Maximum Per-Credit Hour Tuition Rates: Supporting Documents

Meeting of the Board of Governors

Committee on Budget and Finance
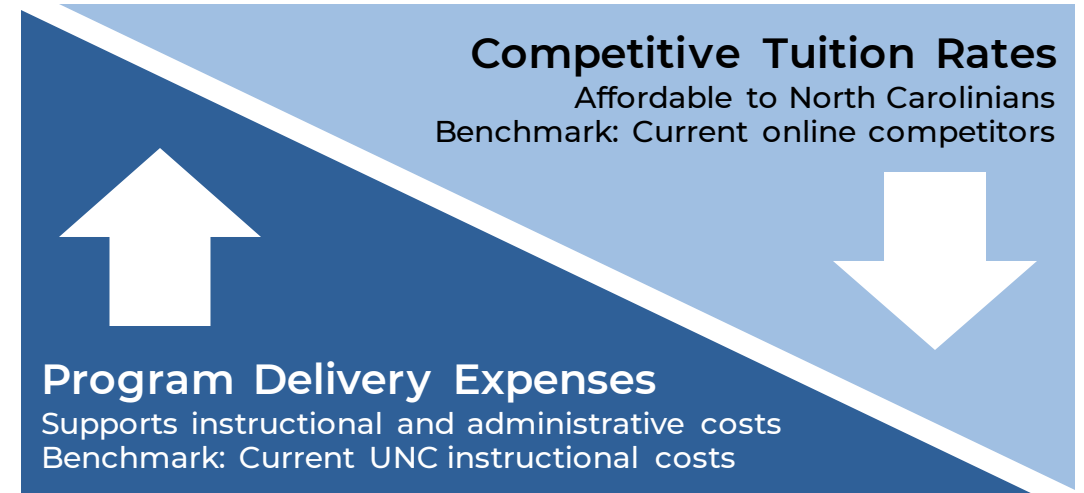
April 2023

Overview

Project Status

- PKH has signed letters of intent with seven UNC institutions to design online undergraduate degree programs

- Students will enroll in the first PKH-powered programs in October 2023

- The programs will be off-model and will not receive enrollment funding; they must be self-sustaining

- Program design requires that PKH establish tuition rates based on market conditions and program costs

PKH Request

- Each year, PKH will propose the maximum tuition rate for PKH-powered programs to the UNC Board of Governors for approval

- PKH and its university customers have discretion to set tuition rates by program, up to the approved maximum rate

PKH-Powered Online Programs: Tuition Rate Market Forces

Competitive Tuition Rates
Affordable to North Carolinians
Benchmark: Current online competitors

Program Delivery Expenses
Supports instructional and administrative costs
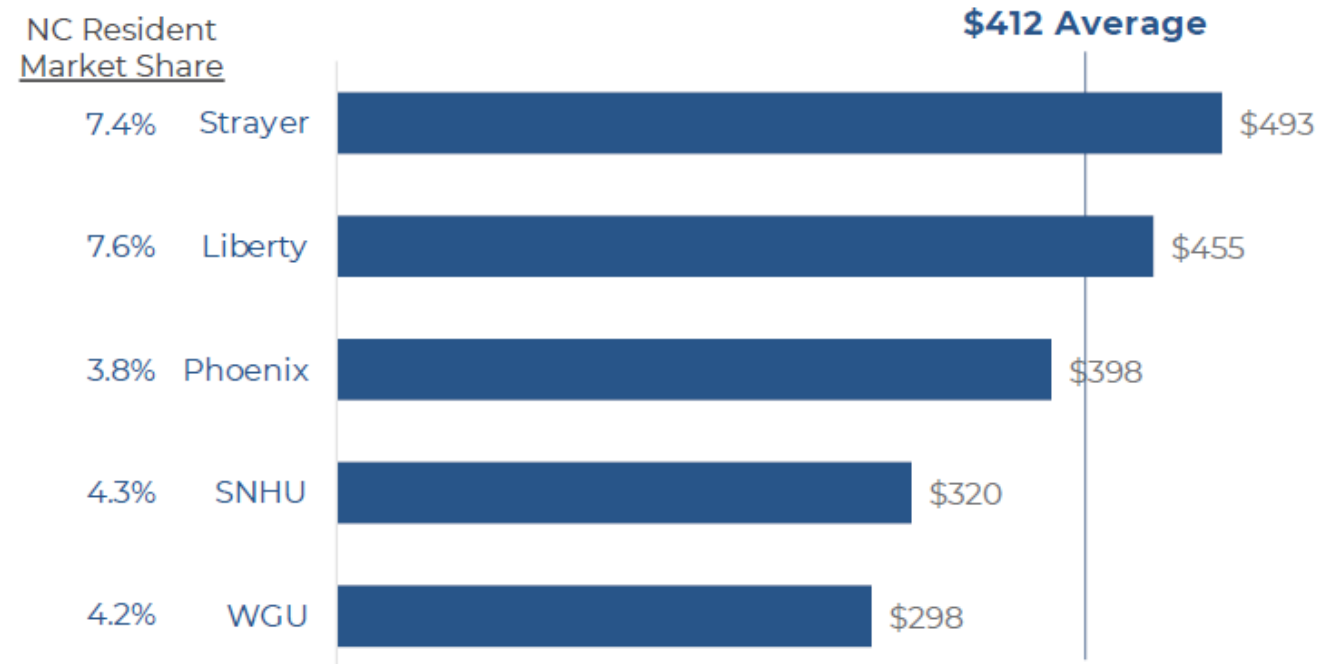Benchmark: Current UNC instructional costs

PKH-powered programs must balance affordability against delivery cost

Competitive Tuition Rates: Market-Based Benchmarks

- Over two-thirds of North Carolina's adults choose out-of-state institutions for online undergraduate studies
- The five largest out-of-state providers enroll over one-fourth of undergraduate North Carolinians studying online
- North Carolinians pay an average of $412 per SCH at these institutions
- PKH-powered programs will compete on both price and educational quality
- Market benchmarks suggest a maximum tuition rate not to exceed $500 per SCH for PKH-powered programs
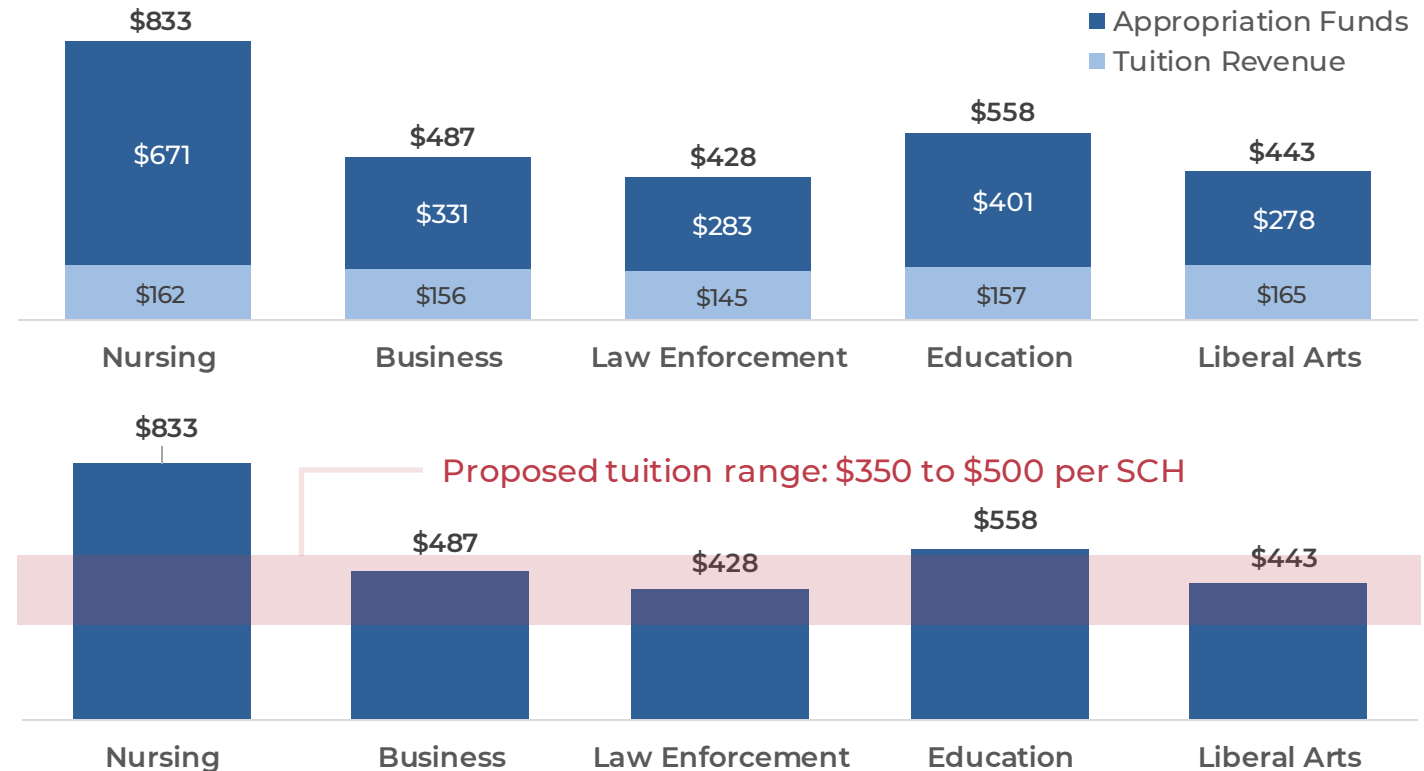
Undergraduate Tuition per Student Credit Hour, 2022

$412 Average

NC Resident Market Share

Market Share	Institution	Tuition
7.4%	Strayer	$493
7.6%	Liberty	$455
3.8%	Phoenix	$398
4.3%	SNHU	$320
4.2%	WGU	$298

PKH-powered programs must be cost-competitive with large out-of-state institutions

SCH: Student Credit Hour.
SNHU: Southern New Hampshire University; WGU: Western Governors University

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Program Delivery Costs: Current UNC Program Benchmarks

- UNC revenue varies by subject area; programs with higher operating costs receive more enrollment funding
- UNC's five most popular online undergrad subject areas generate $428 to $833 per SCH in tuition and state appropriations
- Major cost drivers are course instruction and learner marketing & recruiting
- PKH-powered programs will be designed to economize these costs while maximizing academic quality and the student experience
- A range of $350 to $500 per SCH will provide flexibility at the program level

UNC Tuition and Appropriation Revenue per SCH: Popular Online Subject Areas

Legend:
- ■ Appropriation Funds
- ■ Tuition Revenue

Chart 1 (Appropriation Funds / Tuition Revenue per SCH):

Subject	Total	Appropriation Funds	Tuition Revenue
Nursing	$833	$671	$162
Business	$487	$331	$156
Law Enforcement	$428	$283	$145
Education	$558	$401	$157
Liberal Arts	$443	$278	$165

Chart 2 (totals with proposed tuition range):

Proposed tuition range: $350 to $500 per SCH

Subject	Total
Nursing	$833
Business	$487
Law Enforcement	$428
Education	$558
Liberal Arts	$443

PKH proposes a maximum resident undergraduate tuition rate of $500 per SCH

Appropriation amounts vary by institution and subject area; subject-area appropriations are calculated using the Delaware Study of Instructional Costs and Productivity. Off-model programs do not receive appropriations through enrollment funding.

PKH

Graduate Program and Non-Resident Rates

Graduate Programs

- PKH's is focusing on undergraduate degree completion programs in 2023-24; however, we may receive requests to design master's programs
- Graduate program tuition is typically 40% to 80% higher than undergraduate rates, reflecting higher earning power of graduates
- Graduate programs also incur higher instructional and marketing costs
- A range of $500 to $800 per SCH for master's programs will provide flexibility at the program level

Non-Resident Tuition Rates

- Non-resident rates for on-model UNC programs are 300% to 400% higher than resident tuition rates
- Tuition from non-resident enrollments will support program's fixed costs and improve affordability for North Carolinians
- To prioritize the education of North Carolina residents, PKH proposes a non-resident rate no less than 20% higher than the resident rate set for each program

PKH proposes a maximum graduate resident tuition rate of $800 per SCH

PKH proposes a non-resident tuition premium at least 20% higher than the resident rate

PKH

PKH Academic Year 2023-34 Maximum Tuition Rate Proposal
April 2023

Per G.S. 116-11(9)(e), digital learning student credit hours provided with the support of Project Kitty Hawk ("PKH") may not be included in the UNC System's enrollment change request and must therefore be self-supporting. In order to enable universities to offer such programs in partnership with PKH, the Board of Governors approved Section 1000.1.1-II.E.3 of the UNC Policy Manual which states that, on an annual basis, PKH shall request that the Board of Governors establish a maximum per-credit tuition rate for self-supported digital learning programs offered through a partnership with PKH ("Maximum Tuition Rate"). Section 1000.1.1-II.E.3 also requires that the nonresident tuition rate charged for a given academic program exceed the rate charged to North Carolina residents for that program.

For the coming academic year, PKH requests that the Board of Governors approve the Maximum Tuition Rate proposal below that achieves two objectives. First, it will allow constituent institutions the flexibility to set program tuition rates that are cost-competitive with similar online programs in the market, particularly those at out-of-state providers that enroll a large share of North Carolinians today. Second, tuition rates also must support the educational investment required to deliver the world-class educational experiences that the System is known for. Based on a thorough analysis of both objectives,[1] PKH requests that the Board approve the following Maximum Tuition Rate proposal:

Maximum Tuition Rate Proposal for Academic Year 2023-24		

Per University of North Carolina Policy 1000.1.1 and Section 5.18 of the March 2022 Association Agreement between the University of North Carolina (UNC) and Project Kitty Hawk (PKH), PKH shall request that the Board of Governors establish a maximum per-credit tuition rate for programs offered through a partnership with PKH ("Maximum Tuition Rate").

For the 2023-2024 academic year, PKH and its Board of Directors request that the University of North Carolina Board of Governors approve a Maximum Tuition Rate of $500 per student credit hour ("SCH") for North Carolina residents enrolling in undergraduate programs and a maximum rate of $800 per SCH for North Carolina residents enrolling in graduate programs. To ensure North Carolinians are the primary beneficiaries of the General Assembly's investment in PKH, the non-resident tuition rate for each academic program shall be set at a rate no less than 20% higher than a program's state resident rate.

	Undergraduate Programs	Graduate Programs
NC Resident	$500	$800
Out-of-State Resident	20% higher than NC Resident Rate	

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[1] For more information, please see a summary of this analysis included in under "additional information" in your board materials.

Key Factors:

- PKH-powered online degree programs will not be funded through the Enrollment Funding Model and therefore will not receive state appropriations. The programs must be financially self-supporting. PKH-powered programs must be both cost-effective for learners and self-supporting for institutions.
- Tuition generated by PKH-powered programs must support all program operations, including course instruction, program administration, student marketing and recruitment, and student support.
- The target average tuition rate for undergraduate programs powered by Project Kitty Hawk will be $375 per SCH. Tuition rates will vary by program and will depend on individual programs' costs. Programs with higher-than-average instructional or administrative costs will have higher tuition rates to reflect higher costs.