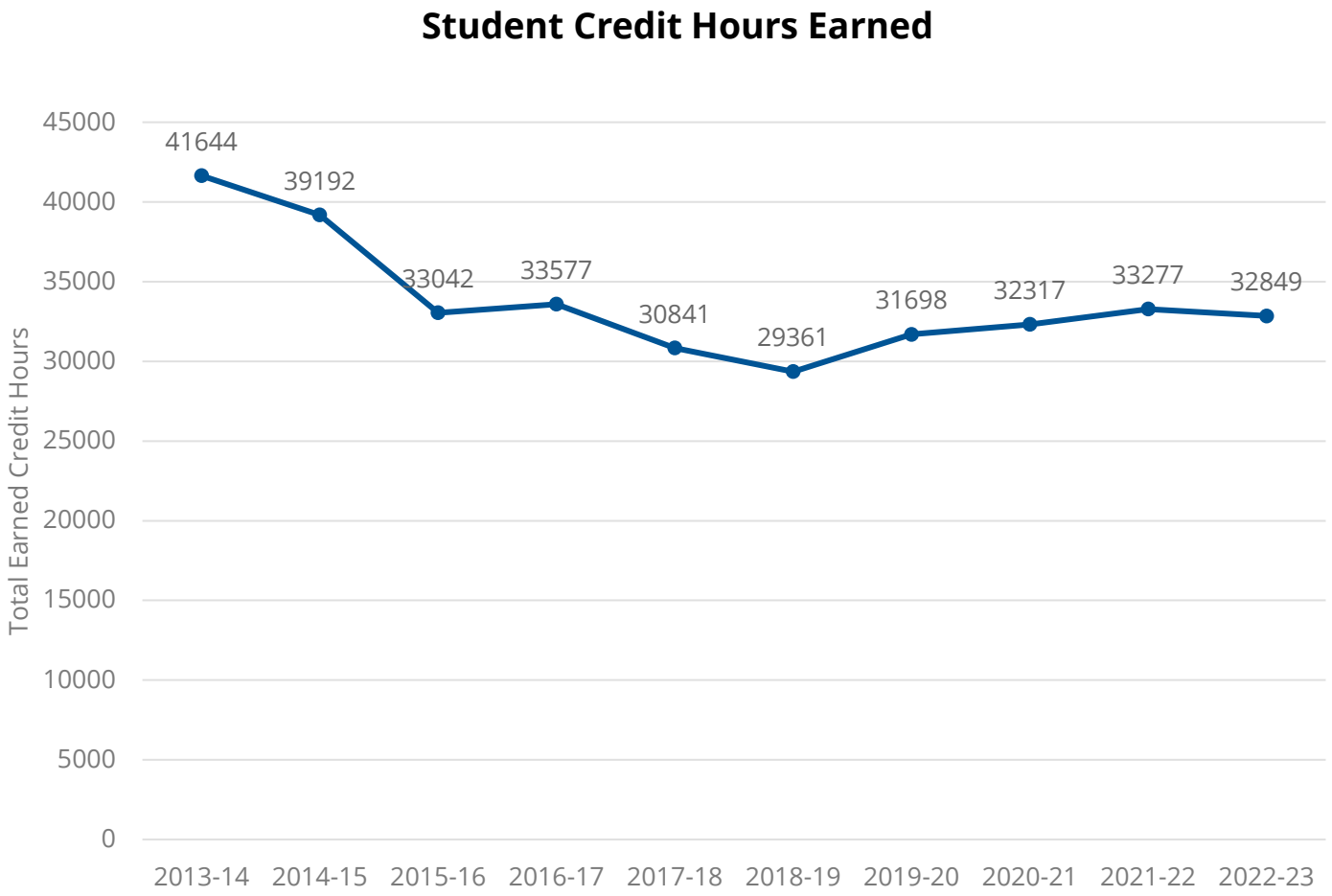
44% KSU

8% KY Comps[1]

number of Total Bachelor's produced from 2013-14 to 2022-23

Note: 1) KY Comps refers to all six Kentucky public comprehensive universities: Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Source: Funding Model Outcomes provided by CPE.

Current State Performance on the Comprehensive Funding Model

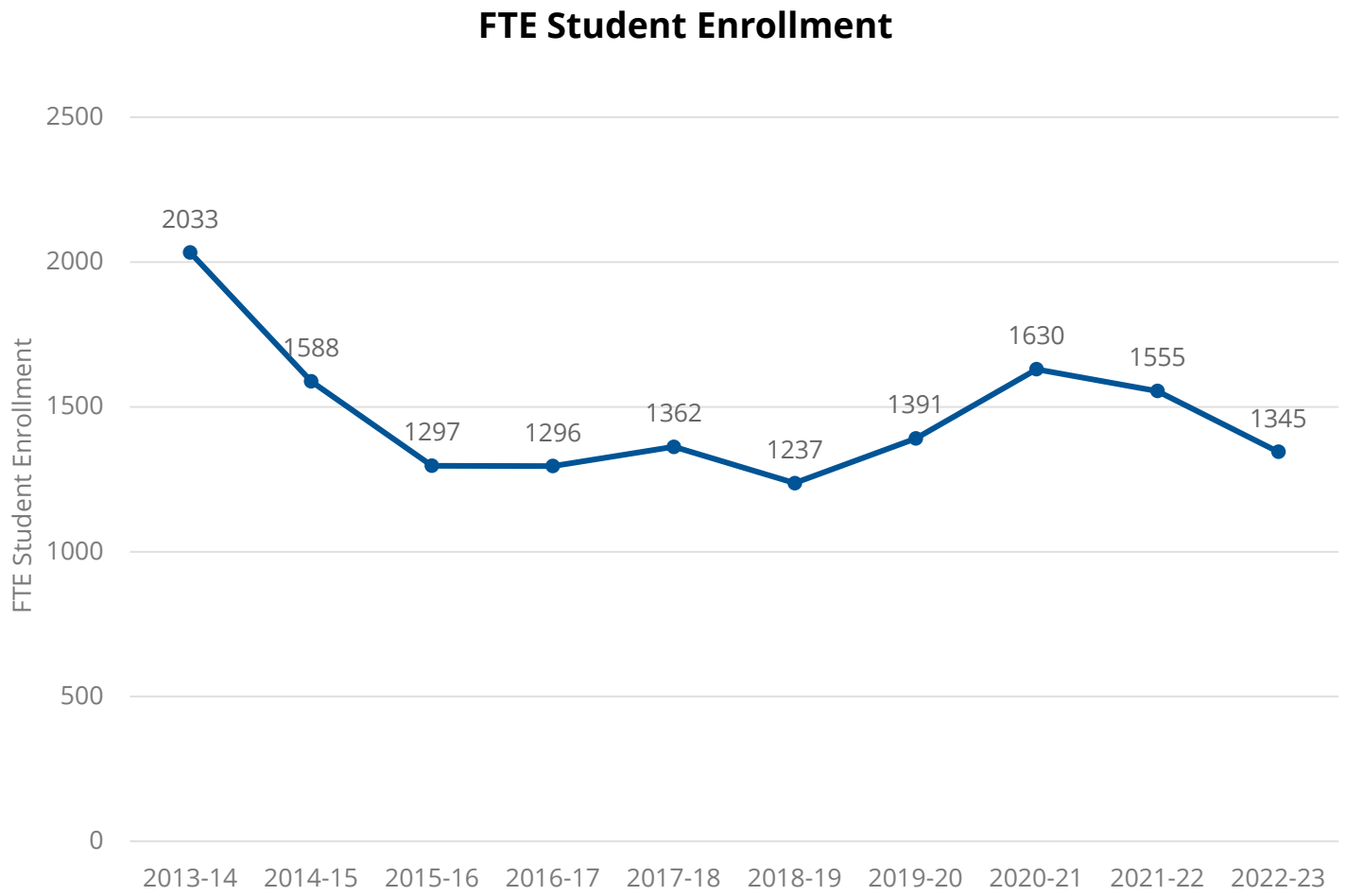


21% KSU

16% KY Comps

number of Student Credit Hours earned from 2013-14 to 2022-23

Current State Performance on the Comprehensive Funding Model



34% KSU

21% KY Comps

number of FTE Student Enrollment from 2013-14 to 2022-23

Financial Model Driving Assumptions | Other Expenses (Detailed)

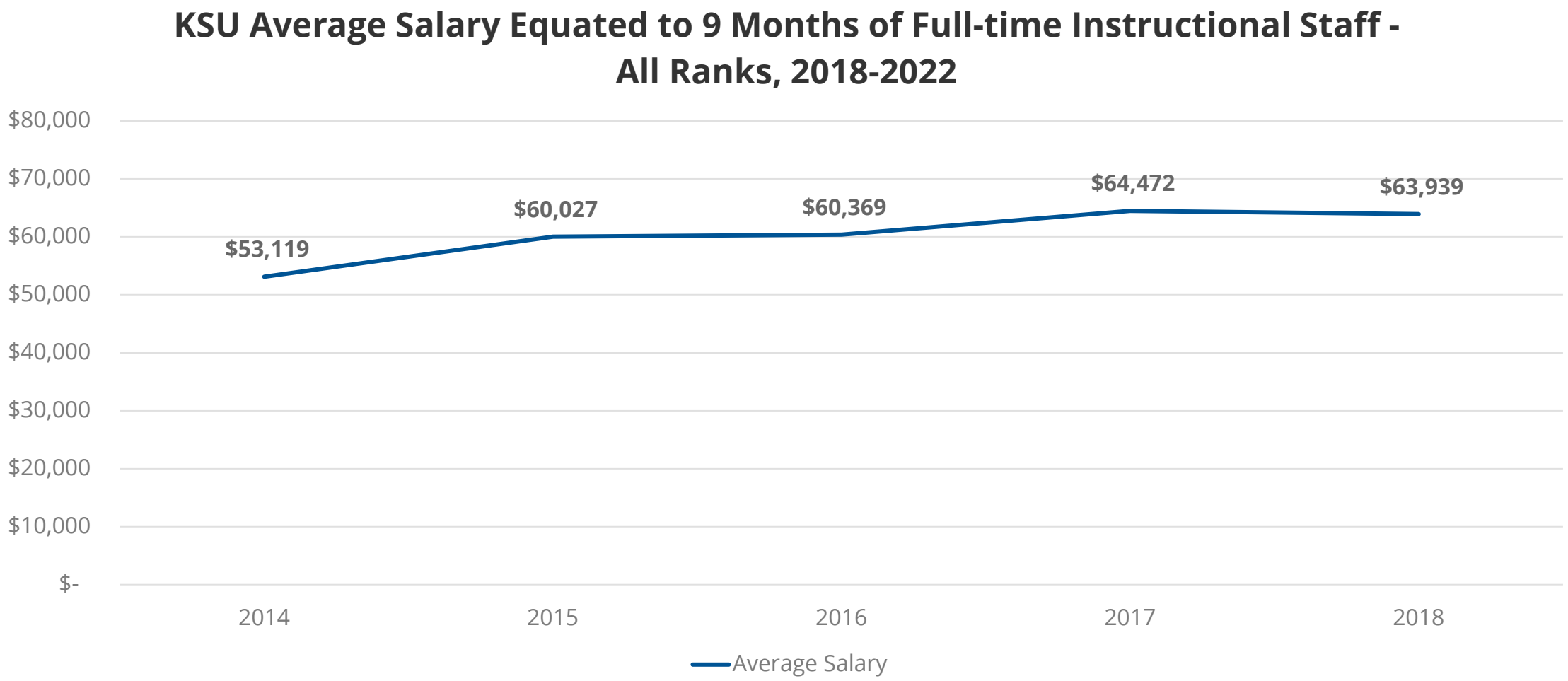
KSU stakeholder discussions, proposal and related materials, and peer / market research inform the drivers behind the financial model for the PhD in Integrated Agroecology.

Line Item	Forecast Approach	Moderate Driver	Conservative Driver
Program Development and Curriculum Design	KSU Proposal and Related Materials, National Trends	KSU supplied rate for first year, which is modeled in Year 0. KSU indicated intention to conduct program review/assessment every five years, so model assumes the cost will be incurred again in Year 4.	Same assumptions as moderate model.
Student Support	KSU Proposal and Related Materials, National Trends	KSU supplied rate of $100,000 to be spent on health insurance and other support (e.g., travel to professional conferences, training to learn new instruments or research and software skills). Model assumes that this base rate will remain constant despite fluctuations in enrollment year over year.	Same assumptions as moderate model.
Marketing	KSU Proposal and Related Materials, National Trends	Incorporates annual rates indicated by KSU.	Same assumptions as moderate model.
Facilities	KSU Proposal and Related Materials, National Trends	Assume that facilities expenses will be $0. KSU indicated that they have an infrastructure improvement plan already in place for several projects that will benefit the PhD in Integrated Agroecology program but will proceed regardless of whether the program is launched (e.g., Soil Lab, Graduate Housing)	Same assumptions as moderate model.
Other Operating Expenses	KSU Proposal and Related Materials, National Trends	Other Operating Expenses: Initial rate of $30,000 supplied by KSU ("Miscellaneous Expenses" e.g., software, computers, instruments, safety and hazard management, etc.). However, when building the model, we have included an additional $5,000 per year to cover "other/miscellaneous" expenses to account for ongoing program expenses such as office equipment and services, library materials and subscriptions).	Same assumptions as moderate model.

Sources:

Historical Faculty Salary Rates

In the KSU financial projections, starting salaries for faculty and staff were supplied by KSU, but forecasted annual increases for the moderate scenario are assumed to be 4.7% annually[1], based on five-year trend analysis of KSU's instructional faculty and staff expenses.



Notes: Conservative projections assume annual personnel increases 1 percentage point higher (5.7%). Sources: IPEDS Data Center.

Student Enrollment in Feeder Programs

KSU's total student enrollment in expected feeder programs for a PhD in Integrated Agroecology and Sustainable Agriculture.

Program	2019	2020	2021	2022	2023
MS in Environmental Studies	19	18	18	13	28
MS in Aquaculture	12	14	9	17	18
BS in Agriculture, Food and Environment	31	64	59	54	85

Source: Cursory Enrollment by Program at KSU, provided by CPE.

Survey on Interest in Proposed PhD Program

Results of June 2024 internal survey sent to KSU graduate students that asked, "Would you be interested in the PhD in Agroecology and Sustainable Agriculture blended with Data Science to be launched in Fall 2025?".

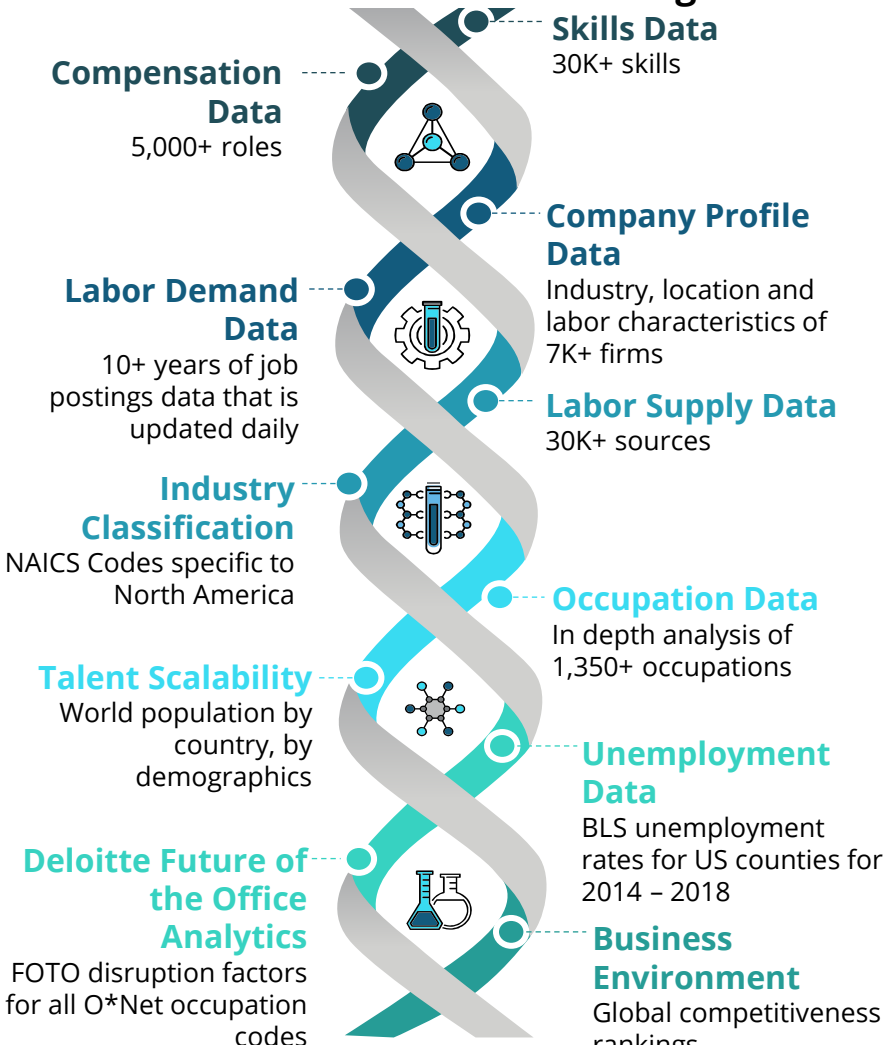
Survey Response:	**Yes**	**No**	**Undecided**	**Total**
# of responses	24	1	3	28

Source: "Results of the Market research done internally seeking interests of the current graduate students in the proposed doctoral program" provided by KSU.

Deloitte Labor Market Intelligence™ Data

Deloitte Labor Market Intelligence™ is a curated and objective workforce insights that synthesize real-time global labor market intelligence data from over 30,000 unique sources.

What is Labor Market Intelligence?



Key insight areas

Labor market competitiveness
How competitive are we in areas such as turnover, wage inflation, and hiring?

Recruitment and retention strategy
From which companies, colleges, and/or locations should we recruit talent for high-priority skills/roles?

Skills
Which tools, technologies, and skill sets are my industry peers and competitors adopting?

Labor market diversity
Is our workforce representative of the demographics of talent in our market?

Labor Market Insights powered by market data from 21 billion records across 30,000+ sources

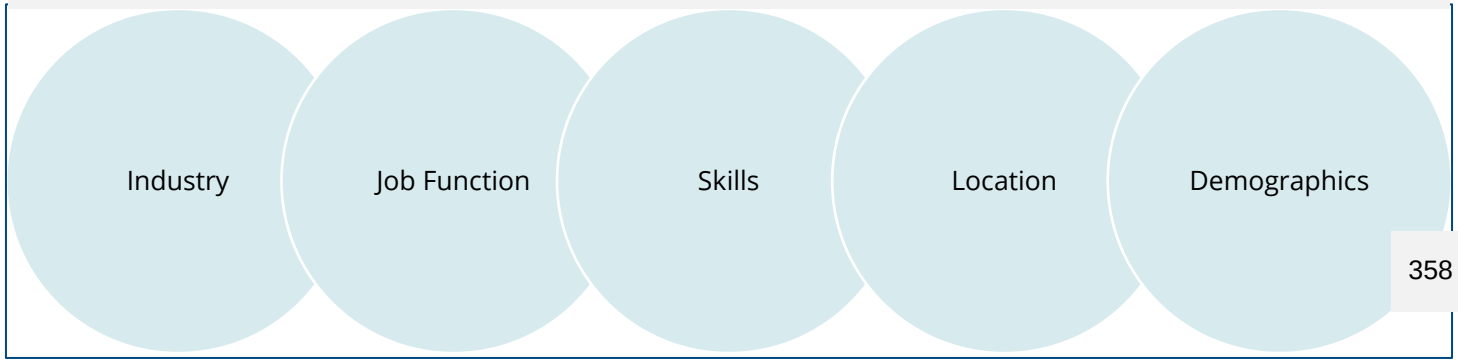
Combines data from public sources and multiple private vendors to provide a one-stop shop for labor market insights

Access is available on an as-needed basis, meaning the scope of data and costs of access scale according to the need

Supported by Deloitte's team of Human Capital experts – we know the data inside and out from the perspective of an HR practitioner

How granular are the insights?

Analyses can be tailored to fit each unique need and can be filtered/segmented by any number of dimensions, including:



Deloitte Labor Market Intelligence™ Data

Below is a listing and details of the primary sources that underpins Deloitte's Labor Market Intelligence services

Data Type	Data Topic(s)	Source Methodology	Refresh Schedule
Labor Demand	Job postings by company, location, job title, including full job description	Extract full job descriptions from over 55,000 company websites, aggregated daily	Daily
Labor Supply	Employee Profiles, Attrition, Promotion rates, career pathways, skills supply	Analyzes 330 million+ full resumes from over 2,000 unique sources, including social media websites, job boards, and job posting sites	Monthly
Compensation	Compensation of employees and compensation listed in job postings by company, location, and title	Job postings, employee review sites, compensation surveys	Monthly
Government Sources	Labor Supply, Demand, Compensation, Demographics	Government sources, internal customer sources, job posting sites, social media, online profiles and resumes	Quarterly
Skills Library	Skill clusters, titles, and definitions for over 30,000 unique skills	Extracted from an open-source skills library, monitored and modified by Deloitte for customer use	Monthly

Proposed PhD Program Implementation Timeline

After incorporating time for program development and launch, the PhD in Integrated Agroecology and Sustainable Agriculture, if approved, would likely see its first students matriculate in Fall 2026 (FY2027) with the first cohort set to graduate in Spring 2030 (FY2030).

CURRENT YEAR — FY 2025

- KSU finalizes program curriculum, projected financials, and other proposal requirements
- General Assembly passes statutory changes to permit a doctoral program in Integrated Agroecology and Sustainable Agriculture at KSU

YEAR 0 — FY 2026

- KSU submits proposal and receives official program approval from CPE
- KSU hires necessary administrative staff, appoints program director
- KSU engages in marketing and student recruitment
- Students in inaugural cohort apply and are admitted for following fall

YEAR 1 — FY 2027

- First student cohort matriculates in Fall 2026 (12-15 students)

YEAR 2 — FY 2028

- Second student cohort matriculates in Fall 2027 (4-5 students)
- KSU begins recruitment and hiring for two faculty for Fall 2028

YEAR 3 — FY 2029

- No students expected to matriculate in Fall 2028
- Two new faculty hires start in Fall 2028
- KSU begins recruitment and hiring for two faculty for Fall 2029

YEAR 4 — FY 2030

- No students expected to matriculate in Fall 2029
- Two new faculty hires start in Fall 2029
- First degrees conferred (7-10 students from Fall 2026 enrollment cohort)

Proposed timeline above was developed using key activities and dates outlined by KSU but includes adjustments as determined appropriate for timeline feasibility. As such, the dates highlighted here may not align with those proposed by KSU. Additionally, this timeline is our best assessment based on available information and may change as a result of unforeseen circumstances and/or program assumption adjustments.

Appendix | Additional Content

Additional External Stakeholders

The project team hosted virtual listening sessions with other leaders in Kentucky.

Stakeholder Group	Meeting Participants
Kentucky Community & Technical College System (KCTCS)	Dr. Ryan Quarles, President
Kentucky Office of the Governor	La Tasha Buckner, Chief of Staff John Hicks, Executive Cabinet Secretary Coulter Minix, Deputy Chief of Staff
Morehead State University	Dr. Jay Morgan, President
University of Kentucky	Dr. Eli Capilouto, President

APPENDIX | ADDITIONAL CONTENT

Historical Inflation Rates

Annual operating expense increases in the institutional financial projections were based on the average annual inflation rates based on the Consumer Price Index for All Urban Consumers from 2013 through 2023. Conservative scenarios used the average inflation rate from 2019-2023 (4.0%), while moderate scenarios used the average inflation rate from 2013-2023 (2.7%).

Consumer Price Index for All Urban Consumers, U.S. City Average, All Items, 2013-2023

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2013	230.28	232.17	232.77	232.53	232.95	233.50	233.60	233.88	234.15	233.55	233.07	233.05	232.96
2014	233.92	234.78	236.29	237.07	237.90	238.34	238.25	237.85	238.03	237.43	236.15	234.81	236.74
2015	233.71	234.72	236.12	236.60	237.81	238.64	238.65	238.32	237.95	237.84	237.34	236.53	237.02
2016	236.92	237.11	238.13	239.26	240.23	241.02	240.63	240.85	241.43	241.73	241.35	241.43	240.01
2017	242.84	243.60	243.80	244.52	244.73	244.96	244.79	245.52	246.82	246.66	246.67	246.52	245.12
2018	247.87	248.99	249.55	250.55	251.59	251.99	252.01	252.15	252.44	252.89	252.04	251.23	251.11
2019	251.71	252.78	254.20	255.55	256.09	256.14	256.57	256.56	256.76	257.35	257.21	256.97	255.66
2020	257.97	258.68	258.12	256.39	256.39	257.80	259.10	259.92	260.28	260.39	260.23	260.47	258.81
2021	261.58	263.01	264.88	267.05	269.20	271.70	273.00	273.57	274.31	276.59	277.95	278.80	270.97
2022	281.15	283.72	287.50	289.11	292.30	296.31	296.28	296.17	296.81	298.01	297.71	296.80	292.66
2023	299.17	300.84	301.84	303.36	304.13	305.11	305.69	307.03	307.79	307.67	307.05	306.75	304.70

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Sources: U.S. Bureau of Labor Statistics Consumer Price Index Databases.

SACSCOC New Program Approval Prospectus Elements

Proposals for new research doctorates would require approval by SACSCOC, including submission of a prospectus for approval by the Executive Council of the SACSCOC Board of Trustees.

New Program Approval Prospectus Elements

Institutions must provide the following Common Content[1]:

1. Common Content A – Background and Context, relative to the proposed change.
2. Common Content B – Faculty Qualifications, relative to the proposed change.
3. Common Content C – Resource, relative to the proposed change.
4. Common Content D – Institutional Evaluation and Assessment Processes, relative to the proposed change.

Additionally, they must also provide the following specific items:

1. Curriculum for the program.
2. Projected schedule of course offerings for the program
3. Program-specific goals (objectives) and specific student learning outcomes for the program
4. Description of how the student learning outcomes for the program will be assessed
5. Course descriptions for all courses in the proposed program
6. Description of admissions and graduation requirements for the program
7. Planned method(s) of delivery, as defined in policy, of the program.
8. Planned location(s) at which the program will be delivered, i.e., on-campus and/or at specific off-campus instructional site(s)
9. Demonstration of compliance with Standard 10.7 (policies for awarding credit) of the Principles of Accreditation.
10. Description of administrative oversight to ensure the quality of the program.
11. For a program offered in compressed time frames: Description of the methodology for determining that levels of knowledge and competencies comparable to those required in the traditional formats have been achieved.

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Notes: Detailed specifications for Common Content A-D are outlined in SACSCOC Substantive Change Policy and Procedures, Appendix A. Sources: SACSCOC Substantive Change Policy and Procedures.