THE UNIVERSITY OF NORTH CAROLINA SYSTEM

January 19, 2022 at 12:15 p.m.
Via Videoconference and PBS North Carolina Live Stream
University of North Carolina System Office
Center for School Leadership Development, Board Room
Chapel Hill, North Carolina

AGENDA

A-1. Approval of the Minutes of November 17, 2021..Carolyn Coward

A-2. Project Kitty Hawk Update...Andrew Kelly

A-3. Strategic Plan Update and Refresh .... Andrew Kelly

A-4. Adjourn

DRAFT MINUTES

November 17, 2021 at 9:00 a.m.
Via Video Conference and UNC-TV Live Stream
Hunt Library, Duke Energy Hall C
North Carolina State University
Raleigh, North Carolina

This meeting of the Committee on Strategic Initiatives was presided over by Chair Carolyn Coward. The following committee members, constituting a quorum, were also present in person or by phone: J. Alex Mitchell, Lee Roberts, Anna Spangler Nelson, Ray Palma, and David Powers.

Chancellors participating were Kelli Brown and Brian Cole.

Staff members present included Dr. Andrew Kelly, and others from the UNC System Office.

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1.   Approval of the Minutes of July 21, 2021 (Item A-1)

 MOTION: Resolved, that the Committee of Strategic Initiatives approve the open session minutes of July 21, 2021.

Motion: David Powers
Motion carried

2.   Information Session on Project Kitty Hawk (Item A-2)

Chair Coward invited President Hans to say a few words before the committee.

President Hans thanked the committee for their work on the issue and discussed the importance of how we can better serve our adult learners and our Veteran population.

Chair Coward introduced Terah Crews and Wil Zemp and gave a brief explanation on Project Kitty Hawk.

Terah Crews and Wil Zemp presented on Project Kitty Hawk to the committee. Discussion by the committee followed.

Upon completion of the presentation, Chair Coward thanked the presenters and the guests for attending the meeting.

There being no further business and without objection, the meeting adjourned at 10:07 a.m.

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Lee Roberts, Secretary

AGENDA ITEM

A-2.   Project Kitty Hawk Update .... Andrew Kelly

Situation: The committee will hear an update on Project Kitty Hawk.

Background: In the winter and spring of 2021, the committee hosted several discussions about innovation in higher education, changing demographics, and opportunities to create programs that are more accessible for working adults. The University of North Carolina System is heavily reliant on traditional-age students — those between the ages of 18-24 — but data indicate that the size of this demographic will slow nationally and in North Carolina over the next decade. In response, colleges, universities, and other organizations have developed programs designed to serve adults without a college degree, many of whom are juggling work and family responsibilities.

Developing new pathways to postsecondary degree or credential that are sufficiently flexible for working adults represents an opportunity for traditional higher education institutions to adapt to a changing market. It is also a key strategy in service of the state's attainment goal that by 2030, two million North Carolinians between the ages of 25-44 will have completed a postsecondary credential. However, such efforts often require significant changes to business models, academic programming and calendars, and student support. With only a small number of offerings explicitly designed to serve adult learners in the UNC System, tens of thousands of working adults in North Carolina have enrolled in online programs with out-of-state providers, an indication of the demand for flexible, affordable postsecondary options.

In response, the UNC System Office has developed a plan ("Project Kitty Hawk") to create an affiliated education technology firm that will enable existing System universities to build and launch programs designed to attract and serve adult learners. In the 2021 budget, the North Carolina General Assembly appropriated $97 million to create Project Kitty Hawk, an associated nonprofit organization.

Assessment: In this session, the committee will hear an update on Project Kitty Hawk.

Action: This item is for information only.

THE **UNIVERSITY** OF
NORTH CAROLINA SYSTEM

Project Kitty Hawk

Update to the Board of Governors

January 19, 2022

I.   Introduction: The Opportunity

The state constitution calls on the University of North Carolina to "extend the benefits of public higher education to the people of North Carolina"—all of them. To truly fulfill the University's constitutional duty, the System must more fully adapt to the needs of today's learners and a changing labor market.

Accessing higher education and relevant training can be challenging for working adults. Barriers include time, money, a bewildering array of options, uncertain connections to a clear career path, and a hesitancy to step into the classroom after many years away.

The UNC System has not traditionally served these learners on a broad scale even though working adults across the state would benefit from the high-quality education UNC System universities provide. It is not simply a shortage of demand for postsecondary education from nontraditional students. In fact, data indicate that tens of thousands of North Carolinians choose to enroll online with out-of-state universities, presumably because they could not find an option that fits their goals, budget, and schedule closer to home.

The UNC System has an opportunity to develop new models and services that can fit into the busy lives of working adults and that directly align with careers in growing fields. Developing these models will not only help North Carolinians access better jobs; it will also help our institutions grow their digital offerings and serve a new and almost entirely untapped segment of the population that is far larger than the diminishing pool of 18-24-year-olds. Creating pathways for working adults will also benefit the state, driving economic growth by creating a more skilled workforce, extending our educational mission to more students in underserved areas, and diversifying revenue with new markets.

II.   The Status Quo

North Carolina has set an ambitious attainment goal that 2 million North Carolinians between the ages of 25 and 44 will have completed a postsecondary degree or credential by 2030. If current trends persist, the state will be more than 400,000 adults short of that target by the end of the decade. To reach the state's goal, colleges and universities must extend the benefits of higher education to far more North Carolinians than just those between the ages of 18 and 24.

Re-engaging adults who started college but did not finish a degree is a particularly promising strategy, especially considering demographic shifts that will affect the UNC System over the next two decades. Census data indicate that in 2019, approximately 1.5 million North Carolina adults over the age of 25 had "some college, no degree," 586,000 of whom were between the ages of 25 and 44.[1] Meanwhile, the state demographer projects that, after decades of growth, the number of North Carolinians between the ages of 18 and 24 is likely to level off by the end of the next decade due to declines in fertility rates—a trend that COVID-19 has exacerbated.[2]

Adult students are different from traditional-age undergraduates in several ways. They are more likely to enroll exclusively online and to attend part-time. They tend to value flexibility (in course delivery and academic calendar), structured and accelerated paths to a degree, and programs that are closely aligned

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[1] 2019 American Community Survey, One-year Estimates, Educational Attainment in North Carolina.
[2] Rebecca Tippett, "Early signs indicate pandemic baby bust," Carolina Demography, June 15, 2021: https://www.ncdemography.org/2021/06/15/early-signs-indicate-pandemic-baby-bust/

to their career goals. Universities that serve working adults tend to accept substantial amounts of transfer credit, have degree programs that are closely aligned to the labor market, and feature year-round calendars with multiple start dates.

The UNC System and constituent universities have taken steps to re-engage "part-way home" students and build new pathways to a degree. Many of the constituent institutions have developed "completion degrees" designed to provide a streamlined pathway to complete a bachelor's degree. The General Assembly included a one-time appropriation for a Part-Way Home Initiative in its 2016 short session budget, designed to learn more about the causes of stop-out and to understand what options are best suited to returning adults.[3] More recent efforts include re-engagement campaigns funded by the North Carolina Pandemic Recovery Office (NC-PRO) and the Lumina Foundation.

While these efforts have benefited students and the state, they represent a small fraction of the UNC System's enrollment and the 1 million-plus working adults with some college but no degree. Just 10 percent of the System's undergraduate full-time equivalent (FTE) enrollment is over the age of 25, and enrollment by adult students has declined during the past decade. About 13percent of the UNC System's 900 bachelor's degree programs are available online, with three of those available exclusively online. Prior to COVID, 13 percent of UNC System undergraduates enrolled exclusively online.

In the absence of flexible online degree options in the public university system, many North Carolinians are looking out of state for more flexible options. In 2019, 63,000 North Carolinians were enrolled exclusively online with out-of-state universities, nearly the same number that were enrolled online at a North Carolina university. During COVID, that number grew to more than 74,000, nearly 28,000 of whom were enrolled in out-of-state for-profit colleges.[4]

III.   Lessons Learned from Prior Efforts and Analysis

The market for online learning and serving working adults has evolved quickly during the past decade, and traditional universities and university systems have chosen several different strategies to pursue in this market. Table 1 summarizes some of the common approaches, though these are not exhaustive.

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[3] The Part-Way Home Initiative's survey of stopped out students found that 40 percent of survey respondents cited work commitments and the fact that they "didn't see the value of a Bachelor's degree" as the primary reasons for not being interested in completing a degree. When asked what delivery mode they would prefer if they were to re-enroll, a plurality (40 percent) said they would prefer to enroll exclusively online (as compared to the 21 percent who would prefer to enroll in-person. See "Report on Partway Home Initiative," September 2017, https://www.northcarolina.edu/apps/bog/doc.php?id=57874&code=bog

[4] For data on "outgoing exclusively distance education enrollment," see National Council for State Authorization Reciprocity Agreements (NC-SARA) data dashboards here: https://nc-sara.org/data-dashboards

Table 1: Examples of different approaches to expanding online learning

Approach	Pros	Cons	Examples
1. Build an online learning arm at an existing university	The university can build the online learning arm to fit its needs.	Expensive and uncertain, especially given an increasingly competitive market.	Arizona State Online, Southern New Hampshire University
2. Create a new, accredited online college or university	New organization can be designed and staffed around the needs of adult learners.	Costly and time-consuming to create a new university, including accreditation processes. The new university also competes with existing universities for students.	CalBright (California's online community college); University of Maryland Global Campus; University of Arkansas eVersity (now UA Grantham)
3. Acquire an existing online university	Enables traditional universities/systems to immediately expand digital offerings through acquiring platform, staff, programs and existing students.	Parent university inherits organizational structure, academic offerings, staffing model, and pricing. Acquisition can bring reputational risk.	Purdue University Global (Purdue acquires Kaplan); University of Arkansas-Grantham; University of Arizona Global Campus (UA acquires Ashford U); UMass Global (UMass acquires Brandman U)
4. Develop a centralized portal that provides access to online offerings across a university system	Enables public systems to bring online offerings together in one place and help streamline the process of enrollment and cross-registration for universities	Centralized portals typically serve as a clearinghouse for existing programs and courses available at universities in a given system but may provide limited support for universities to develop online programs and recruit and support online learners.	Cal State Online; Georgia On My Line; UNC Online
5. Develop a shared service at the System level that helps universities move online	Potentially more efficient and cost-effective than starting a new university or acquiring an existing one; capitalizes on existing universities' programs, faculty, and staff	Lack of a business model that enables the shared service to cover its costs can create a financial liability if public funding is non-recurring; Lack of incentives to partner with the shared service can limit university buy-in.	Missouri Online; University of Texas Institute for Transformational Learning
6. Partner with a private third party (Online Program Manager (OPM)) to develop online programs	Allows rapid entry into online market because the OPM provides the up-front investment in program development, marketing, recruitment in return for share of tuition revenue. Established business model.	OPM typically takes 55-60 percent of the tuition revenue from online programs. OPMs are also limited in the programs they want to offer, and usually target high-tuition graduate programs rather than undergraduate degrees.	2U partnerships with UCLA, University of Central Florida, Georgia Tech, Michigan State, UNC-Chapel Hill, and others; Academic Partnerships contracts with regional public universities.

Like most of traditional higher education, the UNC System has been working to identify a System-wide digital learning strategy, leading to multiple efforts over the past five years to identify a System-wide strategy in digital learning. Select recommendations from those efforts are included in Table 2.

Table 2: Prior UNC System efforts related to online learning

Initiative	Year	Select findings/recommendations
President's Task Force on the Future of Online Learning	2016	42 different actions organized under 10 strategies, including: Strategy: "Provide sustainable and scalable shared service alternatives for online education System-wide" • Action: Develop opt-in, shared online program recruitment funnel and application system • Action: Create NCSU-DELTA-like organization within UNC GA, or contract out, to provide opt-in, shared services (as cost center or fee for service) • Action: Spin off UNC-affiliated, not-for-profit online program management (OPM) organization with which institutions could choose to partner
Part-Way Home Initiative[5]	2017	Five "Pillars": • Improving access to courses through flexible modalities • Leveraging "System-ness" to deliver services and resources at scale • Re-aligning services and policies to meet the needs of nontraditional learners • Implementing technology solutions to improve degree efficiency and student success Facilitating statewide, cross-sector conversations about postsecondary attainment in North Carolina
Tyton Partners[6]	2018	Six potential business models identified, including: 18th University • UNC System Global: Create standalone 18th University with own brand and infrastructure Shared services • OPM to the UNC System: develop a unit that can serve as an internal UNC-only OPM provider, providing support to each institution within the system for online learning. Existing universities • Pick and invest: Determine areas of strength across the system and invest heavily in selected institutions.

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[5] https://www.northcarolina.edu/apps/bog/doc.php?id=57874&code=bog
[6] See pages 34 through 52 here: https://www.northcarolina.edu/apps/bog/doc.php?id=61025&code=bog

		• Free market, fix incentives: equip the institutions to achieve dramatic growth by allowing for tuition rate competition in DE, changing funding formulae for distance education, and augmenting tenure and promotion criteria to include digital teaching.
UNC System Online Program Strategy: Strategic Recommendations for Online Programs[7]	2019	Goal #1: Accelerate enrollment growth in high-quality, cost-effective fully online programs across the System • Approach 4: Enhance centralized resources with a specific focus on supporting fully online programs, potentially including faculty development, project management, and a centrally negotiated marketing contract Goal #2: Serve underserved North Carolina learners, including military and adult learners (>25) • Approach 1: Offer planning money/launch fund for enhancement of existing programs and development of new programs offered by System institutions to expand availability of and ease of access to fully online degree completion and bachelor's level programs Goal #3: Enhance talent pipeline for North Carolina industry by aligning online programs with job opportunities • Approach 1: Create centralized business development competency to develop industry and military partnerships Goal #4: Generate financial resources to support System initiatives • Approach 1: Offer startup funding for centrally identified programs with significant market demand, in state and out of state, with the opportunity for return above costs

IV.   Project Kitty Hawk

Prior efforts to develop a System-wide strategy in online learning/innovation have tended to come to similar conclusions:
- effectively serving working adults will require a statewide, coordinated approach as well as investments in capabilities currently absent at most institutions; and
- building these capabilities 16 times over would be costly and inefficient.

Over the course of 2021, System Office staff consulted with outside experts to develop a model for a shared service entity that will help existing UNC universities build and deploy online degree and

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[7] See pages 83-93 here: https://www.northcarolina.edu/apps/bog/doc.php?id=62545&code=bog

credential programs that can reach working adults. The model called for an initial, one-time investment of $97 million based on financial modeling and benchmarking against similar strategies deployed by private sector companies and other states, with the expectation that the nonprofit organization will be self-sustaining by 2026.

In response, the 2021 state budget passed by the General Assembly and signed by the Governor appropriated $97 million for the launch of Project Kitty Hawk, a nonprofit ed-tech startup that will partner with UNC System universities to serve adult learners. The nonprofit will leverage best practices from private sector firms, lessons from other state system initiatives, and proven strategies from leading online institutions such as Arizona State University and Southern New Hampshire University.

This new entity will provide end-to-end support to help universities rapidly design and take workforce-aligned programs online as well as attract, enroll, and support learners through graduation. Growing fields such as information technology, health care, and educator preparation would be areas of natural focus given the state's needs.

Developing a shared technology and service infrastructure to help UNC System institutions reach working adults will be less expensive than the traditional approach of more buildings, more personnel, and more programs. It will also be far more cost-effective for universities than working with existing private sector options or doing it themselves. And it will facilitate improved collaboration among schools, better connections with employers in the state, and improved success for nontraditional learners that are currently unserved or enrolled with out-of-state providers.

We envision a model that would be similar, in organizational structure and entrepreneurial mission, to UNC Health, which provides a public service to the state and is operated as a business. Like UNC Health, this ed-tech start-up would bring a private sector-like approach on behalf of a tremendous public good. "Clients" and beneficiaries would be the UNC System institutions that would provide world-class teaching and advising and award the degrees, and, of course, the adult learners who will benefit from access to high quality higher education.

V.   How Project Kitty Hawk Will Work

Project Kitty Hawk will operate akin to an internal online program manager (OPM), where the nonprofit organization provides a range of services to help UNC System institutions build online degree programs, recruit and enroll adult learners, and support those learners to completion. In exchange, participating constituent institutions will pay Project Kitty Hawk for those services, likely by providing a share of the tuition revenue generated by the degree programs created in partnership with Project Kitty Hawk.

UNC System constituent institution faculty and staff will deliver quality instruction, assess student learning, and award credentials to adult degree seekers. Those credentials will be identical to those awarded by the constituent institution to students in other degree programs.

Services that Project Kitty Hawk will offer are envisioned to include:

- **Validation of market demand**: Project Kitty Hawk will validate market demand for any new program it supports. Using the same strategies and practices used in the private sector, Project Kitty Hawk will ensure the proposed new program is highly market-

aligned. New program opportunities can originate from Project Kitty Hawk's own market intelligence function, emerge from the universities, or be solicited directly from employers and education benefit providers.

- **Program design**: Project Kitty Hawk will work with universities to design the programs and courses to fit the validated market demand. Project Kitty Hawk's group of technologists and instructional designers will collaborate with faculty at the partner constituent institution to design learner-centric programs that meet the unique needs of working adults.
- **Technology:** Success in the online learning market requires a market leading technology suite. Reaching adult learners requires technology that fits their busy lives and the competing demands of family, work, and education. Project Kitty Hawk will provide all the technology necessary to attract students in a competitive online market and ensure student success.
- **Marketing:** Reaching adult learners can be costly and require different marketing strategies and messaging than are typically used to reach traditional students. Project Kitty Hawk will handle all the marketing on behalf of constituent institutions and optimize marketing spend across the state to ensure minimal overlap and efficient cost of student acquisition.
- **Enrollment:** Most adult learners are lost between initial interest, application, and enrollment. Leveraging best practice methodologies from the private sector and large online universities, Project Kitty Hawk will provide high touch support from real people to shepherd learners through the entire admissions and enrollment process, with assistance available on-demand when learners need them.
- **Success support and coaching:** Navigating college is hard for any learner, but it is exceptionally difficult when you are working full time, rushing the kids to school, and taking care of an aging mom and dad. That is why industry-leading providers of adult education provide high-touch student success support delivered by trained professionals on top of traditional academic advising. Project Kitty Hawk will ensure every learner has a coach who is responsible to help them reach their goals.

Project Kitty Hawk has several advantages over existing for-profit OPMs. As a nonprofit organization, Project Kitty Haw will be able to charge a lower share of tuition revenue than is common in the private sector. Likewise, because Project Kitty Hawk will operate on a break-even basis, the organization will have greater ability to help UNC constituent institutions offer programs in fields that are critical to the state's workforce (such as teaching, rural health care, and information technology), even if those programs do not generate significant net revenue for the organization. Lastly, because the UNC System is the sole shareholder of Project Kitty Hawk, the System will be in a position to ensure Project Kitty Hawk's operations and budget are aligned with the mission, goals, and objectives of the System.

UNC System constituent institutions will not be obligated to partner with Project Kitty Hawk on their digital learning offerings. Those that already have a significant presence in the adult student market can continue that good work on their own or in partnership with another third-party provider of online services. Each university will have the option to work with Project Kitty Hawk to expand their impact, enabling institutions that are farther along to reach even greater scale if they wish. Project Kitty Hawk

will be expected to earn the constituent institutions' business by delivering a quality service at a competitive price.

VI.   Governance and Policy

Section 8.24(c) of the Operations Appropriations Act of 2021, S.L. 2021-180, requires the Board of Governors to establish the Project Kitty Hawk nonprofit corporation to support digital learning and career development programs offered by UNC System constituent institutions. Project Kitty Hawk, Inc. will operate as a legal entity separate from the System, established pursuant to G.S. 116-30.20 as a private, North Carolina nonprofit corporation qualified under Section 501(c)(3) of the Internal Revenue Code and organized for the purpose of aiding and supporting educational and charitable purposes and lawful activities of the University of North Carolina.

Board of Directors: The nonprofit will be governed by a nine-member board of directors as outlined in Section 8.24, including two *ex officio* seats for the chair of the UNC System Board of Governors and the president of the UNC System. In consultation with the president, the Board of Governors will appoint the other seven members of the board of directors as outlined in Section 8.24:
- Three chancellors or chief academic officers of UNC System universities
- Four persons with experience in higher education, business management, or both.

The Board of Governors Committee on University Governance will consider appointments to the Project Kitty Hawk, Inc., Board of Directors in open session at its January 19 meeting; the biographies for proposed members are included in the board materials. To provide for continuity of corporate leadership, proposed appointments will be made on staggered terms.

Legislative Reporting Requirements: S.L. 2021-180 also outlines reporting requirements for Project Kitty Hawk. By March 1 each year, the board of directors will report to the General Assembly on its activities, corporate performance, and any other relevant matters pertaining to its corporate mission. The System Office will report to Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division regarding Project Kitty Hawk and the progress made toward reaching the State's digital learning attainment goals, including information on degree programs created, enrollments, tuition and fee rates and receipts, and other metrics of interest.

Legislative changes to funding and tuition revenue: The statute also includes two provisions related to funding and tuition:

- Section 8.24(e) states that student credit hours provided with the support of Project Kitty Hawk shall not be included in an enrollment change funding request. In other words, Project Kitty Hawk programs will be "off-model" and self-supporting, similar to how in-person summer courses have traditionally been treated in the System.
- Section 8.24(f) states that moneys received as tuition for Kitty Hawk-supported program shall be considered institutional trust funds under G.S. 116-36.1(g).

Like other self-supporting programs and credit hours (i.e., not funded with state appropriations), tuition rates for these programs will need to be differentiated from the prevailing per-credit tuition rates charged to resident undergraduate and graduate students. In its January 19 meeting, the Committee on

Budget and Finance will consider a revision to Section 1000.1.1 of the UNC Policy Manual to delegate authority to approve tuition for Project Kitty Hawk programs to the Project Kitty Hawk, Inc., Board of Directors with approval of the president.

Board Policy on Associated Entities: Pending approval of the Committee on University Governance and the full Board of Governors at the January meeting, Project Kitty Hawk, Inc., will be considered a Major Associated Entity under Section 600.2.5.2[R] of the UNC Policy Manual, *Regulation on Required Elements of University-Associated Entity Relationship*. Section 600.2.5[R] of the UNC Policy Manual provides for a series of accountability and transparency provisions and outlines the responsibilities, obligations, and reporting requirements for associated entities affiliated with UNC, including, but not limited to:

- The associated entity must report annually to the System a list of current members, portions of the entity's Form 990, and a copy of its financial audit report,
- UNC System will have oversight and control over the associated entity's name, marks, resources, and activities,
- The associated entity must agree, in writing, to comply with all applicable System policies,
- The associated entity's annual operational and capital budget must be submitted to the System, and the associated entity must consider any suggestions made by the president to ensure the budget is aligned with the mission, goals, and objectives of the System, and
- The associated entity must have a policy on whistleblower protection, conflict of interest and ethics, and records retention.

Project Kitty Hawk will also be subject to the terms of the association agreement that is established with the System Office. An example of such an association agreement is available in the Board materials, and will include provisions requiring the associated entity to:

- Represent and warrant that it shall comply with all applicable System policies,
- Provide annual certification of its compliance with identified financial matters,
- Maintain commercially reasonable directors and officers insurance, general liability insurance, property insurance, and other insurance as deemed necessary by the System,
- Indemnify the System for causes of action arising out of the associated entity's activities,
- Comply with corporate formalities (i.e., meeting minutes, meeting frequency, etc.) and have meeting minutes available to UNC upon request, and
- Notify the System of any audit, investigation, or threatened litigation.

VII.   Next Steps

Pending the Board of Governors' appointment of the Project Kitty Hawk Board of Directors and adoption of the resolution to approve the affiliated entity, the Project Kitty Hawk Board of Directors will meet to at least: (i) consider the hiring of a chief executive officer, (ii) adopt the organization's bylaws, (iii) approve the affiliation agreement with UNC, (iv) authorize Project Kitty Hawk, Inc., to enter into an operating agreement with the System Office governing the flow of appropriated funds and other service-level obligations of the parties, (v) adopt corporate policies related to conflicts of interest and ethics, whistleblower protection, and records retention, (vi) elect a chair of the corporate board of directors, and (vii) authorize the officers of the corporation to prepare and file an application for recognition of tax exemption with the Internal Revenue Service.

The president and CEO will then develop a strategic plan and an operational plan, along with an associated budget, that will be approved by the Project Kitty Hawk, Inc., board at its next meeting. As previously noted, if requested, the Project Kitty Hawk, Inc., annual operations and capital budget will be reviewed by the president where the president will have the opportunity to make appropriate suggestions.
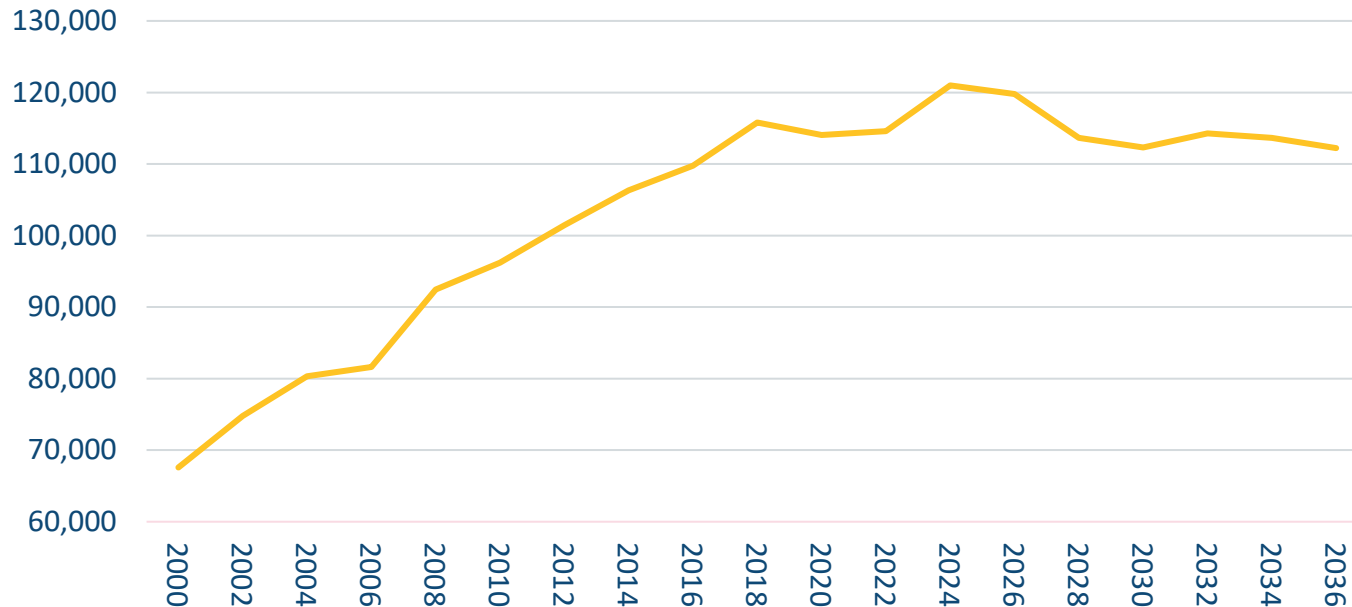
PROJECT KITTY HAWK

Update to Board of Governors
January 19, 2022

Demographic Slowdown Nationally and in North Carolina

North Carolina Public & Private High School Graduates
(Actual and Projected)

The growth in High School Graduates from:			
2000-2007	2007 to 2017	2017 to 2027	2027 to 2037
32.2%	27.5%	1.5%	-3.0%
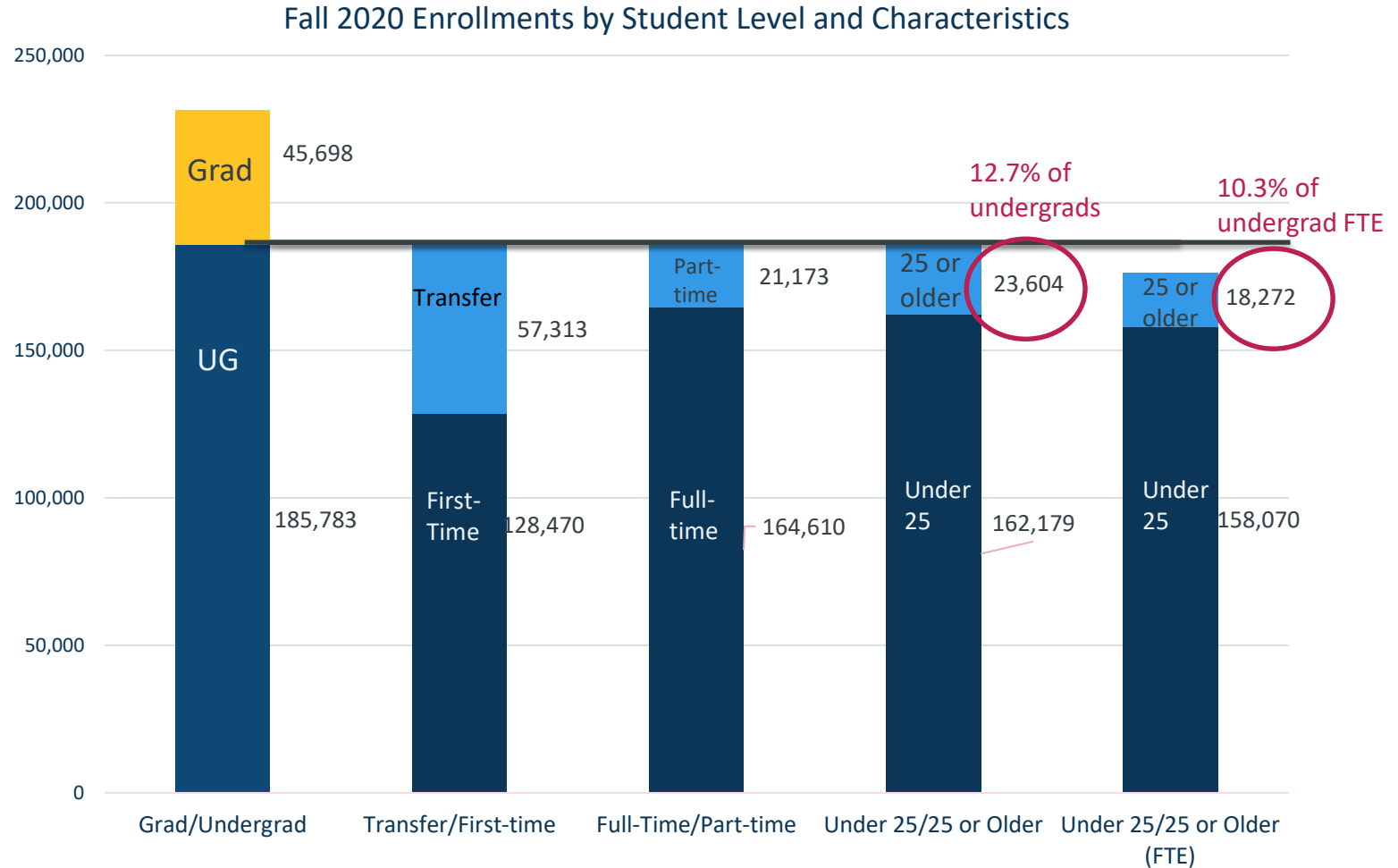
Adult Students Have Distinct Preferences

Undergraduate Enrollment Patterns, Fall 2019
(Exclusively Distance, Exclusively Face-to-Face, Blended)

25 or over: Exclusively DE 47.6%, Exclusively F2F 33.6%, Blended 18.8%

Under 25: Exclusively DE 3.1%, Exclusively F2F 65.0%, Blended 31.9%

Legend: Exclusively DE, Exclusively F2F, Blended
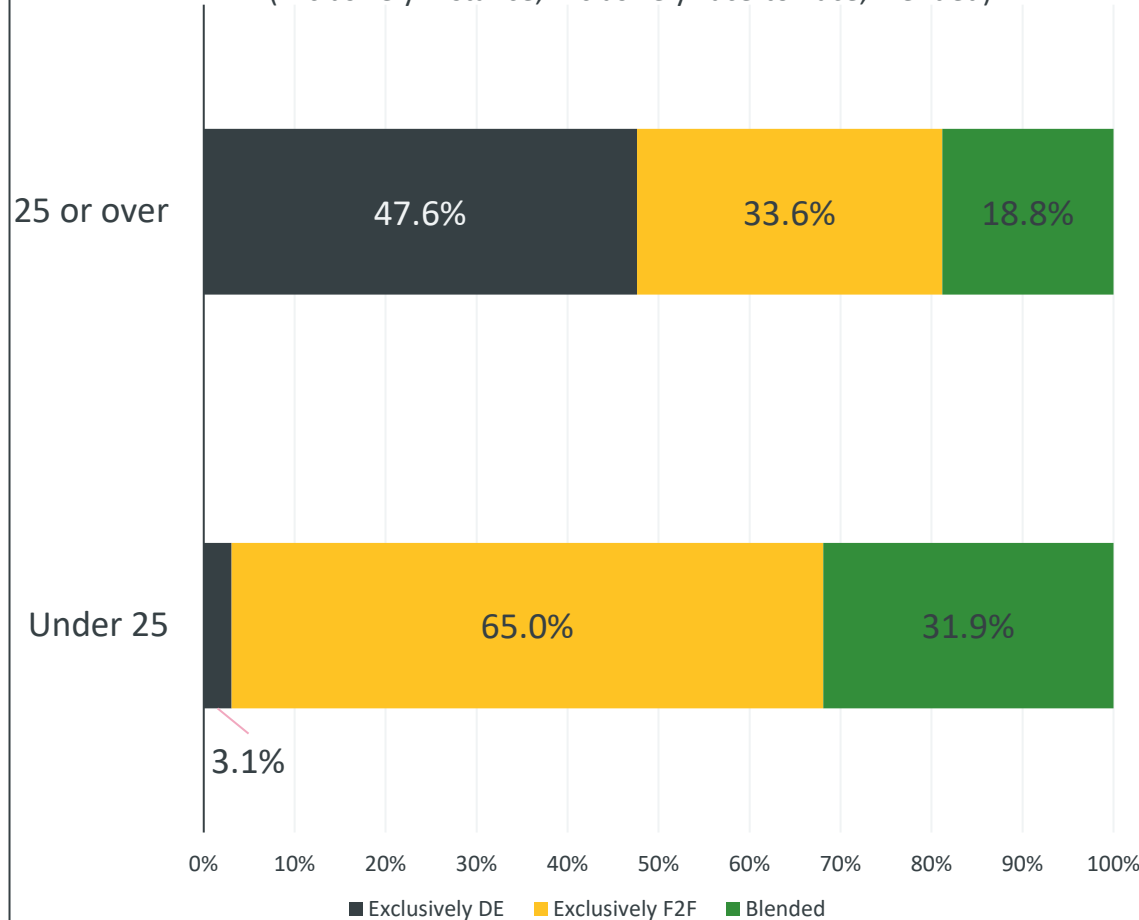
Full-time Enrollment
(Undergrads, Fall 2020)

Traditional Age: 93.9%
Adult Students: 51.9%

Source: UNC Student DataMart
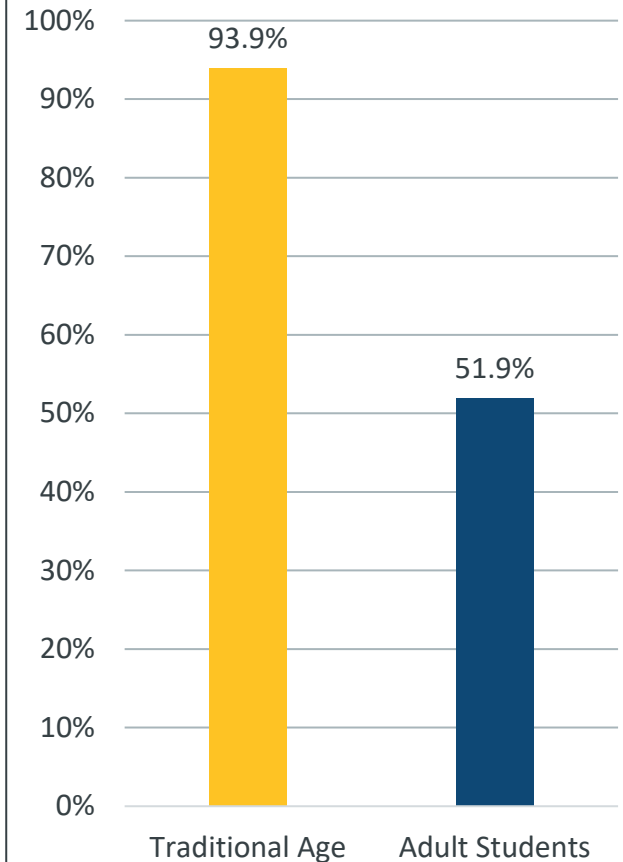
Data Indicate Demand *Within* North Carolina for More Innovative and Flexible Programs

Online Enrollment, 2019

- NC College/Uni: ~65k
- Out of State: ~63k
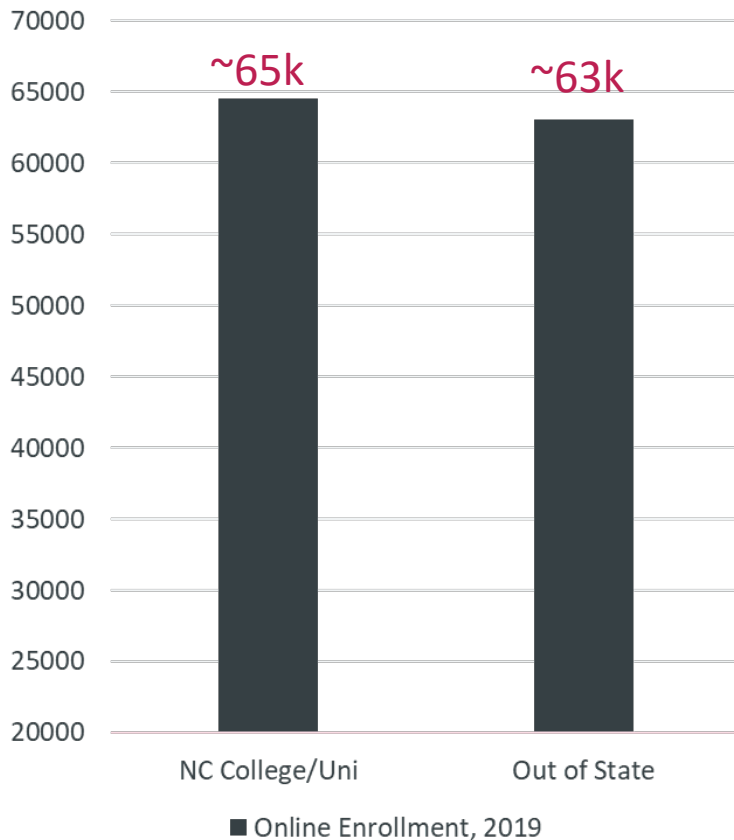
Online Enrollment of North Carolinians, Fall 2019

- Liberty University
- Strayer University
- East Carolina University
- Fayetteville Technical Community...
- Wake Technical Community College
- Southern New Hampshire University
- Western Governors University
- Central Piedmont Community College
- UNC Wilmington
- University of Phoenix
- American Public University System
- Lenoir Community College
- North Carolina State University
- Guilford Technical Community College
- Western Carolina University
- Grand Canyon University
- Gaston College
- Capella University
- Nash Community College
- Penn Foster College
- UNC Charlotte

THE **UNIVERSITY** OF **NORTH CAROLINA SYSTEM**

Source: NC-SARA Database

Emergence of Online Program Managers (OPMs)

- OPMs emerged to help universities develop and offer online programs by providing program design, access to technology platform, and sophisticated marketing and recruitment of new students.

- In exchange, OPM receives a share of the tuition revenue generated, typically 55-60% (though some shares are ~50%).

- OPMs have tended to target graduate degree programs, and in particular high-tuition masters and professional degrees. Undergrad degree programs are less common.

Public Universities led Academic PPPs. Until 2020.
Number of new University Partnerships established with OPMs, Bootcamps and Pathways. 2010–2020.

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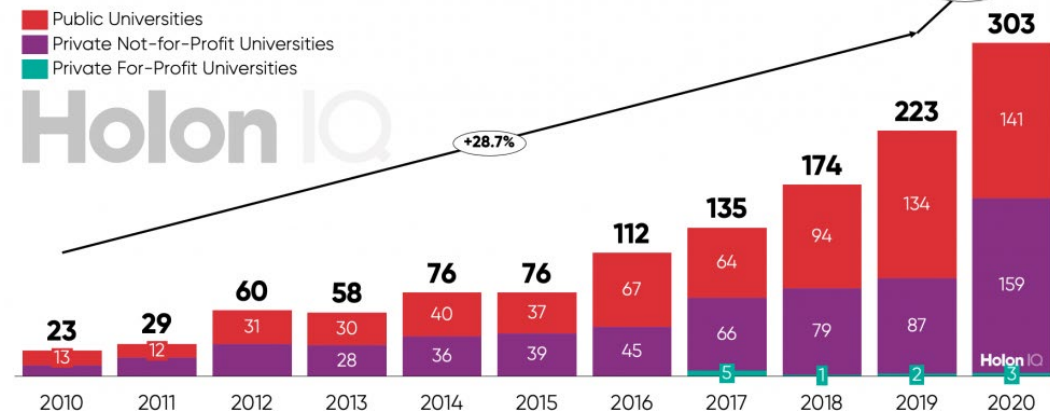
Source: HolonIQ, "Global OPX/OPM Market to reach $13.3B by 2025," February 2021.

How Should the System Respond?

- Build an 18th university?

- Acquire an online university?

- Pick a winner in the System?

- Let 1,000 flowers bloom?

- Build a "shared service" that enables universities to accelerate?

2021 Budget

high-quality credential or postsecondary degree by 2030.

SECTION 8.24.(b) Of the funds appropriated in this act from the State Fiscal Recovery Fund to the Board of Governors of The University of North Carolina for the 2021-2022 fiscal year, the sum of ninety-seven million dollars ($97,000,000) shall be allocated to support digital learning and career development programs offered by constituent institutions of The University of North Carolina through the Project Kitty Hawk public-private partnership (Project Kitty Hawk).

SECTION 8.24.(c) Project Kitty Hawk shall be conducted by a nonprofit corporation created in accordance with this section and G.S. 116-30.20. The nonprofit corporation shall include in its corporate bylaws that the organization will be governed by a board of directors consisting of nine members, as follows:

(1)　　Two ex officio voting members as follows:
　　a.　　The President of The University of North Carolina.
　　b.　　The Chair of the Board of Governors of The University of North Carolina.
(2)　　Seven voting members appointed by the Board of Governors, in consultation with the President of The University of North Carolina, as follows:
　　a.　　Three members who shall be chancellors or chief academic officers of constituent institutions of The University of North Carolina.
　　b.　　Four members who shall be individuals having experience in business management, higher education, or both.

Accelerating Innovation: Project Kitty Hawk

- The UNC System needs to adapt to the **needs of adult learners** and a **changing labor market**.

- To do this we need new models and services not currently available at scale in the system. Many universities have partnered with **Online Program Managers (OPMs)**, but the terms are often expensive.

- A new **entrepreneurial ed-tech startup** can provide these services to accelerate existing universities' ability to serve working adults.

- The start-up will operate as a **nonprofit, affiliated entity**, where 'clients' are system universities.

- Universities that *choose* to partner will work with the new organization to develop programs in collaboration with their faculty. University faculty will develop content, deliver instruction, and assess learning. *Universities will award the degrees.*

5 million
NC Working Adults

Project Kitty Hawk

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Leveraging a Proven Business Model for the Public Good
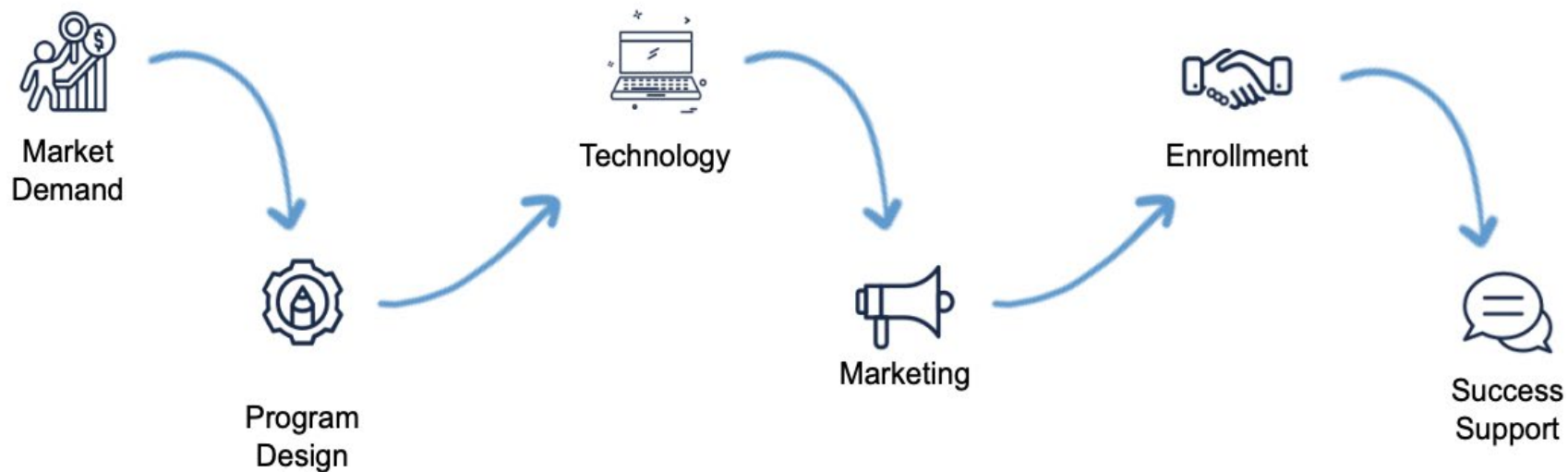
Project Kitty Hawk will provide the **core services** and **capabilities** to UNC universities so that they can **expand online learning** and **reach unserved working adults.**

UNC universities will pay Project Kitty Hawk to deliver these services, likely by providing a share of tuition revenue that results from enrollment in the online programs supported by Project Kitty Hawk.

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Core Capabilities: Project Kitty Hawk

Market Demand

1. Kitty Hawk will validate market demand for any new program it supports. Using the same strategies and practices used in the private sector, Kitty Hawk will ensure the proposed new program is highly market-aligned. New program opportunities can originate from Kitty Hawk's own market intelligence function, emerge from the universities, or be solicited directly from employers and education benefit providers.

Program Design

2. The next step is to work with universities to design the programs and courses to fit the validated market demand. Our team of technologists and instructional designers will collaborate with faculty content experts and design learner centric programs that meet the unique needs of working adults.

Technology

3. Success in the online learning market requires a market leading technology suite. Reaching adult learners requires technology that fits their busy lives and the competing demands of family, work, and education. Kitty Hawk will provide all the technology necessary to attract students in a competitive online market and ensure student success.

Marketing

4. Reaching adult learners can be costly and require different marketing strategies and messaging than are typically used to reach traditional students. Kitty Hawk will handle all the marketing on behalf of schools and optimize marketing spend across the state to ensure minimal overlap and efficient cost of student acquisition.

Enrollment

5. Most adult learners are lost between initial interest, application, and enrollment. Leveraging best practice methodologies from the private sector and large online universities, Kitty Hawk will provide high touch support from real people to shepherd learners through the entire admissions and enrollment process, with assistance available on-demand when learners need them.

Success Support

6. Navigating college is hard for any learner, but it is exceptionally difficult when you are working full time, rushing the kids to school, and taking care of aging mom and dad. That is why industry-leading providers of adult education provide high-touch student success support delivered by trained professionals on top of traditional academic advising. Kitty Hawk will ensure every learner has a coach that is responsible to help them reach their goals.

Governance and Policy

Governance:

- Nine-member board appointed by Board of Governors in consultation with President. Includes ex officio seats for President and BoG Chair.

- Pending approval of Board, Project Kitty Hawk will operate as a non-profit associated entity under G.S. 116-30.20 and consistent with Section 600.2.5.2[R] of the University Policy Manual.

- Statute and University Policy Manual require annual reporting to the General Assembly and Board of Governors on several dimensions.

Policy:

- Section 8.24(e) of budget: Excludes credit hours produced by programs supported by Kitty Hawk from enrollment funding request.

- Section 8.24(f): Defines tuition revenue generated by programs supported by Kitty Hawk as institutional trust funds.

- Proposed change to Policy 1000.1 considered in Budget and Finance would enable campuses to charge a different rate for self-supporting programs provided through Project Kitty Hawk.

Next Steps

- **January:** Board of Governors action:
  - University Governance will consider appointments to the Project Kitty Hawk (PKH) Board and approve System Office to negotiate an association agreement with PKH.
  - Budget and Finance considered tuition policy as it relates to programs developed in partnership with PKH.
- **February:** PKH board will have inaugural meeting to approve bylaws, enter into association agreement, and consider appointment of PKH leadership.
- **February/March:** Project Kitty Hawk leadership engages in strategic planning and associated budgeting process; budget will be approved by PKH Board of Directors.
- **Late winter/early spring:** PKH leadership launch "roadshow" to meet with faculty, staff, and administrators at UNC campuses.
- **Spring:** System Office and PKH team assemble an Academic Advisory Group.

FAQ's

- Is Project Kitty Hawk an 18th University?

- Will universities be obligated to work with Project Kitty Hawk? What about existing online learning programs?

- Who will be responsible for content, instruction, assessment, and the awarding of degrees?

- How will Project Kitty Hawk be organized and governed?

- What role for faculty and staff?

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UNC SYSTEM STRATEGIC PLAN: 2021 PERFORMANCE AND NEXT STEPS

Strategic Plan Review

- Five themes:
- Goals, metrics and targets were identified under each theme, and the final plan was approved in Jan 2017.
- Plan covers AY2017-18 to **AY2021-22.**
- We are currently in year 5 of the five-year plan (2021-22) and the latest progress data are from year 4 (2020-21).

HIGHER EXPECTATIONS

STRATEGIC PLAN
for The University of North Carolina · 2017-2022

Access

Student Success

Affordability and Efficiency

Economic Impact and Community Engagement

Excellent and Diverse Institutions
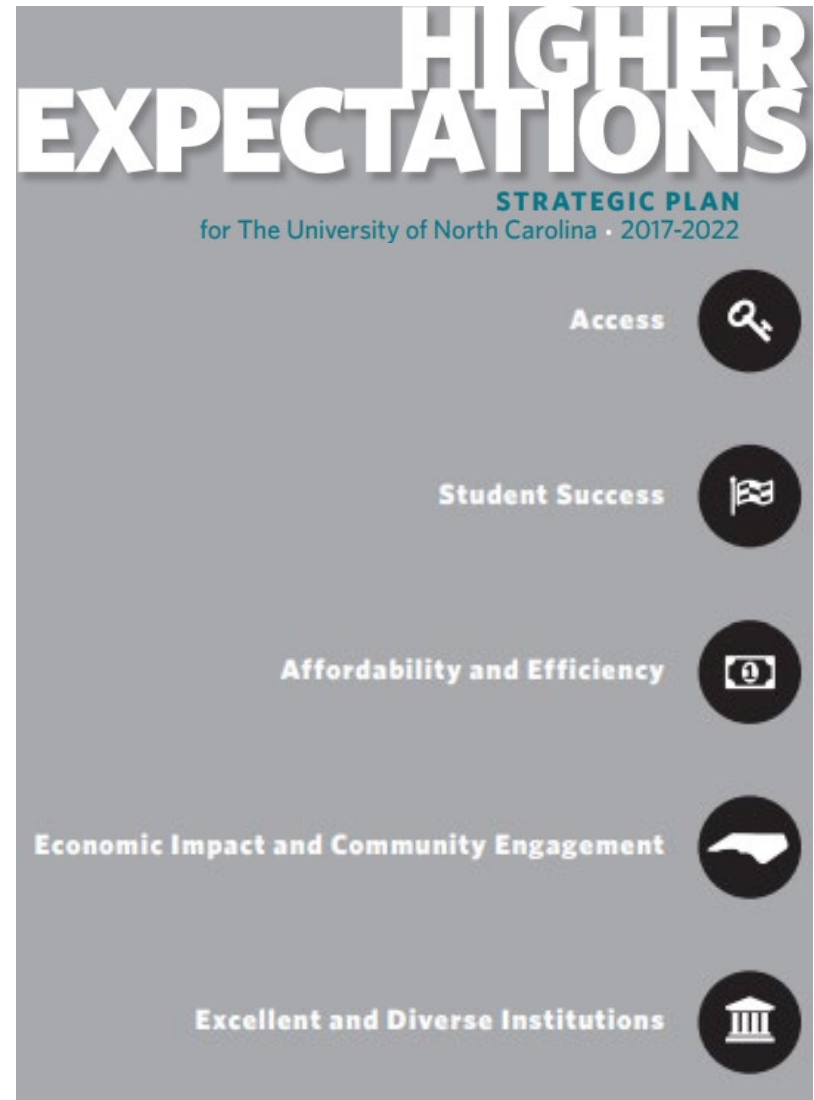
Today's Discussion

1. Provide an update on the latest performance data.

2. Discuss a "refresh" of the plan, including potential areas of focus under each theme, an outreach plan, and timeline.

National Context:
Continued COVID-induced Declines in Enrollment

Percent Change in Total Enrollment from Previous Year by Institutional Sector 2017-2021

Sector	Fall 2017	Fall 2018	Fall 2019	Fall 2020	Fall 2021
All Sectors	-1.0	-1.7	-1.3	-2.5	-2.7
Two-year Public	-1.7	-3.2	-1.4	-10.1	-3.4
Four-year Public	-0.2	0.0	-1.2	0.2	-3.0
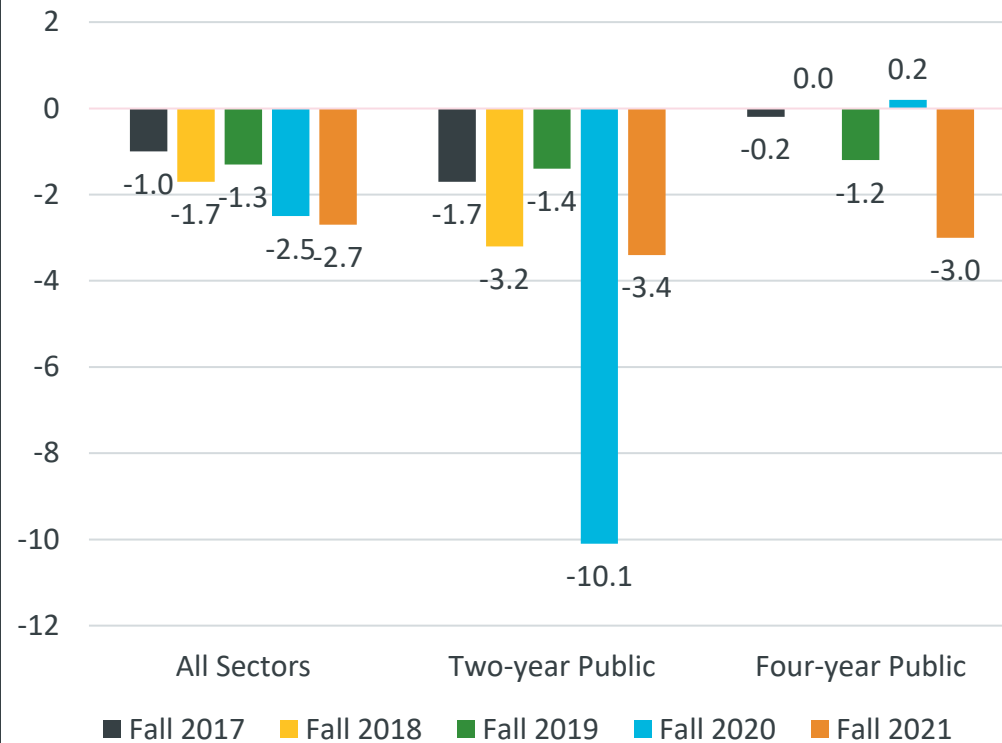
UNC System: In-state Undergraduate Enrollment (Fall Headcount)

	Enrollment
Fall 2015	153,978
Fall 2016	157,390
Fall 2017	160,363
Fall 2018	163,236
Fall 2019	164,322
Fall 2020	165,158
Fall 2021	162,905

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18
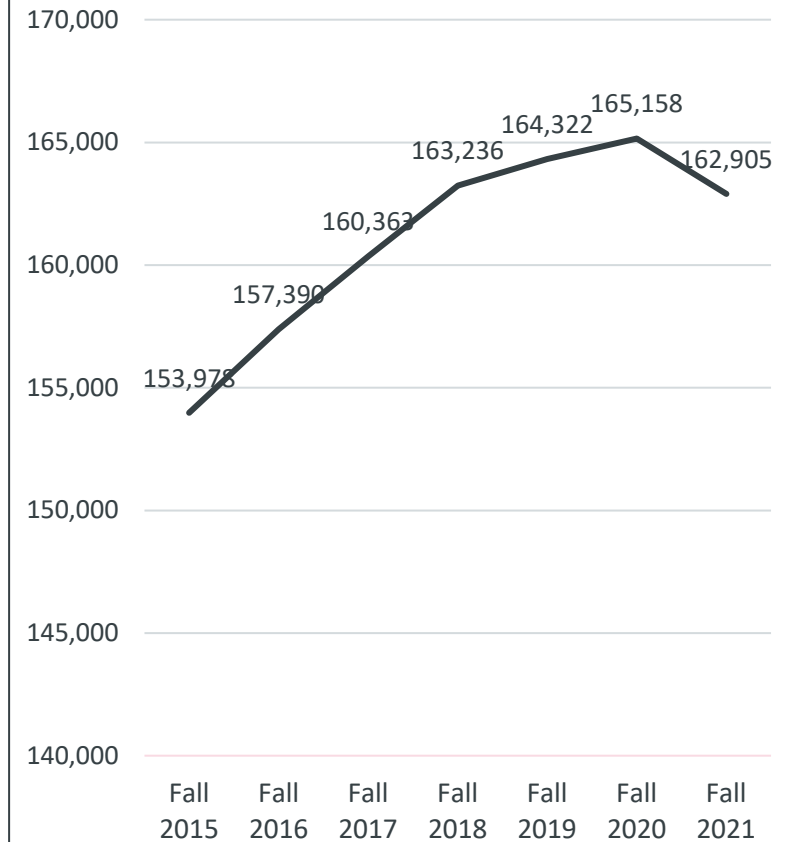
2021 Results By Theme and Metric

Economic Impact
- Critical Workforce — 108.3%
- Research Productivity — 105.9%

Student Success
- Graduation Rate — 105.5%
- Undergraduate Degree Efficiency — 106.9%
- UGDE- Low Income — 91.8%
- UGDE- Rural — 114.5%
- UGDE- URM — 107.5%
- UGDE- Male — 107.7%

Access
- Rural Completions — 96.7%
- Low Income Completions — 88.1%
- Rural Enrollment — 89.5%
- Low Income Enrollment — 90.1%

Axis: 0.0% 20.0% 40.0% 60.0% 80.0% 100.0% 120.0% 140.0%
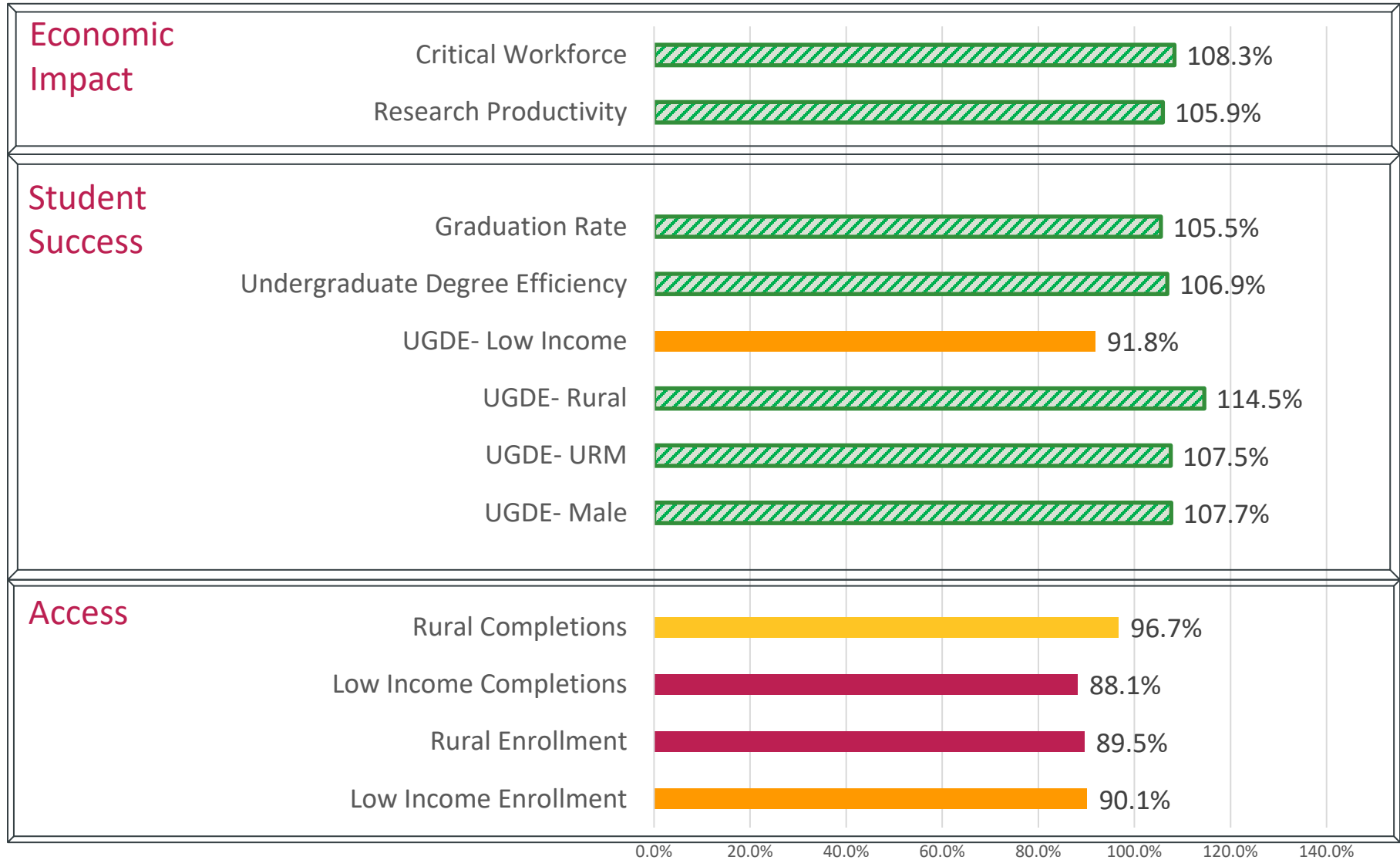
Key: Less than 90% | 90-94% | 95-98% | 99-100% | 101%+

Percentage of Annual Goal Met in 2020-21

19

A Closer Look: Access

Enrollment by Students from Rural Counties

- 2012: 58,748
- 2013: 57,980
- 2014: 58,289
- 2015: 59,220
- 2016: 59,359
- 2017: 59,096
- 2018: 60,973
- 2019: 61,022
- 2020: 60,662
- 2021: 58,991
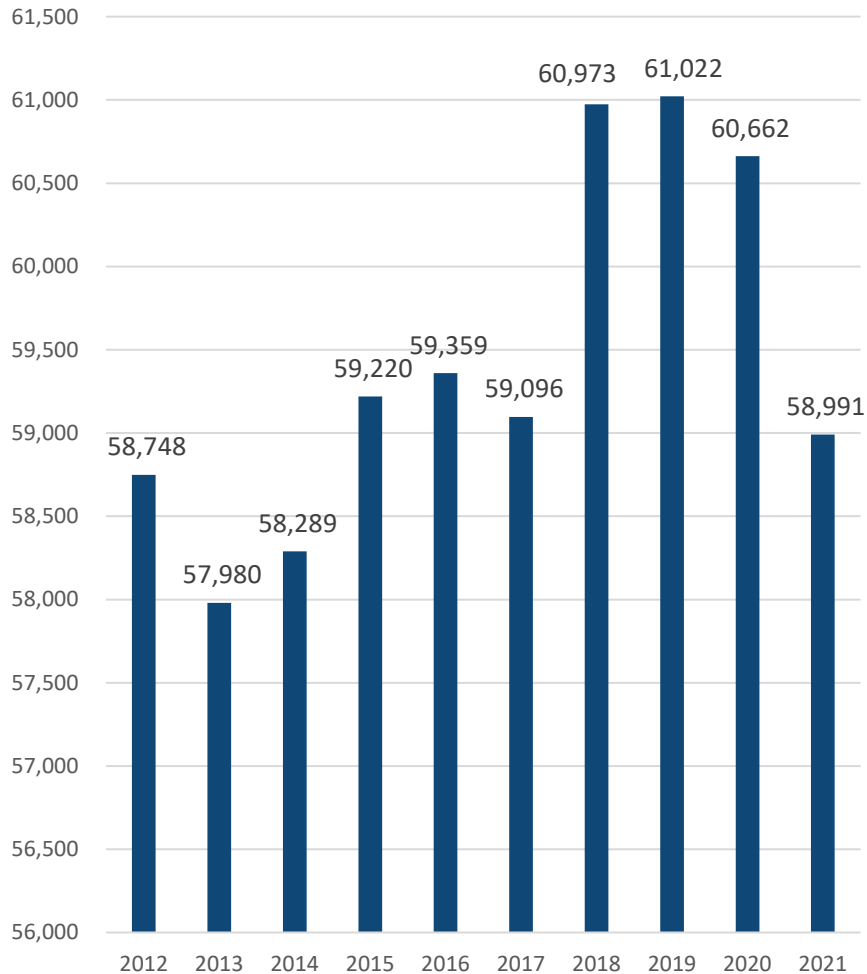
Enrollment by Low-Income Students

- 2011: 60,073
- 2012: 59,380
- 2013: 60,254
- 2014: 61,373
- 2015: 61,726
- 2016: 62,033
- 2017: 64,173
- 2018: 64,334
- 2019: 63,146
- 2020: 61,235
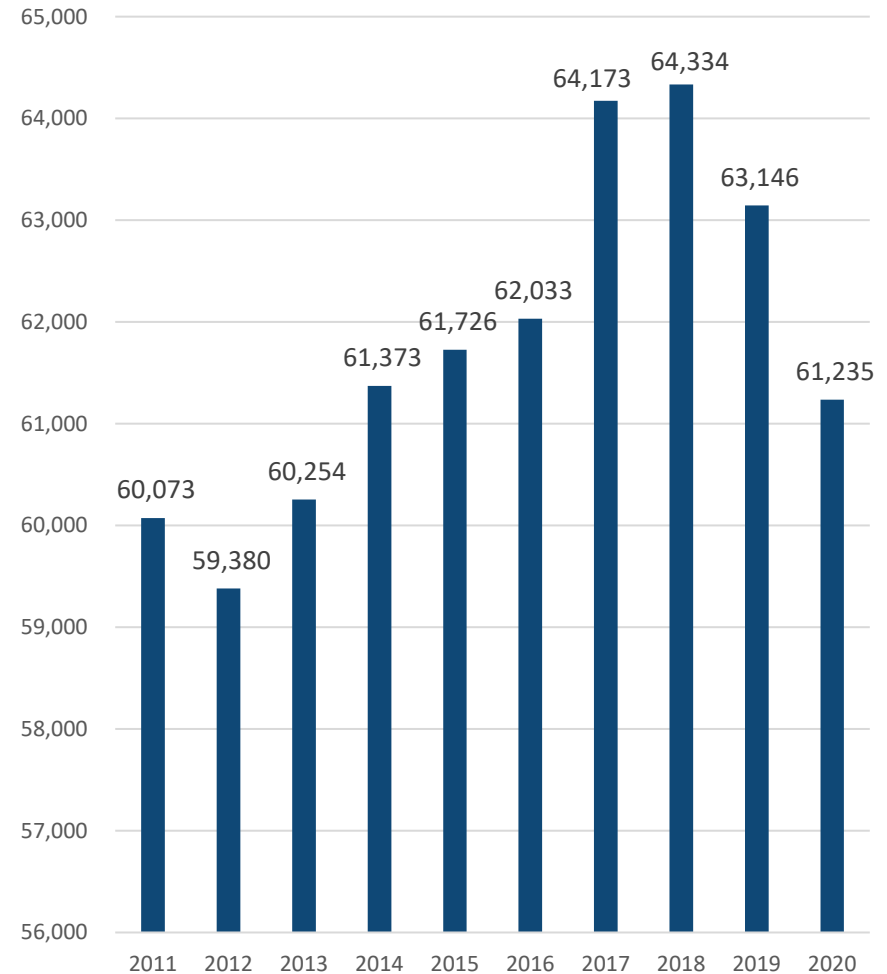
A Closer Look: Access

Completions by Students from Rural Counties

Year	Completions
2010-11	12,707
2011-12	12,947
2012-13	13,014
2013-14	13,050
2014-15	12,875
2015-16	13,305
2016-17	13,689
2017-18	13,916
2018-19	14,183
2019-20	14,486
2020-21	14,858

8.5% increase since 2016-17
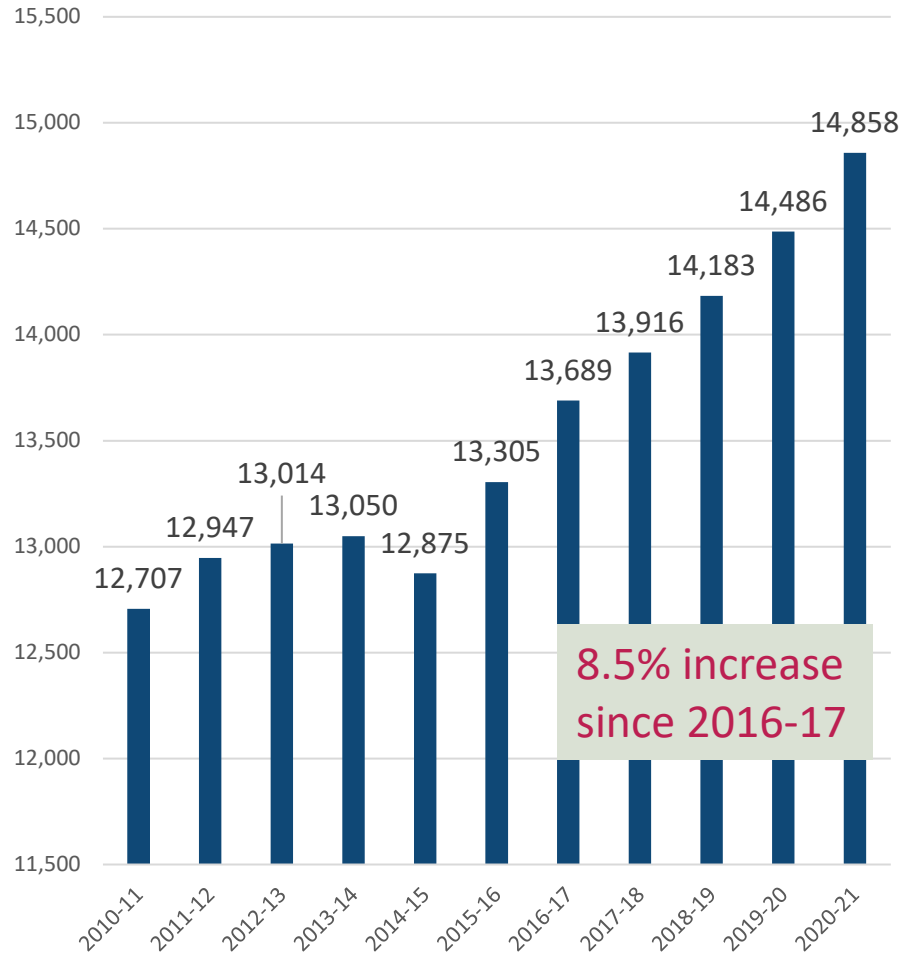
Completions by Low-Income Students

Year	Completions
2010-11	12,290
2011-12	13,703
2012-13	14,483
2013-14	15,302
2014-15	15,350
2015-16	15,852
2016-17	16,221
2017-18	16,311
2018-19	16,822
2019-20	17,304
2020-21	17,978

10.8% increase since 2016-17

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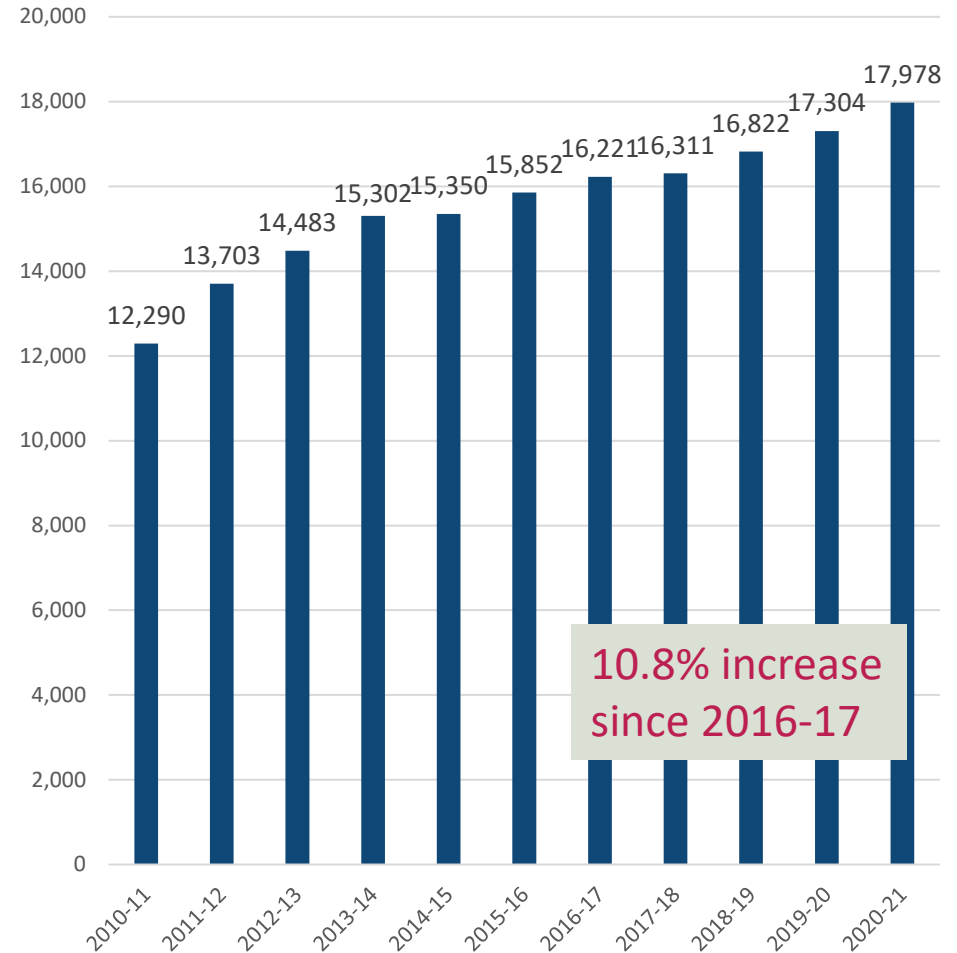
A Closer Look: Economic Impact

Completions in Critical Workforce Fields
(STEM, Health Sciences, Educator Preparation)

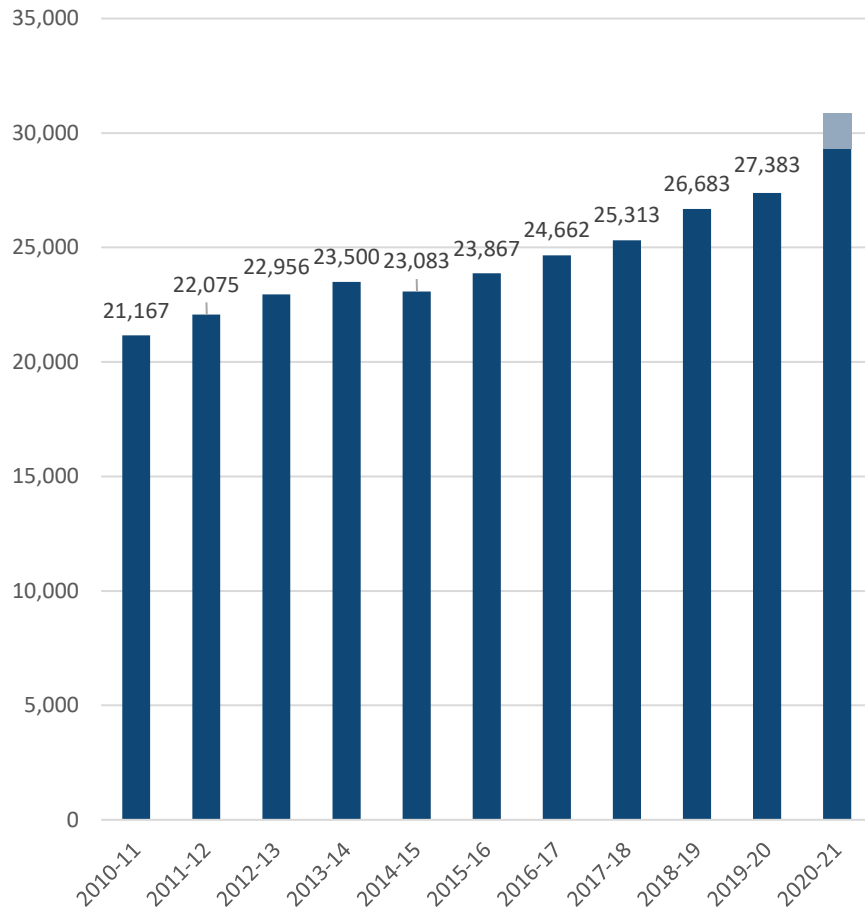| Year	Completions
2010-11	21,167
2011-12	22,075
2012-13	22,956
2013-14	23,500
2014-15	23,083
2015-16	23,867
2016-17	24,662
2017-18	25,313
2018-19	26,683
2019-20	27,383
2020-21	

Sponsored Research and Licensing Income
(In Billions)

Year	Income
FY12	$1.232
FY13	$1.235
FY14	$1.338
FY15	$1.352
FY16	$1.446
FY17	$1.570
FY18	$1.492
FY19	$1.665
FY20	$1.734
FY21	$1.749

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22
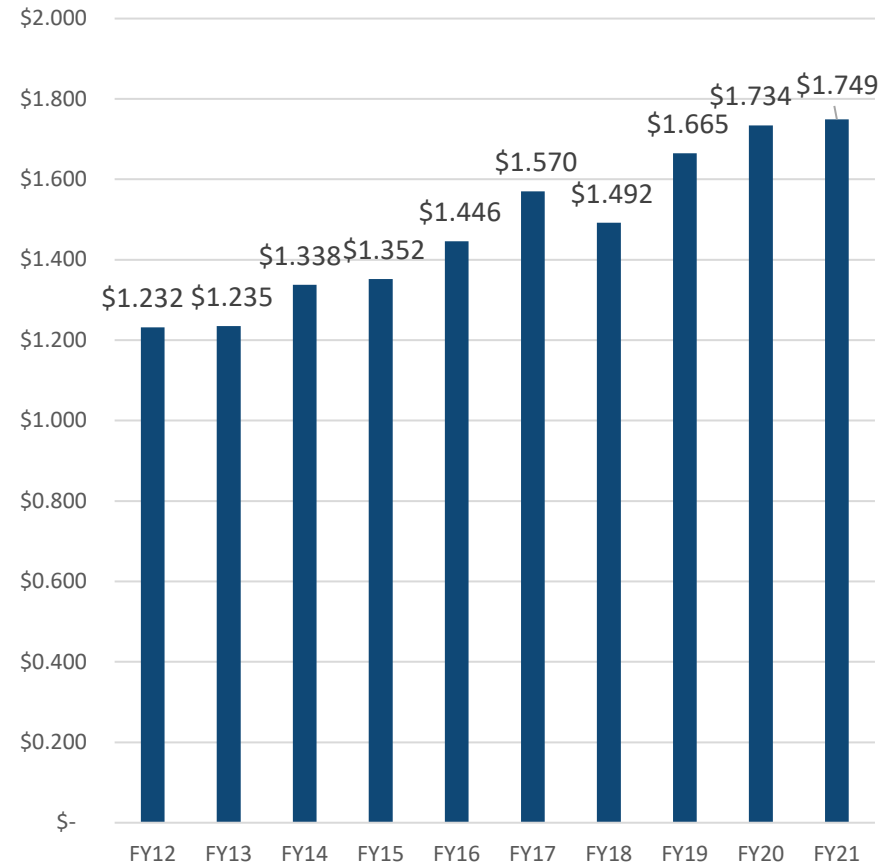
A Closer Look: Student Success

Five-year Graduation Rate
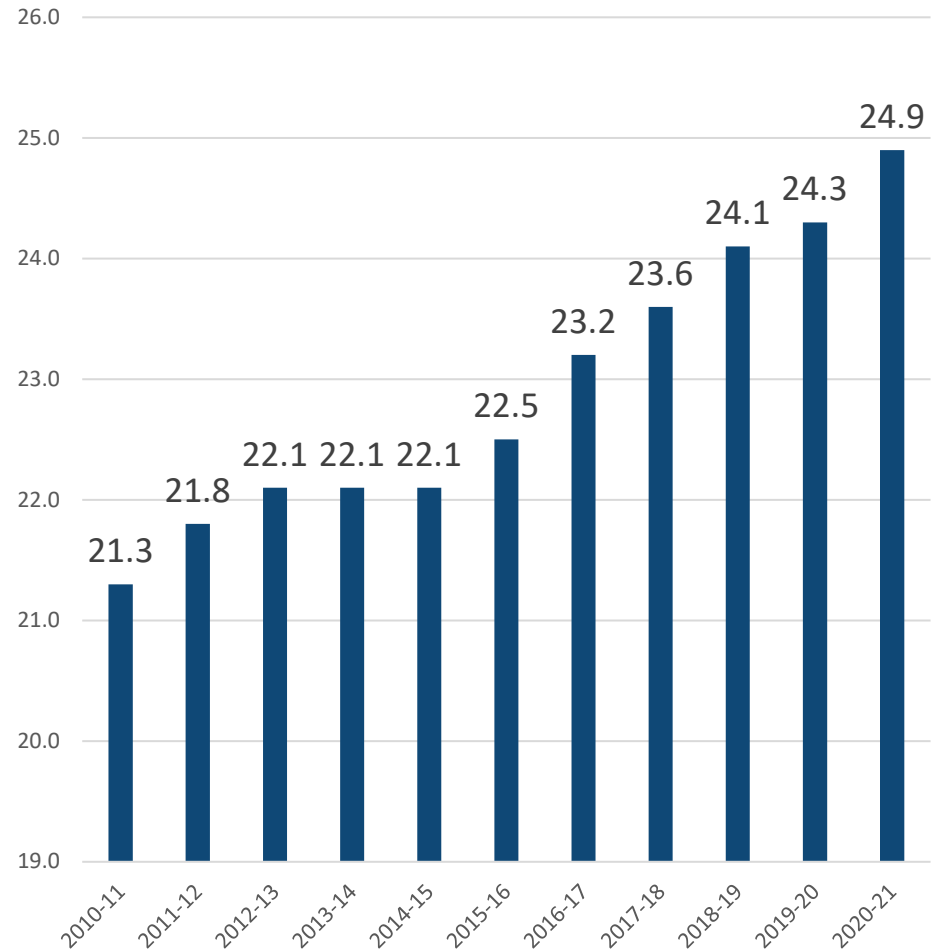(BA from Any University)
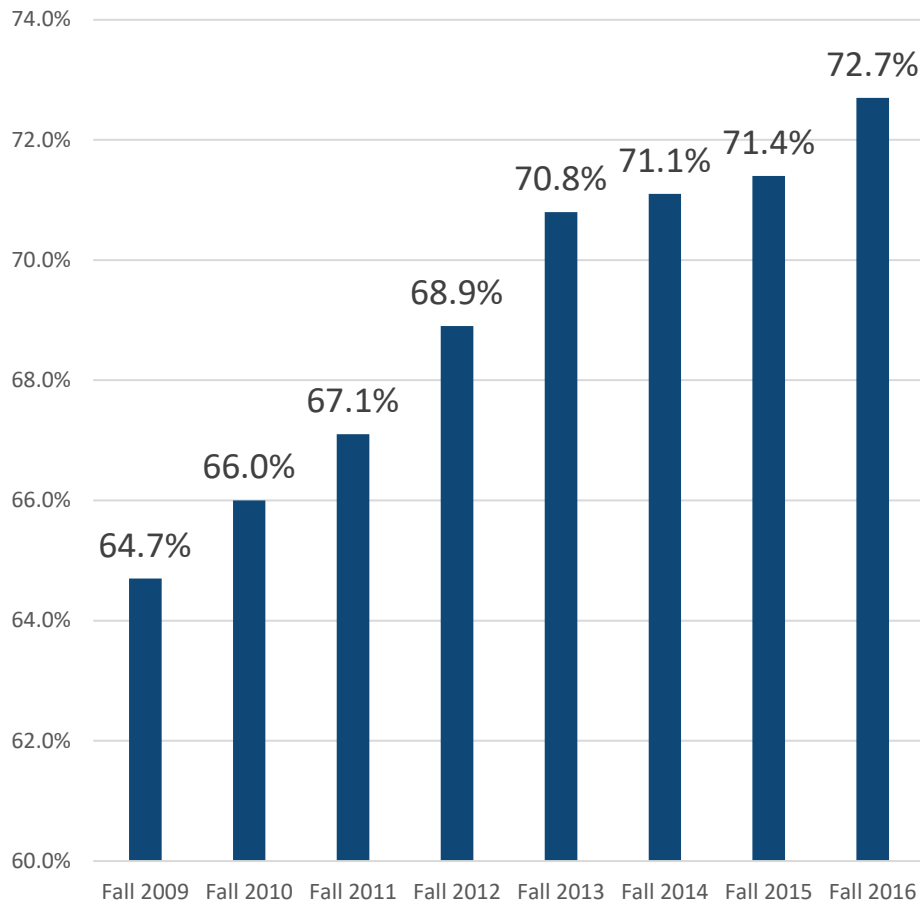
Undergraduate Degrees Awarded per 100 UG FTE
(Degree Efficiency)

REFRESH

A "Refresh" Rather Than a Rewrite

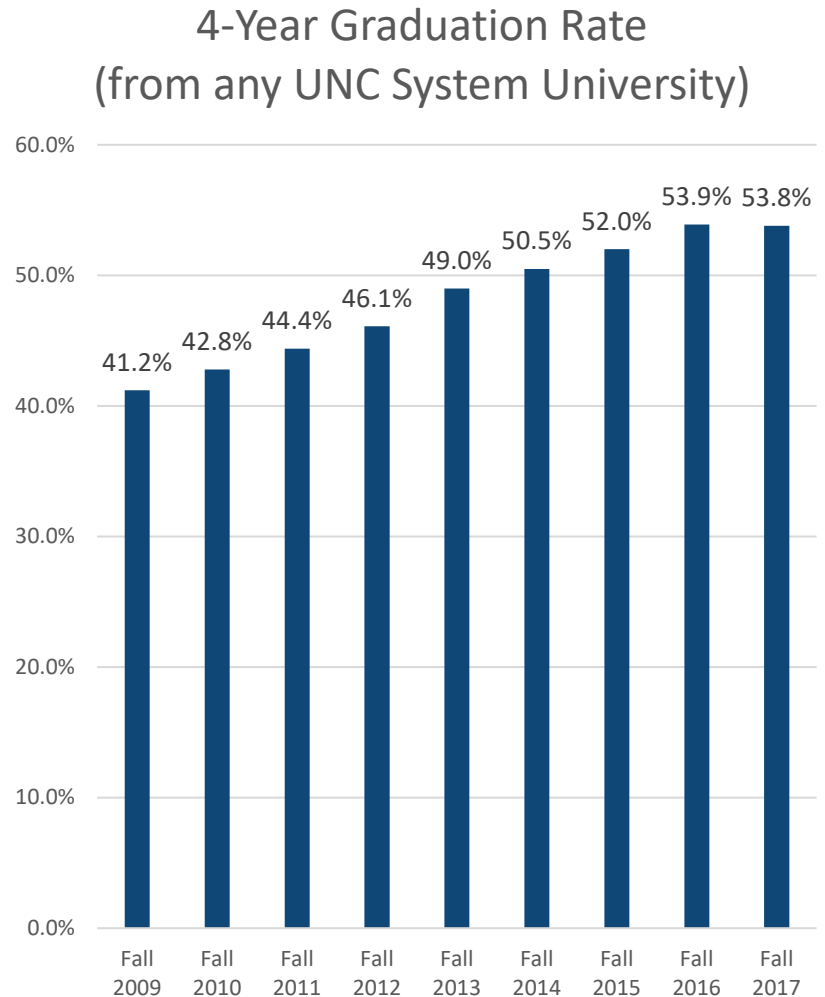- Five themes remain as relevant as ever.

- However:
  - We've made significant progress on the existing goals and metrics;
  - We've implemented new metrics (i.e., incentive compensation); and
  - We've identified new priorities (i.e., adult learners; veterans and military-affiliated students; student mental health).

  Time to refresh the plan to align five-year System goals with current priorities

An example: Student Success

- System met its 2022 target for five-year graduation rate years ahead of schedule.

- Incentive compensation metrics for President and chancellors includes the *on-time* graduation rate (four-year).

- "Refreshed" plan can align with incentive comp. goals by adding the four-year graduation rate.

**4-Year Graduation Rate
(from any UNC System University)**

Term	Rate
Fall 2009	41.2%
Fall 2010	42.8%
Fall 2011	44.4%
Fall 2012	46.1%
Fall 2013	49.0%
Fall 2014	50.5%
Fall 2015	52.0%
Fall 2016	53.9%
Fall 2017	53.8%

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Preliminary Ideas: Access

In line with Project Kitty Hawk, focus on access for adult learners (undergraduates aged 25 or older):

Undergraduate Enrollment, 25 or Older
(Systemwide)
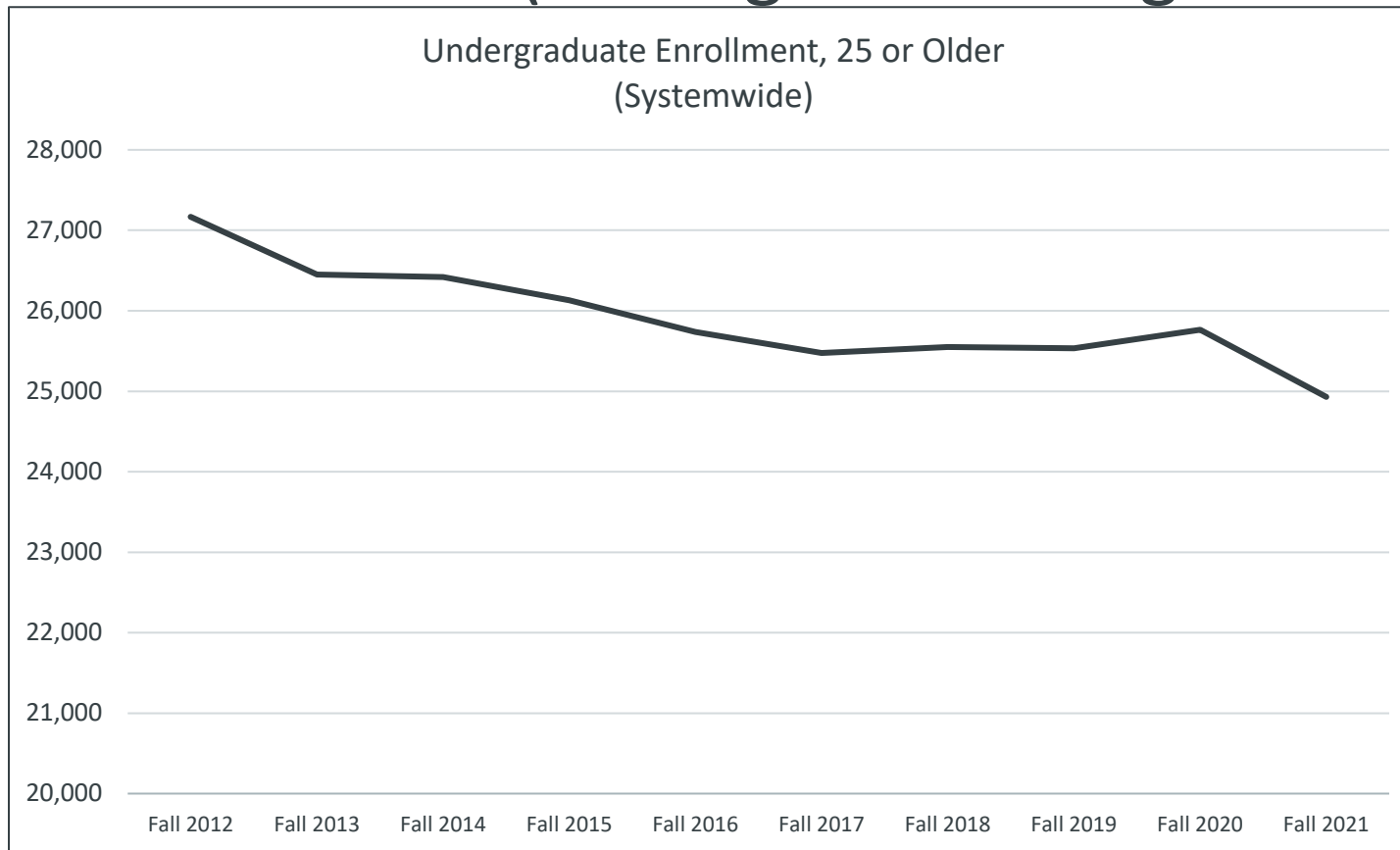
6/16 universities *added* adult learner enrollment since 2013; the rest enroll fewer adults now than in the past.
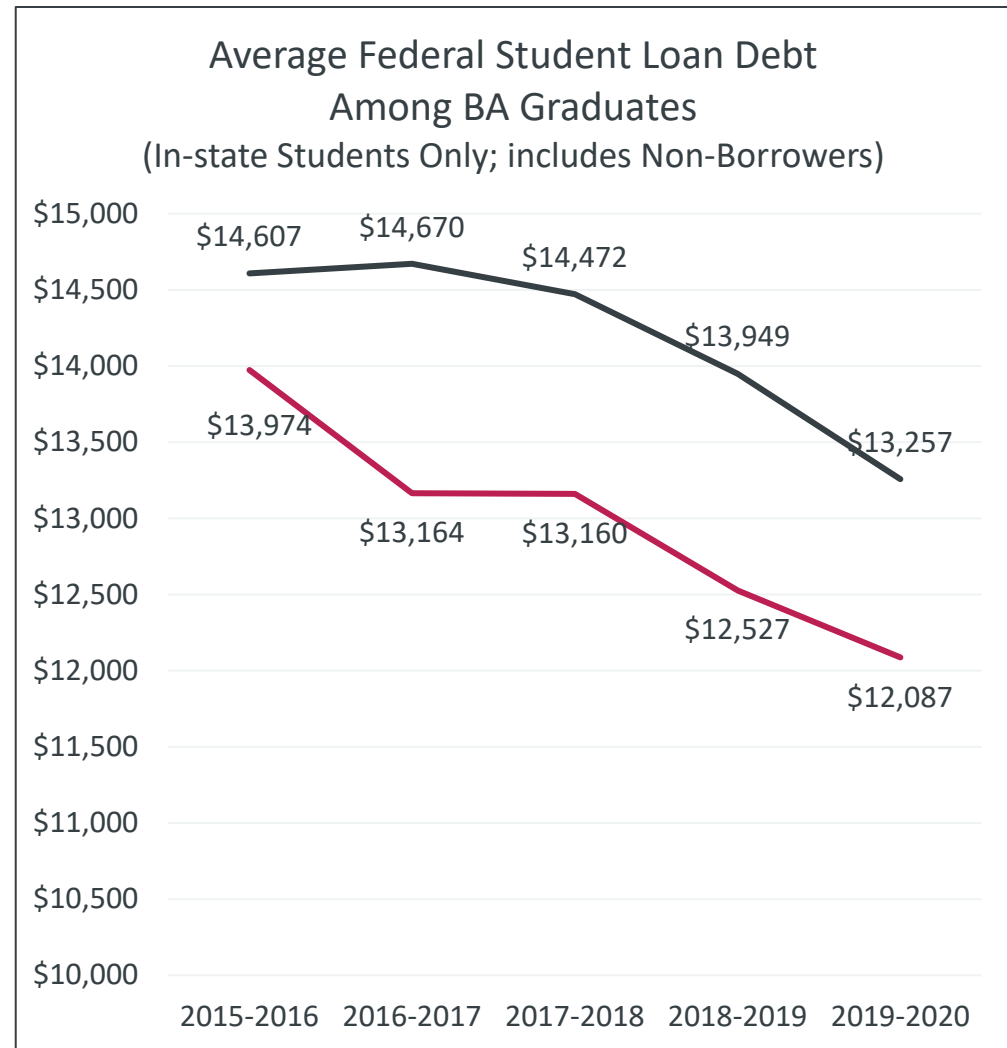
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Preliminary Ideas: Affordability and Efficiency

Existing plan focuses on limiting tuition increases to increases in median household income.

Incentive compensation goals include relevant metrics:

1. Student debt at graduation (first-time and transfer);

2. Education and related expenses per degree.

Average Federal Student Loan Debt Among BA Graduates
(In-state Students Only; includes Non-Borrowers)

Dark line: $14,607 (2015-2016), $14,670 (2016-2017), $14,472 (2017-2018), $13,949 (2018-2019), $13,257 (2019-2020)

Red line: $13,974 (2015-2016), $13,164 (2016-2017), $13,160 (2017-2018), $12,527 (2018-2019), $12,087 (2019-2020)
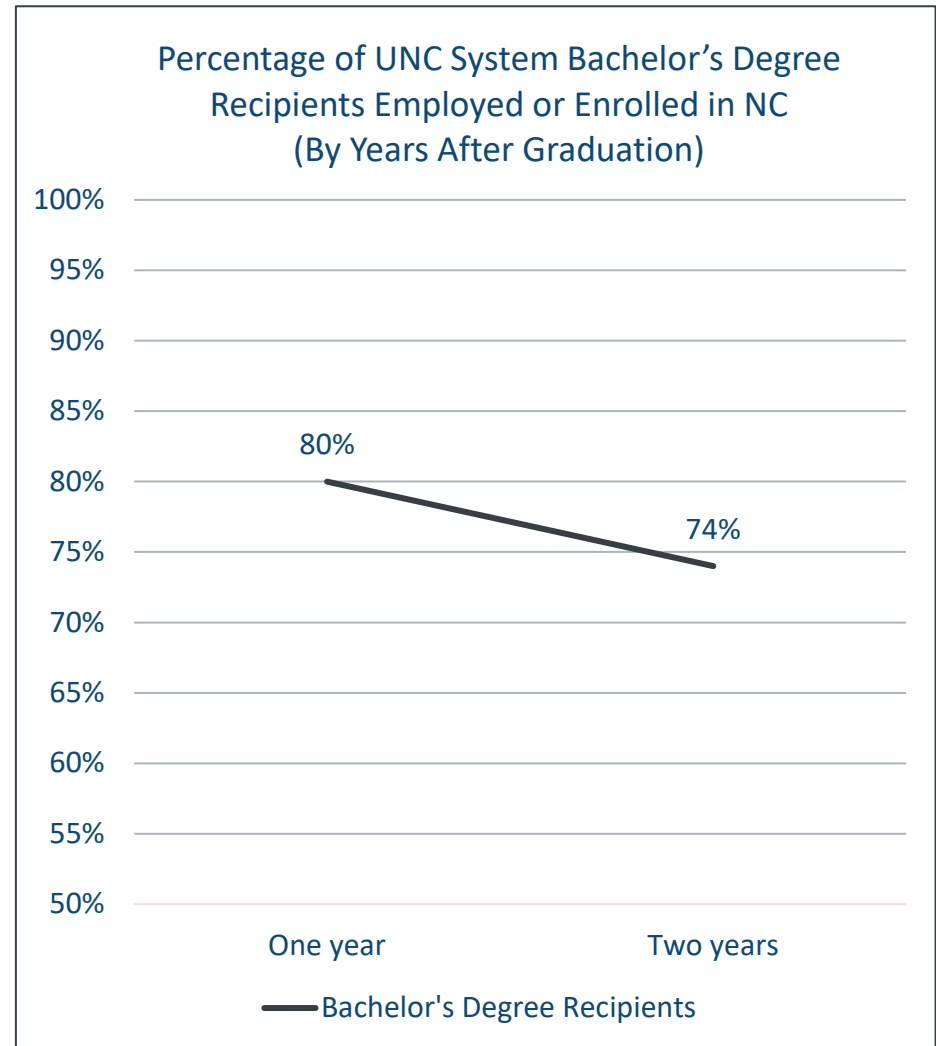
Preliminary Ideas: Student Success

Incentive compensation goals include relevant metrics:

1. Four-year graduation rates;

2. Undergraduate degree efficiency (degrees per 100 FTE)*

- What about post-graduation outcomes (employment; earnings; further education)?

- What about student mental health?

* Part of the current plan as well.

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Percentage of UNC System Bachelor's Degree Recipients Employed or Enrolled in NC (By Years After Graduation)

80%

74%

One year | Two years
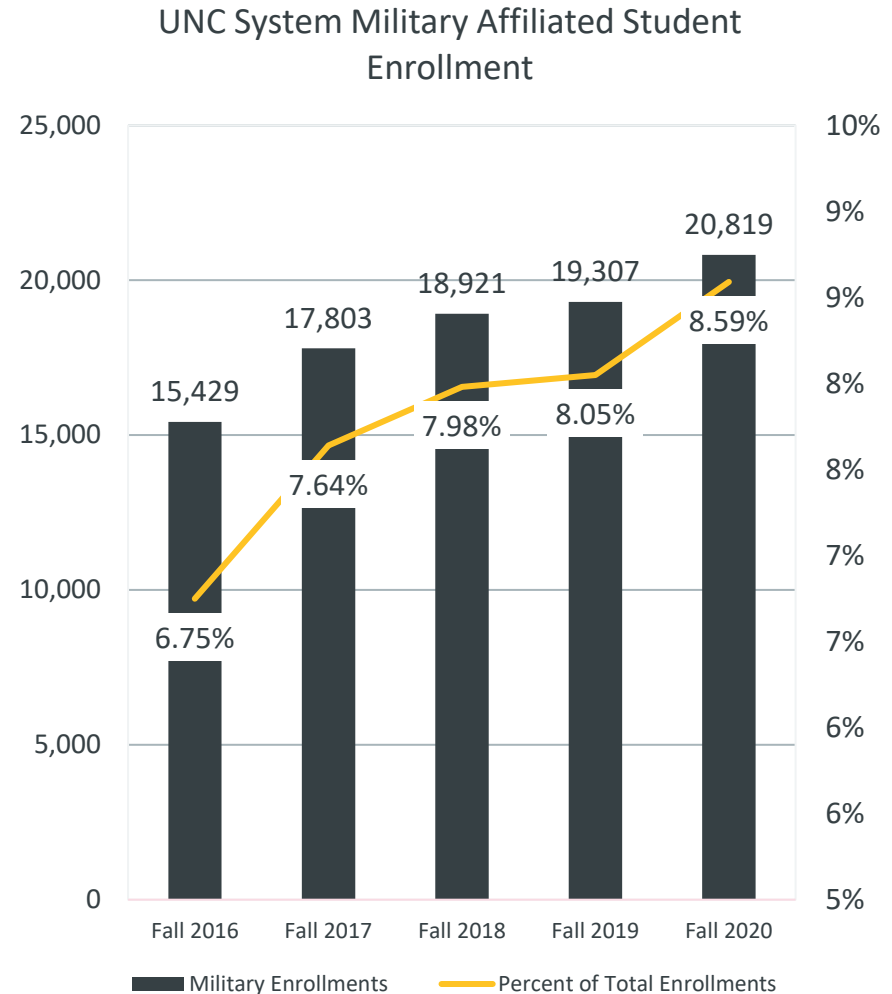
—— Bachelor's Degree Recipients

Source: North Carolina Department of Commerce, NC Tower System

Preliminary Ideas: Economic Impact and Community Engagement

Current plan: Critical workforces, research productivity, and community engagement plans.

- Should we revisit definition of "critical workforce?"

- Should we measure research expenditures rather than sponsored research?

- Should we include goals for enrolling military-affiliated students and/or employment of veterans under this theme?

UNC System Military Affiliated Student Enrollment

Military Enrollments: 15,429 (Fall 2016), 17,803 (Fall 2017), 18,921 (Fall 2018), 19,307 (Fall 2019), 20,819 (Fall 2020)

Percent of Total Enrollments: 6.75% (Fall 2016), 7.64% (Fall 2017), 7.98% (Fall 2018), 8.05% (Fall 2019), 8.59% (Fall 2020)

Preliminary Ideas: Excellent and Diverse Institutions

- Should the Plan include increased emphasis on mission statements and metrics for mission-focused performance?

- Under the existing plan, System Office HR began collecting data related to employee turnover and engagement. Should the System set measurable goals on these metrics?

- Should the Plan incorporate metrics identified by the Racial Equity Task Force?

Outreach and Engagement

We are creating multiple opportunities for constituents to share their views, starting in the next two weeks:

- Systemwide survey for all students, faculty, and staff;

- Virtual town halls;

- Meetings with affinity groups and key stakeholders (chancellors, senior administrators, faculty and staff assemblies, ASG, veterans and military-affiliated students, community college and K-12 leaders, etc.);

- A dedicated email address or website to collect feedback.

Timeline

- **January/February**: Campus outreach and engagement, including virtual town halls.

- **March**: Compiling of campus feedback; defining additional metrics and analysis of trends.

- **April:** Present draft goals and metrics to Committee for feedback.

- **May:** Present refreshed plan to Committee and Full Board.

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Outreach and Engagement

- Sample questions for outreach audiences:
  - What has worked well with the current Strategic Plan?

  - What has not worked well?

  - What is missing from the current plan?

  - What should be in the future plan?

  - What other considerations should inform the refreshed plan?

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MEETING OF THE BOARD OF GOVERNORS
Committee on Strategic Initiatives
January 19, 2022

AGENDA ITEM

A-3. Strategic Plan Update and Refresh.. Andrew Kelly

Situation: In January 2017, the Board of Governors passed the University of North Carolina System's Strategic Plan, *Higher Expectations*. The plan outlines robust goals focused on access, affordability, student success, and economic impact across the System. The plan has entered its last year (2021-22).

Background: The Strategic Plan spells out goals and metrics in five key areas: access, affordability and efficiency, student success, economic impact, and excellent and diverse institutions. After the plan was passed, the System Office established performance agreements with each constituent institution that outlined institution-specific goals and metrics. Each year, the System Office measures progress toward the annual goals. Data from the 2020-21 academic year are now available for review.

The 2021-22 academic year is the final year of the current plan. Over the next several months, the president and System Office staff will assess the lessons learned from the existing plan and facilitate a process designed to refresh the goals and metrics within each theme and align them with current priorities of the Board of Governors, the president, and university leaders, faculty, staff, and students.

Assessment: The committee will hear the latest data, trends, and highlights related to the System's progress on Strategic Plan goals and metrics. Dr. Kelly will also outline a process for refreshing the 2017-22 Strategic Plan.

Action: This item is for information only.