



# FINDINGS AND RECOMMENDATIONS PERTAINING TO SJR 98

---

*A report submitted to the Kentucky General Assembly by the Council on Postsecondary Education in fulfillment of the requirements of Senate Joint Resolution 98 (2023)*

## **About the Council on Postsecondary Education**

The Council on Postsecondary Education is Kentucky's higher education coordinating agency committed to strengthening our workforce, economy and quality of life. We do this by guiding the continuous improvement and efficient operation of a high-quality, diverse and accessible system of postsecondary education.

Key responsibilities include:

- developing and implementing a strategic agenda for postsecondary education that includes measures of progress.
- producing and submitting a biennial budget request for adequate public funding of postsecondary education.
- determining tuition rates and admission criteria at public postsecondary institutions.
- collecting and distributing data about postsecondary education performance.
- ensuring the coordination and connectivity of technology among public institutions.
- licensing non-public postsecondary institutions to operate in the Commonwealth.



# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
Purpose of This Report.....	1
Report Methodology.....	1
The Legacy of HB 1.....	2
State Landscape Analysis.....	3
Study Area 1: Options for Kentucky’s Higher Education Governance Structure.....	5
Study Area 2: Feasibility of a New Public University in Southeast Kentucky.....	7
Study Area 3: Feasibility of the Proposed KCTCS Split.....	8
<b>CHAPTER 1: INTRODUCTION</b> .....	<b>11</b>
Purpose of This Report.....	11
The Legacy of HB 1.....	11
Forces Disrupting Higher Education.....	15
Perceptions of the Current System.....	16
<b>CHAPTER 2: STATE LANDSCAPE ANALYSIS</b> .....	<b>18</b>
Overview.....	18
Postsecondary Analysis.....	18
Demographic & Economic Analysis.....	46
<b>CHAPTER 3: OPTIONS FOR KY’S HIGHER EDUCATION GOVERNANCE STRUCTURE</b> .....	<b>54</b>
Overview.....	54
The Case for State Oversight.....	54
Primary Forms of Oversight.....	55
Comparative Analysis of States.....	58
Proposed Options of Governance.....	65
CPE Recommendations.....	70
<b>CHAPTER 4: FEASIBILITY OF A NEW PUBLIC UNIVERSITY IN SOUTHEAST KY</b> .....	<b>72</b>
Overview.....	72
Pinpointing a Location.....	72
Perspectives on Student & Employer Demand.....	79
Proposed Options to Expand Postsecondary Access.....	80
Additional Options.....	92
CPE Recommendations.....	111
<b>CHAPTER 5: FEASIBILITY OF THE PROPOSED KCTCS SPLIT</b> .....	<b>113</b>
Overview.....	113
Creation of KCTCS.....	113
KCTCS’s Structure & Responsibilities.....	116
KCTCS’s Performance & Impact.....	118
Feasibility & Impact of Transferring Academic Programs to Comprehensive Universities.....	129
Strengthening KCTCS.....	143

**CPE Recommendations..... 147**

**APPENDIX A: SYNTHESIS OF KENTUCKY STAKEHOLDER INPUT & STATE COMPARATIVE ANALYSIS..... 148**

**APPENDIX B: ECONOMIC IMPACT OF A 4-YEAR PUBLIC UNIVERSITY IN SOUTHEASTERN KY..... 260**

**APPENDIX C: KEY FINDINGS FROM RESEARCH ON STATE STRATEGIES FOR FINANCING HIGHER ED..... 282**

**APPENDIX D: ESTIMATED IMPACTS OF THE HYPOTHETICAL INSTITUTION ON PUBLIC UNIVERSITIES..... 306**

**APPENDIX E: A DESCRIPTIVE EXAMINATION OF KY’S TRANSFER SYSTEM..... 315**

**APPENDIX F: GLOSSARY..... 323**

**APPENDIX G: KY ADD & CAMPUS MAPS..... 327**

**APPENDIX H: SJR 98..... 329**

# EXECUTIVE SUMMARY

---

## PURPOSE OF THIS REPORT

---

Senate Joint Resolution 98 (SJR 98) directs the Council on Postsecondary Education (CPE) to assess whether Kentucky's current postsecondary system is adequate to meet the state's current and future human capital and workforce needs. More specifically, it charges CPE with determining: 1) the efficacy of Kentucky's current postsecondary governance structure; 2) the feasibility of a new four-year public university in Southeast Kentucky; and 3) the feasibility and impact of narrowing KCTCS's scope to technical education and training only, with the comprehensive (regional) universities assuming responsibility for general education and transfer programs.

Implicit in this task is the assumption that the reforms enacted by the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) may not be working as intended or producing the results we need. **In this way, SJR 98 serves as a referendum on House Bill 1, as well as an opportunity to make bold changes that reposition Kentucky for greater economic competitiveness in the next quarter century.**

---

## REPORT METHODOLOGY

---

Ernst and Young LLP (EY) was hired as a third-party consultant to provide objective insights about the effectiveness of various higher education governance structures across the nation, including Kentucky's. EY conducted interviews with around 135 Kentucky stakeholders and 30 national leaders—including legislators, cabinet secretaries, postsecondary faculty and staff, employers, and students—that informed each of SJR 98's three study areas. Our report leans heavily on EY's observations and research, which are described in detail in a separate report (Appendix A).

CPE contracted with the University of Kentucky's Center for Business and Economic Research (CBER) to examine the potential economic effects a new university might have on Southeast Kentucky, as requested in study area two. Their report estimates the potential direct, indirect, and induced effects on employment and income associated with a new four-year university presence in the region. Their analysis also explores how shifting university-related spending and enrollment from other areas of the state to Southeast Kentucky could affect Kentucky as a whole. CBER's report is included as Appendix B.

CPE staff took the lead in conducting quantitative research and analysis to inform the report's recommendations. As requested in study area one, CPE conducted a state landscape analysis examining both postsecondary progress and demographic and economic trends. CPE consulted the Kentucky Postsecondary Education Data System (KPEDS), the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS), the Kentucky Center for Statistics (KYSTATS), the U.S. Census Bureau, and other national

and state data and policy organizations in compiling this research. A more detailed policy brief about state strategies to finance higher education in Kentucky is included as Appendix C.

The study mandated by SJR 98 is multi-faceted and complex, with many different options and impacts to consider. Given the compressed, eight-month timeline, **CPE advises that further study will be needed to fully determine the feasibility, cost, and impact of some of the report's endorsements and recommendations.**

---

## THE LEGACY OF HB 1

---

To fully understand the rationale behind Kentucky's current postsecondary governance structure, one must revisit the reforms enacted in 1997. At that time, only a quarter of the workforce had college credentials, making Kentucky ill equipped to capitalize on emerging opportunities in the knowledge-based economy. The jobs poised for growth demanded higher-order analytical and reasoning skills and some form of training beyond high school.

HB 1 dissolved the Council on Higher Education (CHE) and replaced it with the Council on Postsecondary Education, a statewide coordinating board and associated agency with enhanced statutory powers. Each member of the postsecondary system has a distinct role to play.

### Kentucky's Current Postsecondary System

- **CPE, the statewide coordinating board and associated state agency**, is charged with setting tuition and mandatory fee ceilings; overseeing academic programs; developing a statewide strategic agenda for higher education with related goals; distributing General Fund appropriations through a performance funding model; and submitting a unified budget request. CPE also manages trust funds created by HB 1 to incentivize institutional behavior, although these have not been consistently funded. In carrying out its duties, CPE enforces institutional missions, guards against unnecessary duplication, and ensures institutions are focused on the needs of the state and its people.
- **Two research universities** (UK and UL) are charged with increasing research and development productivity, awarding more doctoral degrees, expanding knowledge and scientific discoveries through cutting-edge research, and enhancing their national reputations by improving the quantity and quality of undergraduate and graduate education. UK and UL are overseen by Boards of Trustees.
- **Six comprehensive universities** (EKU, KSU, Morehead, Murray, NKU, WKU) are charged with providing accessible, affordable undergraduate and graduate degrees; cultivating nationally recognized programs of distinction or applied research programs; and providing continuing education and public service to improve the welfare of their regions. The comprehensive universities are overseen by Boards of Regents.

- **KCTCS, a governing board and associated system office**, is charged with providing workforce education and technical training, as well as broad access to general education courses designed for four-year transfer. KCTCS oversees 16 community and technical colleges, each with Boards of Directors.

---

## STATE LANDSCAPE ANALYSIS

---

CPE conducted a state landscape analysis to identify strengths, opportunities, and threats to Kentucky's continued advancement and provide context for the report's recommendations. This analysis is in two parts: a postsecondary analysis and a demographic and economic analysis.

### Postsecondary Analysis

Over the last 25 years, Kentucky's public higher education system has made substantial progress under its current governance structure. However, there are trends that, if left unchecked, place future educational attainment gains at risk.

#### Progress

- Since 2000, **Kentucky's improvement in educational attainment is among the best in the nation**, with the percentage of adults (ages 25-64) with an associate degree or higher at 38.9%. When certificates are factored in, Kentucky's attainment rate is 54.3%, within striking distance of our 2030 goal of 60%.
- **Degree productivity and efficiency have improved significantly.** Despite enrollment declines over the last decade, total credential production has increased 33.5% at KCTCS and 70.1% at public universities since 2011-12. The three-year graduation rate at KCTCS (40.2%) exceeds national and SREB averages, and the six-year graduation rate at public universities (58.2%) is approaching national (63.5%) and SREB (61.9%) averages.
- Before reform, campuses ignored or circumvented CHE's funding formula, appealing directly to the General Assembly for state dollars. **An outcomes-based funding distribution model now exists that incentivizes performance and has credibility** among legislators and postsecondary leadership.

#### Challenges

- **Kentucky's immediate college-going rate (51.5%) is significantly below the national average of 62.0%.**
- **Sizable decreases in low-income undergraduate enrollment**—down 38.1% at public colleges and universities over the decade—signal college costs are becoming a greater barrier to postsecondary participation.

- The link between state support for campus operations and college affordability cannot be overstated. **Before reform, state General Fund appropriations to campuses accounted for two-thirds of public funding for postsecondary education, and tuition and fee revenue accounted for a third. Now, these shares are reversed.** While Kentucky’s students and families are benefitting from higher levels of financial aid, they are shouldering more of the overall cost of higher education.
- Compared to other states, **Kentucky invests a much larger portion of state and local support for higher education to financial aid (22.4% versus 10.6% nationally) and dedicates less to general operations at public institutions (66.3% versus 78.5% nationally).** While the state’s commitment to financial aid is critically important, adequate state funding provided directly to campuses for their operations is equally important to ensure access, quality, and affordability.
- **On a per-FTE basis, Kentucky’s community and technical colleges are the 6th worst funded in the nation.** Declines in state general fund appropriations between 2008-2020 and the lack of local support are contributing causes. As a result, average tuition and fees for in-state students enrolled at KCTCS is nearly 50% higher than the national average.

## Demographic & Economic Analysis

A central premise of HB 1 was that increased educational attainment would bring about a higher standard of living for Kentuckians in terms of per capita income and workforce opportunity. Kentucky has increased its educational attainment rate, but attendant economic gains have fallen short of expectations. Kentucky’s per capita personal income remains around 80% of the national average, just as it was in 1997.

What accounts for this phenomenon? The answer lies in stark disparities between Kentucky’s urban and rural regions, which are masked by statewide averages. Kentucky’s urban areas have higher educational attainment levels (at or above the national average) and higher incomes on average. The economies in these areas tend to be dominated by advanced manufacturing, transportation/logistics, healthcare/social services, and managerial/professional services like insurance and real estate. Kentucky is capitalizing on talent pools in larger cities and along the I-65 corridor, where there is an in-migration of skilled, educated residents.

Although there are exceptions, the state’s rural regions tend to be dominated by lower-skill, lower-wage employment opportunities. Geographic isolation and low proximity to interstates are barriers to economic development, as are low rates of educational attainment and workforce participation. While there are strong efforts to revitalize rural economies, the decline of extractive industries in the eastern and far western parts of the state has left a void that has yet to be filled. So long as these conditions persist, it will be difficult to reverse Kentucky’s economic fortunes.

**In short, educational attainment alone is not a silver bullet for economic prosperity.** Higher educational levels are almost always tied to geographic clusters of certain key industries. Raising education levels will not make an appreciable difference if rural residents subsequently leave the area to find better paying jobs. Educators and employers must work together to create the economic conditions and opportunities that will incentivize residents to earn educational credentials that can be put to work in their own regions.



---

## STUDY AREA 1: OPTIONS FOR KENTUCKY'S HIGHER EDUCATION GOVERNANCE STRUCTURE

---

In the United States, there are three main types of higher education governance structures: a single statewide coordinating board (21 states); a single statewide governing board (8 states); and no statewide body with some combination of local administrative agencies or system boards (21 states plus D.C.). EY conducted a state comparative analysis to determine if there are variations in governance structures or practices that could prove beneficial to the Commonwealth. Their analysis focused on states with similar higher education enrollment, income levels, and urbanicity.

EY found that a state's higher education governance structure has no discernable effect on postsecondary performance. What matters more is effective leadership, adequate funding, academic quality, and other levers of postsecondary governance. Additionally, even similar state boards or administrative agencies exercise their higher education authorities differently and to varying degrees. Postsecondary oversight can be strengthened or relaxed without a change in governance structure, which creates significant disruption and requires additional time and human/financial resources to implement.

### EY's Proposed Governance Options

After extensive analysis, EY identified four potential options for Kentucky.

- 1. Maintaining Kentucky's current higher education governance structure with improved execution of authorities:** Kentucky's coordinating board has received national and state acclaim for how well it balances the needs of the state with the needs of autonomous institutions. Nevertheless, there are opportunities to better leverage existing authorities around academic program oversight, fiscal monitoring, and board training. This option is the least disruptive and costly to implement, but it fails to take advantage of opportunities to strengthen institutional transparency and state oversight.
- 2. Maintaining the current governance structure but granting additional statutory authorities to CPE:** CPE's coordinating authorities could be strengthened with the addition of new statutory responsibilities. Statutory changes could include reporting requirements around institutions' financial health, CPE involvement in state financial aid policy decisions, and CPE participation in campus presidential searches or in the nomination of potential board members. This option may yield the most benefits in relation to its cost. It increases transparency and oversight but retains institutional autonomy.
- 3. Adding a single governing board for public four-year institutions (inclusive or exclusive of the research universities):** In this option, CPE would continue as the coordinating board working closely with two governing boards (the KCTCS board and a new four-year board). This option could achieve greater efficiency and transparency in the long run, but it would cost more to implement and create significant disruption in the higher education ecosystem.

4. **Creating a new “superboard” or single, statewide governing board that oversees both two-year and four-year institutions.** The superboard would gain all the authorities of CPE, institution governing boards, and the KCTCS governing board, though the superboard could choose to delegate powers to local institution advisory boards. This option would be the most costly and disruptive to implement, and it could result in increased focus on institutional operations to the detriment of an independent, statewide perspective.

## CPE Recommendations

**CPE endorses EY’s Option 2**, which calls for leaving the postsecondary governance structure as is, but with better execution in some areas and with changes to some statutory responsibilities to strengthen state-level oversight and coordination. This is the path most likely to address identified performance issues with minimal disruption and cost. Additionally, CPE offers the following suggestions:

- A process should be implemented for CPE to actively monitor and regularly report to the General Assembly and Governor on the **financial health of the state’s public colleges and universities**. Accountability mechanisms would be created to direct improvement efforts and ensure institutional compliance.
- **CPE’s role in state financial aid policy and program decisions should be strengthened** to ensure a balanced and aligned approach to higher education financing and college affordability.
- **The General Assembly should increase investment in state-level higher education incentive funds—in addition to direct appropriations to campuses**—to foster innovation, incentivize collaboration, and respond quickly to regional needs.
- **CPE should strengthen review and approval of non-degree academic programs**, including short-term certificates, and more routinely review and terminate programs of limited relevance and quality.
- **CPE’s board training responsibilities should be strengthened** to provide a greater focus on fiduciary responsibilities. Lawmakers should consider **involving CPE in the recruitment and review of candidates for postsecondary governing and advisory boards**.
- The **CPE president (or representative) should be consulted during campus presidential evaluations** for public universities and KCTCS and **serve as a voting member on presidential search committees**.

---

## STUDY AREA TWO: FEASIBILITY OF A NEW PUBLIC UNIVERSITY IN SOUTHEAST KENTUCKY

---

SJR 98 asked CPE to contemplate whether a four-year residential university in Southeast Kentucky would help improve economic opportunity in the region. The three alternatives posed by SJR 98 include building a new public university, creating a new satellite campus of an existing comprehensive university, or incorporating an existing private university into the public system.

In its analysis, CPE determined that the Kentucky River Area Development District or Kentucky River ADD (comprised of Breathitt, Knott, Lee, Leslie, Letcher, Owsley, Perry, and Wolfe counties) would provide the best location for an increased university presence. The Kentucky River ADD is a postsecondary desert, which means it is a commuting zone without a broad-access, public or private, non-profit university. The Kentucky River ADD also has the most need in terms of baccalaureate degree attainment and poverty. Hazard's central location within the Kentucky River ADD, at the intersection of the Hal Rogers Parkway and KY 15, would offer the greatest accessibility to potential students in the wider region.

However, each of the three alternatives posed by SJR 98 is in some way problematic. Constructing a new comprehensive university would be prohibitively expensive, and its long-term viability (especially in terms of enrollment) would be uncertain. In the last several years, enrollment and degree production at the area's regional satellites have declined precipitously. It seems unlikely a new regional satellite would receive adequate resources and attention, especially since satellite services are often the first target for cuts. The private universities in Southeast Kentucky (Alice Lloyd, Union College, University of the Cumberlands, and University of Pikeville) would not provide sufficient physical access to the Kentucky River ADD, as measured by the optimal 45-minute commute. Acquisition would be a complicated legal process, and the private institutions in the region have expressed little interest in this option.

In its research and analysis, CPE identified additional options worthy of consideration. They involve Hazard Community and Technical College (HCTC), as well as a cooperative entity housed there called the University Center of the Mountains (UCM). UCM is a consortium of four-year universities working with community colleges to bring online bachelor's and master's degrees to the region.

### CPE Recommendations

- **HCTC could be allowed to offer select bachelor's programs as a KCTCS institution.** However, it would be difficult to prevent other CTCs from seeking to expand their program offerings, leading to mission creep and intense competition for a limited pool of baccalaureate students. **CPE does not recommend this approach.**
- HCTC could become a stand-alone college or university offering both sub-baccalaureate technical programs, associate programs, and a few bachelor's programs (in line with area workforce demand). **This is CPE's preferred approach, but CPE cannot provide an unqualified endorsement without**

**greater stakeholder engagement, further analysis of the benefits and risks, and a deeper understanding of student demand.**

- **If a residential facility is added to HCTC**, CPE estimates the cost of a 48-unit dormitory with 96 beds at \$18.2 million. Additional construction would be needed to create a traditional on-campus student experience (a dining facility, student center, etc.). **The legislature might consider a non-traditional housing option** for single parents, veterans, transitioning foster youth, or justice-impacted populations, as traditional students are likely to live at home.
- In either option, **steps could be taken to make UCM more visible and impactful**. This type of arrangement has been successful elsewhere and warrants additional analysis. It should be noted, though, that UCM is not a university. It is a collaborative, mainly online entity designed to expand access to baccalaureate and graduate education in an underserved region. It would be unlikely to produce the kinds of economic impacts a stand-alone institution would, as envisioned in SJR 98.
- While CPE endorses an increased four-year presence in Southeast Kentucky, it does so with the following strong caveat: **without a comprehensive economic and workforce development strategy, a new university will not yield the desired results for the region.**

---

## STUDY AREA THREE: FEASIBILITY OF THE PROPOSED KCTCS SPLIT

---

As the gateway to postsecondary education and training for many Kentuckians, KCTCS plays an important role within the state’s higher education system. KCTCS’s open-access institutions provide Kentuckians with the lowest priced postsecondary option in the state. With 16 main campuses, around 70 extended campus sites, and robust online offerings, a KCTCS program is a short drive or mouse click away. KCTCS serves a different student than our public universities; they tend to be older, less academically prepared, more racially and economically diverse, and more likely to be balancing school with work and caregiving responsibilities. Also, KCTCS is the state’s largest provider of high school dual credit, serving over 25,000 high school students at nearly 300 off-campus locations. KCTCS helps ensure these courses are affordable and available to students throughout the Commonwealth.

While KCTCS has been successful in fulfilling many parts of its mission, EY’s stakeholder analysis reveals concerns about the system overall. These include the large size of the system office, duplicative services across campuses, the proliferation of short-term certificates of questionable value, ongoing concerns about transfer, lack of clear distinctions between the role and responsibilities of the system board and the campus boards, and tensions between the system office and local institutions. These issues have led some to question whether comprehensive universities would be better equipped to manage KCTCS’s academic (transfer) programs, allowing KCTCS campuses to focus on the provision of technical education and training.

CPE examined the feasibility of the proposed split in terms of its potential effects on students, institutions, and the state as a whole. **Without a more comprehensive evaluation and much broader stakeholder engagement, CPE does not endorse this course of action. There are numerous drawbacks to this plan.**

- Forcing AA/AS students to begin at a comprehensive university may deter them from enrolling in college altogether. Physical access would be reduced, costs would increase, and non-traditional, at-risk students may not feel as welcomed or accommodated. Technical students would lose pathways to academic and transfer programs, which can be important to their career advancement.
- Technical programs need general education courses for accreditation purposes. General education also provides students with important employability skills employers need, like critical thinking, teamwork, and the ability to communicate well. Transferring academic programs to comprehensive universities would require technical colleges to either duplicate or outsource general education courses. Technical programs are subsidized by academic offerings, which are less costly to deliver. Without the academic component, technical colleges would need additional funding to operate.
- Comprehensive universities would be unable to offer academic programs as affordably as community and technical colleges due to their higher delivery costs. It is unclear whether AA/AS degree programs would be maintained. Operating and maintaining current KCTCS physical plant assets could be a financial burden to comprehensive universities and to the state, and it is unclear how these assets would be divided. Resulting changes in program delivery and scope would create lengthy and detailed accreditation requirements for campuses.
- Mapping and translating student data would be a significant undertaking. Centrally held KCTCS student records (in Peoplesoft) would need to be translated and integrated by comprehensive universities, which have various student information systems. KCTCS has different pay scales and benefit systems, which would complicate the transfer of personnel.
- Affordable and accessible dual credit is a college readiness strategy that can reduce time to degree and postsecondary costs. The proposed split places dual credit access at risk.
- The power of KCTCS as a unified system, including the benefits of shared programs, administrative efficiencies, and a common mission/vision would be diminished.

However, there are opportunities for KCTCS to execute its governing authorities more effectively while retaining the CTCs' responsiveness to local needs. To this end, CPE offers the following recommendations.

### **CPE Recommendations:**

- An **assessment of the role and responsibilities of local CTC Boards of Directors** should be conducted. Consideration might be given to **transitioning the local boards into multi-campus regional advisory boards** to help drive collaboration and regional development.

- The KCTCS system office should be charged with developing a **comprehensive employer engagement strategy**, a more robust **program review and approval process focused on return on investment**, and more **seamless transfer pathways**.
- Consideration should be given to pursuing **single SACSCOC accreditation for the KCTCS system as one potential strategy** to ease administrative burdens for institutions associated with various accreditation processes and increase program alignment among campuses.
- **CPE's financial analyses highlighted KCTCS's need for additional state investment to ensure a strong, effective, and responsive system of CTCs**. However, increased state investment in KCTCS should not come at the expense of the investment in Kentucky's public universities.

# CHAPTER 1: INTRODUCTION

---

## PURPOSE OF THIS REPORT

---

In 1996, the Kentucky General Assembly adopted Senate Concurrent Resolution 93, which directed the state’s higher education leaders to assure that Kentucky’s postsecondary education system was positioned to provide the necessary human capital for the Commonwealth to compete in the 21<sup>st</sup> century global economy. The resolution called for the creation of a special task force, which subsequently engaged the National Center for Higher Education Management Systems (NCHEMS) to study the issue and provide a thorough assessment by September 1 of the following year.

The resulting legislation, the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1), shaped Kentucky’s higher education landscape as we know it today. Its focus on raising the state’s educational attainment level to the national average recognized the role that postsecondary education plays in high-value job creation and economic prosperity. Since that time, Kentucky has made significant improvements in the percentage of working-age adults with an associate degree or higher, ranking among the top-performing states on this metric. However, attendant gains in per-capita personal income have not materialized, at least in many of the state’s geographic regions.

Twenty-seven years later, with the 2023 passage of Senate Joint Resolution 98 (SJR 98), the General Assembly is again examining the adequacy of Kentucky’s current postsecondary system. More specifically, the Council on Postsecondary Education (CPE) was tasked with studying 1) the efficacy of Kentucky’s current postsecondary governance structure; 2) the feasibility of a new four-year public university in Southeast Kentucky; and 3) the feasibility and impact of narrowing KCTCS’s scope to technical education and training only, with the regional (comprehensive) universities assuming responsibility for general education and transfer programs.

Implicit in this task is the assumption that the higher education reforms passed in 1997 may not be working as intended or producing the results we need. **In this way, SJR 98 serves as a referendum on HB 1, as well as an opportunity to make bold changes that reposition Kentucky for greater economic competitiveness in the next quarter century.**

---

## THE LEGACY OF HB 1

---

It is commonly said that to fully understand the future, we must first understand the past. The mandates of HB 1 were the rational result of prevailing educational and economic conditions that dominated Kentucky during the 1980s and 1990s. Around 1990, the U.S. entered a period of economic expansion known as the New Economy, brought about by rapid technological changes and the introduction of new global markets.

Economic development leaders in Kentucky were seeing sharp declines in mining, agriculture, and the apparel and textile industries, sectors that traditionally had provided stable, good-paying jobs to Kentuckians without postsecondary credentials. The industries poised for growth in the New Economy (advanced manufacturing, information technology, healthcare, and professional services) demanded higher-order analytical and reasoning skills and some form of training beyond high school.

Unfortunately, Kentucky's workforce was ill equipped to capitalize on these emerging opportunities. In 1997, only 13% of working-age adults had completed a bachelor's degree, compared to the national average of 20%.<sup>1</sup> Along with Mississippi, Kentucky ranked last in the percentage of workers without a high school diploma, with one study estimating that 40% to 44% of the adult workforce had limited literacy skills.<sup>2</sup> High school dropout rates were high, and among those who did earn a diploma, only 38% enrolled directly in college.<sup>3</sup> Even fewer persisted to degree completion.

The Task Force on Postsecondary Education was a legislative and governmental commission created in 1996. It was charged with studying the effectiveness of Kentucky's fragmented postsecondary and technical education providers in preparing citizens to fully participate in the New Economy. NCHEMS, a national higher education consulting firm, was hired by the task force to conduct an 18-month quantitative and qualitative analysis of Kentucky's postsecondary and economic landscape. As a result of this assessment, NCHEMS concluded that Kentucky needed:

- A postsecondary system linked to statewide economic development priorities.
- A more coordinated system that provides a seamless educational experience for students.
- Adequate funding that encourages innovation, efficiency, and excellence.
- Stronger research and graduate programs to serve as incubators of economic growth.
- The use of technology to ensure maximum educational access and delivery.<sup>4</sup>

These findings, published in "Postsecondary Education in Kentucky: An Assessment" informed the landmark *Kentucky Postsecondary Improvement Act of 1997* (HB 1), which established the higher education system we have today. The Act challenged Kentucky to reach the national average in educational attainment by the year 2020, observing that states with high levels of educational attainment also enjoy a higher standard of living and quality of life.

One of HB 1's most profound legacies, which garnered national attention at the time, was its insistence on a seamless, integrated system of public postsecondary institutions, focused not on their own interests but on the good of the state and its people. The National Association of System Heads speaks eloquently on the power of higher education systems: "The concept [of 'systemness'] is that leveraging diverse campus assets within and across systems can create value greater than the sum of its parts. Moving beyond competition toward integrated services, shared academic programming, and predictive data analytics offers a compelling

---

<sup>1</sup> NCHEMS, "Postsecondary Education in Kentucky: An Assessment," A Report to the Task Force on Postsecondary Education, (March 1997), 5.

<sup>2</sup> Ibid., 13.

<sup>3</sup> Ibid., 19.

<sup>4</sup> Ibid., 45-48.



vision and guideposts for closing equity gaps and delivering access, completion, and success for all students.”<sup>5</sup> To ensure maximum efficiency and avoid duplication of effort, HB 1 gave each provider in this new system a distinct role to play.

## **The Council on Postsecondary Education**

The Council on Higher Education (CHE) was reconstituted as the Council on Postsecondary Education (CPE), the name change signaling that all education and training programs beyond high school (including technical education) were now within CPE’s purview and were of equal value to the state and its citizens. CPE was given stronger policy making and coordinating duties, chief among them the creation of a statewide strategic agenda for postsecondary education and associated accountability system to track progress toward statewide and institutional goals. CPE also was given the authority to incentivize institutional behavior through a new financing framework, which included strategic investment and incentive trust funds (discussed on page 34).

At the time, distance education was a relatively new learning modality. HB 1 recognized the potential of the Internet to dramatically improve postsecondary access, especially for busy adults seeking to train or retrain for a career. The Kentucky Virtual University, which hosted online programs and connected students with courses via a statewide call center, and the Kentucky Virtual Library were created as new units of CPE. Investments were made in campus technology, and a collaboration was established through what is now the Regional Optical Network (KyRON), a high-speed, high-capacity network infrastructure designed to enhance research, education, healthcare, and public service.

A primary objective of HB 1 was the elevation of CPE’s status and statutory powers. Qualitative interviews conducted at the time characterized CHE as ineffectual in preventing turf wars between institutions and political end runs to the General Assembly. NCHEMS observed, “The University of Kentucky, with its prestige and statewide political networks, and the regional universities, with their ties to key legislators, have been able to ignore or negate Council policies that ran counter to their interests.”<sup>6</sup> Legislators hoped a stronger coordinating board would prevent individual asks from postsecondary institutions and resolve time-consuming conflicts over new academic programs, regional service areas, credit articulation, and other contentious issues.

## **KCTCS**

The new Kentucky Community and Technical College System (KCTCS) combined the community colleges governed by the University of Kentucky with the Kentucky Tech system under the authority of the Cabinet for Workforce Development and the State Board for Adult and Technical Education. The KCTCS governing board and associated system office was given two primary directives: 1) to increase responsiveness to employers and train students for technical occupations through the provision of applied associate degrees, diplomas,

---

<sup>5</sup> “History – NASH,” National Association of System Heads, Accessed September 2023, <https://nash.edu/history>.

<sup>6</sup> NCHEMS, “Postsecondary Education in Kentucky: An Assessment,” A Report to the Task Force on Postsecondary Education, (March 1997), 36.

short-term certificates, and customized workforce training, and 2) to provide broad access to general education courses designed for four-year transfer through the provision of associate degrees.

KCTCS was meant to reduce unnecessary duplication among rival providers and improve the transferability of credit from two-year vocational to four-year academic programs. The Kentucky Tech System originally offered instruction in the traditional manual arts, like carpentry and welding, but evolved to include two-year programs in health, business, and technology that were duplicative of associate degrees offered by UK's community colleges. Likewise, the 14 community colleges overseen by UK had expanded their focus from providing the first two years of study for a bachelor's degree to technical programs designed to help students enter the workforce. Students enrolled in technical programs who wished to transfer credits to public four-year institutions found themselves at the whim of university provosts, who often required students to repeat courses at their own institution. NCHEMS noted, "The Kentucky TECH system has tried with little success to address this problem through an articulation process developed to assist student transition from the technical schools to other postsecondary institutions...[b]ut this process has been exceedingly cumbersome and time consuming."<sup>7</sup>

## Research Universities

The research universities (UK and UL) were charged with increasing research and development productivity, awarding more doctoral degrees, and enhancing their national reputations. The end goal was the acceleration of scientific knowledge and discoveries that could be commercialized to form high-tech spin-off companies capable of bringing high-skill, high-wage employment to the state (as in North Carolina's Research Triangle or Northern California's Silicon Valley).

NCHEMS recognized that Kentucky's competitiveness in the New Economy was hindered by the lack of a nationally ranked research university. "World-class research institutions," NCHEMS stated, "attract business and industry and become a breeding ground for entrepreneurial talent."<sup>8</sup> It was commonly believed that UK's focus on the community colleges diluted their efforts around graduate education and research. Additionally, HB 1 directed the University of Louisville to become a nationally recognized metropolitan research university, characterized by its efforts to improve its surrounding urban area. Among competitor states, Kentucky ranked last in research and development funding per capita in 1994.<sup>9</sup>

## Comprehensive Universities

The comprehensive (regional) universities (EKU, KSU, Morehead, Murray, NKU, and WKU) were charged with providing accessible, affordable bachelor's and master's degrees of a greater quality and quantity; serving as regional stewards; cultivating nationally recognized programs of distinction or applied research programs; and providing remedial and continuing education to improve the employability of citizens.

---

<sup>7</sup> NCHEMS, "Postsecondary Education in Kentucky: An Assessment," A Report to the Task Force on Postsecondary Education, (March 1997), 29.

<sup>8</sup> *Ibid.*, 33.

<sup>9</sup> *Ibid.*, 34.

Before reform, unnecessary program duplication and low productivity were grave concerns. A few of the comprehensives had stand-alone community colleges and awarded associate degrees. Comprehensives often built extended campuses near competitor universities, encroaching on their geographic areas of responsibility. Universities added new academic programs already offered by competitors, regardless of student demand. Under reform, comprehensive universities were encouraged to offer joint programs where possible and enhance their reputations through the development of unique academic specialties (programs of distinction).

---

## FORCES DISRUPTING HIGHER EDUCATION

---

Over a quarter of a century later, HB 1 continues to define Kentucky’s postsecondary education landscape. However, the state’s colleges and universities, like others across the nation, are experiencing a period of profound change that is prompting them to reevaluate their prevailing missions and business models. According to numerous experts,<sup>10</sup> higher education has arrived at an inflection point, one that could very well decide the future of American higher education. How well postsecondary institutions respond to these opportunities and challenges will ultimately determine their continued viability and success.

- **Financial Sustainability:** Colleges and universities are facing increased financial pressures. Declining enrollments, combined with rising operating costs and, in some states, reduced public funding, are driving many institutions to increase cost-cutting measures, broaden their traditional student base, and re-think instruction and support services.
- **Questions About Return on Investment (ROI):** The public is questioning the ROI of college credentials, and confidence in higher education’s ability to increase social mobility is waning. Although research consistently shows that, on average, college graduates fare better in the job market and have higher salaries, there are concerns about college costs, student debt levels, and underemployment among graduates. Postsecondary institutions and policy organizations like CPE are under pressure, not only to better communicate higher education’s value, but to improve it.
- **Technological Changes and Alternative Education Models:** The rise of online education is challenging the traditional, face-to-face classroom model. Students and faculty members are embracing online instruction, and the COVID-19 pandemic has only accelerated this trend. The growth of generative AI is disrupting teaching, administration, and research and creating new data security concerns. Additionally, micro-credentials, badges, and competency-based education are gaining traction as alternatives to traditional degree programs.

---

<sup>10</sup> The number of education analysts, journalists, recognized experts, education foundations, and think tanks that have commented or written about the forces shaping the future of higher education is seemingly endless. Among the most prominent voices are from the [New America Foundation \(Kevin Carey\)](#), [Jeff Selinger](#) (author of *Who Gets In and Why, There Is Life After College*, and *College (Un)Bound*), the [Lumina Foundation](#), [Clayton Christianson \(Disrupting Class\)](#), [Educause](#), and [Strada Education Foundation](#).

- **Changing Demographics:** Campuses are investing heavily in advising and student services to support a growing number of students who arrive less socially, emotionally, or academically prepared. Campuses are serving more non-traditional students and seeing greater racial and ethnic diversity than ever before. There is a growing need to accommodate students with physical and learning disabilities. This diverse student population has enriched the campus experience for all students. However, it demands greater levels of student support and more comprehensive advising and counseling services.
- **Changing Workforce Demands and Expectations:** Employers are increasingly demanding demonstrated skills and competencies instead of relying on degrees to signal a candidate’s qualifications. While employers value the broad-based critical thinking developed through most postsecondary degree programs, they also see a disconnect between what universities provide and what students, employers, and societies need.

---

## PERCEPTIONS OF THE CURRENT SYSTEM

---

The forces outlined above demand a thoughtful examination of Kentucky’s higher education providers, policies, and products. CPE sought assistance from Ernst & Young LLP (EY), the consulting arm of a multinational professional services firm to conduct a comparative analysis of governance structures in other states. EY also interviewed over 160 state and national stakeholders who provided invaluable feedback about Kentucky’s postsecondary enterprise. This feedback is incorporated throughout the report in the boxes titled “What Stakeholders Say About....” Key themes are summarized below to provide greater insight into what stakeholders believe are the advantages and drawbacks of the current postsecondary system.

- Overall, stakeholders acknowledge that strong progress has been made in higher education since 1997 in relation to attainment, affordability, and degree alignment with workforce needs.
- Stakeholders seem satisfied with CPE overall but cite fiscal oversight, program approval and review, and board training as areas where the agency could strengthen its role. Some suggest current postsecondary funding mechanisms may be encouraging quantity of credentials over quality and creating disincentives to institutional collaboration.
- KCTCS is generally seen as one of the great successes of the postsecondary reforms, having significantly broadened access to postsecondary education to generations of Kentuckians since 1997. However, stakeholders also suggests that the system has not fully realized its potential. KCTCS’s sticker price is among the highest in the nation for community and technical colleges, while state appropriations to the system are among the lowest. Employers are seeking stronger alignment between workforce needs and KCTCS education and training programs.
- Four-year institutions are sometimes not perceived as agile or responsive enough to employer programming needs.

- A number of stakeholders raised issues regarding mission creep: institutions trying to be all things to all people and potentially duplicating the missions of other institutions or sectors of education. Some were concerned about the proliferation of short-term and non-credit bearing credentials, which may be motivated more by revenue concerns than workforce need.
- Given the relatively large share of state higher education funding devoted to financial aid, some stakeholders suggested the Commonwealth would benefit from more strategic alignment between higher education and state financial aid policy and practice.

## CHAPTER 2: STATE LANDSCAPE ANALYSIS

---

### OVERVIEW

---

SJR 98 directed CPE to review the current condition and projected needs of the state in terms of postsecondary education attainment, workforce, and economic needs. CPE staff took the lead in compiling this research, drawing on national and state sources such as the U.S. Department of Education, the U.S. Census Bureau, the College Board, the Kentucky Center for Statistics (KYSTATS), and others. The chapter is divided into two main sections. The first, “Postsecondary Analysis,” examines performance in the areas of educational attainment, postsecondary access, college affordability, higher education financing, and degree productivity and alignment. The second, “Demographic and Economic Analysis,” describes population and workforce trends in Kentucky, paying particular attention to disparities between urban and rural regions.

This landscape analysis is meant to identify strengths, opportunities, and threats to Kentucky’s continued educational and economic advancement, as well as provide deeper context for the discussions, findings, and recommendations outlined in the following chapters. A more detailed brief about state strategies for financing Kentucky higher education is included as Appendix C.

---

### POSTSECONDARY ANALYSIS

---

#### **Educational Attainment**

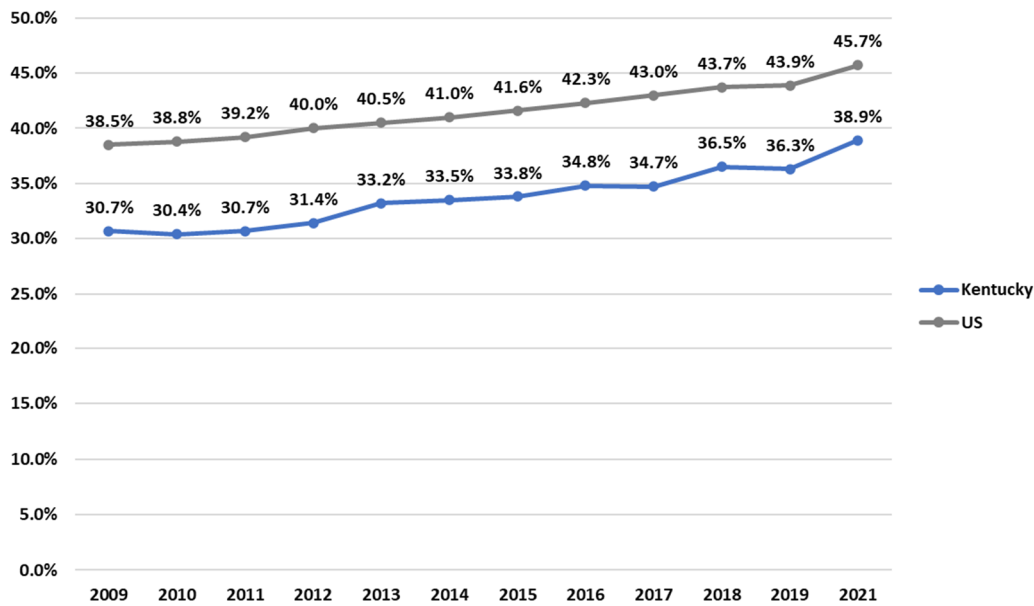
A state’s educational attainment level refers to the percentage of working-age adults (ages 25-64) who hold postsecondary credentials, from certifications to advanced degrees. Across the nation, there is a strong correlation between economic prosperity and educational attainment. States with high attainment levels (e.g., Massachusetts, Colorado) tend to have more wealth and vibrant, diversified economies, while states with low attainment levels (e.g., Arkansas, West Virginia) have lower median incomes and less economic growth.

When HB 1 was enacted in 1997, just 13% of Kentucky residents had completed a bachelor’s degree. In 2008, Lumina Foundation, a national higher education policy organization, shone a spotlight on this metric when it set a goal for 60% of Americans to have a postsecondary credential by the year 2025. Every state eventually followed Lumina’s lead, including Kentucky, which aims to reach an attainment level of 60% by the year 2030.

In 2021, the most recent year of data available, Kentucky’s educational attainment level stood at 54.3%, six points shy of our 2030 goal. Kentucky estimates that 15.4% of working-age adults have earned short-term credentials designed for immediate entry into the workplace, including 10.6% with certificates and 4.8% with

industry certifications.<sup>11</sup> Additionally, Kentucky estimates that 38.9% of working-age adults have earned postsecondary degrees, including 10% with associate degrees, 17.8% with bachelor’s degrees, and 11.1% with graduate or professional degrees.<sup>12</sup> Figure 1 examines increases made at the associate level and above across states.

**Figure 1. Educational Attainment, KY vs U.S., 2009-21 (Associate & Above)**



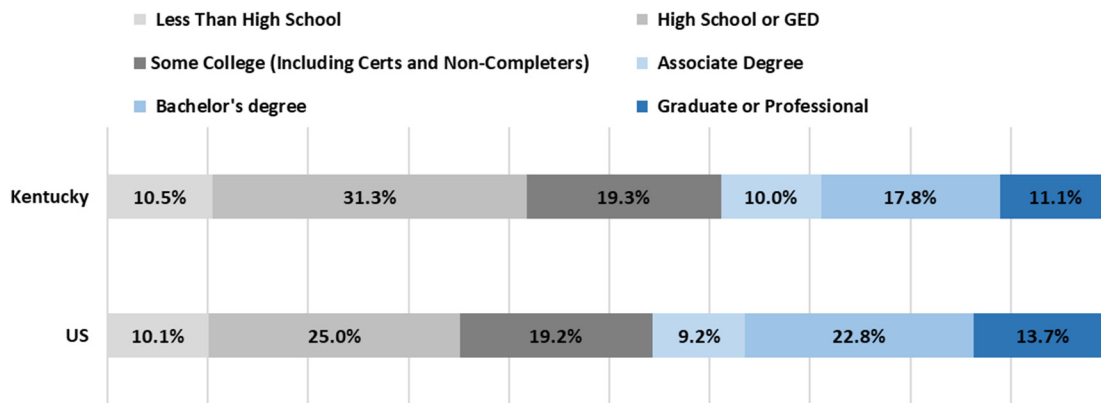
Source: 2009 to 2021 ACS 1-Year PUMS

Kentucky’s degree attainment rate has improved 8.2 percentage points versus 7.2 percentage points for the nation. However, looking at attainment by credential level (Figure 2), it becomes apparent that improved bachelor’s degree attainment is an area of great need for the Commonwealth. Kentucky’s bachelor’s degree attainment lags the U.S. by 5 percentage points, and Kentucky has a much higher percentage of adults with a high school diploma only. High-wage industries like professional services, management, engineering, and finance rely on a strong supply of bachelor’s degree holders. Kentucky is above the national average in associate degree attainment, but greater strides are needed to convert these two-year degrees into four-year degrees. We also must encourage more adults to pursue additional postsecondary certificates and degrees to respond to workforce needs and increase their social and economic mobility.

<sup>11</sup> Kentucky uses data from the ACS 1-Year Public Use Microdata Samples (PUMS) and its longitudinal state data system to accurately estimate certificate and certification attainment, whereas Lumina uses full ACS 1-Year samples and different methodology more suitable for understanding national trends. These differences make it difficult to compare sub-associate attainment in Kentucky to the nation.

<sup>12</sup> For consistency, Kentucky also calculates degree attainment statistics, as presented in this section, using ACS 1-Year PUMS data. Again, Lumina uses the full ACS 1-Year samples more suitable for high-level comparisons over time. Both samples produce nearly identical estimates but occasionally differ by a few tenths or hundredths of a percentage point.

**Figure 2. Educational Attainment By Level, KY vs. U.S. (2021)**



Source: 2009 to 2021 ACS 1-Year PUMS

Despite Kentucky’s significant progress in educational attainment, EY’s review highlights questions from some stakeholders about the economic value of postsecondary credentials earned. According to their report, “While some stakeholders believe that existing program approval processes align credentials to economic and workforce needs and drive positive outcomes for students, others voice varying levels of skepticism around the market value of credentials and employability and wage outcomes of students participating in these programs.”<sup>13</sup> EY suggests the need for a systematic assessment of credential “production” across the state that would include graduate outcomes, job placement and salaries, and employer satisfaction with the quality of graduates.

**Educational Attainment Findings:**

- **With over half (54.3%) of working-age Kentuckians with a postsecondary credential, Kentucky is within striking distance of the 60x30 goal.** Kentucky has made noteworthy gains on this metric; our percentage-point improvement ranks among the top 20 states, according to Lumina Foundation. Our technical certificate attainment rates are above the national average and reflect Kentucky’s strong growth in advanced manufacturing, healthcare, and other industry sectors that rely on professional certification. Kentucky stakeholders observe that statewide progress in educational attainment has had a cascading effect on our economy.
- **Kentucky is above the national average in the percentage of working-age adults with associate degrees (10.0% KY vs. 9.2% U.S.). However, we trail national averages in terms of baccalaureate and graduate degree attainment.** While KY is 2.6 points behind the nation in graduate and professional degrees (11.1% KY vs. 13.7% U.S.), our bachelor’s degree attainment lags by 5 points, and we have a much higher percentage of adults with a high school diploma only. Because of this,

<sup>13</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 13.



Kentucky is still among the bottom quartile of states in educational attainment when certificates are excluded. This puts Kentucky at a disadvantage in terms of recruiting new employers to the state. Having a more highly skilled employee base would drive a stronger and more sustainable economy.

- **Significant educational disparities exist among Kentucky’s urban and rural populations, which slow progress relative to the state’s overall economy.** While the “Golden Triangle” of Louisville, Lexington, and Northern Kentucky is at the national average in college attainment, many of our rural areas are struggling. Several counties in eastern Kentucky have among the lowest educational attainment levels in the country.

## Postsecondary Access

### *Improvements in College Access*

Kentucky’s public, postsecondary system includes eight public universities with numerous extended campus sites, and 16 community and technical colleges with over 70 physical locations. The average distance between each public university and its closest neighbor is 77.2 miles, about an hour and a half by car. KCTCS estimates that nearly every Kentucky resident lives within a 30-minute drive from one of its campuses.

To broaden access, campuses continue to add online courses and programs that eliminate distance barriers and increase flexibility for students. In fall 2020, the percentage of hybrid and online students overtook the percentage of students taking in-person classes only for the first time and has remained higher ever since. This suggests online programs are becoming a bigger part of the postsecondary experience.

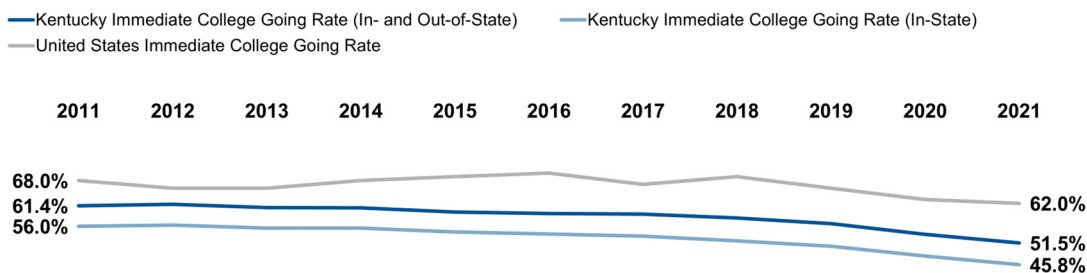
In EY’s stakeholder interviews, Kentuckians point to increased focus on college-going and enrollment targets negotiated by CPE; the addition of two-year to four-year degree pathways at KCTCS; and the acceleration of high school dual credit as factors in the state’s increasingly broad postsecondary access. Since 2015, the number of total dual credit hours earned has risen 146%, with over 70% of dual credit participants in the class of 2020 enrolling in college. Because of dual credit’s positive effect on enrollment, CPE set a goal for 50% of high school graduates to have completed at least one dual credit course by 2030. We are making great progress toward that goal. Between 2017 and 2021, the proportion of high school graduates who *attempted* at least one dual credit course rose from 35.5% to 43.1%, and the proportion who *passed* at least one dual credit course (C or higher) increased from 34.1% to 40.8%. These increases will have positive ramifications for college affordability as well, as dual credit students pay significantly less for postsecondary credit hours that can shorten time to degree.

Access also has improved for underrepresented minority (URM) students due to a strong commitment to creating more diverse and welcoming campus environments, an increased emphasis on diversity metrics in Kentucky’s performance funding model, and campus diversity planning efforts that focus on strong outreach and support services. Over the decade, total enrollment among URM students (CTC and public university combined) has jumped 21.3%.

## Threats to College Access

Despite these improvements, threats to college access are on the horizon. Whether it's due to a strong economy, increased skepticism about the value of college, or concerns about college affordability, fewer students (in Kentucky and the nation) are enrolling directly in college after high school graduation. As seen in Figure 3, Kentucky's immediate college-going rate (inclusive of students going to out-of-state institutions) decreased from 61.4% in 2011 to 51.5% in 2021, 10.5 points lower than the national average. The percentage going to in-state institutions is even lower, at 45.8%.

**Figure 3. Immediate College-Going Rates, KY vs. U.S.**



Sources: KYSTATS and National: National Center for Education Statistics (NCES)

Lower college-going rates have resulted in undergraduate enrollment declines. As seen in Figure 4, undergraduate enrollment at Kentucky public universities was down 8.2% over the decade, compared to 15.3% growth at SREB institutions and 12.7% growth at U.S. institutions. KCTCS enrollment fell 35.2%, consistent with losses of 37.2% at two-year institutions in the SREB region, and 36.5% at two-year institutions nationally. As tuition and fee revenue diminishes and inflation raises operational costs, campus leaders are

## What Stakeholders Say about Postsecondary Access

***"The biggest strength for Kentucky higher education as a system is the level of access that both four-year institutions and KCTCS institutions provide students to their programs – there are physical campuses distributed throughout the state as well as many online classes and programs."*** [State-level representative]

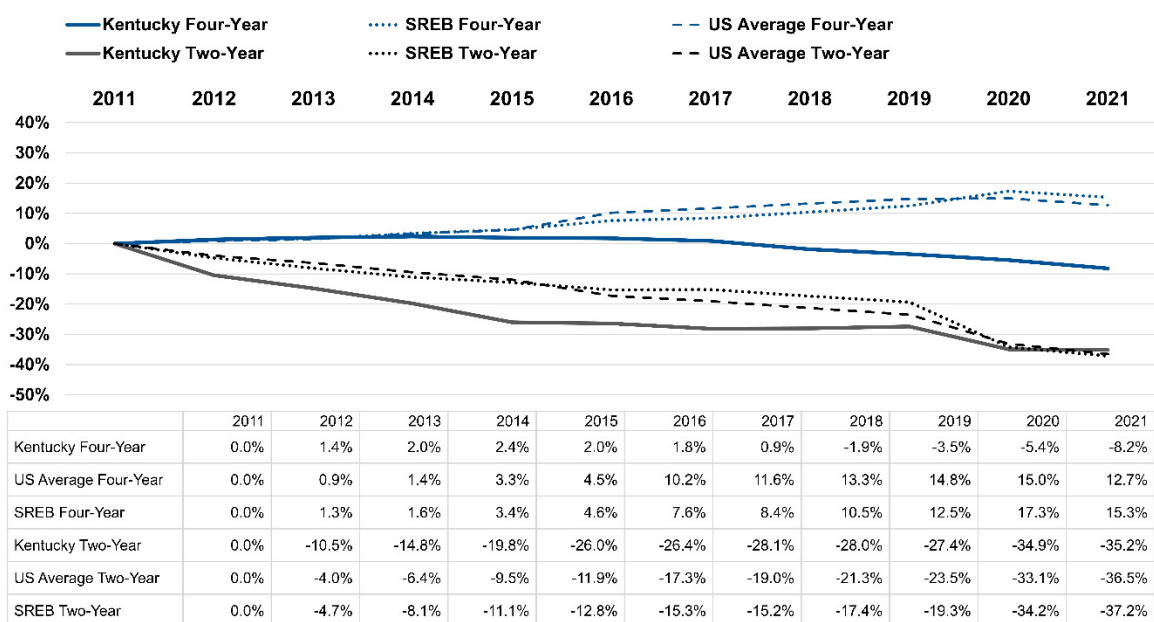
***"If you measure access by physical location, Kentucky offers an easily accessible path to higher education. Almost wherever you live in the state you can get close to a community college or satellite campus of regional university."*** [State-level representative]

***"Based on our population centers, I think we provide pretty good access to our higher education institutions. If we could move one a little bit south or east that would be great."*** [State-level representative]

facing tough decisions about their business models, including cost reductions, alternative revenue streams, academic and administrative restructuring, the viability of extended campuses, and services designed to support students.

On a more positive note, preliminary enrollment figures for fall 2023 suggest enrollment is rebounding to pre-pandemic levels. Total undergraduate enrollment is up 3.3% over fall 2022. At four-year public universities, the total increase is 3.1%, including gains in first-time enrollment (3.3%), URM enrollment (6.7%), and dual credit enrollment (22.6%). At KCTCS, the total increase is 3.6%, including 5.8% growth in first-time enrollment, 8.7% growth in URM enrollment, 4.2% growth in adult (ages 25-64) enrollment, and 14.9% growth in dual credit enrollment. Cross-sector, systemwide gains in first-time enrollment are especially promising, as this is a leading indicator of college access. Final fall 2023 enrollment figures for the state will be released later this year.

**Figure 4. Change in Public Undergraduate Enrollment by Sector over the Decade**



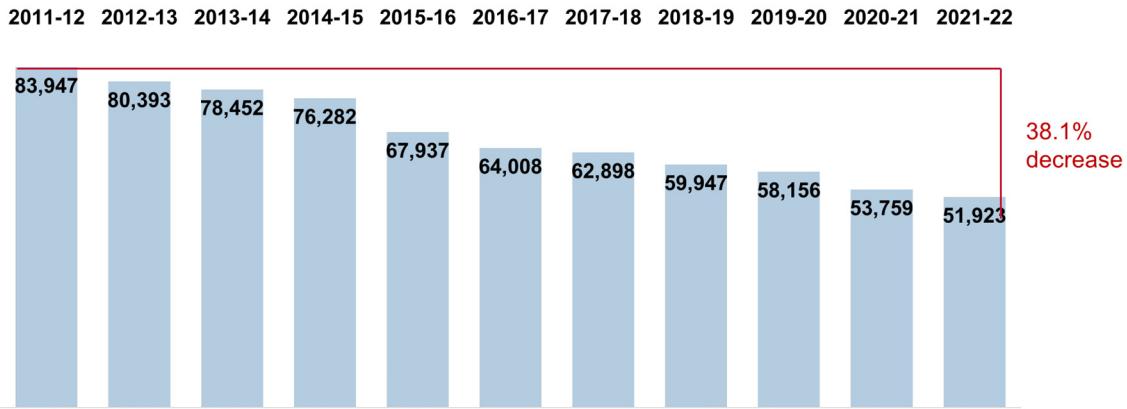
Source: NCES Trend Generator

### Access for Target Populations

CPE is attentive to enrollment declines for key student populations, as they help inform state and campus-based interventions needed to ensure all Kentuckians can access postsecondary education. Low-income students are a target population, as data consistently show that college credentials help move economically distressed individuals out of poverty, which ultimately translates into higher tax revenues and fewer

expenditures on entitlement programs for the Commonwealth. As Figure 5 illustrates, since 2011-12, low-income undergraduate enrollment at Kentucky public institutions has fallen 38.1%.

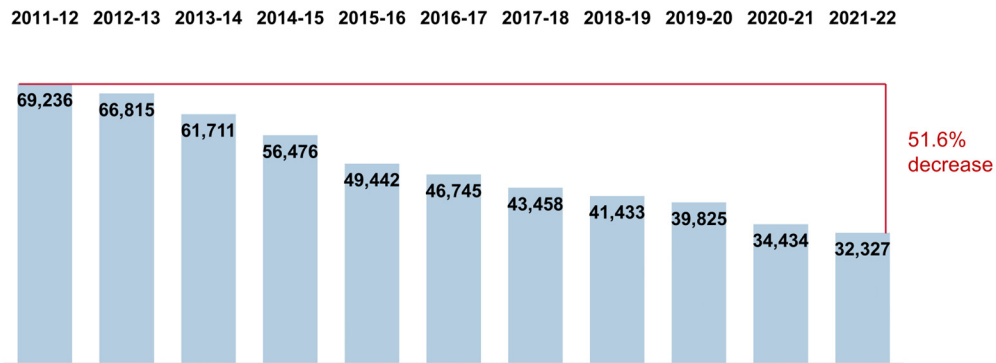
**Figure 5. Total Undergraduate Enrollment of Low-Income (Pell-Eligible) Students (Excluding Dual Credit Students)**



Source: Kentucky Postsecondary Education Data System.

A second key population, working-age adults, is also declining. Institutions increasingly are looking to enroll greater numbers of working-age adults to compensate for decreases in traditional-age college students and provide further education and training for their career advancement. This strategy increases potential revenue for the campuses, helps the state meet its ambitious educational attainment goal, and addresses a primary shortcoming of our workforce (i.e., low bachelor’s degree attainment). As Figure 6 shows, adult enrollment is down 51.6% since 2011-12.

**Figure 6. Undergraduate Enrollment of Adult (ages 25 and older) Students in KY**



Source: Kentucky Postsecondary Education Data System.

Kentucky postsecondary institutions need to expand online courses and programs, particularly those with innovative, flexible features like competency-based education and credit for prior learning, to keep pace with changing student preferences and cater to busy adults juggling education with work and family obligations. The state's performance funding working group recognized the challenges of enrolling and supporting adult populations, and this fall (2023) recommended the addition of adult learners to the list of priority populations receiving a higher weighting in the model.

### *Postsecondary Access Findings*

- Before reform, just 38% of Kentucky graduates enrolled directly in college. In the first half of the decade, Kentucky's immediate college-going rate hovered around 60%, but it has been falling ever since. **At 51.5%, the state's college-going rate is now 10.5 points below the national average of 62%.**
- **Enrollment at KCTCS is down 35.2%** over the decade, consistent with national and SREB decreases. **Undergraduate enrollment at public universities fell 8.2%**, compared to 15.3% growth at SREB institutions and 12.7% growth at U.S. institutions.
- **College access has diminished for key student populations.** Low-income enrollment has fallen 38.1%, which has implications for college affordability. Adult enrollment is down 51.6%, placing our ability to reach the 60x30 attainment goal at risk.
- **There are several bright spots related to postsecondary access. High school dual credit** which has skyrocketed (credit hours are up 146% since 2015) due in part to the state's Dual Credit Scholarship program. **Kentucky also made impressive gains in minority student enrollment**, with an increase of 21.3% over the decade. Preliminary enrollment numbers for fall 2023 suggest enrollment is rebounding to pre-pandemic levels.

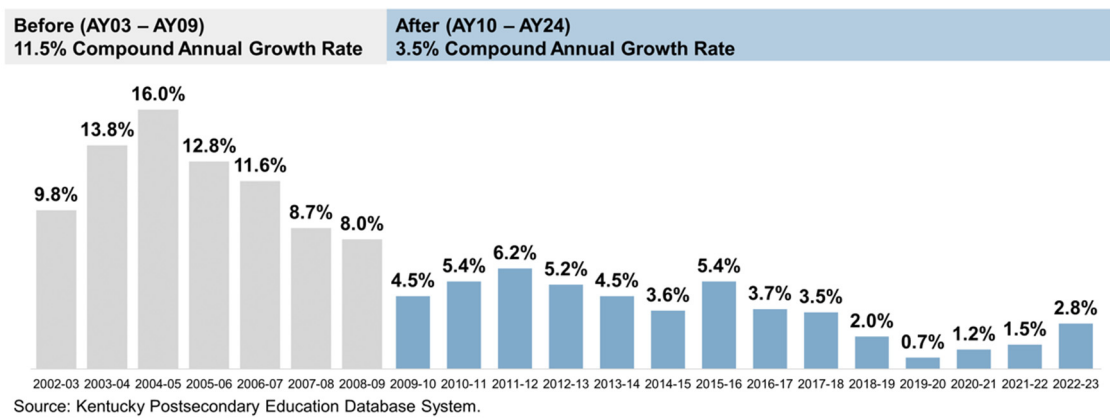
### **College Affordability**

Financial access to college is shaped by a combination of factors, including state higher education funding, tuition rates, financial aid availability, and family ability to pay. Kentucky is committed to ensuring higher education remains accessible to all Kentuckians, regardless of their economic backgrounds. To this end, CPE monitors college affordability using a variety of metrics, and where possible, benchmarks Kentucky against other states and the nation. These data-driven analyses guide important policy decisions about tuition rates, institutional financial aid, and state budget requests. They also influence state and institutional initiatives like financial literacy programs, Free Application for Student Financial Aid (FAFSA) outreach, dual credit access and expansion, and professional development for high school counselors and others who advise students on their college options.

## Tuition and Fees

One of CPE’s key authorities is setting ceilings for tuition and mandatory fee rates for each public university and the KCTCS system that carefully balance affordability concerns with campus resource needs. Before 2010, CPE had delegated tuition setting to the institutions, but after several years of unsustainable increases, CPE resumed this responsibility. As Figure 7 illustrates, CPE has held tuition and fee increases to under 5.5% over the decade. Over the past five years, annual increases have averaged less than 2% to help offset inflationary pressures on room and board and other associated costs.

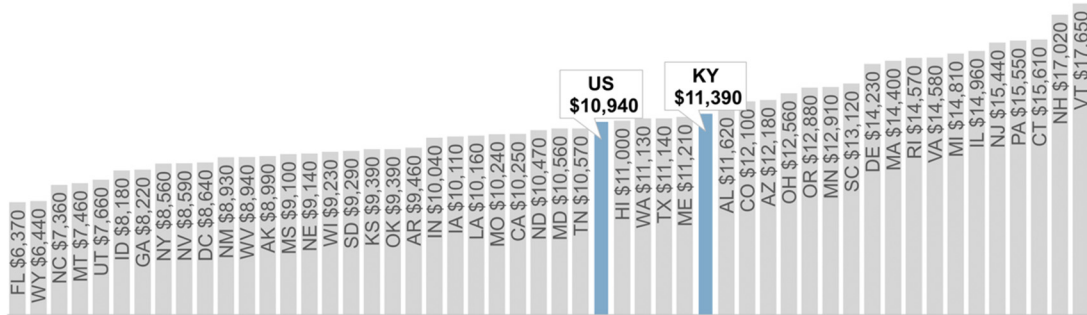
**Figure 7. Average Annual Tuition & Fee Increases at KY Public Institutions**



To place Kentucky’s public tuition costs in a national context, Figure 8 shows average tuition and fee amounts in the 50 states in 2022-23. At \$11,390, Kentucky’s public universities sit just above the national average in tuition and fees for resident students. On the other hand, resident tuition at KCTCS is nearly 50% higher than the national average. A major reason KCTCS tuition is on the high end of states is the lack of local tax support for campuses, discussed later in this chapter.

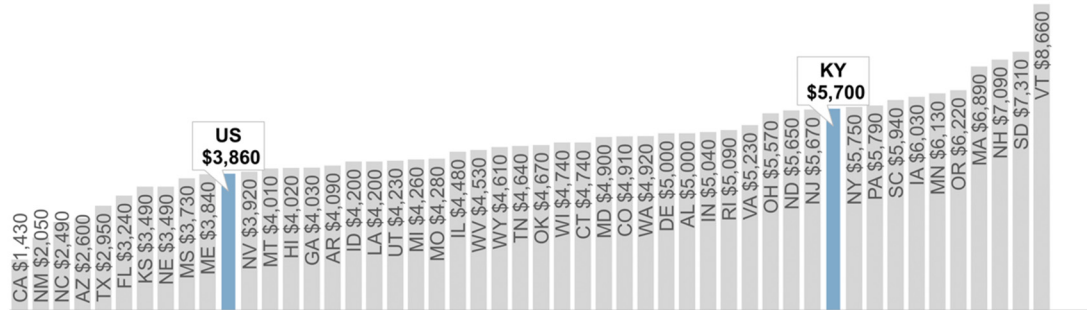
**Figure 8. Average Tuition & Fees in the 50 States and U.S. (2022-23)**

**At Public Four-Year Institutions**



Based on 2022-23 resident rates.  
Source: Trends in College Pricing: 2022. College Board.

**At Public Two-Year Institutions**



Based on 2022-23 resident rates.  
Source: Trends in College Pricing: 2022. College Board.

**What Stakeholders Say about College Affordability**

*“Even though students never really pay sticker price and there is a lot of financial aid, a lot of families are turned off by the perceived cost before they even start the process. This is especially the case in more economically distressed regions.” [Economic development leader]*

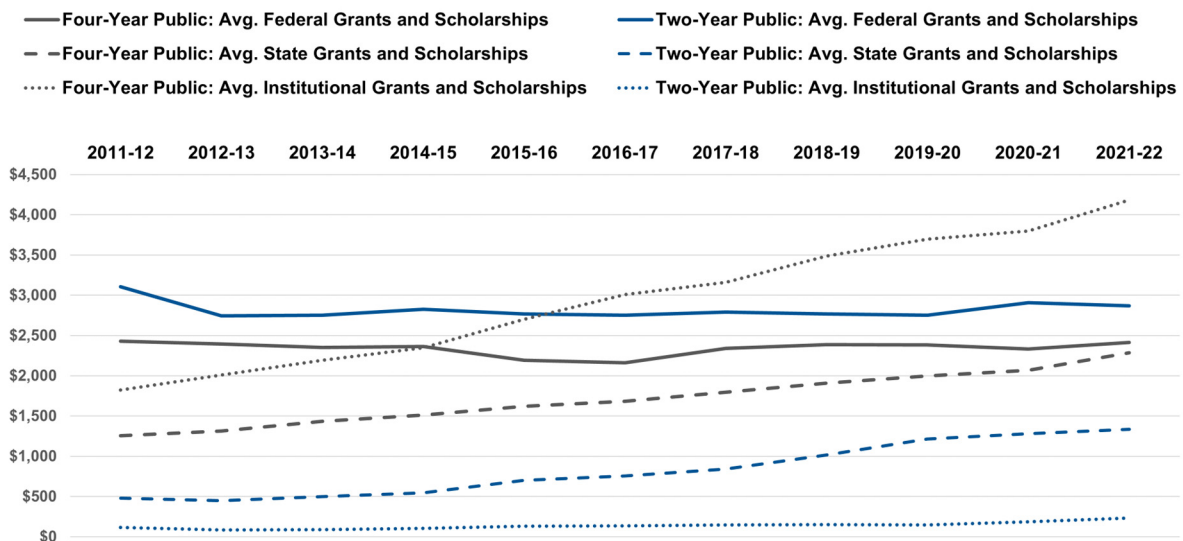
*“I think that cost continues to be one of the biggest factors in students choosing whether they attend college. In the more impoverished areas of the state, many students simply cannot afford to leave home.” [Economic development leader]*

## Financial Aid

Financial aid plays a central role in college affordability and is often the determining factor in whether students can enter and complete postsecondary programs. Financial aid can reduce or eliminate cost barriers, as well as increase enrollment, retention, and graduation rates, particularly among underrepresented and low-income groups.

Kentucky students largely benefit from three sources of student aid: the federal government, the state, and grants and scholarships provided by their individual campuses. Figure 9 looks at amounts of student financial aid per full-time equivalent (FTE) student in inflation-adjusted dollars at Kentucky’s public postsecondary institutions since 2011-12. While the federal and state government have been a steady and essential source of support for students (this is particularly true at KCTCS campuses in relation to other sources of aid), the state government has been providing an increasing amount of financial aid. Financial support coming from the universities has risen dramatically over the past decade, now far surpassing both federal and state aid. The overall effect of this shift has put pressure on campuses to raise fees in other areas (like room and board) and reduce expenditures, which can result in fewer student services, increased use of adjunct faculty, and other negative effects.

**Figure 9. Average Grants & Scholarships for Degree-Seeking KY Undergraduates**



Source: Kentucky Postsecondary Education Database System.

Note: Includes resident, undergraduate, degree-seeking students who received financial aid.

Kentucky is one of the top states in the nation in terms of its investment in state-funded financial aid (discussed in more detail in the next section). According to the National Association of State Student Grant and Aid Programs, Kentucky ranks seventh in the amount of aid awarded per full-time equivalent student,



68% above the US average.<sup>14</sup> Legislation passed in 1998 mandated lottery proceeds be directed to state financial aid programs, which include the College Access Program for low-income students, the Kentucky Tuition Grant program (a tuition equalization program for students attending independent institutions), and the Kentucky Educational Excellence Scholarship Program designed to improve academic performance in high school and encourage students to continue their educations at a Kentucky college or university. The state's \$300+ million-dollar investment in student aid makes this one of the most critical policy and budget levers for the state to improve educational attainment.

Despite the significant state, federal and institutional commitment to student aid, public awareness of financial aid opportunities may not be sufficient. As EY suggests, "This results in students and families dismissing the idea of pursuing postsecondary education due to the high sticker price. Improvements in marketing, outreach and public relations around financial aid opportunities may translate to improvements in the college-going rate in Kentucky, particularly in rural, high-poverty regions."<sup>15</sup>

### ***FAFSA Completion***

The Federal Application for Federal Student Aid (FAFSA) is an essential tool in addressing higher education affordability. Completing the FAFSA is the **only** way to access federal and many state and institutional financial aid programs. Research from the [National College Attainment Network](#), the federal [Department of Education](#), and other organizations shows that FAFSA completion encourages college attendance and helps families understand, plan, and budget for college expenses. Completing the FAFSA early better positions a student to receive institutional grants and scholarships, as well as other grants that might be awarded on a first-come, first-served basis.

Unfortunately, FAFSA completion rates by Kentucky's graduating high school seniors have been declining over the past several years, consistent with declines in college-going. In 2017, 73.1% of high school seniors completed the form, compared to 61.6% in 2023. This may reflect growing concerns over college costs, uncertainty about higher education's return on investment, or a lack of knowledge about FAFSA completion and the important role it plays in college access.

Given the many doors that FAFSA opens, increasing FAFSA awareness and completion has been one of CPE's highest priorities in recent years. The state has taken a multifaceted approach, including awareness campaigns, school counselor training, and targeted messaging. The Kentucky legislature has considered bills to make FAFSA completion mandatory for graduating seniors, and the federal government is in the final stages of rolling out a simplified form and process. The hope is that FAFSA simplification will greatly reduce the complexity that currently exists, encouraging more students to complete the application.

---

<sup>14</sup> National Association of State Student Grant and Aid Programs, "52<sup>nd</sup> Annual Survey Report on State-Sponsored Student Financial Aid," (2020-21), 23.

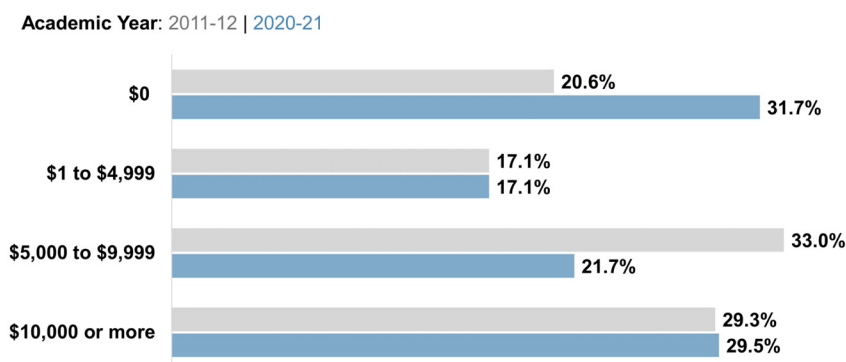
<sup>15</sup> Ernst & Young LLC, "Synthesis of Kentucky Stakeholder Input and State Comparative Analysis," (November 2023), 12.

## Unmet Financial Need

One of the most meaningful measures CPE uses to assess higher education affordability is unmet financial need, which is the out-of-pocket cost of college after family contributions and financial aid amounts are factored in. Unmet need represents the amount students must come up with through borrowing, working, or tapping into savings. Earlier this year, CPE [released a report](#) exploring the relationship between unmet need and student success. The report found a strong statistical association between unmet need and first-year to second-year retention, where high levels of unmet need decrease the likelihood of enrolling for a second year of college. Unsurprisingly, high levels of unmet need also are associated with lower completion rates, and these effects are magnified for students from disadvantaged populations. This research points the way to more targeted approaches that can help campuses identify and avoid financial tipping points for students (levels of unmet need at which students are at risk of dropping out).

Looking at unmet financial need over time reveals a promising trend for college affordability. As seen in Figure 10, the percentage of students who have unmet financial need decreased 11 percentage points, from 79.4% to 68.3%, over the decade. This is partly due to strong efforts to moderate tuition increases, as well as significant state and campus investments in financial aid. However, 30% of students still have significant amounts of unmet financial need (over \$10,000), and the percentage with over \$15,000 (not pictured) has risen from 6.1% to 14.5%.

**Figure 10. Percentage of KY Students with Unmet Financial Need**



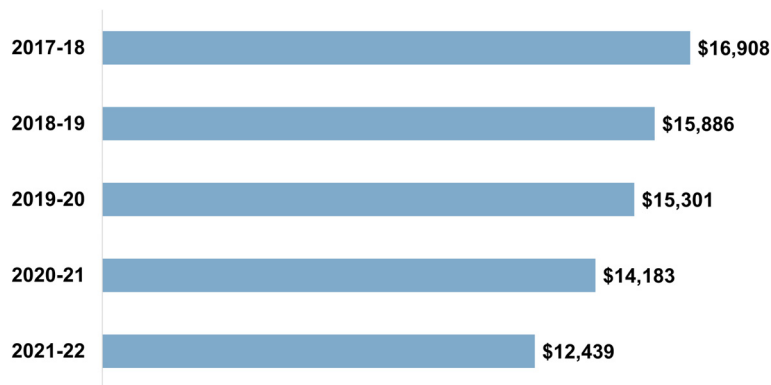
Source: Investigating the Financial Tipping Point: The Effect of Unmet Financial Need on Retention. CPE.

## Student Debt

When students have unmet financial need, they usually turn to student loans for assistance. While these loans (particularly subsidized loans provided by the federal government) provide essential access to higher education, student loan debt can create serious issues for graduates if not well managed. Contrary to the popular narrative about ballooning levels of student debt, average debt levels for public postsecondary

graduates in Kentucky are declining. As Figure 11 shows, average debt levels for all graduates dropped 26.4% between 2017-18 and 2021-22.

**Figure 11. Average Debt of KY Public Postsecondary Graduates (Undergraduates)**  
(in nominal dollars)



Source: Kentucky Postsecondary Education Data System.

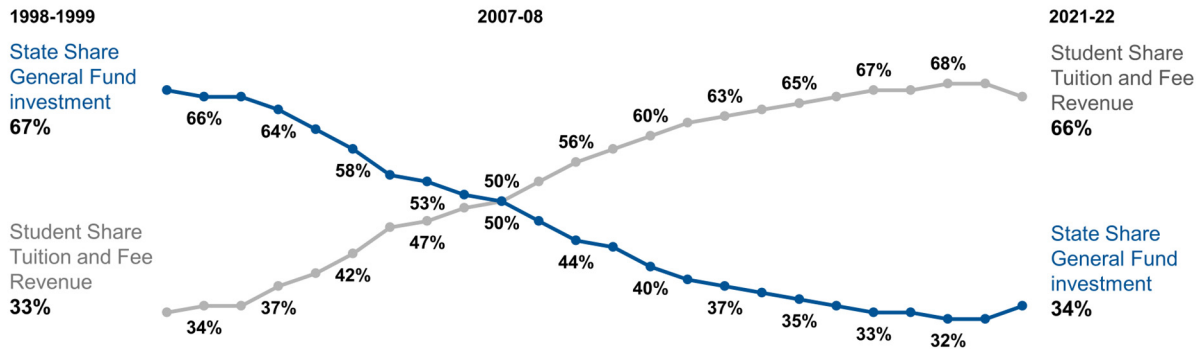
Moderating or lowering student loan debt has been a primary goal of state and campus leaders. Targeted financial aid, better financial counseling, and other strategies are contributing to lower debt levels at two- and four-year institutions. However, Kentucky also has experienced a significant decline in low-income enrollment in recent years, which is playing a role in lowering average debt levels in the state. A [recent report](#) from CPE expands on our research and findings related to student debt of Kentucky undergraduates.

### *Share of Postsecondary Funding*

One way CPE assesses the impact of state funding on college affordability is to compare the share of total public funding that comes from the state General Fund to the funding that comes from tuition and fee revenue over time. Total public funding is defined as the sum of General Fund appropriations for campus operating budgets net of debt service and any appropriations to support the UL hospital contract (state share) **and** gross tuition and fee revenue, which includes state and federal financial aid (student share).

CPE commonly refers to Figure 12 as the “X” slide because of the clear shift in funding responsibility that has occurred since HB 1 in 1997. At that time, the state General Fund provided 67% of total public funds to Kentucky’s public colleges and universities, while tuition and fee revenue accounted for 33%. Today those amounts have flipped, with tuition and fee revenue (inclusive of state and federal financial aid) accounting for two-thirds of total funds for public higher education, while the state’s net General Fund share is 34%. While increases in financial aid have mitigated some of the affordability impacts on students, this dramatic shift in the sources of public funding has resulted in a much larger burden on students and families.

**Figure 12. Change in Share of Total Postsecondary Costs**



Source: Budgets of the Commonwealth, CPE Comprehensive Database, and audited financial statements.

### College Affordability Findings

- Over the past decade, CPE worked closely with campus and state leaders to lower the rate of tuition and fee increases. **For the past five years, CPE successfully kept increases, on average, to less than 2%.** However, declining enrollment among low-income students suggests that college affordability is becoming a larger barrier to postsecondary participation. **Kentucky must stay vigilant in its efforts to keep tuition and mandatory fee increases to a minimum while moderating other college costs, including room and board, books and supplies, and non-mandatory fees.**
- **Understanding college costs and how to navigate the complex process of paying for college can be one of the main barriers to college enrollment and successful completion.** Efforts like [the Kentucky Students' Right to Know](#) website put the Commonwealth among the leading states in terms of transparency about college costs, debt, and return on investment of individual degree programs. But too few students and families know about this tool. It needs to be better promoted and utilized. Similarly, the national [College Cost Transparency Initiative](#) calls on colleges and universities to provide college cost information that is clear, accurate, and transparent. Kentucky's public campuses should participate in this or similar efforts to simplify and standardize complex college financing information for students and families.
- **The FAFSA is the doorway into most federal, state, and institutional financial aid programs.** Consequently, it can be the biggest asset or impediment for students and families in their ability to access college. Unfortunately, completion rates are trending in the wrong direction. Kentucky must double down on efforts to encourage higher levels of FAFSA completion through better advising, more outreach counselors, and better support systems.

- **The average student loan debt amount for Kentucky college graduates has declined 26.4%, in part because of better financial literacy training for students and more targeted financial aid.** Nearly a third of students have no unmet financial need and do not need to borrow to attend college. However, the loss of low-income enrollment is playing a role in these improvements, which is not optimal.
- **The link between state support for campus operations and college affordability cannot be overstated.** Before reform, state General Fund appropriations to campuses accounted for two-thirds of public funding for postsecondary education, and tuition and fee revenue accounted for a third. Now, these shares are reversed. While Kentucky’s students and families are benefitting from higher levels of financial aid, they are shouldering more of the overall cost of higher education.

## Postsecondary Education Finance

As much as students’ ability to pay for college is determined by cost, financial aid, and other factors previously discussed, adequate funding for postsecondary education plays a significant role in access, affordability, and quality. This section of the landscape analysis considers two main aspects of higher education financing—how CPE distributes General Fund dollars to the institutions, and the level of investment the state makes in public higher education, including state financial aid. It closes with a discussion of a key stakeholder concern—the need for increased transparency around the financial health of institutions.

### *Funding Distribution Methods*

In 1997, legislators and higher education leadership recognized that the funding distribution model for postsecondary education was ineffective. As a result, HB 1 called for much stronger alignment between funding and outcomes, improved funding equity among institutions, and greater involvement from the state through CPE’s leadership in the allocation and oversight of public resources.

To incentivize institutions to invest in areas vital to Kentucky’s economy, HB 1 established six strategic trust funds, to be managed by CPE. While it’s not within the scope of this study to dive deeply into the history and effectiveness of the trust funds, it is important to note they were envisioned as key levers to advance the state’s goals and address state needs. Financial support for the trust funds has ebbed and flowed over the years. The Research Challenge Trust Fund is probably the best known; its signature program, referred to as “Bucks for Brains,” has been instrumental in strengthening the research capacity of UK and UL.

### Figure 13. Six Strategic Incentive Trust Funds Created by HB 1

- **Research Challenge Trust Fund** allocates two-thirds of funds to UK and one-third to UofL to encourage research and development activities. It received \$30 million in bond funds in the 2022-24 biennium.
- **Comprehensive University Excellence Trust Fund** allocates funding to campuses based on a share of state General Fund appropriations to encourage the development of nationally recognized programs of distinction and/or nationally recognized applied research programs. It received \$10 million in bond funds in the 2022-24 biennium. (Appropriations to the trust funds above comprise CPE’s Endowment Match Program, also known as “Bucks for Brains.” The program has received five rounds of funding since 1998 totaling \$490 million.)
- **Workforce Development Trust Fund** provides financial assistance to encourage cooperative efforts among KCTCS campuses and for the acquisition of equipment and technology necessary to provide quality education programs. It was last funded in Fiscal Year 2022-23 with a General Fund appropriation of approximately \$2.2 million.
- **Technology Initiative Trust Fund** supports the Kentucky Virtual Library and KY Postsecondary Education Network, and facilitates other collective activities designed to advance the state’s strategic agenda. It is currently funded at \$3.7 million per year.
- **Physical Facilities Trust Fund** provides financial assistance for unexpected contingencies for the construction, improvement, renovation, or expansion of the physical facilities of the postsecondary education system.
- **Student Financial Aid and Advancement Trust Fund** was intended to support the state’s student financial aid programs as authorized by the General Assembly based on the financial needs of students as determined by CPE in consultation with KHEAA. This trust fund has been dormant since the mid-2000s. All state monies for student financial aid are now appropriated directly to KHEAA.

Efforts to tie funding directly to performance outcomes had been attempted in several ways since 1998 with varying levels of success. Eventually, a provision in the 2016-18 biennial budget called on CPE to engage stakeholders to develop a viable performance funding approach. The resulting model stipulates that most of the funding for public colleges and universities is determined by student success, course completions, and operational support measures. The model rewards the efficient production of degrees and credentials and provides premiums when institutions graduate low-income, underrepresented minority, and students enrolled in science, technology, engineering, mathematics, plus healthcare (STEM+H) programs.

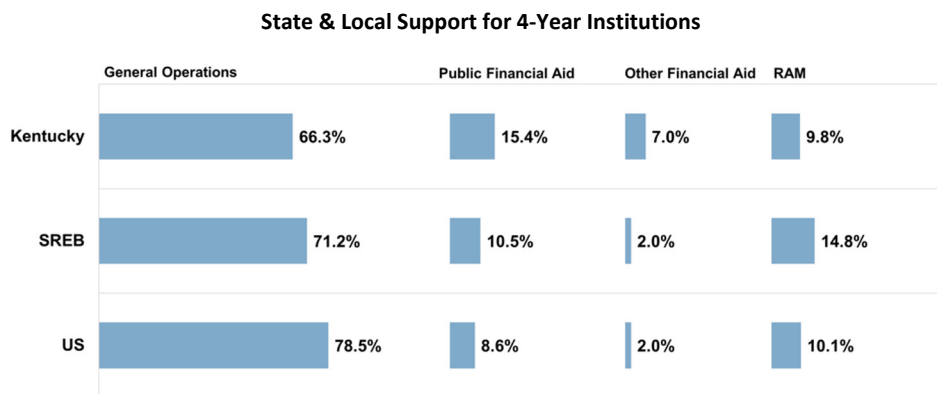
The new funding approach has contributed to an overall increase in the number of graduates in Kentucky. It has held institutions more accountable for student performance and has helped ensure outcomes are closely aligned with the state’s education and economic goals. The model is subject to some criticism, though. Feedback from EY’s stakeholder interviews suggest some believe the model does not incentivize enough collaboration among campuses, and that it prioritizes the quantity of credit hours and credentials over improvement and quality. Several college presidents perceive there are institutional winners and losers in this funding arrangement, and a decreasing ability for campuses on the losing end to effectively compete.

## State Investment in Public Higher Education

CPE reviewed data from the most recent State Higher Education Executive Officers (SHEEO) [State Higher Education Finance Report](#) for much of the analysis related to state investment to be able to put Kentucky in both a regional and national context. Several highlights are included below; a more comprehensive CPE state financing analysis is included as Appendix C.

**Uses of State Funding:** A key finding that emerged from our analysis of state and local support for Kentucky higher education is the relatively small share (66.3%) dedicated to the general operations of public colleges and universities compared to other states (see Figure 14). Kentucky ranks 45<sup>th</sup> overall in this category. A much larger share of state funding is used for financial aid (22.4% versus 10.6% nationally). Furthermore, Kentucky allocates a larger share of its state and local support to students attending independent/private institutions and those enrolling out of state than most, ranking third overall at 7.1%. When looking specifically at state and local funding for KCTCS, the portion allocated to financial aid was substantially higher than the SREB and U.S. at 25.8%, while the overall share for operations (74.2%) was much lower than the SREB (92.4%) and U.S. (87.1%), due largely to the lack of local support.

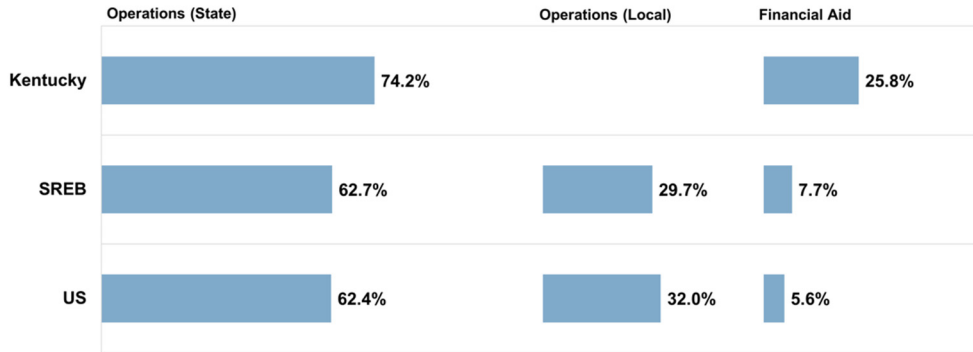
**Figure 14. Uses of State & Local Support for Higher Education (FY 2022)**



Note: RAM stands for Research, Agriculture and Medical services and includes support for direct operations of these services. Other financial aid includes state aid to students attending private/independent and out-of-state institutions.

Source: 2022 State Higher Education Finance Report. State Higher Education Executive Officers Association.

### State & Local Support for 2-Year Institutions

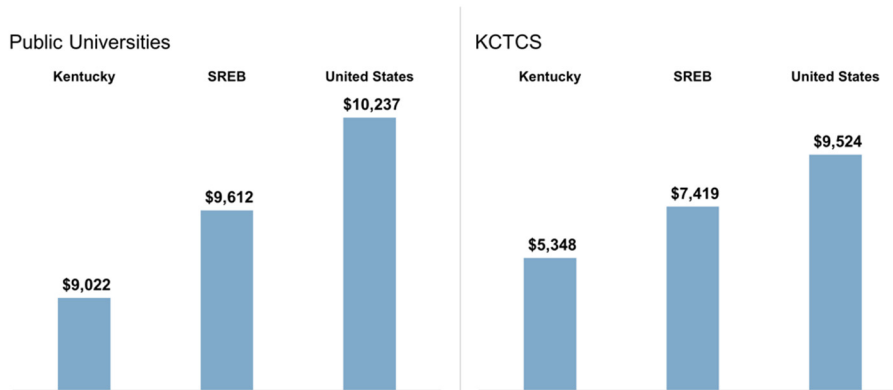


Source: 2022 State Higher Education Finance Report. State Higher Education Executive Officers Association.

**Funding Per FTE Student:** To provide a more comprehensive picture of how Kentucky stacks up against other states in terms of state and local support, it's important to review appropriations per full-time equivalent (FTE) student and see how that funding has changed over time. One of the key takeaways is that since the previous enrollment peak in fiscal year 2011, appropriations in inflation-adjusted dollars have declined in Kentucky per FTE (-2.6%), while the U.S. and SREB saw substantial growth over this period (22.7% and 11.9% respectively). As pictured in Figure 15, Kentucky's education appropriations per FTE student were \$9,022 in Fiscal Year 2022, lower than the SREB average (\$9,612) and the U.S. average (\$10,237).

There are several statistics that stand out from our research on state funding for KCTCS, including the fact that KCTCS is ranked the 6<sup>th</sup> lowest in the nation in terms of state and local support for operations per FTE student at \$5,348. As of fiscal year 2022, education appropriations per FTE student at KCTCS were below the U.S. average of \$9,524 and the SREB average of \$7,419. As a result, KCTCS has relatively high tuition, as seen earlier in Figure 8, although these costs are mitigated, at least in part, by strong access to financial aid.

**Figure 15. Education Appropriations per FTE Student, Inflation-Adjusted Dollars (FY 2022)**

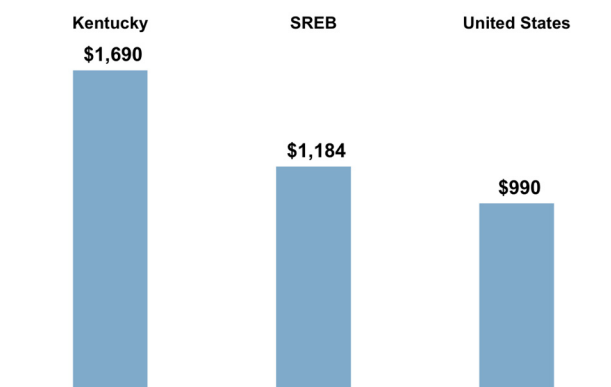


Source: State Higher Education Finance Report. State Higher Education Executive Officers Association.



**State Financial Aid per FTE Student:** Kentucky has done an admirable job of investing in student financial aid programs. With the passage of the bill creating the Kentucky Educational Excellence Scholarship (KEES) in 1998, the state has committed virtually all lottery proceeds for scholarship and grants to students attending both public and private colleges and universities, much of it reserved for Kentucky’s lowest income students. This dedicated funding stream has not only grown over time, but it has shielded state financial aid programs from the nearly annual round of budget cuts that affected operating budgets of the public colleges and universities from the Great Recession in 2008 through 2021. There are several statistics of note:

**Figure 16. State Financial Aid per FTE Student, Public Sector (FY 2022)**



Source: State Higher Education Finance Report. State Higher Education Executive Officers Association.

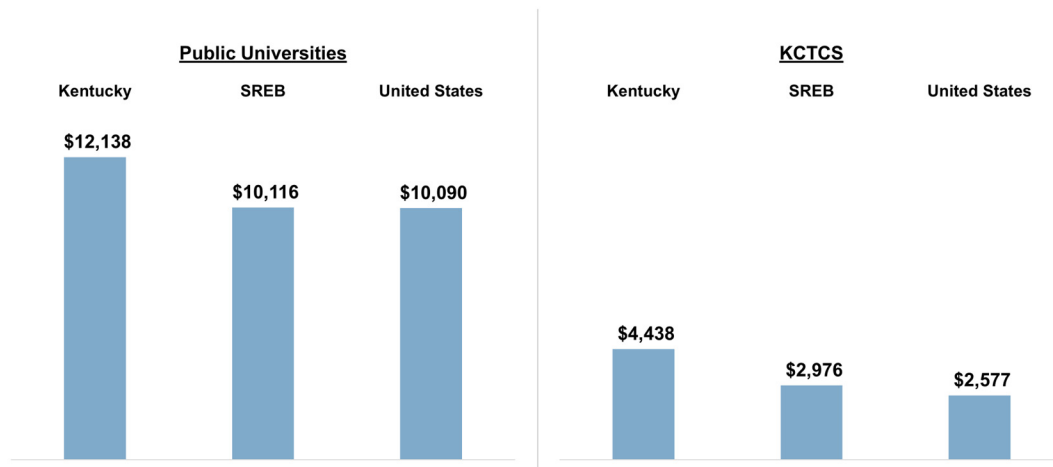
- From fiscal year 2001 to 2022, financial aid per public sector FTE student in Kentucky exceeded the SREB and U.S. averages for most of the period and has increased significantly since the Great Recession.
- As of fiscal year 2022, financial aid per FTE student at public colleges and universities in Kentucky was \$1,690, significantly above the SREB average of \$1,184 and the U.S. average of \$990 (Figure 16).
- In fiscal year 2022, Kentucky’s financial aid per FTE student at KCTCS ranked 3<sup>rd</sup> nationally, at \$1,855. This is above the SREB average of \$619 and the U.S. average of \$562.

**Net Tuition Revenue per FTE:** As noted earlier, CPE’s efforts to slow tuition and fee growth starting in 2010 had a significant impact on Kentucky’s net tuition revenue per FTE student.<sup>16</sup> The effects of large tuition and fee increases following the 2008 recession (which correlated with a series of state budget cuts between 2008

<sup>16</sup> Net tuition and fee revenue is gross tuition and fee revenue less state-funded student aid, institutional discounts and waivers, and tuition revenue paid by medical students. This is a measure of the resources available from tuition and fees to support instruction and related operations at public higher education institutions and includes revenue from in-state and out-of-state students, as well as undergraduate and graduate students.

and 2020) are still felt today. While CPE’s tuition caps have moderated increases in tuition revenue for in-state students, campuses increasingly have looked to out-of-state and international students who pay higher tuition rates to raise alternative revenue. Figure 17 shows that in Fiscal Year 2022, tuition revenue per FTE student at Kentucky public universities was \$12,138, exceeding SREB (\$10,116) and U.S. (\$10,090) averages. Net tuition revenue per FTE student for KCTCS was \$4,438, well above the SREB at \$2,976 and the U.S. at \$2,577.

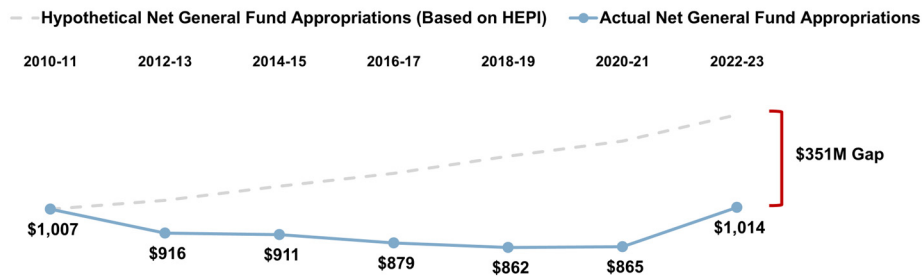
**Figure 17. Net Tuition Revenue per FTE Student (FY 2022)**



Source: State Higher Education Finance Report. State Higher Education Executive Officers Association.

**Current Actions:** In 2022, the Kentucky General Assembly passed a state budget for fiscal years 2022-23 and 2023-24 that provided the first significant boost in state support for postsecondary institutional operations in more than a decade. Figure 18 compares actual net General Fund appropriations for Kentucky public postsecondary institutions to hypothetical net General Fund appropriations allowed to grow at the rate of the Higher Education Price Index (HEPI) inflation for fiscal years 2010-11 through 2022-23. This time frame is significant because by 2010-11, most states had begun reinvesting in higher education following the Great Recession. Between fiscal years 2010-11 and 2019-20, nominal net General Fund appropriations for Kentucky’s public postsecondary system decreased seven out of nine years, falling from \$1.007 billion to \$865 million, respectively. Kentucky did not begin to reinvest in higher education until 2021-22, much later than other states.

**Figure 18. Actual vs. Hypothetical GF Appropriations from 2010-11 to 2022-23  
(nominal dollars)**



Source: CPE Finance and Administration Unit.

**The Financial Health of Institutions:** Taken together, state funding reductions, falling enrollment, inflationary costs, and tuition discounting in the form of increased institutional aid have worsened financial stability at some of Kentucky’s campuses. Stakeholder feedback reflects a growing level of frustration about public college and university finances, driven in part by the recent and very public fiscal challenges at [Kentucky State University](#) and [Northern Kentucky University](#). Particularly among state leaders, there is a sense that the state was taken by surprise by the crises, and that a much higher level of fiscal transparency and analysis is needed to allow for earlier intervention. Several states including Ohio and Massachusetts have implemented financial health and risk assessments to monitor and respond to financial challenges facing campuses. CPE has begun exploring a more formal process for monitoring, reporting, and responding to emerging fiscal problems.

### What Stakeholders Say about Higher Education Financing

*“We could benefit CPE with funds to celebrate wins at the state level. All the funds available to institutions now are around individual and comparative performance. If we had a pot of money that CPE could use to reward institutions around state goals, CPE could have that additional bit of incentive to offer them around coordination. This could give CPE more power to coordinate and coerce.”* [University president]

*“I absolutely think that higher education strategy and financial aid strategy could be more closely aligned. KHEAA should be brought under CPE as a department or entity within the structure of the council.”* [University president]

*“It could be beneficial for CPE to use more monitoring and reporting tools to ensure institutions are healthy financially.”* [University president]

## Higher Education Financing Findings

- **The financial health and stability of Kentucky’s public colleges and universities was a prominent theme in conversations with state leader and other stakeholders.** There was a call for more comprehensive assessments of campus finances and a better understanding by state leaders of the overall financial health of each of the public institutions. EY addresses this issue in their assessment of higher education governance and suggests that statutory changes may be useful to clarify and expand CPE’s responsibilities and oversight in this area.<sup>17</sup>
- Kentucky’s funding model directly links state funding to institutional performance, which was one of the goals of HB1. **The model has contributed to significant increases in credential completion, particularly among underrepresented populations.** However, some stakeholders suggest that the model incentivizes competition over collaboration among campuses, and that it prioritizes quantity of credit hours and credentials produced over program quality. Future evaluations of the model should review these issues.
- **Postsecondary trust funds established in HB1 were envisioned as catalysts to incentivize and advance the goals of HB1** in areas such as workforce development, R&D, technology, and student financial aid. Since 1997, the trust funds have been supported at varying levels and often not at all. Consequently, their impact over the years has been uneven. Yet, they remain powerful tools for Kentucky to drive higher education change and improvement. The value of state-level funding to incentivize innovation and performance emerges in EY’s report when considering the role and effectiveness of state-level oversight.
- **Kentucky devotes a relatively large share of state and local support to state financial aid (22.4% versus 10.6% nationally) and a relatively small share (66.3% versus 78.5% nationally) to the general operations of public colleges and universities as compared to other states.** While the state’s commitment to financial aid is critically important, direct state funding for campus operations is equally important to ensure access and affordability, provide for a growing need for student support services and systems, and help guard against a declining investment in instruction and program innovations.
- Another key issue revealed in the state comparative analysis is the low state and local investment in our community and technical colleges relative to other states. This is due in large part to the lack of any local funding in Kentucky for CTCs. But it also reflects the same history of stagnant or declining General Fund appropriations to postsecondary education operating budgets between 2008 and 2020. On a per FTE basis, **Kentucky CTCs are the 6<sup>th</sup> worst funded in the nation.**

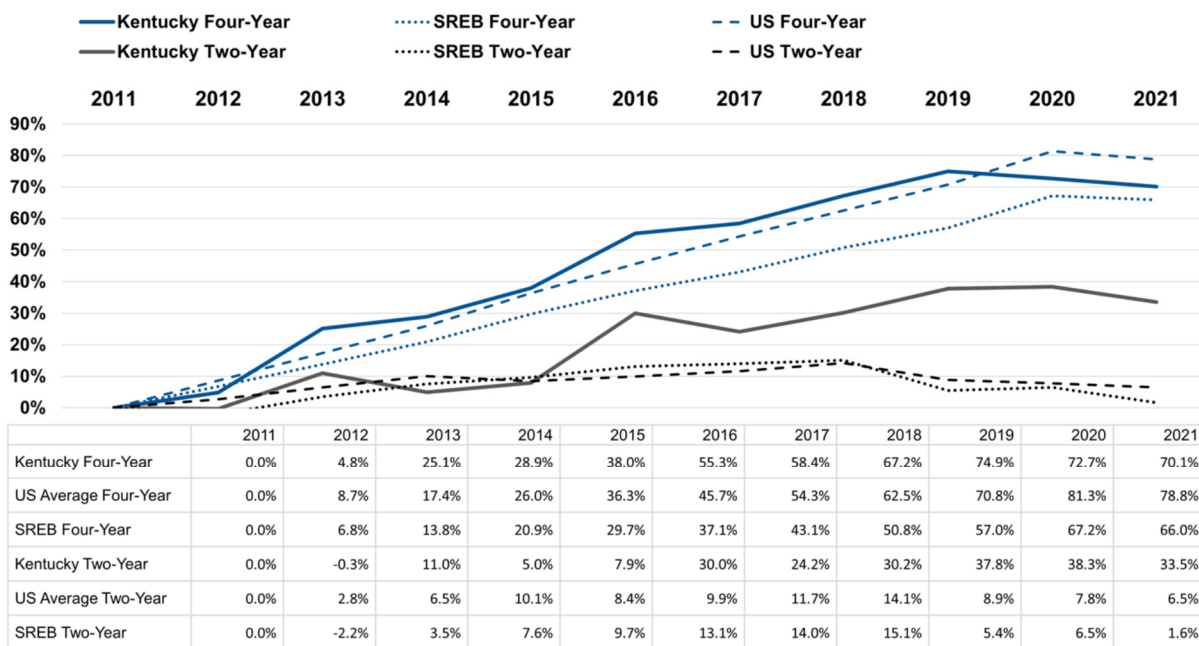
---

<sup>17</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 56.

## Degree Productivity & Alignment with Workforce Needs

Perhaps the biggest improvement in Kentucky postsecondary education since HB 1 has occurred in the number of credentials conferred (degree production) and in the percentage of students completing credentials in a timely manner (graduation rates). In the 1990s, low degree productivity among Kentucky postsecondary institutions was a serious concern, with many academic programs awarding fewer than 10 credentials annually. At that time, the six-year graduation rate for degree-seeking undergraduate students at public universities was a dismal 37%. As Figure 19 illustrates, today Kentucky colleges and universities are performing at or above the national level on several key measures and are closing the gap in others. The fact that degrees have increased even as enrollment decreased illustrates that institutions are becoming more efficient in moving enrolled students to completion.

**Figure 19. Percent Change in Degree Production, KY vs. National & SREB Average**



Source: Integrated Postsecondary Education Data System.

### Degree Production

Figure 19 shows gains in degree and credential production over the decade at Kentucky two-year and four-year institutions, as compared to U.S. and SREB institutions. Since 2011-12, credential production at KCTCS has risen 33.5%, far outpacing gains at U.S. (6.5%) and SREB institutions (1.6%). Degree production at Kentucky public universities increased 70.1%, in line with U.S. growth (78.8%) and SREB growth (66%) over the same period.

The following bullets describe gains and declines in credential production by level over the last decade (2011-12 to 2021-22):

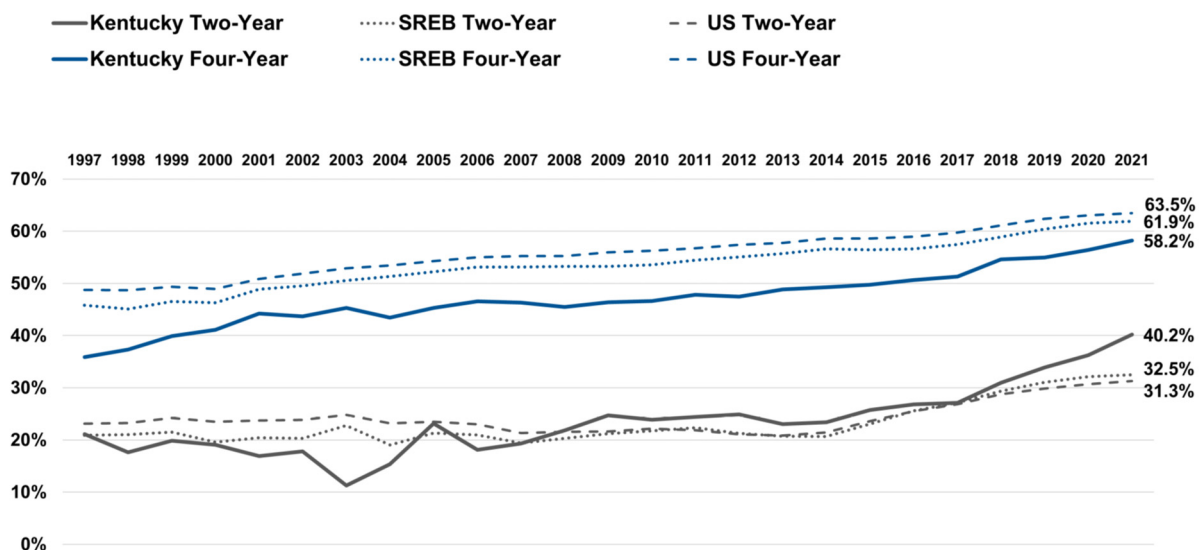
- Certificates were up 53.3% at KCTCS.
- Associate of art/science degrees were up 27.3% at KCTCS.
- Applied associate degrees were down 6.4% at KCTCS.
- Bachelor’s degrees were up 24% at research universities and 2.3% at comprehensive universities.
- Master’s degrees were up 41.4% at research universities and 8% at comprehensive universities.
- Doctoral degrees were up 4.3% at research universities and 117.3% at comprehensive universities.

### Graduation Rates

Three-year graduation rates reflect the percentage of KCTCS students who complete a credential (certificate, diploma, or associate degree) within 150% of the normal time frame. Since 1997, KCTCS has seen its graduation rate jump 19.1 percentage points, well above improvements made at two-year SREB and U.S. institutions (up 11.6 and 9.2 points, respectively). According to Figure 21, KCTCS campuses, at 40.2%, significantly outperform the nation and the SREB region on this metric.

At 58.2%, Kentucky’s six-year graduation rate trails the U.S. (63.5%) and SREB (61.9%). However, Kentucky’s public universities made more progress over this period than U.S. and SREB peer institutions, increasing 22.3 percentage points. SREB institutions increased 16.1 percentage points, and US institutions increased 14.8 percentage points over this period. It should be noted that there is significant variation among campuses with rates ranging from 33.3% to 68.5%.

**Figure 20. KY Graduation Rates vs. U.S. & SREB Averages**



Source: Integrated Postsecondary Education Data System.

## ***Alignment with Workforce Needs***

One of the recurring themes in EY’s conversations with stakeholders was the desire for stronger and more intentional alignment between the state’s economic and workforce needs and its credential and degree production. Despite some questions about program alignment and the ROI of some credentials, as EY’s report notes:

“Employers throughout the state generally expressed confidence in Kentucky’s ability to meet their workforce needs and were complimentary about the strong hands-on and experiential learning programs both at the two-year and four-year level. Employers also cited a high degree of responsiveness and agility from postsecondary institutions, specifically KCTCS, in meeting industry needs. Similar praise was given to the collaborative approach employed by individual colleges in developing program curricula, program portfolios, and clear pipelines from programs to employment”<sup>18</sup>

This issue of workforce and higher education alignment is addressed throughout this report, particularly in Chapter 3 relating to higher education governance and in Chapter 5 relating to KCTCS’s structure and responsibilities. This section introduces the issue and highlights state-level efforts to increase and strengthen the pathways between postsecondary education and employment.

**Performance funding incentives:** Performance funding is perhaps the state’s strongest policy lever to incentivize high-need, high-demand credentials. The model weighs degrees awarded in STEM+H areas (science, technology, engineering, mathematics, and health) more heavily, which include some of Kentucky’s most in-demand fields. Between 2011-12 and 2021-22, STEM+H bachelor’s degrees awarded at four-year public institutions increased by 37.5%. The KCTCS performance funding model also incentivizes STEM+H credentials, as well as high-wage, high-demand credentials. Between 2011-12 and 2021-22, KCTCS increased STEM+H credentials by 31.4%, and high-wage, high-demand credentials by 52.8%.

**The Workforce Development Trust Fund:** This trust fund, mentioned earlier in the chapter, is another policy lever that encourages a stronger, more sustained focus on meeting workforce demands in healthcare, advanced manufacturing, transportation and logistics, business services, information technology, and construction and trades. Last funded in 2022-23 at \$2.2 million, these dollars are having a positive impact on local economies. KCTCS established a goal to use these funds to increase workforce credentials in high-demand areas by 841 in 2022-23, which KCTCS exceeded by 23 credentials. Three programs had especially large increases in credentials awarded:

- Owensboro Community and Technical College (OCTC) awarded 379 additional credentials in their target programs (including welding, electrician, maintenance mechanic, and robotics technician) using competency-based educational components and flexible lab scheduling.

---

<sup>18</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 14.

- Jefferson Community and Technical College (JCTC) increased credentials awarded in targeted programs by 245 through the addition of cohorts for welding, commercial driver licensing, and medication aide/certified nurse aide.
- Southeast Community and Technical College (SECTC) awarded 174 more credentials in targeted programs (medication aide and Medicaid nurse aide) by offering these programs at their Knox campus. Funds supported the purchase of equipment, materials, and the hiring of an instructor.

## What Stakeholders Say about Degree Productivity & Alignment

*“We are fortunate in that our colleges are very mindful. It is one thing to produce students, but producing students in pathways that lead to gainful employment within the region requires intentional planning.”*  
[Healthcare employer]

*“There probably are some certificates that shouldn’t be there. For example, non-credit-bearing certificates are prompted by employer request, and every year advisory committees are supposed to review all these programs and make sure they are still relevant. However, performance funding incentivizes CTCs to add certificates for the sake of increased funding, and while we try to keep an eye out for this, the process is not perfect.”* [CTC leader]

**State-level focus on workforce development:** Because state-level coordination between higher education and employers is so important, CPE restructured its organization in 2021 to create a unit focused on workforce initiatives and business partnerships. The goal of this work is to aggregate business and industry workforce needs, identify statewide strategies to address these needs, and provide a forum for the higher education and employer communities to share best practices and improve career pathways.

**Healthcare Workforce Collaborative (HWC):** A \$10 million funding pool in the 2022-24 state budget supported CPE’s [Healthcare Workforce Collaborative \(HWC\)](#), a program designed to strengthen the healthcare workforce pipeline through grants to incentivize campus partnerships with healthcare providers. CPE expanded work in this area through HB 200 (2023), a bill establishing a healthcare investment fund, managed by CPE, that will be funded by contributions from both public and private stakeholders. A majority of this fund, 65%, will create scholarships for Kentucky residents who wish to pursue healthcare training but face financial barriers. A separate, but related initiative, CLIMB Health (Career Ladders in Mental and Behavioral Health), is a CPE initiative to create postsecondary pathways at KCTCS campuses for individuals in recovery from substance abuse disorders who are seeking entry-level employment as peer support specialists.

**Kentucky Graduate Profile:** The [Kentucky Graduate Profile](#) is a collaborative, statewide initiative among Kentucky’s public postsecondary institutions to enhance the academic quality and workforce relevance of all academic programs. The profile is a set of career-focused learning outcomes each graduate should demonstrate as part of their college curriculum. It incorporates ten essential skills identified by higher education organizations and employers as learning outcomes that all graduates need for success in their



chosen fields of study. These essential skills, sometimes referred to as “employability” skills, include effective communications; quantitative reasoning; the ability to adapt to changing circumstances, collaborate and work in teams; and the effective use of data for decision making.

**Program review and approval.** Program [review](#) and [approval](#) is one of CPE’s core responsibilities. To ensure campuses are responsive to employer and student demand and market trends, CPE overhauled its program review and approval process several years ago. CPE created a methodology to provide campuses with consistent, detailed information to guide decisions about a program’s need and financial contributions to a school’s bottom line. Student demand now is measured by student inquiries about programs, as well as Google search trends. Market demand incorporates job postings from Burning Glass, employment and wage data from the Bureau of Labor Statistics, and other sources.

As a result of institutional and statewide program review over the past three years, CPE has approved 29 baccalaureate programs, while 157 programs have been suspended or closed. Additionally, 31 programs were identified to sunset, 218 were classified as programs to fix/grow, and 327 were identified as programs to sustain.

### ***Degree Productivity & Alignment Findings***

- **KCTCS has seen tremendous growth in both degree/certificate production and graduation rates since 2012.** On both metrics, KCTCS exceeds national and SREB averages by a large margin.
- A primary reason for KCTCS’s improvement is **growth in technical certificates**, which have increased 53.3% over the decade. The fifth chapter of this report will examine this trend in more detail.
- **Four-year universities have increased degree production by 70.1% since 2012, in line with improvements at SREB and U.S. institutions.** Kentucky’s progress in its six-year graduation rate (currently 58.2%) exceeds national and regional growth.
- **Improving education and workforce conditions in states requires a strategic and sustained effort to strike a balance at the state and campus levels.** Colleges must focus their efforts on aligning their credentials to state and local workforce needs, while also considering the aspirations of students and the competitiveness of the state’s economy. State-level coordination through CPE is essential to maintaining this balance.

---

## DEMOGRAPHIC & ECONOMIC ANALYSIS

---

The second part of the state landscape analysis focuses on Kentucky's current and projected demographic and economic trends. A central premise of HB 1 was that increased educational attainment would help bring about a higher standard of living for Kentuckians in terms of per capita income and workforce opportunity. While Kentucky's level of postsecondary attainment has been increasing relative to other states over the past decade, other economic and workforce indicators are not keeping pace. UK's Center for Business and Economic Research (CBER) provides an annual account of key economic, demographic, and workforce statistics that measure Kentucky's performance against the nation and competitor states. Among the most closely monitored measures are those related to income. CBER observes, "While Kentucky's per capita personal income has grown significantly over the years, its position relative to the nation has not demonstrably improved since around 1974. Indeed, Kentucky's per capita income has oscillated around 80 percent of the national average since the mid-1970s."<sup>19</sup>

What accounts for this phenomenon? The answer lies in stark disparities between Kentucky's urban and rural regions, which are masked by statewide averages. The state's urban centers are performing well on metrics related to economic mobility, while most rural areas have seen limited progress, despite strong efforts to build their economies. Kentucky's urban areas have higher educational attainment levels (at or above the national average) and higher average incomes. Urban and metropolitan economies are dominated by advanced manufacturing, transportation/logistics, healthcare/social services, and managerial/professional services like insurance and real estate, which largely require postsecondary education or training.

On the other hand, the state's rural regions tend to be dominated by lower-skill, lower-wage employment opportunities. Geographic isolation and low proximity to interstates are barriers to economic development, as are low rates of educational attainment and workforce participation. The decline of extractive industries in the eastern and far western parts of the state left a void that has yet to be filled. So long as these conditions persist, it will be difficult to reverse Kentucky's economic fortunes.

### Population Trends and Projections

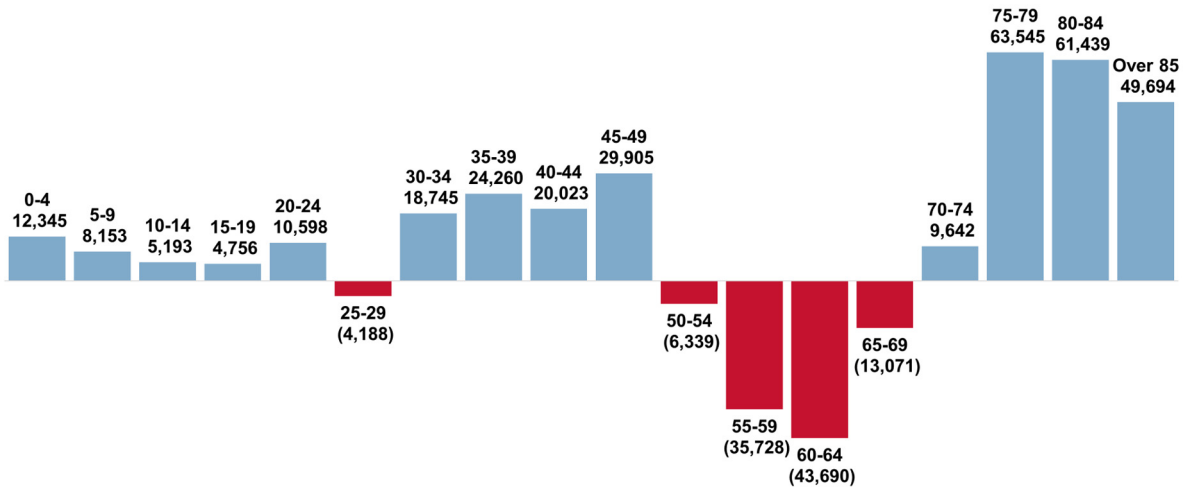
Kentucky's population is projected to remain relatively flat over the next 20 years, with most growth projected to occur in the retirement-age population (65 and older) and adults between the ages of 30-49. There is a substantial decline projected in the age group that typically contains the most skilled workers (ages 50 to 64),<sup>19</sup> leaving a potential talent shortage that will need to be filled by those currently in the education pipeline or workforce. There is much lower growth projected among Kentuckians 19 or younger, which will have implications for future postsecondary enrollment. Kentucky will need to keep, educate, and attract

---

<sup>19</sup> Gatton College of Business and Economics' Center for Business and Economic Research, "Kentucky Annual Economic Report, 2021," (Lexington: University of Kentucky, 2021), 58.

highly skilled residents over the next 20 years to maintain and strengthen its economic competitiveness. Figure 21 illustrates projected population trends in Kentucky from 2020 to 2040 for various age brackets.

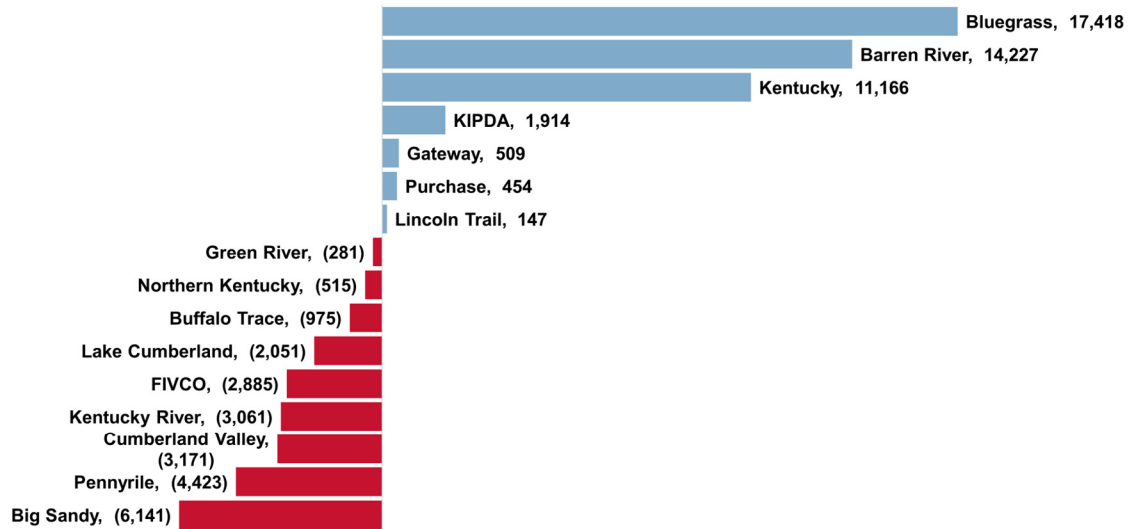
**Figure 21. Projected Population Change in KY by Age Group (2020 to 2040)**



Based 2020 to 2040 estimates.  
 Source: Kentucky State Data Center.

As with other metrics, projected population growth in Kentucky varies significantly by region. Figure 22 shows the projected growth of 15 to 29-year-olds by workforce development district. This age group was selected because it represents the population most likely to enroll or be enrolled in postsecondary education. Consistent with our observation about urban/rural divides, all the growth is projected to occur in areas along Interstate 65 (Bowling Green and Louisville areas) and in the Bluegrass development district (Lexington area). The more rural areas of the state are expected to experience either static or declining numbers in this age group between now and 2040, with the largest declines projected in the far western and eastern parts of the state. The EKCEP region stands to lose nearly as many 15- to 29-year-old residents as the state’s second largest metropolitan area (Barren River) stands to gain.<sup>20</sup> This bears remembering when the feasibility of a new southeast Kentucky university is discussed in the next chapter.

**Figure 22. Projected Change in 15-29 Year-Olds by Workforce Development District**

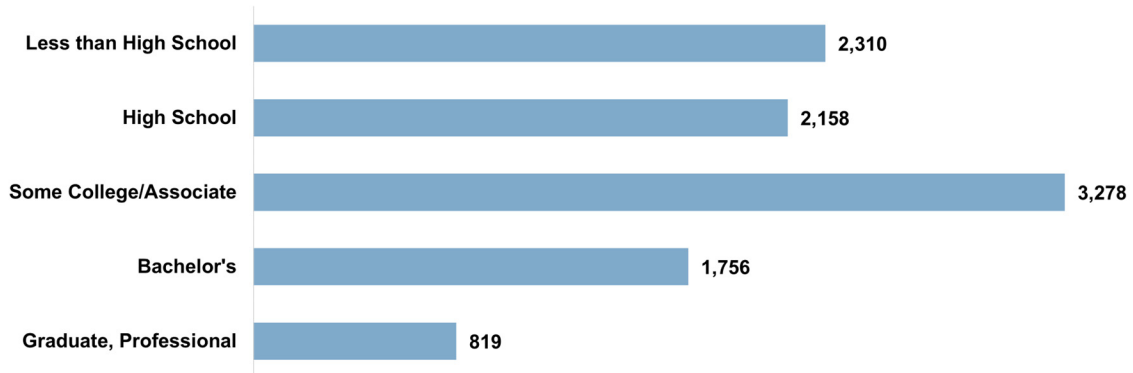


Based on 2020 to 2040 estimates.  
Source: Kentucky State Data Center.

### Migration by Level of Education

CPE reviewed data from the American Community Survey (ACS) to analyze migration patterns in Kentucky. As pictured in Figure 23, Kentucky experienced a net in-migration of residents ages 22-64 at every level of education over the last five years. With a resident population of roughly 2.3 million adults from the ages of 25 to 64, Kentucky’s net gain from out-of-state migration is relatively small. The largest net gain is among those with some college or an associate degree. The next largest gains are among those with less than a high school diploma.

**Figure 23. Net Migration to KY Ages 25-64 by Education Level (2017-21)**



Based on 2017-2021 data sets.  
Source: American Community Survey.

While Kentucky benefited from a net gain of bachelor’s degree holders over the last several years, more than twice as many residents without college degrees moved into the state over this period. If this migration pattern holds true over time, it will pose challenges in meeting the state’s 60x30 goal and building the kind of skilled workforce the economy needs.

The effects of migration come into sharper focus when reviewing in-state and inter-state patterns by region and by education level (Figure 24). The rural/urban divide is again apparent, with areas in the far western and eastern parts of the state seeing either net declines at all levels or increases only in populations with low levels of educational attainment.

**Figure 24. Net Migration (ages 25-64) by Education Level and Region**

Geography	No High School Diploma	High School Diploma	Some College or Associate Degree	Bachelor's Degree	Graduate or Professional Degree
Barren River	181	338	406	132	-80
Big Sandy	151	81	11	-10	-43
Bluegrass	753	660	941	1,036	290
Buffalo Trace	120	-25	164	-96	-41
Cumberland Valley	71	201	-25	-164	-148
FIVCO	-67	143	163	175	-1
Gateway	33	79	187	-135	-21
Green River	210	25	-145	-95	-212
Kentucky River	166	-57	115	82	268
KIPDA	47	-385	62	871	829
Lake Cumberland	205	300	351	37	272
Lincoln Trail	121	350	892	196	375
Northern Kentucky	281	335	686	1,111	794
Pennyrile	68	-125	-533	-117	-174
Purchase	-32	238	3	-96	-62

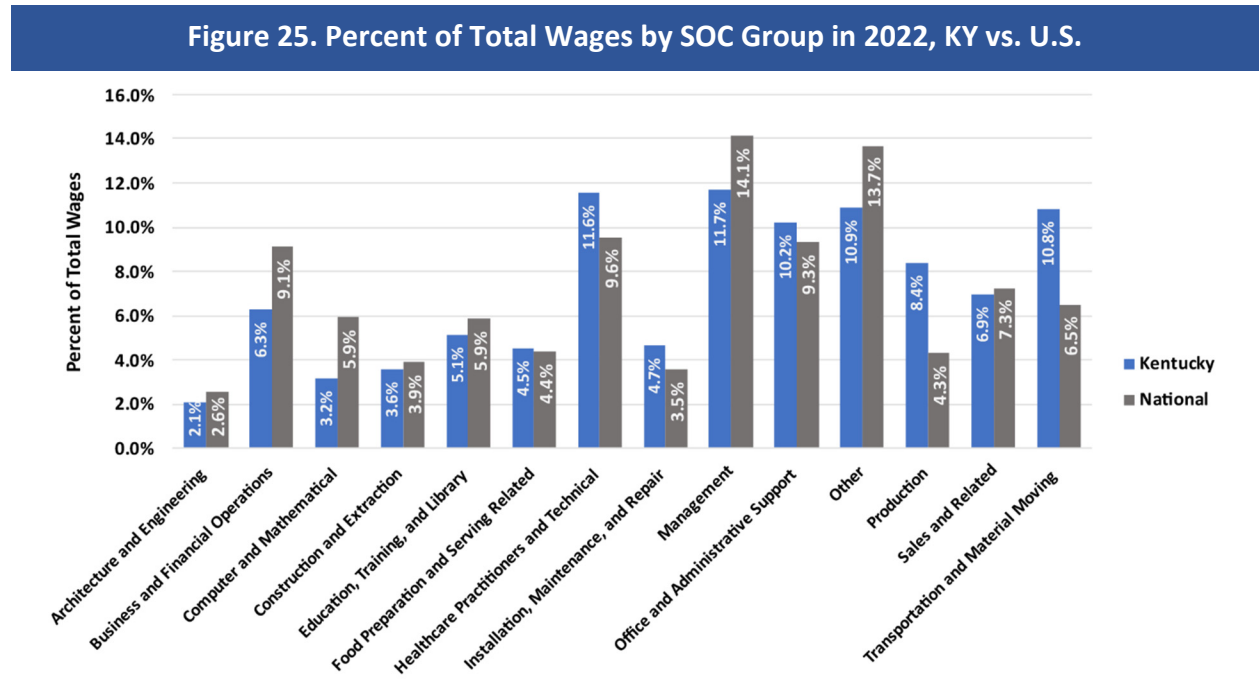
Based on 2017-2021 data sets.  
Source: American Community Survey.

While undoubtedly affected by COVID, migration patterns in Kentucky from 2017 to 2021 reflect changing workforce and economic conditions across the state and present both opportunities and challenges. While migration patterns in more rural areas pose greater challenges, these regions are working hard to mitigate the negative effects of out-migration and exploring innovative ways to restore and sustain their communities.

### Occupational Trends and Projections

Figure 25 looks at the percent of total wages in 2022 by SOC (standard occupational classification) group in Kentucky and the U.S. Kentucky has a greater proportion of wage earners in production, transportation/logistics, construction and extraction, and healthcare than the nation overall, as suggested by our above-average rate of associate degree holders. As expected, we lag the nation in the percent of earnings in higher-skill jobs in information technology, architecture and engineering, and business and financial

operations. Over the last five years, Kentucky’s degree production is consistent with these data. According to CPE’s [2020-21 Degrees and Credentials Report](#), trades credentials showed the largest growth at KCTCS, while business, industrial teacher education, and healthcare credentials showed the most growth at public universities.



Source: Bureau of Labor Statistics, 2022

Figure 26 lists the top ten occupations in Kentucky for the year 2020 based on their share of total employment. It further projects the estimated employment for these occupations in 2030, the percentage change between these two years, the total number of openings, and the annual number openings. A majority of occupations listed are projected to grow between 2020 and 2030, with only office and administrative support occupations showing a decline. Total employment for all occupations in Kentucky is projected to grow by 7.9% between 2020 and 2030. This will result in projected total openings of 2,311,271 and annual openings of 231,127 for all occupations by 2030.

**Figure 26. Top 10 Jobs by Share of Total in KY (2020)**

Area	Occupational Title	SOC Code	2020 Estimated Employment	Share of Total	2030 Projected Employment	Percent Change	Total Openings	Annual Openings
Kentucky	Office and Administrative Support Occupations	43-0000	245,718	12.8%	240,633	-2.07	260,156	26,016
Kentucky	Transportation and Material Moving Occupations	53-0000	215,172	11.2%	237,485	10.37	306,053	30,605
Kentucky	Production Occupations	51-0000	181,396	9.5%	192,084	5.89	212,513	21,251
Kentucky	Sales and Related Occupations	41-0000	178,181	9.3%	181,860	2.06	240,082	24,008
Kentucky	Food Preparation and Serving Related Occupations	35-0000	148,385	7.7%	175,563	18.32	294,584	29,458
Kentucky	Healthcare Practitioners and Technical Occupations	29-0000	132,463	6.9%	147,868	11.63	94,343	9,434
Kentucky	Management Occupations	11-0000	114,338	6.0%	126,324	10.48	107,223	10,723
Kentucky	Educational Instruction and Library Occupations	25-0000	90,109	4.7%	95,778	6.29	84,080	8,408
Kentucky	Business and Financial Operations Occupations	13-0000	88,525	4.6%	94,092	6.29	82,357	8,236
Kentucky	Installation, Maintenance, and Repair Occupations	49-0000	84,621	4.4%	92,152	8.90	90,315	9,032
<b>Kentucky</b>	<b>Total All Occupations</b>	<b>00-0000</b>	<b>1,916,360</b>	<b>100.0%</b>	<b>2,067,874</b>	<b>7.91</b>	<b>2,311,271</b>	<b>231,127</b>

Source: KYSTATS "2020-2030 Kentucky Occupational Outlook"

Encouragingly, higher skilled occupations are projected to increase over the next decade. Occupations in healthcare and technical fields are expected to grow 11.6% by 2030. Management occupations also are projected to grow 10.5%. Both educational instruction/library occupations and business/financial occupations are expected to grow by 6.3%. This implies a steady demand for educational and financial services in Kentucky and is good news for individuals in or pursuing these fields.<sup>20</sup>

### Kentucky Industry Composition

In 2021, the distribution of full-time, year-round Kentucky jobs across industry sectors was somewhat similar to the country with a few notable exceptions. Kentucky’s full-time, employed workforce was more heavily skewed toward manufacturing (17.1%) and healthcare/social assistance services (14.8%) than the U.S. These two industries accounted for 31.9% of Kentucky’s full-time, year-round workforce, compared to just 25.9% for the nation. In contrast, Kentucky lags the U.S. by about 3.3% in terms of full-time, year-round employment in professional, scientific, and technical services. In 2021, this industry accounted for 5.2% of Kentucky’s full-time, year-round employment, compared to 8.5% for the nation. Kentucky’s employment distribution by top industry can be summarized as follows: manufacturing – 17.1%; healthcare/social assistance services – 14.8%; retail trade – 9.9%; educational services – 9.0%; and construction – 6.5%.

Generally speaking, rural Kentucky ADDs had full-time workforces skewed toward mining, quarrying, oil, and gas industries; healthcare/social assistance services; and retail trade. They also had notably lower full-time employment in manufacturing; professional, scientific, and technical services; finance and insurance, and real estate, renting, and leasing, which were the top areas of employment for Northern Kentucky, KIPDA, and

<sup>20</sup> Gatton College of Business and Economics’ Center for Business and Economic Research, “Kentucky Annual Economic Report, 2023,” (Lexington: University of Kentucky, 2023), 65.

Bluegrass. Cumulatively, this evidence points to a need for higher-wage, skilled job opportunities in manufacturing, information, and professional/technical occupations in southeast Kentucky as a whole.

## Workforce Conditions

One of the most common measures indicating the overall strength of an area's economy are labor participation rates among adults. Not surprisingly, these vary widely across regions in Kentucky. There are only 12 counties with labor force participation rates (ages 25 to 54) equal to or greater than the U.S. average of 82.6 percent, and most of these are in the urban triangle of Louisville, Lexington, and Northern Kentucky. Six counties, all in the EKCEP workforce innovation board region, have labor participation rates of less than 51%.<sup>21</sup> Predictably, labor force participation directly correlates with a host of income and wealth statistics, including per capital personal income, household income, and poverty rates.

As noted in the Kentucky Chamber of Commerce's "[20 Years in the Making, Kentucky's Workforce Crisis](#):"

"A low level of workforce participation is problematic on numerous economic and social levels. It holds back economic growth and productivity and discourages investment. It places strains on social safety nets and government finances. It makes it harder for employers to grow their businesses and meet the demands of their customers and clients. It harms social well-being and erodes the Commonwealth's larger social fabric."<sup>22</sup>

The education and skills gap that exists leads in many parts of the state leads the list of reasons for Kentucky's low level of labor force participation. Conversely, greater access to quality education and training opportunities distributed equitably across regions and among populations will be a key solution to improving participation in the workforce, growing personal income, and building intergenerational wealth and financial sustainability.

## Demographic and Economic Findings

- **Most of Kentucky's projected population growth is among retirement age adults, while younger populations are growing more slowly or declining.** This will create talent shortages that need to be filled by in-migration of educated adults, greater workforce participation rates, and sustained efforts to re-skill adults currently in the workforce.
- **Kentucky imports more out-of-state residents with high school diplomas than college-educated residents.** If this trend continues, it will be challenging to meet our 60x30 goal and build the kind of skilled workforce our economy needs.

---

<sup>21</sup> Gatton College of Business and Economics' Center for Business and Economic Research, "Kentucky Annual Economic Report, 2023," (Lexington: University of Kentucky, 2023), 65.

<sup>22</sup> Kentucky Chamber of Commerce, "20 Years in the Making, Kentucky's Workforce Crisis," (September 2021), 14.



- As one would expect given Kentucky’s educational attainment levels, **the Commonwealth has more employment in trades and healthcare than the nation, and less employment in information/STEM and management/finance occupations, which typically require higher levels of education.** Over the last five years, Kentucky’s total degree production is consistent with these data. According to CPE’s “Degrees by Program” report, trades credentials showed the largest growth at KCTCS, while business, industrial teacher education, and healthcare credentials showed the most growth at public universities.
- **More urban areas of the state have higher workforce participation rates and higher per capita personal incomes than rural areas.** Southeast Kentucky has some of the lowest workforce participation rates and incomes in the country.
- **Educational attainment alone is not a silver bullet for economic prosperity.** Higher educational levels are almost always tied to geographic clusters of certain key industries. Raising education levels will not make an appreciable difference if rural residents subsequently leave the area to find better paying jobs. Educators and employers must work together to create the economic conditions and opportunities that will incentivize residents to earn educational credentials that can be put to work in their own regions.

# CHAPTER 3: OPTIONS FOR KENTUCKY'S HIGHER EDUCATION GOVERNANCE STRUCTURE

---

## OVERVIEW

---

Chapter 1 explored the genesis of HB 1 to better understand the rationale behind Kentucky's current higher education governance structure. Chapter 2 provided an overview of postsecondary and economic progress and challenges in meeting the state's educational and human capital needs. This chapter contemplates whether changes should be made to Kentucky's higher education governance structure to better position our public postsecondary institutions for continued success during a time of great disruption and change in American higher education. This chapter does not address potential changes in the governance of community and technical colleges, as this topic is covered in Chapter 5.

Ernst & Young LLP (EY) performed much of research informing this chapter, and their report (Appendix A) is summarized throughout. EY conducted a national scan of state governance systems through secondary research and conversations with higher education policy leaders and organizations. A deep-dive analysis of ten states was undertaken based on their similarity to Kentucky in terms of higher education enrollment, state income levels, urbanicity, and other criteria. These ten states exercise their higher education authorities differently and to various degrees, even within the same governance structure, proving there are opportunities to strengthen or relax regulation without change in governance.

---

## THE CASE FOR STATE OVERSIGHT

---

Before discussing the merits of specific higher education governance models, however, it may be useful to review why these types of administrative bodies exist in the first place. Public colleges and universities are subsidized by the state not only to keep postsecondary education accessible, but also due to the myriad public benefits that accrue from a college-educated populace (e.g., better health outcomes, lower unemployment, less incarceration). Public postsecondary institutions are non-profit entities that serve the Commonwealth, but they still must turn a profit and compete in a crowded market. Public institutions within the same state often find themselves vying for the same students and resources, which can lead to decisions that place the good of the institution ahead of the common good. For example, if every institution in the state added the same academic program popular with students but with a limited workforce demand, that wouldn't be the most efficient use of state funds.

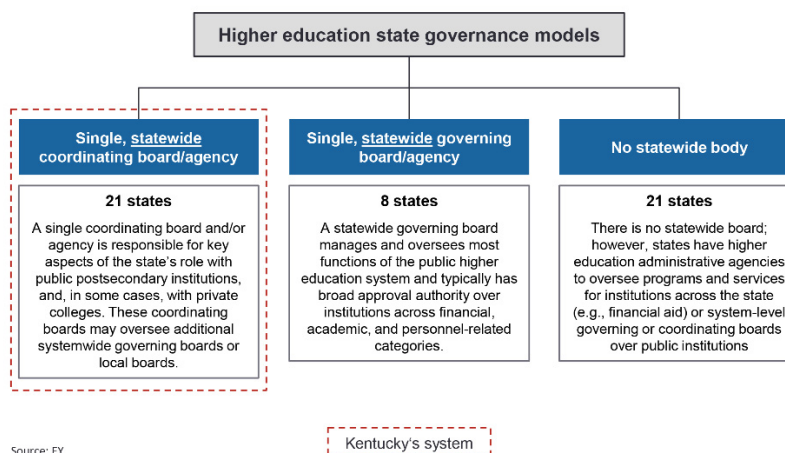
In a 2016 policy brief published by the Education Commission of the States, higher education expert Aims McGuinness argues that given inevitable political and parochial influences that arise, “[s]tates must have a broad-based, independent, credible public entity with a clear charge to increase the state’s educational attainment and prepare citizens for the workforce.”<sup>23</sup> This entity should direct public postsecondary institutions to act in ways that increase efficiency and maximize the distinct missions and assets of institutions. No matter how this entity is organized, the following six functions must be fulfilled:

- State-level strategic planning;
- State finance policy, including budgeting, appropriations and resource allocation;
- Collection, maintenance and use of data to inform policy;
- Regulation of postsecondary institutions and programs;
- Administration of state-level services like licensure and financial aid; and
- Governance or coordination of higher education systems or institutions.<sup>24</sup>

## PRIMARY FORMS OF OVERSIGHT

In the 50 states and D.C., the six oversight functions listed above are typically assigned to either a statewide coordinating board, a statewide governing board, or a state administrative/service agency. In some states, one entity is charged with all these responsibilities, but more commonly, they are dispersed among multiple regulatory or advisory bodies.

**Figure 27. Three Forms of Higher Education Governance**

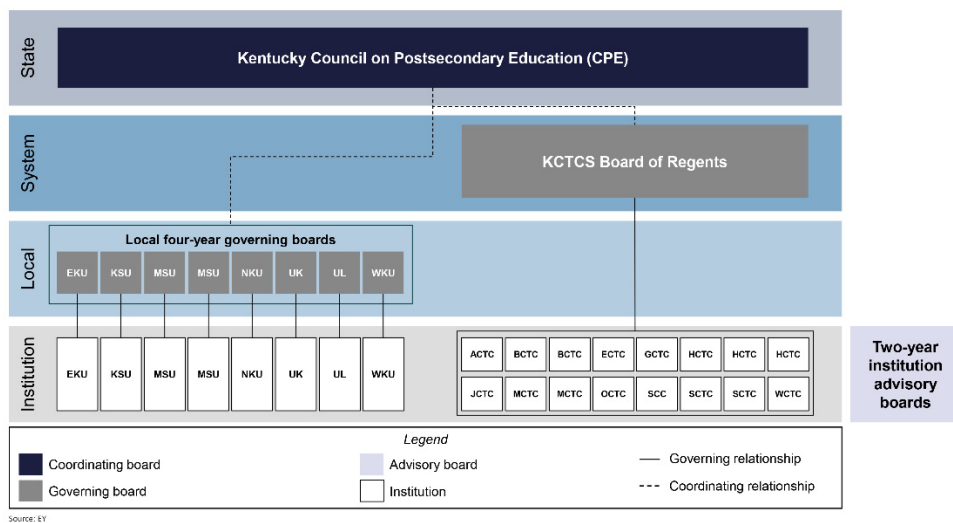


<sup>23</sup> McGuinness, Aims, “State Policy Leadership for the Future: History of State Coordination and Governance and Alternatives for the Future,” (ECS: May 2016), 3.

<sup>24</sup> Ibid., 4.

CPE serves as Kentucky’s statewide coordinating board. It is comprised of a Governor-appointed board of 15 members (13 citizens, one faculty member and one student), with the Commissioner of Education serving as an ex-officio member. A state agency staff supports the CPE board in executing its statutory duties; the CPE president is hired, evaluated, retained, or terminated by the board. CPE oversees eight public universities, each with local boards, as well as the Kentucky Community and Technical College System, which is a governing board and associated system office overseeing 16 community and technical colleges. Each of these 16 colleges have local boards and are individually accredited. Although not pictured in Figure 28, state financial aid policy and disbursement, an oversight function of many higher education boards, is under the purview of the Kentucky Higher Education Assistance Authority (KHEAA), a state administrative/service agency.

**Figure 28. Current Higher Education Governance Structure in Kentucky**



**What Stakeholders Say about CPE**

***“CPE was tasked with reforming the higher education system. They did that and are doing that. If we didn’t have CPE, I don’t know who would do that. We would have to deal with nine different fiefdoms. CPE is good at herding cats and executing on asks from the state.” [State-level representative]***

***“Presidents fight against each other, and CPE does well with keeping everyone on the same side to present a unified voice to the legislature.” [CTC leader]***

***“If CPE is the coordinating body for higher education and focused on strong outcomes for students and alignment with state needs, why isn’t it more proactive about sounding the alarm when our system is not meeting those needs or when existing policies are getting in the way?” [State-level representative]***

EY’s report examines the typical duties assigned to coordinating and governing boards, observing that some coordinating boards have more direct authority over institutions than others. EY characterizes these as “strong coordinating boards,” of which Kentucky is one. A strong coordinating board has some of the same authorities as a governing board, though perhaps not to the same extent (see Figure 29). What makes CPE a strong coordinating board is its authority over tuition setting, academic program termination, statewide strategic planning, and some key financial functions (i.e., developing the state higher education budget request, determining state general fund allocations through performance funding, and approving capital expenditures). Note that once General Funds are allocated, CPE has no authority over institutional budgets and spending, which is primarily a function of statewide governing boards.

**Figure 29. Levels of Authority for Coordinating & Governing Boards**

Type of authority		Governance structure		
		Statewide coordinating board	Strong statewide coordinating board	Statewide governing board
Academic program oversight	Program approval	Yes	Yes	Yes
	Program review	Yes	Yes	Yes
	Program termination	None or limited	Yes	Yes
Leadership appointment	Participate in search	None or limited	None or limited	Yes
	Appoint	None or limited	None or limited	Yes
	Evaluate	None or limited	None or limited	Yes
Board member appointment	Define selection criteria	None or limited	None or limited	None or limited
	Appoint	None or limited	None or limited	None or limited
	Evaluate	None or limited	None or limited	None or limited
	Train	None or limited	Yes	None or limited
Financial monitoring	Compulsory metrics reporting	Yes	Yes	Yes
	Fiscal health dashboard	None or limited	Yes	Yes
	Institution budget approval	None or limited	None or limited	Yes
Financial performance	Creation of unified budget request	Yes	Yes	Yes
	Capital expenditure approval	None or limited	Yes	Yes
	Administer specific funding pools	Yes	Yes	Yes
State financial aid	Strategy approval	Yes	Yes	Yes
	Aid distribution	Yes	Yes	Yes
Other	Tuition approval	None or limited	Yes	Yes
	Strategic planning and initiatives	None or limited	Yes	Yes

Source: EY

Final authority

No authority or limited input

If Kentucky has a strong coordinating board, it raises the question: what additional powers would CPE gain by becoming a governing board over all of public higher education – both two- and four-year campuses? The simple answer is that the new governing board would have control over key institutional leadership decisions—such as the appointment and removal of institutional presidents (CPE currently has the authority to recommend the removal of board members)—and more control over campus operations, auxiliary enterprises, and institutional finances.

This change, however, would come at a cost, not only in terms of dollars but also in disruption to system and institutional operations. EY cautions that changing an existing governance structure is a momentous decision

for any state, one that entails significant disruption and requires extensive change management.<sup>25</sup> EY notes that statewide governing boards require greater staffing, resources, and investment to operate successfully. This may partially explain why only eight states (Arkansas, Hawaii, Idaho, Kansas, Nevada, North Dakota, Montana, and Utah) currently employ this structure. As a fiduciary, statewide governing boards must concern themselves with the welfare of their institutions. As such, they tend to spend more time on institutional matters than coordinating boards, which focus more on how individual institutions contribute to the overall goals of the system. Additionally, most states with governing boards have fewer public institutions to oversee than Kentucky.

---

## COMPARATIVE ANALYSIS OF STATES

---

CPE asked EY to take a deeper dive into postsecondary governance in other states to determine if there were variations in structures or practices that could prove beneficial to the Commonwealth. Five of these states (Indiana, Louisiana, Ohio, Tennessee, and South Carolina) are best categorized as having a state coordinating board. Two states (Kansas and Utah) have a state governing board over all public institutions in the state, and three (Georgia, North Carolina, and Wisconsin) have one or more governing boards over systems in their states, with some campuses maintaining individual boards.

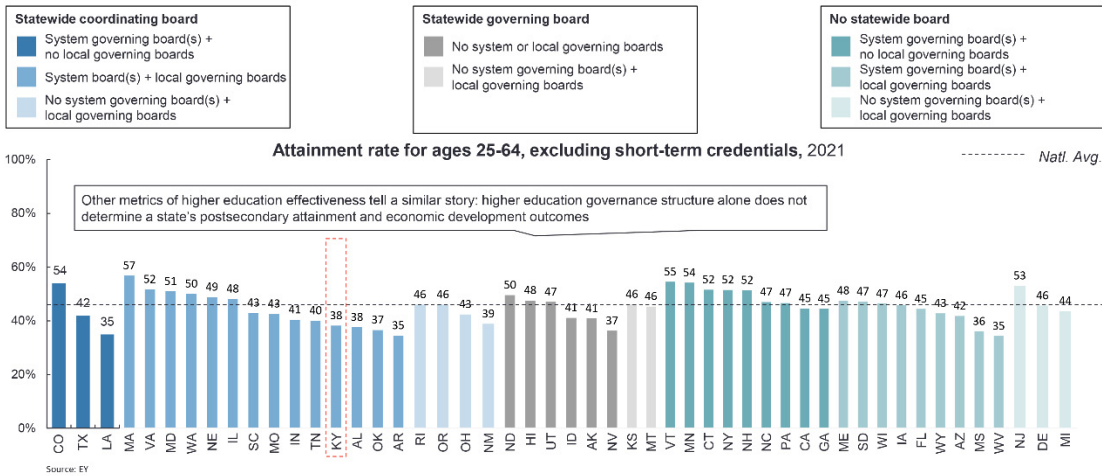
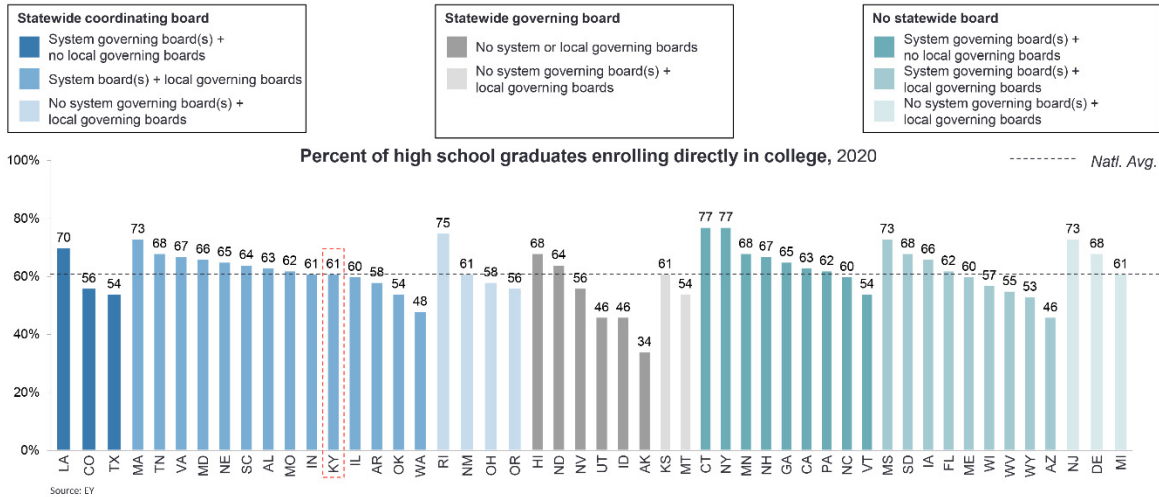
### **Do Governance Structures Affect Postsecondary Outcomes?**

As a first step, EY set out to determine if certain postsecondary governance structures are associated with better educational outcomes, which would provide an added incentive for change. EY grouped states by governance structure and compared them across a number of key performance indicators. For brevity's sake, Figure 30 maps outcomes for two measures only—college-going rates and educational attainment.

---

<sup>25</sup> Ernst & Young LLC, "Synthesis of Kentucky Stakeholder Input and State Comparative Analysis," (November 2023), 35.

**Figure 30. Outcomes for States Grouped by Governance Structure**



**As these graphs illustrate, a state's higher education governance structure does not appear to have any discernible effect on postsecondary outcomes.** States with similar governance structures show great variation in performance; for instance, college-going rates range from a high around 60%-70% to a low around 30%-50% across state groupings. A similar pattern is observed in state educational attainment rates and in other metrics not depicted.

Conversations with state and national higher education leaders support this finding. A state's governance structure is only one of a handful of factors affecting postsecondary performance. What matters more is how boards exercise their responsibilities through effective leadership and what actions they choose to regulate. EY identifies three common "levers of effective governance" that boards use to improve postsecondary

success: 1) strategic academic program oversight, 2) fiscal oversight, and 3) leadership appointment and review.

## Academic Program Oversight

Ensuring a state has the right number and mix of academic programs increases efficiency and improves alignment between degree production and workforce demand. Looking at academic program oversight across the deep-dive states, we observe that all the coordinating boards except Tennessee's can approve, review, and terminate programs, just as governing boards do (the Tennessee Commission on Higher Education cannot close programs; thus, it chooses not to fully exercise its program review authority). EY's observations in this area can be summed up as follows:

- **Regardless of governance structure, many states do not fully exercise their program oversight authorities, especially program termination, citing staff or resource limitations and the need for local autonomy.** The Kansas Board of Regents, a statewide governing board, rarely if ever terminates an academic program. Several states, including Kentucky, delegate approval of technical credentials to local (institutional) or system-level boards to improve responsiveness to employers. While CPE does not approve or review short-term certificates or diplomas, KCTCS and local boards do have processes in place that ensure new certificates and diplomas are necessary and aligned with industry needs.
- **There are trade-offs when choosing to execute or delegate program oversight functions.** For instance, the advantages of delegating some functions to institutions include increased speed, flexibility, and customization to local needs. On the other hand, the risks include mission creep, where institutions offer programs outside their primary purview (e.g., four-year universities offering credentials primarily offered by two-year institutions); program duplication, where multiple institutions offer programs regardless of market demand; and program proliferation, where programs with limited market demand or utility are offered indefinitely.

The qualitative research conducted by EY suggests some of these things may be happening in Kentucky. Some interviewees questioned the value of KCTCS short-term certificates, wondering if the performance funding system or factors other than workforce need encourage certificate proliferation. Others questioned whether certain academic programs have outlived their usefulness and should be closed. A few public universities have begun offering sub-baccalaureate credentials, a trend that bears watching. CPE has worked hard to incorporate workforce demand data into academic program review and approval processes, and every program must demonstrate how it addresses ten essential skills for workforce readiness. However, there may be ways to further strengthen CPE's academic program oversight.

- **A few states have developed strategies to incorporate more employer feedback and student employment outcomes into program approval and review processes.** Louisiana, for example, has



developed a rating system for technical programs to quickly signal their alignment with workforce demand. The Technical College System of Georgia meets monthly to approve the start and stop of two-year programs based on student job placement rates.

### *Academic Program Oversight Findings*

- Even as a coordinating board, **CPE could more fully exercise its program approval, review, and termination authorities**, especially at the sub-baccalaureate level. This might strengthen alignment between the state’s portfolio of degree and non-degree programs and employer and workforce demand.
- Any enhancements to Kentucky’s program oversight functions would require **additional human and financial resources at CPE**.

### What Stakeholders Say about CPE’s Program Review/Approval

*“I don’t think CPE does a good job of mitigating program duplication.” [University president]*

*“They [CPE staff] are good at coordinating mission statements and programming and making suggestions, but it doesn’t seem like they have the authority to enforce their suggestions.” [State-level representative]*

*“The concern about program duplication may be excessive. What matters is are institutions responding to the needs of their students and regions?” [University president]*

### Fiscal Oversight

When a state makes a significant investment in an enterprise like higher education, it is not unreasonable for the state to regulate the use and impact of funds. In its multi-state analysis, EY focuses on the following three responsibilities related to fiscal oversight: the review and monitoring of institutional fiscal health, the approval of institutional budgets and expenditures, and the oversight of state financial aid policy and disbursements. As with academic program oversight, these actions may be carried out by either coordinating or governing boards, though coordinating boards typically have less control over institutional finances. EY’s research in this area is summarized below:

- **Fiscal monitoring:** It is important to regularly monitor the financial health of institutions, particularly when enrollment and funding reductions are leading to institutional mergers or closures across the country. Kentucky institutions submit financial audits for annual review, which, while useful, doesn’t facilitate preemptive action to head off potential problems. Among the states studied, Ohio and Louisiana have adopted proactive measures to monitor the fiscal health of institutions, closer to real time. Louisiana built an interactive dashboard that tracks common financial metrics across institutions and flags users when performance reaches predetermined thresholds. CPE has been

working on a process to assess the fiscal health of Kentucky’s public colleges and universities, but this process has not been formalized or routinized.

- **Approval of budgets and expenditures:** Regardless of governance structure, most boards try to keep budget approval at a high level, leaving decisions about day-to-day operations and spending to the institutions. Not only is micromanagement inefficient, but it also creates unhelpful tension between local institutions and state boards. North Carolina’s two governing boards (over the universities and community colleges) are each responsible for submitting a higher education budget request to the legislature. Utah’s governing board creates a consolidated budget for legislative approval and approves capital expenditures. To provide additional financial oversight, the UNC Board of Governors appoints the chief financial officer of each institution (consistent with their governing board powers to appoint leadership). Kentucky, as noted previously, has strong authorities in this area more in line with a governing board: CPE submits a biennial budget request to the General Assembly and approves capital projects. However, once funding is allocated to the institutions, CPE has no authority over how university dollars are spent.
- **State financial aid oversight:** It is interesting to note that Kentucky’s coordinating board is the only one in the multi-state study with no oversight over financial aid policy or disbursements. In Louisiana, the statewide coordinating board (the Louisiana Board of Regents) determines financial aid strategies in its strategic plan and administers state financial aid through the Louisiana Office of Student Financial Assistance (LOFSA), an arm of the LBR. In Indiana, the Indiana Commission on Higher Education (ICHE) merged with the State Student Assistance Commission of Indiana (SSACI) in 2012. As a result of this merger, the ICHE now distributes and makes policy for all state financial aid programs. Tennessee is perhaps most like Kentucky in that a non-profit corporation, the Tennessee Student Assistance Corporation (TSAC), oversees financial aid distribution. However, unlike in Kentucky, the commissioner of the coordinating board (THEC) is also the commissioner of TSAC. As EY states, this arrangement “[gives] THEC a direct role in the approval of state financial aid strategy” and improves alignment with statewide higher education goals.”<sup>26</sup>

### ***Fiscal Oversight Findings:***

- **Kentucky could benefit from a fiscal monitoring tool and accountability mechanism** that would allow CPE to take proactive measures to avert potential financial problems at institutions. Implementing this action would not require a change in governance structure.
- As a coordinating board, **CPE currently has strong authorities** related to state budget requests, the allocation of General Funds, oversight over state-level trust funds and incentive funds, and the approval of capital expenditures at institutions.

---

<sup>26</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 46.

- **CPE’s lack of oversight over state financial aid policy and disbursements is atypical among statewide coordinating boards.** Greater involvement by CPE would provide an additional lever of governance to improve postsecondary education outcomes and ensure alignment with higher education strategic priorities.

### What Stakeholders Say about CPE’s Fiscal Oversight

*“CPE usually plays a responsive role, not a proactive role. KSU has been struggling financially for years, Northern Kentucky University found itself with financial problems.” [University president]*

*“There may be some ‘low hanging fruit’ in this area. There should be an annual report to the CPE and legislature in regard to the status and health of each institution. There could also be checks and balances in regard to debt—NKU took on massive amounts of debt.” [University president]*

*“CPE could set up a dashboard that looks at key financial and operational ratios. Flags and checks could be set up based on metrics tracked. That could be effective. It is hard to respond to a crisis if you are surprised.” [University president]*

### Leadership Appointment and Review

Authority over higher education leadership decisions is the one power that appears to reside solely with statewide governing boards. As noted in EY’s qualitative research, effective leadership is among the most critical components of an organization’s success. “Leadership” here includes not only institutional presidents, but also system and local board presidents and members, as well as key executives like university provosts or chief financial officers.

In Kentucky, the governor appoints institutional and CPE board members. The Governor’s Postsecondary Education Nominating Committee is responsible for soliciting and vetting potential board members and submitting three candidates for each open position to the Governor. The CPE board has the authority to hire, fire, evaluate, and determine compensation for the CPE president (within statutory limitations). The KCTCS Board of Regents and university Boards of Trustees also are responsible for presidential appointments. As a coordinating board, CPE has little involvement in institutional leadership decisions. CPE’s president occasionally serves on presidential search committees at the institution’s request, but this is usually as an ex-officio (non-voting) member. CPE does have a statutory responsibility to train CPE and institutional board members, which it performs by providing a mandatory course for newly appointed board members, as well as ongoing professional development offerings.

EY notes that the governing boards in their multi-state study execute their leadership appointment and evaluative authorities in different ways. Some delegate part of the presidential search and evaluation process to the institutions but maintain the final say over who is appointed. In some states the Governor appoints all

board members, while in others governing board membership appointment requires confirmation from the legislature. For a full discussion of these variations, see pages 49-51 of EY's report.

### What Stakeholders Say about CPE's Potential Role in Leadership

*"Hiring the right leader for an institution is one of the most important decisions a board can make to support the financial viability of that institution. CPE doesn't need to be the approver or decider, but it could be included in presidential search processes." [University president]*

*"I would not necessarily want CPE to be the final arbiter of presidential hiring. I would definitely want to see them do formal training around governance and fiscal responsibility for either presidents or board members." [State-level representative]*

*"There are some states where the coordinating body president or vice president sits on the campus level search committee. There are some pros to this – general policy level coordination, agreement that this a legitimate qualified individual and not just a local hire. It might also strengthen the relationship between the institution's president and the CPE president. But there are also some risks that would need to be considered carefully. For example, we could end up with the Governor asking the CPE to ensure the hiring of one president or another." [University president]*

#### *Leadership Appointment and Review Findings:*

- Consistent with other coordinating boards, **CPE has no authority to appoint, review, or terminate institutional presidents or board members.** Those powers are reserved for governing boards.
- **The state might benefit from CPE playing a larger role in institutional leadership decisions,** such as vetting potential board members or serving on presidential search committees.
- Additionally, **CPE could enhance training and professional development provided to boards, but this would require additional resources.** Without additional statutory requirements, participation by board members in these offerings would be voluntary.

---

## PROPOSED OPTIONS OF GOVERNANCE

---

The remainder of this chapter outlines four proposed options for higher education governance in Kentucky (as described by EY) and enumerates their potential advantages and disadvantages. In brief, the options are:

- 1. Maintaining Kentucky’s current higher education governance structure with improved execution of existing statutory authorities;**
- 2. Maintaining the current governance structure but granting additional statutory authorities to the CPE;**
- 3. Replacing the eight local governing boards with a single governing board for public four-year institutions (inclusive or exclusive of the research universities); and**
- 4. Creating a new “superboard” or single, statewide governing board that oversees both two-year and four-year institutions.**

### Option 1: Current Structure with Improved Execution

Kentucky’s current higher education governance structure has received national acclaim for how well it balances the needs of the state with the needs of autonomous institutions. Nevertheless, stakeholders observe that “there is opportunity for the Commonwealth to better leverage existing authorities through CPE,”<sup>27</sup> even if no statutory changes are made to its structure. Examples of this include:

- CPE could exercise its authority to approve, review, and terminate sub-baccalaureate credentials, including certificates and diplomas offered by KCTCS institutions.
- CPE could conduct a more frequent and structured review of academic programs based on workforce demand, student employment outcomes, and other such criteria and routinely terminate programs of low quality, relevance, and market demand.
- CPE could increase the amount of labor market and student outcome data required for the approval of academic programs at both two-year and four-year institutions.
- CPE could make changes to its performance funding model to incentivize improvements in quality instead of growth (addressing the perception of some stakeholders that the formula encourages “more” rather than “better”). This would require a regulation or statute change.
- The Commonwealth could set aside additional pools of money to incentivize innovation, collaboration, and efficiency/effectiveness both at the regional and state levels. These funds would

---

<sup>27</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 52.

be administered by CPE according to budget language or statute and could serve as a mechanism for soliciting matching funds. These incentive funds would provide CPE with additional levers of governance as well as drive progress on the state's strategic agenda.

- To improve institutional leadership capacity, CPE could provide more robust training for CPE and institutional board members, but without statutory change, CPE would not have the authority to mandate participation.

Page 55 of EY's report details the potential advantages and disadvantages of Option 1. Essentially, this option is the least risky and would require fewer resources and time. Institutions would maintain their authority to act in ways that further their unique missions and objectives and respond to local demands. Option 1 would not do much to compel institutions to participate in statewide initiatives, which has limited Kentucky's progress in developing transfer pathways and creating administrative efficiencies, for example.

## **Option 2: Current Structure with Additional Authorities**

Although CPE already is considered a strong coordinating board, additional authorities (in addition to the changes discussed in Option 1) could be granted through a revision in state statute and regulation. EY asserts that granting additional fiscal oversight authority and some involvement in leadership appointment would give CPE a stronger position with respect to statewide execution of the Commonwealth's higher education strategy. More specifically:

- CPE could be charged with proactively reviewing key institutional financial metrics in real time to act earlier to avert financial mismanagement or crises. This would require additional staffing and resources at CPE and possibly a change in statute.
- KHEAA could be integrated into CPE to strengthen alignment of statewide, strategic higher education goals and the goals of state financial aid programs. At the very least, CPE could be given some policy-making authority over state financial aid programs.
- The CPE president (or proxy) could be added to the Governor's Postsecondary Education Nominating Committee, giving CPE a role in the screening and selection of potential board members. Alternatively, CPE could act as staff to the Nominating Committee to help ensure a thorough solicitation and vetting process for potential candidates, and a more regular meeting schedule.
- The CPE president (or proxy) could participate in campus presidential searches as a voting member and be consulted during presidential evaluations.

Option 2 would involve more cost and time to implement than Option 1, but it would provide increased transparency around institutional finances and strengthened alignment between statewide postsecondary objectives and state financial aid programs. This option stops short of granting CPE authority over campus leadership decisions but gives CPE a voice. Local, institutional autonomy and its associated benefits are

maintained, but individual campus boards still could resist systemwide actions or initiatives or put their own interests ahead of the common good. The use of incentive funding to encourage increased collaboration among institutions could be a lever to mitigate this risk.

### Option 3: New Governing Board Over Universities

Kentucky currently has a single, statewide coordinating board as well as a governing board overseeing two-year colleges (KCTCS). The General Assembly could create a similar governing board to oversee the four-year public universities (as in Wisconsin, North Carolina, or Georgia). This new governing board could include UofL and UK, or it could just oversee the comprehensive universities. According to EY, “As R1 institutions, University of Kentucky and University of Louisville have a different role in Kentucky’s postsecondary ecosystem than the regional universities, drawing national enrollment.”<sup>28</sup> Also, a much smaller percentage of UK’s and UofL’s total operating budgets come from state appropriations, as they rely more heavily on endowments and auxiliary enterprises. Potential changes could include:

- Dissolving the governing boards of the comprehensive universities (and perhaps UK’s and UofL’s) and replacing them with one central governing board, with its membership appointed by the Governor’s Postsecondary Education Nominating Committee (faculty members and students could be elected by their constituencies). The number of board members—as well as rules to manage political, racial, and geographic diversity—would be defined in statute.
- The public universities would maintain local advisory boards, to which the governing board could delegate authorities as appropriate.
- In this option, the four-year governing board would be given the same authorities as current university governing boards, including presidential appointments and terminations.
- In this option, KCTCS would remain intact. Also, CPE (or a similar agency to coordinate efforts among two-year and four-year campuses) would remain intact.
- This option is attractive in that a single, university governing board would have the power to compel universities to act as a system. For example, one central unit could administer shared information technology, billing, and other backroom services, reducing costly duplication, as well as potentially encouraging more sharing of academic programs and resources.
- The risk is the creation of an additional statewide bureaucracy, which could reduce the speed and responsiveness of individual universities to local and regional needs and potentially contribute to administrative bloat in the system. Stakeholders also shared concerns that this model would limit responsiveness of universities to regional and community needs.

---

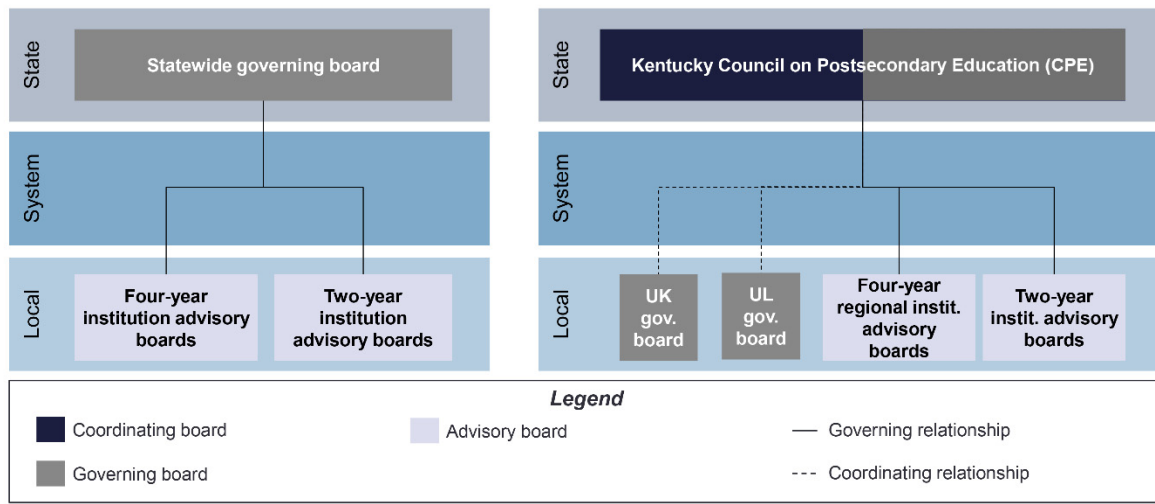
<sup>28</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 59.

- Also, the university governing board and the KCTCS governing board may not have strong incentives to be coordinated by a statewide entity like CPE. In this option, the General Assembly may find themselves acting as a mediator between boards.

### Option 4: A New Superboard

The final option outlined by EY is the creation of a “superboard,” a governing board with authority over both two-year and four-year institutions. In this option, CPE and KCTCS would be dissolved and a new, larger board with strengthened authorities would be created. Alaska, Hawaii, Idaho, Nevada, North Dakota, and Utah all have superboards, as do Kansas and Montana to a degree (in those states, two-year institutions are locally governed but coordinated by the superboard).

**Figure 31. Options for a Kentucky Superboard**



Source: EY

As seen in Figure 31, in a superboard structure, the institutions would maintain individual advisory or governing boards. In one option (left), the superboard would have authority over two-year and four-year institutions and their advisory boards. In another (right), the superboard would oversee two-year colleges and comprehensive universities (and their advisory boards) while maintaining a coordinating role over the research universities and their governing boards. This would give UK’s and UL’s boards authority over massive auxiliary enterprises like their hospital and athletic systems.

The advantage of this arrangement would be greater oversight and control over institutional leadership decisions, strategic planning, academic program delivery and coordination, and institutional finances. EY states that “[s]hared back-office functions and staff in a centralized System Office can reduce duplication and remove the burden of hiring and training from the institutions.” EY continues, “A shared services model may



reduce cost through both reduced duplication and economies of scale.”<sup>29</sup> However, this reorganization would carry with it significant costs in terms of additional central agency staff needed; disruptions caused by potential changes in institutional processes, programs and leadership; and decreased flexibility and speed on the part of postsecondary institutions to accommodate local communities and employers. It also could result in increased focus on institutional operations to the detriment of an independent, statewide perspective.

### Ranking Options from Most to Least Attractive

To aid the General Assembly in weighing the pros and cons of these options, EY created the following table. The columns list the options for postsecondary governance. The rows list the major considerations that must be weighed in each option, both positive and negative. These include disruption/time to transition, near-term cost to change, state-level transparency and control, local responsiveness, stronger pathways/greater transferability, and prioritization of distinct missions (to avoid unnecessary and costly duplication). Under each option, each consideration is ranked along a scale of most attractive to least attractive, with blue being more attractive, gray being neutral, and red being less attractive.

**Figure 32. Attractiveness of Proposed Options**

Considerations	1 Current governance structure with improved execution	2 Additional authorities granted to CPE	3 Addition of a single governing board for four-year institutions	4 Superboard
Disruption/time to transition	●	●	●	●
Near-term cost to change	●	●	●	●
State-level transparency and control	●	●	●	●
Local responsiveness	●	●	●	●
Stronger pathways/transferability	●	●	●	●
Prioritization of distinct missions	●	●	●	●



Source: EY

Looking down each column, the first two options have much less associated risk. They would be less costly to implement and would entail much less disruption and time. They also would maintain local responsiveness

<sup>29</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 65.

and institutional autonomy, which, as seen in the qualitative research, are very important to college and university presidents. It is unclear, however, if a statewide coordinating board, however strengthened, ultimately would be empowered to create greater operating efficiencies, or resist mission creep among institutions with powerful political constituencies.

The final two options would increase state control, institutional transparency, and degree pathways/transferability, but they come with higher levels of risk. Additional human and financial resources would be needed to ensure successful implementation, and institutions would be unlikely to accept this reorganization peacefully. Institutions would sacrifice autonomy and local responsiveness, and it is unclear that the tradeoff (greater state authority over leadership appointments and institutional finances) would be worth it, given what can be accomplished by strong coordinating boards. **CPE strongly advises that further feasibility studies are needed if the General Assembly wishes to implement Option 3 or 4.**

---

## CPE RECOMMENDATIONS

---

As the state landscape analysis (Chapter 2) reveals, Kentucky's postsecondary education system has made substantial progress under its current governance structure, and it is frequently touted as a model for other states. EY's work succinctly summarizes the range of existing postsecondary governance structures and variations, the primary options for Kentucky's consideration, and the risks and benefits associated with each. However, EY's report does not go so far as to provide a specific recommendation, leaving the final decision to the General Assembly.

CPE has given much thought to the ways in which higher education performance and governance could be improved. It is not a decision to be taken lightly, as changes unpopular with the institutions risk a temporary loss of goodwill and cooperation. A larger, centralized state staff could spend significant time and resources on institutional budgets and expenditures with little reward, as many of these decisions in the end likely would be delegated to institutional leadership or advisory boards. Also, it is unclear that a state board would act any more quickly or judiciously than an institutional board to remove problematic leaders or avert financial crises.

- **CPE endorses Option 2 as the path most likely to address identified performance issues with minimal disruption and cost.**
- A process should be implemented for CPE to actively monitor and regularly report to the General Assembly and Governor on the **financial health of the state's public colleges and universities**. Accountability mechanisms would be created to direct improvement efforts and ensure institutional compliance.
- **CPE's role in state financial aid policy and program decisions should be strengthened** to ensure a balanced and aligned approach to higher education financing and college affordability.

- **The General Assembly should increase investment in state-level higher education incentive funds—in addition to direct appropriations to campuses—to foster innovation, incentivize collaboration, and respond quickly to regional needs.**
- **CPE should strengthen review and approval of non-degree academic programs**, including short-term certificates, and more routinely review and terminate programs of limited relevance and quality.
- **CPE’s board training responsibilities should be strengthened** to provide a greater focus on fiduciary responsibilities. Lawmakers should consider **involving CPE in the recruitment and review of candidates for postsecondary governing and advisory boards.**
- **The CPE president (or representative) should be consulted during campus presidential evaluations** for public universities and KCTCS and **serve as a voting member on presidential search committees.**

# CHAPTER 4: FEASIBILITY OF A NEW PUBLIC UNIVERSITY IN SOUTHEAST KENTUCKY

---

## OVERVIEW

---

Over the past fifty years, Kentucky, like other parts of the country, saw its population and economy shift toward urban centers. This left many rural areas lagging both educationally and economically. Large manufacturing facilities, a stronghold of Kentucky's economy, are strategically positioned near metropolitan areas with more highly educated workers. They are typically close to major highways and airports for ease of transportation and delivery.

Southeast Kentucky faces distinct challenges due to this urban shift. The region grapples with low levels of college attainment, high poverty levels, population loss, and workforce participation rates that trail the rest of the state. Historically, the economy of Southeast Kentucky was dominated by the mining and extraction industries, a source of good-paying jobs. As these jobs declined, a viable alternative did not emerge, leading to Appalachia becoming one of the most economically distressed areas in the state and nation.

SJR 98 asked CPE to contemplate whether a four-year public university presence in Southeast Kentucky would produce the educated workforce needed to attract new economic development opportunities and stimulate growth. This chapter explores the different options posed in SJR 98 (constructing a new stand-alone university, creating a new regional satellite campus, or acquiring a private university in the region). After much study and feedback from educators, employers, and community leaders in the region, CPE proposes two additional options for consideration: 1) expanding a CTC in Southeast Kentucky to award select bachelor's degrees, and/or 2) enhancing the existing University Center of the Mountains (a postsecondary partnership housed at Hazard CTC that brings online bachelor's and master's degrees to the region).

---

## PINPOINTING A LOCATION

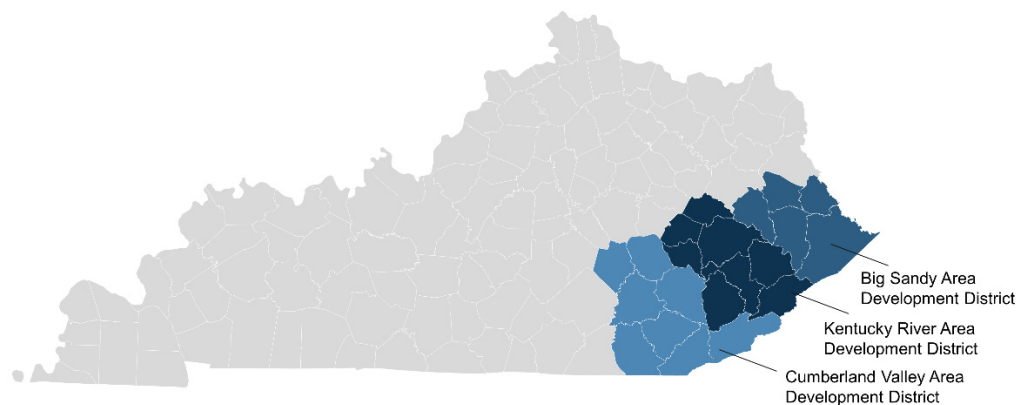
---

Southeast Kentucky represents a large geographic area. The Eastern Kentucky Concentrated Employment Program (EKCEP), the largest Workforce Innovation Board (WIB) in the state, is comprised of 23 counties. Counties in the Cumberlands WIB also are considered part of Southeast Kentucky. So, to estimate costs and assess whether a new university is feasible, it is first necessary to pinpoint its potential location.

Kentucky’s fifteen Area Development Districts (ADDs) are multi-county regions created in the early 1960s as “conduits for regional and local economic development planning”.<sup>30</sup> Today, ADDs play an important role in Kentucky’s work with federal agencies such as the Appalachian Regional Commission and the Economic Development Administration. Furthermore, Kentucky’s ADDs closely align with the U.S. Census Bureau’s Public Use Microdata Areas (PUMAs). These characteristics make ADDs an ideal unit of analysis.

The three ADDs comprising the southeast region are the Cumberland Valley, Kentucky River, and Big Sandy. After analyzing economic, education, demographic, and other variables, the Kentucky River ADD was identified as the best location for the hypothetical new institution. The following discussion summarizes the criteria used to make this determination: proximity to postsecondary institutions, educational attainment levels, economic and social conditions, and infrastructure.

**Figure 33. Proposed Location for an Enhanced Postsecondary Presence**



### Postsecondary Deserts

The first factor considered was proximity to existing universities; more specifically, this study prioritizes locations in educational deserts. For this purpose, an “educational desert” is a commuting zone without a broad-access, public or private, not-for-profit, four-year institution. Institutions are considered “broad access” if they have an admit rate of at least 80%.<sup>31</sup> To put it more simply, this study looks at whether a county is within a reasonable drive to a public or private university.

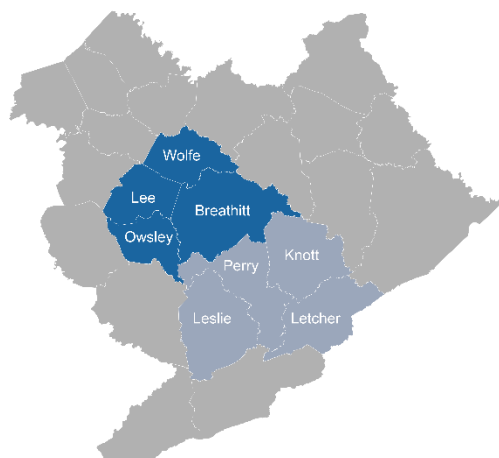
<sup>30</sup> Kentucky Council of Area Development Districts, History of Area Development Districts, accessed October 13, 2023, <http://www.kcadd.org/overview>

<sup>31</sup> CPE used a methodology that closely resembles the approach used in Nick Hillman’s article, “Place Matters: A Closer Look at Education Deserts,” (Washington, DC: Third Way). The method uses federally defined commuting zones, locations of KY public and private not-for-profit postsecondary institution main campuses, and admissions data from the IPEDS.

All eight of the counties in the Kentucky River ADD (Breathitt, Knott, Lee, Leslie, Letcher, Owsley, Perry, Wolfe) qualify as educational deserts. Harlan and Bell counties in the Cumberland Valley also qualify, but the other six counties in that ADD (Clay, Jackson, Knox, Laurel, Rockcastle, and Whitley) are within commuting distance to either the University of the Cumberlands or Eastern Kentucky University. All the Big Sandy ADD counties (Floyd, Johnson, Magoffin, Martin, and Pike) are within driving distance to the University of Pikeville.<sup>32</sup>

### Figure 34. Educational Deserts in Southeast Kentucky

*Shaded counties denote the Kentucky River ADD. Four of these counties (in gray) qualify as postsecondary deserts, and four (in dark blue) qualify as absolute postsecondary deserts.*



We also considered whether a county lies within an “absolute postsecondary desert,” which is a commuting zone with no public or private, not-for-profit, postsecondary main campuses. Four of the eight counties in the Kentucky River ADD (Breathitt, Lee, Owsley, and Wolfe) can be classified as absolute postsecondary deserts. These counties have the lowest degree of geographic access to postsecondary education in the entire region.

### Postsecondary Attainment

Another key reason for targeting the Kentucky River ADD is the low level of postsecondary attainment in its counties. As of 2021, the Kentucky River ADD had the lowest proportion of working-age adults (ages 25-64) with a bachelor’s degree.<sup>33</sup> While all Southeast Kentucky counties have low postsecondary attainment, the Kentucky River ADD contains four counties—Owsley (70.3%); Wolfe (64.5%); Lee (63.3%); and Leslie (59.4%)—that, in 2021, ranked among the top 25 counties in the nation in terms of working-age adults with a high school diploma or less.<sup>34</sup>

<sup>32</sup> According to IPEDS, the University of Pikeville has an open admissions policy which means they admit 100% of applicants.

<sup>33</sup> U.S. Census Bureau, American Community Survey, 2017-2021 Five-Year Estimates, accessed from JobsEQ by Chmura Economics & Analytics.

<sup>34</sup> U.S. Census Bureau, American Community Survey, 2017-2021 five-year estimates for 2021.

While residents without a bachelor’s degree are a potential source of enrollment, associate degree holders also are likely to pursue four-year credentials with more convenient access to four-year programs. With an associate degree attainment rate of 10.7%, the Kentucky River ADD has the highest number of associate degree holders of all the Southeast Kentucky ADDs.<sup>35</sup>

## Economic and Social Conditions

Research on regional universities consistently shows these institutions have a positive effect on their local economies.<sup>36</sup> Our analysis examined employment, household income, and public assistance disbursements in the southeast ADDs to determine which counties have the most to gain from a new university. Median household income is a common metric used to assess an area’s wealth. Within the Commonwealth, median household income is highest in counties clustered around urban population centers and lower in rural areas. In 2021, the average median household income by ADD was \$48,661, with the Kentuckiana Regional Planning and Development Agency (KIPDA) ADD, which includes Louisville, leading the way at \$74,388. Meanwhile, the Kentucky River ADD, at \$32,716, had the lowest median household income among the ADDs.<sup>37</sup>

Given that fact, it is unsurprising that the Kentucky River ADD also has the highest poverty rate, at 28.8%. Seven of its eight counties rank among the top 16 Kentucky counties in the proportion of residents living below the poverty level.<sup>38</sup> These counties also have among the highest percentage of households receiving food stamps.<sup>39</sup> Each of these metrics clearly depicts the level of economic distress in the Kentucky River ADD.

## Infrastructure

The terrain and infrastructure of Southeast Kentucky present numerous challenges for development. As such, access to major roadways was a critical factor in selecting the Kentucky River ADD.

Figure 35 depicts the major roadways in Southeast Kentucky. The star highlights the intersection of the Hal Rogers Parkway and KY-15 in Hazard, which is the economic center of the Kentucky River ADD. The intersection of these principal arterial roadways, combined with Hazard’s central location within Southeast Kentucky, would likely offer the greatest accessibility to potential students throughout the region.

---

<sup>35</sup> U.S. Census Bureau, American Community Survey, 2017-2021 Five-Year Estimates, accessed from JobsEQ by Chmura Economics & Analytics.

<sup>36</sup> Howard, G., & Weinstein, R., “Workhorses of Opportunity: Regional Universities Increase Local Social Mobility,” (October 2022), accessed from <https://www.iza.org/publications/dp/15622/workhorses-of-opportunity-regional-universities-increase-local-social-mobility>

<sup>37</sup> U.S. Census Bureau, American Community Survey, 2017-2021 Five-Year Estimates for 2021.

<sup>38</sup> These counties include Wolfe (34.6%); Leslie (34.6%); Breathitt (31.3%); Letcher (31.2%); Lee (30.0%); Knott (29.5%); and Owsley (27.7%).

<sup>39</sup> U.S. Census Bureau, American Community Survey, 2017-2021 Five-Year Estimates for 2021.

Figure 35. Major Roadways in Southeast Kentucky



#### Findings on Location:

- CPE considered several criteria when determining the best site for a new postsecondary institution in Southeast Kentucky, including proximity to public university main campuses and private universities. **All the Kentucky River ADD counties can be classified as broad-access, four-year postsecondary deserts, and four are absolute postsecondary deserts.**
- **The Kentucky River ADD counties have the most need for a four-year institution in terms of educational attainment rates, household income, and entitlement program disbursements.** There is a high percentage of high school graduates in the region who could benefit from postsecondary education, as well as ample associate degree holders who might pursue additional education with more convenient four-year options.
- **The Kentucky River ADD, especially Hazard in Perry County, offers good geographic access to major arterial roadways in the region and reasonable drive times for commuters.**

---

## PRIOR EFFORTS TO EXPAND POSTSECONDARY ACCESS IN SOUTHEAST KY

---

This study is not the first time Kentucky's state leaders have explored the possibility of expanding access to public university education in Southeast Kentucky. Concerns about affordable degree programs for residents who cannot or would prefer not to leave the region led to several actions, including a bill to make the University of Pikeville (UPike) a public university, the establishment of a coal county scholarship, and various partnerships between two-year and four-year institutions to bring bachelor's and master's degrees to residents of the region.



## Proposal to Incorporate UPike into the Public Sector

A decade ago (2012), there was a proposal to incorporate UPike (a private university in the far eastern part of the state) into Kentucky's system of state-supported universities. The assumption was that adding UPike to the state's public universities would increase opportunities for Eastern Kentuckians to attend college, which ultimately would improve educational attainment and economic development in the region.

However, the initiative faced stiff opposition from various groups, including other universities and some legislators. Critics suggested that bringing in UPike into the public system would divert funding from other public institutions, creating a high level of competition in the system. The governor at the time, Steve Beshear, hired the National Center for Higher Education Management Systems (NCHEMS) to conduct a study to assess the feasibility of the proposal. Their report concluded that moving UPike into the public sector would require significant state funding, both initially and continually. NCHEMS echoed concerns about potential negative impacts on other public and private universities and pointed out the legal and operational complexities of transitioning UPike from a private to a public university.<sup>40</sup>

While the UPike proposal did not move forward, the level of conversation and analysis it generated highlighted the significant educational needs of Southeast Kentucky. This led to actions to improve postsecondary education access, including the expansion of online and distance education opportunities, direct financial assistance to students, and institutional collaborations to bring four-year public degrees to Appalachia.

## The Coal County College Completion Scholarship

The Coal County College Completion Scholarship was introduced as an alternative to UPike becoming a public university. The program, funded with coal severance dollars, was designed to serve students from Kentucky's coal-producing counties. Eventually, it was expanded to serve students in both the far western and eastern parts of the state. The scholarship program provided students with funding to complete their bachelor's degrees at public and private institutions. It was a "last dollar scholarship," meaning that it covered outstanding tuition and mandatory fees after all other scholarships, grants, and federal/state aid had been applied. This allowed eligible students to attend public universities at a much-reduced cost. Students had to have completed 60 credit hours toward a bachelor's degree to be eligible.

The program began as a pilot in 2012-13, with an appropriation of \$1.8 million serving 409 students. At its peak in 2016-17, the program served 688 students with expenditures totaling \$3.1 million. Unfortunately, due to a decline in the availability of coal severance dollars, the program was phased out after the 2019-20 academic year. While short-lived, the Coal County College Completion Scholarship program helped promote baccalaureate level access and completion in regions affected by the decline of the coal industry.

---

<sup>40</sup> National Center for Higher Education Management Systems, "Report on the Advisability and Feasibility of Moving the University of Pikeville into the State University System," (March 13, 2012).

## Collaborative Education Models

Another solution highlighted by NCHEMS and again in a 2013 CPE report focusing on rural postsecondary access was to fund collaborative education models where two or more institutions team up to provide educational programs in a central location.<sup>41</sup> Both reports referenced the University Center of the Mountains (UCM) located on the campus of Hazard Community and Technical College (HCTC) as a potential model for replication and expansion.

UCM was launched in 2004 to provide the Kentucky River ADD and surrounding region with greater access to four-year degree programs. Originally conceived as a partnership between HCTC, EKU, and Morehead State University, UCM now includes 10 public and private university partners plus HCTC and the KCTCS system of campuses. According to HCTC, UCM offers students access to 55 bachelor's degrees, 42 master's degrees, and 8 doctoral programs, which are delivered online.<sup>42</sup> Students are referred to on-site counselors, who can assist with transfer, financing, applications, and academic planning. UCM students have access to computers, tutoring services, and study spaces on the HCTC campus. UCM also hosts transfer meetings and services, career development activities, academic preparation workshops, professional development programming for public school teachers, and continuing education programs for nurses and other professionals. UCM is discussed in more detail near the end of this chapter.

Co-located, cooperative higher education programs between KCTCS campuses and the state's comprehensive universities have existed since 1998, when the General Assembly passed HB 321. This Act established regional postsecondary education centers in Glasgow, Elizabethtown, Prestonsburg, Hopkinsville, Albany, and a combined center in London, Corbin and Somerset.<sup>43</sup> While their effectiveness varies, these sites (often referred to as satellite or regional campuses) have helped comprehensive universities expand their reach and serve more students in their regions. They provide KCTCS campuses with on-site university partners to facilitate credit transfer and establish completer programs. However, unlike UCM, where multiple universities combine resources to support a region, most of these sites provide opportunities for a single community college and university partner. None of these co-located campuses include a residential component, a key focus of SJR 98.

## Findings on Prior Expansion Efforts:

- In 2012, an external higher education consulting firm (NCHEMS) studied the feasibility of making the University of Pikeville (UPike) a public university. **NCHEMS concluded that the advantages of such a**

---

<sup>41</sup> Council on Postsecondary Education, "Final Recommendations of the Rural Access Work Group," (June 2013), accessed at <https://cpe.ky.gov/data/reports/ruralaccesswkgrpreport.pdf>

<sup>42</sup> Hazard Community and Technical College website accessed June 2023, <https://hazard.kctcs.edu/>

<sup>43</sup> Senate Joint Resolution 98, "A Joint Resolution Relating to State Administrative Bodies, 2023 Regular Session, accessed at <https://apps.legislature.ky.gov/record/23rs/sjr98.html>

**move were offset by cost, negative effects on other public universities (e.g., enrollment losses), and complex legal and accreditation considerations.**

- Southeast Kentucky has benefited from past efforts to incentivize bachelor’s degree production in the region. **The Coal County College Completion Scholarship was effective in helping university students from the region complete a degree.**
- The postsecondary center model used by University Center of the Mountains (UCM) is designed to ease student transitions from two-year to four-year programs, provide resource sharing, and expand educational offerings and opportunities for students in a co-located campus setting. **If done well, students benefit from shared services, resources, and facilities while having access to a broader range of academic programs and services.**

---

## PERSPECTIVES ON STUDENT & EMPLOYER DEMAND

---

EY’s conversations with education, industry, and community leaders provide key insights on the education and training needs in the region and the potential student and employer demand for a new residential four-year public university. K-12 leaders anticipate strong student demand for university education and highlight the need for nearby opportunities due to lack of affordable housing, transportation, and broadband access. According to a K-12 superintendent in the region, “Forty-five minutes (drive-time) would be the cutoff for a new campus. Access and transportation become an issue beyond that.”<sup>44</sup>

Stakeholders also note that other factors, such as cost of attendance and the value of postsecondary credentials in the workplace, will play a big role in student demand. A K-12 leader said, “I can’t be certain of how many students would go because it is so dependent on cost. You would lose a lot of students if the cost were much higher than the [CTC] level.” But as one community leader said, “Due to the closure of coal mines, we have had to rebuild and rethink our entire economy in the past ten years. We are trying to rebuild ourselves and a new school is a great path to help us do that. By bringing a university to the region, students could see access to new types of jobs as a result of this rebuilding.”<sup>45</sup>

EY’s conversations with employers and community leaders highlight the belief that the lack of a public university in Southeast Kentucky has hampered economic growth and has limited the ability to bring jobs to the region, particularly manufacturing and technology positions. According to an automotive manufacturing leader, “There is a hesitancy among some employers to sign off on a location outside a certain proximity of a four-year institution. Both due to the need for managers and engineers, but also the access to research or experts that can help us with certain problem solving that only research institutions can provide.”<sup>46</sup> While

---

<sup>44</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 73.

<sup>45</sup> Ibid., 74.

<sup>46</sup> Ibid., 76.

most employers recognize that the current economy in the region continues to demand more two-year degree and certificate holders versus four-year degrees, EY notes that employers in the region have a need for employees with all levels of postsecondary education.

However, many stakeholders emphasized that adding baccalaureate degree opportunities alone is not going to be sufficient to create the desired economic turnaround in the region. As one state leader shared, “There is a big assumption that the jobs are there...How do we create demand? What industries are we targeting? We need to attract employers to make sure there is someone in Southeastern Kentucky waiting to hire these students.”<sup>47</sup>

### What Stakeholders Say about to the Need for a Bold Economic Development Vision

*“What is really needed is a plan for the local economy and then we can focus on giving students resources to be successful there through education. Is it chicken or the egg? I have students who want to be engineers and drive innovation, but those jobs don’t exist here.” [Postsecondary leader, Southeast Kentucky]*

*“The workforce piece will make or break any new institution. There needs to be a clear vision for where it sits within the work available in the region.” [Economic development leader, Southeast Kentucky]*

*“What is in these areas? After students graduate, there is little in Southeastern Kentucky for them. There is a lack of employers and infrastructure. In Louisville, for example, there is Ford, GM, government agencies, hospitals. I am not sure if there is any plan as to what can be brought to Southeastern Kentucky that will keep students in the area.” [Economic development leader, Southeast Kentucky]*

*“Having more four-year programs would have a great economic impact. A lot of youth leave the region to pursue a four-year degree and never come back. If kids stay here, that will spur the economy as that has been a hindrance in attracting employers. We would have a lot more success in attracting business, education, and healthcare employers if that were the case.” [Economic development leader, Southeast Kentucky]*

---

## PROPOSED OPTIONS TO EXPAND POSTSECONDARY ACCESS

---

SJR 98 directs CPE to consider three options to expand postsecondary access in Southeast Kentucky: (1) a new public university, (2) a satellite campus of a regional university, and (3) the acquisition of an existing private university in Southeast Kentucky. This report examines all these options, spending more time on alternatives deemed most feasible in terms of cost and other factors discussed in this section.

---

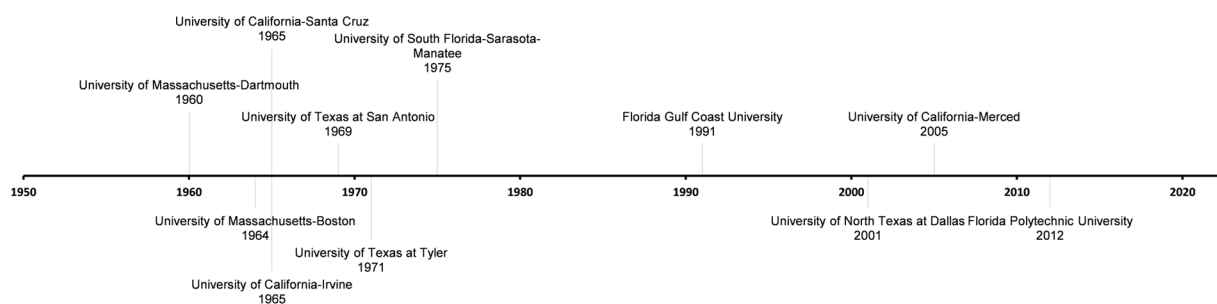
<sup>47</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 77.

## Option 1: Constructing a New Public University

When considering the feasibility of a brand-new, public, four-year university, it is important to understand where, when, and under what circumstances new public universities have been constructed. CPE studied a sample of newly constructed public four-year universities across the U.S. founded since 1960.<sup>48</sup> These sample institutions are unique in that they are built from scratch and not expansions of existing facilities. There may be other new universities founded and constructed during this timeframe, but they are not included in this analysis.

Most of the new institutions in our sample were founded between 1960 and 1975, as shown in Figure 36. The baby boom following the end of World War II, combined with the availability of funding for higher education through the GI bill, led to huge increases in the demand for higher education in the 1960s and 1970s. This is illustrated particularly well by the creation of additional University of California institutions during this period, as well as the University of Massachusetts Boston in 1964.<sup>49</sup> Increased demand for higher education also motivated the establishment of a few new universities in recent years, such as the University of California Merced in 2005 and Florida Polytechnic University in 2012.

**Figure 36. Recently Constructed Public Universities**



## Demographics Drive Postsecondary Expansion and Contraction

While population increases are a major driver of new universities being built, population declines are currently causing the overall number of American universities to contract. In a recent report, the higher education policy organization Ithaka S+R observes:

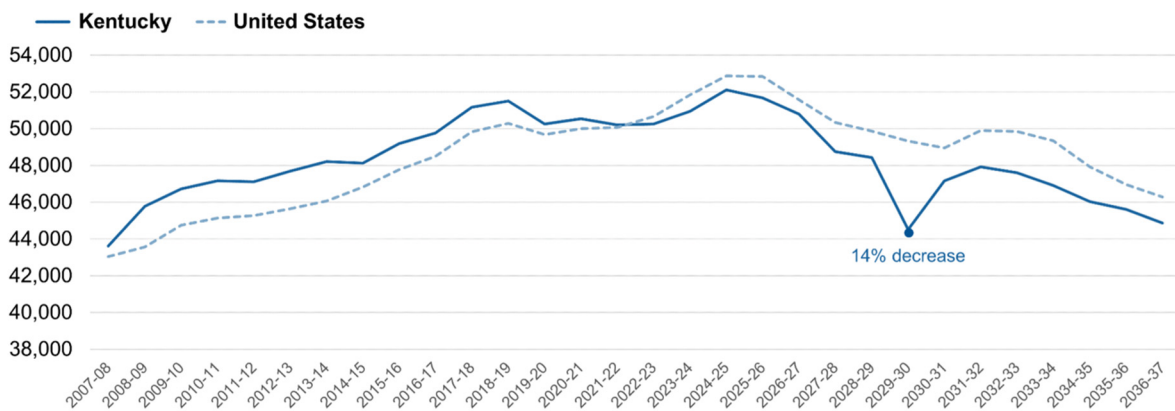
<sup>48</sup> The information was collected from institution websites and other historical repositories and CPE leveraged artificial intelligence (AI) tools including ChatGPT and Bing to aid in the data collection process. Information accessed using AI tools was verified using primary sources.

<sup>49</sup> University of Massachusetts Boston, “accessed May 5, 2023 at <https://www.umb.edu/about/history-of-umass-boston/>

“Across American higher education, institutional consolidations are on the rise. In particular, multiple state systems have proposed or completed mergers of regional universities and/or community colleges with the stated goal of increasing efficiency. The conditions prompting these consolidations have been mounting for years—among them a long-term downward trend in state support for higher education and demographic shifts away from traditional-aged college students, especially in rural areas where numerous public institutions are located.”<sup>50</sup>

Figure 37 depicts the actual and projected number of high school graduates in Kentucky and the U.S. from 2007-08 to 2036-37. Consistent with the nation, the number of high school graduates in Kentucky is projected to peak next year; after that, numbers will fall steadily and then more dramatically, reaching the “demographic cliff” much discussed in higher education circles around 2028. Note that this cliff is much more pronounced in Kentucky, and the following recovery less robust. This has implications for the feasibility and sustainability of a new rural university.

**Figure 37. Actual & Projected Number of High School Graduates**



Source: Projections of High School Graduates. Knocking at the College Door. WICHE.

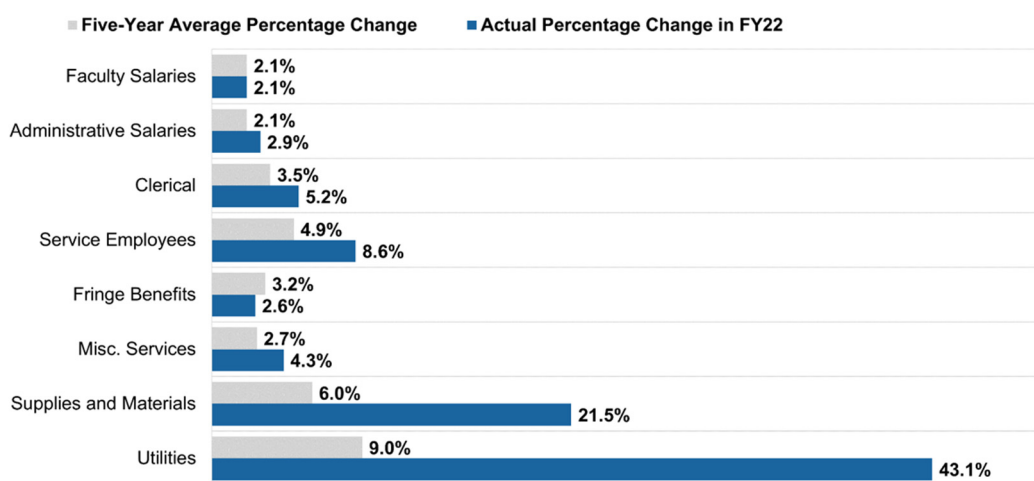
### Cost of a New University

Since March 2021, the U.S. has experienced a substantial upturn in inflation, which has placed a financial strain on both households and employers. Postsecondary institution budgets also have been impacted by inflation as they compete for talent and purchase supplies. According to the 2022 update of the Commonfund Institute’s Higher Education Price Index (HEPI), “costs for colleges and universities rose 5.2 percent in FY 2022, an increased rate of inflation compared with 2.7 percent in FY 2021 and 1.9 percent in FY

<sup>50</sup> Kurzwell, M., Andrews, M., Bond Hill, C., Jones, S., & Schonfeld, C. R., *Public College and University Consolidations and the Implications for Equity*, (New York: ITHAKA, 2021).

2020.”<sup>51,52</sup> Figure 38 shows the annual percent change in each of the components of the HEPI compared to the five-year average for each component. Kentucky’s public institutions are not exempt from inflation; our regional universities in particular face budgetary challenges as the cost of educating students continues to rise.<sup>53</sup> Escalating instructional costs pose a significant barrier to the construction of a brand-new university.

**Figure 38. Changes in the Higher Education Price Index**



Source: Commonfund Higher Education Price Index: 2022 Update. Commonfund Institute.

In addition to rising operating costs, establishing a completely new university in Southeast Kentucky would require a large capital investment to build out the required infrastructure and facilities. Mirroring the trend in the HEPI, construction costs have rapidly increased in recent years. Figure 39 displays the average cost per square foot for new construction across various facility types in the U.S. Cost increases across facility types have risen substantially compared to pre-pandemic levels (i.e., fall 2019), with the per square-foot cost of constructing a general classroom building increasing 29%.<sup>54</sup> The upfront costs required to build and finance a new university in Southeast Kentucky would be considerable.

<sup>51</sup> The Higher Education Price Index is an inflationary measure crafted by the Commonfund Institute specifically to capture annual inflation within postsecondary institution operating budgets.

<sup>52</sup> Commonfund Institute, *Commonfund Higher Education Price Index, 2022 Update*, accessed at <https://info.commonfund.org/commonfund-higher-education-price-index>.

<sup>53</sup> Hauser, C. “New NKU budget includes tuition increase, higher housing and dining fees,” (June 14, 2023), accessed at <https://local12.com/news/local/new-nku-budget-includes-tuition-increase-higher-housing-and-dining-fees-inflation-college-debt-northern-kentucky-university-budgeting-ky-boehne-cincinnati-ohio>

<sup>54</sup> Texas Higher Education Coordinating Board, “Average Construction Costs, Fall 2019 to Fall 2022, Public Universities and Health-Related Institutions,” accessed at <https://www.highered.texas.gov/our-work/supporting-our-institutions/institutional-resources/other-institutional-resources/facilities-resources/construction-cost-standards/>

**Figure 39. Average New Construction Costs per Square Foot**

Facility Type	Fall 2019	Fall 2020	Fall 2021	Fall 2022	Change
Classroom, General	\$474	\$511	\$532	\$613	29%
Food Service	\$405	\$407	\$422	NA	NA
Housing, Apartments	\$248	NA	NA	NA	NA
Housing, Dormitory	\$369	\$390	\$432	\$508	38%
Laboratory, General	\$533	\$583	\$634	\$736	33%
Laboratory, Healthcare	\$524	\$541	\$604	\$699	33%
Office, General	\$428	\$432	\$527	\$635	48%
Parking	\$108	\$118	\$97	\$112	4%
Student Center	\$493	\$485	\$529	\$949	92%

Stakeholder feedback on the question of a brand-new university in the region was mixed. While some believed that a new university would enable tailored degree offerings to meet the area’s needs, other shared concerns about this option. Other concerns, such as impact on existing institutions, declining enrollments in the region, and a potential lack of credibility within the communities also were raised.

### What Stakeholders Say about a New Four-Year University

*“I am not certain that this is the answer to economic development. There is a labor force participation problem, but I don’t think the next step is a brand-new institution. I would rather see an existing institution test out a few degrees that the population and region might be interested in and see how successful that is.”*  
[Postsecondary leader, Southeast Kentucky]

*“If having a four-year university were an answer to the economic issues in a region, Murray and Morehead would be booming. I worry that this would just water down dollars.”* [Postsecondary leader]

*“Starting from scratch would be extremely costly. It is hard to imagine the state would see an acceptable ROI on such a project.”* [Economic development leader, Southeast KY]



### **Option 1 Findings**

- Population increases associated with the baby boom and federal investment in the GI Bill drove new university construction during the 1960s and 1970s in America. Since that time, **population and funding decreases have caused the higher education industry to contract, characterized by increasing mergers and closures.**
- **Kentucky is facing a projected “demographic cliff”** toward the end of this decade – a significant decline in the number of high school graduates that is expected to greatly impact university enrollments and revenues.
- **Inflation has increased costs in every major category of university spending, as well as in construction.** The enormous cost to build and operate a new public university is a serious consideration, especially given attendant enrollment risks.
- **Stakeholder feedback on the question of a new university is varied.** While some expressed enthusiasm for a new public university, the majority of feedback highlighted concerns about cost, return on investment, economic impact, impact on existing campuses, and cultural acceptance of the new university.

### **Option 2: Acquiring a Private University**

CPE assessed the feasibility of a private university acquisition by first reviewing private institutions in Southeast Kentucky and their proximity to the Kentucky River ADD. For additional context, staff reviewed findings from the 2012 UPike study conducted by NCHEMS, mentioned earlier. Stakeholder input from EY’s interviews of postsecondary and community leaders in the region also is considered.

#### ***Characteristics of Private Institutions in Southeast Kentucky***

Within the Big Sandy, Cumberland Valley, and Kentucky River ADDs, there are six private, not-for-profit institutions.<sup>55</sup> Two colleges—Kentucky Mountain Bible College and Clear Creek Baptist Bible College—offer primarily ministry-related programs. There are four other institutions that offer more traditional curricula (see Figure 40). The University of the Cumberlands is the largest and has experienced significant growth over the past decade due in part to online graduate programs and an emphasis on lower tuition for undergraduates.<sup>56</sup> The smallest of these is Alice Lloyd College, with an enrollment of 613 students in the fall of 2021.

---

<sup>55</sup> This excludes a private, for-profit institution, National College of Kentucky, Inc., that has a campus in Pikeville.

<sup>56</sup> Field, Kelly, “The Strategies Behind Rapid Enrollment Growth,” *Chronicle of Higher Education*, (August 18, 2019), accessed at [https://www.chronicle.com/article/the-strategies-behind-rapid-enrollment-growth/?cid=gen\\_sign\\_in](https://www.chronicle.com/article/the-strategies-behind-rapid-enrollment-growth/?cid=gen_sign_in)

**Figure 40. Characteristics of Private, Not-for-Profit Universities in Southeast KY**

Institution	Fall 2021 Enrollment	Fall 2021 FTE	Total Cost of Attendance <sup>57</sup>	Percent Awarded Aid <sup>58</sup>	Average Amount of Aid Awarded	Highest Degree Offered
Alice Lloyd College	613	593	\$30,610	97%	\$11,195	Bachelor's degree
Clear Creek Baptist Bible College	158	118	\$21,175	86%	\$8,281	Master's degree
Kentucky Mountain Bible College	81	64	\$16,490	100%	\$3,218	Bachelor's degree
Union College	1,024	910	\$44,807	98%	\$22,966	Master's degree
University of Pikeville	2,269	2,025	\$34,730	98%	\$19,952	Doctor's degree – professional practice
University of the Cumberlands	19,272	10,988	\$24,884	100%	\$10,633	Doctor's degree – research/scholarship and professional practice

*Source:* National Center for Education Statistics, Integrated Postsecondary Education Data System, Fall Enrollment, Institutional Characteristics, and Student Financial Aid Components, <https://nces.ed.gov/ipeds/use-the-data>

### **Private Not-for-Profit Institutions in Southeast Kentucky**

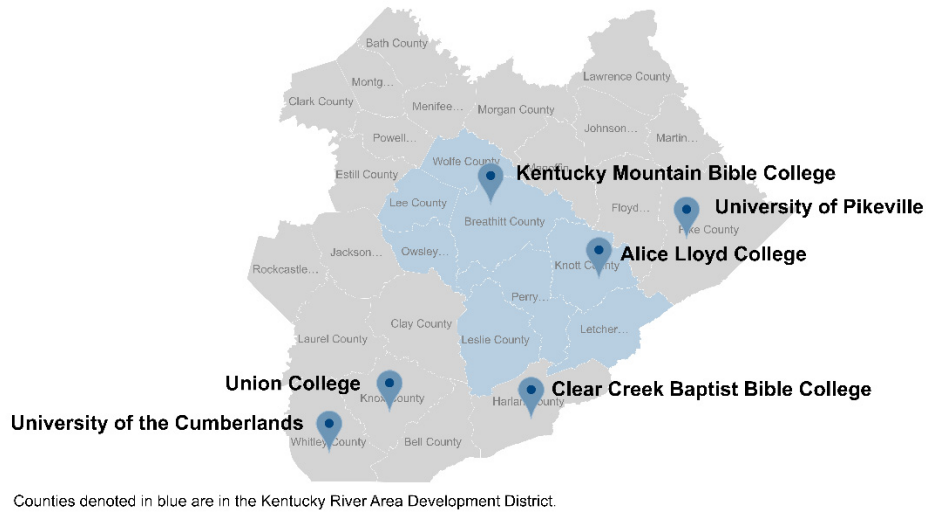
It is important to consider where each of the private institutions is located within the larger southeast region, as infrastructure and terrain affect each location's accessibility. The Cumberland Valley ADD is home to the University of the Cumberlands and Union College. The second largest institution, UPike, is in the Big Sandy ADD. Alice Lloyd College, a selective institution that reported an admit rate of 36% for 2021-22, is the only non-sectarian private institution in the Kentucky River ADD.<sup>59</sup> It is worth noting that, when sectarian institutions are removed from Figure 41, there is a large swath of counties in the Kentucky River ADD with no postsecondary institutions nearby. This is consistent with our finding that Breathitt, Lee, Owsley, and Wolfe counties are educational deserts with low educational attainment.

<sup>57</sup> Cost of attendance for full-time, first-time degree/certificate seeking in-state undergraduate students living on campus for academic year 2022-23. It includes in-state tuition and fees, books and supplies, on campus room and board, and other on campus expenses.

<sup>58</sup> Percentage of full-time, first-time degree/certificate-seeking undergraduate students who were awarded any grant aid for academic year 2020-21 (i.e., the most recent year of data available). Any grant aid includes federal, state, local government and institutional grants.

<sup>59</sup> National Center for Education Statistics, Integrated Postsecondary Education Data System, Winter 2021-22, Admissions Component, accessed at <https://nces.ed.gov/ipeds/use-the-data>

**Figure 41. Locations of Private, Not-for-Profit Universities in Southeast KY**

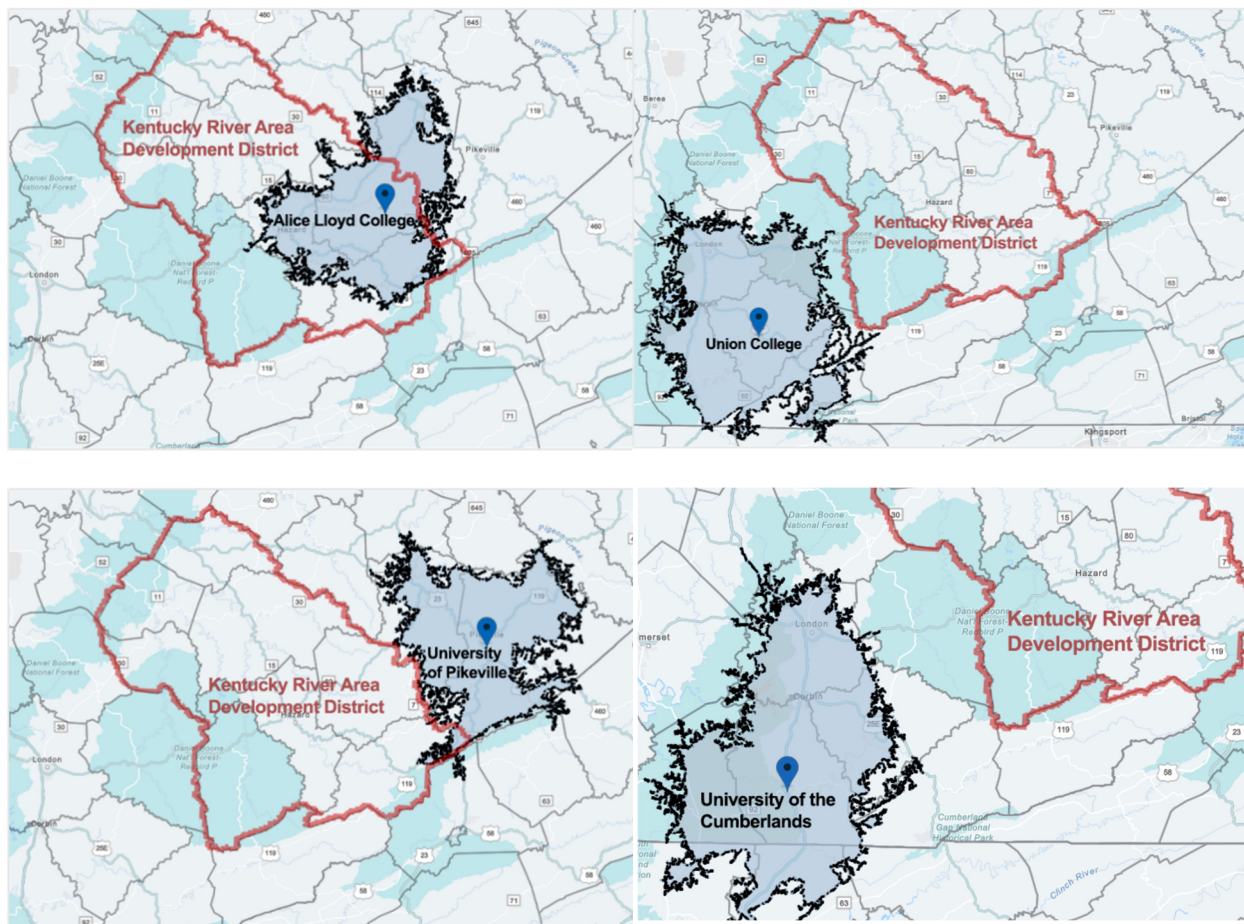


### ***Potential Candidates for State Acquisition***

To determine the relative accessibility of each private institution to the residents of the Kentucky River ADD, CPE produced 45-minute drive time maps for each campus.<sup>60</sup> Figure 42 shows each institution’s coverage within a 45-minute drive to the Kentucky River ADD. Alice Lloyd College provides access to some of the southernmost counties in the ADD; however, its location in Pippa Passes is removed from the major arterial roadways that intersect through the region. This significantly limits its accessibility to residents in the ADD’s northern and western counties. The other private institutions provide minimal or no accessibility to the Kentucky River ADD based on a 45-minute commute. As such, CPE concludes that none of the institutions provides sufficient physical access to the targeted region to be a candidate for acquisition by the state.

<sup>60</sup> CPE leveraged Chmura Economics and Analytics’ JobsEQ software to produce the 45-minute drive time maps.

Figure 42. 45-Minute Drive Time Estimates for Not-for-Profit Southeast KY Institutions



### UPike Study

As referenced earlier in this report, in 2011-12, Kentucky hired NCHEMS to assess the feasibility and advisability of moving UPike into the state system. While their assessment differs in scope and specificity from SJR 98, it is useful to review some of that report's high-level findings about the complexities associated with the acquisition of a private higher education institution by the state. There were numerous legal issues that would have needed to be resolved: the transition from a not-for-profit corporation to a public corporation, required changes in governance structures, a new process for determining institutional leadership, the adoption of open meeting and records policies, new personnel and ethics rules, new tuition and fee setting processes, and other legal and policy considerations.

The report also mentioned lengthy accreditation procedures that would have been required by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) for this level of institutional change,

as well as changes to UPike’s mission to comport with Kentucky public comprehensive universities. Finally, the report contemplated the significant cultural shift that would have occurred with this transition and the effect that would have had on institutional operations.<sup>61</sup>

### What Stakeholders Say about Acquiring a Private University

*“We have zero interest in being that university. We are utterly uninterested in having that conversation.”*  
[Postsecondary private institution leader, Southeast Kentucky]

*“I can’t imagine our institution or any of the other private universities agreeing to be bought. I doubt even a private institution that is experiencing difficult financial times would be interested.”* [Postsecondary private institution leader, Southeast Kentucky]

*“Acquiring a private would not be the best option. UPike and Union are both not very central within the region, and the tuition adjustment for UPike would be large. Alice Lloyd is quite remote, and their mission and model would make it very hard for them to operate as a public institution.”* [CTC leader]

Stakeholders saw pros and cons to the state acquiring an existing, private university. Several interviewees saw the benefits of this option due to existing infrastructure leading to lower startup costs. However, for most, the perceived risks, including the geographic limitations, funding, and perhaps most important, lack of interest among private university leaders interviewed for the study, outweighed the potential benefits.

#### Option 2 Findings

- **CPE determined that none of the private, not-for-profit, secular universities in Southeast Kentucky were candidates for state acquisition.** Only Alice Lloyd College is within the targeted ADD, and it is a very small institution that admits only 36% of applicants. University of the Cumberlands, Union College, and UPike are not within a 45-minute drive of the Kentucky River ADD. Longer commuting distances lessen the probability that residents would enroll.
- Based on findings from a 2012 study contemplating bringing UPike into the public sector of higher education, **transitioning a private university to a public university would require extensive legal and accreditation processes.**
- Additionally, based on EY’s interviews with private college leaders in the region, **none of the private institutions in Southeast Kentucky expressed an interest** in becoming part of Kentucky’s public university system.

---

<sup>61</sup> National Center for Higher Education Management Systems, “Report on the Advisability and Feasibility of Moving the University of Pikeville into the State University System,” (March 13, 2012), 35-39.

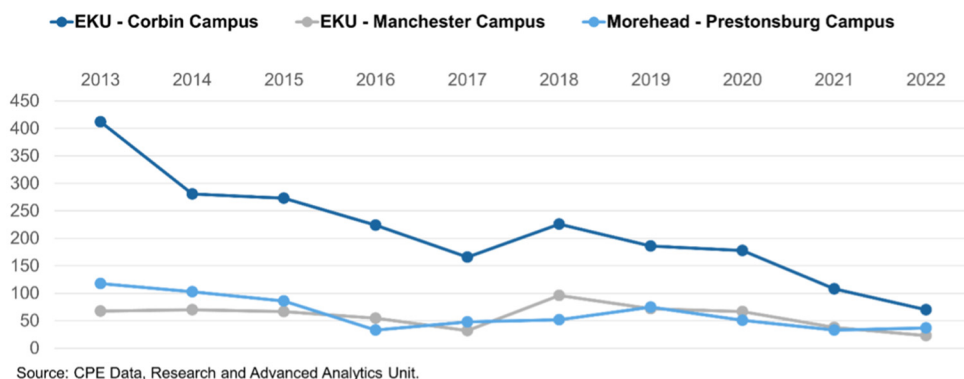
### Option 3: A New Satellite Campus of a Comprehensive University

To determine the feasibility of adding a new satellite campus in the Kentucky River ADD, it is important to look at the success of existing satellite campuses in the region. Currently, there are no satellite campuses in the targeted Kentucky River ADD, but Eastern Kentucky University (EKU) operates campuses in Corbin and Manchester, and Morehead State University (MoSU) operates one in Prestonsburg. These three campuses were evaluated based on enrollment levels, degrees awarded, and graduation rates from the Kentucky Postsecondary Education Data System (KPEDS), housed at CPE.

#### Undergraduate Enrollment

Total fall undergraduate headcount enrollment has dropped precipitously over the past 10 years for all three satellite campuses, with EKU Manchester falling by 66.2%, EKU Corbin by 83%, and MoSU Prestonsburg by 68.6%. Total enrollment at EKU and MoSU declined as well over this period, but not to the same extent. EKU total headcount enrollment (inclusive of satellite campus enrollment) decreased by 12.8%, while MoSU declined by 18.4%. Interestingly, first-time enrollment declined at EKU Manchester and Corbin but increased at EKU's main campus. This may suggest a move to consolidate course offerings at the main campuses.

**Figure 43. Undergraduate Enrollment at Satellite Campuses in Southeast Kentucky**



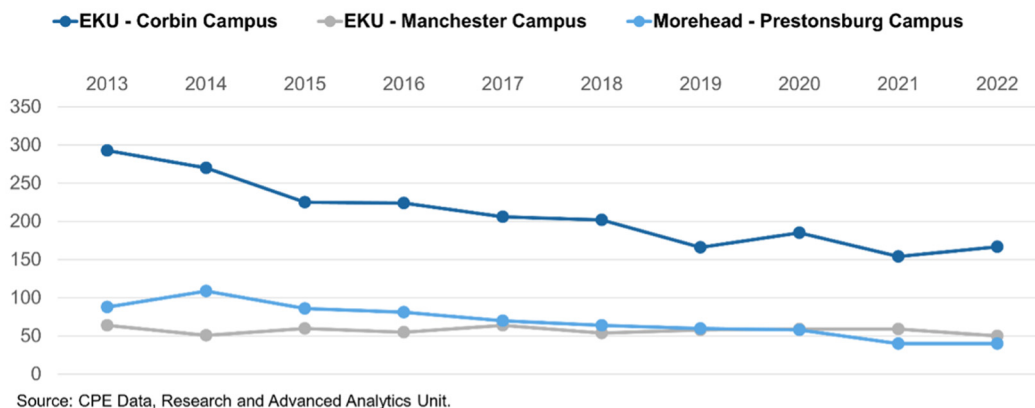
This hypothesis is reinforced by the falling number of undergraduate majors at satellite campuses. In fall 2013, EKU Corbin served students in 24 undergraduate programs, but in fall 2022 that number had decreased to 14. EKU Manchester decreased from 12 programs to 7, and MoSU Prestonsburg decreased from 6 to 2 over the same period. These declines reflect a reduction in four-year postsecondary program options across Southeast Kentucky, possibly due to falling enrollments or budget constraints.

#### Degrees Awarded

Analyzing degree production at satellite campuses is not straightforward, as enrolled students often take courses at both the main and satellite campus. This arrangement increases flexibility and access for students in the region but complicates data analyses. In this analysis, CPE credited satellite campuses with degrees if

the student took at least one course there during their academic career. Using this methodology, degree production at MoSU Prestonsburg declined by 54.5%, ECU Corbin by 43%, and ECU Manchester by 21.9% from academic year 2012-13 to 2021-22.

**Figure 44. Degrees Awarded by Southeast Kentucky Satellite Campuses**



### Graduation Rates

The six-year graduation rate for first-time students beginning at one of the three satellite campuses is comparable to the universities' overall graduation rate. For the fall 2016 cohort, the six-year graduation rate was 37.5% for students starting at ECU Corbin and 57.1% for students starting at ECU Manchester. The six-year graduation rate for ECU overall was 53.5%. Although ECU Corbin seems to have a much lower rate than ECU overall, there is significant volatility in their rate from year to year due to the small number of students in the cohort. For example, the graduation rate at ECU Corbin a year earlier was 49.4%. This suggests that a student who starts at one of ECU's satellite campuses has a similar chance of graduating with a bachelor's degree within six years as students who begin their academic careers at the main campus. Unfortunately, a similar analysis could not be conducted for MoSU Prestonsburg, as the dataset did not include any first-time students who started at that campus. This could reflect MoSU's cohort strategy or how it uses its satellite campus to supplement overall enrollment at the main campus.

As with acquisition of a private university, stakeholders saw this option as less costly to implement due to the ability to leverage existing infrastructure and overhead. However, the perceived risk outweighed the benefits for many stakeholders.<sup>62</sup>

<sup>62</sup> Ernst & Young LLC, "Synthesis of Kentucky Stakeholder Input and State Comparative Analysis," (November 2023), 80.

## What Stakeholders Say about an Satellite Site of a Comprehensive University

*“An administration will always do what is best for the central campus, as opposed to what is best for Southeastern Kentucky.” [Community leader, Southeast Kentucky]*

*“The concern is there have already been attempts to establish branch campuses and they have not worked out. I fear they would be a second or third thought because if costs need to be cut, a satellite campus would be the first thing to go.” [Postsecondary leader, Southeast Kentucky]*

*“The regional institutions here are not exactly thriving. I worry about what that implies for a satellite that may be opened.” [State-level stakeholder]*

### Option 3 Findings:

- **Given the sharp decline in enrollment and degree production at the three satellite campuses currently serving Southeast Kentucky**, it is unlikely that a new satellite campus in the Kentucky River ADD would ultimately produce the desired results for the region.
- Because of enrollment declines, budgetary pressures, and other factors, **program offerings at satellite campuses are being reduced**. This casts doubt on a new satellite campus’s ability to provide the holistic services needed to serve the region effectively.
- To fully serve Southeast Kentucky, **any satellite campus should offer full academic programs so students do not need to travel to another campus for coursework**. This does not appear to be the model currently employed by comprehensive universities with regard to their satellite campuses.

---

## ADDITIONAL OPTIONS

---

### Option 4: Hazard Community and Technical College Expansion

While SJR 98 only asked CPE to study three options for expanding access to four-year degrees in Southeast Kentucky, this section considers another alternative: the possibility of expanding Hazard Community and Technical College (HCTC) into a stand-alone, four-year, residential university offering limited technical and baccalaureate programs.<sup>63</sup> In its report, EY found almost unanimous interest among the stakeholders interviewed in expanding an existing CTC to offer targeted bachelor’s degrees.<sup>64</sup> Essentially, there are two potential scenarios: HCTC could remain within the KCTCS system and request a substantive change to its

---

<sup>63</sup> It is important to note that the hypothetical institution examined in this section would be unlike any other college or university in the Commonwealth due to its unique combination of technical, two-year, and four-year program offerings. This raises a significant question about how this institution would operate within the current policy environment and interact with policies like the state’s performance funding model. More study would be required to determine the breadth and depth of these policy implications.

<sup>64</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 82.



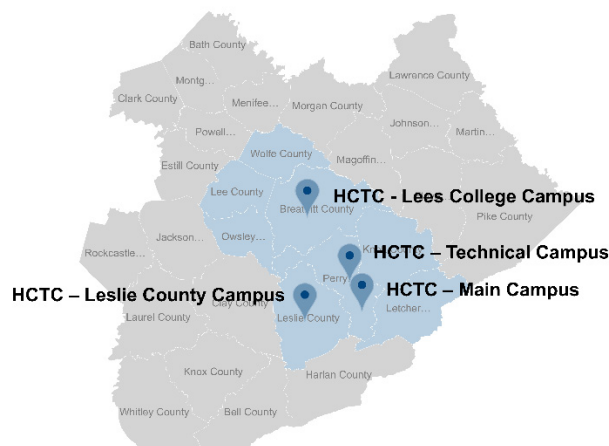
accreditation from SACSCOC, or HCTC could separate from KCTCS and become a stand-alone institution. Both these options will be explored.

CPE examined potential enrollment levels, baccalaureate programming, and finances at the hypothetical HCTC institution. CPE then worked with the University of Kentucky’s Center for Business and Economic Research (CBER) to conduct an economic impact study estimating its potential economic effects on the region in terms of job creation from increased spending by the college. This study is included as Appendix B.

### Overview of HCTC

HCTC is one of KCTCS’s 16 colleges that operates several campuses in the Kentucky River ADD. HCTC’s main campus is located right off Highway 15 in Hazard, and its technical campus is just three miles north. HCTC also operates branch campuses in Breathitt County and Leslie County. Figure 45 displays HCTC’s current locations.

**Figure 45: Hazard Community and Technical College Campuses**



Counties denoted in blue are in the Kentucky River Area Development District.

When all its campuses are considered, HCTC is within a 45-minute commute for most residents within the Kentucky River ADD, as depicted in Figure 46. Accessibility to both the Kentucky River ADD and the southeast region is a major advantage of the HCTC option.

**Figure 46: 45-Minute Drive times from HCTC Main Location with Branch Campuses**

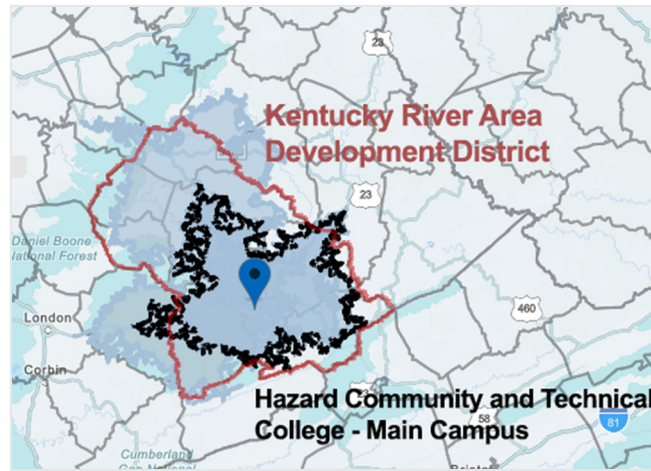
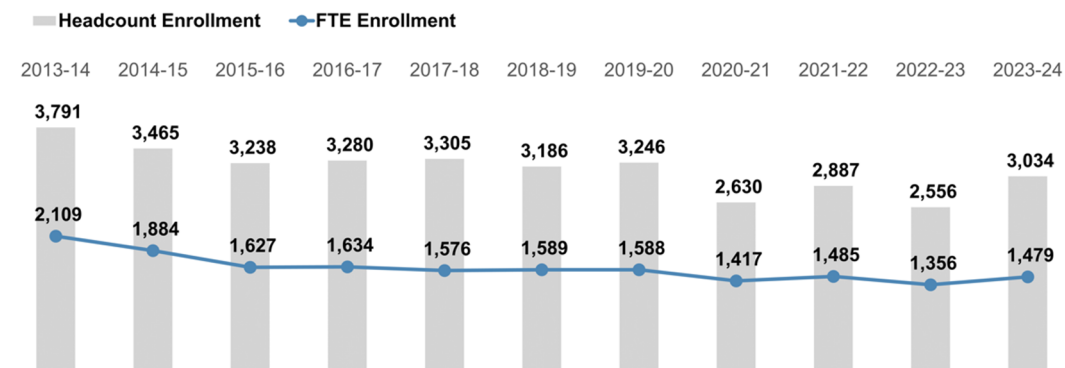


Figure 47 displays HCTC’s student headcount and FTE enrollment over the past decade. Like other KCTCS colleges, HCTC’s enrollment boomed during the Great Recession as more traditional and non-traditional students sought to retrain or upgrade their skills in a weak job market. As the economy recovered, enrollment tapered off and then plummeted at the onset of the COVID-19 pandemic. Fall 2023 preliminary enrollment is still below pre-COVID levels, but it is rebounding.

**Figure 47: Enrollment Trends at Hazard Community and Technical College**



Note: 2023-24 data is based off preliminary enrollment numbers.  
Source: Kentucky Postsecondary Education Data System.

There are many factors contributing to HCTC’s declining enrollment which are affecting rural institutions across the country. These include fewer numbers of traditional-aged college students, changing perceptions of the value of a postsecondary credential, and strong labor market conditions. These forces are largely outside of an institution’s control, but they could have an impact on the long-term viability of a potential HCTC expansion.

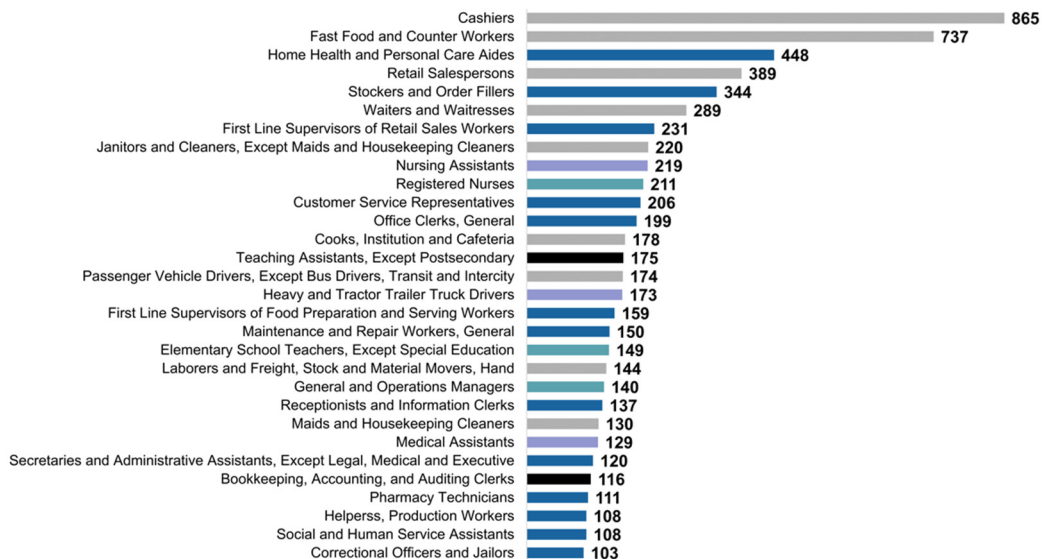
## Potential Program Offerings

To conduct deeper analysis on the possible expansion of HCTC, CPE envisioned a hypothetical HCTC institution that would be unique among Kentucky’s public postsecondary institutions in that it would continue offering existing programs but add a select number of baccalaureate degree programs aligned with workforce needs. As such, this hypothetical institution would be missionally distinct from both the state’s comprehensive universities and the KCTCS colleges.

Although this type of institution would be new to Kentucky, CPE staff identified 12 public, degree-granting, institutions across the Great Lakes and Southeast Regions of the U.S. that are comparable in terms of their enrollment, rural locations, and program mix. Beginning with a limited number of bachelor’s degrees would provide policy makers and institutional leaders an opportunity to assess student demand before building out higher level program offerings.

To determine which baccalaureate programs should be offered, CPE analyzed projected annual job openings to the year 2030 in the southeast region, defined as the EKCEP local workforce area. As Figure 48 illustrates, the jobs typically requiring postsecondary credentials with the most projected growth are in healthcare/ social assistance services and education. The most openings will be in the retail trade and food service industries, which do not require postsecondary credentials. Of the occupations with over 100 projected openings, three require a short-term certificate (nursing assistants, heavy/tractor-trailer truck drivers, and medical assistants) and three require a bachelor’s degree [registered nurses, elementary school teachers (except special education), and general and operations managers].

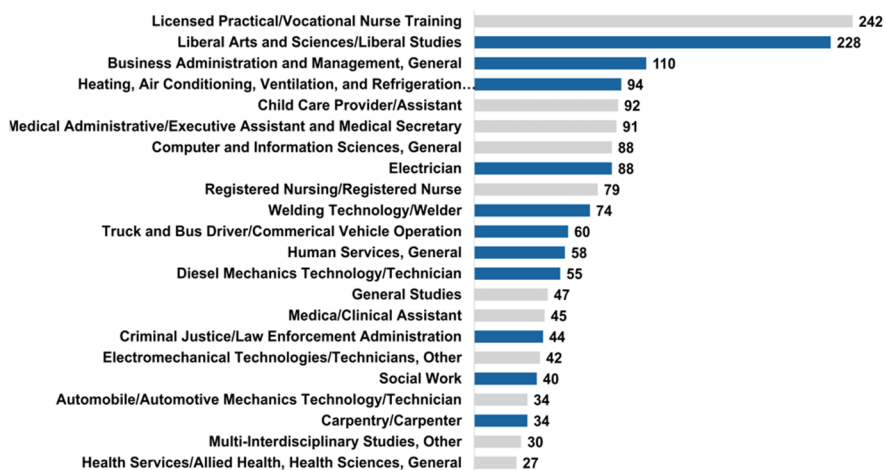
**Figure 48: Projected Annual Job Openings to 2030 for the EKCEP by Typical Level of Education Required**



Source. 2020-2030 Occupational Outlook. KYSTATS.

CPE also looked at degrees awarded by program to residents of the Kentucky River ADD, earned at institutions both inside and outside the district. Figure 49 shows the top postsecondary credentials awarded to Kentucky River ADD students in 2022-23, including those in high-wage, high-demand fields. In large part, the credentials awarded to students from the Kentucky River ADD reflect the needs of their local economy. Many students are pursuing credentials in fields like business administration and registered nursing, which are aligned with employer demand. While there isn't a high level of demand for software developers currently, quite a few Appalachian students are pursuing degrees in computer and information sciences. A new bachelor's degree program could bolster economic development initiatives in the region and enhance participation in the digital economy. Also note the prevalence of liberal arts and science/liberal studies credentials (AA/AS), which are designed to transfer to a four-year program. This suggests there is interest among associate degree seekers in pursuing four-year degrees, which could translate into enrollment at the hypothetical institution.

**Figure 49: Top Credentials Awarded to Residents from the KY River ADD by Demand and Wage**



Source. 2020-2030 Occupational Outlook. KYSTATS.

Figure 50 shows four baccalaureate programs that could be offered: (1) education, (2) health and related clinical sciences, (3) business management, marketing, and related support services, and (4) computer and information sciences and support services. Except for computer and information sciences, each field aligns with current employer demand. Computer and information sciences and support services is included due to a high level of demand from students, as well as its potential to support technology-based economic development initiatives in the region and increase residents' ability to work remotely in information technology jobs.

**Figure 50: Possible Baccalaureate Programs by General CIP Code**

Field of Study	4-Digit CIP Code	General Program
Computer and Information Sciences and Support Services	11.01	Computer and Information Sciences, General
	11.07	Computer Science
	11.10	Computer/Information Technology Administration and Management
Education	13.01	Education, General
Health and Related Clinical Sciences	51.15	Mental and Social Health Services and Allied Professions
	51.38	Registered Nursing
Business, Management, Marketing, and Related Support Services	52.02	Business Administration, Management and Operations

***Potential Enrollment of an Expanded HCTC***

CPE developed three projected enrollment scenarios to better understand an expanded HCTC’s potential impact on other public universities in the region, estimated start-up and operating costs, and possible economic and workforce impacts on the region. The following scenarios reflect the different enrollment outcomes that could result if there are: (1) minimal improvements to any of the student flow metrics considered in the modelling, (2) moderate improvements, and (3) substantial improvements. Figure 51 shows the expected values of the six metrics and estimated enrollment under each scenario at the end of year 7. CPE staff used HCTC’s fall 2022 FTE enrollment of 1,356 as the baseline for each scenario. A more detailed analysis of the scenarios and impacts on other campuses is included as Appendix D.

Without any improvement to the underlying student flow metrics, enrollment is projected to increase by 87 FTE students in Year 7. This small growth is due to the annual increase in the level of participation in dual credit included in the assumptions. Absent increased high school enrollments, projected FTE enrollment under the “minimal improvement” scenario would decrease over the period due to the region’s declining population. Under the “moderate improvement” scenario, enrollment would increase by 617 FTE students over the period. Lastly, under the most aspirational scenario, enrollment would grow by 1,081 FTE students.

**Figure 51: Assumptions for Enrollment Projections by Scenario**

Student Flow Metric	Assumed Values in Year 7		
	Scenario 1: Minimal Improvement	Scenario 2: Moderate Improvement	Scenario 3: Substantial Improvement
College-going rate	54.5%	58.3%	62.0%
Annual increase in high school FTE students	5.0%	5.0%	5.0%
Percent of 20- to 29-year-olds in the region enrolled in postsecondary education	11.4%	14.8%	16.9%
First- to second-year retention rate	54.5%	65.7%	77.0%
Percent of postsecondary students from the region enrolling at institutions outside the region	53.7%	40.3%	26.9%
Percent of enrollment that transfers to four-year institutions outside the region	6.4%	4.8%	3.2%
<b>Estimated Additional FTE Enrollment in Year 7</b>	<b>87</b>	<b>617</b>	<b>1,081</b>
<b>Estimated Total FTE Enrollment in Year 7</b>	<b>1,443</b>	<b>1,973</b>	<b>2,437</b>

As discussed previously, higher education institutions across the U.S. are facing a shrinking number of high school graduates, changes in the public’s perception of the value of postsecondary credentials, inflationary pressures, evolving workforce demands, strong labor markets, and more. These forces could adversely affect the assumptions that drive the enrollment projections shown in Figure 52, resulting in a fourth scenario (a negative enrollment trend).

***Estimated Impacts on other Public Universities***

As part of examining the feasibility of a new four-year, residential university in Southeast Kentucky, SJR 98 requires CPE to estimate the potential impact of the hypothetical institution on existing universities. To accomplish this task, CPE estimated the potential effect on enrollment and tuition revenue. It is important to remember that this analysis was developed for illustrative purposes only. It makes a range of assumptions that may or may not be fully realized if HCTC were to be expanded. Figure 52 shows the distribution of first-time students from the Kentucky River ADD and transfer students from HCTC across Kentucky’s public universities. As of academic year 2022-23, Murray State University and Kentucky State University did not enroll any of these student populations. As such, they are excluded from the rest of the analysis.

**Figure 52: First-time and Transfer Enrollments of Students from the KY River ADD**

Institution	First-Time Students from the Kentucky River ADD (2022-23)		Transfers from HCTC (2022-23)	
	Number	Percentage	Number	Percentage
Eastern Kentucky University	65	26.2	42	24.0
Morehead State University	46	18.5	28	16.0
University of Kentucky	32	12.9	11	6.3
University of Louisville	4	1.6	1	0.6
Northern Kentucky University	5	2.0	9	5.1
Western Kentucky University	2	0.8	4	2.3
Murray State University	0	0.0	0	0.0
Kentucky State University	0	0.0	0	0.0
Other Institutions	94	37.9	80	45.7
<b>Total</b>	<b>248</b>		<b>175</b>	

CPE’s analysis shows that enrollment would be most affected at ECU, Morehead, and UK by an expanded HCTC. Under Scenario 2 (moderate improvement) the potential lost FTE enrollment in year 7 ranges from 123 students at ECU to 5 students at WKU. Under Scenario 3 (substantial improvement), potential lost FTE enrollment in year 7 ranges from 246 students at ECU to 10 students at WKU. It is important to note that this analysis assumes that student behavior changes in a manner consistent with the enrollment patterns discussed above.

Potential lost tuition revenue follows a similar pattern. Under Scenario 2 (moderate improvement) the potential lost tuition revenue in year 7 ranges from \$915 thousand at ECU to \$39.3 thousand at WKU. Under Scenario 3 (substantial improvement), potential lost tuition revenue in year 7 ranges from \$1.8 million at ECU to \$78.6 thousand at WKU. The analysis assumes each university keeps constant its full-time tuition and fee rate and institutional discount rate.

CPE’s analysis of the potential impact of an expanded HCTC on existing public universities is limited to tuition and fee revenues; however, it is important to note that the hypothetical institution could impact state funding at existing universities through the distribution of funds appropriated to the Postsecondary Education Performance Fund. Because of the numerous assumptions and complexities involved, CPE staff chose not to estimate the financial effect of reduced enrollments on state funding for existing universities.

***Provision of a Residential Component***

SJR 98 specifically requires CPE to include a residential component to the proposed postsecondary institution in Southeast Kentucky. As such, CPE analyzed national construction data to determine what a possible residential facility at the hypothetical institution could cost. It is important to note that CPE’s estimates

reflect a traditional housing facility, although there are possible non-traditional housing alternatives discussed later in this section.

CPE estimated the potential cost of a 48-unit, apartment-style housing facility with 96 total beds. Staff projected the total construction cost using two methods: (1) based on the median cost per square foot and (2) based on the median cost per bed.<sup>65</sup> The average of the two approaches was used as the estimated construction cost for the residential facility. Figure 53 shows the estimates produced using each approach, as well as the final estimated construction cost.

<b>Figure 53. Estimated Construction Costs for Apartment-Style Housing Facility</b>			
<b>Cost Per Square Foot Approach</b>		<b>Cost Per Bed Approach</b>	
Total Square Feet	48,000	Total Beds	96
Median Cost Per Square Foot	\$408	Median Cost Per Bed	\$175,894
Total Cost	\$19,584,000	Total Cost	\$16,886,000
<b>Estimated Construction Cost: \$18,235,000</b>			

While the estimated construction costs shown in Figure 53 are included in economic impact study described later in this chapter, CPE recognizes that more facilities are necessary beyond student housing to create the typical student experience desired by many students attending residential universities. For instance, residential campuses generally include food service facilities, a student center, and a fitness center among other auxiliary services and amenities that support the on-campus student experience.

### ***Hypothetical Institution Revenue and Expense Projections***

CPE developed a financial model to illustrate what the hypothetical institution’s revenues and expenses could look like under the three projected enrollment scenarios. The model also illustrates the additional state appropriation necessary to cover expenses not met by tuition and fee revenue. These estimates were necessary to perform an economic impact study that assesses the employment and labor income effects generated by the institution’s increased spending.

Developing the model required staff to make assumptions regarding many aspects of the hypothetical institution’s operations, including prices, spending per FTE student, employee salaries and benefits, overhead, and more. As such, if HCTC were expanded to create a new four-year institution, the institution’s finances could be substantially different than the outputs produced by CPE’s model (discussed below) due to

<sup>65</sup> CPE staff used data from the [University of Texas System Cost Benchmark Dashboard](#), which contains national construction cost data for various facility types.



the large number of simplifying assumptions it includes. The analysis is intended only for illustrative purposes, and further analysis is necessary should this option receive further consideration.

The revenues and expenses produced by CPE’s model for the hypothetical institution under Scenario 1 (minimal improvement) show that the institution would require an increasing level of state funding or an equivalent reduction in expenses to break even over time. In Year 1, the hypothetical institution increases its spending in anticipation of the enrollment growth estimated in Scenario 2 (moderate improvement); however, the institution realizes enrollment at a lower level than anticipated, which results in lower net tuition and fee revenues and the need for higher levels of state funding. Figure 54 shows the projected revenues and expenses under model Scenario 1 (minimal improvement). The additional state appropriation needed, absent any reduction in expenses, increases from \$9,018,400 in Year 1 to \$10,777,700 in Year 7.

**Figure 54. Projected Revenues & Expenses for Scenario 1: Minimal Improvement**

Revenue and Expense Category	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Education and Related Revenue</b>								
Gross Tuition and Fee Revenue	\$8,827,600	\$9,929,400	\$10,940,700	\$11,993,500	\$12,243,400	\$12,494,500	\$12,800,900	\$13,133,600
Institutional Grants (Unrestricted)	1,335,700	1,837,000	2,345,200	2,868,700	2,971,100	3,078,400	3,199,900	3,332,500
Net Tuition and Fee Revenue	7,491,900	8,092,400	8,595,500	9,124,800	9,272,300	9,416,100	9,601,000	9,801,100
State Appropriations	10,376,700	19,395,100	19,441,800	19,473,200	19,897,800	20,337,500	20,747,600	21,154,400
<b>Education and Related Revenue</b>	<b>\$17,868,600</b>	<b>\$27,487,600</b>	<b>\$28,037,300</b>	<b>\$28,598,000</b>	<b>\$29,170,000</b>	<b>\$29,753,600</b>	<b>\$30,348,600</b>	<b>\$30,955,600</b>
<b>Education and Related Expenditures</b>								
Instruction	\$10,171,300	\$15,132,100	\$15,434,700	\$15,743,400	\$16,058,300	\$16,379,500	\$16,707,100	\$17,041,200
Student Services	2,872,800	4,422,900	4,511,300	4,601,500	4,693,500	4,787,400	4,883,100	4,980,800
Allocated Overhead	4,824,500	7,232,600	7,377,300	7,524,800	7,675,300	7,828,900	7,985,400	8,145,100
5% Salary Increase to Existing Employees	0	700,000	714,000	728,300	742,900	757,800	773,000	788,500
<b>Education and Related Spending</b>	<b>\$17,868,600</b>	<b>\$27,487,600</b>	<b>\$28,037,300</b>	<b>\$28,598,000</b>	<b>\$29,170,000</b>	<b>\$29,753,600</b>	<b>\$30,348,600</b>	<b>\$30,955,600</b>
<b>Additional State Appropriation Needed</b>	<b>\$0</b>	<b>\$9,018,400</b>	<b>\$9,065,100</b>	<b>\$9,096,500</b>	<b>\$9,521,100</b>	<b>\$9,960,800</b>	<b>\$10,370,900</b>	<b>\$10,777,700</b>

For Scenario 2 (moderate improvement), the hypothetical institution’s net tuition and fee revenue increases significantly over the seven years, which leads to decreases in additional state appropriations needed to break even. In Year 1, the institution increases its spending in anticipation of the enrollment growth projected under Scenario 2 (moderate improvement) and, as it realizes this enrollment growth and students matriculate into more expensive upper division courses, tuition and fee revenue grows. This results in a lower amount of additional state funding to break even. Figure 55 shows the projected revenues and expenses under Scenario 2 (moderate improvement). The additional state appropriation needed decreases from \$8,361,500 in Year 1 to \$6,358,000 in Year 7.

**Figure 55. Projected Revenues & Expenses for Scenario 2: Moderate Improvement**

Revenue and Expense Category	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Education and Related Revenue</b>								
Gross Tuition and Fee Revenue	\$8,827,600	\$10,650,900	\$12,374,000	\$14,261,800	\$15,234,600	\$16,238,500	\$17,332,000	\$18,424,100
Institutional Grants (Unrestricted)	1,335,700	1,901,500	2,533,900	3,241,100	3,464,200	3,696,400	3,947,400	4,203,200
Net Tuition and Fee Revenue	7,491,900	8,749,400	9,840,100	11,020,700	11,770,400	12,542,100	13,384,600	14,220,900
State Appropriations	10,376,700	18,738,200	18,197,200	17,577,300	17,399,600	17,211,600	16,964,000	16,734,700
<b>Education and Related Revenue</b>	<b>\$17,868,600</b>	<b>\$27,487,600</b>	<b>\$28,037,300</b>	<b>\$28,598,000</b>	<b>\$29,170,000</b>	<b>\$29,753,600</b>	<b>\$30,348,600</b>	<b>\$30,955,600</b>
<b>Education and Related Expenditures</b>								
Instruction	\$10,171,300	\$15,132,100	\$15,434,700	\$15,743,400	\$16,058,300	\$16,379,500	\$16,707,100	\$17,041,200
Student Services	2,872,800	4,422,900	4,511,300	4,601,500	4,693,500	4,787,400	4,883,100	4,980,800
Allocated Overhead	4,824,500	7,232,600	7,377,300	7,524,800	7,675,300	7,828,900	7,985,400	8,145,100
5% Salary Increase to Existing Employees	0	700,000	714,000	728,300	742,900	757,800	773,000	788,500
<b>Education and Related Spending</b>	<b>\$17,868,600</b>	<b>\$27,487,600</b>	<b>\$28,037,300</b>	<b>\$28,598,000</b>	<b>\$29,170,000</b>	<b>\$29,753,600</b>	<b>\$30,348,600</b>	<b>\$30,955,600</b>
<b>Additional State Appropriation Needed</b>	<b>\$0</b>	<b>\$8,361,500</b>	<b>\$7,820,500</b>	<b>\$7,200,600</b>	<b>\$7,022,900</b>	<b>\$6,834,900</b>	<b>\$6,587,300</b>	<b>\$6,358,000</b>

For Scenario 3 (substantial improvement), the hypothetical institution’s net tuition and fee revenue grows at the fastest rate of the three scenarios, which also results in the lowest amount of additional state appropriation necessary to break even from Year 1 to Year 4. In Year 1, the institution increases its spending in anticipation of the enrollment growth estimated under Scenario 2 (moderate improvement); however, the institution realizes the enrollment growth projected under Scenario 3. This causes the hypothetical institution to adjust its enrollment expectations. In Year 5, the institution changes its enrollment expectations to the estimates under Scenario 3 (substantial improvement). The adjustment prompts the institution to further increase its spending and build capacity in anticipation of the increased enrollment projection. While initially increasing the additional state appropriation needed to break even in Year 5, the level of state funding required to break even begins to decrease as tuition and fee revenue continues to grow. Figure 56 shows the projected revenues and expenses under Scenario 3 (substantial improvement). The additional state appropriation needed decreases from \$7,778,500 in Year 1 to \$4,834,200 in Year 4. The additional appropriation needed decreases from \$12,210,900 in Year 5 to \$10,924,200 in Year 7.

**Figure 56. Projected Revenues and Expenses for Scenario 3: Substantial Improvement**

Revenue and Expense Category	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Education and Related Revenue</b>								
Gross Tuition and Fee Revenue	\$8,827,600	\$11,291,600	\$13,625,600	\$16,251,000	\$17,854,300	\$19,508,600	\$21,259,200	\$23,054,000
Institutional Grants (Unrestricted)	1,335,700	1,959,300	2,696,500	3,567,600	3,895,200	4,235,400	4,593,300	4,964,500
Net Tuition and Fee Revenue	7,491,900	9,332,300	10,929,100	12,683,400	13,959,100	15,273,200	16,665,900	18,089,500
State Appropriations	10,376,700	18,155,200	17,108,200	15,914,600	15,210,900	22,587,600	21,952,200	21,300,900
<b>Education and Related Revenue</b>	<b>\$17,868,600</b>	<b>\$27,487,600</b>	<b>\$28,037,300</b>	<b>\$28,598,000</b>	<b>\$29,170,000</b>	<b>\$37,860,800</b>	<b>\$38,618,100</b>	<b>\$39,390,400</b>
<b>Education and Related Expenditures</b>								
Instruction	\$10,171,300	\$15,132,100	\$15,434,700	\$15,743,400	\$16,058,300	\$20,883,900	\$21,301,600	\$21,727,600
Student Services	2,872,800	4,422,900	4,511,300	4,601,500	4,693,500	6,201,300	6,325,300	6,451,800
Allocated Overhead	4,824,500	7,232,600	7,377,300	7,524,800	7,675,300	10,017,800	10,218,200	10,422,500
5% Salary Increase to Existing Employees	0	700,000	714,000	728,300	742,900	757,800	773,000	788,500
<b>Education and Related Spending</b>	<b>\$17,868,600</b>	<b>\$27,487,600</b>	<b>\$28,037,300</b>	<b>\$28,598,000</b>	<b>\$29,170,000</b>	<b>\$37,860,800</b>	<b>\$38,618,100</b>	<b>\$39,390,400</b>
<b>Additional State Appropriation Needed</b>	<b>\$0</b>	<b>\$7,778,500</b>	<b>\$6,731,500</b>	<b>\$5,537,900</b>	<b>\$4,834,200</b>	<b>\$12,210,900</b>	<b>\$11,575,500</b>	<b>\$10,924,200</b>

The hypothetical institution also would incur additional expenses due to the operation of the new housing facility. Auxiliary enterprise revenues and expenses are the same across all three scenarios, and it is assumed that the facility is not operational until Year 3. Once becoming operational, it is assumed the facility maintains full occupancy. Figure 57 shows the projected revenues and expenses for the hypothetical institution’s auxiliary enterprises. As noted previously, a residential facility is only one component of creating the vibrant campus life desired by students enrolling at four-year, residential universities. Should additional auxiliary enterprises, such as food services, be pursued, the estimated revenues and expenses below would increase substantially.

**Figure 57. Projected Auxiliary Enterprise Revenues & Expenses for All Scenarios**

Revenue and Expense Category	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Auxiliary Enterprise Revenues</b>								
Rental Income	-	-	-	\$643,200	\$662,500	\$682,400	\$702,800	\$723,900
<b>Total Auxiliary Enterprise Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$643,200</b>	<b>\$662,500</b>	<b>\$682,400</b>	<b>\$702,800</b>	<b>\$723,900</b>
<b>Auxiliary Enterprise Expenditures</b>								
Maintenance and Operations	-	-	-	\$59,000	\$60,200	\$61,400	\$62,600	\$63,900
Utilities	-	-	-	115,000	119,600	124,400	129,400	134,500
Depreciation	-	-	-	455,900	455,900	455,900	455,900	455,900
<b>Total Auxiliary Enterprise Spending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$629,900</b>	<b>\$635,700</b>	<b>\$641,700</b>	<b>\$647,900</b>	<b>\$654,300</b>

Stakeholder interviews raised the possibility of residential offerings designed to support the needs of lower income students with families as an alternative or supplement to the traditional housing option discussed previously. [Family Scholar House \(FSH\)](#), a non-profit organization based in Louisville, provides a unique residential model that has been replicated throughout the state and country primarily to respond to the needs of single parents pursuing higher education. Family Scholar House, which is funded through a combination of sources, including state housing agencies, local government, non-profits, private donors, and lenders, provides housing and wrap-around support services to eligible participants.

### **Potential Economic Impact on the Region**

One of the central premises supporting the study commissioned by SJR 98 is the recognition that “[p]ublic universities and community colleges serve as economic development incubators for the cities and regions in which they are located.”<sup>66</sup> A review of the academic literature on the topic of confirms this statement, as geographic access to postsecondary institutions in general and research-intensive universities in particular, has been shown to increase educational attainment and shift local economies toward service-producing industries (such as professional/business services and information services), as opposed to goods-producing industries (including natural resources, mining, and manufacturing). Furthermore, the establishment of an

<sup>66</sup> Senate Joint Resolution 98, “A Joint Resolution Relating to State Administrative Bodies, 2023 Regular Session,” accessed at <https://apps.legislature.ky.gov/record/23rs/sjr98.html>

institution of higher education also is associated with increased high school graduation rates, which suggests these institutions can alter a culture’s appetite for education.<sup>67</sup>

Research on the economic impacts of comprehensive universities is a relatively new area of study; however, the few studies published to date reinforce their role as anchor institutions within their region. Referred to in the literature as “workhorses of opportunity,” proximity to a regional university has been shown to have positive impacts on high school graduation rates, educational attainment, employment outcomes, household incomes, marriage rates, and individuals’ geographic mobility.”<sup>68</sup>

While the research on the potential impacts of geographic access to postsecondary institutions is promising, it is important to note that a new university in Southeast Kentucky is not guaranteed to be a “silver bullet” in solving the region’s challenges. As discussed elsewhere in this report, Southeast Kentucky is experiencing a substantial out-migration of residents with postsecondary credentials. Between 2017 and 2021, more residents with postsecondary credentials (i.e., graduate, professional, bachelor’s, and associate degrees) left the EKCEP workforce development area than migrated in, with the most substantial net losses associated with individuals holding an associate or bachelor’s degree. Over the same period, the area had a large net gain in adults with only a high school education. These migration patterns are consistent with the area’s economy where there are low-skill jobs available but relatively few requiring associate and bachelor’s degrees.<sup>69</sup>

The combination of brain drain and other demographic issues, such as declining birth rates, is projected to result in population declines across Southeast Kentucky ADDs ranging from -13.3% to -41.6% from 2010 to 2050.<sup>70</sup> Furthermore, the proportion of credit hours taken online has increased significantly over the past five years, particularly for students in Southeast Kentucky.<sup>71</sup> Each of these forces poses a threat to the potential economic benefits that could be derived from a new brick and mortar institution in Southeast Kentucky and is indicative of the need for a holistic and interconnected set of strategies to advance the region. This includes investments in the area’s digital and physical infrastructure and overall quality of life.

CPE contracted with UK’s Center for Business and Economic Research (CBER) to help assess the potential economic impact of an expanded HCTC on the region. CBER’s full report is included as Appendix B. CBER estimates that the \$18.2 million investment in an apartment-style housing facility would support 201 jobs and generate \$8.6 million in labor income for the Kentucky River ADD during construction of the facility.

---

<sup>67</sup> Russell, L. C., Yu, L., & Andrews, M. J., “Higher Education and Local Educational Attainment: Evidence from the Establishment of U.S. Colleges.” *The Review of Economics and Statistics*, (2022), 1-32.

<sup>68</sup> Howard, G., & Weinstein, R., “Workhorses of Opportunity: Regional Universities Increase Local Social Mobility,” (October 2022), accessed from <https://www.iza.org/publications/dp/15622/workhorses-of-opportunity-regional-universities-increase-local-social-mobility>

<sup>69</sup> U.S. Census Bureau, American Community Survey, 2017-2021 5-year estimates. Analysis looks at adults are 22 to 64 by level of educational attainments.

<sup>70</sup> Kentucky State Data Center, Projections, Projections by Sex and Five-year Age Group, <http://ksdc.louisville.edu/>

<sup>71</sup> Kentucky Council on Postsecondary Education, Data and Advanced Analytics Unit, Kentucky Postsecondary Education Data System (KPEDS).

Figure 58 shows CBER’s estimated additional employment and labor income for the Kentucky River ADD that would result from expanding HCTC’s operations in Year 7. Under the most aspirational enrollment growth scenario, the hypothetical institution is estimated to generate \$17.8 million in labor income and create 244 new jobs. The new jobs include those directly created by the hypothetical institution, indirectly created through increased business-to-business activity, and those induced by growth in consumption spending. It is important to note that while the hypothetical institution creates economic benefits for the Kentucky River ADD, there are some offsetting economic losses that would occur due to its adverse effect on the enrollment and revenue of other universities.

**Figure 58. Estimated Additional Employment & Labor Income for KY River ADD at Year 7**

Estimated Additional Employment and Labor Income for the Kentucky River ADD at Year 7		
	Total Jobs Created	Labor Income Generated
Minimal Improvement	113	\$9.4 million
Moderate Improvement	127	\$9.8 million
Substantial Improvement	244	\$17.8 million

*Source: University of Kentucky, Gatton College of Business and Economics, Center for Business and Economic Research, “Economic Impact of 4-Year Public University in Southeastern Kentucky,” (Appendix B).*

A necessary condition for achieving the economic impact estimated in CBER’s report is that new faculty and staff would live and work in the Kentucky River ADD in a manner consistent with past commuting patterns for workers in the region. As discussed earlier, the rise in distance learning could result in many of the new faculty and staff members living outside the region, working remotely, and occasionally commuting to the campus, if at all. One stakeholder in EY’s interviews shared how challenging it is to get current faculty to teach on-site at other postsecondary campuses in Southeast Kentucky.<sup>72</sup> Should the hypothetical faculty and staff live outside the region, the economic impact on the Kentucky River ADD would be reduced.

### ***Baccalaureate Offerings at a KCTCS College***

While CPE’s analysis closely considered expanding HCTC into a public university (albeit a different university model than currently exists in Kentucky), another option is for HCTC to remain a CTC within the KCTCS system but be permitted to offer a few bachelor’s degrees that respond to regional workforce demands.

There are some merits to this approach. HCTC would continue to benefit from the shared services offered through the KCTCS central office, it would be less disruptive to campus outreach and operations, and the institution could pull back more easily from bachelor’s degree offerings if the market was unable to support it. However, the drawbacks that CPE considered ultimately outweigh the potential merits. The primary concern is that allowing only one campus within the KCTCS system to offer bachelor’s degree programs—

<sup>72</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 83.

however tightly regulated through statute and policy—sets a precedent that would inevitably lead to other KCTCS campuses seeking higher level programs. This would blur the missions of Kentucky’s comprehensive universities and KCTCS campuses and ultimately create duplication within the system.

While some states have allowed CTCs to offer bachelor’s programs, generally this occurs in states with significant in-migration and population growth, such as Texas and Florida. As stated previously, Kentucky’s population is not expected to grow significantly, particularly in rural areas where many of our CTCs exist. Opening the door to Kentucky’s community and technical colleges offering bachelor’s degrees would likely exacerbate the competition for enrollment that already exists between the comprehensive universities and KCTCS campuses.

CPE also has concerns about bachelor’s programs at CTCs potentially diluting their core mission of postsecondary access and workforce development. This move would place additional strain on state resources required to support these new programs. For these reasons, CPE does not endorse a bachelor’s degree granting HCTC within the KCTCS system.

### What Stakeholders Say about Expanding a CTC to Provide Targeted Bachelor’s Degrees

- ***“Expanding a CTC in my opinion is the best idea. You already have the system and facility in place. Employers have strong connections with these institutions already.”*** [Economic development leader, Southeast Kentucky]
- ***“I think that building a four-year out of a KCTCS institution makes more sense than starting a new facility. There is some infrastructure to build on and they have credibility in the community.”*** [State-level stakeholder]
- ***“I think if you took an existing CTC campus, and built it up into a four-year college, with everything a four-year college has to offer, and retained the technical mission, that would be the best fit for the region.”*** [State-level stakeholder]
- ***“Expanding a CTC would be beneficial in that you really can be targeted in the offerings there. Programs would closely align with the needs of the region with that more limited scope and mission.”*** [K-12 superintendent, Southeast Kentucky]

But stakeholders also shared their thinking about possible risks, including mission blur between the sectors of higher education, and the challenges of attracting faculty to the region.

- ***“I find myself torn. If you took one of those community colleges and turned it into a four-year institution that might be good, but I’m afraid of losing that community college’s mission as it is now.”*** [Economic development leader, Southeast Kentucky]
- ***“There are issues in Morehead/Big Sandy collaboration in getting professors to teach onsite at Big Sandy. I worry that this attempt to offer more four-year programs in the region would run into similar problems.”*** [Economic development leader, Southeast Kentucky]

#### Option 4 Findings:

- CPE identified an additional option for expanding postsecondary access in Southeast Kentucky, which is **to expand Hazard Community and Technical College (HCTC) into a stand-alone public university offering a select number of bachelor’s degrees aligned with industry need.**
- Allowing HCTC to remain within the KCTCS system inevitably would lead to other community and technical colleges seeking to expand their program offerings. This would likely lead to **mission creep, increased competition among public institutions for enrollment, and a dilution of CTC’s workforce mission.**
- Using HCTC’s 2022 enrollment as the baseline, CPE’s student flow model for the hypothetical institution predicts that **enrollment in year 7 could range from a total of 1,443 students in the most conservative growth scenario to 2,437 in the most aspirational growth scenario.**
- **Eastern Kentucky University, Morehead State University, and the University of Kentucky would be most affected by the hypothetical institution in terms of revenue loss from enrollment declines.**
- CPE estimates the potential cost of a **48-unit, apartment-style dormitory with 96 total beds at \$18,235,000 million in construction costs.** Alternative or supplementary housing that would support parents and families (e.g., the Family Scholar House model) was posed by stakeholders as another residential option.
- **CPE’s model estimates additional General Fund appropriations needed for the expanded HCTC from year 1 to year 7 of operations in three different enrollment growth scenarios.** These estimates range from an additional \$7.7 million to \$9 million in year 1, to an additional \$6.3 million to \$10.9 million in year 7.
- **UK’s CBER projects the Kentucky River ADD could realize from \$9.4 million to \$17.8 million in additional labor income, and from 113 to 244 new jobs in year 7.** However, these benefits are at least partially offset by reductions in labor income and jobs in other regions of the state due to changes in student enrollment patterns.

#### Option 5: An Enhanced UCM

As discussed earlier in this chapter, over the past 20 years the Kentucky River ADD and surrounding areas have benefited from a unique collaboration between HCTC and several public and private colleges and universities to provide opportunities for students in the region to access baccalaureate and graduate-level education more conveniently. University Center of the Mountains (UCM) was envisioned as a center housed on the HCTC campus where partnering colleges and universities would offer on-site programs for students who wanted to pursue higher levels of education, but were place-bound due to family, work, or other

obligations. Prior to growth in online learning options, UCM provided one of the only viable options for these students.

The growth in distance education and improvements in technology has shifted UCM program delivery from in-person instruction to mainly online offerings through the Internet or onsite via teleconferencing or interactive television video (ITV). While few faculty members from partnering four-year campuses now come to HCTC to teach courses in person, several universities have permanent on-site advisors (with office space funded by the Appalachian Regional Commission) to help students transfer course credits, navigate admissions and enrollment, assist with financial aid, and choose academic pathways aligned with career interests.

Today—due to the changing nature of higher education course delivery and access to a broad array of higher education programs through advances in technology—UCM provides comprehensive career and academic advising and facilitates the transfer of HCTC credits into baccalaureate and graduate programs that have articulation agreements with HCTC. For many students, this means transferring HCTC credits or credentials into fully online offerings, allowing them to complete all or most of their programs without having to leave the southeast region.

For example, Lindsey Wilson College, one of the earliest UCM partners, has an onsite advisor at UCM, and it provides a bachelor’s degree in human services and counseling for students who begin at HCTC. This interdisciplinary program is comprised of course work in psychology, sociology, counseling, and social work, and it responds to a significant workforce need in the southeast region. However, while at one time Lindsey Wilson sent faculty to Hazard to provide the program, now it is delivered fully online or through other distance learning technologies.

A September 2023 healthcare academic planning conference for high school students highlights the breadth of partnerships with other colleges and universities that has developed in recent years. [The news story](#) highlighted HCTC’s commitment to not only providing a traditional CTC experience, but to connecting their students with higher levels of education and training while staying in the region. As the UCM director said, “We’ve got dentistry, we’ve got physical therapy, we’ve got pharmacy, we’ve got physician assistant, we’ve got medical laboratory science. We’ve got Midway University, which has a new RN to MSN bridge program, that’s one of our partners, and it’s all online.”

## **Challenges with the Current UCM Model**

### ***Lack of Visibility and Brand***

Despite the uniqueness of the model and the educational doors that UCM opens for many students in the region, according to EY’s report, it is not well known to many of the Southeast Kentucky stakeholders interviewed. A regional economic development leader observed, “We have the UCM at Hazard, but I don’t



think it is very well utilized because other online options are better known.” This is reinforced by a postsecondary education leader in the area, who said, “The awareness piece is very low. It is unlikely to be mentioned to students as an option that they could pursue.”<sup>73</sup>

The lack of a distinct identity for UCM is understandable given the evolution of its education delivery model from mostly face-to-face programs delivered by established partner institutions to distance learning programs offered by an array of colleges and universities. Students who take advantage of continuing their education and training through UCM are students enrolled at other universities, and they identify as such. They do not affiliate with UCM, which has no school colors or mascots, and no alumni base to advocate for its continuation or ongoing support. It exists solely as a bridge for students to move from HCTC programs to higher-level offerings at other institutions.

### ***Online Delivery***

While distance learning technologies have created a broader array of program options for HCTC students pursuing bachelor’s and graduate level programming, some stakeholders from the region question a complete reliance on online learning. According to a faculty member, “We have increased the number of online offerings since COVID. It allows us to reach more students, but there is a limit in the value of online offerings. We need to be careful to not look at online to fill all the holes.” While some of the stakeholder feedback reflected concerns about the quality and outcomes of online learning, others questioned the economic value of relying on distance learning versus in-person program offerings. As an economic development leader shared, “without mandating that programs have the physical instructors and robust facilities, it (UCM) loses a lot of appeal.”<sup>74</sup>

### ***Limited Economic Impact***

According to the EY report, “the existing university center model does not include a residential component, which would lower the potential of its direct economic impact as it would not draw the same level of spending or local economic activity.” A postsecondary leader in the region observed, “There is an existing university center model in UCM. Both public and private institutions offer courses there, but it may fall short of the residential component that is at the heart of SJR 98’s economic development goal for Southeastern Kentucky.”<sup>75</sup>

Likewise, the lack of “on-the-ground” faculty limits the direct economic impact of the UCM model to the region. Faculty, who might otherwise reside in the Kentucky River ADD, invest in housing, and contribute to its tax base, largely contribute that human capital in other regions and communities.

---

<sup>73</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 84.

<sup>74</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 84.

<sup>75</sup> Ibid., 84.

### *Lack of Clear Program Outcomes*

HCTC and the partner universities lack a precise system to monitor the progress of students in UCM-identified programs from start to finish. There isn't a defined method of tracking students' enrollment, retention, and completion of these programs. This makes it challenging to accurately assess the effectiveness and performance of UCM in managing student outcomes. While there is a system through KCTCS and CPE that monitors the overall transfers from HCTC, it doesn't specifically identify these individuals as "UCM students." Therefore, it is uncertain whether these students eventually graduate or drop out prematurely. There is also ambiguity regarding which, if any, UCM students temporarily halt their education but return later to earn a bachelor's or graduate degree. The current data available doesn't provide a clear picture.

### *Funding for UCM*

One of the key challenges facing UCM is a lack of dedicated funding. Particularly in its early years, UCM received coal severance dollars and support from the Hazard Independent College Foundation. More recently, it received funding from the Appalachian Regional Commission for offices to house university counselors from partner universities on the HCTC campus. While several campuses fund onsite counselors, there is no tuition-sharing agreement among partner campuses or with HCTC to help support the operations and administration of UCM. There is no direct appropriation from the General Assembly or from KCTCS to support the operations and administration of UCM. HCTC has merged UCM with its transfer and student counseling center, so in effect, it funds the majority of UCM operations from its college budget. This lack of dedicated financial support impacts the ability of UCM to respond quickly to identified workforce needs, increase visibility for the program, and encourage on-site delivery of academic programs.

### *Collaborative Models in Other States*

Like UCM, there are collaborative higher education models in other states where a CTC acts as a hub or center for partnerships with multiple universities. These are often referred to as "University Centers" or "Education Centers" to expand educational opportunities and promote resource-sharing. Collin College, a public community college in Texas, hosts the [Collin Higher Education Center \(CHEC\)](#) with partnership agreements with nearby universities (University of Texas at Dallas, Texas A&M University Commerce, and University of North Texas). In total, CHEC offers six bachelor's degrees and five graduate degrees for students who have completed lower-level coursework at Collin College. Collin students benefit from strong advising and established transfer pathways, as well as lower-cost tuition for the first two years of their baccalaureate programs. Programs are offered online and face-to-face.

The [University Center of Lake County \(UCLC\)](#) in Illinois offers a different type of collaborative education model and exists as a non-profit entity that is independent from the higher education institutions in the consortium. While the physical site is on the College of Lake County (a community college located between Chicago and Milwaukee), UCLC was created by the Illinois Board of Higher Education (IBHE), the state's coordinating board for higher education, to provide a more local, convenient postsecondary opportunity.

UCLC targets graduates of community colleges and adults returning to college to finish an undergraduate or graduate degree. IBHE appointed an independent governing board for UCLC consisting of five public community members, four representatives of member institutions, a representative of the College of Lake County Board of Trustees, and a student member. The board is charged with hiring staff, developing and implementing a strategic plan, and overseeing performance.

Currently there are 12 partner colleges and universities offering 90+ bachelor's completion programs and graduate programs in face-to-face, hybrid, or online formats. UCLC serves the larger community by offering a large state-of-the-art classroom building for business meetings, conferences, trainings, and other events. The facility also offers non-credit continuing education programs aligned with business and industry needs. UCLC recognized the need to increase the quality and supply of K-12 teachers in the region and created the Educators' Center to provide professional development for teachers and school administrators.

Neither of these models provides a residential facility for students, as is intended in SJR 98, but they share several key benefits for students, campuses, and the region. These include: 1) greater access to university-level programs for students who can't leave the region, 2) cost efficiencies for students who can finish their lower-level courses at reduced community college rates; and 3) a stronger connection to the community by having their physical center or hub on a community college campus and more engaged with regional workforce and economic needs.

---

## CPE RECOMMENDATIONS

---

- CPE's analysis and feedback from Ernst & Young LLC (EY) points to the need for improved access to targeted bachelor's degree programs in Southeast Kentucky. **CPE determined the Kentucky River ADD would be the best location for an enhanced postsecondary presence due to its high level of economic and educational need.** The region is an "educational desert" in terms of its physical proximity to a public university.
- **CPE does not endorse any of the three scenarios identified in SJR 98** (a brand-new university, a new satellite campus of a comprehensive university, or the acquisition of a private university).
- CPE's analysis, as well as stakeholder feedback, points to **two additional options: Hazard Community and Technical College (HCTC) providing targeted four-year programs addressing current and anticipated workforce needs, and/or creating a more robust and impactful University Center of the Mountains (UCM).**
- Expanding HCTC can take two forms: 1) allowing HCTC to offer select bachelor's programs as a KCTCS institution, or 2) expanding HCTC into a stand-alone college or university that would continue its mission as an open-access campus offering technical certificate and associate-level offerings, as well

as general education and targeted bachelor's programs. **For reasons outlined in the study, CPE does not recommend allowing HCTC to offer bachelor's degrees as a KCTCS campus.**

- Based on the financial analyses and stakeholder feedback, **expanding HCTC into a stand-alone college or university offering limited bachelor's degrees tied to regional workforce needs holds promise.** However, given the limited timeframe to complete this study, CPE cannot provide an unqualified endorsement of this option without further analysis of the benefits and risks.
- **CPE supports the development of a more impactful and visible University Center of the Mountains to help respond to some of the educational access and workforce issues in the region.** However, it should be noted that UCM is a facilitator of programs offered by universities outside the region and is not a university. UCM alone would not bring the kinds of economic development opportunities associated with a local university.
- Both EY's and CPE's analyses highlight the fact that **while postsecondary education and training opportunities are a critical ingredient to strengthen Southeast Kentucky's economy, without comprehensive economic and workforce development strategies, a new university will not yield the desired results for the region.**

## CHAPTER 5: FEASIBILITY OF THE PROPOSED KCTCS SPLIT

---

### OVERVIEW

---

The final issue SJR 98 asks CPE to examine is the feasibility and advisability of dismantling the KCTCS system, with “academic” programs (associate of arts and associate of science) transferred to the comprehensive universities, and the “technical” programs (applied associate degrees and credentials) comprising a streamlined KCTCS system. The resulting analysis reveals this would be a highly complicated and costly endeavor for the state and its postsecondary institutions, with potentially negative implications for postsecondary access and affordability for our most vulnerable students.

However, the analysis also identifies opportunities for KCTCS—arguably among the boldest and most successful of HB 1’s reforms—to be more effective and responsive to student, employer, and regional needs. In EY’s conversations with Kentucky stakeholders, individuals were highly complimentary of KCTCS and individual community and technical colleges (CTCs), but concerns were raised about transfer challenges; the proliferation of short-term certificates and their value to students and employees; the inconsistent experience some employers have with CTCs, and the structure, size, and responsiveness of the system office. Tensions between the 16 CTCs and the system office were another issue that came up in stakeholder interviews. This issue is not uncommon within system structures, but if left unchecked, it can damage the overall mission and cohesion of the system. These themes are summarized in Chapter 3 of EY’s report in Appendix A.

In addition to discussing the feasibility and advisability of dismantling KCTCS, this chapter reviews the history, structure, and mission of the system; explores issues raised in the qualitative research; and reviews the system’s performance in key mission-related areas. The chapter ends with a final assessment of the proposed transfer of academic programs to the comprehensive universities, as well as actions that could strengthen KCTCS to better fulfill the original aims of reform.

---

### CREATION OF KCTCS

---

As discussed in Chapter 1, the *Postsecondary Education Improvement Act of 1997* (HB 1) was driven by the recognition that the state’s prosperity depended on the quality, accessibility, and effectiveness of its public postsecondary education system. Governor Patton emphasized this position in his opening remarks to the Higher Education Taskforce in 1996:

“This time we have no driving force like a Supreme Court decision prodding us to act [referring to the judicial mandate for K-12 reform in 1990]. We have only the constant voice of business saying, ‘The product is not good enough,’ and the voices of students saying, ‘It is not meeting my needs.’ There is one important question a student should ask whether he or she’s pursuing a career in medicine or auto mechanics: ‘Will I be ready to enter the workforce after I complete my course of study?’ We must be sure that the answer to the question is a resounding yes.”<sup>76</sup>

The most visible and politically challenging part of the 1997 higher education reforms was related to Kentucky’s entry-level postsecondary programming offered through KY Tech, an underappreciated and under-resourced system of postsecondary technical schools attached to the Education and Workforce Cabinet, and the state’s community colleges, which were part of the University of Kentucky (UK).

Almost as early as Kentucky’s community colleges were established in the 1960s, there were calls to separate their oversight and administration from UK. A 1961 report by the Governor’s Commission on the Study of Public Higher Education recommended that any new “junior” colleges be independent of the University of Kentucky. A 1970 report to the Council on Higher Education from an independent consultant concluded that the community colleges “would never be fully developed and coordinated until the institutions were administered by their own governing board.” Proposals along similar lines followed in 1984, 1989, and 1995.<sup>77</sup>

The merger of the community colleges with the KY Tech institutions also was not a new idea in 1997. These institutions had evolved from the secondary “vo-tech” programs, and there were public conversations about possible consolidation with the community colleges in 1984, 1989, and 1993. Governor Patton was clear on his intentions for Kentucky’s technical college programs: “The technical schools must become a full partner [in the higher education system]. They must be accorded the same amount of respect.”<sup>78</sup>

*An Agenda for the 21st Century: A Plan for Postsecondary Education*, released in advance of the 1997 special legislative session, was the culmination of the year-long work of the Higher Education Task Force. Among other things, it envisioned a unified community and technical college system and called on KCTCS to:

1. Create a capacity beyond anything previously envisioned to uplift the knowledge and skills of Kentucky's adult population.
2. Be the primary provider of courses of study preparing Kentuckians for technical fields and other occupations requiring two years or less of instruction.

---

<sup>76</sup> For a helpful review and assessment of Kentucky’s HB 1 (1997) with an emphasis on the challenging politics and personalities behind the legislative effort, see Garn, M. (2005), “Power politics and the 1997 restructuring of higher education,” (Doctoral Dissertation), University of Kentucky. p 59.

<sup>77</sup> Ibid., 53.

<sup>78</sup> Ibid., 58.

3. Tailor course offerings and services to the economic and business needs of the region, including employer-based training programs.
4. Provide a basic course of study in academic subjects intended for transfer to a four-year baccalaureate institution.
5. Provide remedial education for those intending to pursue courses of study at the postsecondary level.
6. Provide community-based, non-credit continuing education.
7. Provide a linkage to employer-based training through the Bluegrass State Skills Corporation.<sup>79</sup>

While the enacted HB 1 legislation emphasizes some of these priorities over others, the vision for KCTCS outlined in *An Agenda for the 21<sup>st</sup> Century* is remarkably close to KCTCS's statutory framework and how the system has evolved and prioritized its mission over the past 25 years. While it is beyond the scope of this study to dive deeply into the political battles that resulted from the merger, it is worth noting that the effort to separate the community colleges from UK and combine them with KY Tech was one of the most challenging that a Kentucky governor and legislature has faced in recent history. The creation of KCTCS was difficult, but it was driven by the conviction that Kentucky's higher education system needed a responsive and unified system of community and technical colleges to serve as the gateway to postsecondary education and training for local students and communities.

Since its formation 25 years ago, KCTCS has developed into a powerful engine for education and training in the Commonwealth. It provides a range of programs and services across the state, from customized, "just in time" training and support services for business and industry through [KCTCS Workforce Solutions](#); to short-term academic certificates to help Kentuckians skill up and retool for new employment opportunities; to longer-term technical certificates and diplomas; to applied associate degrees in a range of technical fields; and to associate of arts and science degrees designed for students planning to transfer into baccalaureate degree programs.<sup>80</sup>

Merging two organizations with distinct histories and cultures was not easy. However, the unified system has led to strong performance outcomes (discussed later in this section), expanded opportunities for students, greater efficiencies and cost savings through centralized services, and the opportunity to share best practices and programs among the campuses. The unified structure also has led to an emphasis on employer engagement and stronger alignment between academic programs and workforce needs.<sup>81</sup>

---

<sup>79</sup> Patton, Paul E., "An Agenda for the 21<sup>st</sup> Century: A Plan for Postsecondary Education," March 1997.

<sup>80</sup> For a full listing of KCTCS certificate, diploma, and degree programs, visit <https://catalog.kctcs.edu/programs-of-study/>. A discussion of enrollment and graduation trends and other key performance measures will be discussed later in this chapter.

<sup>81</sup> For discussions of the early challenges and successes related to the merger of Kentucky's community colleges and technical schools, see Ellis, R. (2011), "A case study of the merger of the technical and community colleges in Kentucky and Minnesota and implications for Georgia." (Doctoral Dissertation), University of Georgia. Oral histories with KCTCS leaders, politicians and others housed at UK also provide helpful background on the formation and implementation of the merger.

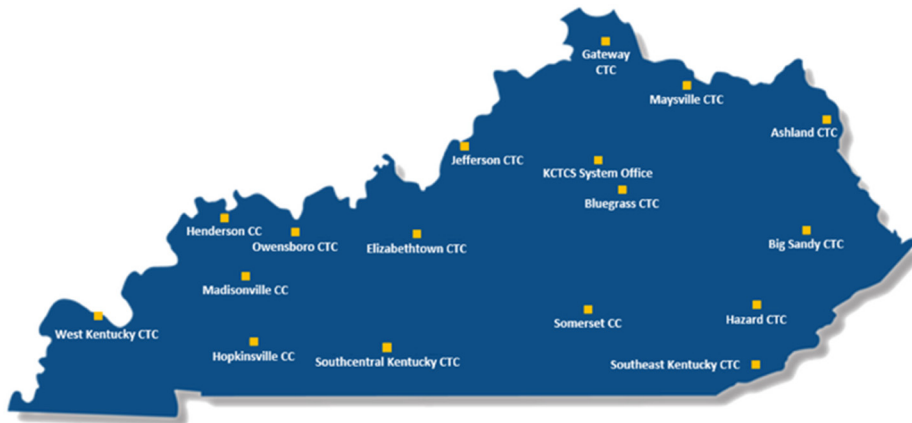
---

## KCTCS'S STRUCTURE & RESPONSIBILITIES

---

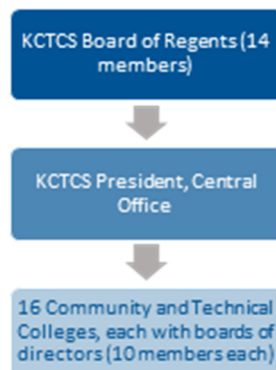
Today KCTCS consists of 16 community and technical colleges with over 70 campus sites around the state and many more school and employer-based locations. The often-stated intention is that a KCTCS campus should be within a 30-minute drive of every Kentuckian to ensure broad access to education and training programs.

**Figure 59. KCTCS Main Campuses**



KCTCS is governed by a Board of 14 Regents, eight appointed by the Governor and confirmed by the Kentucky Senate, and six (two members of the teaching faculty, two members of the non-teaching personnel, and two members of the student body) elected by their constituencies. The system office is led by a KCTCS president, who is appointed by the board. Each of the 16 CTCs has a campus president and a Board of 10 Directors, seven appointed by the Governor and three elected by their faculty, staff, and student constituencies.

**Figure 60. KCTCS Governance Structure**





## The KCTCS Board of Regents

KCTCS is governed by a Board of Regents that provides oversight for the entire system. The responsibilities of the KCTCS board include developing policies that guide the entire system; overseeing the system's budget and funding allocations to the different colleges; selecting and evaluating the system president; approving and reviewing academic programs; ensuring institutional accountability; setting tuition and fees within parameters established by CPE; and developing KCTCS strategic plans aligned with the state's strategic agenda for postsecondary education.

## The System Office and KCTCS President

The system office provides centralized leadership, administration, and governance to the CTCs. It supports the work of the Board of Regents and encourages the campuses to operate more effectively and accomplish shared goals. The system president<sup>82</sup> oversees and leads the system, including hiring and evaluating CTC presidents and serving as the system's leader and advocate.

One of the key roles of the central office is to consolidate services and programs to lower costs, reduce duplication, and create efficiencies that would not be possible otherwise. This ability of the system to provide "backroom" or centralized operations in areas such as student financial aid, payroll, technology services, joint programming, human resources and legal services, data and research, and outreach and communications has required higher levels of staffing, but ultimately results in savings for the state and campuses. According to the KCTCS website, "KCTCS colleges would need an additional \$50 million and hundreds of additional staff to provide the same level of services."<sup>83</sup>

## Community and Technical Colleges

Each of Kentucky's CTCs has a Board of Directors that is primarily advisory, although they have some decision-making responsibilities that blur the lines between their role and that of the Board of Regents. The CTC boards have a central role in choosing campus presidents. [KRS 164.600\(2\)](#) empowers the local Board of Directors to recommend one candidate for college chief executive officer (campus president) from three candidates provided by the KCTCS system president. However, the president is not bound by the recommendation from the Board of Directors and has the authority to make the final appointment. The Board of Directors evaluates the college president, but the KCTCS system president has final authority over appointment and termination. The boards also approve budget requests for recommendation to KCTCS, adopt and amend annual operating budgets for approval by the KCTCS Board of Regents, and approve campus strategic plans to be developed in partnership with local employers, schools and civic leaders.

---

<sup>82</sup> KCTCS's fourth president, Ryan Quarles, was named in October 2023 and will begin his presidency in January 2024. He succeeds Larry Ferguson, who has been serving a dual role as president of Ashland CTC and KCTCS interim president since December 2022.

<sup>83</sup> <https://systemoffice.kctcs.edu/about/system-office/value-of-the-system.aspx>

## Accreditation

Kentucky CTCs are individually accredited by the Southern Association of Colleges and Schools' Commission on Colleges (SACSCOC), which allows a level of institutional autonomy. However, this can pose some challenges in terms of building and maintaining a tightly connected system guided by a unified mission with common goals. It also may lead to increased administrative overhead since each institution may need its own accreditation staff and self-study process. The renewal process for accreditation can be extensive, leading to additional reporting burdens.

Over the years the issue of single accreditation has been raised as a potential benefit for KCTCS to strengthen the system's effectiveness. However, some CTC leaders oppose single accreditation due to concerns about how it would affect institutional self-government and decision making. EY's analysis identifies single accreditation as one potential option to streamline the accreditation process, reduce administrative burdens, and most important, create greater consistency and efficiency in delivering in program offerings across the system.<sup>84</sup>

---

## KCTCS'S PERFORMANCE & IMPACT

---

This section provides a high-level overview of the system's performance in key mission-related areas, including college access, workforce development, and transfer. This is not a comprehensive performance review, but it serves to provide greater context for the overall impact of the unified system and how it is fulfilling its mission as articulated in HB 1.

### Mission Area 1: Increasing Access to Postsecondary Education

As Kentucky's lowest cost, open access system of postsecondary education with locations across the Commonwealth, KCTCS is a key postsecondary access point for many Kentuckians. College access can be measured in a number of ways. For the purposes of this analysis, CPE reviewed KCTCS' enrollment by demographic group, dual credit students, adult learners, and course modality (online or face-to-face). This section unpacks the national and statewide trends referenced in Chapter 2 that are specific to KCTCS to illustrate the progress and challenges of KCTCS in providing broad access to postsecondary education.

#### *Demographics of KCTCS Students*

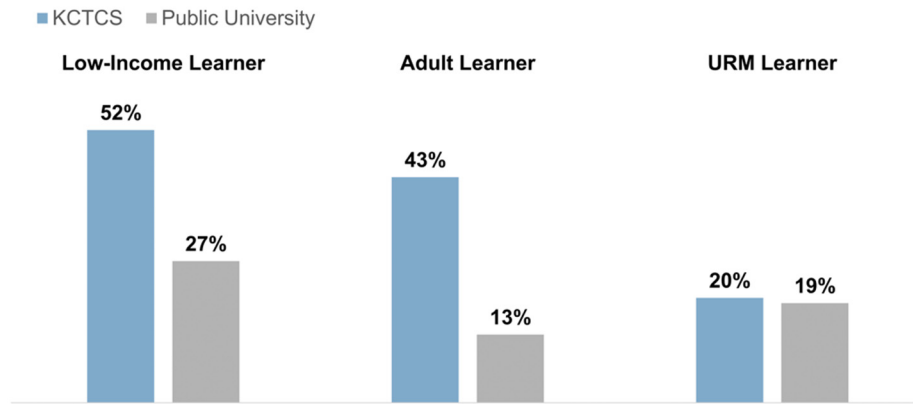
KCTCS serves a diverse set of students. Across varying educational or career goals, the system engages students who are on average older, more racially and ethnically diverse, and from lower socio-economic backgrounds than postsecondary students served by Kentucky's public universities. Females are more likely

---

<sup>84</sup> Ernst & Young LLC, "Synthesis of Kentucky Stakeholder Input and State Comparative Analysis," (November 2023), 54.

than males to attend KCTCS campuses. Figure 61 shows the percentage of diverse KCTCS students by category (low-income, adult, and underrepresented minority), as compared to Kentucky public universities.

**Figure 61. Percentage of Students by Category, KCTCS and KY Public Universities**



Source: CPE Data, Research and Advanced Analytics Unit.

**Enrollment Trends**

Like many community and technical college systems across the country, KCTCS has seen declining enrollment over the past decade. This trend has been somewhat masked by large increases in dual credit enrollment over the same period. Dual credit enrollments made up 11.7% of total KCTCS enrollment in 2013-14. That percentage grew to 31% of total enrollment in 2021-22. Despite that growth, total enrollment at KCTCS declined over 24% during this period, while non-dual credit enrollment declined 40.7%.

**Figure 62. Dual Credit vs. Non-Dual Credit Enrollment (Total Headcount)**

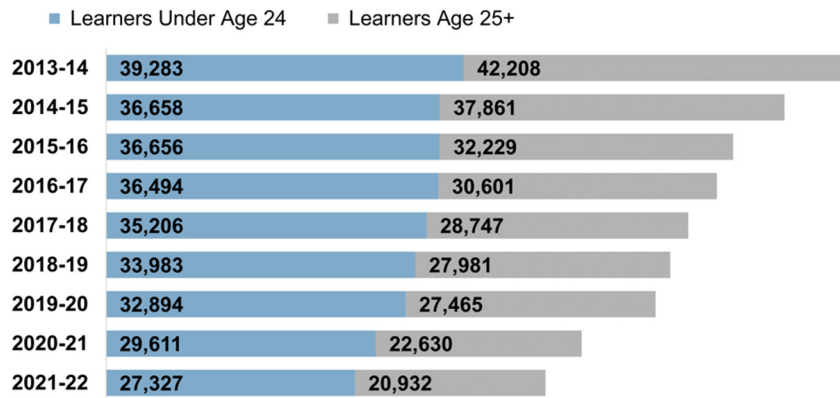


Source: CPE Data, Research and Advanced Analytics Unit.

### Adult Learners

One of the major factors leading to the decline in non-dual credit enrollment is the significant drop in adult learners (those 25 years or older) attending KCTCS since 2013. While college going for adult learners is declining across all levels of higher education, it is most pronounced within KCTCS, where adult students have fallen from over 42,208 in 2013-14 to 20,932 in 2021-22, a decline of 50%. KCTCS is the primary access point for adults seeking to engage in postsecondary education and re-skill to meet changing workforce demands. The major enrollment decline in this key demographic group is cause for concern for employers, as well as the state’s efforts to build and maintain a highly skilled workforce and increase the economic mobility of the working-age population.<sup>85</sup>

**Figure 63. KCTCS Enrollment by Age**



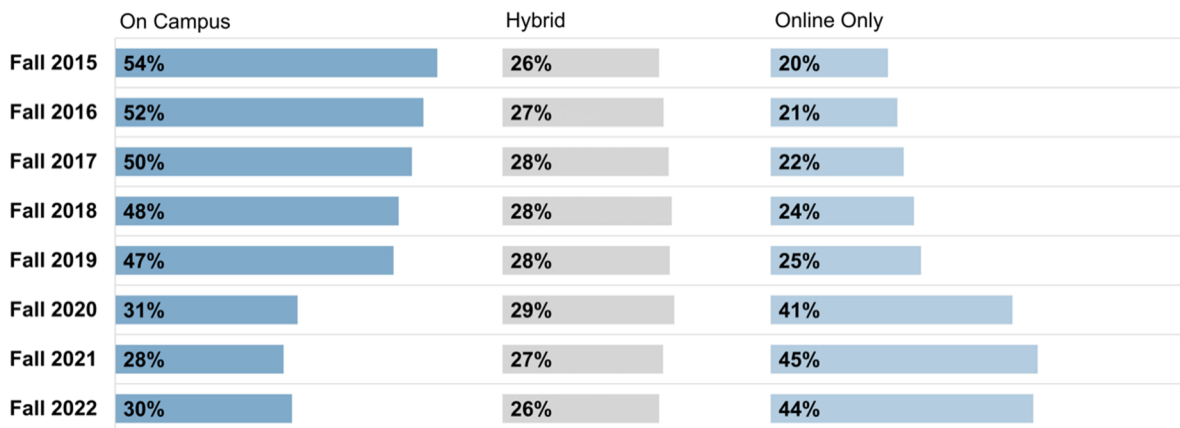
Source: CPE Data, Research and Advanced Analytics Unit.

### Course Modality

When considering college access, it’s valuable to review how courses and programs are being delivered to students. Campuses within the KCTCS system have embraced distance learning technologies to expand their reach and support students who may not be able to attend courses in person or prefer to enroll online. KCTCS stands out in terms of its embrace of online learning. Even after COVID, online enrollments have remained high. As displayed in Figure 64, in fall 2022, over 44% of credit hours earned across the system were taken online.

<sup>85</sup> For a full discussion of the importance of adult learners and efforts to reengage and skill up Kentucky’s workforce, see CPE’s 2022 report, [Moving Up: An Action Plan to Improve Economic Opportunity for Kentucky Adults Through Lifelong Learning](#)

**Figure 64. Trends in Course Modality at KCTCS  
Credit Hours Taken (Excluding Dual Credit)**



Source: CPE Data, Research and Advanced Analytics Unit.

### Mission Area 1 Findings

- **KCTCS provides the majority of the state’s dual credit course work.** Over 30% of enrollments across KCTCS are high school students earning college credit for their future postsecondary degrees or credentials.
- KCTCS learners are diverse. **Proportionally, more low-income, URM, and adult learners find their home at KCTCS for postsecondary education than at the state’s public universities.**
- KCTCS colleges offer courses in various formats to meet the needs of diverse learners. **In fall 2022, 44% of credit hours taken were fully online.**
- **Enrollment at KCTCS has declined significantly over the past 10 years, particularly when dual credit students are not considered.** While economic factors have an impact on enrollment, the level of decline suggests there are opportunities for deeper advising and engagement with prospective student populations, as well as improvements in enrollment and onboarding processes.
- Enrollment declines are especially acute among adult learners. **Enrollment of learners over the age of 25 has decreased by 50% over the last decade.**

### Mission Area 2: Strengthening Workforce Development

Another part of KCTCS’s mission is to provide workforce education and employment training for the Commonwealth. According to the [2022-26 KCTCS Strategic Plan](#), the system has two key objectives related to workforce development: 1) expand workforce training to ensure skilled talent to meet employer and

economic development needs; and 2) strengthen industry and transfer partnerships to enhance programs and improve speed to work to ensure a skilled talent pipeline to grow Kentucky’s economy.

KCTCS supports employer and economic development needs by providing for-credit programs (applied associate degrees, diplomas, and certificates) and non-credit programs (training programs, courses, certificates). Students who enroll in short-term certificate programs (credit or non-credit) are not eligible for federal student aid.<sup>86</sup> This lack of access to Pell grants has created a perverse incentive for students to enroll in applied associate degree programs, even if their intent is only to complete a technical certificate. This creates challenges when evaluating KCTCS’s applied associate degree completions, because the data show program drop-outs and low completion rates, even though students are completing technical certificates.

### ***Workforce Solutions and KY Trains***

KCTCS also operates a Workforce Solutions unit, which creates customized offerings to meet employer needs and oversees the system’s apprenticeship programs. Workforce Solutions works in partnership with individual employers to meet their training and education needs or to prepare students for industry licensure. These programs are subsidized through the KY TRAINS fund. Prior to 2020, employers would split the costs of education fifty-fifty with KCTCS, but the fund was expanded in 2022 to allow KCTCS to pay up to 75% of the costs. Over the lifetime of the TRAINS Fund, it has invested \$38.1 million, serving over 87,000 people, and supporting 1,184 projects. The top industry sectors served include manufacturing, healthcare, transportation, and business services.<sup>87</sup>

### ***Technical Education and Training***

Enrollment in KCTCS technical programs, like other programs, has declined over the past decade. In 2012-13, technical program enrollment comprised 48.6% of total enrollment at KCTCS. In 2022-23, it made up 34.5% of total enrollment, a significant drop. However, while enrollment in technical programs has been decreasing, certificate completion has significantly outpaced growth of all other KCTCS awards, accounting for 63% of KCTCS credentials in 2021-22 (see Figure 65). This in part is due to students enrolling in AAS programs who leave with one or more certificates without earning a degree to qualify for federal aid, as discussed previously. Also, these numbers reflect the fact that a KCTCS student will likely earn more than one certificate.<sup>88</sup> For a more detailed discussion, see CPE’s cohort analysis included as Appendix E.

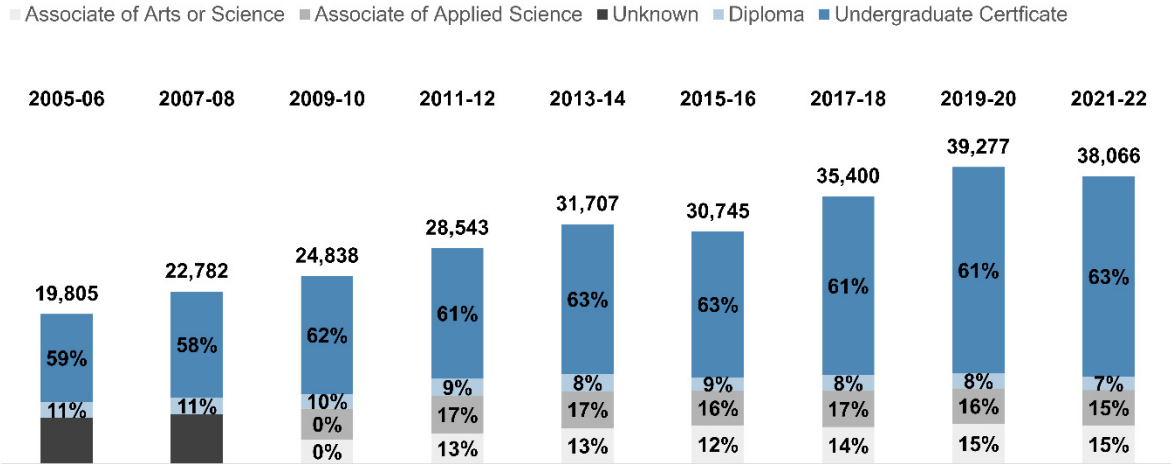
---

<sup>86</sup> Pell has a minimum program length requirement of 600 hours over 15 weeks. For more information about Pell eligibility for short-term certificate programs and efforts to expand access, see a March 2023 Urban Institute Report: [How Many Short-Term Training Programs Would Gain Access to Pell Grants Under the New Proposal?](#)

<sup>87</sup> See data about KY Trains and KCTCS Workforce Solutions on their webpage and annual report <https://workforce.kctcs.edu/trains.aspx> and <https://kctcs.edu/workforce-solutions/kctcs-workforce-annual-report/>

<sup>88</sup> CPE conducted a cohort analysis (Appendix E) studying the outcomes of over a decade of entering cohorts of AAS degree-seeking students which shows the very low completion rates of AAS programs within 150% of time, or three years, which is the national standard for measuring completion rates. The very low completion rates for applied associate degrees (less than 10% completion rate for all cohorts except for 2011-12, which was 10.1%) is likely evidence of the student behavior noted above (these students would be considered ‘stop outs’ in Figure 65). Further investigation should be considered to understand the outcomes of these students.

**Figure 65. Credentials Awarded by KCTCS**

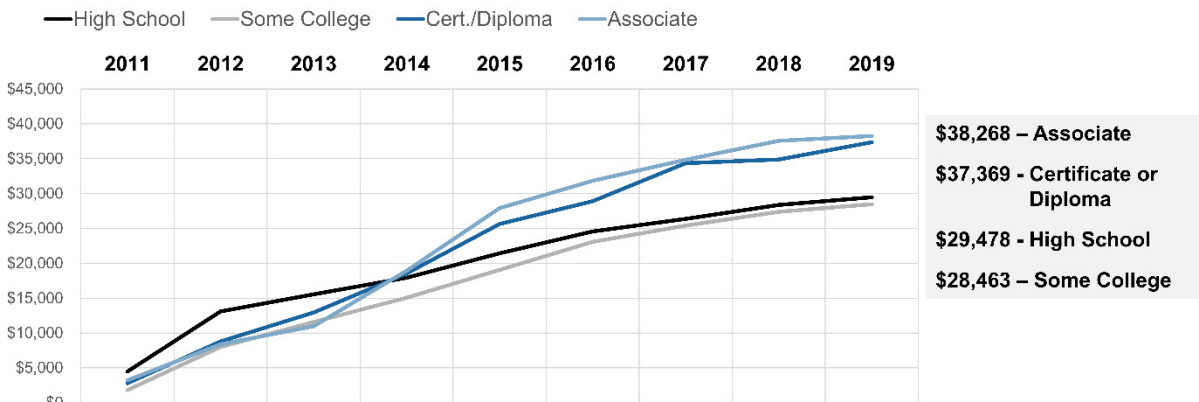


Source: CPE Data, Research and Advanced Analytics Unit.

**ROI of Technical Certificates**

Given the significant growth in sub-associate certificate earners in Kentucky over the past decade, it is understandable that stakeholders interviewed by EY sought greater information about the return on investment of these programs. CPE examined the outcomes of students pursuing a certificate or diploma at KCTCS in its 2021 report, [“Early Economic Return on Higher Education Investment.”](#) This study tracks the outcomes of students who graduated from high school in 2011. It demonstrates that students who earn a short-term certificate or diploma see greater earnings than those who have only a high school diploma or those with some college and no degree. However, this study did not disaggregate the length of a program within the larger category of diplomas and certificates.

**Figure 66. Median Earnings of KCTCS Credential Earners**



Source: CPE Data, Research and Advanced Analytics Unit.

While additional research in this area is needed to disaggregate findings by industry or subject area, a recent study led by UK professor Raj Darolia, which focused on the market value of rapid certificates (those that require 6 credit hours or fewer), “did not find strong evidence that rapid certificates have lower labor market returns than longer but still short-term certificates (7-36 credits).” The report went on to suggest that while these rapid certificates do have earnings and employment value, these benefits appear to fade over time. “Compared to the pre-enrollment period,” Darolia writes, “health students across different certificate lengths on average have a higher probability of alignment between the field of study and job industry upon program completion. However, these alignment benefits start to decline within a few years, with a higher rate of decrease observed among 1-6 credit certificates.”<sup>89</sup>

### **Workforce Alignment**

KCTCS utilizes the [Kentucky Education to Workforce](#) GIS application (an open-access online geographic information system) to explore trends in education and workforce alignment. According to KCTCS, the tool is used alongside other methods to gain “a better understanding of Kentucky’s diverse education and workforce challenges through data alignment, analysis, and research.” The data are mostly consulted during decision-making by individual college-level administrators, and contacts interviewed for this study note that there is very little standardization in the way programs are examined to assess market demand and alignment against statewide workforce needs at the system level. Contacts note that the data systems between the credit and non-credit enrollment programs at KCTCS are siloed, which makes comprehensive data analysis challenging. For example, the same data are available to units across KCTCS, but the utilization of these data is largely split between academic and workforce programs, making the ability to get a holistic picture of system offerings difficult.

### **What Employer Stakeholders Say about KCTCS & CTCs**

***“We have invested so much in building out our pipeline at our CTC and their leadership is very collaborative and responsive to our current and expected needs. The feedback goes both ways in our communication and our partnership has served us well as the largest healthcare employer in the region.” [Employer]***

***“Our CTC is not particularly responsive to our needs, but we get it. It takes a lot to set up a program and administer it, and it may not be totally worth it for them if it only supplies a very small number of jobs in the region. I think that community colleges are serving larger employers well, but that smaller employers are currently a more untapped space for them.” [Employer]***

***“I went to KCTCS and said I will give you the building, the money, the staff if you stand up a nursing program. We had to pull teeth to get them to actually start the program, but they finally did.” [Employer]***

***“Whatever is decided, we ask that it does not impact KCTCS negatively. A negative impact on them would have a negative impact on us. A negative impact on us has a negative impact on the health of our region.” [Employer]***

---

<sup>89</sup> Darolia, R., Guo, C., & Kim, Y. (2023). [“The Labor Market Returns to Very Short Postsecondary Certificates,”](#) IZA Discussion Paper No.16081.



## Mission Area 2 Findings

- **KCTCS continues to grow partnerships with employers through its Workforce Solutions arm, as well as through strategic initiatives such as [Education First Employers](#), a KCTCS-organized network of Kentucky companies that offer educational and workforce benefits to students.**
- **Employer stakeholders interviewed by EY are mixed in their satisfaction with KCTCS and local CTC partnerships.** Some worry changes to KCTCS might risk their strong relationships with CTCs, while others don't feel their CTC is particularly responsive to their needs.
- **Studies show that many short-term certificates and diplomas (particularly those in healthcare and other technical fields) carry financial return on investment to students through increased earnings and employment opportunities.** This ROI grows with longer length certificate programs but is greater than the benefits to students with some college and no degree/credential. However, more analysis on the ROI of sub-associate level credentials is needed to fully understand their ROI in the workplace and to individuals.
- **Limited federal financial aid availability for students in sub-associate certificate programs significantly muddies the assessment outcomes for students enrolled in applied associate degrees.** Kentucky's Work Ready Scholarship Program (available to students in certificate programs) may mitigate some of the hesitation to enroll directly in certificate programs, but the data is not clear here.
- **Completion rates for in-demand applied associate degree programs are low relative to perceived market demand.** Many students who complete these applied associate degrees end up transferring to Kentucky public four-year institutions, which may suggest that the two-year technical degree does not have the workforce value expected.
- The role of the system office in facilitating workforce and employer partnerships was not clear to many stakeholders interviewed by EY. **There appear to opportunities for the system office to play a stronger role in assessing market demand and ensuring overall program alignment against workforce needs.**<sup>90</sup>

## Mission Area 3: Preparing Students for Transfer

A key part of the KCTCS mission is to serve as a lower cost and more convenient starting point for students wishing to transfer to four-year institutions. KCTCS offers quality associate degree programs and general education courses that provide seamless educational pathways for students pursuing education beyond the associate degree.

---

<sup>90</sup> Ernst & Young LLC, "Synthesis of Kentucky Stakeholder Input and State Comparative Analysis," (November 2023), 25-28.

While KCTCS offers a variety of credentials, including the technical programs previously discussed, only specific associate degree programs (associate of arts, science, and fine arts) are designed to transfer into bachelor's degree programs at four-year institutions. These transfer degrees require a minimum of 60 credits, with a general education core of 33 credits (the associate of fine arts degree requires a general education core of 24 credits). The intention of transfer degrees is to provide an affordable on-ramp to higher education by allowing students to take entry-level and general education courses at their local community college, and then transfer these credits to a university to be applied to a bachelor's degree.

### *Kentucky Transfer Policy*

Kentucky ensures that credits taken at KCTCS can transfer to four-year universities through legislation and CPE oversight. The transfer policy addresses:

- **Transferability of general education.** There is a guarantee that 30 credit hours in six core categories of general education courses will be accepted for transfer by public universities. Kentucky departs from the typical course-to-course comparisons as a basis for transfer and instead focuses on the acquisition of identified learning outcomes, thus allowing greater flexibility in course transfer. CPE maintains a database of all courses that meet the student learning outcomes in each general education area.
- **Flexibility.** There is an institutional commitment that, to the extent possible, the transfer of any remaining credit hours beyond the general education transfer component will be treated as generously as possible to maximize the transferability of credit toward meeting degree requirements.
- **Credit outside the classroom.** There is a recognition of courses and standard scores for awarding credit for AP, CLEP, International Baccalaureate, Cambridge International, and DSST exams.
- **Checks and balances.** CPE requires institutions to report any changes in programs or learning outcomes that will affect transferability.
- **Quality enhancement.** Institutions must submit annual reports to CPE regarding assessment methods, results, and any proposed changes to the institution's general education program.
- **Appeals process.** CPE offers a process for appealing decisions regarding the transfer and acceptance of credits earned at another institution.

### *Transfer Outcomes for AA/AS Graduates*

CPE's [2022-30 Strategic Agenda](#) highlights the importance of transfer, and the state's higher education accountability system establishes goals and closely monitors performance in this area. A key performance indicator is the two-year to four-year transfer rate, which measures the percent of students who earn an AA/AS degree and transfer to a public or private Kentucky university within the next academic year. CPE has

established a statewide transfer rate goal of a 65% by the 2023-24 academic year. We are currently at 58.3%, up slightly from 57.7% in 2017-18.

While Kentucky's transfer numbers are trending in the right direction, labor market data indicate there is little wage value for transfer degrees on their own. The value of AA/AS programs lies in providing educational milestones that encourage and propel students toward bachelor's degree completion. We should be particularly concerned about students who complete a transfer degree but do not enroll in a four-year program, as these students have taken on the financial obligation of completing at least 60 credits of postsecondary education but likely will not get an adequate return on their investment in the job market.

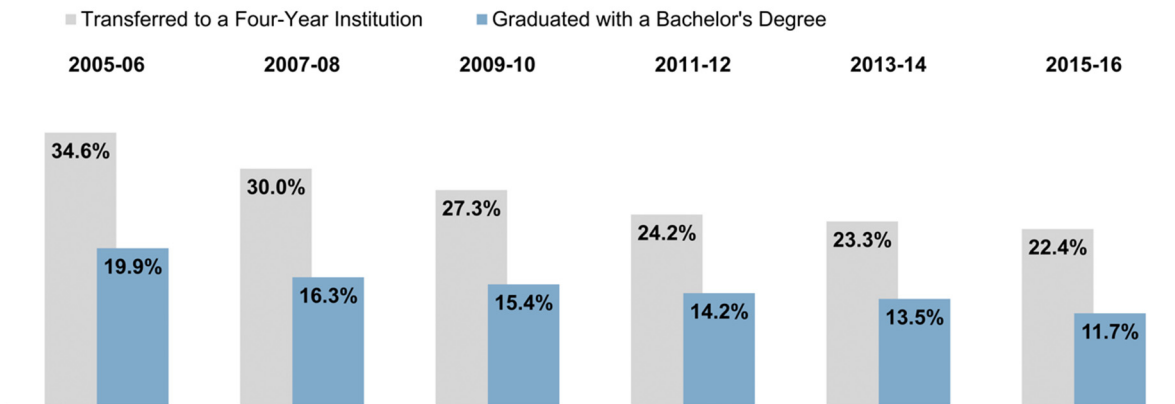
### ***Transfer Outcomes Prior to AA/AS Completion***

An equal share of Kentucky's successful transfer students do so without first earning the AA or AS degree, although there are financial incentives for CTCs to encourage associate degree completion prior to transfer. Additionally, CPE's accountability system only recognizes transfer success if students first complete AA/AS degrees. Given there is little market value to transfer degrees on their own, transferring in a timeframe that best suits individual students should be encouraged through revisions to the KCTCS funding model and changes to CPE's transfer accountability measures.

### ***Transfer Cohort Analysis***

CPE conducted an analysis that follows cohorts of students who enroll in AA/AS programs to better understand their outcomes and educational pathways (Appendix E). The key takeaway of this analysis points to a relatively steady increase in students enrolling in AA/AS programs, as well as stable completion rates. However, the numbers trend in the opposite direction when reviewing overall transfer behavior. As Figure 67 highlights, for the 2005-06 cohort, 34.5% of students in AA/AS programs transferred to four-year programs, compared to 22.4% in the 2015-16 cohort. These cohorts were tracked over six years to determine the percentage of students in the original cohorts who earned bachelor's degrees. Their completion percentages trended downwards as well, from a 19.9% for the total 2005-06 cohort, to 11.7% for the total 2015-16 cohort.

**Figure 67. Outcomes of KCTCS Transfer Students**



Source: CPE Data, Research and Advanced Analytics Unit.

Despite these declines, once KCTCS students transfer, their likelihood of completing a bachelor's degree is on par with students who start at Kentucky's public universities. This indicates the strong and appropriate level of preparation that many of these students bring with them to four-year universities. Another promising transfer trend is a narrowing of the gap between the number of credits a transfer student requires to complete a bachelor's degree compared to a student beginning their studies at a four-year institution. In 2021-22, transfer students required just two credits more on average than a first-time student to complete their bachelor's degree.

### **Mission Area 3 Findings:**

- Transfer programs at KCTCS remain relevant and attractive to Kentucky students as an entry point into higher education. **Enrollment in AA and AS degree programs has tripled over the past 15 years.**
- **Students who successfully transfer from KCTCS to Kentucky public universities complete bachelor's degrees at about the same rate as students who begin their studies at four-year institutions.** However, less than 15% of KCTCS students who intend to transfer ultimately graduate with a bachelor's degree.
- Completion rates for AA and AS degree programs remain flat. **Just one in four students who begins an AA or AS degree at KCTCS finishes this degree.** These students may transfer to a four-year university without completing the AA/AS degree; however, data show those who transfer with an associate degree are more likely to complete the baccalaureate degree.
- **Given there is little market value to transfer degrees on their own, transferring in a timeframe that best suits individual students should be encouraged** through revisions to the KCTCS funding model and changes to CPE's transfer accountability measures.

- **Kentucky’s transfer policy and campus efforts have led to significant progress in assuring transfer students do not accumulate excess credits to graduation.** In 2021-22, transfer students required just two credits more on average to complete their bachelor’s degree than students who enrolled as freshmen at Kentucky public universities.

---

## FEASIBILITY & IMPACT OF TRANSFERRING ACADEMIC PROGRAMS TO COMPREHENSIVE UNIVERSITIES

---

Stakeholder feedback gathered by EY suggests there are several issues that led to study area 3, including concerns about alignment between KCTCS credentials and state workforce needs, as well as questions about the return on investment of KCTCS degrees and certificates. Concerns also were raised about the effectiveness of transfer and academic pathways between two- and four-year institutions. While the specific charge to CPE was to evaluate the feasibility of moving KCTCS academic programs to the comprehensive universities, the final section of this chapter will build on the discussion of higher education governance in Chapter 3, specifically focusing on KCTCS and alternative approaches to addressing some of the concerns voiced by Kentucky stakeholders.

There are several things to note before moving into the analysis:

- SJR 98 assumes “academic” or traditional transfer programs (associate of arts, associate of science, and fine arts degrees) are wholly academic, and “technical” programs (associate of applied science degrees, diplomas, and certificates) are wholly technical. In reality, there is much more overlap between technical and academic programs than one might expect. This creates an added layer of complexity to this assessment.
- This assessment will primarily consider credit-bearing programs. As described earlier, the Workforce Solutions unit of KCTCS provides programs in response to employer and workforce demand that do not carry academic credit. These offerings do not require oversight from accreditors in the same way that credit-bearing programs do and would likely still be offered by technical colleges under the proposed split.
- CPE (based on available data) and EY (based on stakeholder input) have conducted a high-level assessment of the potential impacts of transferring KCTCS academic programs to the comprehensive universities, but a much deeper programmatic and fiscal analysis is required to fully understand the implications of such a significant structural change for the Commonwealth and its students.

- There are numerous ways to approach this analysis, but CPE will mirror the framework used by EY in Chapter 3 to assess the potential benefits and risks that would occur for students, institutions, and the Commonwealth.
- It is important to know that the proposed restructuring of KCTCS and the transfer of a core part of its curriculum to comprehensive universities would likely cause a chain reaction of policy and systemic change and requires a level of analysis beyond the scope of this study.

## Impact Area 1: Students

### *Affordability*

Moving transfer programs out of the KCTCS system to the comprehensive universities would potentially result in tuition and fee increases for both types of programs. The average tuition and fee amount to attend a comprehensive university full-time in the 2022-23 academic year was almost double that of KCTCS. If comprehensive universities were to assume authority over KCTCS's transfer programs, it's unlikely those campuses would be able to offer the first two years of coursework at KCTCS rates without negatively impacting their budgets. This would likely result in students choosing to delay or forgo higher education if less expensive options were not available.

Related to this, it is unclear if comprehensive universities would ultimately retain the associate degree (transfer) programs currently offered by KCTCS. It would make sense for these universities to require students take general education courses at the baccalaureate level. If comprehensive universities abolished transfer degrees at the associate level, this would make higher education less affordable.

A clear understanding of how the state would execute the transfer of programs would be necessary to fully assess the impact on college affordability. CPE considered several scenarios to highlight the complexity of the analysis and the potential impact on college affordability:

- **Scenario 1:** Comprehensive universities would opt not to offer associate-level degrees, compelling students who normally would attend KCTCS to directly pursue baccalaureate programs at regional universities at a higher cost.
- **Scenario 2:** Comprehensive universities would integrate KCTCS programs into general studies associate degrees on their campuses, which are limited in number.
- **Scenario 3:** Comprehensive universities would introduce new associate degrees aligning with the transfer programs KCTCS currently offers. However, there is no assurance that universities could offer these programs at current KCTCS rates, placing a higher financial burden on students and blurring institutional missions.

In all three scenarios, transferring KCTCS academic programs to comprehensive universities would likely increase costs and create a greater financial burden on the many low-income Kentuckians who currently attend KCTCS. Based on an analysis of existing university tuition rates, unmet financial need for current KCTCS students in AA/AS programs could rise by about \$4,000, totaling nearly \$80 million statewide based on 2022-23 enrollments. Without significant state investment to alleviate these added costs, enrollment and graduation rates could be significantly affected.

### **Dual Credit**

Dual credit is an important on-ramp to postsecondary education in Kentucky. [A recent assessment of the success of dual credit students at KCTCS](#) showed that dual credit participants were more likely than non-participants to complete a college credential or, for academic pathway students, transfer to a public university within three years. Dual credit increased this probability by 9.2 percentage points for technical pathway students, and by 11.3 percentage points for academic pathway students.

In 2021-22 (the most recent year of available data), 68% of all dual credit students and 63.2% of all enrolled dual credit hours were from KCTCS.<sup>91</sup> Without strategic adjustments and substantial state investment, transferring KCTCS's academic programs to the comprehensive universities would pose significant challenges and uncertainties in the current delivery of dual credit courses.

- **Impact on Access:** KCTCS currently operates in numerous locations, 265 of which are high school/ATC sites, offering accessibility to high school students across 113 of 120 Kentucky counties. The proposed separation might reduce the number of dual credit locations, which is especially problematic for student access. This could lead to lower enrollment in dual credit courses, a strategy proven to increase postsecondary enrollment and success.
- **Partnership Agreements:** New dual credit partnerships would have to be formed. School districts currently partnered with KCTCS campuses would need to seek or expand partnerships with four-year institutions, especially for academic pathway dual credits.
- **Accreditation Challenges:** Changes to dual credit locations and instructors would need to be approved by Kentucky's regional accreditor, the Southern Association of Colleges and Schools' Commission on Colleges (SACSCOC), adding administrative complexities. This would mainly apply to the comprehensive universities, but it is reasonable to assume that research universities and private institutions also could be affected by accreditation requirements.<sup>92</sup>
- **Instructor Qualifications:** KCTCS faculty provide a significant portion of dual credit instruction. Moving KCTCS's transfer programs to the comprehensive universities would likely result in a decline

---

<sup>91</sup> Data examined as part of [a recent assessment of the success of dual credit students at KCTCS](#) showed that among the 30,467 students studied as part of the analysis across four cohorts, 9,570 of those participated in dual credit. Of these, 57% were enrolled in an academic pathway.

<sup>92</sup> The requirements are detailed in the SACSCOC Substantive Change policy, and would add administrative burdens to all institutions who would take on new instructors and locations as part of the change posited under SJR98.

in qualified instructors for dual credit courses. While high school teachers can teach dual credit, they must meet specific SACSCOC qualifications, which are higher than the current Kentucky standards for high school teachers. Incentives for teachers to pursue a master’s degree in the dual credit subject they teach would likely be required to maintain a strong dual credit teaching corps.

- **State Scholarships for Dual Credit Students:** The Dual Credit Scholarship program has been critical in making early college opportunities affordable for high school students. Institutions who participate in the scholarship program have agreed to charge no more than one-half of the KCTCS hourly tuition rate (\$93 per credit hour for the 2023-24 academic year). The SJR 98 proposal would move a majority of dual credit programming to the comprehensive universities, likely requiring increased state funding to maintain access to these courses (due to the higher cost of programming at comprehensive universities).

### *Physical Access to Programs*

Another aspect of the proposed split to consider is whether or how the comprehensive universities would utilize KCTCS campuses to ensure continued access to programs. In addition to the 16 main campuses, KCTCS currently provides instruction at 288 off-campus locations (including high schools and workplaces) with a total enrollment of 43,817 in 2022-23. If these locations were not maintained, students who are place-bound might stop or delay their education. Locally impacted students would either access all instruction and services virtually (if available) or travel an average of 62 miles to the nearest comprehensive university. This might work for some students, but many, especially in rural areas, lack sufficient broadband or computer access to enable them to participate in online courses.

### *Transfer and Student Choice*

As EY notes in its stakeholder analysis, moving KCTCS’s academic programs to comprehensive universities could benefit some students. Directly enrolling in comprehensive universities would eliminate barriers associated with transfer applications and admissions and credit evaluations. The removal of these barriers might result in more students completing baccalaureate degrees.<sup>93</sup>

While this model may be more efficient, it would eliminate more affordable, accessible pathways into postsecondary education. Many students choose KCTCS, not just because it’s less expensive, but because a community and technical college is close to home, provides more flexible course options, and offers a smaller environment. KCTCS’s varied course timings throughout the year support students who juggle work and school. Living at home while attending college can help students save on costs.

---

<sup>93</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 87.



Additionally, for some students, beginning at KCTCS allows them to explore and adapt to college life before deciding on their major or next postsecondary institution. With a clearer idea of what they intend to study, these students make more informed university choices based on factors like program quality or faculty expertise.

### What Stakeholders Say about the Effect of the Proposed Split on Students

***“So many of our students are place-bound and dealing with multiple obligations. We already have enough of an issue getting students to the postsecondary point with the current options that exist. If students have to travel even further for those subjects, transportation will be a major issue. Those students might just opt out.”*** [CTC leader]

***“I would be concerned that students will miss out on an opportunity to attend college. Depending on the circumstances and budget, KCTCS is essential as a starting point for those students, as well as providing an in-person learning experience. This will hurt our education more as a state.”*** [University faculty member]

***“We’re seeing so many students come in with dual credit. Institutions have varying options on dual credit, but it plays an important role in Kentucky and we’re not coming back from that. If those courses are removed from KCTCS, who knows what will happen?”*** [University president]

***“Students would be forced to take on more loans and end up in debt.”*** [CTC leader]

### Technical Program Quality

EY’s report noted that “If the proposed KCTCS separation were implemented, technical offerings remaining at KCTCS might receive greater attention and focus, possibly improving operational efficiency and quality.”<sup>94</sup> These improvements might attract more students, which would help Kentucky fill workforce skill gaps in technical fields. However, students enrolled in KCTCS technical programs currently benefit from access to academic and transfer pathways that would be unavailable (or would have to be duplicated) should the system be separated.

It’s important to note that KCTCS technical programs (AAS degrees) would not meet accreditation requirements without general education programming. This issue is discussed more fully on page 135. Removing general education coursework from technical degrees, diplomas, and certificates also might diminish their overall educational value by omitting employability or soft skills development, which is crucial for career advancement. To truly benefit students and meet employer needs, a more thorough curriculum review involving employers would be necessary to tailor technical programs effectively.

---

<sup>94</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023).

### ***Findings on Potential Impacts to Students***

- The increased focus on technical programs might increase their quality, but technical students would lose access to existing transfer pathways, making the transition to four-year programs more difficult.
- New credit articulation agreements might need to be executed with technical colleges and public universities. Required general education courses might need to be taken at comprehensive universities at a potentially higher cost unless these courses were duplicated at technical colleges, or the state provided additional funds to subsidize additional costs.
- Transfer students would likely pay higher tuition and fees at comprehensive universities and might be unable to live at home.
- The number of campus locations likely would be reduced, which would decrease physical access.
- Students would not benefit from the extensive support services KCTCS provides to assist students with greater academic or financial needs.
- Students unsure about attending a four-year university might forgo college altogether.
- Dual credit access would likely be negatively impacted, as over two thirds of dual credit courses are delivered by KCTCS. These courses are offered at half the KCTCS credit hour rate, making them affordable for a wide range of students. Kentucky would likely need to increase dual credit scholarships to maintain affordability for students.

## **Impact Area 2 – Postsecondary Institutions**

### ***Accreditation Requirements for General Education Coursework***

One of the recurring themes in the EY stakeholder interviews is the feeling among some employers and state leaders that KCTCS technical programs include general education coursework that is unnecessary and unrelated to program and occupational demands.<sup>95</sup> While this is an understandable concern, [SACSCOC requires all degree programs](#) to include general education coursework to “introduce a breadth of knowledge and reinforce cognitive skills and effective learning opportunities for each student.” As a result, applied associate degrees must include a general education core of at least 15 credits, regardless of which institution offers the degree.

However, many of the degrees offered by KCTCS contain general education course requirements beyond the minimum 15 credits required by SACSCOC. For example, the AAS degree in criminal justice requires 33 credits of general education coursework while the AAS degree in diesel technology requires only 15. This variance in general education requirements is likely driven by workforce needs. Stakeholders may be reacting to the inclusion of general education courses in KCTCS certificates and diplomas, which is not a SACSCOC

---

<sup>95</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 87.

requirement. Some certificates include general education courses based on discipline and program length. The mixed stakeholder feedback on this topic suggests that further employer engagement in the design of specific programs may be needed.

### What Stakeholders Say about the Value of General Education in Certificates

*“People want to go to work. Having too many requirements for someone who cannot wait two years is problematic. People who want to go further should be able to if they want and desire, but for people who can’t make ends meet and need the skills to move on, they need to be able to pick up the technical skills and go to work.” [State-level representative]*

*“The idea of moving general education courses out of technical programs goes against everything in my 10 years in economic development and now my six years at a private company when we talk about the skillset employees out in the workforce need...soft skills come out of general education requirements.” [State-level representative]*

*“If a student just wanted to be in a single technical role for their whole life, then I would say that a stackable credential is not worth it. But if that student has any interest in ever advancing to a management role, such as a project manager or even a business owner, I would advise that student to take the general education courses and start with a stackable credential.” [Employer]*

Taking general education requirements from SACSCOC into account, the technical college system that would remain after the proposed separation would face two choices:

- **Scenario 1:** Continue to offer AAS degrees, which must include general education coursework for accreditation purposes. Also continue to offer certificates and diplomas that don’t require but typically have some general education courses.
  - **Option 1:** The technical college system might hire instructors to offer sections of general education coursework that duplicate offerings by the comprehensive universities. KCTCS would incur the associated costs. (Currently the cost of these instructors and courses are shared across academic and technical programs at KCTCS.)
  - **Option 2:** The technical college system might reach agreements with comprehensive universities to allow technical college students to complete their general education coursework there (assuming this would allow students to meet [residency requirements](#) at the technical college). This solution would place administrative burdens on both institutions. Also, it would require students to navigate two different educational environments to fulfill their degree requirements at a potentially higher tuition cost.
- **Scenario 2:** Do not offer general education coursework, and discontinue offering programs that require it, including associate of applied science degrees, diplomas, and some certificates. This would have devastating enrollment impacts on the technical colleges, leaving only about 10 percent of the current KCTCS technical program enrollment. It is unlikely this technical college system could sustain

the existing number of locations, and student access to technical programs across the Commonwealth would likely diminish.

### ***Required Accreditation Procedures***

In addition to setting curricular standards for degree programs, SACSCOC also sets standards that institutions must follow to add, update, close, or change program locations. To implement the changes proposed in SJR 98, each KCTCS institution and comprehensive university would need to follow the appropriate procedures set out by SACSCOC. These changes, especially for KCTCS, might require additional resources to plan and execute across all campuses and locations. Over the last five years, KCTCS has provided for-credit instruction at hundreds of locations, including main campuses, area technology centers, high schools, emergency service facilities, and more. The execution of accreditation procedures for all these locations with the comprehensive universities would require coordination and resources.

Additional SACSCOC requirements might be needed according to how SJR 98 is implemented. This chapter already considered whether KCTCS transfer degrees would continue to be offered by the comprehensive universities. Any of the following scenarios would entail additional SACSCOC procedures and notifications.

- **Scenario 1:** Discontinuation of transfer degrees, compelling students to enroll directly in baccalaureate programs at comprehensive institutions.

*Implications:* New locations for instruction would require an evaluation to ensure compliance with SACSCOC standards. Any location delivering over 50% of a program off the main campus must align with substantive change policies.

- **Scenario 2:** Termination of transfer degrees, redirecting students to existing “general studies” associate degree programs at the comprehensive institutions.

*Implications:* Since these institutions already offer general associate degrees, there might not be significant additional procedures, provided the expansion aligns with existing programs and institutional objectives.

- **Scenario 3:** Comprehensive institutions introduce associate degree programs aligned with current KCTCS offerings.

*Implications:* Institutions could modify current baccalaureate programs to incorporate new associate degrees. SACSCOC regulations typically demand notification for such changes, provided there isn’t a significant departure from existing programs.

### ***Important Considerations***

- In scenarios 2 and 3, ensuring the curriculum aligns perfectly with baccalaureate objectives is crucial. This alignment facilitates a smooth transition for students, avoiding unnecessary credits and other hindrances to degree completion.
- Closure of programs at KCTCS must follow SACSCOC guidelines meticulously. Closure would necessitate detailed closure plans, impacting approximately 20,000 students in the 2022-23 academic year.
- If the proposed transfer of programs were implemented, any substantial mission alterations in remaining technical colleges might require rigorous review and approval by SACSCOC to ensure adherence to new objectives and strategies in student services.

### ***Financial Implications for Comprehensive Universities***

If KCTCS academic programs were transferred out of that system, and assuming enrollment could be maintained, the impact on comprehensive university facilities, programs, faculty, budgets, and support services would be enormous. After assessing the population served by each KCTCS campus and locating the nearest comprehensive university, a single university would need to expand its capacity to educate students currently served by three to four KCTCS campuses. Although enrollment and therefore tuition revenue would likely increase at each comprehensive university as a result, this increase would likely be uneven across the institutions and might not be sufficient to cover the additional costs to support these higher need students.

Additional resources would be needed to integrate and adequately compensate current KCTCS faculty within a university environment. Faculty salaries in 2021 were generally lower (by \$10,000-\$20,000 annually depending on faculty rank) at KCTCS than at the comprehensive universities. According to SACSCOC regulations, the qualifications for instructors who teach general education courses at community colleges and universities do not differ. Two scenarios exist to balance the need for fair and equitable compensation:

- **Scenario 1:** Comprehensive universities could hire extra faculty to manage the flood of new students.  
*Implications:* This approach would maintain the universities' standard compensation levels, distributing the new enrollments among both existing and new faculty members.
- **Scenario 2:** Alternatively, universities might consider hiring adjunct instructors, offering them compensation more aligned with current KCTCS levels.  
*Implications:* Given that these instructors would be teaching roughly the same courses as existing university faculty, they might understandably expect compensation equivalent to current university levels.

It is unlikely that comprehensive universities could sustain both low tuition rates (approximately the same as KCTCS) and current compensation levels without additional financial resources. As one university faculty

member said, “The transfer programs are the least expensive way to get a degree and we are clear with students that they should go to the local CTC and then us. We cost four times as much because the cost structures are built around what each campus is meant to do. We cannot deliver these general education courses as efficiently as our local CTC does. Period.”<sup>96</sup>

### ***Student Support Services***

Student support services at the comprehensive universities also would need to be expanded and restructured to respond to the influx of high-need, underprepared students currently served by KCTCS. As noted earlier, KCTCS students who enroll in transfer programs are more likely than their university counterparts to be a working-age adult, Pell eligible, or from an underrepresented student population. This change in student mix would require more robust student services at comprehensive universities. These student support services would need to include advising, tutoring, writing assistance, corequisite supports for developmental course needs, financial aid counseling, mental health counseling, and career services among others.

### ***KCTCS Physical Plant***

In addition to increased financial burdens related to instructional and support services costs, the comprehensive universities would need to understand their responsibilities pertaining to the KCTCS physical plant to determine the true cost of this move. While SJR 98 does not make clear the future of KCTCS physical plant resources under the split, the financial responsibility for many KCTCS campus locations and physical plant resources—including ongoing maintenance and operations, deferred maintenance responsibilities, and debt associated with physical infrastructure—would likely fall to the comprehensive universities.

KCTCS currently operates just under 9 million gross square feet of space with buildings valued at over \$2.6 billion. Annually, KCTCS spends over \$3.1 million in leasing costs for office and classroom space. Most of these spaces are shared by KCTCS technical and general education programs. A comprehensive evaluation would be needed regarding the logistics and challenges of assigning and maintaining current KCTCS physical plant assets. This evaluation ideally would include recommendations on how to distribute and share assets between the comprehensive universities and the technical college system to ensure both systems have access to the resources needed to support students across their programs.

### ***Technical Programs***

The proposed separation would require increased student tuition or additional state funds to maintain the technical programs at their current levels. KCTCS charges the same tuition for students despite program type, but costs to offer technical programs and courses are higher than general education-heavy transfer programs.

---

<sup>96</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 87.

This is borne out by a recent study commissioned by KCTCS, which observed that technical courses, while generating less revenue, are more costly to offer than academic or general education courses due to their equipment requirements, smaller class sizes, and hands on instruction. Specifically, the Huron Consulting Group found that technical programs yielded a net positive instructional margin in 2021-22, but that the total margin would have been 70% or \$44.6 million dollars less without general education programming.<sup>97</sup> The findings suggest that if KCTCS academic programs were transferred to the comprehensive universities, the remaining technical college system would likely face financial difficulties. The technical colleges would bear the higher technical course costs without subsidies from the more economically scalable general education courses. This would inevitably lead to increased tuition and fees to cover rising costs or the need for additional state financial assistance.

### What Stakeholders Say about the Sustainability of Technical Colleges under the Split

***“Technical programs are mission critical, but they don’t make money. They operate at a loss. Success with gen ed allows KCTCS institutions to provide affordable and accessible education. For example, the student to teacher ratio in nursing is 10:1 and those 10 students do not bring enough tuition to cover that one teacher’s salary. So, the institution has to rely on other revenue streams to deliver graduates in this workforce shortage area that has been flagged as a priority by the state. And to increase cohorts means more faculty and they are not cheap.” [CTC leader]***

***“[The proposed split] would destroy the community college system. It will cripple us and prevent us from offering technical programs that produce graduates in key areas of need. Unless the state comes up with a different way to fund technical programs.” [CTC leader]***

***“General education helps fund KCTCS to offset the cost of these technical programs.” [Economic development leader]***

### Findings on Potential Impacts to Institutions

- The proposed split would likely result in more enrollments and revenue for comprehensive universities. However, it is unclear if increases in tuition and fees would offset additional resources needed to serve these higher need students.
- The change would result in numerous accreditation requirements for both the technical colleges and the comprehensive universities (and perhaps other Kentucky universities as well).
- The change in student mix at comprehensive universities would necessitate expanded student support services targeting more unprepared, financially needy, non-traditional students.
- Operating and maintaining current KCTCS physical assets could be a burden to the comprehensive universities and the state.

---

<sup>97</sup> Huron Consulting Group, “KCTCS – Resource and Program Optimization,” (September 19, 2023).

- Maintaining technical programs at their current level would be costly because technical courses are subsidized by general education courses, which are less expensive and more profitable. Technical programs might end up duplicating general education courses offered by comprehensive universities for accreditation purposes and to prevent students from having to take these requirements off campus.

## Impact Area 3 – The Commonwealth

### *Funding and State Support*

As EY notes in its analysis, eliminating KCTCS’s responsibility for transfer education could allow for a greater focus on technical programs and lead to improved responsiveness to workforce needs. However, it’s likely that dismantling the KCTCS system would come at a financial cost to students, campuses, and the Commonwealth.<sup>98</sup> As previously noted, a structural shift of this magnitude would impact program affordability for students intending to transfer to universities, as well as for students pursuing technical credentials. Due to shifting program costs, additional state appropriations for the technical college system likely would be needed to maintain operations and student services at their current level. Alternatively, these costs would have to be borne by students through higher tuition and fees, or through reductions in services and program offerings.

A similar financial situation would be true for transfer education if it was moved to comprehensive universities. On average, the list price to attend a comprehensive university full-time for the 2022-23 academic year was \$10,016, versus \$5,610 at KCTCS. Unless the comprehensive universities dropped their lower-level course costs to current KCTCS rates, the average cost of attendance for current and prospective KCTCS students would increase by approximately \$11,000 each (assuming two years of coursework taken at comprehensive university rates rather than KCTCS rates). It is likely the state would need to provide higher levels of support to the comprehensive universities to maintain KCTCS-level tuition rates, or it would need to greatly increase grants and scholarships to prevent impacted students from being priced out of postsecondary education or taking on high levels of debt to complete their degrees.

Finally, adjustments to the state’s funding model would be required to account for increases in associate of arts and science students (should these programs continue to exist) at the comprehensive universities. A new funding model also would be needed for the technical colleges.

### *Student Data Systems*

Interviews with individuals who participated in the 1997 separation of the community colleges from UK emphasized the onerous nature of mapping and translating student data from one system to another. Student academic records are centrally held at KCTCS in Peoplesoft and would need to be translated by

---

<sup>98</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023).



comprehensive universities and integrated into their various student information systems. This mapping and translation would be time intensive and costly, requiring external consultants to guide the process and ensure the accuracy of student records.

This translation activity also brings up concerns about housing historical KCTCS student records. If the system dissolves or fundamentally changes in scope and mission, it may be necessary to move and translate not just current and future student records, but past student records to ensure ongoing access. Identifying which institution to move records to would be complicated. If students who previously enrolled at KCTCS wanted to access their transcripts or historical academic information, they would need to be notified of the process. CPE as well as campuses might need additional resources to answer student inquiries and process transcript requests.

### ***Research Universities***

The separation of academic and technical subjects proposed by SJR 98 specifically calls on the state's comprehensive universities to deliver these lower-level courses, rather than UK and UL. If executed, this would complicate higher education ecosystems in the Louisville metro area and Central Kentucky. Strong partnerships currently exist between UK and BCTC and UL and JCTC that would be disrupted, not to mention existing relationships with community-based organizations and employers. Not creating a role for UK and UL would create confusion for students and employers, decrease convenience, and exacerbate competition between research and comprehensive universities. This could lead to lower levels of engagement and enrollment.

### ***Perception of Technical Programs***

The establishment of KCTCS and CPE under HB 1 elevated the role of technical education by putting it on the same standing as the rest of postsecondary education. As noted in the reports leading up to the 1997 reforms, the state technical college system (KY Tech) did not have the same level of respect or value in the public's mind. As a result, prior to HB 1, the system was underfunded and not fully integrated into the state's higher education agenda.

The proposed dissolution of KCTCS could take Kentucky's technical programs back to pre-1997 days in terms of stigma and public perception. It could cause the public to perceive technical education as less than four-year programs. Combining access to general education and technical education within the KCTCS system broadens the public's definition of college. Additionally, a key problem solved by HB 1 was increased consistency in two-year to four-year transfer. Without the advocacy and support of a strong central system (KCTCS) representing over 70,000 students, Kentucky's technical colleges may find themselves grappling with these issues once again. Additionally, EY's analysis highlights that 9 of the 11 states studied maintain academic and technical programs within the same system for the same academic and financial benefits that KCTCS solves for.

### *Findings on Potential Impacts to the Commonwealth*

- The proposed separation might improve graduation rates for transfer students, removing administrative hurdles to transfer and completion. With fewer program offerings, technical colleges might be able to focus more on employer needs and improve credential alignment and responsiveness.
- This change would require revisions to CPE's performance-based distribution model, complicated processes to map and translate student data, and numerous accreditation requirements.
- The exclusion of UK and UL would complicate existing partnerships with BCTC and JCTC and negatively impact students, employers, and institutions.
- The state would likely be required to provide additional resources to the new technical college system, as technical offerings are largely subsidized by general education courses.
- The new technical college system may eventually face the same issues as KY Tech prior to the 1997 reforms, namely increased stigma and difficulty negotiating transfer articulation agreements with individual four-year colleges and universities.

### **Conclusion**

While the proposed transfer of KCTCS academic programs to the comprehensive universities aims to streamline and potentially improve both transfer and technical programming in Kentucky, this analysis suggests that dismantling the current KCTCS system would be complex, time consuming, costly, and lead to a host of unintended consequences for students, institutions, and the Commonwealth. It would raise questions that require further study, including but not limited to:

- What additional costs would comprehensive universities incur in terms of expanded student support services, new faculty, and additional staff needed to map and translate student data and complete other administrative requirements?
- Would comprehensive universities offer new faculty/instructors the same level of compensation as university employees?
- How would institutions balance additional costs with affordability concerns for KCTCS students?
- How would existing debt at KCTCS colleges be shared with the comprehensive universities? How would KCTCS's current facilities be divided or shared? Would comprehensive universities continue to operate current facilities? What role would technical colleges play in maintaining or renting existing infrastructure?
- Would students currently enrolled in KCTCS transfer programs want to go directly to comprehensive universities instead? Would current enrollment levels be maintained?

- How would this change affect the metropolitan areas of Louisville and Lexington? What role would research universities play in this new arrangement?
- Because SACSCOC requires AAS programs to include a general education component, how would these requirements be met and at what cost?
- How would students move between technical colleges and four-year institutions? How would the split impact current transfer behaviors?

The KCTCS system has fundamentally improved postsecondary opportunity in the state. As the entry into postsecondary education and technical training for many Kentuckians, it plays a specific role within Kentucky’s higher education ecosystem. The unified system has elevated the status of both associate degrees and technical credentials, and it has facilitated greater mobility for students seeking to move between technical and academic programs. **For these reasons, and due to the risks enumerated throughout this chapter, CPE does not endorse dissolving the current KCTCS system and transferring academic offerings to the comprehensive universities.**

---

## STRENGTHENING KCTCS

---

While CPE does not support dismantling the KCTCS system and moving transfer programs to the comprehensive universities, there are opportunities for KCTCS to execute its governing authorities more effectively while retaining responsiveness to local workforce needs.

### System Leadership

One of the recurring themes in EY’s report is the need for strong leadership at KCTCS. Most of EY’s interviews were conducted prior to the board’s October 2023 decision to hire Dr. Ryan Quarles as the new KCTCS president. Quotes from stakeholders reflect a strong interest in the system hiring a visionary and effective leader prepared to address urgent workforce needs, improve system-level efficiencies and performance, and strengthen relationships between individual colleges and the system office.

As EY notes, “The perceived gap in leadership contributes to CTC institutions feeling unheard at times in state-level higher education conversations. The system leadership is not perceived to accurately represent the voices of all CTC institutions because it treats the individual colleges with too much uniformity.”<sup>99</sup> The EY report underscores the urgency of KCTCS appointing a strong, experienced leader to navigate its complex structure and various challenges. As one university president shared, “Leadership of KCTCS is integral to its success or failure. It is vital that they get a strong leader with a good vision to lead it successfully.”<sup>100</sup>

---

<sup>99</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 23.

<sup>100</sup> Ibid., 23.

## Central Office

EY interviews highlighted the perception among CTC leadership as well as among stakeholders external to KCTCS that the KCTCS system office is oversized and possibly overstepping its functional scope. Stakeholder feedback acknowledged the effectiveness of certain centralized services like legal support, payroll, IT, and facilities management, as they reduce institutional burdens and offer cost savings. However, there's a call for improvement in areas like human resources and marketing and the suggestion that student services would be best administered at the campus level. Campus leaders also expressed concerns about the duplication of services (e.g., human resources at both the system and campus level), lack of transparency, and equity regarding the “chargeback” system and how funding is being used, the time and energy required to respond to system mandates, and the desire for greater involvement in strategic planning.<sup>101</sup>

### What Stakeholders Say about KCTCS & the System Office

***“We are trying to improve operationally at the institution level. We want to bring uniformity – I understand that each community has different needs, but there are some ways where we need to behave like a system.”***  
[KCTCS leader]

***“The system office needs to reorganize. Every school has an HR Director and employees in the HR department, and the system office also has one of the largest HR departments. They have replicated all of the positions at the college level and some of them have no work to do.”*** [CTC leader]

***“The system office needs to have a well-defined scope as to what they do for the colleges and what the colleges do for themselves.”*** [CTC leader]

***“We are all paying a lot to the system to cover their costs, but there is no transparency in how funds are being used and why. The chargeback system is convoluted and not rational.”*** [CTC leader]

The KCTCS board and system office recognizes these concerns, and in fall 2022 commissioned a comprehensive study to explore system-level improvements and efficiencies. That report, completed this fall by the Huron Consulting Group, suggested several strategies to streamline workflows and strengthen the effectiveness of KCTCS operations. Implementation of many of their recommendations is underway.

## CTC Advisory Boards

As noted earlier in this chapter, each CTC has its own advisory board, identified in statute as Boards of Directors. Stakeholders express significant concerns about the slow and opaque nature of these appointments due in part to complex nomination processes.

---

<sup>101</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 23.

## What Stakeholders Say about CTC Boards of Directors

***“Applications are sent to a local nominating committee, whom we don’t know, and they send recommendations to the college’s advisory board and governor’s board member nomination commission. Then, the governor appoints the recommended board members. It’s such a slow process.” [CTC leader]***

***“These advisory boards go years with vacancies, and members have served for 30-40 years when they are supposed to be on the cutting edge of workforce needs. If you were able to limit the time and effort required to appoint new members, then that may be a big factor in helping out the local leadership.” [KCTCS system leader]***

There is also a recognized need to improve professional development and training for local advisory board members. As one CTC leader shared, “I think it would be wonderful, whether CPE or any entity, to provide automatic procedural training for board members. It is our role to establish the role of board members and their duties so CPE could be a great help in this area.”<sup>102</sup> Currently, CTC boards are not included in CPE’s board training and professional development programs.

EY also notes that some stakeholders expressed interest in eliminating the local CTC boards altogether due to the lack of a clear delineation of responsibilities between Boards of Directors and Board of Regents.<sup>103</sup> EY’s report highlights alternatives to this approach, including changing the division of responsibilities so that the KCTCS governing board reassumes responsibility for strategic planning and institutional budget approvals and plays a larger role in presidential searches and appointments. Local advisory boards’ primary areas of focus would be on helping institutions assess their programs and ensuring they are aligned to local workforce needs.

Another alternative is that the Board of Regents could choose to appoint advisory boards at the regional rather than local level. In this scenario, one advisory board would work with more than one campus. These boards would focus on the workforce and economic development needs of the region, encourage institutional collaboration, and serve as the regional voice for the system’s larger vision and strategic priorities.

### Program Alignment

The significant growth in associate degree and technical certificates over the past 20 years has been celebrated by many as a key strategy in meeting Kentucky’s evolving workforce needs. But other stakeholders express concerns about the proliferation of these credentials and question their market value. There is a perception that KCTCS needs to have more centralized and data-informed strategies to guide program review and approval, and campuses could respond more quickly to urgent workforce needs. There is

---

<sup>102</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 24.

<sup>103</sup> Ibid., 25.

also a call for KCTCS, CPE, and state workforce and economic development agencies to work more closely on collaborative, mutually supportive efforts to respond to employer needs.

### What Stakeholders Say about Program Alignment

***“As an early believer in marketable skills, KCTCS put together wage-driven certificates/skillsets, but from 2001-02 there was a huge explosion of certificates...Right now, it feels like they are throwing workforce spaghetti at the wall, and they need to be more strategic.”*** [State-level representative]

***“I think even within our own college, there could be more bloodletting of programs to ensure we are most effectively meeting community needs.”*** [CTC leader]

EY’s review of governance structures in other states identifies several community and technical college systems that may provide useful models for Kentucky as it considers processes for reviewing and publicly communicating the value of credentials. Louisiana’s coordinating board has worked with the state’s two-year system to co-develop a “star” system to rate and review technical programs based on program demand. Each program receives a rating of 1-5 stars (visible to students) based on its existing alignment with employer demands and job forecasting.<sup>104</sup> Kentucky’s Student Right to Know website is intended to provide similar consumer information (minus the rating system); however, it is not limited to KCTCS offerings.

Some stakeholders expressed an interest in CPE having a greater role in program approval of technical certificates, either taking a stronger stance on which programs KCTCS offers through direct approval or supporting the system office to create a more strategic approach to academic planning for technical certificates.<sup>105</sup> CPE delegated this program approval authority to KCTCS in the early 2000s to streamline the approval and review process. However, a state level academic planning process (inclusive of both the two- and four-year campuses) is needed to respond effectively to changing employer and student needs.

### Employer Partnerships

Related to the issue of program alignment, employer partnerships with KCTCS came up in a number of interviews. Employers generally appreciate the preparedness of graduates from the CTCs; however, they had mixed feelings about the colleges’ responsiveness to their needs. While some employers have successfully collaborated with CTCs to develop programs aligned with workforce demands, others experience delays and resistance to innovation and program development. This has led to varying levels of investment and engagement from employers.<sup>106</sup>

---

<sup>104</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 41.

<sup>105</sup> Ibid., 27.

<sup>106</sup> Ibid., 26.

Employers also are seeking a more centralized approach from KCTCS. One employer noted, “KCTCS does not speak in one voice...What we need from KCTCS is something along the following lines ‘at each location we need X faculty and Y equipment and if we can get support with those, we will be able to produce Z more students to meet your workforce needs”<sup>107</sup> Particularly large employers see value in a system-wide approach to strengthening the pipeline “rather than just working with individual colleges that may not have the scale needed in terms of the number of graduates/candidates sought by large employers.”<sup>108</sup> Conversely, smaller employers recognize the benefit of system-level coordination where their needs can be more easily aggregated with others to leverage program development or change.

---

## CPE RECOMMENDATIONS

---

- **CPE does not recommend dissolving the current KCTCS system and transferring its academic offerings to the comprehensive universities.**
- **An assessment of the role and responsibilities of local CTC Boards of Directors should be conducted.** Consideration should be given to transitioning the local boards into multi-campus regional advisory boards to help drive collaboration and regional development.
- **The KCTCS system office should be charged with developing a comprehensive employer engagement strategy, a more robust program review and approval process focused on return on investment, and more seamless transfer pathways.**
- **Consideration should be given to pursuing single SACSCOC accreditation for the KCTCS system as one potential strategy** to ease administrative burdens for institutions associated with various accreditation processes and increase program alignment among campuses.
- **CPE’s financial analyses highlighted KCTCS’s need for additional state investment to ensure a strong, effective, and responsive system of CTCs.** However, increased state investment in KCTCS should not come at the expense of the investment in Kentucky’s public universities.

---

<sup>107</sup> Ernst & Young LLC, “Synthesis of Kentucky Stakeholder Input and State Comparative Analysis,” (November 2023), 26.

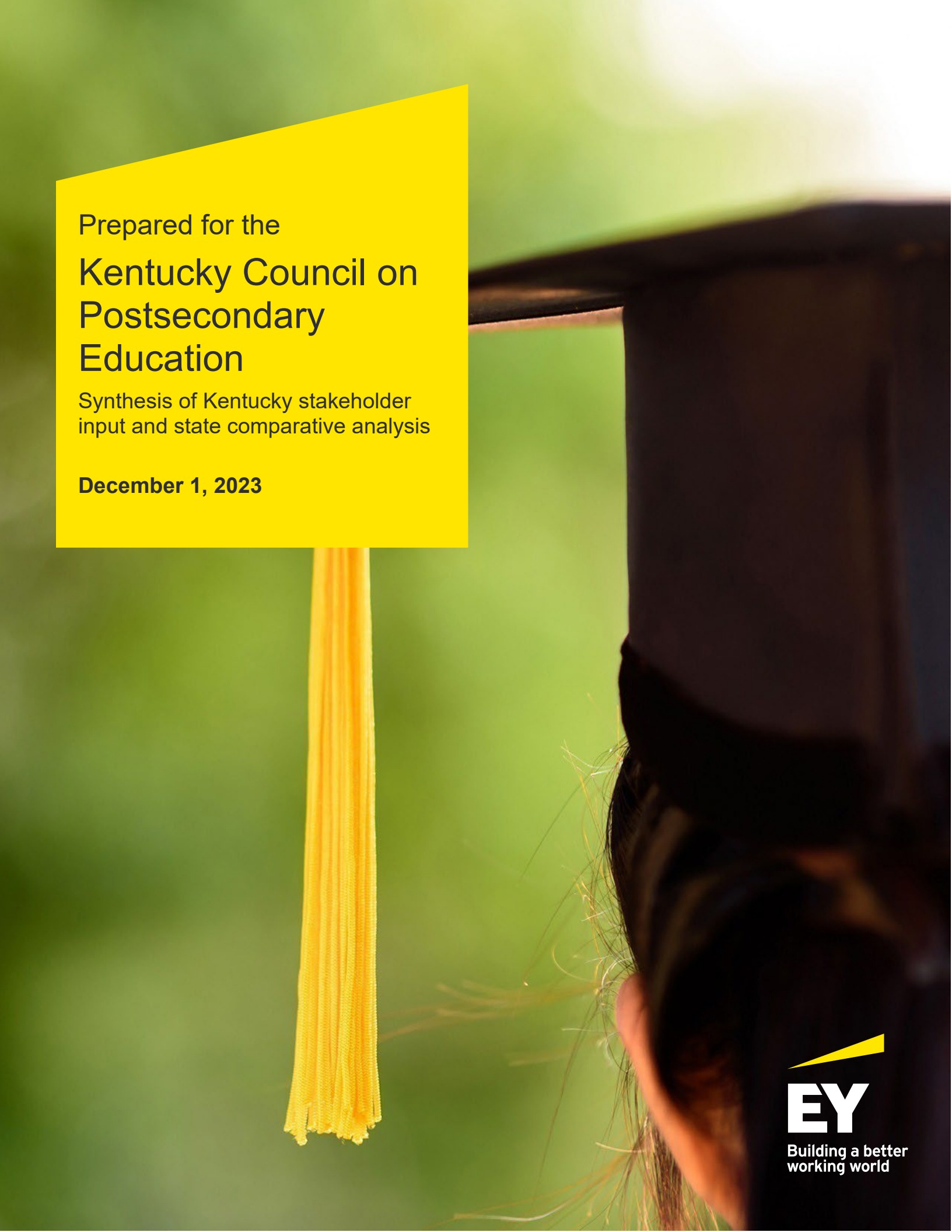
<sup>108</sup> *Ibid.*, 27.

---

# APPENDIX A

---





Prepared for the  
**Kentucky Council on  
Postsecondary  
Education**

Synthesis of Kentucky stakeholder  
input and state comparative analysis

**December 1, 2023**



## 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 research study directed by the state legislature in Senate Joint Resolution 98. This research study focused on the structure of higher education governance in Kentucky. The analysis, views and insights expressed in the Report were produced by EY and informed by primary research in the form of interviews with 133 Kentucky stakeholders and 31 national governance researchers and representatives of higher education systems in other states. Additionally, EY conducted secondary research, sourcing relevant data and information through a variety of public data sources.



## Table of contents

Foreword .....	i
Table of contents .....	ii
Executive summary .....	1
Context .....	7
<b>1.1. SJR 98 Q1: KY stakeholder input on higher education .....</b>	<b>9</b>
1.1A. Methodology .....	9
1.1B. Kentucky’s progress to date .....	10
1.1C. Perspectives on governance .....	16
<b>1.2. SJR 98 Q1: State comparative analysis .....</b>	<b>28</b>
1.2A. Methodology .....	28
1.2B. State higher education governance overview .....	31
1.2C. Levers of effective governance .....	38
1.2D. Kentucky’s options for consideration of higher education governance .....	51
1.2E. Synthesis of Kentucky’s options .....	67
<b>2. SJR 98 Q2: Potential new institution in Southeastern Kentucky .....</b>	<b>69</b>
2A. Methodology .....	69
2B. Regional context .....	70
2C. Perspectives on student and employer demand .....	73
2D. Perspectives on options outlined in SJR 98 .....	78
2E. Additional possibilities raised by stakeholders .....	82
<b>3. SJR 98 Q3: Transfer of academic subjects from KCTCS to regionals.....</b>	<b>85</b>
3A. Potential impacts of transfer on students .....	85
3B. Potential impacts of transfer on institutions .....	88
3C. Potential impacts of transfer on the Commonwealth .....	91
3D. External perspectives on technical and academic program organization .....	93
3E. Alternatives to transfer of programs from KCTS to regional universities .....	95
<b>Appendix A: KY CPE duties and responsibilities .....</b>	<b>97</b>
<b>Appendix B: KCTCS Board of Regents duties and responsibilities .....</b>	<b>101</b>
<b>Appendix C: Examples of common governing board authorities .....</b>	<b>103</b>
<b>Appendix D: Examples of financial oversight approaches in other states .....</b>	<b>104</b>
<b>Appendix E: Single accreditation considerations.....</b>	<b>106</b>
<b>Appendix F: Public disclosure of EY report .....</b>	<b>107</b>

Prepared solely for Council on Postsecondary Education. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 107

All Rights Reserved — © Ernst & Young LLP 2023



## Executive summary

The Kentucky Council on Postsecondary Education (CPE) was directed by Senate Joint Resolution 98 (SJR 98) to conduct a research study to understand the extent to which Kentucky's system of postsecondary education is meeting the current and projected economic needs of the state. This study has three focus areas:

1. Structure of higher education governance in the Commonwealth of Kentucky (Kentucky, KY or the Commonwealth)
2. Impact and feasibility of establishing a residential, four-year public university in southeastern Kentucky
3. Feasibility and programmatic and fiscal impacts of having the Kentucky Community and Technical College System (KCTCS) continue to be responsible for technical education programs but transferring responsibility for traditional academic subjects to the regional comprehensive universities

CPE engaged EY to support these areas of inquiry through:

- Stakeholder engagement and qualitative research (i.e., interviews and focus groups with 133 individuals spanning diverse stakeholder groups, from CPE to legislators to higher education representatives to industry representatives and heads of cabinets)
- A scan of effective governance models and leading practices nationally (i.e., 31 interviews with national researchers and state representatives; secondary research on higher education law, policy, and process; and analysis of higher education finances, outcomes, and performance across peer states)

---

### SJR 98 Q1: Structure of higher education governance in the Commonwealth

---

**KY stakeholder perspectives on progress to date in higher education.** Overall, stakeholders across Kentucky acknowledge that strong progress has been made in higher education since the introduction of House Bill 1 (HB 1) in 1997, which reorganized higher education in Kentucky as it relates to access, affordability, attainment, and alignment to workforce needs.

**Feedback on CPE.** Overall, KY stakeholders perceive CPE to be effective in advancing the state's higher education agenda. Stakeholders identified several areas where CPE could better support the state and its higher education institutions through an expanded role or authority, including:

- Strengthened role in fiscal oversight and leadership appointment
- Additional training provided to boards (governing boards of four-year institutions, KCTCS Board of Regents and local advisory Boards of Directors of two-year institutions)
- Stronger program portfolio oversight to ensure alignment with state economic needs
- Oversight of financial aid strategy to ensure alignment with state-wide higher education strategy
- Access to and distribution of incentive funds to encourage innovation, regional collaboration, and other higher education related initiatives as identified by the Commonwealth and CPE

**Feedback on KCTCS.** The Kentucky Community and Technical College System (KCTCS) was legitimized by HB 1, which put KCTCS on par with four-year institutions and acknowledged the important role of KCTCS in Kentucky. Today, KCTCS continues to be recognized by stakeholders as a critical pathway to provide students with an affordable entry point into postsecondary education and to align education programming with the economic needs of the state. Perhaps because of how critical KCTCS is perceived to be in promoting economic



mobility for individuals and supporting state-wide economic development, many stakeholders felt strongly that there are several areas of improvement for KCTCS going forward:

- Clearer articulation of the roles of the Board of Regents vs. the local Boards of Directors. The latter are considered advisory boards but, in reality, play a significant role in presidential searches and appointments and in budget approval. It may make more sense to shift much of this responsibility back to the Board of Regents and instead focus the local boards on providing industry and community input on local needs to drive program alignment to economic needs of the state.
- More stringent program approval and review, with the goal of aligning more strongly to local and regional needs while at the same time managing program duplication.
- A more strategic approach to establishing and nurturing employer partnerships with the understanding that there may be an important role for the System Office to act as a supply/demand “aggregator” (e.g., matching supply of students through programs with employer demand).
- Opportunity to develop a stronger regional approach to identifying regional needs so that institutions are able to deliver against these needs (e.g., by adopting a regional rather than local approach to appointing the Boards of Directors). For example, the Board of Regents could choose to designate a smaller number of regional advisory boards rather than 16 individual local boards.
- Identifying opportunities for greater efficiency across the System, both on the administrative and academic side, to address the perceived “bloat” of KCTCS (an issue raised frequently by stakeholders). KCTCS has already taken important steps in this direction by engaging a third-party consultancy in identifying and prioritizing opportunities to improve administrative efficiency and program delivery. KCTCS is in the process of implementing some of these opportunities, which range from consolidation of administrative supports across the System to academic program optimization to stronger data management.

**Feedback on the broader higher education “ecosystem.”** Many stakeholders pointed to a perceived mission creep and proliferation of credentials among both four-year and two-year institutions and questioned the market value of some of these credentials for students and employers. Industry stakeholders, while generally positive about the higher education system in Kentucky, expressed some frustration with the pace of change of four-year institutions — in contrast to two-year institutions — in response to workforce needs, as well as with the inconsistency of their experience when partnering with CTC institutions.

**Opportunities to improve Kentucky higher education governance (based on state comparative analysis and KY stakeholder feedback).** Higher education governance models across the United States fall into three broad categories: statewide coordinating board, statewide governing board or no statewide body. Governing boards typically have more statutory authority over higher education institutions than coordinating boards, though the way these authorities are exercised can vary greatly.

Even within these three broad categories, governance structures differ widely in terms of local and system-level governance, ultimately resulting in eight sub-categories. Of these, no single governance structure is objectively more effective than another in terms of achieving postsecondary education goals set out by a state. According to national researchers and higher education leaders from other states, governance is only one of several factors that affect state progress toward postsecondary goals.

Having said that, national researchers agreed that how authorities are executed is important to higher education outcomes. Conversations with national researchers pointed to three key levers that contribute to effective higher education governance:

- **Strategic program oversight:** The ability to approve, review and terminate degree and non-degree programs helps institutions align education programming to economic needs.



- **Institutional fiscal oversight:** Monitoring and reporting on institutional financial health in the face of national declining enrollment and financial pressures can help prevent potential unforeseen fiscal events and protect the interests of students.
- **Leadership appointment and review:** The strength of board, system, and institution leadership determines the alignment between policy design and practice.

In considering the path forward for Kentucky from a higher education governance perspective, four key options emerged:

- **Option 1: Current governance structure with improved execution of existing authorities.**
  - CPE and KCTCS could conduct a more structured and more frequent cycle of degree and non-degree program review.
  - KCTCS could assess the return on investment (ROI) of its degree and non-degree programs to students and local communities.
  - The KCTCS System Office could drive development of a more cohesive employer partnership strategy across the System.
  - CPE could analyze institution financial reports to proactively flag fiscal concerns.
  - CPE could offer additional training to board members to refresh skills in high-need topics.
  - *Note: Changes to how program oversight, fiscal oversight, and board training are delivered will likely require additional staff/resources at CPE.*
- **Option 2: Current governance structure continues but CPE and KCTCS gain additional authorities through revision of statute.**
  - CPE: Institute policy that requires CPE to monitor key financial risk metrics of institutions (the policy could specify metrics, method of reporting, frequency of reporting, and any accountability measures).
  - CPE: Provide CPE a role in the nomination process for board membership and in the presidential search processes of individual institutions.
  - KCTCS: Shift authority to approve two-year institution strategic plans and institutional budgets back to the KCTCS Board of Regents (BOR) from the Community and Technical College (CTC) Boards of Directors (BODs). Strengthen the role of BOR in selecting CTC presidents. Focus BODs on advisory role in education programming/workforce needs alignment.
  - *Note: All improvement recommendations from Option 1 apply here as well.*
- **Option 3: KCTCS continues to have a governing board, but the local governing boards of four-year institutions are replaced with a four-year system governing board.** In this option, the CPE would continue as the coordinating board working closely with two governing boards (two-year board and four-year board). The new four-year governing board would adopt all authorities of the local four-year governing boards. *Note: All improvement recommendations from Option 1 apply here as well.*
- **Option 4: Superboard**, also known as a single, statewide governing board, would replace CPE and KCTCS such that all four-year and two-year institutions would now be governed by a single board. The superboard would gain all the authorities of CPE, institution governing boards and KCTCS governing board combined, though institutions could still have local or regional advisory boards. The creation of a superboard would need to be accompanied by the creation of a new System Office to oversee and coordinate across the institutions.

Kentucky could assess the relative benefits and challenges of these four options by considering the dimensions listed in the graphic below.



Considerations	1	2	3	4
	Current governance structure with improved execution	Additional authorities granted to CPE	Addition of a single governing board for four-year institutions	Superboard
Disruption/time to transition	●	●	●	●
Near-term cost to change	●	●	●	●
State-level transparency and control	●	●	●	●
Local responsiveness	●	●	●	●
Stronger pathways/transferability	●	●	●	●
Prioritization of distinct missions	●	●	●	●



Research indicated there are several tradeoffs for Kentucky to consider when assessing what is needed to enable a well-coordinated and efficient public higher education structure in Kentucky moving forward:

- **Option 1** (stronger execution of existing authorities) appears to be the least disruptive and costly to implement in the near-term. Each change suggested in this option is also a viable change under any structure. However, this option is less likely to improve state visibility into institutional financial health or improve level of input into leadership appointments.
- **Option 2** (additional authorities granted to the CPE) may yield the most benefit relative to cost compared to the other options, in that it enables substantially stronger fiscal oversight and much greater input into leadership appointment decisions, while also respecting local and regional differences among institutions.
- **Both Options 3 and 4** could bring about greater state-level control, visibility into the higher education system and efficiency in the longer run, but at a potentially significant cost in the shorter term, including the cost of setting up a new System Office and the cost of disruption to the existing higher education ecosystem. A significant disruption could also lead to unfavorable student outcomes (e.g., access, affordability, attainment, alignment with the workforce) during the transition period.

The potential implications of governance structure option are far-reaching. The legislature will need to consider the potential tradeoffs, some of which are outlined above, in choosing the path forward.

## SJR 98 Q2: Impact and feasibility of establishing a residential, four-year public university in southeastern Kentucky

For the purposes of this study, Southeastern Kentucky is defined as the Kentucky River Area Development District (KRADD), which has faced economic challenges disproportionate to those of the rest of Kentucky. The

Prepared solely for Council on Postsecondary Education. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 107



institutions and students in the region experience unique challenges due to declining population, strong place-bound culture, lack of affordable university housing that meets the unique needs of students, high poverty, and stigma outside the region. Only ~33.6% of working age adults in the KRADD have achieved any type of postsecondary education compared to ~57.8% statewide.<sup>1</sup>

**Student demand for an institution.** Stakeholders estimated that 45%-65% of high school graduates in Southeastern Kentucky may consider enrolling in a new, residential four-year public institution. However, not as many will eventually enroll given other factors such as competing options (out-of-region educational opportunities) and perceived return on investment (ROI) on attending the new institution (e.g., ability to access jobs with living or family wages, high cost of attendance with familial responsibilities). The actual level of enrollment may not be sufficient to support a new four-year institution or justify the cost.

**Economic development need.** Stakeholders agreed that an institution alone is not sufficient to boost the region's economy but is critical to making Southeastern Kentucky more attractive for economic development investment. Improved postsecondary access should exist in conjunction with a comprehensive, well-coordinated economic development plan for the region.

Some considerations noted on the options proposed in SJR 98 for a residential, four-year public university in southeastern Kentucky are presented below:

- Establishing a brand-new university was seen by stakeholders as too costly. It also raises concerns about potential negative impact on funding available for existing public institutions.
- Stakeholders were skeptical about acquiring a private university in the region because locations of existing private institutions have limited coverage of the region. In addition, private university stakeholders have expressed little to no interest in acquisition.
- A satellite university is seen as potentially less costly than the establishment of a brand-new institution or acquisition of a private institution. However, stakeholders are concerned that satellite campuses may not have the local community ties necessary to succeed in the region and may be vulnerable to closure if financial challenges facing their main (home) campus persist.
- Stakeholders raised two other possibilities for consideration — expansion of a community and technical college (CTC) or enhancement of the existing University Center of the Mountains (UCM) model. Stakeholders expressed support for the expansion of CTC to offer targeted four-year degree programs aligned to specific workforce needs in the region. Awareness of UCM is low, but stakeholders familiar with the model support expanding this model if future data shows that the model has strong outcomes, or if enhancements are made to the model to improve those outcomes.

---

## SJR 98 Q3: Transfer of academic subjects from KCTCS to regionals

---

Stakeholders provided feedback on the proposed transfer of academic subjects from KCTCS to the regional universities along three dimensions: potential impact of the transfer on students, institutions, and the Commonwealth.

**Potential impact on students.** Stakeholders expected the transfer of subjects to have a net negative impact on students, reducing both physical access and financial access (affordability) to postsecondary education.

**Potential impact on institutions.** *Four-year institutions* may not have adequate staff or infrastructure to accommodate a higher volume of students. It is unclear whether four-year institutions would be expected to provide two-year academic programs at CTC tuition rates, which would not be compatible with the four-year university operating model. *Two-year institutions* would experience a significant hit to their enrollments and operating budgets. Technical programs are effectively subsidized by revenue from academic programs due to the

---

<sup>1</sup> Source: U.S. Census Bureau, American Community Survey





high cost to deliver technical programs; therefore, the proposed transfer would likely require an infusion of state funding for KCTCS to stay afloat financially.

**Potential impact on the Commonwealth.** Stakeholders expressed concern that such a restructuring would place downward pressure on state college-going rates. Targeted investment in technical education would facilitate economic growth for the Commonwealth. However, while some believed that a transfer of academic subjects may allow KCTCS to focus on providing higher-quality technical programs, employers with close ties to their local CTC stated apprehension towards any change that might have negative financial implications for their CTC. Employers also noted that graduates from technical programs without access to general education courses may find it more difficult to progress in their careers.

**Alternatives to transfer for academic subjects from KCTCS to regionals.** Finally, stakeholders suggested that — if the underlying reason for Q3 in SJR 98 is to create stronger alignment between existing educational programs and workforce needs and to deliver current educational programming more efficiently — this goal can be accomplished through alternative approaches, e.g.: more intentional and rigorous program review; deeper employer partnerships supported by the System Office and advisory boards (BODs); greater sharing of courses or programs across institutions or campuses; and a stronger transfer process between two- and four-year institutions coordinated by CPE.



## Context

In 1997, the Kentucky Postsecondary Education Improvement Act, or House Bill 1, reorganized higher education in Kentucky by creating a new Council on Postsecondary Education (CPE) and merging the University of Kentucky's Community College System with the network of technical schools overseen by the Kentucky Department of Education to establish a new institution, Kentucky Community and Technical College System (KCTCS) with its own governing board (Board of Regents). The local governing boards of the public four-year institutions in Kentucky (two research institutions and six comprehensive institutions) were maintained. See page 37 for a visual representation of Kentucky's current governance structure designed in House Bill 1.

House Bill 1's goals were to establish: a seamless, integrated system of postsecondary education, strategically planned and adequately funded to enhance economic development and quality of life; nationally recognized senior institutions; and a comprehensive community and technical college system.

As a statewide coordinating entity, the CPE was charged with oversight of Kentucky's postsecondary education system, including the development and implementation of a strategic agenda for the postsecondary that includes measures of educational attainment, effectiveness, and efficiency for postsecondary and adult education.

Twenty-six years later, the state is seeking to understand the extent to which the integrated system of postsecondary education is meeting the current and projected economic needs of the state and contributing to an enhanced quality of life for Kentuckians (e.g., employability, access to living wages and family wages). In March 2023, the Kentucky Legislature passed Senate Joint Resolution 98 (SJR 98), which called for a comprehensive study of higher education in Kentucky, with a special focus on assessing the following three areas:

- (1) Structure of the higher education governance in the Commonwealth**, including the current condition and projected needs of the state over the next 20 years in terms of postsecondary education attainment, workforce and economic needs. The study shall include recommendations for the state to consider on changes to the state's postsecondary governance structure that would be essential to meet identified needs and provide the best delivery of postsecondary educational services to students.
- (2) Potential impact and feasibility of establishing a residential, four-year public university in southeastern Kentucky** through one of three options:
  - a. A new regional, residential, four-year public university
  - b. A residential campus that is a satellite campus of an existing regional, public university
  - c. Acquisition of an existing, private university in southeastern Kentucky
- (3) Feasibility and programmatic and fiscal impacts of having KCTCS continue to be responsible for technical education programs** but transferring responsibility for traditional academic subjects to the regional comprehensive universities.

When reading the observations and themes captured in this report, it is important to keep in mind the current national context of higher education. The entire higher education sector, not just in Kentucky, is facing significant pressures. These pressures include but are not limited to:

- **Demographic cliffs** and — depending on region — population outmigration (linked to availability of jobs), leading to declining enrollments
- **Increased student propensity to enroll in online or hybrid modalities** rather than fully in-person programs, which raises important questions about space needs and space utilization
- **Rising cost to deliver higher education**, driven in large part by additional student supports required to meet increasingly diverse student needs



- **Growing financial viability concerns**, resulting from a combination of flat to declining revenues and rising expenditures, and leading to a rising wave of closures, mergers and consolidations in the last decade
- **Declining public perception of value or ROI of higher education**, given rising tuition levels, potential student debt levels and the availability of alternate routes to well-paying jobs (especially during the recent, prolonged period of economic boom)

Throughout the report, “university” refers to four-year institutions while “college” refers to two-year institutions.

---

## EY role and methodology

---

Kentucky CPE engaged EY to support CPE in addressing the three areas of inquiry described above in two ways:

- **Conduct stakeholder engagement and qualitative research** — engage Kentucky stakeholders (e.g., campuses, employers, community groups, current and prospective students, state-level leaders) through interviews and focus groups, and aggregate findings in a way that informs and enhances the CPE’s larger study.
  - EY conducted interviews with 133 stakeholders, collecting and synthesizing perspectives on all three areas of study.
- **Conduct a scan of effective governance models and leading practices nationally** — identify governance models across all states, conduct a deeper dive into a subset of states based on both secondary and primary research, and compile research findings in a way that informs the CPE’s larger study and recommendations. This included:
  - 31 interviews with state- and system-level leadership in peer states, as well as with national researchers
  - Secondary research on state higher education law, policy and processes
  - Secondary research and analysis on higher education finances, outcomes and performance across peer states

---

## Definition of Southeastern Kentucky region

---

Though Southeastern Kentucky is not an officially state-designated region, most regional stakeholders refer to the region as interchangeable with the KRADD and the area development districts (ADDs) bordering it on the east and west (Cumberland Valley and Big Sandy ADDs).

As a state municipality, the KRADD is comprised of: Breathitt County, Knott County, Lee County, Leslie County, Letcher County, Owsley County, Perry County, and Wolfe County.

While most perspectives that stakeholders shared focus on the KRADD, some stakeholders do not define Southeastern Kentucky exclusively within these county borders and include surrounding areas located within other counties as well.

The KRADD and its surrounding areas do not currently have a public four-year university located in this region. Three KCTCS community and technical colleges, Big Sandy, Hazard and Southeastern, are in this area in addition to four private four-year universities, Alice Lloyd College, Union College, the University of the Cumberlands and the University of Pikeville.



## 1.1. SJR 98 Q1: KY stakeholder input on higher education

### 1.1A. Methodology

The synthesis of Kentucky stakeholder perspectives is based on virtual (video or telephone) interviews and focus groups with 133 individuals recommended by the CPE across the following groups:

- **State-level representatives** (CPE, heads of cabinets, policymakers)
  - 14 Council on Postsecondary Education
  - 7 Civil Servants
  - 9 Legislators
- **Higher education representatives** (presidents and chief academic officers of four-year institutions; faculty from four-year institutions; KCTCS System Office leadership, CTC presidents)
  - 8 Four-year University Presidents
  - 11 Chief Academic Officers
  - 14 Faculty Representatives
  - 7 Kentucky Community and Technical College System Leadership
  - 16 Community and Technical College Presidents
  - 7 Private Institution Leaders
- **Student representatives** (current university student government members and peers)
  - 13 Student Representatives
- **Industry representatives** (employers)
  - 6 Industry Leaders
- **Economic development leaders** (economic development organizations providing services to Kentucky residents and businesses)
  - 8 Economic Development Organization Leaders
- **K-12 representatives** (superintendents and counselors)
  - 6 Superintendents and High School Counselors
- **Community and elected leaders**
  - 2 Local Elected Leaders
- **Other**
  - 4 Local Nonprofit Organization Leadership
  - 1 Accrediting Organization Leadership

Interviews and focus groups generally concentrated on the following areas of inquiry:

- *How is Kentucky's higher education system meeting the needs of the Commonwealth and Kentuckians today? Is it positioned to meet the needs of the future?*
  - *What are perceived areas of progress?*
  - *What are perceived areas of improvement?*
- *How well is the governance structure, established by House Bill 1, performing today?*
  - *What are perceived areas of strength and opportunities for improvement across the postsecondary education system (i.e., CPE, four-year institutions and local governing boards, KCTCS and two-year institutions)?*
  - *In what processes might CPE be able to better support Kentucky higher education institutions?*



---

## 1.1B. Kentucky's progress to date

---

### ACCESS

**Overall, adequate geographic access.** Stakeholders throughout the Commonwealth agreed that great strides have been made with respect to making college education accessible to students throughout Kentucky.

- *“The biggest strength for Kentucky higher education as a system is the level of access that both four-year institutions and KCTCS institutions provide students to their programs — there are physical campuses distributed throughout the state as well as many online classes and programs.”* [State-level representative]
- *“If you measure access by physical location, Kentucky offers an easily accessible path to higher education. Almost wherever you live in the state you can get close to a community college or satellite campus of regional university.”* [State-level representative]
- *“Based on our population centers, I think we provide pretty good access to our higher education institutions. If we could move one a little bit south or east, that would be great.”* [State-level representative]

Stakeholders attributed progress in access to three factors:

- Introduction of the state's strategic agenda for postsecondary education, overseen and implemented by the CPE
- The merger of Kentucky's community colleges and the state's network of technical schools into KCTCS provided transfer pathways for access to non-technical programs in remote parts of the state
- Introduction of initiatives focused on access and attainment (e.g., dual enrollment program, financial aid programs, student success initiatives)

**However, not all regions benefit equally.** Although stakeholders reported improvements in postsecondary education access, there is also widespread acknowledgement that not all regions in Kentucky benefit equally. Despite strong geographical coverage, stakeholders noted that there are still areas without ready access to postsecondary education. This is particularly the case in the southeastern region of the state — while it has access to two-year institutions and private four-year institutions, it does not have easy access to a four-year public institution. Students who can afford to attend private institutions often do (though, thanks to institutional aid offered, these institutions are sometimes less expensive than public four-year institutions) or move out of the region to attend public institutions elsewhere in Kentucky. Those who cannot afford to enroll directly into a four-year institution or whose family obligations keep them in the region, may attend a local community or technical college or may opt out of college altogether. Stakeholders noted that the southeastern KY region is disproportionately home to low-income communities that are often isolated through lack of transportation, road infrastructure and broadband access.

**College-going rates across the state are under pressure.** Stakeholders were also quick to point out that despite this level of choice and access, only very modest strides have been made in improving actual participation in postsecondary education. Since 2011, the college-going rate of high school graduates decreased from ~62% to ~52% in 2021 (perhaps in part because of the COVID-19 pandemic) and in southeastern Kentucky (Kentucky River ADD) stands at ~55%.<sup>2</sup>

Stakeholders offered four possible explanations that may contribute to falling college-going rates:

- The economy experienced an unprecedented boom over the last 10+ years, creating opportunities for young people to access more higher paying jobs than what were traditionally possible without a

---

<sup>2</sup> CPE Data Dashboard



postsecondary credential. Colleges have, in effect been competing with industry when recruiting students. With the economy slowing down, it remains to be seen the degree to which this continues.

- There may also be cultural skepticism of the value of postsecondary education and the potential ROI that is affecting college-going rates in Kentucky. Stakeholders hypothesized that there is a lower perception of the value of postsecondary education and likely a higher level of mistrust toward higher education institutions than in many other states.
- Some institutions may have lost their focus and shifted to be “everything to everyone approach” to attract a broader student base. This may have the opposite effect on enrollment as it makes it difficult for students to differentiate the value proposition of each university.
- Finally, stakeholders wondered whether postsecondary education is affordable enough for students, especially given perceptions of value provided by postsecondary education.

## **AFFORDABILITY**

**Strong emphasis on financial aid for students.** In conjunction with access, stakeholders acknowledged that postsecondary education affordability has seen improvements since the passing of House Bill 1. Additionally, greater state investment has been made in financial aid:

- In the past two decades, total public financial aid in the state of Kentucky has increased from ~\$67m in 2001 to ~\$226m in 2022.<sup>3</sup>
- This has translated to an increase of ~9.6% in the amount of financial aid awarded to each student since 2013 (\$1,463 in 2013 vs. \$1,603 in 2022).<sup>4</sup>
- In the most recent year (FY 2022) for which state comparisons are available in the State Higher Education Finance (SHEF) report developed by the State Higher Education Executive Officers Association (SHEEO),<sup>5</sup> Kentucky ranked:
  - Third in the nation (after Tennessee and South Carolina) in terms of public higher education state financial aid as a percentage of education appropriations for two-year institutions
  - Fifth in the nation (after Louisiana, South Carolina, Tennessee and West Virginia) in terms of public higher education state financial aid as a percentage of overall education appropriations
  - Seventh in the nation (after Tennessee, Georgia, Louisiana, South Carolina, Wyoming and Washington) in terms of overall financial aid dollars per student FTE

The improvements to these financial aid metrics may have helped Kentucky maintain enrollment over the past two decades — between 2001 and 2022; FTE enrollment across the postsecondary education sector in Kentucky grew at 0.5% annually compared to the national average of 0.8% per year.<sup>6</sup> However, stakeholders pointed out that this longer-term trend masks a more recent trend that is affecting higher education nationally, not just in Kentucky. In the period from 2012 to 2022, the US experienced FTE enrollment declines of 1.1% per year and Kentucky was more pronounced, with FTE enrollment declining at 1.7% per year.<sup>7</sup> Higher education institutions are very aware of the direct link between affordability and enrollment. As one regional university president put it:

- *“Given the region we serve, we have held tuition at a rate where students would be hard-pressed to go to other institutions. Our ‘discount rate’ when we subtract institutional aid from our published tuition price is pushing 40%. Even at this level of discounting, we are struggling to maintain enrollment levels. If we were to raise tuition, more students won’t be able to afford it.”* [University president]

<sup>3</sup> CPE Data Dashboard, figures are inflation-adjusted to 2022 dollars

<sup>4</sup> CPE Data Dashboard, figures derived by dividing public financial aid by the number of students enrolled in public institutions (2013 is the earliest year enrollment data is available)

<sup>5</sup> State Higher Education Executive Officers Association (SHEEO), State Higher Education Finance (SHEF) report, FY 2022

<sup>6</sup> State Higher Education Executive Officers Association (SHEEO), State Higher Education Finance (SHEF) report, FY 2022

<sup>7</sup> State Higher Education Executive Officers Association (SHEEO), State Higher Education Finance (SHEF) report, FY 2022



Financial aid is not necessarily a sufficient incentive on its own to offset enrollment declines in Kentucky, and stakeholders emphasized that other factors, beyond affordability, must be at play, such as overall demographic shifts affecting Kentucky, as well as the factors mentioned in the Access section, affecting students' propensity to attend college.

**Cost of higher education is still a barrier, especially in rural parts of the state.** Stakeholders acknowledged that the state has been vigilant in controlling tuition rate increases. Many appreciate the role that the CPE plays by exercising its authority to set limits on tuition and fee increases and approve all such changes proposed by institutions in Kentucky. The CPE is seen by stakeholders as effective in keeping education costs down from what they would have been otherwise.

However, many stakeholders believe that cost is still a major barrier for Kentuckians in pursuing postsecondary education. Even in cases where students receive substantial aid, the higher cost of living experienced in more urban parts of the state could be an inhibiting factor. Average tuition and fees per student have increased nearly 17%<sup>8</sup> in the past decade, despite CPE's authority over tuition. In contrast, the median household income in the state has increased less than 9%<sup>9</sup> in total over the same period (inflation adjusted).

- *"Cost to students is still a big barrier. We have to figure out how to lower costs and reduce debt."* [State-level representative]
- *"I think that cost continues to be one of the biggest factors in students choosing whether they attend college. In the more impoverished areas of the state, many students simply cannot afford to leave home."* [Economic Development Leader]
- *"Affordability and community feel are important for student success in college. The biggest deterrents for my peers that are considering college are absolutely the high cost and cultural fit."* [Student, University]

**Awareness of financial aid opportunities may still be insufficient.** Another challenge is the discrepancy between perceived and actual affordability of postsecondary education in Kentucky. Although there are numerous financial aid opportunities at the federal, state and institution level, students and families are not always aware of such opportunities. This results in students and families dismissing the idea of pursuing postsecondary education due to the high sticker price. Improvements in marketing, outreach, and public relations around financial aid opportunities may translate to improvements in the college-going rate in Kentucky, particularly in rural, high-poverty regions.

- *"Even though students never really pay sticker price and there is a lot of financial aid, a lot of families are turned off by the perceived cost before they even start the process. This is especially the case in more economically distressed regions."* [Economic development leader]

**The current level of public funding to higher education institutions may also affect affordability.**

Stakeholders indicated that Kentucky has not "valued" higher education in the same way as many other states, citing lower state appropriations per FTE and relatively higher reliance on tuition revenue. In particular, regional comprehensive universities and KCTCS institutions report having a proportionally greater reliance on tuition revenue than peer institutions in other states.

- Kentucky is in the top half of states in terms of net tuition revenue per student (21st for two-year institutions and 24th for four-year institutions) and well in excess of US averages.<sup>10</sup> At the same time, Kentucky has the fifth-lowest GDP per capita in the nation, significantly below the US average.<sup>11</sup>

---

8 IPEDS

9 U.S. Census, figures are inflation adjusted to 2021 dollars

10 State Higher Education Executive Officers Association (SHEEO), State Higher Education Finance (SHEF) report, FY 2022

11 U.S. Bureau of Economic Analysis, State annual summary statistics: personal income, GDP, consumer spending, price indexes, and employment



- Kentucky is tenth in the nation in terms of net tuition revenue as a percentage of all education revenues for the two-year sector, indicating that two-year institutions are more dependent on tuition revenue than most states in the US.<sup>12</sup>

Postsecondary leaders, while very receptive to concerns around affordability, emphasize that their institutions rely on tuition revenue to survive.

## **ATTAINMENT**

**Solid, numerical progress toward the 60x30 goal.** Stakeholders cited educational attainment as another area where meaningful progress has been made toward meeting Kentucky’s 60x30 goal (60% of Kentuckians with postsecondary credentials by the year 2030<sup>13</sup>). In 2000, 24.5% of Kentuckians held an associate degree or higher. As of 2021, 38.9% of the population holds an associate degree or higher and an additional 15.4% hold a certificate or certification.<sup>14</sup> This increase in attainment has had a cascading effect for Kentucky’s economy, most notably in the influx of large employers in the Commonwealth.

- *“KCTCS has exceeded expectations. The University of Kentucky and University of Louisville have stayed true to their mission and have focused on graduate education and research. The regional universities have developed some areas of expertise and extended their campuses, but maybe not as much as they should have.”* [State-level representative]

**Questions remain about the economic value of what’s being “counted.”** While some stakeholders believe that existing program approval processes align credentials to economic and workforce needs and drive positive outcomes for students, others voiced varying levels of skepticism around the market value of credentials and employability and wage outcomes of students participating in these programs. Economic development and business leaders generally shared the view that most shorter credentials (certificates) are successful in driving employment, with some of these developed directly in response to employer demand. This mixed feedback may indicate two areas of improvement/opportunity for Kentucky:

- Need for a systemic assessment of credential “production” across the state, at both two-year and four-year institutions — not just of how many credentials, but also how many participants, what jobs/occupations these credentials connect to directly, job placement and wage/salary outcomes for graduates, and potentially a measure of employer satisfaction with the quality of graduates.
- Importance of sharing this data broadly across the state — with students, parents, and families to showcase the value of credentials and pathways to jobs (thus potentially increasing postsecondary-going rates), with institutions to enable them to make data-informed decisions about programs, with employers to demonstrate a level of alignment with and progress in meeting industry needs, and with policymakers to inform future policy recommendations.

**Attainment is still in the bottom quartile nationally.** Despite a steady increase in postsecondary attainment in Kentucky, the state attainment rate is still in the bottom quartile nationally.<sup>15</sup> Stakeholders expressed concern about low completion rates among enrolled students, particularly those from more rural parts of the state. Despite enrollment in postsecondary education being slightly more favorable than Kentucky-wide figures (~55% in

---

12 State Higher Education Executive Officers Association (SHEEO), State Higher Education Finance (SHEF) report, FY 2022

13 CPE Strategic Agenda for Postsecondary and Adult Education, 2016-2021

14 “Measuring Progress for Kentucky’s 60X30 Attainment Goal” published by CPE Data, Research & Analytics Team

15 Lumina Foundation, A Stronger Nation





KRADD vs. ~52% overall<sup>16</sup>), students coming from southeastern Kentucky have lower completion rates than students statewide (~50% in KRADD vs. ~59% overall<sup>17</sup>). Stakeholders hypothesized this may be due to:

- **Cultural barriers and familial obligations.** Students from more rural or economically depressed parts of the state may experience a lack of a sense of belonging or community support at higher education institutions. Some of them need to return home to care for a family member, leave school to enter the workforce in support of their family, or do not receive support from home in their pursuit of higher education.
- **Postsecondary readiness levels.** This may be a growing issue statewide, with more students not prepared for college coming out of high school.
  - *“Some of our counties have 80%–85% high school graduation rate, but then only 30% of the counties’ population have a bachelor’s degree. Why is there this steep drop off? Where are these graduates going? Are we graduating students who should not have graduated? If they are enrolling in college, why are they dropping out?”* [Economic development leader]
- **Multiple demands on students.** Increasingly, students are balancing multiple demands while in school — education, life, and work. Without the right mix of financial aid and student support, these students may drop out of college.
  - *“Students often need to work while in school. Some students fall into decent jobs while doing so and drop out to continue working.”* [Economic service organization]
- **Quality of support/experience.** Some stakeholders also questioned whether the quality of education and student support may be suffering. They hypothesize that this may be related to a performance funding system that is seen as incentivizing quantity over quality.
  - *“We need a performance funding model that is a bit more elegantly designed. Right now, the focus is on ‘more’ as opposed to ‘better,’ as it incentivizes growth.”* [University president]

### **ALIGNMENT WITH STATE’S ECONOMIC AND WORKFORCE NEEDS**

*“Progress metrics are important. Enrollment is one, retention is another. But maybe the most important metric is employability and the ability to move forward with jobs, community and family. What good is any of it if you are not employable?”* [State-level representative]

**Industry recognizes the strong contributions made by higher education to meet workforce needs.** In interviews, state leaders, higher education leaders, and employers alike acknowledged that the issue of workforce supply not meeting employer demand is in large part demographics-driven (e.g., an aging population in Kentucky, migration out of rural areas). Having said that, all stakeholders agreed that higher education has an important role to play in both preparing new entrants into the workforce and helping employers upskill their existing workforce.

Employers throughout the state generally expressed confidence in Kentucky’s ability to meet their workforce needs and were complimentary about the strong hands-on and experiential learning programs both at the two-year and four-year level. Employers also cited a high degree of responsiveness and agility from postsecondary institutions, specifically KCTCS, in meeting industry needs. Similar praise was given to the collaborative approach employed by individual colleges in developing program curricula, program portfolios, and clear pipelines from programs to employment.

- *“In general, for our entry level jobs, the universities are very well-positioned to handle our needs. The candidates they produce are well-qualified.”* [Employer]

---

<sup>16</sup> KYSTATS

<sup>17</sup> Kentucky Postsecondary Education Data System (KPEDS)



- *“More entities in Kentucky’s higher education are moving towards starting in technical education. That awareness piece is awesome. There is more emphasis on the different paths that you might take as a student, the offerings are becoming more expansive and that serves us well.”* [Employer]
- *“Our needs are fairly well-met. KCTCS does a great job of teaching the foundational skills. It is tricky for both them and employers to know what is coming next, as far as how technology changes things, so we teach the basics and then we can develop next-level technical skills on the job as needed.”* [Employer]
- *“We are fortunate in that our colleges are very mindful. It is one thing to produce students, but producing students in pathways that lead to gainful employment within the region requires intentional planning.”* [Healthcare employer]
- *“Certificates play an important role for us in managing our talent. We are looking at how we can supplement our degreed workforce with certificate programs. We are going to need more certificates to supplement our care team. We still need nurse aids, medical assistants, phlebotomists, pharm techs. In order to fill the gaps and address shortages, we do a lot to upskill our workforce.”* [Healthcare employer]

**There is room for improvement.** Stakeholders also provided some thoughtful feedback on how alignment between higher education, the state’s economy, and workforce needs could be strengthened further.

Stakeholders highlighted some of the tensions that exist between the state’s higher education goals and the current set of incentives built into the structure and suggested that these issues could be addressed at multiple levels — at the state level through redesigned funding formulas and at the institution or system level through a more rigorous approach to program management:

- *“There probably are some certificates that shouldn’t be there. For example, non-credit-bearing certificates are prompted by employer request, and every year advisory committees are supposed to review all these programs and make sure they are still relevant. However, performance funding incentivizes CTCs to add certificates for the sake of increased funding, and while we try to keep an eye out for this, the process is not perfect.”* [CTC leader]
- *“A performance funding pool that includes research institutions, regionals and two-year institutions is not a good way to meet the state’s attainment and employability goals. It’s no surprise that community colleges have shifted to churning out degrees to compete and meet their performance targets.”* [Economic development organization]
- *“A lot of colleges offer programs that fill seats, but don’t pay dividends. Forty to fifty people graduate from CTC’s interdisciplinary early childhood education program every year when there are only two daycares in the region.”* [State-level representative]

Employers highlighted several areas of improvement with respect to both four-year institutions and two-year institutions in Kentucky such as:

- Four-year institutions are sometimes seen as not agile or responsive enough to adequately address employer programming needs.
- The pipeline of qualified candidates is not always sufficient to meet the workforce demands of certain employers, particularly larger employers in the highest-demand industries (e.g., healthcare, education). It is not clear to employers whether KCTCS plays a strong role in overseeing the portfolio of programs across the colleges to facilitate alignment between students, program offerings, and high-demand industries or occupations. KCTCS could help address this supply/demand imbalance (supply of qualified candidates relative to employer demand for those candidates) through more active coordination of programs across the System that correspond to high-demand occupations.
- KCTCS could also potentially play a more active role in aggregating employer demand. This could be particularly beneficial to smaller employers who do not have the scale to persuade a local CTC program



to create a specialized program for a sub-scale employer. Employers noted that if KCTCS could identify areas where “system-wide” programs could be scalable (i.e., there would be sufficient demand if aggregated across multiple smaller employers to justify creation of programs at select sites), that would be of significant value to smaller employers who do not find it easy or straightforward to engage with the local workforce board or local CTC to build a case for such programs.

- A more consistent and standardized assessment of programs against occupational needs, as well as a more active approach to managing the program portfolio based on data emerging from the assessments could potentially have a direct and positive impact on: (1) improving alignment with state economic and workforce needs and (2) articulating pathways for students aligned to those needs.

---

## 1.1C. Perspectives on governance

---

### ROLE AND VALUE OF A COORDINATING BOARD

**The CPE is broadly perceived as effective in advancing the state’s higher education agenda.** HB 1 set out to create an integrated, cooperative system of postsecondary education in Kentucky, while acknowledging the distinct missions of the two-year sector and four-year sector in supporting economic growth and enhanced quality of life in the state. Compared to other states which have coordinating boards, CPE is a strong coordinating board in that it has more authority than many other coordinating boards. For example, CPE:

- Develops and implements a strategic agenda and accountability system for postsecondary education that includes measures of educational attainment, effectiveness and efficiency
- Serves as primary advocate and advisor on matters related to postsecondary education with Governor and General Assembly
- Produces and submits a biennial budget request for adequate public funding of postsecondary education
- Monitors and determines tuition rates and admission criteria at public postsecondary institutions
- Receives reports and updates from campuses on the performance of their duties
- Develops and manages strategic investment and incentive funding programs
- Defines and approves all academic programs at public institutions, and has the authority to eliminate existing programs or make any changes in existing academic programs at the state’s postsecondary educational institutions
- Licenses non-public postsecondary institutions to operate in the state
- Coordinates statewide efforts to improve college readiness, access to postsecondary education and student success, including statewide transfer agreements and adult learner initiatives
- Prepare accountability and status reports for the Governor and General Assembly
- Administers Kentucky’s Virtual Library
- Ensures the coordination and connectivity of technology among public institutions
- Collects and analyzes comprehensive data about postsecondary education performance

With the help of these authorities, CPE has been able to bring together a wide range of institutions to advance the areas described in the prior section (access, affordability, attainment, alignment with workforce needs). It has also decreased the historical stigma of community and technical programs by acting as a single coordinating board over the four-year institutions and KCTCS, and by giving KCTCS a “seat at the table.” A complete list of CPE’s roles and responsibilities can be found in Appendix A.



Stakeholders are appreciative of CPE's leadership on higher education issues. Setting a strategic agenda for higher education and advocating on behalf of higher education in Kentucky is a key responsibility of CPE and is exercised not only with the state legislature but also in conversations with postsecondary education leaders across Kentucky. Stakeholders were generally satisfied with the effect that CPE has had in encouraging collaboration across institutions and in promoting higher education and its institutions across the state.

- *"CPE was tasked with reforming the higher education system. They did that and are doing that. If we didn't have CPE, I don't know who would do that. We would have to deal with nine different fiefdoms. CPE is good at herding cats and executing on asks from the state."* [State-level representative]
- *"I feel comfortable speaking for most people when I say that we have the utmost respect and regard for Dr. Aaron Thompson. His leadership has supported both accomplishments and challenges faced by higher education in Kentucky and is a huge asset to the value that CPE provides for our state."* [State-level representative]
- *"Presidents fight against each other, and CPE does well with keeping everyone on the same side to present a unified voice to the legislature."* [CTC leader]
- *"We are reassessing our approach to performance funding. This is an element we need to fix. We have a number of people that have leaned into this in a positive way. I have great respect for presidents for embracing that change. I love CPE's coordinating role and how they herd the cats. Dr. Thompson is great at this. It is a hard job to answer to both the presidents and the legislators."* [State-level representative]

Stakeholders also appreciated that CPE has supported Kentucky's higher education in its achievements, such as elevating the perceived value of higher education to achieve higher attainment rates.

- *"There has historically been a cultural bias in Kentucky against higher ed. There is a sense of elitism attached to postsecondary education, and because of that, kids will skip college if they can get a job out of high school with decent entry level pay."* [State-level representative]
- *"The 'Higher Education Matters' campaign that CPE ran last year included a focus on technical programs in Kentucky's higher education system and is a really good example of how the CPE can use its platform to elevate and promote higher education related issues state-wide."* [University president]

**At the same time, stakeholders indicated that the higher education system could potentially benefit from a few changes to CPE's purview, to facilitate implementation and not just coordination of a state-wide higher education agenda.** Stakeholders identified a few areas where CPE's role could either be clarified or strengthened, or where a new role could be added.

- **Fiscal oversight.** The presence of multiple financially distressed public institutions in Kentucky has prompted exploration into what circumstances allowed institutions to reach a point of distress and how changes to the governance structure could address these challenges. In particular, the sudden financial distress of Northern Kentucky University came as a surprise to the public and generated concern that ongoing financial monitoring and oversight was not robust enough. While CPE owns the institutions' data and can report on institutional performance, including financial performance, it is not seen as identifying or flagging financial and reputational risks early enough. One potential solution that was raised by a number of stakeholders was granting CPE stronger fiscal oversight authority.
  - *"CPE usually plays a responsive role, not a proactive role. Kentucky State University has been struggling financially for years and Northern Kentucky University found itself with financial problems."* [University president]
  - *"We knew about the financial issues that were going on at Kentucky State University and some of the community and technical colleges but were completely blindsided by the financial situation at*



- Northern Kentucky University, which we had previously seen as one of the strongest successes in our state.” [State-level representative]
- “There may be some ‘low hanging fruit’ in this area. There should be an annual report to CPE and legislature in regard to the status and health of each institution. There could also be checks and balances in regard to debt — NKU took on massive amounts of debt.” [University president]
  - “I previously worked in another state that had a coordinating board like CPE but also a statute that put fiscal improvement measures in place. The board uses a scoring system to monitor various metrics and there are consequences attached to performance on the metric. You have by X date every year to provide an external audit, by X date, to provide the metrics and the board will match those against what they come up with. If there is any difference with the metrics, the institution needs to explain. You get a warning first time, then oversight by the board and the state budget office. The board can then address what needs to be taken care of, whether president removal or whatever it may be. If we had that system in place, we could have caught the issues earlier.” [University president]
  - “It could be beneficial for CPE to use more monitoring and reporting tools to ensure institutions are healthy financially. Ultimately, it is the responsibility of the trustees to ensure that budgets are set and adhered to. Rather than CPE having more direct oversight, CPE could set up a dashboard that looks at key financial and operational ratios. Flags and checks could be set up based on metrics tracked. That could be effective. It is hard to respond to a crisis if you are surprised.” [University president]
  - **Leadership appointments.** Stakeholders universally acknowledged that strong leadership and everything that goes along with it (e.g., ability to set a clear vision and mobilize people around this vision, willingness and ability to make tough decisions and execute these decisions) is critical to the success of individual institutions and the higher education system overall. With that in mind, some stakeholders advocated for CPE to play a stronger role in leadership appointments across institutions. Others pushed back on this idea, saying that this level of control might have unintended negative consequences at the local level.
    - “Hiring the right leader for an institution is one of the most important decisions a board can make to support the financial viability of that institution. CPE doesn’t need to be the approver or decider, but it could be included in presidential search processes.” [University president]
    - “I have a lot of confidence in CPE. I would like to see them have some connectivity in the appointment of leadership.” [State-level representative]
    - “I would not necessarily want CPE to be the final arbiter of presidential hiring. I would definitely want to see them do formal training around governance and fiscal responsibility for either presidents or board members.” [State-level representative]
    - “There are some states where the coordinating body president or vice president sits on the campus level search committee. There are some pros to this — general policy level coordination, agreement that this a legitimate qualified individual and not just a local hire. It might also strengthen the relationship between the institution’s president and the CPE president. But there are also some risks that would need to be considered carefully. For example, we could end up with the Governor asking the CPE to ensure the hiring of one president or another.” [University president]
    - “Local boards should own leadership appointments, but there may be a bigger role for CPE to play vis-à-vis local boards. For instance, there needs to be uniform bylaws that lay out criteria to serve on a board and board responsibilities. Board members could also benefit from more training. Not all those who are appointed know what they are getting into or fit all the criteria for the role.” [University president]



## 1.1. SJR 98 Q1: KY stakeholder input on higher education

- **Board training.** University stakeholders have suggested that one cause of recent universities' financial distress may have been the inexperience of the institutions' local governing boards. Board members of local governing boards may not be equipped to detect the warning signs of financial distress or provide solutions to the financial problems institutions face.
  - *"The board made some financial decisions that one might call questionable. Half seemed to be alumni and the other half was wealthy people with political connections. I think if CPE could train them in the role and how to look at finances in higher ed, it might mitigate disasters like this. To understand all this takes a long time. Having a degree does not qualify you to run an organization as complex as a regional university, much less a research university."* [University president]
- **Strategic program oversight.** Stakeholder perspectives on this issue were mixed, with some suggesting that CPE play a more active role in this area and others suggesting that CPE focus primarily on data gathering and sharing of program outcomes across the state.
  - *"I don't think CPE does a good job of mitigating program duplication."* [University president]
  - *"They are good at coordinating mission statements and programming and making suggestions, but it doesn't seem like they have the authority to enforce their suggestions."* [State-level representative]
  - *"The concern about program duplication may be excessive. What matters is are institutions responding to the needs of their students and regions?"* [University president]
  - *"One role for CPE could be coordinating a process where program outcomes are tracked and reported/shared. Are programs leading to good outcomes for students?"* [State-level representative]
  - *"If CPE is the coordinating body for higher education and focused on strong outcomes for students and alignment with state needs, why isn't it more proactive about sounding the alarm when our system is not meeting those needs or when existing policies are getting in the way? For example, Senate Bill 10 happened two years ago and removed a cap on admittance to nursing programs. Why in the world was that not brought forward to us sooner, with such a huge nursing shortage?"* [State-level representative]
- **Financial aid strategy.** Some stakeholders acknowledged that in some states, responsibility for setting financial aid strategy is under the broader umbrella of the higher education coordinating body, thus allowing the state to align its financial aid strategy more closely to the overall strategic agenda of the state.
  - *"I absolutely think that higher education strategy and financial aid strategy could be more closely aligned. KHEAA could be brought under CPE as a department or entity within the structure of the council."* [University president]
  - *"Overall, there is a lack of targeted funding toward low-income students. If one of our state goals is reducing access and attainment gaps between student subgroups, financial aid could be one tool to help with this."* [State-level representative]
- **Incentive funds.** CPE already plays an important role with regards to managing and deploying funds related to various incentive programs (such as the \$40m "Bucks for Brains" Endowment Match Program to encourage research at KY universities, and the \$10m in federal funds for the Healthcare Workforce



Initiative administered by CPE to address critical workforce shortages in the health care field). CPE could potentially be granted additional funds to incentivize and reward institutional alignment with state-level higher education goals.

- *“We could benefit CPE with funds to celebrate wins at the state level. All the funds available to institutions now are around individual and comparative performance. If we had a pot of money that CPE could use to reward institutions around state goals, CPE could have that additional bit of incentive to offer them around coordination. This could give CPE more power to coordinate and coerce.”* [State-level representative]

## **GOVERNANCE OF FOUR-YEAR INSTITUTIONS**

**Need to balance centralized coordination and local responsiveness.** Stakeholders believe there is a good balance in Kentucky’s higher education governance structure between centralized coordination and local responsiveness. They agreed that this balance has helped the state achieve progress toward its higher education goals while also engaging with the needs of local communities. This structure attracted the talent of several university and CTC leaders who sought the “best of both worlds” with a coordinating board to track progress toward larger economic development goals and local boards at the institution level for agility. In tackling the state’s existing higher education challenges, decision-makers should consider the impact of any changes on the balance between alignment to statewide goals and responsiveness to local dynamics and workforce needs.

- *“The local community and technical college in my district is fantastic and is involved in the community in everything from academic support to natural disaster recovery. They are so deeply engaged with local needs that I cannot think of any ways that they could be more engaged.”* [State-level representative]
- *“I think that any board needs to have people on the board that understand the area. I don’t know anything about Louisville, so I should not be on the board there. It doesn’t make sense. And statewide, there should be proper representation. At the state level, sometimes we pass things that are great for eastern Kentucky, and it kills something in western Kentucky. And I don’t know that. I would think it would work everywhere, but I don’t know those places. I want to see people making decisions for eastern Kentucky who know eastern Kentucky.”* [State-level representative]

Stakeholders from four-year institutions indicated that they prefer the current governance structure (with each institution having its own, local governing board) to a single board that would govern all four-year institutions in Kentucky or a superboard that would govern both the four-year and the two-year sectors.

- *“I believe the current structure works well in that CPE has coordinating powers and authority from a regulatory standpoint. One big board would be bad in that it would mostly likely focus primarily on the needs of the flagship (research) institutions and smaller institutions would be forgotten about. It would create bottlenecks in universities being nimble and adaptive to their local contexts.”* [University president]
- *“I appreciate the CPE model. I find it does well at tempering what I imagine to be the more chaotic parts of working with the state government, while allowing institutions to run in the way that fits them and their region the best.”* [University president]
- *“A ‘superboard’ will not understand local issues. They are too far away. I don’t want bureaucracy to get in the way of innovation. Running things up the flagpole to Frankfort and back down is extremely inhibitive.”* [University president]
- *“There’s a difference between a policymaker in Frankfort and running a campus. If it weren’t for this structure, we would have to deal with a lot of statewide politics and spend human capital doing that instead of paying attention to the students in our region.”* [University president]

**Many stakeholders point to a “mission creep” across institutions.** Stakeholders raised the disparities in the enrollment, outcomes, and financial health of four-year institutions in Kentucky as a concern. Though the



economic realities of declining population have affected all four-year institutions in Kentucky in some way, the research universities have seen enrollment increases, while the regional universities have struggled with declining enrollment and depressed operating budgets. Even among the regional universities, disparities in institutional health exist, often linked to the economic health of the regions in which they operate.

Perhaps in response to declining enrollment in the last decade, four-year institutions have begun to expand their program offerings to provide more non-degree credentials (certificates). There may be a case for growing the number of short-term certificates offered by four-year institutions if they lead to strong outcomes (employability and wage growth). However, stakeholders were not certain that certificates were indeed producing these positive outcomes and in the absence of data to support this, were concerned that the pursuit of certificate offerings was largely an attempt to balance budgets and a response to the incentives built into the current performance funding model, which rewards the quantity of credentials earned at an institution.

By offering short-term credential programs, four-year regional institutions may encroach on the missions of two-year institutions, create competition between the sectors, shift resources (e.g., faculty, student support) away from four-year programs and confuse students pursuing postsecondary education with their value proposition.

- *“Universities have tried to be everything to everyone and that is just not working for them or for the people of Kentucky. When universities and community colleges compete in this way, they use limited resources on unwinnable battles, which is ultimately a disservice to students.”* [University president]
- *“There needs to be a more collaborative approach among institutions in deciding what their niche is and what market they should strive to be in. It may be unnatural, as they want to grow the business, but there is so much competition right now and CPE may be able to help facilitate that. Most folks are territorial and self-preservationist in the direction they are trying to go.”* [State-level representative]

**While alignment of four-year institutions with industry needs is relatively strong, there is some room for improvement.** Employers were generally satisfied with four-year institutional program quality and alignment with workforce needs in Kentucky. They are particularly satisfied with programs that include an experiential learning component and with graduates of the research universities. Four-year institutions are supported in meeting workforce demand through statewide initiatives and institutional strategic alignment. For example, CPE supports the state in implementing initiatives to drive growth in high demand areas by building a nursing school in western Kentucky with University of Louisville and incentivizing STEM and life sciences programs through the performance-based funding model.

- *“The four-year universities are well-positioned to handle our needs in that the candidates that we interview, particularly coming out of UK and UofL are very highly qualified. Both preparation and retention are very strong from these groups of candidates.”* [Employer]
- *“Morehead State recently established an aerospace program that is right up there with MIT. They are one of four satellite monitoring stations for NASA. There is extremely high demand for these students from the likes of NASA and Boeing. It is a niche industry but has quietly become one of our biggest exports.”* [Economic development leader]

Though employers find that four-year program offerings are relatively aligned with industry needs, there is concern that four-year institutions throughout the Commonwealth may not be forward-thinking enough to anticipate changing business trends and technologies. Employers expressed some frustration with the pace at which change takes place and felt that there is friction when approaching institutions for a new program or concentration.

- *“[One four-year university] does not have a concentration in construction engineering within their civil engineering program. We have been in discussion with them over the years in the hope that they would consider working something out with our support. We are getting some momentum with the department chair, but the requirements are substantial — research, classrooms, professors, etc.”* [Employer]





University leadership confirmed that they may be slow to adapt because of the demands of program design and approval processes on faculty and institutions as set by accreditors, CPE and local boards.

For these reasons, some stakeholders saw benefits to a single governing board for four-year institutions, or at a minimum, the regional institutions. According to some stakeholders, a single governing board might be better suited to execute more dramatic changes than a coordinating board could. A single governing board could consider potential consolidation of institutions, or consolidation of some back-office functions across institutions to create a sharing system of four-year institutions, or a more robust program review and renewal process.

- **Potential consolidation of institutions:** *“One of the biggest challenges we have is that we may have too many four-year residential institutions. For a state our size, looking at enrollment, we have too many universities. I hope they can get the struggles back under control, but if not, we need to at least consider this question.”* [State-level representative]
- **Potential consolidation of back-office functions/services:** *“Some things could be more shared — legal, procurement spend so we can get economies of scale when negotiating contracts, IT, maybe HR (though this would need to incorporate strong campus perspectives as well), maybe marketing. It wouldn’t need to be a governing board necessarily, it could also be CPE, but that would mean that CPE would need to be a much larger organization to serve these functions.”* [University president]
- **Robust program review, approval, and renewal process:** Stakeholders noted that a single governing board could potentially focus on improving the quality of existing degree programs across the higher education system rather than proliferating a high quantity of credentials. It could also support member institutions in being more responsive to employer asks.
  - *“With regards to workforce, what needs do we have regionally? And are our universities meeting them? Are we anticipating what is coming across both two- and four-year colleges? There are more degrees than we have needs for, which is not a bad thing, but when considering optimal use of public funding you have to wonder how to maximize the value we are getting. Are we stretching too many degrees that do not have a return for the taxpayer?”* [State-level representative]

## **GOVERNANCE OF TWO-YEAR INSTITUTIONS**

### **HB 1 legitimized technical education among postsecondary options through the formation of KCTCS.**

Before the formation of KCTCS, community and technical colleges faced a stigma of inferiority compared to other postsecondary programs. In the existing structure, both two-year institutions and four-year institutions are coordinated by CPE, establishing a greater level of collaboration across the sectors.

- *“External studies concluded that community colleges and technical schools be united. Another option was to have them governed through the four-year institutions, but four-year institutions were not considered responsive enough to industry and workforce needs. Subjects do not change often, but the needs of industries change a lot. Programs needed to be able to change fast, sometimes in less than a year. It is hard for four-year institutions to operate that quickly, so there needed to be an entity that was flexible and able to change to meet the unique workforce needs of each region. Putting the community colleges and technical schools together was going to lead to better student outcomes.”* [State-level representative]
- *“Being a part of CPE gives us a sense of inclusion in the broader Kentucky higher education conversation by giving us a seat at the table and connecting us with the other institutions.”* [KCTCS system leader]

**However, stakeholder groups agree that there are many areas of improvement for the KCTCS system as a whole.** Views shared by stakeholders covered topics such as perceived strength of system leadership, the role of



the System Office, the appointment of institution advisory boards, program proliferation, and partnerships with employers.

- **System leadership.** There was common agreement among stakeholders that the System needs to have a strong president, especially considering some of the current challenges cited (e.g., complex enterprise comprised of 16 institutions and 70 campuses; perceived administrative bloat; perceived program proliferation; perceived mission creep; perceived inconsistency in addressing industry needs).
  - *“Leadership of KCTCS is integral to its success or failure. It is vital that they get a strong leader with a good vision in to lead it successfully.”* [University president]
  - *“KCTCS has had a leadership issue for a while now and it is starting to make the System even worse.”* [State-level representative]
  - *“KCTCS is the solution for the healthcare workforce crisis; they just don’t have the leadership to get it done.”* [Employer]
- CTC stakeholders shared that a strong leader with higher education experience would be highly impactful at the System level and would allow colleges to build a better working relationship with the System Office. The perceived gap in leadership contributes to CTC institutions feeling unheard at times in state-level higher education conversations. The System leadership is not perceived to accurately represent the voices of all CTC institutions because it treats the individual colleges with too much uniformity.
  - *“The colleges work well together, but the System and statutory structure do not work well together. That is in huge part due to the lack of strong leadership at KCTCS. A lack of leadership leads to a lot of internal battling, rather than collaboration, when things are not going well.”* [CTC leader]
- **System Office.** Colleges perceived the System Office as oversized. They conveyed that there is an opportunity to look critically at what functions exist in the System Office vs. on each college campus. KCTCS has begun this work through the KCTCS Resource and Program Optimization Opportunity Report conducted by an external consultant. That study identified opportunities for streamlining and cost efficiencies. Colleges saw value in some services being provided centrally by the System Office; in other cases, they would prefer the responsibilities to move back to the colleges.
  - *“Some of the services the System Office provides are effective and could be bolstered further like legal services, payroll, IT (ERP software, website hosting), facilities management — to reduce institution burden and save money through economies of scale. The System Office could be doing a better job with HR and marketing. And some things, like student services, would benefit from coming back to the individual colleges.”* [CTC leader]
  - *“The System Office needs to reorganize. Every school has an HR Director and employees in the HR Department, and the System Office also has one of the largest HR departments. They have replicated all of the positions at the college level and some of them have no work to do.”* [CTC leader]
  - *“The System Office needs to have a well-defined scope as to what they do for the colleges and what the colleges do for themselves.”* [CTC leader]
  - *“We are all paying a lot to the System to cover their costs, but there is no transparency in how funds are being used and why. The chargeback system is convoluted and not rational. For example, we paid almost as much as bigger colleges. If some functions were given back to the colleges, the chargebacks would go down and we would have resources at the local level to do what we need to get done.”* [CTC leader]
  - *“We would like to see the System Office better engage CTC leadership in strategic planning to align with the diverse needs of the 16 colleges and collaborate on realistic plans for*



- implementation. The System Office’s strategic planning timelines and priorities are not efficiently coordinated between system and campuses because the presidents are not included in the conversation with the System president and cabinet to advise what is reasonable. Being more involved with strategic planning and initiatives can help the colleges help the System Office be more intentional with its systemwide efforts.” [CTC leader]*
- *“We spend a lot of our time and energy navigating situations forced on us by the System Office when we would rather spend that time meeting the needs of our students.” [CTC leader]*
  - **Institution advisory boards.** Each CTC has an advisory board, referred to as the Board of Directors. Each board has ten members, seven of whom are appointed by the Governor, and the remaining three are a teaching faculty member, a staff member and a student. A separate nominating committee of five members (for each college’s Board of Directors) submits nominations via an online portal to the Governor’s office. These nominations are reviewed and eventually the board members are appointed by the Governor. KCTCS stakeholders expressed concern that the process in place for the appointment of institution advisory boards is too slow and opaque. While institutions have attempted to fill vacancies, the process has been slow to appoint recommended board members, which impacts the quality and value of the advisory boards.
    - *“The appointing commission for institution advisory boards out of the Governor’s office is not doing the work of appointing candidates. I have folks who have been sitting in the appointment portal for years that are not being appointed to my institution’s board, leaving a lot of empty seats open.” [CTC leader]*
    - *“It is in statute that the Governor appoints a diverse set of seven board members across a number of metrics, but the process is so convoluted. Applications are sent to a local nominating committee, whom we don’t know, and they send recommendations to the college’s advisory board and Governor’s board member nomination commission. Then, the Governor appoints the recommended board members. It’s such a slow process.” [CTC leader]*
    - *“I feel as though we are still a second thought in the context of higher education. It’s hard to get board members.” [CTC leader]*
  - Given there are vacant board positions and the existing process often acts as a bottleneck to appointing new board members, KCTCS leaders find that the advisory boards are not always filled with the right people to provide institutions with adequate support and are not collaborating with the System’s board. CTC leaders specifically mentioned that training of advisory board members would be beneficial to increase their value once positions are filled.
    - *“These advisory boards go years with vacancies, and members have served for 30–40 years when they are supposed to be on the cutting edge of workforce needs. If you were able to limit the time and effort required to appoint new members, then that may be a big factor in helping out the local leadership.” [KCTCS leader]*
    - *“The System needs to work together with the individual institution boards and we’re not yet. There are times when the individual colleges need to independently do what’s best for the community, but there also needs to be some universal standards and centralization.” [KCTCS leader]*
    - *“I think it would be wonderful, whether CPE or any entity, to provide automatic procedural training for board members. It is our role to establish the role of board members and their duties so CPE could be a great help in this area.” [CTC leader]*
    - *“I would want to be sure CPE training is about their statutory duties and what a board does, but remembering that they are a community college board, which is much different from UK for example.” [CTC leader]*

- *“We take our board along to a third-party conference because there is not anything done. I think it would be good for all boards to hear from CPE what the statewide strategy and initiatives are. The training that lays out the advisory vs. Board of Regents role and responsibility was also helpful under a previous KCTCS system leader. What I don’t want is CPE telling them how to run our college.” [CTC leader]*
- Some stakeholders expressed interest in eliminating the local CTC boards altogether. Currently, the local boards have a fair amount of power, reviewing presidential performance and approving the requested budget of the community and technical colleges. There may be other alternatives to this, for example:
  - At a minimum, changing the division of responsibilities between the governing board (Board of Regents) and the advisory boards (Boards of Directors) so that the governing board reassumes responsibility for strategic plan and institutional budget approvals and plays a larger role in presidential searches and appointments. Advisory boards would in turn focus on helping institutions assess their program offerings and align to local needs.
    - *“Not sure it should be combined into another board, per se. Not sure if the colleges should have their own boards, as you start to get so far away from accountability it starts to become problematic.” [State-level representative]*
  - In addition, the Board of Regents could choose to appoint advisory boards at the regional rather than local level, meaning that advisory boards would be not to be tied to a single institution but would instead advise a cluster of institutions in a region. This would reduce the number of advisory boards from 16 to 6-7; this smaller number of boards should also make it easier to recruit and appoint strong members to the boards.
    - *“We are trying to improve operationally at the institution level. We want to bring uniformity – I understand that each community has different needs, but there are some ways where we need to behave more like a system.” [KCTCS leader]*
- **Program proliferation.** Many stakeholders perceived KCTCS as adding programs every year in reaction to the incentives built into the funding formulas rather than approaching the portfolio of programs across KCTCS in a more strategic way. KCTCS does not appear to have a centralized view of employer demand nor a strategic plan to meet this demand through KCTCS program offerings, particularly in high-demand industries such as healthcare, advanced manufacturing and education. The proliferation of certificates that are not tied to industry or national certification brings into question the extent to which KCTCS is using data to assess the workforce needs of the state and inform certificate program approval authorization at the System level.
  - *“We need to know what employers are looking for not just now, but five years from now. There is not enough alignment and communication between the different groups in the state. More conversations should take place among KCTCS, employers, CPE and labor cabinets.” [State-level representative]*
  - *“As an early believer in marketable skills, KCTCS put together wage-driven certificates/skillsets, but there was a huge explosion of certificates. Originally, this was designed to be an incentive for students to show them that they are making progress, but then it became a response to the performance funding formula. Right now, it feels like they are throwing workforce spaghetti at the wall and they need to be more strategic.” [State-level representative]*
  - *“Each college in each community wants to feel like their own entity. There is not a lot of statewide planning around programs from a need perspective and this may contribute to program proliferation.” [State-level representative]*
  - *“I think even within our own college, there could be more bloodletting of programs to ensure we are most effectively meeting community needs.” [CTC leader]*



## 1.1. SJR 98 Q1: KY stakeholder input on higher education

- *“I am concerned that many of the certificates that students are receiving may not mean anything. The certificate might look good on paper, but there are too many that are not tied to any national or industry verification and feel meaningless.” [State-level representative]*
- This situation is exacerbated by the perceived lack of program closures, indicating that the System Office may not be managing the overall program portfolio effectively.
  - *“A few years ago, the board asked for reports on termination of programs. We do not ever fully close a program. I am not sure if it has been done. We retire it, or do not offer it, but we do keep it on the books, so we don’t have to go through the process to start it up again.” [State-level representative]*
- **Employer partnerships.** Employers were generally satisfied with CTC graduates’ preparedness level. However, employers expressed mixed feedback on how colleges are meeting their needs. While some collaborate with CTCs on workforce assessments and barrier analyses to co-develop program pathways and job opportunities that align, other employers have found their local CTCs to be slow to respond and resistant to innovate. When local colleges are responsive, it has convinced multiple employers to invest (with funding and sometimes staff) in their local CTC. Some employers expressed interest in investing more to expand the capacity of individual CTCs when presented with the potential return on investment.
  - *“We have invested so much in building out the pipeline at our CTC and their leadership is very collaborative and responsive to our current and expected needs. The feedback goes both ways in our communication and our partnership has served us well as the largest healthcare employer in the region.” [Employer]*
- However, employers also expressed some frustration with how inconsistent the experience can be from region to region, college to college. Requests or attempts at collaboration with the System often do not result in action. These missed opportunities inhibit employers from developing partnerships with KCTCS at the System level to implement statewide initiatives in response to workforce demand. This is a potential area where the System Office could play a much bigger and more proactive role.
  - *“We saw this several years ago in a particular location. Those businesses were upset with KCTCS because they didn’t find the graduates employable. A healthcare employer was also experiencing very slow responses, asking KCTCS for technicians and people. There has been no response. There is a disconnect somewhere.” [State-level representative]*
  - *“KCTCS does not speak in one voice. I hesitate to call it a criticism because I wouldn’t want to lose their ability to address local nuance. There was a time we asked them what resources they needed from us to graduate more students and we never received a centralized ask or proposal back. What we need from KCTCS is something along the following lines ‘at each location we need X faculty and Y equipment, and if we can get support with those, we will be able to produce Z more students to meet your workforce needs.’” [Employer]*
  - *“American National University took six months to develop the program we needed after we offered to provide the funding and resources to stand it up. In contrast, Big Sandy took two years.” [Employer]*
- Employers, especially larger employers, were quick to mention the value in KCTCS institutions’ ability to swiftly respond to local needs, emphasizing the need for balance between local and system-level involvement.
  - *“Having KCTCS pulled from the four-year institutions was the right move. They are nimbler and working with four-year people and two-year people is a different experience. We are certainly moving in the right direction.” [Employer]*
- Larger employers tend to have more job openings available and sometimes run into talent pipeline issues. In such instances, employers expressed interest in working with the KCTCS System Office to



develop a system-wide approach to strengthening the pipeline rather than just working with individual colleges that may not have the scale needed in terms of the number of graduates/candidates sought by large employers.

- *“Three years ago, we had 80 nursing positions, so we were pulling people from all over the place who are not committed to our region and don’t stay. I went to KCTCS and said I will give you the building, the money, the staff if you stand up a nursing program. We had to pull teeth to get them to actually start the program, but they finally did.” [Employer]*
- Smaller or more localized employers may run into a different supply and demand mismatch. They may not have sufficient scale to persuade local colleges to develop customized programs for them. These smaller employers acknowledged that colleges have limited funding and capacity for program delivery and that it is not always plausible to cater to smaller employer needs given the delivery economics.
  - *“Our community and technical college is not particularly responsive to our needs, but we get it. It takes a lot to set up a program and administer it, and it may not be totally worth it for them if it only supplies a very small number of jobs in the region. I think that community colleges are serving larger employers well, but that smaller employers are currently a more untapped space for them.” [Employer]*
  - *“There is an area or two where we want more scrub techs and the CTCs do not have a scrub tech program, but we only hire four scrub techs a year so that just isn’t economical for such an expensive program. Some places do it, but the scale piece becomes a challenge.” [Employer]*
- Though most stakeholders may fault insufficient workforce alignment to KCTCS, some stakeholders would like to see CPE exercise its authority in steering KCTCS. In its coordinating role, CPE has final program approval and elimination authority over KCTCS but has granted KCTCS final approval authority for non-degree certificates proposed by the local CTCs. CPE could potentially take a stronger stance on which programs KCTCS offers either through direct approval or supporting the System Office to create an academic plan for technical certificates
- **Better coordination between KCTCS and CPE.** College leaders shared that there is opportunity for better planning and coordination between KCTCS and CPE related to strategic initiatives and program approval. In addition to the KCTCS initiatives, colleges are involved in initiatives that originate from the CPE. Colleges find that coordination of these initiatives between the KCTCS System Office and CPE is minimal, leaving significant implementation burden on the colleges for the many “side by side initiatives in workforce development.”
  - *“The conflicting initiatives that CPE and KCTCS will launch in parallel shows me that they do not communicate and have very little idea of what is happening at each organization. This lack of coordination leads to confusion for the colleges and we have to spend a lot of time and energy navigating the conflicting strategic and programmatic directions.” [CTC leader]*
- As a result, these initiatives become an “exercise to get through” rather than drivers of progress and, while well-intentioned, become ineffective because of poor implementation. This is especially important to colleges when there are opportunities for additional funding through these initiatives, but colleges find their resources stretched by the short timeline to meet deadlines or lack of support. More robust mechanisms for communication and coordination between CPE and KCTCS System Office could improve coordination of initiatives to reduce the implementation burden placed on colleges.



- This duplication also applies to program approval. College presidents experience redundancy in the degree approval processes overseen by CPE, KCTCS, and the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the accreditation agency. Designing structures at CPE to supplement the program approval process for CTCs could be beneficial rather than duplicating the existing process for KCTCS stakeholders. These adjustments could provide the leverage needed for CPE to appropriately use its approval authority over non-degree certificates to better meet statewide programmatic needs.
- Funding for the CTCs is still a limiting factor in program development as KCTCS is funded only through state appropriations and tuition. Local colleges see the current funding system as being biased toward the four-year institutions.
  - *“The state’s distribution of funds places greater emphasis on the four-year colleges. Community colleges feel like an afterthought.”* [CTC leader]
- Local colleges would like to see CPE and KCTCS collaborate to update the KCTCS funding structure. With more funding, they hope to increase investment in program development, employer collaboration and student success supports such as academic counseling, which could increase timely completion rates and allow for faster production of graduates to meet workforce needs.

## 1.2. SJR 98 Q1: State comparative analysis

### 1.2A. Methodology

In response to the first study area of SJR 98 and at the request of CPE, EY conducted a state comparative analysis to assess the landscape of governance structures and governance practices against those of Kentucky. The purpose of this activity was to assess whether different governance structures have practices or policies that address the key areas of improvement in Kentucky described by stakeholders in Section 1.1.

The analysis included a national scan of higher education governance structures achieved through secondary research on state statutes and scholarly reports. Based on this scan, states were organized into three main categories and eight sub-categories of governance, described in section 1.2B.

To inform a more detailed understanding of higher education governance, eight states were identified for a deep dive by CPE as shown in Figure 1.2A.1 (e.g., levels of higher education enrollment, state income levels, urbanicity). Additional considerations for state selection included ensuring that both a range of governance models and Southern Regional Education Board (SREB) states were represented in the analysis. SREB states are frequently included in benchmarking analyses conducted by Kentucky.

This process resulted in the following eight states being selected: Georgia, Louisiana, North Carolina, Tennessee, Indiana, Kansas, Utah, and Wisconsin. The first four states are members of SREB.

Figure 1.2A.1: Process used by CPE to identify states for deeper analysis



In addition, two other states were recommended through interviews with national researchers and state higher education leaders — Ohio and South Carolina — as standing out with respect to how they aligned educational programs to state workforce needs. Consequently, these states were added to the deep dive analysis.

The deep dive analysis included both secondary research and extensive primary research:

- 31 interviews with higher education state and system leadership and national researchers
  - 12 state-level or four-year system-level representatives
  - 10 two-year system representatives
  - 9 national researchers
- Integrated Postsecondary Education Data System (IPEDS)
- Education Commission of the States
- State laws
- Board policy manuals and bylaws

The areas explored in the deep dive analysis included:

- **Details and authorities of each governance structure:** to understand the authorities of the coordinating and/or governing body and how the authorities are put into practice.
- **Rationale behind any changes in governance:** to understand the reasons why a state's governance structure changed over time, especially recent changes.
- **Alignment to state higher education goals:** to understand the specific elements of the state's governance structure and how they are perceived to support achievement of the state's goals.
- **Challenges to achieving state goals:** to understand the challenges states have experienced in making progress toward the state's goals and potential common themes across states.
- **The role of two-year institutions:** to understand the differences between two- and four-year institution strategies and the specific leading practices deployed by two-year institutions. Research focused on:





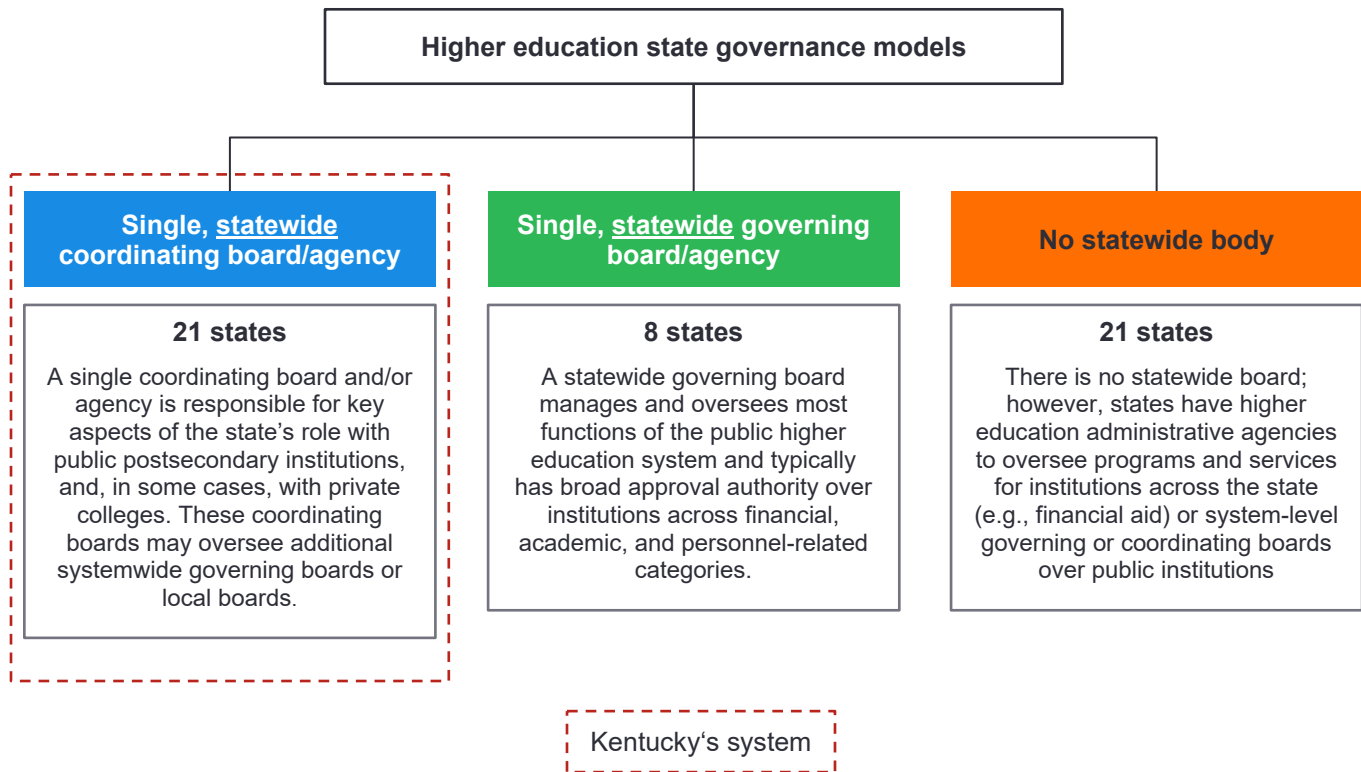
- Whether associate degrees and technical certificates were offered at the same institutions (to inform Section 3D)
- Strategies for managing the program portfolio of two-year institutions
- Accessibility and effectiveness of transfer pathways from two- to four-year institutions

## 1.2B. State higher education governance overview

### NATIONAL LANDSCAPE OF HIGHER EDUCATION GOVERNANCE STRUCTURES

The way a state’s higher education system is organized and managed refers to its governance structure — the organization of public two-year and four-year institutions, local institution boards, system boards, and statewide boards. Higher education governance structures vary widely across the nation — no state has a structure identical to another — but they generally fall into three categories based on the state-level body (Figure 1.2B.1).

Figure 1.2B.1: Statewide governance structure models<sup>18</sup>



As shown above, 29 states have a statewide board — either a coordinating or governing board — to guide state policy in higher education and facilitate progress toward state higher education goals.

State governance structures can be further segmented based on system and local governing dynamics. In some states, institutions are organized into systems (some combination of four-year and two-year institutions) with a governing board over the system(s).

Further segmenting can be done at the institution or local level – institutions may be governed by local governing boards that oversee the individual institution’s operations and decisions in alignment with the state’s higher education goals. Secondary research of statutes and scholarly reports supports the categorization of the many combinations of state, system, and local boards across the US into eight sub-categories of governance structures (Figure 1.2B.2).

<sup>18</sup> Education Commission of the States; EY secondary research



Figure 1.2B.2: Eight sub-categories of higher education governance structures with states selected for deep dive analysis highlighted<sup>19</sup>

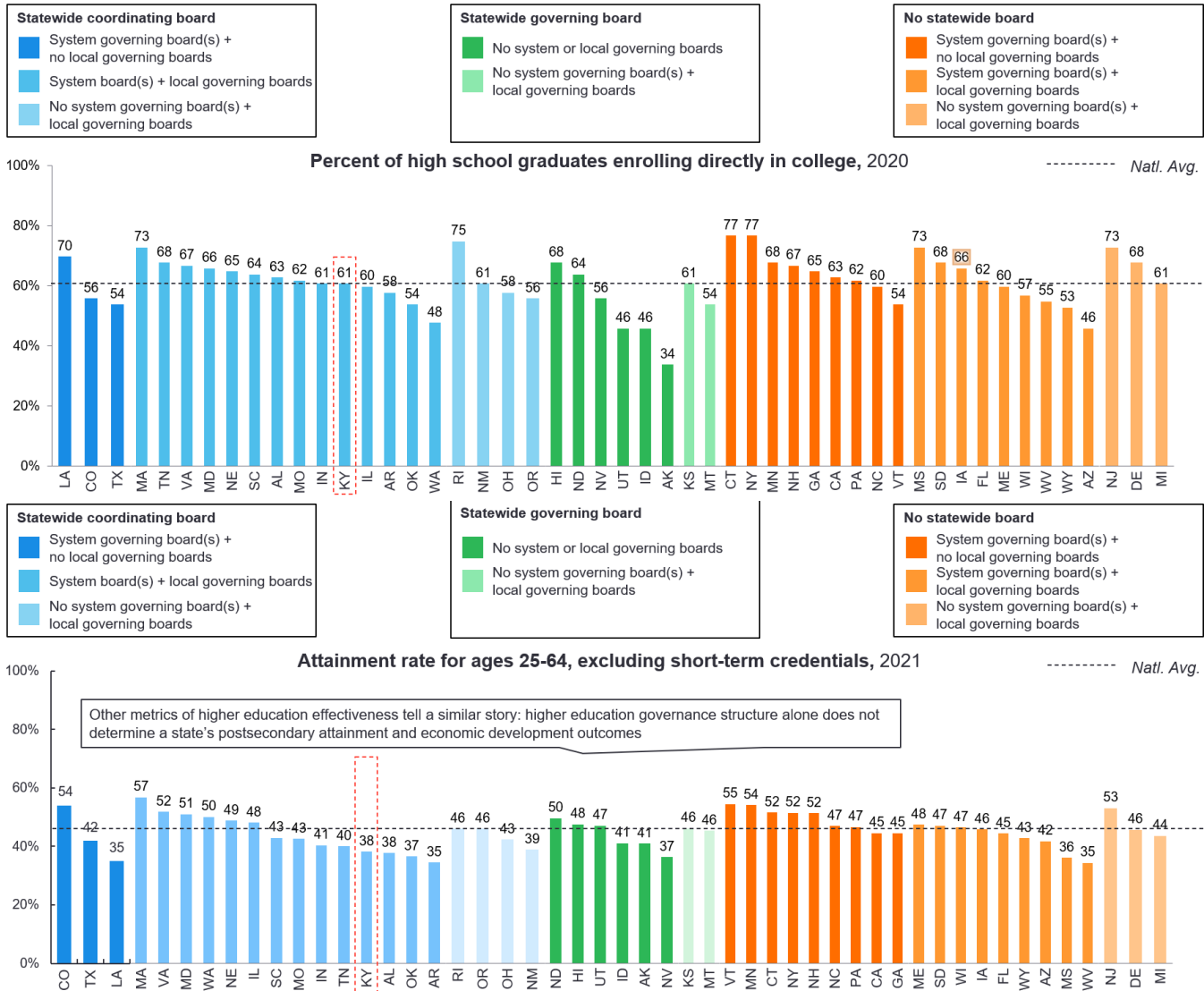
	Statewide coordinating board (21 states)	Statewide governing board (8 states)	No statewide board (21 states)
No system or local governing boards	N/A	▶ 6 states AK HI ID ND NV UT	N/A
System governing board(s) + no local governing boards	▶ 3 states CO LA TX	N/A	▶ 9 states CA CT GA MN NC
System board(s) + local governing boards	▶ 14 states AL AR IL IN KY MA MD MO NE OK SC TN VA WA	N/A	▶ 9 states NH NY PA VT AZ FL IA ME MS SD WI WV WY
No system governing board + local governing boards	▶ 4 states NM OH OR RI	▶ 2 states KS MT ▶ local governing boards for 2-year institutions only	▶ 3 states DE MI NJ

    Kentucky's system   
     Deep dive states

Every state's higher education governance is unique to the state in terms of its structure, authorities, policies, and funding models. Importantly, no single governance structure is objectively more effective than another in terms of achieving postsecondary education goals set out by a state, as shown in Figure 1.2B.3 on the next page. Postsecondary outcomes (e.g., college-going rates, completion rates, overall attainment, etc.) vary just as much within a single governance structure as across different structures.

<sup>19</sup> Education Commission of the States; EY secondary research

Figure 1.2B.3: Statewide college-going and attainment rates by governance structure category<sup>20</sup>



Interviews with national researchers, leaders in other states, and analysis of state-level outcomes also emphasized that governance is just one of several factors that affect progress toward postsecondary education goals in a state. Other factors cited include:

- **Level of public funding toward education** (state appropriations, local funding) — please see Figures 1.2B.4 and 1.2B.5 for state comparisons for both four-year and two-year institutions
- **Funding formulas** (and types of incentives for institutions built into formulas)
- **Value placed on higher education by state leadership** (signaled by funding levels and whether higher education is among the state's top priorities)

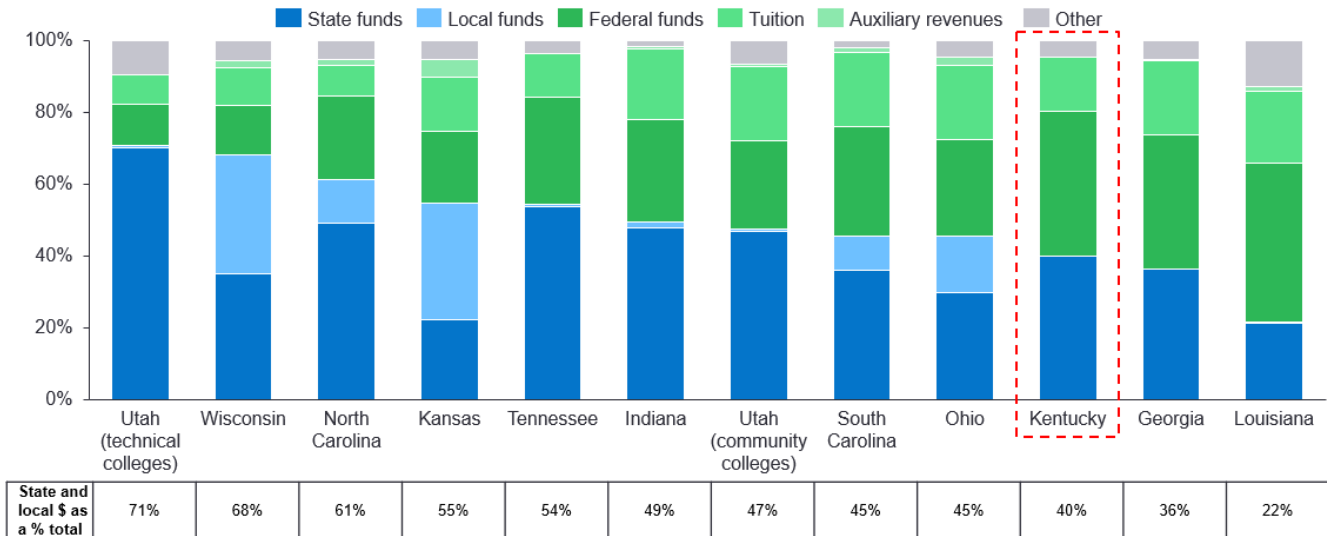
<sup>20</sup> IPEDS, Lumina Foundation

Prepared solely for Council on Postsecondary Education. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 107

- **Perceived value of higher education as a path to prosperity** by students, families, and broader public in a state, translating into propensity for students to attend
- **Quality and student outcomes of the K-12 system**, translating into level of postsecondary readiness
- **Availability and quality of student support services** in postsecondary institutions, which in turn affects retention and completion rates
- **Existence of well-articulated pathways for students**, e.g., as defined at the state level and executed through course alignment and transfer agreements between two- and four-year institutions to enable seamless transfer of credits and progression toward degrees

In Figure 1.2B.4 below, levels of public funding toward education are broken down by state and by major source of funds (i.e., federal, state, local, tuition). Kentucky is on the lower end in terms of the portion of total two-year institutional revenue that comes from public funds. Kansas, North Carolina, and Wisconsin and, to a much lesser extent, Indiana, and Tennessee also have access to local funds.

Figure 1.2B.4: Sources of two-year institution funding as a percent of institution operating and nonoperating revenue, FY2021<sup>21</sup>, 2022<sup>22</sup>, 2023<sup>23</sup>

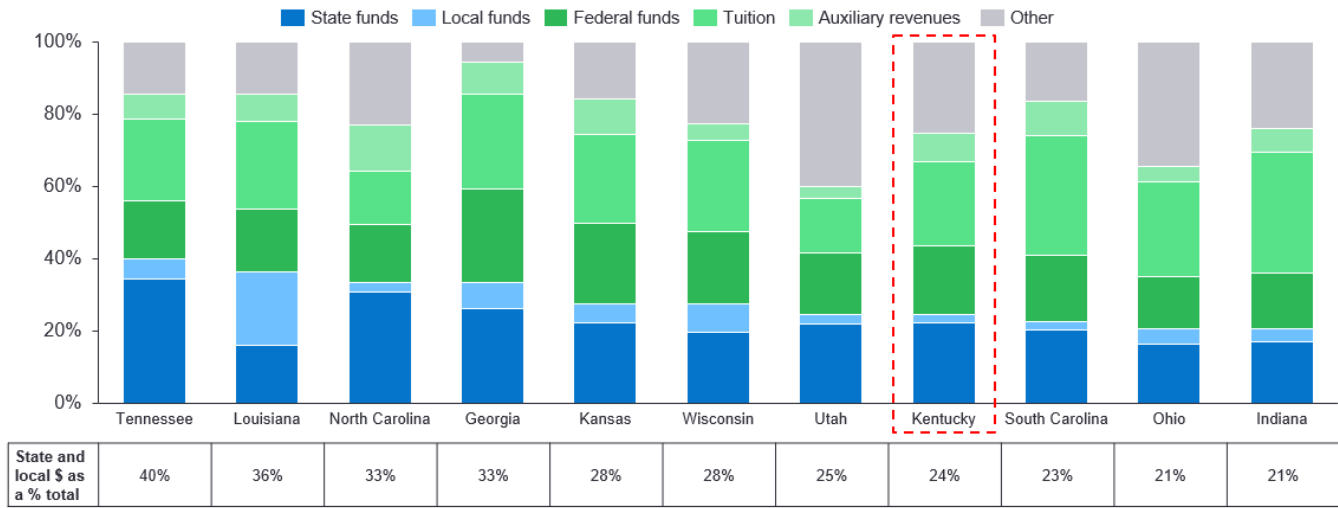


21 IPEDS

22 “Auxiliary revenues” includes revenues generated by auxiliary enterprises that exist to furnish a service to students, faculty, or staff that charge a fee related to the cost of that service (e.g., residence halls, food services, college unions, etc.)

23 “Other” includes sales and service of auxiliary enterprises, sales and service of hospitals, sales and service of educational activities, independent operations, other sources — operating, gifts and contributions from affiliates, investment incomes, and other nonoperating income

Figure 1.2B.5: Sources of four-year institution funding as a percent of institution operating and nonoperating revenue, FY2021<sup>24, 25, 26, 27</sup>



Changing a governance structure is an important decision for any state because it could involve significant disruption to the existing higher education ecosystem and practices. The questions of “why? to what end?” need to be addressed directly, especially since there is not a clear connection between postsecondary governance structures and postsecondary education outcomes as illustrated above.

The benefits and challenges of different governance structures must be assessed carefully in view of Kentucky’s unique context and needs. As a first step, the authorities that come with different governance structures should be well understood.

**RANGE OF AUTHORITIES IN DIFFERENT GOVERNANCE STRUCTURES**

Coordinating boards and governing boards differ based on the extent to which they have direct authority over public institutions. Figure 1.2A.6 is a simplified representation of how authorities differ between typical coordinating boards, strong coordinating boards, and governing boards. There is a much broader set of responsibilities that each entity may have, but the table focuses on key authorities.

24 Source: IPEDS

25 “Auxiliary revenues” includes revenues generated by auxiliary enterprises that exist to furnish a service to students, faculty, or staff that charge a fee related to the cost of that service (e.g., residence halls, food services, college unions, etc.)

26 “Other” includes sales and service of educational activities, independent operations, other operating revenue, gifts and contributions from affiliates, investment incomes, and other nonoperating income

27 Sales and service of hospitals excluded from analysis



Figure 1.2B.6: Spectrum of coordinating and governing board authorities over institutions and systems of institutions<sup>28,29</sup>

Type of authority		Governance structure		
		Statewide coordinating board	Strong statewide coordinating board	Statewide governing board
Academic program oversight	Program approval			
	Program review			
	Program termination			
Leadership appointment	Participate in search			
	Appoint			
	Evaluate			
Board member appointment	Define selection criteria			
	Appoint			
	Evaluate			
	Train			
Financial monitoring	Compulsory metrics reporting			
	Fiscal health dashboard			
	Institution budget approval			
Financial performance	Creation of unified budget request			
	Capital expenditure approval			
	Administer specific funding pools			
State financial aid	Strategy approval			
	Aid distribution			
Other	Tuition approval			
	Strategic planning and initiatives			

Final authority
No authority or limited input

Coordinating boards prioritize statewide higher education outcomes and provide systems and institutions autonomy in how they align to and support these outcomes. In contrast, governing boards have the ability to take a more direct role in institutions with authorities such as administering bonds, appointing presidents of institutions, approving executive compensation, and setting faculty and personnel policies. Given the more expansive scope of a governing board, these boards typically require greater staffing, resources, and investment to operate.<sup>30</sup>

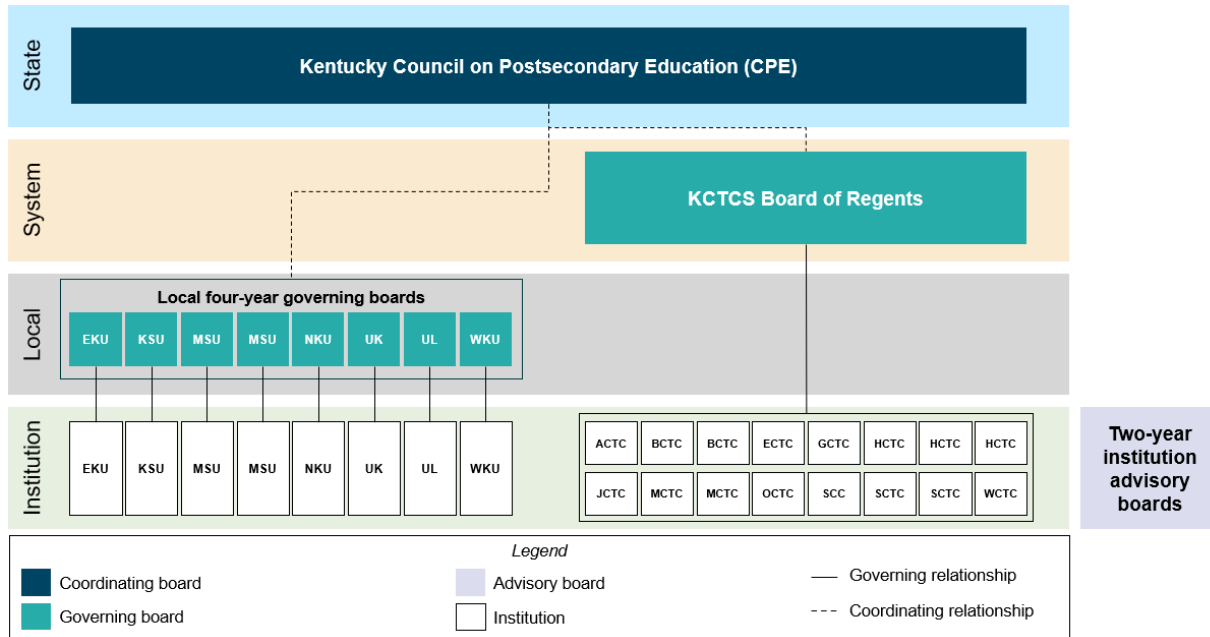
Kentucky's current governance structure includes a statewide coordinating board overseeing a two-year institution governing board (KCTCS) and local governing boards for each of the four-year institutions (Figure 1.2B.7).

28 Compulsory metrics reporting is required by all types of governing structures, however the scope and frequency of such reporting is highly variable, for example, some states require quarterly reports tracking institution spend against budget, and some simply require annual provision of financial statements

29 EY interviews; State statute

30 These are common authorities under the purview of governing boards but are not exhaustive. See Appendix C for additional examples.

Figure 1.2B.7: Kentucky's current governance structure<sup>31</sup>



Kentucky is considered by researchers and peer states as having one of the strongest coordinating boards nationally as CPE already holds many of the authorities typical of a governing board. In its current design, the authorities granted to Kentucky's CPE include:

- Academic program approval, review and termination authority
- Collection and analysis of comprehensive data about postsecondary education performance
- Compiling institution budget proposals into a unified budget for presentation to the legislature for approval
- Coordination of statewide efforts to improve college readiness, access to postsecondary education and student success, including statewide transfer agreements and adult learner initiatives
- Development and implementation of statewide strategic planning and initiatives
- Distribution of state funding, in accordance with the performance funding model
- Ensuring the coordination and connectivity of technology among public institutions
- Licensure of non-public postsecondary institutions to operate in the state
- Monitoring and determining tuition rates and admission criteria at public postsecondary institutions
- Review of annual and biennial financial reports from institutions

A complete list of the CPE's roles and responsibilities can be found in Appendix A.

31 House Bill 1





---

## 1.2C. Levers of effective governance

---

Secondary research and interviews with national researchers and state- and system-level higher education leaders in other states pointed to several levers that contribute to effective governance of a postsecondary structure within a state. These levers or authorities include:

- 1) Strategic program oversight
- 2) Rigorous fiscal oversight
- 3) Leadership appointment and evaluation

Where these authorities reside and how they are executed varies widely across states. Research indicated that while there is no single leading practice in terms of who should execute authorities and how, a thoughtful, deliberate design of where these authorities reside and how they are executed is necessary for an effective governance structure.

This section showcases practices from the eight states selected by CPE for deeper research as well as two additional states — Ohio and South Carolina. Existing practices in these states may vary by institution type and have the potential to be applied for both four- and two-year institutions.

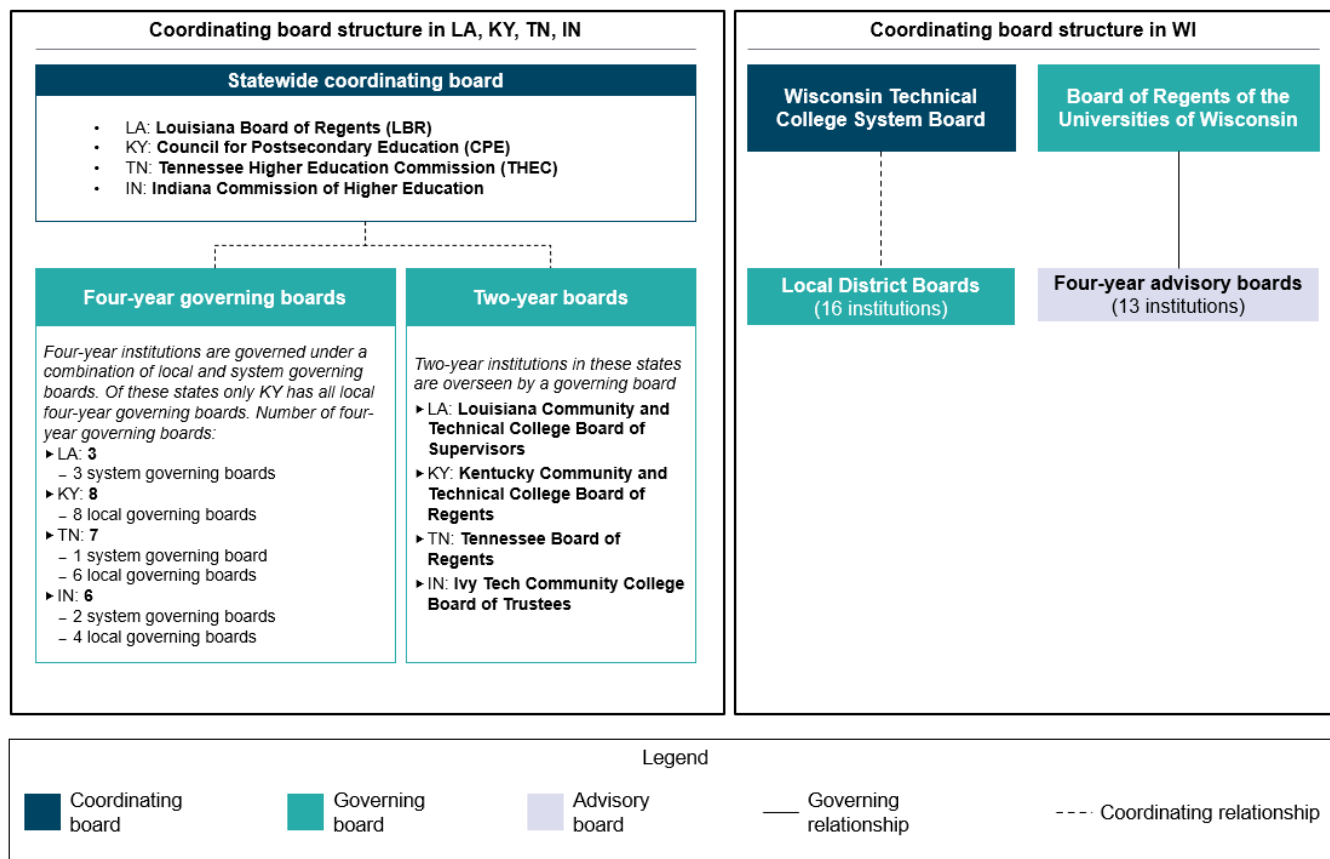
The section that follows focuses on implications for Kentucky learned from these deep dives.

### **STRATEGIC PROGRAM OVERSIGHT**

Program oversight refers to the policies in place to review, approve, and terminate academic programs. It helps institutions align to local, regional, and statewide workforce needs, and to direct resources in ways that match supply of graduates to industry and occupation needs. Program oversight policies also promote the efficient use of resources dedicated to maintaining program quality and outcomes.

Program oversight is implemented differently in every state. However, these differences are not correlated with whether a state has a coordinating or governing board, as seen below. Of the states assessed (Figure 1.2C.1), Louisiana, Kentucky, Tennessee, Indiana, Wisconsin, and South Carolina all have coordinating boards. All have statewide coordinating boards except Wisconsin, which has a coordinating board over its technical colleges.

Figure 1.2C.1: States with coordinating boards<sup>32,33</sup>



The table on the next page identifies existing policies and practices as well as stakeholder perceptions of practices by state. Policies and perceptions that apply specifically to two-year institutions are explicitly called out in the table. However, any program policy or strategy below could be adapted for oversight of four- or two-year institutions.

32 Louisiana has two two-year institutions that are associated with one of its four-year university systems

33 Education Commission of the States; Board policy handbooks; State statute; University websites



Figure 1.2C.2: Coordinating board authorities and program oversight strategies

Board	Statute	In practice	Stakeholder perceptions
<p style="text-align: center;"><b>Kentucky Council on Postsecondary Education (CPE)</b></p>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>• CPE conducts a program approval process to mitigate duplication with defined metrics around declining enrollment, low student demand and low market demand.</li> <li>• CPE conducts significant review of programs during approval process, but capacity and resource constraints limit the frequency of ongoing review processes after programs are initially approved and implemented.</li> <li>• In statute, CPE has authority to eliminate programs based on consistency with institutional mission, alignment with state goals and duplication, but in reality, exercises limited ongoing termination authority due to limited capacity.</li> <li>• <i>Two-year:</i> CPE delegates certificate approval and termination authority to the nine governing boards, including KCTCS. CPE is also in process of implementing a new degree review process at KCTCS, requiring program improvement plans based on defined metrics, but has not yet implemented this policy.</li> </ul>	<ul style="list-style-type: none"> <li>• CPE uses its program approval authority to delineate the mission of institutions and prevent duplication but does not use its ongoing review and termination authority to the extent it could.</li> <li>• <i>Two-year:</i> Although KCTCS certificate approval is more agile, this practice may result in a lack of accountability, leading to concern among KY stakeholders that not all KCTCS certificates are aligned to state goals or result in ROI for students.</li> </ul>



Board	Statute	In practice	Stakeholder perceptions
<p><b>Louisiana Board of Regents (LBR)</b></p>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>• LBR’s annual program review process flags low performing programs, defined as programs that do not meet completion thresholds (ranges from 2-10 completions depending on program level and discipline). Institutions can appeal before final termination.</li> <li>• Governing boards develop a three-year strategic academic plan to create a roadmap for faculty developing academic programs.</li> <li>• <i>Two-year:</i> In addition to the above program approval and review processes, LBR also collaborated with the Louisiana Community and Technical College System (LCTCS) to co-develop a “star” system to rate and review technical programs in a similar fashion based on program demand. Each program receives a rating of 1-5 stars (visible to students) based on its existing alignment with employer demand and job forecasting. These ratings update annually and programs with lower scores are scrutinized more regularly.</li> </ul>	<ul style="list-style-type: none"> <li>• Louisiana’s process keeps the state’s program portfolio relevant to the state’s economic goals and facilitates positive employment outcomes for students.</li> <li>• LBR has terminated “hundreds” of degree programs.</li> <li>• Because the three-year strategic academic plan for each system is developed in collaboration with the LBR and economic researchers in the state, LBR’s program review is focused on detailed assessment of the quality of the curriculum rather than the justification for the program’s existence.</li> </ul>
<p><b>Tennessee Higher Education Commission (THEC)</b></p>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>X Terminate</li> </ul>	<ul style="list-style-type: none"> <li>• THEC approves four-year institution programs and community college programs.</li> <li>• THEC does not conduct program reviews regularly.</li> <li>• <i>Two-year:</i> The Tennessee Board of Regents (TBR), Tennessee’s two-year system governing board, approves certificates.</li> </ul>	<ul style="list-style-type: none"> <li>• Because THEC does not have program termination authority, underperforming programs are not always terminated in a timely fashion, if at all.</li> <li>• Institutions prefer this policy; however, the legislature considers it to be a limitation.</li> </ul>
<p><b>Indiana Commission on Higher Education (ICHE)</b></p>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate existing staff capacity limits the ability of ICHE to exercise the full extent of its program oversight authorities.</li> <li>• Staff members broadly make program approval recommendations to ICHE, which typically adopts the recommendation without additional scrutiny.</li> <li>• <i>Two-year:</i> Institutions are expected to</li> </ul>	<ul style="list-style-type: none"> <li>• ICHE does not exercise its authority to terminate programs, nor does it stringently manage the approval and review processes.</li> <li>• <i>Two-year:</i> Ivy Tech is more effective in managing its program portfolio, conducting</li> </ul>

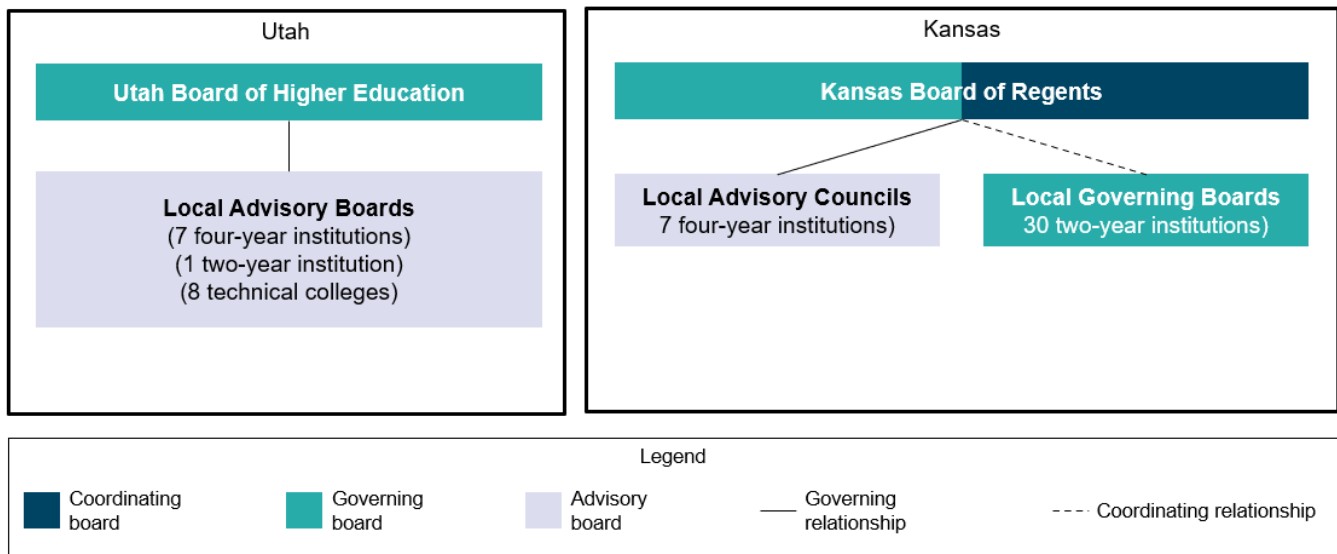
Prepared solely for Council on Postsecondary Education. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 107

Board	Statute	In practice	Stakeholder perceptions
		do regular program reviews, but only Ivy Tech does this in practice.	annual reviews and eliminating programs in which supply exceeds workforce demand.
<b>Wisconsin Technical College System (WTCS) Board (coordinating board)</b>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Two-year:</i> WTCS is a coordinating board that coordinates only two-year institutions.</li> <li>• Program approval is contingent on employers committing to hire program graduates.</li> <li>• System board uses workforce data and employer input to review programs annually. The board also surveys students six months after graduation on employment and wage outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Two-year:</i> The WTCS adds and discontinues approximately the same number of programs annually.</li> <li>• Technical college survey results help inform the program review process.</li> </ul>

Similar to states with coordinating boards, program oversight is implemented differently in states with governing boards.

- Of the states studied, Utah and Kansas (Figure 1.2C.3) and Georgia, North Carolina, and Wisconsin (Figure 1.2C.4) all have governing boards.
  - Utah has a statewide governing board over both two-year and four-year institutions.
  - Kansas has a statewide board that governs four-year institutions and coordinates two-year institutions.
  - Georgia, North Carolina, and Wisconsin have governing boards at the system level.

Figure 1.2C.3: States with statewide governing boards<sup>34</sup>



<sup>34</sup> Education Commission of the States; Board policy handbooks; State statute; University websites



Figure 1.2C.4: States with system governing boards<sup>35</sup>

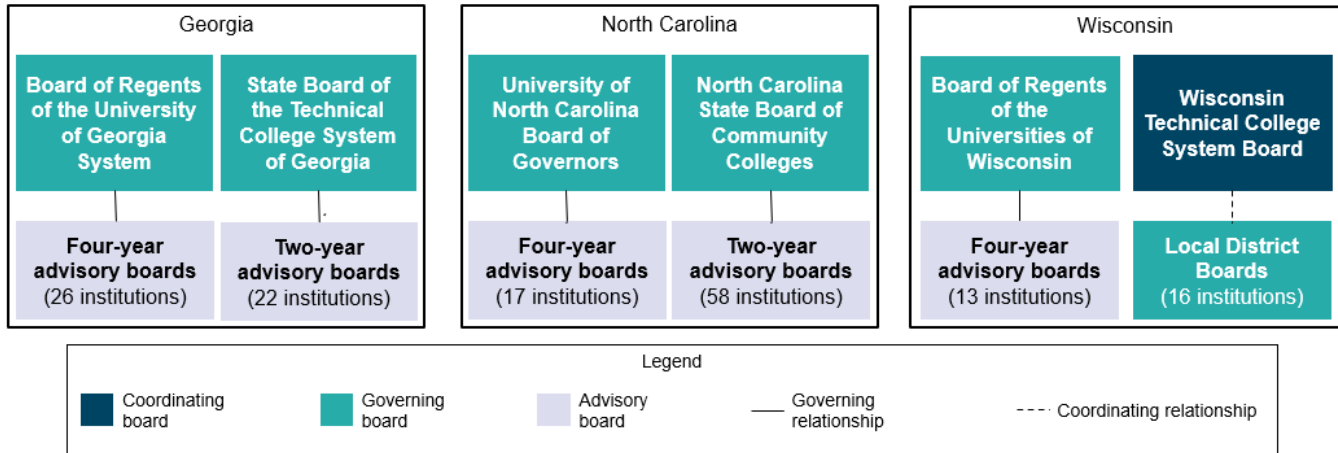


Figure 1.2C.5: Governing board authorities and program oversight strategies

Board	Statute	In practice	Stakeholder perceptions
<b>Utah Board of Higher Education (UBHE)</b>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>UBHE delegates program approval to local institution boards for programs in line with the institution’s mission (i.e., certificates at technical colleges, baccalaureate degrees at four-year universities).</li> <li>For programs outside of the institution’s mission, final approval must be granted by the UBHE.</li> <li>UBHE conducts program reviews every seven years.</li> </ul>	<ul style="list-style-type: none"> <li>Local program approval allows for institutions to respond quickly to regional or workforce needs, while UBHE steps in for out-of-mission programs to mitigate mission creep across institutions.</li> </ul>
<b>Kansas Board of Regents (KBR)</b>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>KBR approves degrees and conducts annual program reviews but does not regularly terminate programs.</li> <li>Because of cost to administer, doctoral programs are reviewed by outside committee for third-party verification of need.</li> <li><i>Two-year</i>: short-term credentials at two-year institutions (&lt;9 credit hours) are approved by the Kansas Technical Education Authority (KTEA).</li> </ul>	<ul style="list-style-type: none"> <li>KBR does not execute on its program termination authority.</li> <li><i>Two-year</i>: KTEA role in certificate approval facilitates nimbleness in addressing local and regional workforce needs.</li> </ul>
<b>Board of Regents of the University System of Georgia (USG)</b>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>USG approves programs that affect more than one institution, otherwise the program is approved locally.</li> <li>USG uses a three-year rolling average of enrollments and completions for each</li> </ul>	<ul style="list-style-type: none"> <li>Georgia attempts to balance workforce responsiveness and monitoring mission creep through the</li> </ul>

<sup>35</sup> Wisconsin has 13 two-year institutions that are associated with the UW system

Board	Statute	In practice	Stakeholder perceptions
		<p>program/certificate to determine whether to terminate.</p>	<p>delegation of some approval authorities.</p>
<p><b>Technical College System of Georgia (TCSG)</b></p>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Two-year:</i> TCSG, which is Georgia’s two-year system governing board, meets monthly to approve the start and stop of two-year programs based on student job placement rates to enforce consistent workforce alignment both overall and in each of the colleges’ regions.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Two-year:</i> Emphasis on placement rates in the program review process optimizes both business need and student outcomes.</li> </ul>
<p><b>University of North Carolina Board of Governors (UNCBG)</b></p>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>• The UNCBG conducts a system-wide program review every few years examining program production and completion, if the number is low institutions are given the opportunity to defend the program before it is removed.</li> </ul>	<ul style="list-style-type: none"> <li>• The review process occurs infrequently, and outside the structured review the UNCBG does not conduct one-off program removals or reviews.</li> </ul>
<p><b>Board of Regents of the Universities of Wisconsin</b></p>	<ul style="list-style-type: none"> <li>✓ Approve</li> <li>✓ Review</li> <li>✓ Terminate</li> </ul>	<ul style="list-style-type: none"> <li>• The Board of Regents is a university governing board that approves any new academic programs, whereas review and termination is conducted by the administration office as opposed to the Board of Regents.</li> <li>• Institutions do not need to seek approval for program termination.</li> </ul>	<ul style="list-style-type: none"> <li>• Frequency of approval and termination is irregular due to capacity issues and lack of strategic alignment between Board priorities and institution priorities.</li> </ul>
<p><b>South Carolina Board for Technical and Comprehensive Education</b></p>	<ul style="list-style-type: none"> <li>X Approve</li> <li>✓ Review</li> <li>X Terminate</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Two-year:</i> The South Carolina Commission on Higher Education is SC’s statewide coordinating board while the South Carolina Board for Technical and Comprehensive Education is a system governing board that oversees the South Carolina Technical College System.</li> <li>• The South Carolina Technical Board has program review authority, but no approval or termination authority.</li> <li>• Despite this lack of formal authority, South Carolina leans on workforce alignment in its program development through its apprenticeship program.</li> <li>• Apprenticeship Carolina is a division of the SC Technical College System that has 15 employees dedicated as “consultants” to work with both students</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Two-year:</i> Successes within the SC Technical College System are in large part due to the apprenticeship program’s workforce alignment efforts.</li> <li>• One of the most unique components of SC is its apprenticeship program as it enables stronger workforce alignment by originating through employer need.</li> <li>• However, the apprenticeship program does require significant capacity building to execute.</li> </ul>



Board	Statute	In practice	Stakeholder perceptions
		<p>applying for the apprenticeships and employers applying to offer the apprenticeships.</p> <ul style="list-style-type: none"> <li>• This program involves nearly 900 apprenticeship programs with 37 employers. The apprenticeship provides students with technical hands-on work training and wages while working towards their technical credential.</li> <li>• Employers submit an apprenticeship program for approval from Apprenticeship Carolina.</li> </ul>	

As indicated by the detail above, while the final authority (policy) may be similar across the assessed states, the execution of the authority (practice) can be quite different state by state for both two- and four-year institutions.

With program approval and termination authority in place with CPE and KCTCS, Kentucky could potentially pursue stronger execution of this authority to optimize the state’s portfolio of degree and non-degree programs to meet economic development and academic needs, but this may require augmenting the existing staff capacity at CPE and streamlining staff roles at KCTCS.

**RIGOROUS FISCAL OVERSIGHT**

State governments should have visibility into the financial health of public institutions to try to prevent any unforeseen fiscal events and protect the interests of students. As state funding for public institutions is finite, the poor financial health of a single public institution could impact available funding for all other public institutions. Research indicates that effective governance requires that state governments are proactive in ensuring institutional financial health through fiscal oversight.

External stakeholders indicated that the financial health of institutions is necessary for institutions to continue meeting local needs, particularly as demographic, enrollment, and financial pressures across higher education nationwide continue to rise. While the extent of fiscal oversight varies by state as shown in Figure 1.2C.6 below (from reporting of financial results to active financial performance management), stakeholders acknowledged that fiscal oversight is fundamental to public higher education performance and, as a result, a key lever of higher education governance.





Figure 1.2C.6: Fiscal oversight function — statewide coordinating boards<sup>36</sup>

Function		Governance structure							
		Statewide coordinating board							
		Louisiana		Kentucky		Tennessee		Indiana	
		2Y	4Y	2Y	4Y	2Y	4Y	2Y	4Y
Financial monitoring	Compulsory metrics reporting								
	Fiscal health dashboard								
	Institution budget approval								
Financial performance	Creation of unified budget request								
	Major capital expenditure approval								
	Administer specific funding pools								
State financial aid	Strategy approval								
	Aid distribution								

Final authority
No authority or limited input

The implementation of fiscal oversight authority also varies by state and governing structure, with Louisiana as an example of a statewide coordinating board with fairly centralized fiscal oversight:

- Louisiana:** The Louisiana Board of Regents (LBR), a coordinating board, does not approve institutional budgets but does have an ongoing financial oversight dashboard that tracks the metrics and finances of each institution and flags when particular metrics reach predetermined thresholds (see Appendix D for more detail). This dashboard is not mandated by statute. LBR uses this dashboard as a tool to proactively monitor the financial health of institutions throughout the state and respond as needed. LBR has found this tool to be highly beneficial in keeping the state aware of the financial health status of its institutions.
- Ohio:** The Ohio Department of Higher Education is a statewide coordinating agency that coordinates all two-year and four-year public institutions in Ohio. With Ohio Senate Bill 6 enacted in 1997, the Ohio legislature established a similar fiscal monitoring system for all Ohio public higher education institutions using a standard set of measures to monitor institutional fiscal health (see Appendix D). The Ohio Department of Education applies this standard set of measures to audited financial statements required to be submitted annually. Stakeholders in Ohio credited this system as being a critical component in providing the state with good visibility into the financial health of its public institutions.

Financial aid strategy and distribution also varies by governing structure, with Tennessee and Indiana having relatively centralized mechanisms:

- Tennessee:** The Tennessee Higher Education Commission (THEC) is a coordinating board that has a role in financial aid strategy approval but not in aid distribution itself. The Tennessee Student Assistance Corporation (TSAC) is a non-profit corporation created by the legislature that oversees financial aid distribution in Tennessee and is not directly under the purview of THEC. However, the commissioner of THEC is also the Commissioner of TSAC and sets the strategy of the organization, thus giving THEC a direct role in the approval of state financial aid strategy. As the complexity of applying for and receiving

<sup>36</sup> The state legislature approves general funds for public institutions as well as any one-off funds or temporary programs, which are often administered by coordinating boards; however, these one-off funds are not consistently available and therefore not written in statute



financial aid is often a barrier for students hoping to attend postsecondary institutions, setting a cohesive financial aid strategy that aligns with the state’s higher education goals can help streamline this process and lead to more efficient resource allocation.

- Indiana:** The Indiana Commission on Higher Education (ICHE) merged with the State Student Assistance Commission of Indiana (SSACI) in 2012. As a result of this merger, by statute the ICHE now sets the strategy for and distributes all state financial aid. This statutory authority over state financial aid strategy and distribution also requires ICHE to submit an annual report to the legislature providing a data overview of the previous year’s financial aid recipients. While ICHE does not hold or exercise several typical coordinating board authorities, the role it plays with respect to setting financial aid policy (strategy) is an important component in aligning public funding to the state’s higher education agenda.
- Louisiana:** LBR sets financial aid strategy in its strategic plan and administers state financial aid through the Louisiana Office of Student Financial Assistance (LOSFA), which sits under LBR. Within an addendum to LBR’s strategic plan, LBR details the goals, programs, and performance indicators of LOSFA. LOSFA has an Advisory Board that consists of 11 voting members, comprised of various state education stakeholders (e.g., LCTCS, LA Department of Education, four-year institution system governing boards).

As shown in Figure 1.2C.7, governing boards generally have greater authorities around fiscal oversight than coordinating boards.

Figure 1.2C.7: Fiscal oversight function — statewide and system governing boards<sup>37</sup>

Function		Governance structure										
		Statewide governing board				No statewide board						
		Utah		Kansas		Georgia		N. Carolina		Wisconsin		
		2Y	4Y	2Y	4Y	2Y	4Y	2Y	4Y	2Y	4Y	
Financial monitoring	Compulsory metrics reporting			N/A						N/A		
	Fiscal health dashboard											
	Institution budget approval											
Financial performance	Creation of unified budget request											
	Major capital expenditure approval											
	Administer specific funding pools											
State financial aid	Strategy approval											
	Aid distribution											

Final authority
No authority or limited input

Significant variation exists, however, between statewide governing boards and system governing boards in the implementation of fiscal oversight authority:

- Utah:** The UBHE, a statewide governing board, creates a consolidated budget for all higher education institutions in the state to be approved by legislature, including System Office requests, institution

<sup>37</sup> The state legislature approves general funds for public institutions as well as any one-off funds or temporary programs, which are often administered by coordinating boards; however, these one-off funds are not consistently available and therefore not written in statute



requests and capital expenditures. Institution presidents are required to send annual financial reports to both the UBHE and the institution's board of trustees, giving UBHE visibility into institution finances to intervene and support the institution proactively. With this authority delegated, the UBHE can focus on the consolidated budget of institutions throughout the state and dedicate its capacity to aligning this consolidated budget with state higher education goals.

- **North Carolina:** In North Carolina, both the UNC Board of Governors and the NC State Board of Community Colleges request funds from the legislature and distribute funds to individual institutions after approving their budgets, giving them full authority over the fund distribution while still leaving the total system budget up to the legislature's approval. When distributing public funds, North Carolina's system boards consider each individual institution's priorities and characteristics before approving their final budgets. As an additional oversight function, the UNC Board of Governors also appoints the chief financial officer at each institution.

Financial aid strategy and distribution also varies among statewide governing boards and system governing boards:

- **Utah:** The UBHE directly develops strategy for financial aid, which is authorized by the Board in each of its regular strategic planning updates. UBHE distributes financial aid directly to students through its central office. The central office administers 16 different state grant, scholarship, and financial aid opportunities. This structure came to fruition after the recent dissolution of the subsidiary Utah Higher Education Assistance Authority by the state legislature in mid-2023.
- **Kansas:** The KBR is responsible for the distribution of 19 state-funded student financial assistance programs to four-year institutions and independent colleges. The programs and their qualifications are determined by the state legislature, but KBR is responsible for distributing funds to both students and institutions. KBR and institutions exchange reports to track for equitable distribution of funds.

In Georgia, North Carolina, and Wisconsin (states without a statewide board), a standalone agency is responsible for the state's financial aid programs.

- **Georgia:** The Georgia Student Finance Commission is a state agency responsible for the management and distribution of state financial aid. The Commission is led by a 14-member Board of Commissioners. Members are appointed by the Governor for six-year terms, for each of the state's Congressional Districts.
- **North Carolina:** The North Carolina State Education Assistance Authority (NCSEAA), a political subdivision of the state of North Carolina, is responsible for the administering of financial aid in alignment with state law, program outreach and reporting annually the status of financial aid in North Carolina. The NCSEAA is led by a nine-member Board of Directors, seven of which are appointed to four-year terms by the Governor, one of which is the CFO of the UNC system (ex officio) and one of which is the CFO of the North Carolina Community College System (ex officio).
- **Wisconsin:** The Wisconsin Higher Education Aids Board (HEAB) is a state agency that manages and oversees financial aid. The HEAB is a part-time, independent, policy-making board that consists of 12 members. Eleven members are appointed by the Governor – one is a member of the Board of Regents of the University of Wisconsin System (UWS); one is a member of the State Board of the Wisconsin Technical College System (WTCS); one is a trustee of an independent college or university; one is a citizen; and the remaining members are one student and one financial aid administrator each from the UWS, WTCS, and from an independent institution. The State Superintendent of Public Instruction serves on the board ex-officio.

## **LEADERSHIP APPOINTMENT AND EVALUATION**



Stakeholders in other states agreed that leadership is critical in the success of institutions and systems. While states or statewide boards may set policy and define goals and strategic initiatives in support of these policies, leaders at each institution or system oversee policy implementation and can determine any policy’s level of success. Interviewees in all the states researched as well as national researchers highlighted the challenge of implementing policies effectively when the priorities of the state and institution leadership are misaligned. The processes for selection and assessment of institution and system leadership are critical in promoting the goals of any governance structure.

As opposed to program and fiscal oversight, leadership appointment and evaluation tends to be an authority of governing boards and not an authority of coordinating boards. As seen in Figure 1.2C.8, coordinating boards do not typically play a role in the selection or oversight of system and institutional leadership. The absence of this role is an important difference between coordinating boards and governing boards.

Figure 1.2C.8: Leadership appointment function, in select states with coordinating boards<sup>38</sup>

Function		Governance structure							
		Statewide coordinating board							
		Louisiana		Kentucky		Tennessee		Indiana	
		2Y	4Y	2Y	4Y	2Y	4Y	2Y	4Y
Institution executives (e.g., president, chancellor)	Participate in search								
	Appoint								
	Evaluate								
System governing board members	Define selection criteria				N/A				
	Appoint								
	Evaluate								
Institution governing board members	Train								
	Define selection criteria								
	Appoint	N/A		N/A		N/A		N/A	
	Evaluate								
	Train								

Final authority      No authority or limited input

Current statute in Kentucky specifies the following:

- **Local governing boards:** Eleven members; eight are appointed by the Governor, one is an elected member of the teaching faculty, one is an elected university non-teaching personnel, and one is an elected member of the student body.
  - Local university governing boards are responsible for appointing university presidents.
- **KCTCS system governing board (Board of Regents):** Fourteen members; eight are appointed by the Governor, two are elected members of the teaching faculty, two are elected CTC non-teaching personnel, and two are elected members of the student body.
  - The Board of Regents is responsible for appointing the KCTCS system president. The System president is in turn responsible for appointing individual CTC presidents.
- **CTC advisory boards (Boards of Directors):** Ten members; seven are appointed by the Governor from nominations of the college’s nominating commission, one is a teaching faculty member, one is a member of the college staff, and one is a member of the student body.

<sup>38</sup> “N/A” applies when the relevant structure is not present in a state’s governing structure; for example, Kentucky does not have system governing board members for four-year institutions as the four-year institutions are not part of a system and each institution has its own institutional governing board



- The CTC Boards of Directors are responsible for recommending presidential candidates to the System president.

Governing boards have a significantly larger role with respect to institution leadership appointment and evaluation, as shown in Figure 1.2C.9.

Figure 1.2C.9: Leadership appointment function, by state and by governing structure<sup>39</sup>

Function		Governing structure									
		Statewide governing board				No statewide board					
		Utah		Kansas		Georgia		N. Carolina		Wisconsin	
		2Y	4Y	2Y	4Y	2Y	4Y	2Y	4Y	2Y	4Y
Institution executives (president or chancellor)	Participate in search										
	Appoint										
	Evaluate										
System executive (president or chancellor)	Define selection criteria										
	Participate in search										
	Appoint										
	Evaluate										

Final authority      No authority or limited input

There are still differences state-by-state in how statewide and system governing boards implement their leadership, as seen in the following examples:

- **Utah:** The UBHE recently delegated the responsibility of searching for institution presidents to local institution boards but maintains final appointment authority. Institutions form search committees which include representatives of institutional faculty, staff, students, advisory board of trustees, alumni and UBHE. These search committees interview each candidate and vote on which of the final candidates to recommend for interview with all members of UBHE. Recommended candidates are then interviewed by UBHE and UBHE makes the final appointment determination through a vote. The UBHE has also delegated responsibility of evaluating institution presidents to institution advisory boards. Each advisory board forms an evaluation committee that evaluates presidents following the first year of tenure and every following four years.
- **North Carolina:** The UNC System Board of Governors (BOG) appoints the system presidents, institution chancellors, and institution advisory boards, referred to as the Boards of Trustees. The system president collaborates with individual boards in the process for selecting institution chancellors. The institutions' Boards of Trustees refer at least two chancellor candidates to the system president for assessment. The president brings one candidate to the UNC System BOG for final approval.
  - The System president is assessed by the BOG annually and in turn evaluates the institution chancellors. This review process informs the newly adopted incentive compensation program in North Carolina in which both the system president's and chancellors' compensation is determined based on quantitative metrics that demonstrate progress towards the state's strategic higher education goals. As leadership appointment and review are centralized, the BOG directly

<sup>39</sup> Local advisory boards appoint the institution executives in North Carolina's two-year system; however, confirmation of the candidate by the North Carolina State Board of Community Colleges is required



incentivizes leaders in their progress toward state goals. Stakeholders in North Carolina felt that the centralization of this leadership appointment and review process is one of the key mechanisms in aligning systems and institutions with state higher education goals.

- In contrast to the BOG, the State Board of Community Colleges (SBCC) delegates most functions in practice to the institutional Board of Trustees, which are advisory boards with delegated authority. The voting members of each institutional Board of Trustees include four trustees appointed by the local public school unit’s administrative board, four trustees appointed by the county’s board of commissioners and four trustees appointed by the Governor. SBCC appoints the North Carolina Community Colleges’ system president, and the institutional Board of Trustees appoints the institutional executive, though this latter appointment is subject to SBCC approval.
- **Georgia:** Both the University System of Georgia (USG) Board of Regents and the Technical College System of Georgia (TCSG) State Board are heavily involved in the appointment of institution presidents.
  - The USG Board of Regents appoints and participates in the search committees for institution presidents, though university stakeholders may have representation on such committees. Once the search committee has identified between 3-5 qualified candidates, the Board of Regents selects a final candidate. The institution presidents are evaluated by the Board of Regents on an ongoing basis, the results of which are considered in the annual renewal of the president by the Board.
  - The TCSG Board has the authority to directly appoint institution presidents, though they may conduct a search through a committee if they so choose. The Commissioner of TCSG determines reappointment on an annual basis. The institutions are not required to play a direct role in the search, appointment, or evaluation process.

---

## 1.2D. Kentucky’s options for consideration of higher education governance

---

If Kentucky desires to change how it governs its postsecondary education system, there are several options that the Commonwealth could consider based on the state examples described earlier:

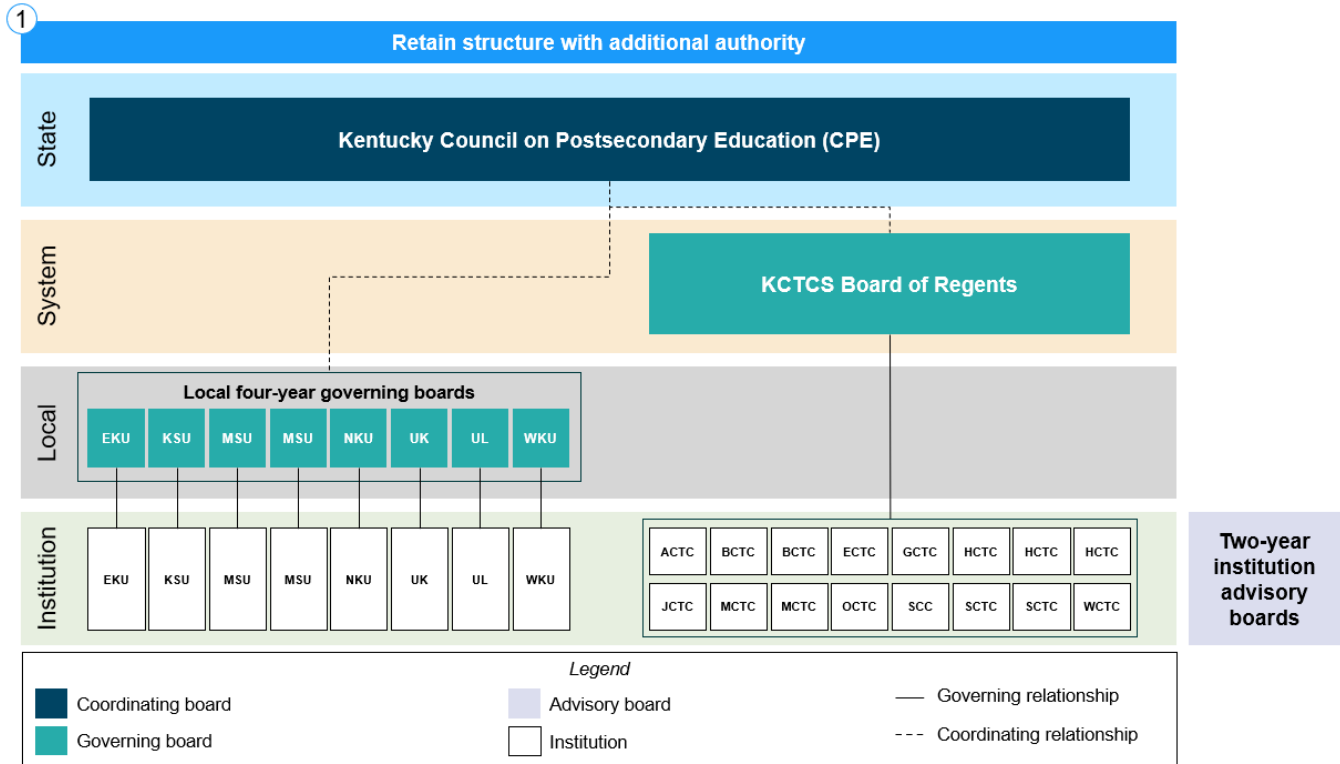
- (1) Current governance structure with improved execution through CPE and KCTCS
- (2) Current governance structure with additional authorities granted to CPE and KCTCS
- (3) New governance structure with addition of a single governing board for four-year institutions
- (4) New governance structure that creates a “superboard” or single, statewide governing board to oversee both two-year and four-year institutions

The first three options discussed in this report all maintain CPE as a statewide coordinating board. The potential changes in governance structure are based on research in other states and interviews with Kentucky stakeholders that informed how execution may look in Kentucky. Each of these options carries its own set of benefits and risks of implementation in Kentucky.

### **OPTION 1: CURRENT GOVERNANCE STRUCTURE WITH IMPROVED EXECUTION**

The first option is to maintain Kentucky’s current governance structure and corresponding authorities, requiring no change to statute. Kentucky’s current governance structure (Figure 1.2C.1) has been cited by other states and national researchers as having a strong coordinating board that effectively prioritizes the state’s higher education goals while providing autonomy to institutions. However, stakeholders indicated there is opportunity for the Commonwealth to better leverage existing authorities through CPE and KCTCS, using some of the strategies described in Section 1.2C.

Figure 1.2D.1: Kentucky's current governance structure<sup>40</sup>



**What could implementation of Option 1 look like?**

Current authority	Potential changes in execution of current authority
<b>CPE</b>	
<p><b>Program oversight:</b> For both degree and non-degree programs:</p> <ul style="list-style-type: none"> <li>✓ Approval</li> <li>✓ Review</li> <li>✓ Termination</li> </ul> <p>CPE delegates non-degree approval authority to KCTCS and four-year institutions.</p>	<ul style="list-style-type: none"> <li>• <b>CPE could retain its authority to approve, review and terminate all degree and non-degree programs with greater scrutiny</b> rather than delegate any management authority to KCTCS and four-year institutions, with additional staff and resources to execute this change.</li> <li>• <b>With additional staff and resources, CPE could conduct a more structured and frequent cycle (e.g., annual) of degree and non-degree program reviews</b> to assess the quality of programs (e.g., job placement rates for technical programs) and terminate programs that no longer meet employer and student demand (e.g., Louisiana’s annual low-completion program review described on p.41).</li> <li>• CPE could task the governing boards, including KCTCS, with developing a strategic academic plan with input from select industry experts (e.g., business leaders, economists, faculty members, etc.) to confirm the justification of workforce needs. While implementation in Kentucky may vary, one example exists in Louisiana, where each two-year and four-year governing board develops a three-year academic plan for degree and non-degree offerings informed by labor market forecasts such that</li> </ul>

<sup>40</sup> Advisory boards differ in name throughout different states and at individual CTCs in Kentucky are referred to as a Board of Directors; while these boards are largely advisory in nature, the statute does grant them final approval authority over institutional strategic plans



Current authority	Potential changes in execution of current authority
	<p>institutions have a road map for program development. This allows LBR to focus on the quality of the program developed by faculty since the existence of the program has already been justified by an economic needs analysis.</p>
<p><b>Institutional fiscal oversight and state financial aid oversight:</b></p> <ul style="list-style-type: none"> <li>• CPE has statutory authority to set tuition and fees.</li> <li>• Institution funding allocation (i.e., performance funding model).</li> <li>• Major capital expenditure approval.</li> <li>• Asset preservation project review.</li> <li>• Collection and reporting of financial information.</li> <li>• No financial aid authority.</li> </ul>	<ul style="list-style-type: none"> <li>• Under its current authority, <b>CPE could analyze existing financial data from institutions and proactively flag any fiscal concerns.</b> This would likely require additional capacity/staff at CPE.</li> </ul>
<p><b>Leadership appointment and review</b></p> <ul style="list-style-type: none"> <li>• Provide new member training for four-year institution board members and KCTCS board members within their first year of appointment.</li> </ul>	<ul style="list-style-type: none"> <li>• CPE could <b>offer additional training to board members</b> (four-year governing boards, KCTCS Board of Regents, local Boards of Directors) to refresh skills in high-need topics – e.g., financial oversight, board effectiveness, institutional accountability, role in student success and access – so that institutional priorities align with state priorities.</li> </ul>
<b>KCTCS</b>	
<p><b>Program oversight:</b></p> <ul style="list-style-type: none"> <li>• KCTCS approves and terminates non-degree certificate programs to manage its portfolio of offerings.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>KCTCS could assess the ROI of its degree and non-degree programs to its local communities (a form of academic program optimization) and create an accountability system to maintain a program portfolio that meets student and employer needs.</b> For example, LCTCS (Louisiana) has developed a 5-star rating system of its technical programs based on program demand and wage potential. These ratings are updated regularly on the CTC websites for students to browse, resulting in a highly targeted program portfolio.</li> <li>• <b>The KCTCS System Office could initiate a comprehensive employer engagement strategy,</b> develop/broker partnerships with employers across the state. Large employers could get assistance with scaling education programs to meet their hiring needs. The System Office could also help aggregate the hiring needs of smaller employers to create enough scale to justify programs needed by those employers within KCTCS. Existing partnerships such as KCTCS' Education First Employers provide the groundwork for this development.</li> </ul>

Prepared solely for Council on Postsecondary Education. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 107





Current authority	Potential changes in execution of current authority
<p><b>Institutional fiscal oversight:</b></p> <ul style="list-style-type: none"> <li>KCTCS colleges are individually accredited.</li> </ul>	<ul style="list-style-type: none"> <li><b>The System Office could revisit the scope of services it offers to determine what gets done centrally — at the System Office level — vs. what gets done at the campus level.</b> As referenced in recent studies commissioned by KCTCS, a revised scope of services could result in greater sharing in some areas, but potentially also in a smaller overall System Office.</li> <li><b>KCTCS could consider single accreditation to streamline the accreditation process</b> (saving on time and resources dedicated to managing this process), build an improved student experience through a more cohesive vision and consistency in program offerings, enable a centralized transfer process with four-year institutions and encourage shared services between two-year institutions. These shared services could enable potential cost savings (see Appendix E for additional detail on potential benefits and risks of single accreditation).</li> </ul>
<p><b>Leadership appointment and review</b></p> <ul style="list-style-type: none"> <li>KCTCS Board of Regents appoints and evaluates the KCTCS system president.</li> <li>KCTCS system president appoints and evaluates individual CTC presidents.</li> </ul>	<ul style="list-style-type: none"> <li><b>KCTCS Board of Regents could designate a CTC Board of Directors (advisory board) to serve more than one college,</b> potentially organized by geography. By consolidating CTC Boards of Directors for multiple colleges, existing pain points around the board member appointment process and delays related to individual advisory boards could be mitigated and effective board members could advise institutions on issues related to programmatic offerings, alignment with local and regional needs, etc. This change could also resolve the challenge of filling vacancies on the current advisory boards.</li> <li><b>Consider delegating authority to appoint CTC advisory Boards of Directors to either CPE or KCTCS Board of Regents.</b> These advisory boards are currently appointed by the Governor; delegating the responsibility to CPE or KCTCS BOR would help recruit candidates and speed up the appointment process.</li> </ul>
<b>State Funding of Higher Education</b>	
<ul style="list-style-type: none"> <li>CPE develops a unified biennial budget request for postsecondary education, including operating funds, capital investments and trust funds.</li> <li>Institutions receive performance funding through a statutorily determined funding distribution model administered by CPE.</li> </ul>	<ul style="list-style-type: none"> <li><b>The Commonwealth could consider further revising its performance-based funding model to balance incentives to improve quality with incentives for growth</b> (e.g., address the perception among KY stakeholders that current funding system encourage “more” rather than “better”).</li> <li>In addition to the base funding and performance-based funding, <b>the Commonwealth could also consider setting aside an additional pool of funding for higher education — an Innovation Incentive Fund</b> — targeted at improving delivery of programs, program innovation (e.g., development of quality competency-based programs could be one such innovation), as well as increased collaboration (e.g., regionally among institutions to meet regional workforce needs, or among sectors to improve student transferability and student success).             <ul style="list-style-type: none"> <li>Such a fund could be administered by CPE based on guidelines designed by CPE with input from KY stakeholders.</li> <li>This could also become a vehicle to attract/match public funding with private funding — to align state and private economic interests — a public-private partnership.</li> </ul> </li> </ul>



### Potential benefits of implementing Option 1

- **Time and cost to transition.** This option would require the least change management as there is no change in statute, causing little to no disruption to the existing higher education ecosystem in Kentucky. CPE would need to invest time and resources in developing and implementing policies in program oversight and update board member training. Kentucky most likely would not need to spend on developing a large System Office to support a more drastic change in governance structure but may need to invest in increasing the capacity of CPE to support enhanced execution of its existing authorities.
- **State-level transparency and control.** Greater visibility into Kentucky's postsecondary academic program portfolio could help the state align programs to the economic development needs of the state and more efficiently deploy resources to focus on the quality of programs.
- **Local responsiveness.** The current governance structure continues to lend itself well to local responsiveness because of the decision-making power maintained at the local level (e.g., local boards appoint institution leadership, CTCs develop technical programs that meet specific workforce needs in a region, comprehensive universities develop four-year programs targeted at meeting regional needs).
- **Prioritization of distinct missions.** The current governance structure recognizes the distinct mission of two-year institutions through the existence of a two-year system governing board with the same authorities as the four-year governing boards. All but two states from the deep-dive analysis offer transfer and technical programs at the same institutions to legitimize and integrate two-year institutions into the higher education system.

### Potential risks of implementing Option 1

- **State-level transparency and control.** CPE does not have a formal role in the selection of any institution leadership (neither presidents nor governing board members), according to Kentucky legislative statute.
  - **Mitigation of risk:** Engaging in more training of governing board members aligned with the state's strategic agenda could help CPE build a stronger connection between the state's higher education strategy and institutions.
- **Stronger pathways/transferability.** The autonomy of four-year institutions could slow the implementation of statewide initiatives such as developing transfer pathways consistently with CTCs.
  - **Mitigation of risk:** CPE could advocate for incentive funds from the legislature for specific statewide initiatives that meet economic development needs of the state and promote collaboration between institutions.



**OPTION 2: ADDITIONAL AUTHORITIES GRANTED TO CPE AND KCTCS**

Option 1 could be further strengthened by adding specific authorities to CPE and the KCTCS through revision of statute.

**What could implementation of Option 2 look like?**

Current authority	Potential changes in authority and execution
CPE	
<p><b>Program oversight:</b> For both degree and non-degree programs:</p> <ul style="list-style-type: none"> <li>✓ Approval</li> <li>✓ Review</li> <li>✓ Termination</li> </ul> <p>CPE delegates non-degree approval authority to KCTCS and four-year institutions.</p>	<ul style="list-style-type: none"> <li>• The same revisions to program oversight described in Option 1 could be implemented in Option 2: CPE could provide greater scrutiny, additional structure and more frequency of program approval, review, and termination.</li> <li>• In addition, <b>CPE could task governing boards including KCTCS BOR — through statute — with developing multi-year strategic academic plans</b> with input from various experts to better execute alignment between program offerings and workforce needs.</li> </ul>
<p><b>Institutional fiscal oversight:</b></p> <ul style="list-style-type: none"> <li>• CPE has statutory authority to set tuition and fees</li> <li>• Institution funding allocation (i.e., performance funding model)</li> <li>• Major capital expenditure approval</li> <li>• Asset preservation project review</li> <li>• Collection and reporting of financial information</li> </ul> <p><b>State financial aid oversight</b></p> <ul style="list-style-type: none"> <li>• No financial aid authority</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional fiscal oversight: <b>CPE could gain responsibility to monitor several key financial risk metrics through the mandating of specific financial data/metrics/reports from institutions.</b> CPE would require additional capacity and resources to analyze and report the data findings. As one example, LBR’s fiscal health dashboard monitors institution viability ratio, primary reserve ratio and net income ratio to calculate a composite fiscal health score for every institution. LBR’s division of finance and administration has ~25 FTEs (please see Appendix D for more detail).</li> <li>• Financial aid oversight: <b>CPE could strengthen relationship with KHEAA to better align the financial aid strategy</b> with the overall higher education strategic agenda. Multiple states, such as Utah and Louisiana, integrate financial aid with state boards to some degree in support of state goals such as increasing accessibility for particular student populations.</li> <li>• An <b>alternative structure</b> would be to appoint the president of CPE as the executive of the financial aid administration while still maintaining separate organizations (this is the model in Tennessee).</li> <li>• At a minimum, CPE could be granted the authority to coordinate the development of the state-wide financial aid strategy with KHEAA and approve the final strategic plan.</li> </ul>



Current authority	Potential changes in authority and execution
<p><b>Leadership appointment and review</b></p> <ul style="list-style-type: none"> <li>• Train four-year institution board members and KCTCS board members within their first year since appointment.</li> <li>• Representatives of CPE are not allowed on the Governor’s Postsecondary Nominating Committee.</li> </ul>	<p><b>The same revisions to leadership appointment described in Option 1 could be implemented in Option 2:</b></p> <ul style="list-style-type: none"> <li>• Additional training for board members</li> </ul> <p><b>Changes in authority for CPE could include:</b></p> <ul style="list-style-type: none"> <li>• <b>A CPE representative could participate as a member of the Governor’s Postsecondary Education Nominating Committee</b> to assess or recommend governing board members (KCTCS and four-year institution governing boards) for appointment by the Governor.<sup>41</sup></li> <li>• Kentucky could consider introducing a statute that would require <b>a CPE representative on presidential search committees</b> for four-year institutions, CTC institutions and KCTCS System Office.</li> </ul>
<b>KCTCS</b>	
<p><b>Program oversight:</b></p> <ul style="list-style-type: none"> <li>• KCTCS Board of Regents approves and terminates non-degree certificate programs to manage its portfolio of offerings.</li> </ul>	<p><b>The same revisions to program oversight described in Option 1 could be implemented in Option 2:</b></p> <ul style="list-style-type: none"> <li>• KCTCS program workforce accountability system to maintain a program portfolio that aligns with student and employer needs on an ongoing basis.</li> <li>• KCTCS System Office initiated systemwide employer partnership strategy for employers across the state.</li> </ul>
<p><b>Institutional fiscal oversight:</b></p> <ul style="list-style-type: none"> <li>• KCTCS colleges are individually accredited</li> </ul>	<p><b>The same revisions to fiscal oversight described in Option 1 could be implemented in Option 2 as well:</b></p> <ul style="list-style-type: none"> <li>• Revised scope of System Office services to either provide more services or reduce office size.</li> <li>• Single accreditation to streamline accreditation processes and establish a more cohesive student experience.</li> </ul>
<p><b>Leadership appointment and review</b></p> <ul style="list-style-type: none"> <li>• KCTCS Board of Regents appoints and evaluates the KCTCS system president.</li> <li>• KCTCS system president appoints and evaluates individual CTC presidents.</li> </ul>	<p><b>The same revisions to leadership oversight described in Option 1 could be implemented in Option 2:</b></p> <ul style="list-style-type: none"> <li>• Consolidating Boards of Directors</li> </ul> <p><b>Changes in authority for KCTCS could include:</b></p> <ul style="list-style-type: none"> <li>• <b>KCTCS Board of Regents could retain the authority to approve two-year institutions’ strategic plans</b>, which are currently under the authority of individual CTC Boards of Directors (advisory boards). This authority could strengthen alignment between institution goals and system goals.</li> </ul>

41 <https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=4160>



Current authority	Potential changes in authority and execution
<b>State Funding of Higher Education</b>	
<ul style="list-style-type: none"> <li>CPE develops a unified biennial budget request for postsecondary education, including operating funds, capital investments and trust funds.</li> <li>Institutions receive performance funding through a statutorily determined funding distribution model administered by CPE.</li> </ul>	<p><b>The same revisions to funding described in Option 1 could be implemented in Option 2:</b></p> <ul style="list-style-type: none"> <li>Revising performance-based funding</li> <li>Creating an Innovation Incentive Fund</li> </ul>

**Potential benefits of implementing Option 2**

- Time and cost to change.** This option would require some level of change management in revising statute and implementing policies for effective governance in institutional fiscal oversight and leadership appointment and/or review; however, it would require much less time and cost than Options 3 or 4 (discussed below).
- State-level transparency and control.** The state gains visibility into institutional finances to maintain a pulse of the financial stability of institutions to intervene as needed. With access to institution financial data, CPE could analyze the financial health of institutions or develop a dashboard to monitor the health of institutions similar to Louisiana and North Carolina (see page 46 and Appendix D) so that CPE could intervene before institutions reach a state of financial distress that impacts the quality of education delivered. Integration of Kentucky’s financial aid agency could help the state to distribute funds in closer alignment with the state’s postsecondary attainment and access goals.
- Local responsiveness.** Institutions would continue to have local boards and be responsive to local employer and community needs.
- Prioritization of distinct missions.** The current governance structure recognizes the distinct mission of two-year institutions.

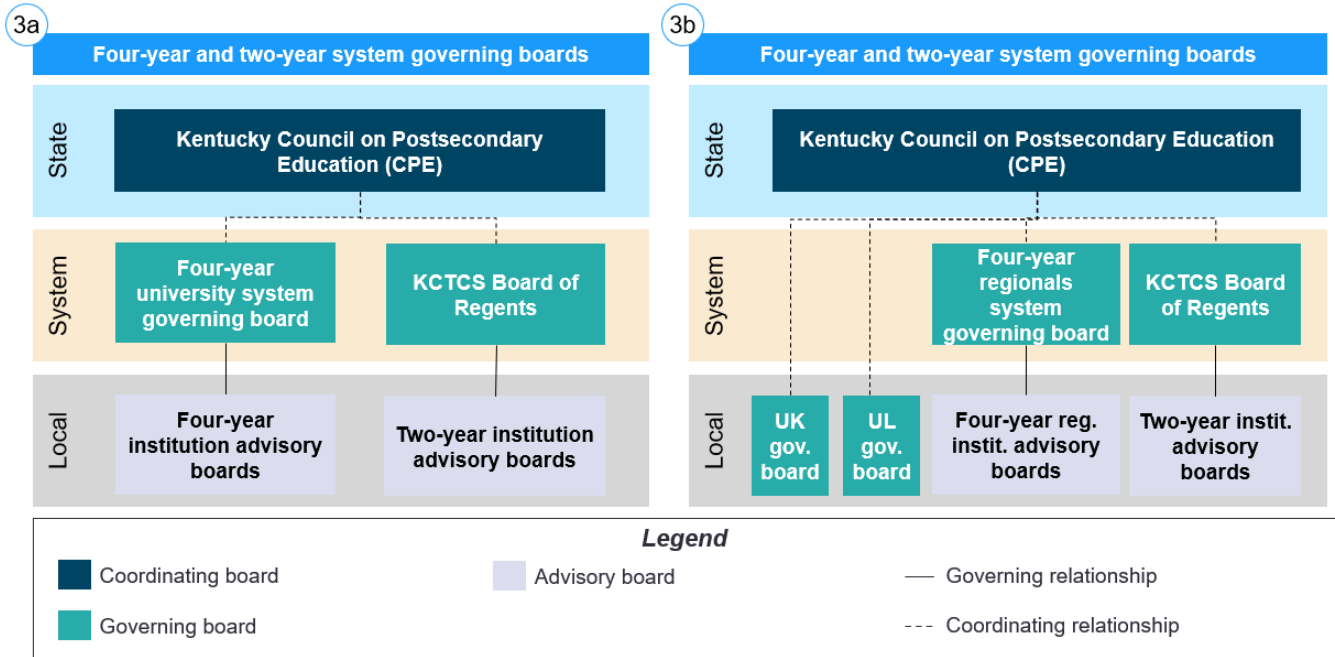
**Potential risks of implementing Option 2**

- Stronger pathways/transferability.** There are still eight separate four-year governing boards. Institutions could potentially still compete with one another, with governing boards optimizing for their own institutions rather than the four-year sector.
  - Mitigation of risk:** A role in leadership selection could help CPE to facilitate better collaboration between institutions. Incentive funds encouraging collaboration among institutions could help mitigate this risk as well.

**OPTION 3: SINGLE FOUR-YEAR GOVERNING BOARD REPLACES LOCAL BOARDS**

Kentucky could also consider adding a governing board over the four-year institutions. In this structure, four-year institutions could maintain advisory boards, but the governing authorities they currently hold (e.g., budget approval, recommending programs for approval to CPE, development of strategic plans, etc.) would be consolidated into a single governing board over the four-year institutions. CPE would remain and coordinate the two system governing boards as shown in Figure 1.2D.2. Tennessee and Louisiana have a similar structure.

Figure 1.2D.2: Addition of a four-year governing board



One variation of this governance structure may be a four-year board that governs only regional universities while Kentucky’s research universities continue to have local governing boards (see Option 3b in Figure 1.2C.2 above). As R1 institutions, University of Kentucky and University of Louisville have a different role in Kentucky’s postsecondary ecosystem than the regional universities, drawing national enrollment. Therefore, aligning governance structure to the differentiated missions of four-year institutions could help the state provide targeted support of those distinct missions.

**What could implementation of Option 3 look like?**

Current structure	Potential changes in authority and execution
CPE	
<p><b>Program oversight:</b> For both degree and non-degree programs:</p> <ul style="list-style-type: none"> <li>✓ Approval</li> <li>✓ Review</li> <li>✓ Termination</li> </ul> <p>CPE delegates non-degree approval authority to KCTCS and four-year institutions.</p>	<p><b>The same revisions to program oversight described in Options 1 and 2 can be implemented in Option 3, including:</b></p> <ul style="list-style-type: none"> <li>• CPE could provide greater scrutiny, additional structure and more frequency of program approval, review and termination.</li> <li>• CPE could task governing boards, including KCTCS, with developing strategic academic plans with input from experts.</li> </ul>



Current structure	Potential changes in authority and execution
<p><b>Institutional fiscal oversight and state financial aid oversight:</b></p> <ul style="list-style-type: none"> <li>• CPE has statutory authority to set tuition and fees</li> <li>• Institution finding allocation (i.e., performance funding model)</li> <li>• Major capital expenditure approval</li> <li>• Asset preservation project review</li> <li>• Collection and reporting of financial information</li> <li>• No financial aid authority</li> </ul>	<p><b>The same revisions to fiscal and financial aid oversight described in Options 1 and 2 could be implemented in Option 3:</b></p> <ul style="list-style-type: none"> <li>• <i>Fiscal oversight:</i> CPE could develop a process to request institution financial data for analysis beyond general purpose financial statements</li> <li>• CPE could gain responsibility to monitor several key financial risk metrics</li> <li>• <i>Financial aid oversight:</i> Strengthening relationship between CPE and KHEAA would allow for stronger alignment between statewide higher education strategy and goals and financial aid strategy (policy)</li> </ul>
<p><b>Leadership appointment and review</b></p> <ul style="list-style-type: none"> <li>• Train four-year institution board members and KCTCS board members within their first year since appointment.</li> <li>• Representatives of CPE are not allowed on the Governor's Postsecondary Nominating Committee.</li> </ul>	<p><b>The same revisions to leadership appointment and review described in Options 1 and 2 could be implemented in Option 3:</b></p> <ul style="list-style-type: none"> <li>• Revising governing board member training and CTC advisory board nomination and approval</li> <li>• CPE participating as a member of the Governor's Postsecondary Education Nominating Committee</li> </ul>
<b>Four-year governing board</b>	
<ul style="list-style-type: none"> <li>• Each four-year institution has its own local governing board.</li> </ul>	<p><b>CPE would remain as a statewide coordinating board and would coordinate KCTCS and a new four-year governing board.</b></p> <ul style="list-style-type: none"> <li>• <b>Four-year institutions could be governed by a single governing board</b> with members appointed by the Governor per guidance of the Governor's Postsecondary Education Nomination Committee. The size and composition of the governing board would need to be determined (e.g., representation from various regions). For example, the Board of Supervisors for the University of Louisiana System has nine members governing nine four-year institutions. The Board of Regents of the University System of Georgia has 19 members governing 17 four-year universities and nine state colleges.</li> <li>• <b>The four-year governing board could adopt all the same authorities as the current institution boards but provides these services and holds the authorities for all the four-year institutions</b>, serving as the primary interface between KCTCS and institutions. Examples of these governing board authorities could include:</li> </ul>

Prepared solely for Council on Postsecondary Education. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 107



Current structure	Potential changes in authority and execution
	<ul style="list-style-type: none"> <li>○ Appoint and evaluate presidents and top executives</li> <li>○ Approve executive compensation</li> <li>○ Budget development for all four-year institutions and advocate for budget priorities with CPE</li> <li>○ Communicate and engage with relevant stakeholder groups (e.g., KCTCS System Office to develop standardized transfer pathways between two-year and four-year institutions)</li> <li>○ Assess academic program quality</li> <li>○ Fundraise</li> <li>○ Monitor system or institutional efficiencies</li> <li>○ Oversee accountability or performance measures, including those set by CPE</li> <li>○ Oversee development and implementation of institution strategic plans to align with state goals set by CPE</li> <li>○ Oversee opening, merging, or closing of institutions</li> <li>○ Participate in preparation of institutional financial reporting to comply with CPE-mandated financial reporting requirements</li> <li>○ Provide professional development or training for faculty, staff and executives at institutions</li> <li>○ Review or approve facility or capital construction plans below a certain cost threshold</li> <li>○ Set faculty and personnel policies</li> </ul> <p><b>Appendix C details additional examples of common governing board authorities.</b></p> <ul style="list-style-type: none"> <li>● <b>The four-year governing board would require a System Office to manage the functions of the board.</b></li> <li>● In the variation of this structure (3b above), University of Kentucky and University of Louisville could be governed separately by their own institution governing boards.</li> </ul>
<b>KCTCS</b>	
<p><b>Program oversight:</b></p> <ul style="list-style-type: none"> <li>● KCTCS approves and terminates non-degree certificate programs to manage its portfolio of offerings.</li> </ul>	<p><b>The same revisions to program oversight described in Option 1 could be implemented in Option 3:</b></p> <ul style="list-style-type: none"> <li>● Program workforce accountability system</li> <li>● Systemwide employer partnership development</li> </ul>
<p><b>Institutional fiscal oversight:</b></p> <ul style="list-style-type: none"> <li>● KCTCS colleges are individually accredited.</li> </ul>	<p><b>The same revisions to fiscal oversight described in Option 1 could be implemented in Option 3:</b></p> <ul style="list-style-type: none"> <li>● Revising scope of services provided by the System Office</li> <li>● Single accreditation</li> </ul>



Current structure	Potential changes in authority and execution
<p><b>Leadership appointment and review</b></p> <ul style="list-style-type: none"> <li>KCTCS Board of Regents appoints and evaluates the KCTCS system president.</li> <li>KCTCS system president appoints and evaluates individual CTC presidents.</li> </ul>	<p><b>The same revisions to leadership oversight described in Options 1 and 2 could be implemented in Option 3:</b></p> <ul style="list-style-type: none"> <li>KCTCS could retain the authority to approve two-year institutions' strategic plans</li> <li>Creating regional Boards of Directors rather than maintaining 16 local boards</li> </ul>
<b>State fundings of higher education</b>	
<ul style="list-style-type: none"> <li>CPE develops a unified biennial budget request for postsecondary education, including operating funds, capital investments and trust funds.</li> <li>Institutions receive performance funding through a statutorily determined funding distribution model administered by CPE.</li> </ul>	<p><b>The same revisions to funding described in Option 1 could be implemented in Option 3:</b></p> <ul style="list-style-type: none"> <li>Revising performance-based funding</li> <li>Creating an Innovation Incentive Fund</li> </ul>

### Potential benefits of implementing Option 3

- State-level transparency and control.** Presidential appointment and review could be a key lever of the four-year governing board in aligning all four-year institutions to statewide higher education goals.
  - Creating a four-year governing board may reduce the risk of having governing board members who are not adequately equipped to provide support to institutions, which was a key concern of university presidents. CPE would have fewer board members to train and support and this focused support may result in stronger governance over the four-year institutions.
  - As regional comprehensive universities in Kentucky continue to face enrollment and budget pressures, consolidating their institutional governing boards into a single system board could have the potential to provide financial and administrative benefits in the form of shared services and decision-makers.
- Prioritization of distinct missions.** Empowering system boards with authority across institutions of the same sector could allow for a more streamlined implementation of initiatives specific to four-year or two-year institutions. These separate governing boards would be able to differentiate between the needs of four-year and two-year institutions (possibly better than CPE can) and possibly address unintended differences in how initiatives are implemented at institutions within the same system.

### Potential risks of implementing Option 3

- Time and cost of transition.** Creating an entirely new system board for four-year institutions and removing individual university boards could potentially require significant capacity building, coordinating, and funding. Without a long-term commitment to investing resources and planning the implementation of the four-year governing board (e.g., deliberating on and writing statute of a new governing board,



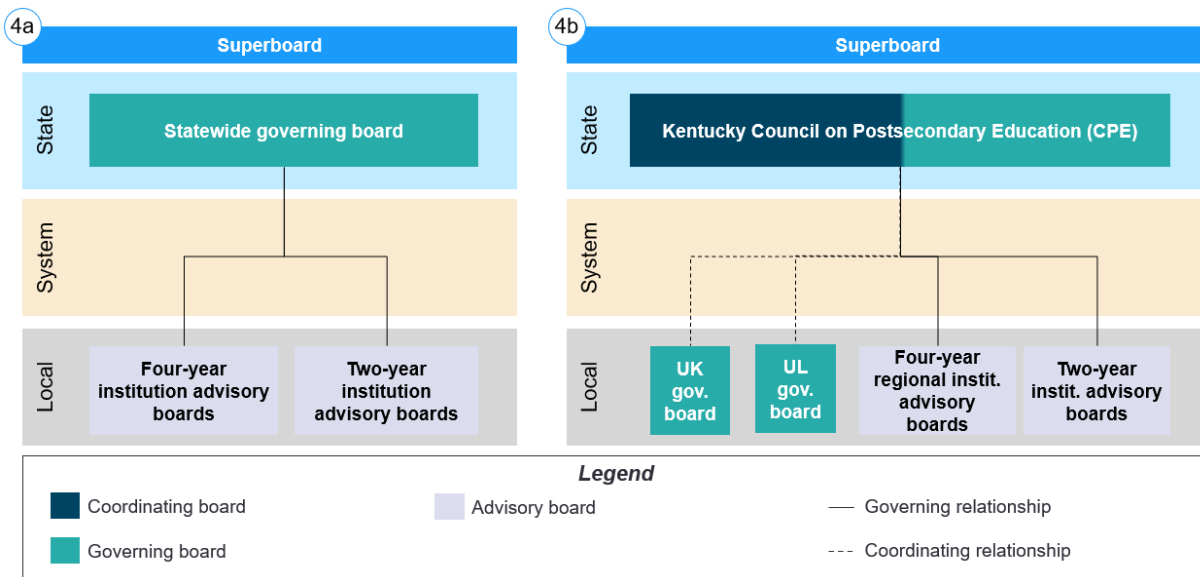
centralizing local governing board functions into one, etc.), the matters Kentucky is currently challenged by may persist.

- The level of disruption could be substantial with this governance change and political challenges and resistance could be significant. Strong public resistance to losing institutional autonomy and individual identity would be likely. Deeper analysis and review to assess the degree of this disruption would be necessary for this option.
- **Local responsiveness.** Because state academic approval processes would be more centralized, there is a risk of being less aligned to regional and local workforce needs. Stakeholders indicated this is a serious concern among Kentucky institutions as the existing agility of institutions to respond to employer and community needs could potentially be jeopardized.
  - **Mitigation of risk:** The four-year institutions could maintain local advisory boards with relevant industry and community backgrounds to support the institutions' connection to local businesses and the community.
- **State-level transparency and control.** As this structure is not fully centralized, the state legislature would need to support the authority of the statewide coordinating body to avoid a mismatch of priorities. Other states with this structure have had system governing boards (e.g., LA, NC, GA) request one-off funding from the legislature circumventing the coordinating body. If the state legislature is allowed to divert funding away from the coordinating body's unified budget to one-off system or institution initiatives, this structure's effectiveness may be diluted.
  - **Mitigation of risk:** Strong leadership at CPE could mitigate the risk of systems or institutions going directly to the legislature for funding by providing system and institution leadership fair channels to request funding and effectively advocating on their behalf to the legislature.

**OPTION 4: CREATION OF A SUPERBOARD**

Kentucky could consider a “superboard” for its governance structure. This structure would eliminate CPE as a state coordinating board and replace it with a statewide governing board overseeing both four-year and two-year institutions. Higher education governance structures in Alaska, Hawaii, Idaho, Nevada, North Dakota, and Utah all have superboards. To a degree, Kansas and Montana also utilize this governance structure; however, in those systems, two-year institutions are locally governed and the statewide board coordinates across them.

Figure 1.2D.3: Superboard





CPE, KCTCS, and the local governing boards of the four-year institutions would be dissolved and replaced with a single, statewide governing board. Local advisory boards at the institution would remain, but final approval for programs, budgets, financial reporting, strategic plans, institution leadership, etc. would be with the statewide governing board. However, a superboard could delegate authorities where needed. For example, local advisory boards in both Utah and Kansas are delegated program approval and termination authority, allowing for regional agility and institution-specific needs to be better met and contribute to decision-making related to budgets and leadership appointment.

**What could implementation of Option 4 look like?**

Current structure	Potential changes in authority and execution
<b>CPE + KCTCS + four-year governing boards</b>	
<p><b>Examples of existing authorities in current structure that would be tasked to statewide governing board include:</b></p> <p><b>Formerly CPE:</b></p> <ul style="list-style-type: none"> <li>• Approval, review, termination of degree and non-degree programs</li> <li>• Set tuition and fees</li> <li>• Institution finding allocation (i.e., performance funding model)</li> <li>• Major capital expenditure approval</li> <li>• Asset preservation project review</li> <li>• Collection and reporting of financial information</li> <li>• Unified biennial budget request for postsecondary education, including operating funds, capital investments and trust funds</li> <li>• Performance funding distribution</li> </ul> <p><b>Formerly KCTCS:</b></p> <ul style="list-style-type: none"> <li>• Proactive approval and termination of non-degree certificate programs</li> <li>• Appoint and evaluate system president</li> </ul> <p><b>Formerly four-year governing boards:</b></p> <ul style="list-style-type: none"> <li>• Appoint and evaluate presidents and top</li> </ul>	<p><b>CPE, KCTCS and the four-year university governing boards are dissolved and replaced with a statewide governing board, building capacity to take on the authorities previously owned by CPE, KCTCS and the four-year institutions.</b></p> <ul style="list-style-type: none"> <li>• It may be beneficial for Kentucky to <b>conduct a robust analysis of personnel and cost required to understand the support needed</b> for such a board.</li> </ul> <p><b>The same program management, fiscal oversight, leadership appointment and funding changes described in Options 1 and 2 could be implemented in Option 4. Examples of these same changes include:</b></p> <ul style="list-style-type: none"> <li>• The statewide governing board could gain responsibility to monitor several key financial risk metrics.</li> <li>• The statewide governing board has strengthened relationship with financial aid strategy and administration.</li> <li>• State funding changes to performance-based funding model and creation of an Innovation Incentive Fund could occur.</li> </ul> <p><b>Authorities for the statewide governing board could include:</b></p> <ul style="list-style-type: none"> <li>• <b>The combined authorities currently held by CPE, KCTCS and the four-year institution governing boards.</b> Examples of these governing board authorities could include:             <ul style="list-style-type: none"> <li>○ Appoint and evaluate presidents and top executives for all four-year and two-year institutions</li> <li>○ Approve executive compensation</li> <li>○ Develop and approve budgets for all two- and four-year institutions</li> <li>○ Advocate for budget priorities with legislature</li> <li>○ Communicate and engage with relevant stakeholder groups</li> <li>○ Devise and oversee financial accountability or performance measures</li> <li>○ Devise and oversee development and implementation of two- and four-year institution strategic plans to align with state goals</li> <li>○ Devise and oversee state goals</li> <li>○ Review and approve programs, taking into account program demand, quality, ROI and any other metrics deemed important by the board</li> </ul> </li> </ul>

Prepared solely for Council on Postsecondary Education. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 107



Current structure	Potential changes in authority and execution
<p>executives</p> <ul style="list-style-type: none"> <li>Communicate and engage with stakeholders</li> <li>Determine programs or courses of study</li> <li>Ensure academic program quality</li> <li>Fundraise</li> <li>Participate in preparation of institutional financial reporting</li> <li>Set faculty and personnel policies</li> </ul> <p>See <b>Appendix C</b> for additional common governing board authorities.</p>	<ul style="list-style-type: none"> <li>Fundraise</li> <li>Monitor system or institutional efficiencies</li> <li>Oversee opening, merging, or closing of two- and four-year institutions</li> <li>Oversee preparation of institutional financial reporting to comply with state and federal regulations</li> <li>Review or approve all facility or capital construction plans</li> <li>Set faculty and personnel policies at two- and four-year institutions</li> <li>Set two- and four-year institution financial reporting requirements</li> </ul> <p><b>Appendix C details additional examples of common governing board authorities</b></p> <ul style="list-style-type: none"> <li><b>Under the superboard structure, Kentucky institutions could still have local advisory boards to which the statewide governing board could delegate some of its authorities.</b> For example, local advisory boards could submit budgets to statewide governing board for approval before statewide board presents a unified budget to the state legislature for approval.</li> </ul>

**Potential benefits of implementing Option 4**

- State-level transparency and control.** Implementation of a superboard would enable a high degree of control at the state-level, including budget approval and leadership appointment to align institutions with the state’s higher education priorities, and could give Kentucky more visibility into institution finances with the authority to directly dictate institution spend in case of financial distress.
  - In addition, the state may have greater visibility into institution operations. Considering the feedback shared on the KCTCS System Office (e.g., unclear scope of responsibilities between system and institutions, lack of scrutiny in certificate program management, missed opportunities for statewide employer partnerships, etc.), a statewide governing board could potentially address some of the concerns policymakers have shared about KCTCS.
  - Shared back-office functions and staff in a centralized System Office could reduce duplication and remove the burden of hiring and training from the institutions. A shared services model may reduce cost through both reduced duplication and economies of scale.
- Stronger pathways/transferability.** States that currently operate with statewide governing boards have the authority to design and broadly implement transfer agreements between two- and four-year institutions without the need for legislative action or agreement between multiple entities, as was needed in the cases of statewide agreements in Louisiana, North Carolina, and Georgia. According to peer states, building strong ties between two-year and four-year institutions is critical for ease of transfer for students and program alignment. It could also create opportunities for institutions to collaborate on initiatives that support a broader range of students.

**Potential risks of implementing Option 4**

- Time and cost of transition.** Switching from a statewide coordinating board to a statewide governing board would require substantial time and capital-intensive change management, including hiring substantial personnel to support all institutions under the superboard, restructuring the System, local and state boards, and building out back-office capabilities. Utah, for example, is still in the process of rightsizing its state board and balancing of responsibilities after starting its transition to a superboard in 2020. A single, statewide governing board does not necessarily lead to adoption of shared services and

Prepared solely for Council on Postsecondary Education. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 107



the corresponding realization of cost savings because of the additional capacity needed at the state level to manage shared services across institutions.

- Similar to Option 3, this option would face comparable public resistance to this level of disruption and requires additional assessment to determine whether this resistance would be worth overcoming to pursue this option. Additionally, the resources needed to overcome this resistance, as well as implement these changes effectively, could potentially be substantial and may not serve the state's ultimate higher education goals.
- **Local responsiveness.** Kentucky could potentially lose much of the local responsiveness that stakeholders have shared as one of its strengths. Developing academic programs unique to the student and employer demands of each region is challenging to do from a central office. A superboard does not typically consider state needs through a regional lens and relies on institution leadership to address the unique needs of their communities.
  - **Mitigation of risk:** Institutions could maintain local advisory boards with members that have relevant industry and community backgrounds to support the institutions' connection to local businesses and the community.
- **Prioritization of distinct missions.** Under one state board, both two-year and four-year institutions may lose supports to their specific mission (e.g., employer partnerships with KCTCS to develop technical programs). The loss of institutional autonomy may make Kentucky less attractive to strong higher education leaders at both two-year and four-year institutions. Several KCTCS institution presidents, for example, cited the autonomy granted to institutions in KCTCS as a key reason they sought the role for president in Kentucky rather than in other states.
  - **Mitigation of risk:** In addition to maintaining local advisory boards for every institution, the statewide governing board would likely need to build offices to support the unique needs of each mission (e.g., a research and grants division for the R1s, enrollment support for the regional universities and employer partnership for the two-year institutions).
- **State-level transparency and control.** Despite having centralized authority, implementation of changes across all institutions could be slow and burdensome with a superboard. Kentucky's new board may have difficulty managing a system as large and as regional as Kentucky. For example, Utah and Kansas — neither of which have as many institutions as Kentucky — both report that their statewide board does not have the bandwidth to actively govern all institutions in the state.
  - **Mitigation of risk:** CPE's role in leadership appointment could build strong institution advisory boards to which CPE may delegate some authority as Utah and Kansas do.

## 1.2E. Synthesis of Kentucky's options

In assessing the need to change its current governance structure, Kentucky may consider the following impacts of the decision change its existing governance structure:

- **Disruption/time to transition:** the amount of time required to plan and execute changes to build the governance structure. Ideally, the structure would not be significantly disrupted and could make improvements quickly. Navigating political challenges, establishing a strong culture, cultivating new brand identity, and the expertise needed to implement these changes would have significant impact on the success of any change.
- **Near-term cost to change:** the cost of building new offices or hiring to meet capacity needs.
- **State-level transparency and control:** the extent to which the state-level board has visibility into the progress and performance of institutions.
- **Local responsiveness:** the extent to which institutions are able to respond to local student and employer demand for academic programs.
- **Stronger pathways/transferability:** the extent to which institutions are able to collaborate and communicate with one another in the given structure.
- **Prioritization of distinct missions:** the extent to which the governance structure lends itself to providing targeted support to institutions unique to their distinct missions.

Figure 1.2E.1: Considerations for each governance structure option for Kentucky<sup>42</sup>

Considerations	1	2	3	4
	Current governance structure with improved execution	Additional authorities granted to CPE	Addition of a single governing board for four-year institutions	Superboard
Disruption/time to transition	●	●	●	●
Near-term cost to change	●	●	●	●
State-level transparency and control	●	●	●	●
Local responsiveness	●	●	●	●
Stronger pathways/transferability	●	●	●	●
Prioritization of distinct missions	●	●	●	●

<sup>42</sup> Ratings determined through conversations with CPE leadership and interviews with peer states that made recent governance structures changes



In promoting a well-coordinated and efficient public higher education structure in Kentucky moving forward, there are several potential tradeoffs for Kentucky to consider.

- **Option 1 (stronger execution of existing authorities)** appears to be the least disruptive and costly to implement. Each change suggested in this option would also be a viable change under any structure. However, this option is less likely to improve state visibility into institutional financial health or improve level of input into leadership appointments.
- **Option 2 (additional authorities granted to CPE and KCTCS)** may yield the most benefit relative to cost compared to the other options, in that it enables substantially stronger fiscal oversight and much greater input into leadership appointment decisions, while also respecting local and regional differences among institutions.
- **Both Options 3 and 4 could bring about greater state-level control, visibility into the higher education system and efficiency in the longer run, but at a potentially significant cost in the shorter-term**, including the cost of setting up a new System Office and the cost of disruption to the existing higher education ecosystem. A significant disruption could also lead to unfavorable student outcomes (e.g., access, affordability, attainment, alignment with the workforce) during the transition period.

The potential implications of governance structure option are far-reaching. The legislature will need to consider the tradeoffs, some of which are outlined above, in choosing the path forward on the governance question.

## 2. SJR 98 Q2: Potential new institution in Southeastern Kentucky

### 2A. Methodology

#### STAKEHOLDER ENGAGEMENT

SJR 98 asked for an investigation as to the feasibility and impact of the establishment of a four-year residential university in Southeastern Kentucky, discussed here through the engagement of stakeholders in Southeastern Kentucky and the aggregation of their perspectives regarding a new residential four-year public institution in the region. EY conducted virtual (video or telephone) interviews and focus groups with ~40 Southeastern Kentucky stakeholders recommended by the CPE across the following groups:

- **Higher education representatives in Southeastern Kentucky** (presidents of four-year institutions; faculty from four-year institutions; CTC presidents)
- **Student representatives** (students from Southeastern Kentucky who are currently attending postsecondary institutions)
- **K-12 representatives in Southeastern Kentucky** (superintendents and counselors in Southeastern Kentucky)
- **Southeastern Kentucky electorate and community leaders** (community and state elected officials representing Southeastern Kentucky)
- **Industry representatives** (large employers of postsecondary graduates)

Interviews and focus groups generally concentrated on the following areas of inquiry:

- What are the barriers to attending and completing postsecondary education?
  - How are students supported in overcoming such barriers?
- Would the establishment of a new residential four-year public institution in Southeastern Kentucky mitigate the barriers faced by students?
  - What barriers, if any, would remain?
  - What challenges would a new institution face?
  - How might this impact other institutions in Kentucky?
  - How might this impact economic development in the region?
- Which of the options proposed in SJR 98 may be most effective in meeting the needs of the people of Southeastern Kentucky and the region? What are the pros and cons of each option?
  - Establishment of a brand-new university?
  - Establishment of a satellite of an existing four-year university?
  - Purchase of a private institution to be converted to a public university?
  - Do any other options come to mind?



## 2B. Regional context

### ECONOMIC CONTEXT

Southeastern Kentucky has faced economic difficulties for decades, resulting in challenges for the region that are disproportionate to those in the rest of Kentucky.

**Below-average median household income.** Southeastern Kentucky has a median household income of ~\$33k compared to the median household income of ~\$55k in Kentucky statewide.<sup>43</sup> The decline of the coal industry and its union-regulated wage jobs starting in the early 2000s without any notable industry replacement exacerbated the economic situation in the region.

- *“The fall of the coal industry has had a domino effect that has hurt the rest of the economy.”* [Postsecondary leader, Southeastern Kentucky]
- *“We have had to rebuild the entire economy this past decade due to the closure of the coal mines.”* [Community leader, Southeastern Kentucky]

**Below-average labor participation.** Southeastern Kentucky has a lower labor force participation rate at ~43.3% relative to ~57.3% in Kentucky overall.<sup>44</sup> Stakeholders throughout the region cited numerous barriers that prevent labor participation in the region, such as unreliable access to transportation and poor health but note there is still an outsized portion that does not participate in the labor market even after accounting for these factors.

- *“Particularly in our part of eastern Kentucky, there is a workforce participation problem.”* [State-level stakeholder, Southeastern Kentucky]
- *“Nationally the prime age employment rate is 80%, here it is 53%. People are not interacting or producing in society the same way employers need.”* [Economic development leader, Southeastern Kentucky]

**Infrastructure challenges.** Limited infrastructure in terms of road and transportation, broadband accessibility and the overall physical terrain contributes to economic struggles in Southeastern Kentucky. Stakeholders noted these challenges are especially important to consider when thinking about education or economic development initiative as communities within the region are often isolated.

- *“There are no airports or interstates nearby. We have areas that do not have municipal water or municipal sewers, and all the existing infrastructure is aging.”* [Economic development leader, Southeastern Kentucky]
- *“70% of our county can get internet as good as you can get in America, but the other 30% still needs a lot of work. Local businesses are really needed to help drive internet access.”* [Community leader, Southeastern Kentucky]
- *“Students in remote areas will not drive far to attend college because gas is expensive, plus they are usually working.”* [Economic development leader, Southeastern Kentucky]

### CULTURAL CONTEXT

As Kentucky has key differences both between and within regions, Southeastern Kentucky’s specific cultural context is helpful to understand the challenges faced by the region.

**Population decline.** Lower birth rates, an aging population and outmigration over the past two decades have resulted in a cumulative population decrease of ~12% in Southeastern Kentucky compared to a cumulative

<sup>43</sup> Source: U.S. Census Bureau, American Community Survey

<sup>44</sup> Source: U.S. Census Bureau, American Community Survey; U.S. Bureau of Labor Statistics

population increase statewide of ~10%.<sup>45</sup> Outmigration from the region is often caused by the pursuit of employment opportunities.

- *“People leave the region for jobs, or to join the military. We want to see kids in eastern Kentucky be able to stay there, get educated there and get a job there.”* [State-level stakeholder, Southeastern Kentucky]
- *“The brightest kids leave to go to UK or UL and never come back. If they were to stay, then that might spur the economy and help us attract employers.”* [Economic development leader, Southeastern Kentucky]

**Place-bound culture.** As family and community ties are strong in the Southeastern Kentucky region, many members of the community choose to remain despite the limited opportunities within the region and the greater potential for academic and employment opportunities outside of the region. Community members describe people who do leave the region as either relatively better resourced or as individuals who may be interested in seeking opportunity elsewhere but are pressured by their family or community to remain despite the lack of opportunity.

- *“There is a pull back home for any student in the region. Poverty leads to people becoming possessions when they do not have [material] possessions. People become place-bound due to familial relationships.”* [Economic development leader, Southeastern Kentucky]
- *“Culture is a big barrier. Health problems among family members often result in students leaving school to take care of them. People feel like they must come home.”* [Postsecondary leader, Southeastern Kentucky]

**Need for nontraditional residential solutions.** Stakeholders cited the lack of affordable housing and campus residence options as a primary limitation for students that ultimately do not pursue postsecondary education. For students in the region who do pursue postsecondary education, commuting to and from their job, classes and home can take substantial time away from their work or studies. Further, many students in the region have familial responsibilities that make it challenging to be away from home for extended periods of time. Stakeholders indicated that some of these challenges may be reduced through the provision of nontraditional housing.

- *“We may need a section that has apartment or family type housing so students can bring their family with them. We already engage students’ families as a community college, so for nontraditional students we extend as much support as we can.”* [Postsecondary leader, Southeastern Kentucky]
- *“It would be great to see something like the Family Scholar House model. Many students need dependent care, employment services, transportation, healthcare and security. I think if the residential component addressed those things, it would remove many barriers for students.”* [Economic development leader, Southeastern Kentucky]
- *“Universities have considerable economic impact. When the students come and live there, it attracts other businesses like restaurants, grocery stores and shopping centers.”* [Economic development leader, Southeastern Kentucky]

**High poverty impact.** Pervasive barriers, such as family health, childcare, elder care and financial stability also prevent community members from leaving Southeastern Kentucky to pursue academic or professional opportunities outside of their immediate region. The impact of entrenched poverty in overcoming these barriers is long documented in this part of the state.

- *“Families have trouble seeing the connection between college and career and have trouble navigating the application and student aid process, particularly if the parents are not college graduates. Geography and transportation are also challenging.”* [Postsecondary leader, Southeastern Kentucky]
- *“The biggest barriers are probably price, reluctance to leave home and hesitancy to enroll in a large school.”* [Postsecondary leader, Southeastern Kentucky]

---

<sup>45</sup> Source: KYSTATS

**Community influence.** The region is comprised of tight-knit communities where families have lived for generations. Because of this, stakeholders cited widespread community support as crucial for any initiative to succeed. Outside of Southeastern Kentucky, members of these communities feel isolated, stigmatized and misunderstood, particularly by authority figures.

- *“A lot of kids just want to stay home. Kids here have a hard time getting out of the comfort zone. Part of that is the stigma around Appalachia and the stereotypes that have been around for a hundred years.”* [Community leader, Southeastern Kentucky]
- *“Some students have full rides to colleges outside of the region and still don’t go, both because of the stigma around Eastern Kentucky and the distance from their support system.”* [K-12 counselor, Southeastern Kentucky]
- *“Appalachia is discriminated against outside of the region. Students feel inferior when they leave when being comfortable in a learning environment is critical.”* [K-12 superintendent, Southeastern Kentucky]

Due to the stigmatization outside of the region, Southeastern Kentucky communities are skeptical about centralized decision-making and change that does not have sufficient community input or a clearly demonstrated benefit to the region and its people.

- *“It is crucial that a postsecondary institution is something that folks can see themselves as a part of. The institution would need to be thoughtful about getting buy-in from people who sit in positions of respect, as well as positions of authority.”* [Workforce development leader, Southeastern Kentucky]

### **IMPACT ON POSTSECONDARY EDUCATION**

While Kentucky has made notable progress overall since the passage of HB 1, stakeholders believe Southeastern Kentucky has not shared the same level of progress.

- *“I feel like we have missed the boat in Southeastern Kentucky with regards to keeping students progressing. Some of our counties have an 80%–85% high school graduation rate, but then only 30% of the county has a bachelor’s degree. Seventy percent of each high school class seem to be falling through the cracks.”* [Economic development leader, Southeastern Kentucky]

**Postsecondary completion rates.** Currently, in the KRADD, only ~33.6% of working-age adults have achieved any type of postsecondary education beyond a high school diploma compared to ~57.8% statewide.<sup>46</sup> Among students from Southeastern Kentucky, the three-year graduation rate at CTCs is ~38.8% compared to ~40.7% statewide while the completion rate at universities is ~50.0% compared to ~58.8% statewide.<sup>47</sup>

This disparity in completion rates suggests that the barriers to postsecondary attainment for students from Southeastern Kentucky are significant and have a greater impact on students relative to the rest of the state even as interest from students in attending a postsecondary education institution is strong.

- *“Some of our counties have a good high school graduation rate, but then something seems to happen between there and college graduation. What is happening there? Why is there this steep drop off? Where are these kids going? Are we graduating kids from high school who should not have graduated or is it that everything else combined is just too much?”* [Economic development leader, Southeastern Kentucky]

Stakeholders perceived the region’s academic readiness and place-bound culture as factors contributing to lower postsecondary completion rates, but also pointed to the cost of completion as a persistent barrier. Even with financial aid, students struggle to afford the cost of tuition while also securing housing, transportation, and broadband access.

- *“Cost is largely the number one barrier for students. There are a high percentage of first-generation, low-income students.”* [Economic development leader, Southeastern Kentucky]

<sup>46</sup> Source: U.S. Census Bureau, American Community Survey

<sup>47</sup> Source: KYSTATS

- *“Housing and tuition costs are major issues for students. Not only the direct costs, but it is also often more expensive to live in the areas where four-year institutions are located.”* [K-12 superintendent, Southeastern Kentucky]

## 2C. Perspectives on student and employer demand

### PROPOSED OPTIONS

Considering this context, SJR 98 proposes three potential options to establish a four-year public university in the region. The three options proposed in SJR 98 are:

- **Option 1:** Establish a new regional, residential, four-year public university.
- **Option 2:** Establish a residential campus in Southeastern Kentucky that is a satellite campus of an existing regional public university.
- **Option 3:** Acquire an existing, private university in Southeastern Kentucky to serve the region as a new regional, residential, four-year public university.

When assessing the impact and feasibility of establishing a regional, residential, four-year public university in Southeastern Kentucky, considerations for the implementation of any option must address the unique dynamics of Southeastern Kentucky.

### STUDENT DEMAND

Expectations of student demand are crucial in considering the establishment of a new residential four-year public university in the region.

- K-12 and postsecondary education stakeholders in Southeastern Kentucky anticipated strong student demand in the region for additional baccalaureate degrees, citing the need for opportunities within a 45-minute drive as a key driver of demand due to lack of affordable housing, transportation and broadband access.
  - *“Many students will enroll in a college if it is within an hour away but only complete their program if it is within 45 minutes away. There is an inability for kids to finish a four-year degree outside of where we are because it is just too far away for most kids.”* [Economic development leader, Southeastern Kentucky]
  - *“Any commute above 45 minutes and we are looking at the same scenario that we are currently in.”* [K-12 counselor, Southeastern Kentucky]
  - *“45 minutes would be the cutoff for a new campus. Access and transportation become an issue beyond that.”* [K-12 superintendent, Southeastern Kentucky]
- In focus groups with students attending four-year and two-year institutions, students acknowledge the physical location of a campus or institution as a major factor in determining whether to apply for postsecondary education and which institution to attend. Students also noted that K-12 schools closer to universities or CTCs are more likely to have access to on-campus dual credit offerings or pre-college programs that better orient students to their postsecondary options and the academic and social adjustments that they might experience.
  - *“Proximity was a big thing for me. At 18, I don’t think I was ready to travel far away from my support system and comfort zone. I think it was important for me to stay close to home at that moment in time.”* [Current university student, Southeastern Kentucky]
  - *“There was emphasis on CTCs from a dual credit perspective in my high school. Having a CTC close by and the dual credit opportunity that came with it was a really important factor for students*



## 2. SJR 98 Q2: Potential new institution in Southeastern Kentucky

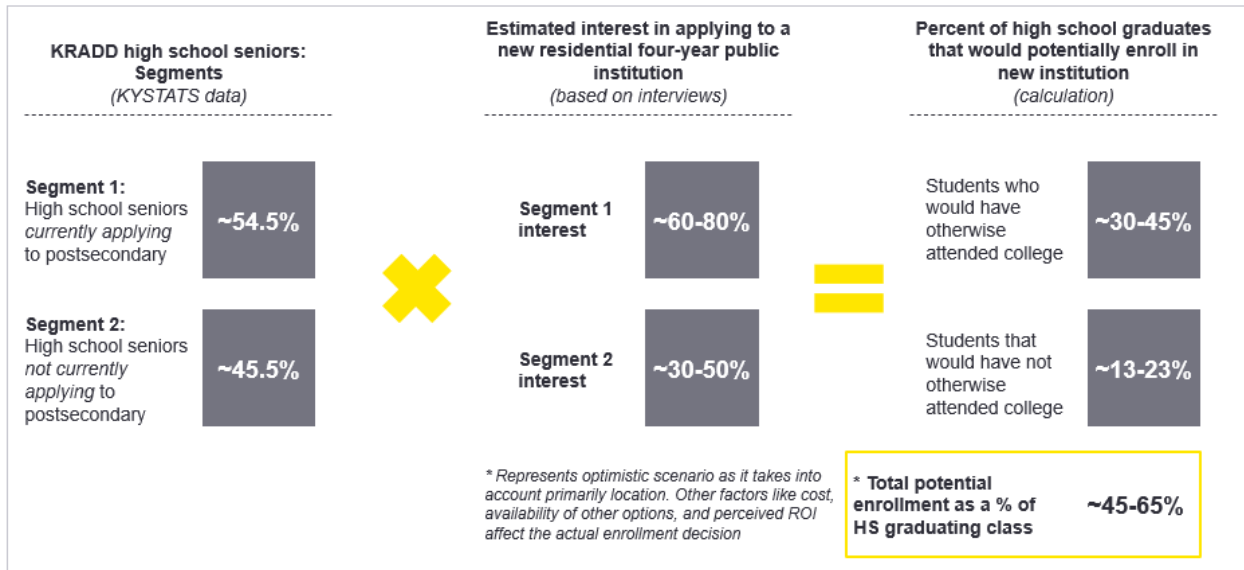
*in ultimately deciding that they wanted to pursue a college degree. It made college accessible at a low cost to students.” [Current university student]*

- While stakeholders indicated distance is a primary factor in student demand for a new four-year public university, they noted that other factors, such as the cost of attendance, the perceived return on the degree’s financial and time commitment and the potential for higher-wage job opportunities, also affect the likelihood of student demand in the region.
  - *“I can’t be certain of how many students would go because it is so dependent on cost. You would lose a lot of students if the cost were much higher than the [CTC] level.” [K-12 superintendent, Southeastern Kentucky]*
  - *“Families and kids have significant barriers to break institutional poverty and break out of limiting mindsets. Culture has a lot to do with that, as well as financial management. I also think there are a lot of at-risk or first-generation students who are not set up for success in college.” [Economic development leader, Southeastern Kentucky]*
  - *“Due to the closure of coal mines, we have had to rebuild and rethink our entire economy in the past 10 years. We are trying to rebuild ourselves and a new school is a great path to help us do that. By bringing a university to the region, students could see access to new types of jobs as a result of this rebuilding.” [Community leader, Southeastern Kentucky]*
- K-12 superintendents and guidance counselors anticipated that there would be a substantial interest in a local four-year residential public institution option located within 45 minutes of their hometown. *Figure 2C.1* provides some assessments of the level of interest, based on interviews.



2. SJR 98 Q2: Potential new institution in Southeastern Kentucky

Figure 2C.1: Anticipated level of student interest in a new four-year residential public institution in Southeastern Kentucky<sup>48</sup>



- Therefore, K-12 stakeholders hypothesized that ~45%–65% of each year’s high school graduates could potentially enroll in the new institution.
  - “I think that it would draw a lot of students who attend two-year institutions or who do not pursue college at all, and far more students would complete a bachelor’s degree if they could do so locally.” [K-12 superintendent, Southeastern Kentucky]
- Despite this positive feedback from stakeholders in the region, the total number of these students may not be sufficient to support a four-year institution and its accompanying costs. Given public institutions in the region have enrollments of ~2,500 students, a new institution would likely struggle to surpass this enrollment figure and might only be able to do so at the cost of reducing enrollment levels at existing CTCs and regional universities. Modest increases in postsecondary outcomes over the next 10 years could potentially increase the institution’s enrollment to ~3,500 students, but stakeholders believe demand is unlikely to climb higher based on expected decrease in population.<sup>49</sup>
  - “If you build a new institution or even a satellite, I am not sure that we have the kids, both here and from neighboring states, for a new university to come in.” [State-level stakeholder, Southeastern Kentucky]
- While proximity of location is an important decision-making criterion, other factors may limit a new institution’s ability to realize this full enrollment figure. These factors include cost (affordability) barriers, existence of competing options (e.g., CTC degree or a satellite campus of a regional institution such as Eastern Kentucky University’s Manchester campus, increased reach and popularity of University of Kentucky and perceptions of return on investment for a particular institution). Stakeholders believe the new institution would likely have to “prove” itself to students, e.g., offer relevant programs, provide student supports and be able to connect students to jobs with incomes and trajectories that justify the investment of time and money.
  - “The smaller universities are disadvantaged because the larger universities, the R1s, really have the resources to take over everything if they wanted to. We continue to see their enrollment and

48 Current college-going rate applies to KRADD and is sourced by KYSTATS

49 Source: Council on Postsecondary Education analysis

*funding climb while not seeing the same effect at most of the regional universities.” [University president]*

- *“We already have Eastern Kentucky University at Manchester not too far from our town and students don’t want to leave to go away to school because they would much rather stay with their parents while attending university. Students only want to attend another institution if their actual goal is to leave the region.” [K-12 counselor, Southeastern Kentucky]*

## **EMPLOYER DEMAND**

Alongside student demand, employer demand is also necessary to assess whether this region would have sufficient need for a new university’s graduates.

- Economic development leaders believe that the lack of a university in Southeastern Kentucky discourages new employers from bringing jobs to the region, particularly in technological and manufacturing fields. Certain employers, such as those in advanced manufacturing, require location to be within a certain radius of baccalaureate degree programs. These employers need assurance that they will be able to fill highly specialized positions, such as engineers at microchip plants, which require baccalaureate degrees. Local stakeholders are interested in attracting these types of employers, but also acknowledged that a university alone is not enough to attract employer investment.
  - *“There is a hesitancy among some employers to sign off on a location outside a certain proximity of a four-year institution. Both due to the need for managers and engineers, but also the access to research or experts that can help us with certain problem solving that only research institutions can provide.” [Director, Automotive manufacturer]*
  - *“Manufacturing has changed. There is a need for much more technical expertise and that requires professional-type roles and advanced degrees.” [Economic development leader, Southeastern Kentucky]*
- Demand from employers in the region for employees with some level of postsecondary education is strong. Most employers recognized that the supply-demand imbalance is greater for technical two-year degree and certificate holders versus candidates with four-year bachelor’s degrees as employers’ need for workers with technical expertise continues to grow. However, employers in the region tend to experience a supply-demand imbalance for candidates at all levels of postsecondary education in the region.
  - *“KCTCS is the backbone of the workforce in our region. The majority of our positions require just a two-year degree — 40%–50%. Certificates account for another 20%–30% of our workforce. About 30% of our pathways require four-year degrees or higher. We are putting a ton of emphasis on how we can support our degreed workforce with certificate programs. If anything, we are going to need more certificates in the future to supplement our care team — nurse aids, medical assistants, phlebotomists, pharm techs.” [Director, Large healthcare system]*
  - *“75%–80% of our annual hires are engineers. Another chunk are professionals in support roles, such as accountants and HR professionals. Our hourly workers are brought in out of high school and we have our own apprenticeship programs for them.” [Vice President, Large construction firm]*
  - *“A lot of colleges offer bachelor’s programs that fill seats, but don’t pay dividends because there is not enough demand for jobs in the region that require bachelor’s degrees. 40–50 people graduate from an interdisciplinary early childhood education program every year here when there are only two daycares in the area.” [Economic development leader, Southeastern Kentucky]*
- All regional stakeholder groups expressed concern that adding more baccalaureate degree opportunities in the region is not sufficient to promote economic development in the region on its own. Existing

outmigration suggests there are not enough total existing or expected jobs to support the current number of graduates.

- *“There is a big assumption that the jobs are there. It is a difficult question to answer because the location is one in which there is little demand for four-year degrees. How do we create demand? What industries are we targeting? We need to attract employers to make sure there is someone in Southeastern Kentucky waiting to hire these students.”* [State-level stakeholder]
- *“Former students tell me that they would like to come back to Southeastern Kentucky, but that they can get better jobs, make more money and have access to more leisure and recreational activities if they go elsewhere.”* [K-12 counselor, Southeastern Kentucky]
- *“There needs to be something in Southeastern Kentucky for graduates. What is there that people can actually make a living with?”* [Economic development leader, Southeastern Kentucky]

### **NEED FOR A BOLD ECONOMIC DEVELOPMENT VISION AND PLAN**

Despite the positive economic impact that a university may have on a region, all stakeholders agreed that a university alone is not sufficient to raise the economic vibrance of the region. The widespread belief among stakeholders in the region is that postsecondary education access, affordability, attainment, and workforce alignment must exist in conjunction with a comprehensive, thoughtful, well-coordinated economic development plan for the region to have a legitimate chance at turning around its economic outcomes.

- *“What is really needed is a plan for the local economy and then we can focus on giving students resources to be successful there through education. Is it chicken or the egg? I have students who want to be engineers and drive innovation, but those jobs don’t exist here.”* [Postsecondary leader, Southeastern Kentucky]
- *“What is in these areas? After students graduate, there is little in Southeastern Kentucky for them. There is a lack of employers and infrastructure. In Louisville, for example, there is Ford, GM, government agencies, hospitals. I am not sure if there is any plan as to what can be brought to Southeastern Kentucky that will keep students in the area.”* [Economic development leader, Southeastern Kentucky]

Stakeholders indicated that postsecondary education efforts without corresponding economic development efforts will not address the deeply entrenched struggles in the region. While barriers exist in applying to and attaining postsecondary education credentials, the removal of those barriers alone is not enough to boost economic development in Southeastern Kentucky given the longstanding economic conditions that the region has experienced.

- *“The workforce piece will make or break any new institution. There needs to be a clear vision for where it sits within the work available in the region.”* [Economic development leader, Southeastern Kentucky]
- *“If we could go back in time, I am not sure that having a new school would change the outcomes of those who are currently unemployed. How do you break the cycle of people that believe they can get along without a job? Without contributing?”* [Economic development leader, Southeastern Kentucky]

However, increasing postsecondary education options in the region is still seen by stakeholders in the region as a critical piece in making Southeastern Kentucky more attractive for economic development investment. Since long-term economic development and postsecondary education access are intertwined, local stakeholders consider investments in both spheres to be essential in order to improve opportunity throughout the region.

- *“Having more four-year programs would have a great economic impact. A lot of youth leave the region to pursue a four-year degree and never come back. If kids stay here, that would spur the economy as that has been a hindrance in attracting employers. We would have a lot more success in attracting business, education and healthcare employers if that were the case.”* [Economic development leader, Southeastern Kentucky]





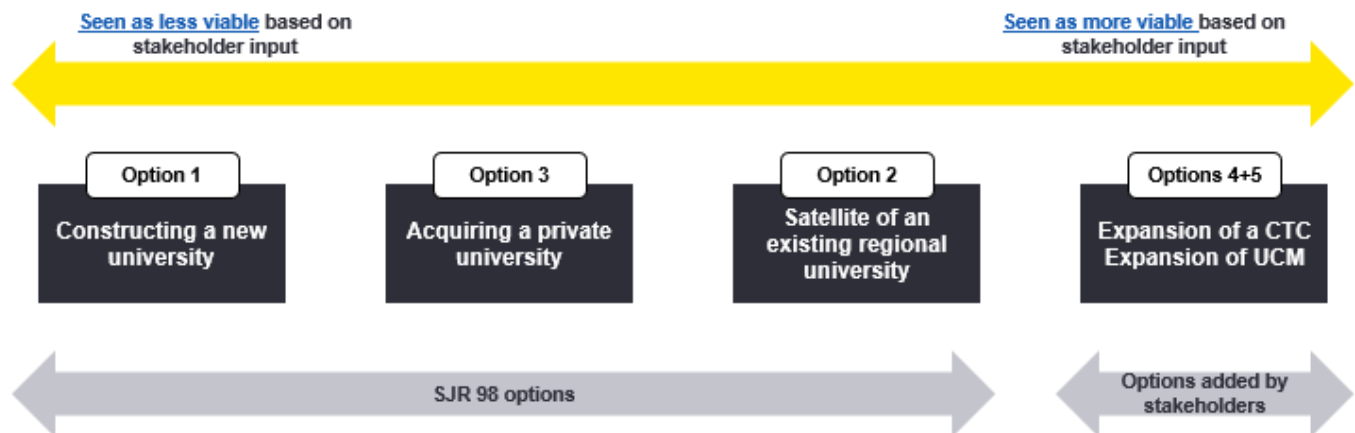
## 2. SJR 98 Q2: Potential new institution in Southeastern Kentucky

- “I would like to see a four-year institution in the region to help fill our existing healthcare needs. Even though most of our needs are filled through two-year programs, 30% of our employment pathways still require four-year degrees. I would like to see something in the region that could fill those and complement the existing opportunities in the region.” [Employer, Southeastern Kentucky]
- “I recently met with a semiconductor manufacturer to make a case to open a facility, and we present a compelling case, but we are primarily blue-collar in Southeastern Kentucky. If we are going to be competitive, we need to expand our four-year programs. They, for example, need to be within an hour of a four-year engineering program.” [Economic development leader, Southeastern Kentucky]
- “Higher education is very, very important for economic growth. There is a need for both two- and four-year degrees. If a new plant were to open in Southeastern Kentucky, there would be a need for both skilled trades and bachelor’s and master’s level employees.” [Economic development leader, Southeastern Kentucky]

## 2D. Perspectives on options outlined in SJR 98

In addition to the three options proposed in SJR 98 to increase access to postsecondary education in southeastern Kentucky, stakeholders shared two additional options – expansion of a CTC (Option 4) and the expansion of the University Center of the Mountains (Option 5). Overall, as shown in Figure 2D.1, arranging all the options from what is viewed as least viable to most viable, stakeholders from the region were largely in favor of Option 4. Stakeholders from the region who were already familiar with the University Center of the Mountains (UCM) model also showed substantial interest in adding and investing in Option 5.

Figure 2D.1: Viability of options as perceived by stakeholders



Option 2 received partial support as stakeholders acknowledged that a satellite campus would be an improvement over the existing level of access.

Stakeholders perceived Options 1 and 3 to be unfeasible due to costs relative to the other options and tended to dismiss these options altogether.

## **OPTION 1: ESTABLISHING A NEW REGIONAL, RESIDENTIAL, FOUR-YEAR UNIVERSITY**

### ***Perceived benefits***

**Customized to region's needs.** Some stakeholders considered a brand-new residential four-year institution as providing the most tailored option for the region since the institution could cater to the region's specific needs.

- *"A brand-new institution would have its own identity and generate some excitement and draw. It would allow the state to build something designed to work specifically within the region. Something with a unique mission that works in a rural context."* [Economic development leader, Southeastern Kentucky]
- *"I believe a new institution would be the best option for the region. Something that the community can all get behind and feel a sense of ownership of."* [K-12 superintendent, Southeastern Kentucky]

### ***Perceived risks***

**Overstated economic impact.** However, most stakeholders consistently expressed concerns about this option, suggesting that a new university on its own, without a cohesive economic development strategy for the region, would not generate the kind of economic impact (e.g., lead to jobs in the region) that might be expected of an institution. For most stakeholders, the risks outweigh the benefits.

- *"I am not certain that this is the answer to economic development. There is a labor force participation problem, but I don't think the next step is a brand-new institution. I would rather see an existing institution test out a few degrees that the population and region might be interested in and see how successful that is."* [Postsecondary leader, Southeastern Kentucky]
- *"What happens inside the institution [with regards to student retention and alignment with workforce] and what happens when kids graduate is the big question for me."* [Economic development leader, Southeastern Kentucky]

**Negative financial effect on existing institutions.** Stakeholders noted that constructing a new university would be costly to the state and could impact funding available for existing two-year and four-year institutions. KCTCS and university stakeholders were concerned that existing funding levels may be too limited to reach existing statewide higher education goals and that this solution would exasperate the issue.

- *"I hear how poorly-funded our higher education system is now. There isn't enough to go around as it is, so how will they fund another school on top of the existing institutions?"* [Economic development leader, Southeastern Kentucky]
- *"If having a four-year university were an answer to the economic issues in a region, Murray and Morehead would be booming. I worry that this would just water down dollars."* [Postsecondary leader]

**Declining enrollments.** Given declining enrollments at nearby public universities and CTCs, as well as projected population declines, establishing a completely new university with its associated costs would be financially impractical.

- *"Starting from scratch would be extremely costly. It is hard to imagine the state would see an acceptable ROI on such a project."* [Economic development leader, Southeastern Kentucky]

**Potential lack of credibility within communities.** Given Southeastern Kentucky's tight-knit communities, a brand-new institution may not have the credibility or community ties to be successful in generating student demand. Some stakeholders believe the time and resources needed to establish this credibility could hinder such an institution's success.

- *"I imagine that starting a new university from scratch would be one of the less popular options. There is no existing reputation or credibility within the community."* [K-12 superintendent, Southeastern Kentucky]



**Existing family ties.** Other stakeholders indicated that existing family ties to other public universities, such as Eastern Kentucky University, Morehead State University and the University of Kentucky, may also prevent support from community members who are likely to attend a four-year institution.

- *“One of the enrollment challenges for a new institution is the legacy piece. If a family has the means I imagine they will continue to go in that direction.”* [Economic development leader, Southeastern Kentucky]
- *“The legacy component can come into play here, as students with familial connections with existing universities may still tend to favor those.”* [Economic development leader, Southeastern Kentucky]

## **OPTION 2: ESTABLISHING A RESIDENTIAL SATELLITE CAMPUS OF A REGIONAL UNIVERSITY**

### ***Perceived benefits***

**Less costly than a brand-new institution.** Interest among regional stakeholders in Option 2 was stronger relative to a brand-new university. This interest was in part because a satellite of an existing regional university was perceived as being less costly to implement than the brand-new university option as it would leverage existing overhead (e.g., administrative leadership) and could either co-locate at or subsume the site of an existing CTC.

- *“I think that this could be a smart way to do it. Expenses are stepwise, not linear, so being able to capitalize on the infrastructure of an existing institution would be very appealing.”* [Postsecondary leader]
- *“Morehead has done a good job with their education program and the satellite campus in Prestonsburg. I wish we could see other similar programs.”* [Economic development leader, Southeastern Kentucky]

Stakeholders pointed to several choices of existing four-year institutions that could provide a satellite campus, including Eastern Kentucky University, Morehead State University and the University of Kentucky, all of which have experience administering satellite campuses.

### ***Perceived risks***

**Potential lack of community support.** Community support for this option is potentially limited as community members see a satellite campus as a lower priority to a university’s board and administration relative to the university’s main campus. Stakeholders indicated that community members have little interest in embracing what they view as second-tier engagement. The perception that satellites of regional universities lack deep ties to the community may potentially also hinder student demand.

- *“An administration will always do what is best for the central campus, as opposed to what is best for Southeastern Kentucky.”* [Community leader, Southeastern Kentucky]
- *“The concern is there have already been attempts to establish branch campuses and they have not worked out. I fear they would be a second or third thought because if costs need to be cut, a satellite campus would be the first thing to go.”* [Postsecondary leader, Southeastern Kentucky]

**Financial concerns at regional universities’ existing satellites.** Many regional universities are already experiencing financial difficulties. Stakeholders expressed concern that if a regional university faced increased financial distress in the future, a satellite campus in rural Southeastern Kentucky could be one of the first cuts in the budget.

- *“The regional institutions here are not exactly thriving. I worry what that implies for a satellite that might be opened.”* [State-level stakeholder]

## **OPTION 3: ACQUIRING AN EXISTING, PRIVATE UNIVERSITY**

### ***Perceived benefits***

**Less risky than a brand-new institution.** Similar to establishing a satellite campus, stakeholders perceived Option 3 as requiring lower startup costs than a brand-new university due to existing infrastructure and community ties.

- *“It makes sense to me to not try to recreate the wheel. Especially with some of the privates’ recent expansion towards what are traditionally public programs as opposed to liberal arts.”* [State-level stakeholder]
- *“[Acquiring a private university] is probably the best option, as the infrastructure is already in place.”* [Postsecondary leader, Southeastern Kentucky]
- *“The pro of purchasing an existing institution is that it would be the quickest avenue to get education there up and running.”* [Economic development leader, Southeastern Kentucky]

### **Perceived risks**

**Geographic limitations.** However, stakeholders noted that the downsides likely outweigh the potential benefits. Private universities may not provide the necessary access to students throughout the region due to the location of existing private institutions (in areas that are not central in the region).

- *“While the minimal up-front costs are appealing, I am not sure that any of them are in a central location for the Southeastern Kentucky region.”* [Postsecondary leader, Southeastern Kentucky]

**Funding model.** Funding model changes would also be needed for private institutions to operate as public institutions. The private universities in the region receive ~68% of revenue from tuition whereas the Kentucky’s public universities receive ~23% of revenue from tuition.<sup>50,51,52</sup> The model of private institutions makes them more reliant on tuition and fees (unless they have larger endowments) which could in turn require additional public subsidy for tuition rates to match the levels of public institutions. Stakeholders indicated that these funding changes could have a negative impact on existing public institutions’ funding levels.

- *“The acquisition of a private institution would be very difficult and costly. It would break the bank to subsidize the private university cost structure.”* [Faculty, postsecondary institution]
- *“I doubt any of the private universities would be interested in being purchased, due to their mission and models being at odds with being a public institution.”* [Postsecondary leader, Southeastern Kentucky]

**Lack of interest among private institutions.** In response to historical efforts in the region proposing the possibility that a private institution be acquired, the private institutions in Southeastern Kentucky have expressed resistance to being purchased, as they do not believe that their mission and operations are compatible with public control.

- *“I can’t imagine our institution or any of the other private universities agreeing to be bought. I doubt even a private institution that is experiencing difficult financial times would be interested.”* [Postsecondary private institution leader, Southeastern Kentucky]
- *“We have zero interest in being that university. We are utterly uninterested in having that conversation.”* [Postsecondary private institution leader, Southeastern Kentucky]
- *“Acquiring a private would not be the best option. UPike and Union are both not very central within the region, and the tuition adjustment for UPike would be large. Alice Lloyd is quite remote and their mission and model would make it very hard for them to operate as a public institution.”* [CTC leader, Southeastern Kentucky]

---

50 IPEDS

51 Alice Lloyd College has been excluded from this analysis due to its non-traditional model and scale as a private work college

52 Revenue figures exclude hospital-related revenue

## 2E. Additional possibilities raised by stakeholders

In our conversations with stakeholders across Kentucky, two additional possibilities emerged that are incremental to the three options proposed in SJR 98.

### **OPTION 4: EXPANDING A CTC TO OFFER TARGETED BACCALAUREATE DEGREES**

Stakeholders were almost unanimous when expressing interest in expanding an existing CTC in Southeastern Kentucky to offer baccalaureate degrees in targeted fields.

#### **Perceived benefits**

**Existing infrastructure and relationships.** Community members saw leveraging a CTC's existing infrastructure and relationship with local communities as key benefits of this option.

- *"Expanding a CTC in my opinion is the best idea. You have the System and facility in place. Employers have strong connections with these institutions already."* [Economic development leader, Southeastern Kentucky]
- *"I think that building a four-year out of a KCTCS institution makes more sense than starting a new facility. There is some infrastructure to build on and they have credibility in the community."* [State-level stakeholder]
- *"There has been interest from local CTCs in offering four-year degrees since they were built. There is a ton of community support for that here."* [Community leader, Southeastern Kentucky]

**Increased workforce alignment.** Stakeholders also saw expanding the offerings at a CTC as providing the support needed to develop additional degree programs specifically aligned to the region's workforce needs.

- *"Expanding a CTC would be beneficial in that you really can be targeted in the offerings there. Programs would closely align with the needs of the region with that more limited scope and mission."* [K-12 superintendent, Southeastern Kentucky]
- *"I think if you took an existing CTC campus and built it up into a four-year college, with everything a four-year college has to offer and retained the technical mission, that it would be the best fit for the region."* [State-level stakeholder]
- *"CTCs in the region are able to do some things economically that work. They already have a lot of infrastructure. There are people who might donate. It is pretty accessible. If 2+2=4 and it comes out to creating a lot of impact, then it would be worth putting money into it."* [State-level stakeholder]

#### **Perceived risks**

**Mission blur.** Both university and CTC presidents expressed concern that allowing CTCs to offer baccalaureate degrees would contribute to blurring missions between institution types.

- *"I find myself torn. If you took one of those community colleges and turned it into a four-year institution that might be good, but I am afraid of losing that community college's mission as it is now."* [Economic development leader, Southeastern Kentucky]
- *"My question would be how would this impact performance funding? Also, if you open the door to the barn, what is going to come out? Are other, similar institutions going to be chomping at the bit?"* [Faculty, postsecondary institution]
- *"I think there is real danger of mission creep in allowing a CTC to offer four-year degrees. It might make more sense for a four-year institution to partner with a KCTCS college than to switch the role of a current institution."* [Faculty, postsecondary institution]



**Attracting faculty.** University and CTC presidents also noted the challenge of attracting faculty to the region for expanded offerings. Additionally, a CTC may specifically struggle to attract these faculty members, who could otherwise teach these high-demand offerings for university-level pay at a different institution.

- *“I would be concerned as to whether there would be enough professors for students and how you would bring and keep them here.”* [K-12 superintendent, Southeastern Kentucky]
- *“There are issues in the Morehead/Big Sandy collaboration in getting professors to teach on-site at Big Sandy. I worry that this attempt to offer more four-year programs in the region would run into similar problems.”* [State-level stakeholder]
- *“We already have trouble keeping and retaining faculty and appropriations are not keeping up. We need to be able to fund our people better.”* [Faculty, postsecondary institution]
- *“Population drain is an issue in Southeastern Kentucky, so there are worries as to whether or not this type of institution would be able to attract faculty and maintain sustainable enrollment.”* [State-level stakeholder]

### **OPTION 5: EXPANDING THE UNIVERSITY CENTER OF THE MOUNTAINS MODEL**

Interest in leveraging existing University Center of the Mountains (UCM) academic offerings and student supports to expand postsecondary access is strong among those CTC and university presidents who are familiar with the model. The UCM model was implemented in 2004 on the Hazard Community and Technical College campus to improve access to four-year degree programs in the region. Most students take their classes fully online, although some hybrid instruction is available. Students enroll directly with the partner university but have access to student services such as academic planning, transfer and application counseling, tutoring, computer access and study spaces at HCTC. Four university partners also provide access to additional academic advisors for the students participating in their programs.

As students are directly enrolled at each university partner, these universities grant the degree completed by the student. The existing model consists of 10 public and private university partners<sup>53</sup> offering on-site and virtual courses and services, including:

- 55 bachelor’s degrees
- 42 master’s degrees
- 8 doctoral programs

#### ***Perceived benefits***

Low start-up investment. University and CTC presidents perceive the UCM model as having strong potential to make a positive economic impact on the region at a low cost. They favor further expanding and investing in the UCM model given its potential to both expand access to postsecondary opportunities while providing academic support that students from the region require to improve completion rates.

- *“I think building out the UCM would be smart. I am not sure that we have enough money to set up a whole new university, as we are a small and rural area. There are select degrees and programs. We would just need to identify what is needed and build on what we have already.”* [Postsecondary leader, Southeastern Kentucky]

---

<sup>53</sup> University partners include Eastern Kentucky University, Embry-Riddle Aeronautical University Fort Campbell Campus, Kentucky State University, Lindsey Wilson College, Midway University, Morehead State University, Northern Kentucky University, Sullivan University College of Pharmacy, the University of Kentucky Center of Excellence in Rural Health, and the University of the Cumberland

- *“From a business perspective, it is a lot easier and cheaper than standing up a new school. I believe UCM was very successful in the past, though I have heard more recently it has become more of an online platform.”* [Postsecondary leader, Southeastern Kentucky]

**Access to more baccalaureate programs.** Stakeholders noted that as the UCM model draws on other universities’ existing strengths and program development processes, students have access to a greater breadth of baccalaureate programs compared to what a brand-new institution or expansion of a CTC could offer.

- *“Universities have generally been pretty welcoming to the partnership model. If it is six degrees needed, we will offer six. If it is sixty degrees, then we will offer sixty.”* [Postsecondary leader, Southeastern Kentucky]

### **Perceived risks**

**Lack of awareness.** Awareness of the UCM model is low, even among stakeholders from the region. It could take significant marketing and branding effort to raise awareness of UCM in the region as a viable postsecondary option.

- *“We have the UCM at Hazard, but I don’t think it is very well utilized because other online options are better known.”* [Economic development leader, Southeastern Kentucky]
- *“The awareness piece is very low. It is unlikely to be mentioned to students as an option that they could pursue.”* [Postsecondary leader, Southeastern Kentucky]
- *“UCM was really about access for students, I am not sure if how much promotion it got.”* [Postsecondary leader, Southeastern Kentucky]

**Online-only risk.** The UCM model can offer programs that are either online-only or hybrid. Stakeholders hypothesized that postsecondary completion outcomes in the region could be worse with online-only programs. In the years following the COVID-19 pandemic and the transition of more postsecondary education classes to online, existing student enrollment from the KRADD region dropped 6.1% compared to a 5.5% drop statewide.<sup>54</sup> Leaders in the region cited this additional drop as indication that online-only offerings for students in Southeastern Kentucky are not ideal.

- *“We have increased the number of online offerings since COVID. It allows us to reach more students, but there is a limit in the value of online offerings. We need to be careful to not look at online to fill all the holes.”* [Faculty, postsecondary institution]
- *“Without mandating that programs have the physical instructors and robust facilities, it loses a lot of appeal.”* [Economic development leader, Southeastern Kentucky]
- *“We are wrapping up renovations on the host building [for our own university center] now. Any programs offered here must have a face-to-face component and the degree has to be identified as having local demand.”* [CTC leader, Kentucky]

**Lack of residential component.** The existing UCM model does not include a residential component, which stakeholders indicated would likely lower the potential of its direct economic impact as it would not draw the same level of spending or local economic activity.

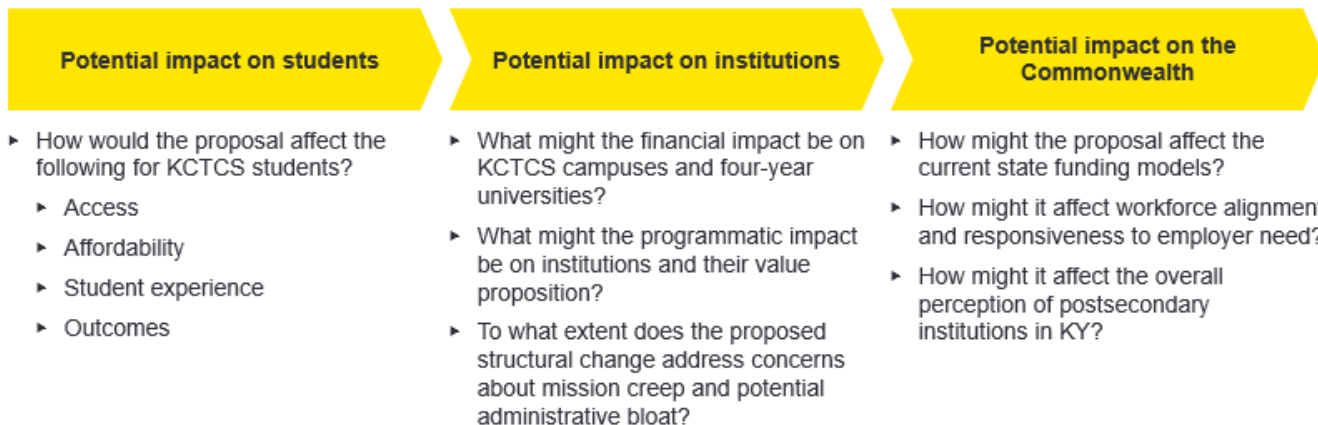
- *“There is an existing university center model in UCM. Both public and private institutions offer courses there, but it may fall short of the residential component that is at the heart of SJR 98’s economic development goal for Southeastern Kentucky.”* [Postsecondary leader, Southeastern Kentucky]

**Unclear outcomes.** Available data on the outcomes of the UCM model is limited given the decentralized enrollment process as students enroll directly with university partners. Success of the existing model cannot be known until more research is done on the enrollment and outcomes of the existing students participating in the UCM programs.

<sup>54</sup> Source: KPEDS

## 3. SJR 98 Q3: Transfer of academic subjects from KCTCS to regionals

SJR 98 asked to assess the impact of having the KCTCS continue to be responsible for technical education programs while transferring responsibility for traditional academic subjects to the regional four-year universities. This section includes the synthesis of feedback from Kentucky stakeholders on the idea of this transfer. The feedback is organized into three sections: 3A. perceived impact on students; 3B. impact on institutions in Kentucky; and 3C. impact on the Commonwealth as a whole.



Later, section 3D provides examples of how technical and academic programs are organized in other states included in the state comparative analysis.

### 3A. Potential impacts of transfer on students

All stakeholders indicated that considering the impact on students should be paramount in deciding whether to transfer the delivery of traditional academic subjects to the universities.

#### ACCESS AND AFFORDABILITY CONSIDERATIONS

**Financial access.** As many students in Kentucky already face financial barriers in pursuing various academic pathways, there is concern that transferring academic subjects to four-year institutions would lead to an increase in tuition for students taking 100- and 200- level courses offered through two-year programs (e.g., AA and AS degrees) currently offered throughout KCTCS. The cost to educate students at this course level is lower at KCTCS than at four-year institutions; therefore, the proposed transfer would most likely lead students to bear the increased cost to educate at a four-year tuition if courses are offered to students at prices currently charged by four-year institutions.

- *“Students would be forced to take out more loans and end up in debt.”* [CTC Leader]
- *“We will not be able to offer these courses and programs at two-year prices if we are using our faculty to deliver the programs. Our cost structure is different. If the state wants us to take on these programs but offer them at current two-year rates, there would need to be a different level of state appropriation attached to the transferring programs, or more financial aid to students, to offset price increases.”* [University president]

**Physical access.** Stakeholders are concerned not only about the transfer leading to higher costs for students, but also about the potentially limited geographic reach of four-year institutions. Stakeholders expressed concern as to how all academic programs would be assigned to the six regional institutions. Some of the four-year institutions



have satellite campuses, but there are far fewer satellite campuses than there are community college campuses today. Students living in more remote areas (who today live closer to KCTCS campus than to a four-year satellite campus and tend to be more place-bound and time-bound) would find their in-person access severely limited. Though online courses could be an option, parts of Kentucky (especially the more economically depressed parts of the state where preserving access to educational options is crucial) have limited broadband access, further alienating students in those areas from accessing general education courses at four-year institutions. Students have also demonstrated higher success and completion rates in online courses with an in-person component.

- *“Adoption of broadband can be even more of a challenge than access to broadband, at least for economic or academic gains. If a student wants their education badly enough, they can walk to the library where there’s high speed internet, but there is no consumer who wants less for their money than a college student. I worry that if we rely on online only, we will see enrollment and completion rates tank.”* [University president]
- *“Transportation, childcare and housing are usually the top three barriers when it comes to pursuing education. Transportation is probably the biggest of the three.”* [Economic development leader]
- *“Will four-year institutions be able to provide the same level of supports as we do for our students? We have tutoring, success coaches who help them with transportation, childcare, food banks, etc. A holistic approach to helping students take care of whatever barriers they face.”* [CTC leader]
- *“So many of our students are place-bound and dealing with multiple obligations. We already have enough of an issue getting students to the postsecondary point with the current options that exist. If students have to travel even farther for those subjects, transportation will be a major issue. Those students might just opt out.”* [CTC leader]

**Dual credit enrollment.** Stakeholders were proud of the progress made with respect to dual credit enrollment and perceived this program as an important opportunity to increase access to postsecondary education across the Commonwealth and strengthen the pipeline from high school to higher education institutions. Dual credit programs have become a focal point in recent years to expand access at a largely state-subsidized rate. ~50% of dual credit courses are taught at KCTCS campuses; therefore, the proposed transfer may not only affect access for college-aged students but also high school students currently earning college credit at KCTCS.

- *“We’re seeing so many students come in with dual credit. Institutions have varying opinions on dual credit, but it plays an important role in Kentucky and we’re not coming back from that. If those courses are removed from KCTCS, who knows what will happen.”* [University president]

**CTCs are an essential starting point for some students.** University and KCTCS stakeholders also pointed out that CTCs are an important entry point to postsecondary education for many students. Students struggling to adjust to a new environment may prefer attending a local CTC integrated with their community before attending a university or are place-bound, including dual credit enrolled students still in high school. The proposed transfer risks discouraging students who are already hesitant to pursue postsecondary education. It may undo some of the postsecondary attainment progress that has been made in Kentucky through the dual credit enrollment program.

- *“I would be concerned that students will miss out on an opportunity to attend college. Depending on the circumstances and budget, KCTCS is essential as a starting point for those students, as well as providing an in-person learning experience. This will hurt our education more as a state.”* [University faculty member]
- *“Because of the high potential impact on student access, transferring academic subjects to four-year, regional universities may not be the most effective use of the postsecondary education system’s time or resources given other more pressing areas of need.”* [State-level representative]

## **SUCCESS CONSIDERATIONS**

**Transfer process.** One potential benefit of the transfer is that students may experience a more streamlined transfer process, reducing or eliminating challenges that students experience when transferring credits from a CTC to a university, if two-year and four-year degree programs are under the same institution.

- *“For students attending [a CTC] for transfer purposes, the policies and applicability still are not perfect. Students end up redoing some classes, so it is not as efficient from a transfer standpoint. I imagine that would no longer be an issue if all things academic fell to the four-years.”* [Economic development leader]

While university and KCTCS stakeholders agreed with this potential benefit, it may tie students to a specific institution before being able to accurately assess whether the program offerings fit the student’s long-term goals. Currently, students who complete an AA or AS degree from KCTCS typically complete the program locally, then ideally transfer to the four-year institution that has the right cultural or program fit to their needs and career goals. If AA and AS degrees are only offered at four-year institutions, students may opt more frequently to attend the four-year institution that is closest to their residence instead of considering the best fit. Attending the institution with the best fit could be a crucial factor in student success metrics, including completion.

**Role of general education courses in technical education.** Some stakeholders were of the opinion that students in technical programs may benefit from the proposed transfer. Technical programs currently have core general education requirements. One perspective is that technical programs could be shortened with fewer or none of these course requirements. From this perspective, requiring general education courses negatively impacts the pipeline of students trying to get through the program and into the workforce. Removing academic subjects from technical programs could potentially encourage higher enrollments and completions.

- *“People want to get to work. Having too many requirements for someone who cannot wait two years is problematic. People who want to go further should be able to if they want and desire, but for people who can’t make ends meet and need the skills to move on, they need to be able to pick up the technical skills and go to work.”* [State-level representative]
- *“What does a young person need when getting a technical certificate? What is really needed there? If KCTCS is providing an opportunity for them to transfer to a four-year institution in an academic program, then I understand. It is like a junior college approach. Right now, KCTCS is saying the same is needed for a technical degree, but is that really true?”* [State-level representative]

On the other hand, postsecondary institution leadership and CPE pointed out that general education courses in technical programs are important for students to gain formal training in soft skills and develop critical thinking skills.

- *“The idea of moving general education courses out of technical programs goes against everything in my 10 years in economic development and now my six years at a private company when we talk about the skillset employees out in the workforce need ... soft skills come out of general education requirements.”* [State-level representative]

While general education is often not critical for an entry-level job, employers indicated that without these skills or a pathway to stack such training into their initial credential, students may face challenges advancing in their career. Technical degree programs and credentials are highly industry specific, thus CTC students may be able to pick up the adequate technical skills to quickly enter the workforce without general education. However, this may come at the detriment of students’ critical thinking and soft skills, making them ill-prepared to take on management roles or demonstrate the flexibility to stretch across jobs.

- *“If a student just wanted to be in a single technical role for their whole life, then I would say that the stackable credential is not worth it. But if that student has any interest in ever advancing to a management role, such as a project manager or even a business owner, I would advise that student to take the general education courses and start with a stackable credential.”* [Employer]
- *“I don’t think you can remove those basic or soft skills from the programs. In that kind of system, students cannot write, function, communicate, or do math at a basic level. I do think, however, that these general*



*education requirements should be focused within the subject or environment of study. For example, require math or writing in a manufacturing or business setting, respectively.” [Employer]*

- *“Welding, nursing, other technical programs still require some gen ed education. These are high demand areas that need comprehensive programs. Welders still have to take math courses. We can’t credential our nursing and welding students without gen ed. Those are credentials with requirements that need to be fulfilled. Tech programs are also sophisticated. Taking gen ed away would not result in an effective workforce.” [CTC leader]*

## **OUTCOMES CONSIDERATIONS**

**Market value of credentials.** Stakeholders understand that transfer degrees (AA and AS degrees) do not have real market value unless students transfer into a four-year degree program. While most stakeholders understand that one part of the dual mission at KCTCS is to be an entry into postsecondary education through offering AA and AS degrees, some stakeholders believe that KCTCS is encouraging too many students into these transfer degrees and does not provide adequate support for students to transfer to a four-year institution. The marketing of these degrees as easily transferable may be misleading for students.

- *“The establishment of KCTCS was meant to create an agile platform for “making citizens employable” with a streamlined transfer process and affordable education. The goals were affordability, transferability, employability. KCTCS was supposed to provide two types of opportunities — a pathway for transfer to a regional or research university and also the technical certificates. Should the course offerings be the same for both paths? In my opinion, they shouldn’t. There has been a push of path one into path two. There is a belief that this happening to just keep the students enrolled longer.” [State-level representative]*

To the extent that these academic programs can be moved to four-year institutions, some stakeholders believe students may have a better chance of applying their course credits and graduating with a four-year degree. This would eliminate the dual mission of KCTCS and allow KCTCS to focus exclusively on technical certificates and degrees to better meet workforce demand in these areas.

In addition, stakeholders wondered whether the shorter credentials (certificates) lead to positive outcomes for students (e.g., higher-wage jobs and opportunities to progress in their careers). These certificates are often marketed to students as “stackable” — meaning that the course credit earned can apply to future certificates, associate degrees, or transfer to a four-year institution. However, stakeholders were concerned that the application of these credits to higher degrees or additional certificates is rarely realized. They would value a more robust assessment of existing certificates to better understand the return on investment (ROI) both from the state perspective and the individual/student perspective.

---

## **3B. Potential impacts of transfer on institutions**

---

### **FOUR-YEAR INSTITUTIONS**

**Potential increase in enrollment.** Nationwide trends indicate that the economic model of higher education institutions has been challenged due to declining enrollment and increasing costs; therefore, all institutions must be innovative in searching for new sources of revenue and cost-cutting measures. Stakeholders saw Kentucky’s projected demographic cliff as a significant headwind to all postsecondary education institutions.

- *“There is a cliff coming, so that leads to one of the biggest challenges: making clear the benefits of postsecondary education.” [State-level representative]*

Over the next several years, stakeholders expect this challenge to affect the regional universities most acutely as they do not have the same diversity in revenue streams and broad appeal as the research universities in Kentucky or the robust, low-cost courses of KCTCS. The transfer of academic subjects was perceived by some stakeholders as one potential way to increase enrollment and revenues at regional universities to address the enrollment cliff.

All stakeholders agreed that regional universities may see enrollment and revenue increases if traditional academic subjects are transferred; however, there are several added costs as well. Both university and KCTCS representatives are concerned that four-year institutions would face additional financial pressure if they are required to deliver programs at two-year tuition rates given their higher cost structure. Or they may risk losing much of the intended increase in enrollment if they charge the four-year tuition rate.

- *“The transfer programs are the least expensive way to get a degree and we are clear with students that they should go to the local CTC and then us. We cost four times as much because the cost structures are built around what each campus is meant to do. We cannot deliver these general education courses as efficiently as our local CTC does. Period.”* [University faculty member]

**Operational implications — teaching.** Taking on AA and AS degree programs would also impact four-year institutions operationally due to change in student enrollment, required faculty and additional student support services. KCTCS has an open enrollment policy and if the Commonwealth were to maintain this policy for AA and AS degree programs, four-year institutions would need to develop the infrastructure to support a higher volume of students. With the increase in enrollment, four-year institutions would also need to increase the number of faculty teaching 100- and 200-level courses or build the infrastructure to offer general education courses online and provide faculty with adequate support to teach this higher volume of students.

- *“Most of our institutions are currently teaching dual credit. Dual credit is already a fiscal challenge for four-year institutions. Unless the margin we receive for dual credit increases, the influx of students would be overwhelming. We have 950 dual credit students. If you add more in at the same rate, we need to hire new faculty to accommodate. Coupled with the low matriculation benefits, it does not make any financial sense. The impact to our budget would be negative.”* [University faculty member]
- *“There is an impact on the faculty as well. KCTCS knows how to do this. We have faculty who will have to retool their classes and deal with a different student body, which will in turn impact outcomes for the students.”* [University faculty member]

**Operational implications — student supports.** Four-year institutions may also struggle to serve the new student mix coming from KCTCS that includes high-need, underserved populations. They would likely need to invest in additional student support services (e.g., remediation courses, tutors, advisory services, etc.). This level of investment would likely not be possible without additional funding from the state. Otherwise, the institutions may have to resort to cuts elsewhere, which could lead to unintended consequences and have a negative effect on the overall quality and delivery of programs.

- *“Our current course offerings are in balance with regards to our KCTCS partners. However, if their programs were to go away, we would be expected to build out the infrastructure to replace them. This would put a huge strain on our system, especially in the short term.”* [University faculty member]
- *“I think there are a lot of problems with this model — a lot of cost and high stakes implementation. Would the legislature provide the necessary funding? I fear the effectiveness would be diluted and I am not sure where any cost savings would come in there. I think it may actually increase costs, as you still need all the same staff, just now at the regional four-years where staff costs are typically higher.”* [CTC leader]
- *“I felt as though I needed a level of support that would not be possible at a four-year university. Both with regards to attention from professors as well as academic advising.”* [CTC student]
- *“I am currently working towards my associate degree and plan to transfer to a four-year university to become a teacher. I enrolled in [my CTC] because of its proximity to home, the affordability and because I would not be able to get the level of flexibility and support that I have as a nontraditional student elsewhere.”* [CTC student]

## **TWO-YEAR INSTITUTIONS**

**Perception of mission creep from some stakeholders.** The original intent of HB 1 was to create an integrated, cooperative postsecondary education system, with clearly defined roles (by segment — research universities, regional universities and KCTCS) to meet the evolving economic needs of the state and improve economic and social mobility for Kentuckians. Some stakeholders believe that the dual mission established in 1997 for KCTCS (providing an affordable pathway to a four-year degree through transfer programs and meeting the technical education needs of the state with targeted technical degrees and certificates) has not been met and the focus on technical education has been significantly diluted. Other stakeholders questioned the quality of existing technical programs and the preparedness of technical program graduates. These stakeholders believed that KCTCS could potentially produce higher quality technical program graduates if their operations were focused solely on these programs and aligning to local industry needs.

These stakeholders also suggested that there could be potential financial and operational benefits to KCTCS if traditional academic subjects were transferred to four-year institutions. These stakeholders noted that KCTCS may be able to consolidate administrative overhead costs associated with academic programs at the institution and system level. If the technical programs offer fewer or no general education courses, the number of faculty required to teach in technical programs might decrease, thus reducing the burden of unfilled positions at many colleges. It may also be easier to recruit students into shorter, more focused technical programs.

- *“I’m not sure that KCTCS is aligned with its purpose. We have to put greater emphasis on the technical side. This is where businesses and industry need people and we are not delivering. I’m not feeling good that the current structure is meeting the needs of Kentucky. That might mean handing the academic programs to four-years.”* [State-level representative]
- *“It looks to me like in many ways our regional universities have lost their focus and are now chasing the research universities. Our community colleges have lost their mission, trying to be more like universities as opposed to a technical system focused on skilled workers. None of this seems efficient to me.”* [State-level representative]

**But dependence on academic programs and tuition revenue for survival is real.** The vast majority of interviewed stakeholders were concerned about negative financial impact of the proposed transfer on KCTCS institutions. Technical programs are expensive to operate due to equipment needs as well as staffing requirements (technical classes are typically much smaller than general education or academic courses because they involve so much hands-in learning and direct supervision by faculty). One important way institutions are able to fund technical programs is through revenue from academic programs and general education courses. Without tuition revenue from traditional academic courses, which have a higher operating margin, KCTCS institutions may experience a significant hit to their operating budgets and would likely require an additional infusion of state funding to stay afloat.

- *“General education helps fund KCTCS to offset the cost of these technical programs.”* [Economic development leader]
- *“If colleges took a business approach, we would all close our nursing programs. They are very expensive to offer. They are not cost effective, but we have the responsibility to provide these programs to the community.”* [CTC leader]
- *“Nursing does not pay for itself. KCTCS does not increase tuition to the extent they can because they put students first.”* [Economic development leader]
- *“Technical programs are mission critical, but they don’t make money. They operate at a loss. Success with gen ed allows KCTCS institutions to provide affordable and accessible education. For example, the student to teacher ratio in nursing is 10:1 and those 10 students do not bring enough tuition to cover that one teacher’s salary. So, the institution has to rely on other revenue streams to deliver graduates in this workforce shortage area that has been flagged as a priority by the state. And to increase cohorts means more faculty and they are not cheap.”* [CTC leader]
- *“[The proposed transfer] would destroy the community college system. It will cripple us and prevent us*



*from offering technical programs that produce graduates in key area of need. Unless the state comes up with a different way to fund technical programs. [CTC leader]*

Transferring academic courses away from KCTCS would reduce or even eliminate the existing dual credit revenue opportunity for CTCs. Since dual credit enrollment has grown significantly in recent years (~25k enrolled in 2021-22)<sup>55</sup>, the magnitude of this impact could potentially be quite high.

Institutional leaders expect a net decrease in enrollment because general education courses do not have the same enrollment constraints as technical courses with equipment as a limiting factor. The colleges would likely need to increase tuition to cover the costs of technical programs, so unless institutions receive additional funding from the state to make up for budget shortfalls, enrollment in technical programs is expected to decline, which could counteract any advances made in this area and potentially make it more difficult to meet the workforce needs of the state.

**The transfer could put additional downward pressure on college-going rates.** Aside from the negative financial impact, university and college leaders were concerned with the risk related to the efforts invested in employer partnerships to date, the existing partnerships between four-year and two-year institutions, and geographic coverage of general education course delivery. HB 1 was created in part to reduce the elitism surrounding postsecondary education by making transfer degrees that build toward four-year degrees accessible to a larger share of Kentucky's population through the community and technical colleges.

- *"I don't outright oppose [splitting the KCTCS programs], but it certainly would decrease coordination between two-years and four-years. I struggle to see a strong purpose for doing this and fear that things would go back to the way they were 25 years ago."* [CTC leader]

Returning KCTCS to the state it was prior to 1997, catering only to technical programming, may cause reputational damage to the CTCs among existing and potential students and faculty. KCTCS has invested heavily to align course offerings across institutions in the System to allow students at any CTC to transfer course credits to a four-year institution. With the proposed transfer, this investment within KCTCS as well as the strong partnerships that have been developed between universities and their feeder CTCs (e.g., U of L and JCTC, NKU and Gateway) could potentially have gone to waste.

One final consideration for both four-year and two-year institutions raised by stakeholders is the impact of transferring the academic subjects from KCTCS only to the regional comprehensive institutions, not the University of Louisville or the University of Kentucky, as specified in SJR 98. There are several CTCs in Lexington and Louisville that provide transfer degrees to students. If these CTCs cease to offer transfer degrees and the local four-year institutions do not offer associate degrees either, it could result in a gap in access and affordability in these two metropolitan areas.

---

### 3C. Potential impacts of transfer on the Commonwealth

---

#### WORKFORCE CONSIDERATIONS

Regardless of whether academic subjects are transferred, all stakeholders agreed that targeted investment in technical programming would help the Commonwealth build on the progress made toward technical workforce alignment since HB 1. However, the transfer of traditional academic subjects from KCTCS to the universities would likely affect each region of the Commonwealth differently. The level of impact would depend on each region's existing access to either a public or private university. Stakeholders disagreed on whether transferring the traditional academic subjects to four-year institutions would prompt the overall higher education system to better serve the Commonwealth.

Some stakeholders shared that, as the demand for technical workers grows, transferring the traditional academic subjects to regional universities may better support the Commonwealth in meeting the needs in projected high-

---

<sup>55</sup> CPE Dual Credit Overview Data Dashboard Summary



growth industries, including healthcare and advanced manufacturing, by refocusing KCTCS on developing and maintaining high-quality technical programs.

As noted earlier, employers and economic development leaders interviewed expressed mixed feedback on the value of general education courses for technical workforce development — in their view, the transfer of general education subjects would make meeting statewide workforce needs more challenging or have no impact.

Employers who have strong relationships with their local CTC were not supportive of changes that would have negative financial impact on their local CTCs since this may put the current programs and pipeline of candidates at risk. Employers valued the contributions of local CTCs and noted that regional institutions may not be able to replicate the same level of community and workforce responsiveness as they do not have the same narrow geographic focus. Employers also valued the CTCs' ability to move more quickly than regional institutions to focus a large share of their resources on a particular industry or program. To support this agility, some employers offer scholarships, stipends and/or experiential learning opportunities to students in specific programs for which there is employer need. Employers expressed they have invested heavily in the current system and are nervous that changing the CTC model could affect their existing and future investment.

- *“Whatever is decided, we ask that it does not impact KCTCS negatively. A negative impact on them would have a negative impact on us. A negative impact on us has a negative impact on the health of our region.”* [Employer]

While a number of employers and economic development leaders indicated that general education courses and transfer degrees are not as essential to filling workforce needs as technical degrees and certificates, they did acknowledge that applied general education courses can be helpful in meeting employers' longer-term needs to prepare talent for management roles.

- *“If someone took all the technical requirements to become an electrician, which is all they want to do, then I do not need the general education requirements from them. However, if they want to eventually be a project manager, a COO, or take my job as CEO, then they should have the general education piece.”* [Employer]

Because the perceived value of general education to workforce development varies, university and CTC stakeholders perceived there is real risk that the proposed transfer of academic courses could negatively impact the quality of graduates and their ability to meet workforce needs as they begin to progress in their career. However, there was some acknowledgement that not all technical education needs the currently required general education credits and that reevaluating individual programs on a case-by-case basis could address this concern.

### **FINANCIAL CONSIDERATIONS**

For CTCs to offer only technical programs and remain financially viable, stakeholders indicated that CTCs would need additional financial support from the state due to the loss of CTCs' ability to subsidize technical programs through higher-margin academic programs. The existing funding structure of CTC institutions would likely need to be redesigned. Despite this, some stakeholders indicated that the unmet technical needs of employers across the Commonwealth may have more serious short- and long-term financial impacts than the added cost to the state.

- *“I'm less focused on the cost and more so on whether we are meeting needs. If we invest in the System, we want to see the results. Are students going to work? If not, the program should be done away with. We did not have the administrative bloat back when we were just technical colleges, so you would probably get a lot of money back by cutting down the administrative overhead.”* [State-level representative]

These unmet technical needs could have a negative impact on existing employers' perception of the Commonwealth and may deter additional investment in the Commonwealth from potential employers across industries looking for new economic partners. Therefore, to build Kentucky's economy and attract employers, the state may consider offering more financial support for CTCs to meet technical workforce demand.

As mentioned earlier, the Commonwealth will likely also have to address the financial impact on four-year institutions. While some of KCTCS/CTCs' budgets could be transferred to four-year regionals, it is more than



likely that this budget would not cover the cost of delivering the transferred two-year programs given differences in cost structures between the four-year and two-year institutions (faculty and staff costs and other expenses not typically carried to the same extent by two-year colleges, e.g., residential and athletic expenses). If additional public funding is not possible, this may lead to higher tuition rates for the transferring programs. This in turn may have adverse effects on postsecondary access and completion, potentially undoing the progress that Kentucky has been able to establish in these areas over the last two decades.

### 3D. External perspectives on technical and academic program organization

The analysis of governance structures as described in the state comparative analysis (section 2) included an assessment of governance for both four-year and two-year institutions with research into the extent to which technical programs (AAS degrees and certificates, which can often be stacked to fulfill the requirements for an AAS degree) and academic programs (AA and AS degrees) are organized under the same or different institutions across states. In addition to the eight states initially researched, South Carolina and Ohio were added per the recommendation of national researchers to gain a better understanding of the two-year governance landscape.

Figure 3D.1: Governance and organization of technical & academic programs at two-year institutions

State	Governance relative to four-years		Technical and academic programs taught	Description
	Separate	Embedded		
Kentucky*	X		At the same college	<ul style="list-style-type: none"> <li>Offer both technical and academic programs</li> </ul>
Georgia*	X	X	At the same college	<ul style="list-style-type: none"> <li>State colleges governed along with state universities under USG umbrella offer technical and four-year programs</li> <li>Technical colleges governed separately</li> </ul>
Indiana	X	X	At the same college	<ul style="list-style-type: none"> <li>Purdue University system includes nine two-year institutions; remaining two-year institutions are part of Ivy Tech</li> </ul>
Kansas		X	At the same college	<ul style="list-style-type: none"> <li>Two-year institutions are coordinated by the state governing board</li> </ul>
Louisiana*	X	X	At the same college	<ul style="list-style-type: none"> <li>Both the Southern University and A&amp;M System and Louisiana State University system have two-year institutions</li> <li>LCTCS is governed separately</li> </ul>
North Carolina*	X		At the same college	<ul style="list-style-type: none"> <li>Offer both technical and academic programs</li> </ul>
Ohio	X		At the same college	<ul style="list-style-type: none"> <li>Offer both technical and academic programs</li> </ul>
South Carolina*	X		At the same college	<ul style="list-style-type: none"> <li>Offer both technical and academic programs</li> </ul>
Tennessee*	X		At separate colleges	<ul style="list-style-type: none"> <li>TCATs exclusively offer technical certificates</li> <li>Community colleges offer certificates and</li> </ul>





3. SJR 98 Q3: Transfer of academic subjects from KCTCS to regionals

State	Governance relative to four-years		Technical and academic programs taught	Description
	Separate	Embedded		
				two-year degrees
<b>Utah</b>		X	At separate colleges	<ul style="list-style-type: none"> <li>• Technical colleges exclusively offer technical certificates</li> <li>• Community colleges offer both technical and academic programs</li> </ul>
<b>Wisconsin</b>	X		At the same college	<ul style="list-style-type: none"> <li>• Offer both technical and academic programs</li> </ul>

\*Starred states are part of the Southern Regional Education Board

Nearly every conversation with the states listed above, as well as in interviews with national researchers, noted the importance of the appropriate balance of academic and technical programs. In most states, community and technical colleges are charged with the same dual mission as KCTCS:

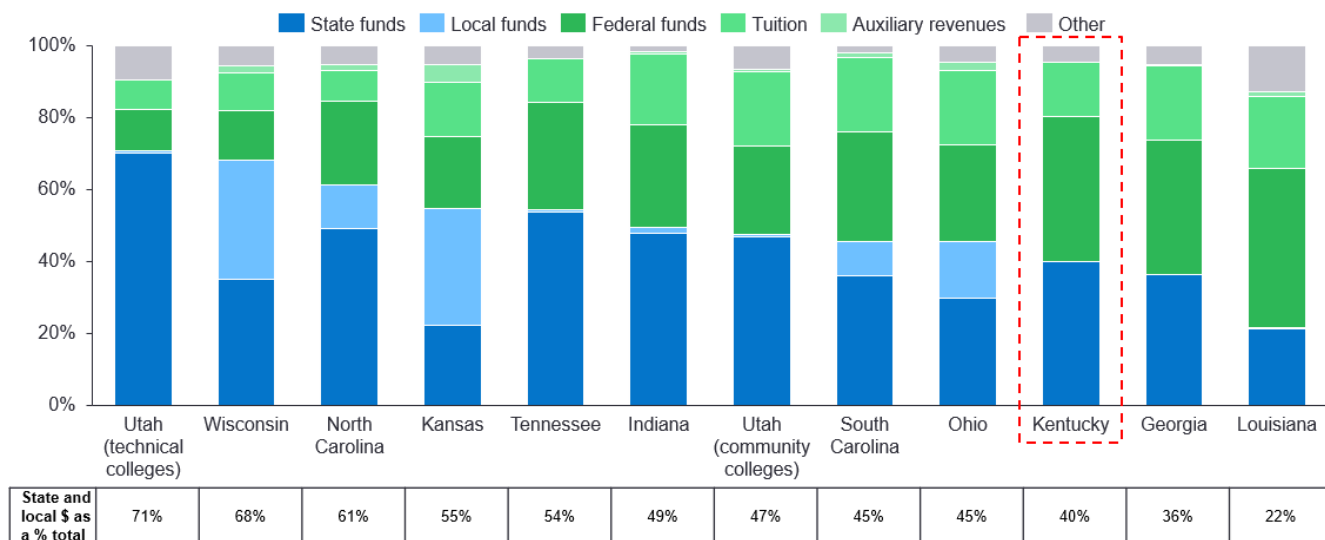
- (1) General education coursework and academic programs leading to transfer into four-year institutions provide financial and geographical access to students who may not be able to enroll in higher education otherwise.
- (2) Technical programs are the first line of defense in meeting immediate industry needs; however, graduates should be well-rounded and have the optionality to stack their certificate or degree in the future if they or their employer desire.

Additionally, states with institutions that only offer technical programs acknowledge that the high cost to deliver technical programs requires significant state and local investment to support the technical education institutions. In Utah, for example, about ~70% of technical college budgets come from state (public) funding, whether through appropriations or grant funding targeted toward training/workforce development. Similarly in Tennessee, the technical programs are ~50% funded by state appropriations and grants. Meanwhile, in states like Kentucky and Louisiana, which have institutions that offer both academic and technical programs, only ~40% and ~22% of community and technical college funding comes from state and local funds, respectively.



3. SJR 98 Q3: Transfer of academic subjects from KCTCS to regionals

Figure 3D.2: Sources of two-year institution funding as a percent of institution operating and nonoperating revenue, FY2021<sup>56, 57, 58</sup>



### 3E. Alternatives to transfer of programs from KCTS to regional universities

Feedback from stakeholders suggested there may be alternative approaches worth considering to address the concerns that are implicit in Question 3 in SJR 98:

Issue	Alternatives to transfer of programs from KCTCS
<p><b>Workforce alignment and ROI of KCTCS credentials.</b> Workforce participation in Kentucky has room for improvement. Stakeholders expressed interest in seeing KCTCS commit more time/attention to technical programs to meet employer demand.</p>	<ul style="list-style-type: none"> <li>An ongoing cycle of rigorous program review leading to program approval or program termination, depending on level of program alignment with local/regional/state needs could improve alignment of certificates and degree programs with economic needs.</li> </ul>

56 IPEDS

57 "Auxiliary revenues" includes revenues generated by auxiliary enterprises that exist to furnish a service to students, faculty, or staff that charge a fee related to the cost of that service (e.g., residence halls, food services, college unions, etc.)

58 "Other" includes sales and service of auxiliary enterprises, sales and service of hospitals, sales and service of educational activities, independent operations, other sources — operating, gifts and contributions from affiliates, investment incomes, and other nonoperating income



Issue	Alternatives to transfer of programs from KCTCS
<p><b>Perceived excess proliferation of academic programs.</b> Kentucky has some of the highest proliferation of postsecondary certificates in the nation. Some stakeholders question the quality of the certificates and the ROI of the certificates (whether they lead to increased wages, better career trajectory, etc.).</p>	<ul style="list-style-type: none"> <li>• Frequent program portfolio assessment and management could eliminate programs with low enrollment or low alignment to workforce needs.</li> <li>• The assessment process could also identify programs with low completion rates and determine whether additional student supports may be needed to help students succeed (if program is well aligned to market needs).</li> <li>• A workforce alignment rating could be developed and shared transparently with students to guide student enrollment decisions and facilitate alignment of enrollments and completions to employer demand.</li> <li>• Sharing certain courses across campuses (e.g., through online delivery) could improve efficiency of program and course delivery while preserving student access to a broad range of courses.</li> </ul>
<p><b>Academic pathways/transferability of courses.</b> Though AA and AS degrees from KCTCS are transferable to all public four-years, stakeholders indicated interested in reducing barriers to transfer to four-year degree programs, especially since AA and AS degrees are perceived as having questionable value in the workplace by many.</p>	<ul style="list-style-type: none"> <li>• CPE could play a stronger role in defining state-wide pathways and improving transferability between two-year and four-year institutions. The goal could be to reduce/eliminate need for individual institution agreements and make the experience much more seamless for students.</li> </ul>

## Appendix A: KY CPE duties and responsibilities<sup>59</sup>

The Council on Postsecondary Education (CPE) is charged with guiding the reform efforts envisioned by state policy leaders in the Kentucky Postsecondary Education Improvement Act of 1997. The Council has multiple responsibilities to ensure a well-coordinated and efficient postsecondary education system.

### Overview

Among its many responsibilities, the Council:

- Develops and implements a strategic agenda and accountability system for postsecondary education that includes measures of educational attainment, effectiveness and efficiency.
- Produces and submits a biennial budget request for adequate public funding of postsecondary education.
- Monitors and determines tuition rates and admission criteria at public postsecondary institutions.
- Defines and approves all academic programs at public institutions.
- Licenses non-public postsecondary institutions to operate in the state.
- Coordinates statewide efforts to improve college readiness, access to postsecondary education and student success, including statewide transfer agreements, adult learner initiatives, KY GEAR UP and postsecondary work related to SB 1 (2009) implementation (college and career readiness legislation).
- Administers Kentucky's Virtual Library, used by all postsecondary, public and K-12 libraries.
- Ensures the coordination and connectivity of technology among public institutions.
- Collects and analyzes comprehensive data about postsecondary education performance.

The listing below provides a more comprehensive overview of statutory duties and responsibilities assigned to the Council.

### Postsecondary education coordination

- Approve minimum qualifications for college admissions – KRS 164.020(8)
- Define and approve all postsecondary education technical, associate, baccalaureate, graduate and professional degree, certificate or diploma programs in public postsecondary education institutions – KRS 164.020(15)
- Eliminate existing programs or make any changes in existing academic programs at the state's postsecondary educational institutions – KRS 164.020(16)
- Establish course credit, transfer and degree components, including a statewide course classification and transfer system to help ensure transferability of credit – KRS 164.020(14), KRS 164.2951
- Ensure an integrated, cooperative postsecondary system – KRS 164.020(5)
- Serve as primary advocate and advisor on matters related to postsecondary education with the Governor and General Assembly – KRS 164.013(4)
- Create and manage advisory groups of campus representatives – KRS 164.020(32)
- Receive reports and updates from campuses on the performance of their duties – KRS 164.020(12)
- Implement and manage various funding programs as required by statutory or budget language (i.e., Regional Stewardship, College Level Learning Assessment)
- Manage Kentucky participation in the Southern Regional Education Board (SREB) Academic Common Market

<sup>59</sup> Source: Kentucky Council on Postsecondary Education

- Make recommendations to the Governor regarding the creation of new public universities – KRS 164.020(18)
- Coordinate conferences and professional development around issues of student success and diversity
- Serve as the portal agency for Kentucky colleges and universities seeking to participate in the national State Authorization Reciprocity Agreement (SARA), which authorizes member institutions to offer distance education courses in member states – KRS 164.540(3)
- Implement and manage the Healthcare Workforce Collaborative to help grow and strengthen the education and training pipeline of healthcare professions within Kentucky’s public two and four-year colleges and universities – HB 1, 2022 Regular Session
- Implement and manage the Innovative Scholarship Pilot Project in coordination with the Kentucky Higher Education Assistance Authority – HB 1, 2022 Regular Session
- Create and oversee a management improvement plan for the Kentucky State University with required updates provided to the Legislative Research Commission (LRC) – HB 250, 2022 Regular Session
- Develop and implement a strategic agenda and strategic implementation plan for postsecondary education – KRS 164.020(1) and (2), KRS 164.0203 • Review, revise and approve institutional missions – KRS 164.020(4)
- Prepare accountability and status reports for the Governor and General Assembly – KRS 164.020(3), (30)
- Develop planning documents required by federal legislation and serve as the “single state agency” – KRS 164.020(7), KRS 158.840(5)
- Conduct research on performance to determine the needs of postsecondary and adult education in Kentucky – KRS 164.020(6)
- Develop a system of public accountability to monitor performance and evaluate the effectiveness of postsecondary institutions – KRS 164.020(3), KRS 164.095
- Maintain a comprehensive database of postsecondary student data – KRS 164.095
- Compile and distribute annually employment and salary data for graduates of public postsecondary institutions, information on high-demand jobs and information on cost of attendance and student debt – KRS 164.0284

### **Finance, budget and tuition**

- Develop and manage strategic investment and incentive funding programs, including “Bucks for Brains,” the “Workforce Development Trust Fund,” and the “Postsecondary Education Asset Preservation Pool” – KRS 164.7911-7927 and HB 1, 2022 Regular Session
- Develop and advance a unified postsecondary education funding recommendation to the Governor and General Assembly – KRS 164.020(9), (10)
- Determine annual tuition levels for all public postsecondary institutions – KRS 164.020(8)
- Manage tuition reciprocity agreements for Kentucky residents with border states
- Review and approve all capital projects for postsecondary education, establish capital priorities and develop a biennial recommendation – KRS 164.020(11)
- Maintain a comprehensive database of capital projects and conduct capital studies and space utilization analyses as required
- Develop and maintain financial reporting system for public postsecondary institutions – KRS 164.020(26)
- Implement a comprehensive funding model for the allocation of general fund appropriations to public postsecondary institutions – KRS 164.092

- Review financial health disclosure statements for all postsecondary institutions licensed or overseen by CPE and conduct financial investigations in the event of failed compliance – KRS 164.096

### **Diversity and equal opportunity**

- Develop a state equal educational opportunity policy and monitor implementation and progress through the Council's Committee on Equal Opportunities – KRS 164.020(19)
- Set equal educational opportunity goals for public postsecondary institutions and postpone academic program approval if goals are not met – KRS 164.020(19)
- Participate in the SREB Doctoral Scholars Program

### **Private colleges**

- License private postsecondary education institutions to operate in the state, monitor ongoing compliance with state regulations and review and facilitate the resolution of student complaints – KRS 164.945, 164.922
- Perform a Southern Association of Colleges and Schools-like accreditation review of out-of-state campuses seeking eligibility to participate in the Kentucky tuition grant program – KRS 164.785(7)
- Ensure maximum cooperation and limited duplication between public and private systems – KRS 164.020(13), (31)
- Manage strategic investment programs, including the Teacher Education Initiative, for Simmons College – HB 1, 2022 Regular Session

### **P-20 partnerships and teacher quality**

- Develop and lead implementation of a unified strategy to improve college readiness and improve college completion rates, in partnership with the Kentucky Department of Education (KDE) – KRS 164.020(35)
- Coordinate all postsecondary work surrounding Senate Bill 1 (2009) to revise academic content standards in K-12 education – KRS 164.302 (1),(2), 164.020(35)
- Develop guidelines and regulations for awarding dual credit and Advanced Placement – KRS 164.098(13)
- Approve all teacher education programs that comply with standards set by the Education Professional Standards Board (EPSB) – KRS 164.020(21)
- Coordinate federal and state programs to improve student achievement in reading and mathematics [i.e., Center for Math Achievement, Collaborative Center for Literacy Development (CCLD)] – KRS 164.525
- Coordinate with postsecondary institutions to report program data and ensure early childhood or elementary teacher preparation programs include reading instructional programming and submit an annual report to the Interim Joint Committee on Education – KRS 158.840(5), KRS 164.306(1)
- Coordinate teacher professional development redesign, in partnership with KDE, to align with Senate Bill 1 (2009) readiness standards – KRS 164.020(36)
- Coordinate and facilitate the work of local P-16 councils – KRS 164.033
- Facilitate the development and implementation of a statewide standardized articulation agreement between public colleges and universities and KDE for each approved high school career pathway that leads to a postsecondary credential, certification, license or degree – KRS 164.2951
- Administer Kentucky's federal GEAR UP program, with direct outreach and support services to lower income middle and high school students
- Manage Kentucky's participation in the "Know How to Go" college readiness campaign

### **Technology support and coordination**

- Develop and implement a statewide technology plan to ensure coordination and connectivity of technology among campuses – KRS 164.020(20)
- Collect and maintain student level, finance and facilities data from Kentucky's postsecondary institutions
- Partner with the Kentucky Center for Statistics (KYSTATS) in activities supporting the Kentucky Longitudinal Data System – KRS 164.020(37), KRS 151B.131-134
- Coordinate and facilitate Kentucky postsecondary involvement in state and national technology initiatives (KyRON, Internet 2, Connect Kentucky, Commonwealth Tech Council, Distance Learning Advisory Committee, etc.) – KRS 164.020(20), KRS 164.800
- Manage joint purchasing technology agreements
- Manage the Kentucky Virtual Library with membership to include all public postsecondary institutions, K-12 schools, public libraries and private colleges (includes KY digital library, statewide, interlibrary loan program and virtual library databases) – KRS 164.800

### **Educating adult Kentuckians**

- Facilitate partnerships with CCLD, KDE, KCTCS, Workforce Investment Board and other organizations to assess the need for technical assistance, training and other support to assist in the development of adult education and workforce development – KRS 164.035
- Coordinate Kentucky's "Project Graduate" program — located on all public and several private college campuses — to encourage adults to return to college and complete degrees

### **Other key duties**

- Promulgate regulations as required by statute – KRS 164.020(29)
- Provide an annual report to LRC on AIDS education on Kentucky public campuses – KRS 164.020(24), KRS 164.351
- Develop and maintain a state repository for alternative format textbooks for disabled students – KRS 164.477
- Coordinate annual reporting and institutional compliance with the campus safety act (Minger Act) – KRS 164.948-9495
- Maintain information regarding the designated receiver of student records for closed institutions and respond to student requests – KRS 164.020(23)
- Review and approve sites for interpreter training programs for deaf and hard of hearing students – KRS 164.478-4785
- Administer the Equine Revolving Trust Fund and staff the advisory committee – KRS 138.510 • Contract with a public postsecondary institution to operate a state autism training center – KRS 164.9811
- Develop a comprehensive orientation and education program for members of KCTCS and university boards comprising six hours of instruction delivered in person and electronically – KRS 164.020(25)
- Investigate and make non-binding recommendations to the Governor regarding the removal of individual institutional board members and full institutional boards for cause – KRS 164.020(38)
- Respond to postsecondary education-related information requests from the legislature, Governor, media and other organizations, and to consumer complaints/questions that have not been resolved by the attending campus

## Appendix B: KCTCS Board of Regents duties and responsibilities<sup>60</sup>

### Powers and duties of the Board of Regents

- To assist, guide and govern the institution, the KCTCS Board of Regents is legislatively granted certain general and specific duties.
- KRS 164.350 grants to the KCTCS Board of Regents the corporate powers necessary to govern the institution.
- The Regents may exercise the powers set forth in KRS 164.350(1)(a)-(d).
- The Regents must adopt bylaws, create rules and promulgate regulations that govern the Board of Regents, and the institution's officers, agents and employees. The Regents must include in the required bylaws statutory removal and replacement processes found in KRS 63.080. The Board of Regents must enforce these bylaws, rules and regulations once created. [KRS 164.350(2)]
- The Regents shall set a process for periodically reviewing KCTCS' progress. The review shall determine whether the institution is achieving its missions, goals and objectives as delineated in the strategic agenda. [KRS 164.350(3)]
- As the KCTCS governing body, the Board of Regents is responsible for holding officers and officials accountable for the institution's progress or lack thereof. [KRS 164.350(3)]
- The Board of Regents is required to exercise fiduciary duties in conjunction with the KCTCS President and for and on behalf of the System Colleges. These fiduciary duties, set out in KRS 164.350(4)(a)-(f) are mandatory but may be exercised upon recommendation of the KCTCS President. The Board of Regents shall ensure that policies and procedures, either Board or Administrative, are passed, implemented and periodically reviewed.
- All actions of the Board of Regents shall ensure that budget processes are done in a manner consistent with the strategic agenda, the biennial budget and the mission each college has manifestly adopted. [KRS 164.350(4)]
- The Board of Regents shall fulfill the duties of KRS 164.360 in appointing a KCTCS President and also in exercising its discretion in appointing faculty and employees and setting compensation and tenure of service.
- Should the Board of Regents find it necessary, the Board may remove the KCTCS President or faculty members and employees based on findings and using processes in KRS 164.360(3).
- Control of personnel lies within the exclusive jurisdiction of the Board of Regents, but administrative policies may be authorized and promulgation thereof delegated to the KCTCS President. [KRS 164.365(1)]
- The KCTCS Board of Regents shall set procedures for the final appeal of any student suspension or expulsion to the Board of Regents. (KRS 164.370)
- The Board of Regents shall set a procedure for periodic review of the system's assets and shall act accordingly based upon the needs of institution. (KRS 164.410)
- The Board shall establish a schedule for reports from the KCTCS President. (KRS 164.460)

<sup>60</sup> Source: Kentucky Community and Technical College System website; Kentucky statute

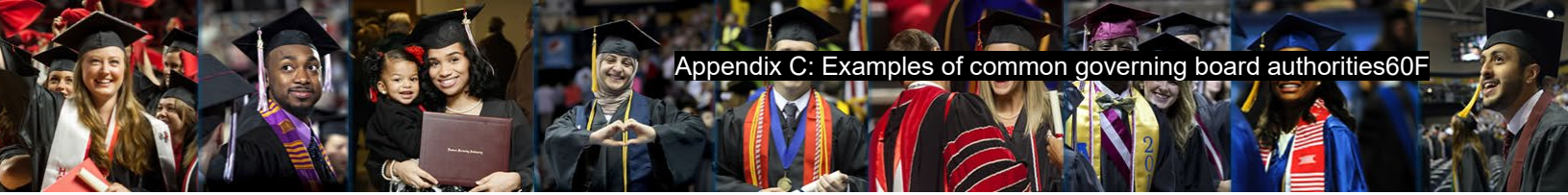




- The Board shall carry out, cause to be accomplished, or ensure the completion of any and all other statutory duties not denoted here but assigned specifically to the Board of Regents or to the institution in KRS 164.281 to 164.2891, KRS 164.290 to 164.475 and KRS 164.580 to 164.600.
- The Board of Regents, having elected to perform in accordance with KRS 164A.555 to 164A.630, shall promulgate regulations to ensure the proper disbursement and use of state appropriations as well as all other monies collected and or received. [KRS 164A.560(1)-(2)]
- The Board of Regents shall further require the treasurer of KCTCS to account for and record all monies received and disbursed according to prescribed forms of accepted accounting. [KRS 164A.560(2)(b)]

The detailed bylaws of the KCTCS Board of Regents can be found on the system website:

[Bylaws of the Board of Regents of the Kentucky Community and Technical College System](#)



## Appendix C: Examples of common governing board authorities<sup>61</sup>

Examples of common governing board authorities include:

- 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
- Ensure 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

---

<sup>61</sup> Education Commission of the States

## Appendix D: Examples of financial oversight approaches in other states

### Louisiana financial oversight dashboard<sup>62</sup>

While “budgetary responsibility for all institutions” and the Louisiana Board of Regents’ Division of Finance are written into statute per the Louisiana Constitution of 1974, their financial oversight dashboard is not written into statute, though it is inspired by Ohio’s Campus Accountability Model enacted by Ohio Senate Bill 6 in 1997.

The monitors within this dashboard include:

- Visibility ratio: expendable net assets divided by plant debt (if debt is 0, ratio is not calculated and score of 5 is automatically assigned)
- Primary reserve ratio: expendable net assets divided by total operating expenses
- Net income ratio: change in total net assets divided by total revenues

Each institution is then assigned a composite score that equals the sum of:

- Viability ratio \* 30% + primary reserve ratio \* 50% + net income ratio \* 20%

Institutions with composite score of 1.75 or below for two years in a row are placed on probation and the relevant governing board must submit a plan of action to the Louisiana Board of Regents.

### Ohio campus accountability measures<sup>63</sup>

Senate Bill 6 of the 122nd General Assembly was enacted into law in 1997. It is designed to increase financial accountability of state colleges and universities by using a standard set of measures with which to monitor the fiscal health of campuses. Using the year-end audited financial statements submitted by each public institution, the Ohio Department of Higher Education annually applies these standards to monitor individual campus finances. In addition, Senate Bill 6 requires state colleges and universities to submit quarterly financial reports to the Ohio Department of Higher Education within 30 days after the end of each fiscal quarter.

### Methodology

In order to meet the legislative intent of Senate Bill 6, the Ohio Department of Higher Education computes three ratios from which four scores are generated. The original methodology for computing the ratios was modified to recognize the new reporting format required by GASB statements 34 and 35, which became effective in FY 2002. The data and methodology used to conduct the ratio analysis for FY 2002 and thereafter are as follows:

- Expendable net assets: The sum of unrestricted net assets and restricted expendable net assets.
- Plant debt: Total long-term debt (including the current portion thereof), including but not limited to bonds payable, notes payable and capital lease obligations.
- Total revenues: Total operating revenues, plus total non-operating revenues, plus capital appropriations, capital grants and gifts and additions to permanent endowments.
- Total operating expenses: Total operating expenses, plus interest on long-term debt.
- Total non-operating expenses: All expenses reported as non-operating with the exception of interest expenses.
- Change in total net assets: Total revenues (operating and non-operating), less total expenses (operating and non-operating).

The methodology for calculating the three ratios is as follows:

<sup>62</sup> State website; state statute

<sup>63</sup> Source: Senate Bill 6; Ohio Department of Higher Education — Budget & Financial Information, Campus Accountability

- Viability ratio: Expendable net assets divided by plant debt. (Note: if plant debt is less than \$50,000, then the viability ratio is not calculated.)
- Primary reserve ratio: Expendable net assets divided by total operating expenses.
- Net Income Ratio: Change in total net assets divided by total revenues.

### Assignment of scores

Based on the calculations described above, each ratio is assigned a score ranging from zero to five according to the criteria listed in the table below. A score of 5 indicates the highest degree of fiscal strength in each category.

Ratio Scores	0	1	2	3	4	5
Viability Ratio	< 0	0 to .29	.30 to .59	.6 to .99	1.0 to 2.5	> 2.5 or N/A
Primary Reserve Ratio	< -.1	-.1 to .049	.05 to .099	.10 to .249	.25 to .49	.5 or greater
Net Income Ratio	< -.05	-.05 to 0	0 to .009	.01 to .029	.03 to .049	.05 or greater

- Based on these scores, a summary score termed the composite score is determined, which is the primary indicator of fiscal health. The composite score equals the sum of the assigned viability score multiplied by 30% (if plant debt is greater than \$50,000), the assigned primary reserve score multiplied by 50% (or 80% if plant debt is less than \$50,000), and the assigned net income score multiplied by 20%.
- NOTE: A composite score of or below 1.75 for two consecutive years would result in an institution being placed on fiscal watch. The highest composite score possible is 5.00.

## Appendix E: Single accreditation considerations<sup>64</sup>

### Perceived benefits of single accreditation

*Note: insights shared are perspectives of national researchers and leadership in single-accredited systems*

- Rapid deployment in program offerings through a streamlined approval process for existing programs
- Consistency in program offerings and improved student experience
- Stronger collective identity and brand through unified system vision
- Focus on quality over quantity of several targeted programs
- Centralized management of articulation agreements with four-year institutions
- Cohesive approach to operations and minimal resistance to implementation of shared services among member campuses
- Innovative and dynamic implementation of shared services:
  - For example, Ivy Tech appoints single campuses as shared service “hubs” that provide services for the entire system. For examples, programs like the “Achieve Your Degree” affordability program is offered through the Bloomfield Campus, but the service is utilized across the entirety of the Ivy tech system.
- Cost savings of shared services, including consolidating costs of individual accreditation processes, can be realized through economies of scale

### Potential risks of single accreditation

- Difficult to distinguish financial performance between institutions under single accreditation because financial reporting to the state is centralized, allowing struggling institutions to “hide” in the System behind stronger ones.
- Building System Office capacity to manage single accreditation and the shared services associated with it would take significant cost and time investment.
- Reduced agility of systemwide decision-making and implementation.
  - At Ivy Tech, initiatives developed by the System Office require buy-in from all campus leadership for effective implementation, which may impact the System’s agility with this “all or nothing” approach.

---

<sup>64</sup> Interviews with national experts



## Appendix F: 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 98.

The nature and scope of our services was determined solely by the Agreement between EY and Council on Postsecondary Education dated June 15, 2023 (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 (Kentucky higher education data, Kentucky stakeholders to engage in interviews, other states to benchmark against) 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.

EY | Assurance | Tax | Transactions | Consulting

**About EY**

EY is a global leader in assurance, tax, transaction, and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](https://ey.com).

**EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit [parthenon.ey.com](https://parthenon.ey.com)**

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2023 Ernst & Young LLP.  
All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

**[ey.com](https://ey.com)**

---

# APPENDIX B

---





**Economic Impact of 4-year Public University in Southeastern Kentucky**

**Prepared by  
Center for Business and Economic Research  
Gatton College of Business and Economics  
University of Kentucky**

**November 21, 2023**

**Center for Business and Economic Research  
Gatton College of Business and Economics  
University of Kentucky**

*Dr. Michael Clark, Director*

## Executive Summary

The 2023 General Assembly directed the Council on Postsecondary Education (CPE) to study the impact and feasibility of establishing a regional, residential, 4-year public university in southeastern Kentucky. CPE developed three potential scenarios based on expanding Hazard Community and Technical College into a 4-year university. This hypothetical university would differ in scope from Kentucky's existing public universities and would likely provide only four to five bachelors' programs and would not provide graduate level programs. The scenarios show three different levels of enrollment growth: minimal improvement, moderate improvement, and substantial improvement. For each scenario, CPE provided estimates related to the construction, faculty and staff levels, university operational spending, student enrollment, and other factors relevant to the establishing the new 4-year university. Based on the information provided by CPE, this report examines the potential impacts on employment and labor income to the region and the state.

This report does not address whether the hypothetical institution could make the region more attractive to new businesses or new households. Addressing this question would require additional analysis of how employment changed in other regions that hosted a new university. While this type of analysis could be informative, uncertainty about the potential impacts would likely remain due to differences between these regions and southeastern Kentucky.

The main findings of this report are:

### Construction of Housing Facility

1. CPE anticipates that a 96-bed apartment-style housing facility would be needed for the hypothetical university and estimates that the construction project would cost \$18.2 million in 2023 dollars.<sup>1</sup> The construction of the housing facility is estimated to support 161 jobs in the construction sector; 17 jobs in businesses that provide inputs and services to support the construction project; and 23 jobs in other businesses such as health care, restaurants, and retail stores. In total, these jobs would generate approximately \$8.6 million in labor income. These impacts are temporary and would only be supported during the construction of the facility.

### Annual Operations

2. In the *minimal improvement scenario*, the operations of the 4-year university would support an additional 105 jobs in the Kentucky River Area Development District in year 1. This includes direct jobs at the university, indirect jobs at businesses that supply goods and services to the university, and induced jobs at businesses that provide goods and services to those employed at the university and its suppliers. This would grow to 113 additional jobs by year 7.

---

<sup>1</sup> CPE projects that the cost in 2025 dollars would be approximately \$20.8 million.

3. In the *moderate improvement scenario*, the operations of the 4-year university would support an additional 106 jobs in the Kentucky River Area Development District in year 1. This would grow to 127 additional jobs by year 7.
4. In the *substantial improvement scenario*, the operations of the 4-year university would support an additional 107 jobs in the Kentucky River Area Development District in year 1. This would grow to 244 additional jobs by year 7.
5. In *moderate and substantial improvement scenarios*, other areas of the state could be affected by the conversion to a 4-year university. These effects could occur due to additional trade between the regions and because students might shift from other areas of the state to the hypothetical institution. The largest impact occurs in year 7 under the substantial improvement scenario, which shows a decrease of 51 Kentucky jobs outside of the Kentucky River ADD.

While appropriating state funds to support the establishment of a 4-year university would generate additional employment in the region, allocating the funds to support other programs could also generate additional employment. This report does not examine the employment that could be supported if these same funds were allocated to other state priorities. To the extent that increased employment is a goal, policymakers might consider the employment foregone by not allocating the funds to other programs.

# Contents

- Executive Summary ..... i
- List of Tables ..... iv
- List of Figures ..... iv
- Introduction..... 1
- Construction Phase..... 2
- Operations Phase..... 3
  - Increased Spending by Hypothetical University..... 4
  - Reduced Tuition and Fees at Kentucky’s Other Universities ..... 5
  - Shift in Student Spending ..... 6
- Economic Impacts of Operations..... 10
  - Minimal Improvement ..... 10
  - Moderate Improvement..... 11
  - Substantial Improvement ..... 13
  - Economic Impacts on Kentucky River ADD..... 14
- Limitations ..... 15

## List of Tables

Table 1 Construction Phase Impacts for Kentucky River ADD .....	3
Table 2 Employment and Spending to Support University Operations.....	5
Table 3 Reduced Tuition and Fee Revenue at Other Kentucky Universities .....	6
Table 4 Student Spending .....	7
Table 5 Estimates of Change in Student Spending by Region .....	9
Table 6 Estimates of Additional Employment and Labor Income Minimal Improvement Scenario.....	11
Table 7 Estimates of Additional Employment and Labor Income Moderate Improvement Scenario.....	12
Table 8 Estimates of Additional Employment and Labor Income Substantial Improvement Scenario.....	14
Table 9 Total Employment Impact on Kentucky River ADD by Scenario .....	14

## List of Figures

Figure A Regions Examined.....	2
Figure B Average Labor Income per Job (Year 1) by Scenario and Impact .....	15

## Introduction

The 2023 General Assembly adopted SJR 98, which directed the Council on Postsecondary Education (CPE) to study the impact and feasibility of establishing a regional, residential, 4-year public university in southeastern Kentucky. As part of its study, CPE requested that the University of Kentucky's Center for Business and Economic Research examine the potential economic effects that a hypothetical institution might have on regional and state economies.

The analysis estimates the potential economic impact associated with three scenarios for expanding Hazard Community & Technical College to a 4-year public university. This hypothetical university would differ in scope from Kentucky's existing public universities and would likely provide only four to five bachelors' programs and would not provide graduate level programs. The three scenarios differ primarily based on student enrollment and operational expenses. The scenarios are minimal improvement, moderate improvement, and substantial improvement. CPE provided information detailing construction, faculty and staff levels, university operational spending, student enrollment for each scenario, and other factors relevant to the university.

Based on this information, CBER estimated the potential impacts on employment and labor income to the region and the state. The impacts would occur in two phases: the Construction Phase and the Operations Phase. The Construction Phase would have a temporary effect on employment and wages in the area that would occur during the construction period. The Operations Phase examines the annual impact that would occur as the hypothetical institution is in operation. In this phase, the economic impact is determined by the level of operations the university could achieve and the new spending in the region that would result from its operations.

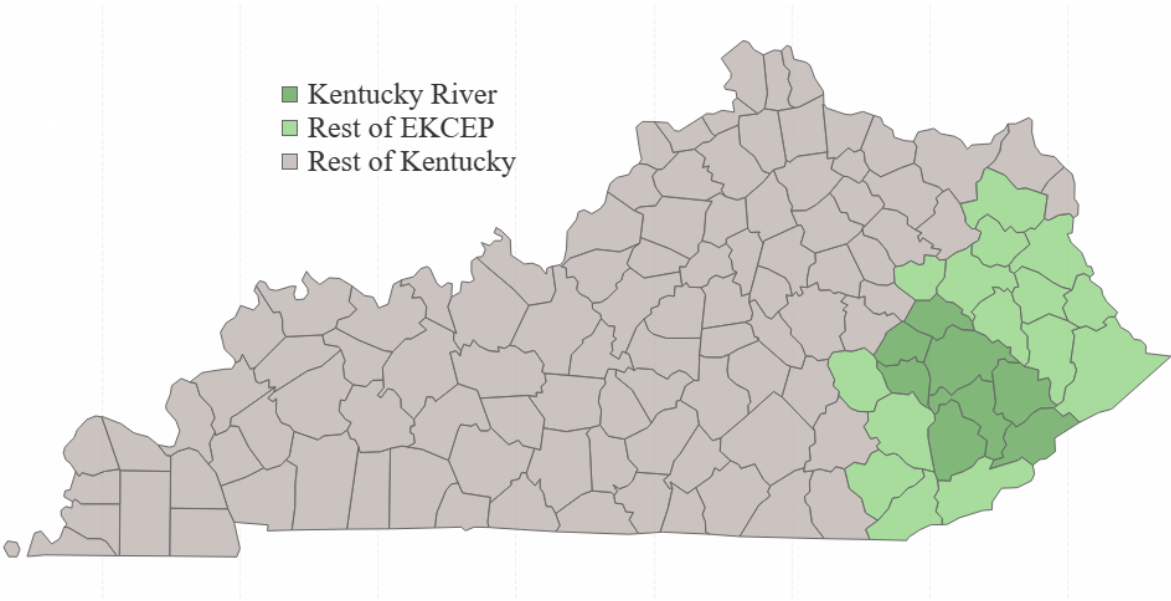
Additional spending during both the construction and operations phases would have direct, indirect, and induced effects on the regional and state economies. The direct impact refers to the employment and wages associated with the project. For the Construction Phase, the direct impact occurs primarily in the construction sector but could also include spending on professional business services such as engineering and architectural services if these activities occur in the area. The direct impact for the Operations Phase includes additional faculty and staff hired by the university.

The indirect impact refers to employment and wages that occur at businesses that provide inputs to support the university's construction and operations. For the Construction Phase, this would typically be materials and supplies that the construction crews need to complete their work. For the Operations Phase, this would include various businesses that provide goods and services to support the university's operations.

The induced impact refers to employment and wages related to the provision of goods and services purchased by the workers employed directly and indirectly by the project. As workers are paid, they will spend a portion of their incomes at local businesses such as restaurants, retail establishments, and health care providers. These impacts can occur across a wide range of sectors.

These three types of impacts are typically measured using models of the regional economy. For this analysis, impacts were estimated using the IMPLAN model, which is widely used for this type of analysis. For this analysis, an IMPLAN model was designed to simulate the economies of three regions (Figure A). The first region is the Kentucky River Area Development District, which consists of Breathitt, Knott, Lee, Leslie, Letcher, Owsley, Perry, and Wolfe Counties. The second region is the rest of the Eastern Kentucky Concentrated Employment Program (EKCEP) Workforce Development Area. This region consists of Bell, Carter, Clay, Elliott, Floyd, Harlan, Jackson, Johnson, Knox, Lawrence, Magoffin, Martin, Menifee, Morgan, and Pike Counties. The final region represents the rest of Kentucky.

**Figure A**  
**Regions Examined**



**Construction Phase**

CPE anticipates that the hypothetical institution would build a 96-bed apartment-style housing facility to accommodate its transition to a 4-year university. Construction is projected to occur in year 2 with the facility being operational in year 3. CPE estimates that the facility would cost \$18.2 million in 2023.<sup>2</sup> Of this amount, 95% of the costs cover construction and 5% covers equipment and furnishings. For the economic impact analysis, only the construction costs were included. Table 1 summarizes the economic impacts for the Kentucky River ADD.

For the construction project, the direct impact refers to the employment and wages for workers in the construction industry who are directly involved in the project. The Construction Phase is projected to support the equivalent of 161 annualized jobs in the construction industry and provide \$6.8 million in labor income. It should be noted that while the work would be conducted

<sup>2</sup> CPE projects that the cost in 2025 dollars would be approximately \$20.8 million.

at the university, the workers might be residents of other communities who simply commute to the project site.

The indirect impact refers to employment and wages that occur at businesses that provide inputs to support the housing facility's construction. For the housing facility construction project, this would typically be materials and supplies that the construction crews need to build it. The project is expected to support 17 indirect jobs in the region and provide labor income of \$797,000. This includes sectors such as truck transportation, building material retailers, and ready-mix concrete suppliers.

The induced impact refers to employment and wages related to the provision of goods and services purchased by the workers employed directly and indirectly by the project. As workers are paid, they will spend a portion of their incomes at local businesses such as restaurants, retail establishments, and health care providers. These impacts can occur across a wide range of sectors. The housing facility construction is projected to support 23 induced. Labor income for these jobs is estimated to be \$1.0 million.

**Table 1**  
**Construction Phase Impacts**  
**for Kentucky River ADD**

<b>Impact</b>	<b>Employment (Jobs)</b>	<b>Labor Income (million)</b>
Direct	161	\$6.8
Indirect	17	\$0.8
Induced	23	\$1.0
<b>Total</b>	<b>201</b>	<b>\$8.6</b>

## Operations Phase

Economic impacts are generally driven by changes in spending. As new spending occurs in the area, it helps to support additional employment and earnings in the area. It is important to note that only new spending in the area increases employment. Some of the spending that would be associated with the hypothetical university would occur regardless of whether it is established. For example, HCTC would have expenditures to support its operations with no changes. If HCTC is expanded to a 4-year university, its expenditures would likely increase. Only the additional expenditures will drive an increase in employment for the region.

Likewise, only spending from new students attracted to the area would help support an increase in employment. While new students attracted to 4-year university would bring additional spending to the Kentucky River ADD, their spending in other areas of the state would decrease. This would lead to reduced economic activity in these other areas.

This section describes the estimated additional spending that would occur in the region if HCTC is expanded to a 4-year university. It also describes the reduction in university and student spending that could occur in other parts of the state due to students shifting where they attend



college. The changes in spending are based on analysis provided by CPE and estimates of student spending from other research.

## **Increased Spending by Hypothetical University**

Table 2 shows the assumptions related to the hypothetical university's spending for the three scenarios. The estimates reflect additional spending that CPE has estimated what would occur if HCTC remains a community and technical college.

Most of the spending goes toward faculty and staff compensation. This consists of wages, salaries, and benefits. The remaining spending covers the other operational needs of the university including utilities, office supplies, and food. For example, in the minimal improvement scenario, CPE expects the 4-year university would employ 79 additional faculty and staff members and pay \$7.0 million in additional compensation during year 1. CPE estimates that the 4-year university would incur \$2.75 million in additional operational expenditures. Expenditures are stated in nominal dollars. The additional spending on operations would be supported primarily by tuition and fees collected from students and appropriations from the state.

Based on conversations with CPE staff, it is assumed that the state appropriations to Kentucky's other postsecondary institutions would not change due to the state supporting a hypothetical institution. The assumption is because staff cannot predict any changes that would come as a result of the state's postsecondary education performance funding model, which distributes funds based on outcomes and not just enrollment. CPE is also unable to predict how the legislature would want to treat the hypothetical institution in the performance funding model or if it would want it included at all. As such, CPE made a simplifying assumption. It should be noted, however, that the funds to support the hypothetical institution would result in reduced spending somewhere else in the economy. Appropriating funds to the hypothetical institution means that those funds are not available to fund other programs or services. If the same funds were allocated to these other programs, they would also support employment somewhere in the economy. This forgone opportunity to increase employment is not included in the analysis.

**Table 2**  
**Employment and Spending to**  
**Support University Operations**

<b>Year</b>	<b>Employment</b>	<b>Compensation</b>	<b>Operations</b>
<b>Minimal Improvement</b>			
1	79	\$7,020,000	\$2,751,000
2	79	\$7,160,000	\$3,160,000
3	79	\$7,303,000	\$3,752,000
4	79	\$7,449,000	\$4,184,000
5	79	\$7,598,000	\$4,624,000
6	79	\$7,750,000	\$5,073,000
7	79	\$7,905,000	\$5,532,000
<b>Moderate Improvement</b>			
1	79	\$7,020,000	\$2,751,000
2	79	\$7,160,000	\$3,160,000
3	79	\$7,303,000	\$3,752,000
4	79	\$7,449,000	\$4,184,000
5	79	\$7,598,000	\$4,624,000
6	79	\$7,750,000	\$5,073,000
7	79	\$7,905,000	\$5,532,000
<b>Substantial Improvement</b>			
1	79	\$7,020,000	\$2,751,000
2	79	\$7,160,000	\$3,160,000
3	79	\$7,303,000	\$3,752,000
4	79	\$7,449,000	\$4,184,000
5	156	\$13,849,000	\$6,481,000
6	156	\$14,126,000	\$6,968,000
7	156	\$14,408,000	\$7,464,000

Source: Council on Postsecondary Education.

### Reduced Tuition and Fees at Kentucky's Other Universities

The hypothetical university would likely attract some students who would otherwise attend one of Kentucky's other public universities. As some enrollment shifts away from these other universities, they could see enrollment and tuition and fee revenue decrease. The reduction in revenues would likely cause these universities to reduce spending, which could affect the economy. CPE provided estimates of the reduction in revenues for these universities. Table 3

shows the reduction in revenues for the moderate and substantial improvement Scenarios.<sup>3</sup> CPE estimates that there would be no reduction in other public universities' revenues under the minimal improvement scenario. These universities are all located in the "Rest of Kentucky" region.

**Table 3**  
**Reduced Tuition and Fee Revenue**  
**at Other Kentucky Universities**

Year	Moderate Improvement	Substantial Improvement
1	\$325,000	\$649,000
2	\$649,000	\$1,298,000
3	\$974,000	\$1,947,000
4	\$1,299,000	\$2,597,000
5	\$1,623,000	\$3,246,000
6	\$1,948,000	\$3,895,000
7	\$2,273,000	\$4,544,000

Source: Council on Postsecondary Education.

### Shift in Student Spending

If more students are attracted to the area, the Kentucky River ADD could see increased economic activity as students shift a portion of their spending to businesses in the region. As discussed, only spending from new students attracted to the area would contribute to an increase in economic activity and employment.

Consider students who would likely attend HCTC regardless of whether it is expanded to a 4-year university. Since their spending would occur in both cases, it does not represent new or additional spending to the area. Expanding HCTC to a 4-year university might also allow some residents to attend college who might have otherwise continued living in the area but not attend college. While these students would be new to the university, their spending would not be new to the area. Therefore, their spending also would not contribute to an increase in economic activity and is not included in the analysis.

Expanding HCTC to a 4-year university might attract some new students to the area. If these students would otherwise live and attend college in other parts of the state or other states, their spending would shift. This represents new spending to the Kentucky River ADD and would increase economic activity in the region. However, this also represents lost spending and economic activity for other areas of the state.

---

<sup>3</sup> The reduction in revenue is based on fewer students attending these other universities. As noted, CPE has assumed that state funding for these universities would not change. If state funds are reduced, the universities would be required to reduce spending by more than what is shown in Table 3.

Unfortunately, there is little reliable information on the amounts that students in the Kentucky River ADD spend. A 2021 study by Khalaf, Jolley, and Clouse provides a guide to estimating the economic impacts of universities.<sup>4</sup> The study includes estimates of students’ annual spending on housing, restaurants, retail food and beverage stores, and gasoline and fuel. The authors distinguish between students who live on and off campus (Table 4). Their estimates come from the U.S. Consumer Expenditure Survey.

**Table 4**  
**Student Spending**

	<b>On Campus</b>	<b>Off Campus</b>
Housing	-	\$4,983
Restaurants	\$679	\$1,189
Retail Food & Beverage Stores	\$855	\$1,132
Gasoline and Fuels	\$698	\$821

Source: Khalaf, Christelle, F. Jason Jolley, and Candi Clouse. “The Economic Impact of Small Colleges on Local Economies: A Guide to Attainable Data and Best Practices.” *Economic Development Quarterly*. 36.1 (2022) 17-32.

While student spending in the Kentucky River ADD will likely differ from the estimates provided by Khalaf, Jolley, and Clouse, these estimates provide a sense of the general magnitude that student spending could be. The estimates were adjusted for inflation but were not adjusted for regional price differences due to a lack of reliable data measuring cost-of-living in the Kentucky River ADD region.

Table 5 summarizes the estimated changes in student spending under the three scenarios. The minimal improvement scenario assumes a new 4-year university does not attract new students from elsewhere in the state. As a result, there is no additional student spending in the Kentucky River ADD in this scenario. However, there is also no lost spending in other parts of the state due to students leaving other universities in this scenario.

Under the moderate improvement scenario, a new 4-year university attracts 42 additional FTE students from other areas of Kentucky during year 1. This grows to 297 FTE students by year 7. It is assumed that these students will live in the new housing facility until it reaches capacity. It is assumed that these students will have spending patterns similar to those estimated for on-campus students by Khalaf, Jolley, and Clouse. When the housing facility reaches capacity, any additional students would look for other housing options in the community and are assumed to have spending patterns similar to those estimated by Khalaf, Jolley, and Clouse for off-campus students.<sup>5</sup>

<sup>4</sup> Khalaf, Christelle, G. Jason Jolley, and Candi Clouse. "The Economic Impact of Small Colleges on Local Economies: A Guide to Attainable Data and Best Practices." *Economic Development Quarterly* 36.1 (2022): 17-32.

<sup>5</sup> It is unclear whether the region has sufficient housing for students beyond the dorms. If not, it is likely that students unable to find housing would commute from other communities. In time, additional rental housing might be built by private developers.

CPE estimates that roughly 24% of the new students to the region would come from the rest of the EKCEP region. The remaining 76% would come from the rest of Kentucky. As these students shift to the new 4-year university, the rest of EKCEP and the rest of the state will see reduced student spending. It is assumed that these students would have spending patterns similar to the estimates for off-campus students provided by Khalaf, Jolley, and Clouse. This assumption means the lost student spending in these areas is larger than that gained in the Kentucky River ADD. This occurs because many of the new students coming to the new 4-year school would be staying in the new housing facility. So, their spending is counted in the university's revenue. These assumptions avoid double counting this spending and are somewhat conservative.

Under the substantial improvement scenario, a new 4-year university attracts 85 additional FTE students during year 1. This grows to 594 FTE students by year 7. Again, CPE projects that roughly 24% of these students would come from the rest of EKCEP region and 76% would come from the rest of Kentucky.

It is also possible that some new students from the region might reduce their spending on other goods and services to help pay for tuition and fees. This impact is not accounted for in the analysis. Students have several options for financing their education including loans and scholarships. As a result, it is unclear how much new students from the region might not have otherwise attend college would reduce their local spending. However, the impact is not expected to have a large effect on regional employment.

**Table 5**  
**Estimates of Change in Student Spending by Region**

Year	KY River ADD	Rest of EKCEP	Rest of KY
<b>Minimum Improvement</b>			
1			
2			
3	Under this scenario, no additional students are attracted to the area. So, there is no increase in student spending.		
4			
5			
6			
7			
<b>Moderate Improvement</b>			
1	\$110,500	-\$95,800	-\$306,600
2	\$228,200	-\$195,400	-\$635,200
3	\$383,500	-\$309,000	-\$966,900
4	\$560,200	-\$416,900	-\$1,311,600
5	\$739,900	-\$528,900	-\$1,669,600
6	\$930,500	-\$645,300	-\$2,052,100
7	\$1,124,400	-\$766,000	-\$2,438,400
<b>Substantial Improvement</b>			
1	\$223,700	-\$191,600	-\$622,700
2	\$538,500	-\$400,700	-\$1,260,600
3	\$873,000	-\$608,000	-\$1,933,700
4	\$1,224,700	-\$823,500	-\$2,623,100
5	\$1,590,000	-\$1,057,800	-\$3,349,700
6	\$1,969,500	-\$1,290,500	-\$4,093,600
7	\$2,363,600	-\$1,532,100	-\$4,876,800

Notes: Includes spending on restaurants, retail food and beverage stores, gasoline and fuels, and housing. Housing only applies for students who would live off campus.

Sources: CBER calculations based on data from Khalaf, Jolley, and Clouse (2021) and the Council for Postsecondary Education.

## Economic Impacts of Operations

### Minimal Improvement

Table 6 summarizes the estimated employment and labor income associated with the additional spending in the minimal improvement scenario. In this scenario, the new 4-year university would employ an additional 79 FTE faculty and staff over the seven-year period. The university's spending on faculty and staff and other operational expenditures would help to support another 26 jobs in the Kentucky River ADD during year 1. These are the indirect and induced effects for the region.<sup>6</sup> The additional spending is expected to have little effect on employment in the rest of the EKCEP region and the rest of the state. In total, the minimal improvement scenario is estimated to generate an additional 105 jobs in the Kentucky River ADD and a total of 111 jobs across the state in year 1. This increases to 113 jobs in the Kentucky River ADD and 120 jobs in Kentucky by year 7.

Annual labor income for jobs in the Kentucky River ADD are estimated to total \$8.2 million in year 1. Labor income includes salaries, wages, and benefits. Most of the additional labor income would be paid to the additional faculty and staff for the university.

As mentioned, the economic impacts are based on the additional amount of spending that would occur due to the hypothetical university. This includes the spending that the new faculty and staff might bring to the area. Many of the individuals who fill these positions might choose to live in the region. As they spend money in local businesses, they will help support additional employment in the Kentucky River ADD. However, some people who fill these positions might live outside the area and commute to work. These commuters would likely spend money in the Kentucky River ADD, but their spending in the area will be much less than those who choose to live in the region.

The estimates in this report are based on the past commuting patterns for workers in the region. However, the people who fill these new faculty and staff positions might be more likely to live outside the region, particularly if they teach remotely. This could be an important issue for the hypothetical university given the rapid growth of online universities over the past decade. If so, their spending would support fewer jobs in the Kentucky River ADD than are shown in the analysis. This is true for each scenario.

---

<sup>6</sup> This suggests that the employment multiplier is 1.33 for the region.

**Table 6**  
**Estimates of Additional Employment and Labor Income**  
**Minimal Improvement Scenario**

Year	Region			Total KY
	Ky River ADD	Rest of EKCEP	Rest of KY	
<b>Employment</b>				
1	105.2	2.2	3.1	110.5
2	106.3	2.3	3.3	111.9
3	107.8	2.5	3.5	113.8
4	109.0	2.6	3.7	115.3
5	110.2	2.7	3.9	116.8
6	111.4	2.8	4.1	118.3
7	112.6	3.0	4.3	119.8
<b>Labor Income (millions)</b>				
1	\$8.15	\$0.11	\$0.17	\$8.43
2	\$8.34	\$0.11	\$0.18	\$8.63
3	\$8.55	\$0.12	\$0.20	\$8.86
4	\$8.74	\$0.13	\$0.21	\$9.08
5	\$8.94	\$0.13	\$0.22	\$9.30
6	\$9.15	\$0.14	\$0.23	\$9.52
7	\$9.36	\$0.15	\$0.24	\$9.75

### Moderate Improvement

The minimal and moderate improvement scenarios assume the same level of additional faculty and staff and the same spending levels. The scenarios differ, however, in terms of student enrollment and student spending. Under the moderate improvement scenario, new students are attracted to the 4-year university from other areas. Those who come from other areas potentially shift their spending to the Kentucky River ADD.

Table 7 summarizes the estimated employment and labor income associated with the additional spending in the moderate improvement scenario. In this scenario, the new 4-year university would employ an additional 79 FTE faculty and staff each year. In addition, student enrollment increases as the new 4-year university attracts new students. Since some of these students would come from other areas of the state, their spending would be new to the Kentucky River ADD and would help support additional employment in the area.

Under the moderate improvement scenario, employment is estimated to increase in the Kentucky River ADD by 106 jobs during year 1. As with the minimal improvement scenario, there is little employment effect in the rest of EKCEP and the state. By year 7, employment is estimated to increase to 127 jobs in the Kentucky River ADD. However, employment decreases in the rest of the EKCEP and the rest of the state. These losses reflect the shift of students from other public



universities in Kentucky to the new 4-year university and lost tuition and fee revenue for the other universities in the state.

The employment impact at the state level is lower than the impact of the Kentucky River ADD. This occurs because students are shifting from other areas of the state to the Kentucky River ADD. This reduces student and university spending in the other areas of the state and contributes to a loss in employment in other areas.

In year 1, labor income is estimated to increase by \$8.2 million for the Kentucky River ADD. As with the minimal improvement scenario, most of the additional labor income is paid to the new faculty and staff. However, because new students are attracted to the region in the moderate improvement scenario, the effect on employment and labor income outside the university is somewhat larger.

**Table 7**  
**Estimates of Additional Employment and Labor Income**  
**Moderate Improvement Scenario**

Year	Region			Total KY
	Ky River ADD	Rest of EKCEP	Rest of KY	
<b>Employment</b>				
1	106.1	1.6	-0.7	106.9
2	108.1	1.0	-4.2	104.9
3	111.6	0.5	-7.8	104.3
4	115.3	-0.1	-11.3	103.9
5	119.0	-0.7	-14.9	103.4
6	122.9	-1.3	-18.7	103.0
7	126.8	-1.9	-22.4	102.6
<b>Labor Income (millions)</b>				
1	\$8.18	\$0.09	\$0.01	\$8.28
2	\$8.40	\$0.08	-\$0.14	\$8.34
3	\$8.66	\$0.08	-\$0.29	\$8.45
4	\$8.93	\$0.07	-\$0.44	\$8.56
5	\$9.21	\$0.06	-\$0.59	\$8.67
6	\$9.50	\$0.05	-\$0.75	\$8.79
7	\$9.79	\$0.04	-\$0.91	\$8.91

The employment effects for the Kentucky River ADD are larger in the moderate improvement scenario than in the minimal improvement scenario. This occurs because the new students who would be attracted to the area under the moderate improvement scenario would bring higher levels of spending to the area. This helps to support more jobs in the moderate improvement scenario than in the minimal improvement scenario.

However, the employment effects for all of Kentucky are smaller in the moderate improvement scenario. This occurs because of how spending changes in the scenarios. CPE assumes that the hypothetical university would have similar operational expenditures in both scenarios. That is, even if the student growth does not occur, the university would still employ additional faculty and staff and have similar levels of expenditures. In reality, the hypothetical institution might reduce expenses in response to the lower student growth.

In the minimum improvement scenario, few new students are attracted to the area, so these expenditures would have to be paid through state appropriations rather than increased tuition revenues. There would also be no lost tuition and fee revenue at other universities because students are not shifting their enrollment.

In the moderate improvement scenario, new students are attracted to the area, so tuition revenues for the hypothetical university would increase and help cover the university's expenditures. This results in roughly the same level of employment because the university's spending is basically the same. Only the funding source is changing.<sup>7</sup> However, since some of the new students are shifting from other universities, these universities lose tuition revenues. This causes the universities spending to decrease and supports fewer jobs. As a result, the total additional jobs for the state are lower in the moderate improvement scenario.

## **Substantial Improvement**

Table 8 summarizes the impact associated with substantial improvement in enrollment. In this scenario, the university increases employment by 79 FTE faculty and staff each year beginning in year 1. In year 4, the university adds another 77 FTE faculty and staff to facilitate enrollment growth. This represents an increase of 156 FTE faculty and staff over levels if no changes are made to HCTC.

During year 1, employment in the Kentucky River ADD is estimated to increase 107 jobs and labor income is estimated to increase by \$8.2 million. By year 7, the employment impact for the Kentucky River ADD is estimated to be 244 jobs.

The loss of employment in other parts of the state is larger than in the moderate improvement scenario. This is due to the assumption in this scenario that the hypothetical institution attracts more students, and more spending and tuition and fee revenues, from other parts of Kentucky. By year 7, students shifting to the new school is estimated to reduce employment by 51 jobs in other parts of Kentucky.

---

<sup>7</sup> In the moderate improvement scenario, the hypothetical university would need less state support. The state would be able to allocate those funds to other priorities, which might also support some level of employment in the state.

**Table 8**  
**Estimates of Additional Employment and Labor Income**  
**Substantial Improvement Scenario**

Year	Region			Total KY
	Ky River ADD	Rest of EKCEP	Rest of KY	
<b>Employment</b>				
1	106.9	0.9	-4.4	103.5
2	110.7	-0.3	-11.6	98.8
3	118.8	-1.4	-18.9	98.5
4	125.0	-2.7	-26.2	96.1
5	230.1	-2.2	-31.3	196.6
6	236.9	-3.5	-38.8	194.7
7	244.0	-4.8	-46.4	192.8
<b>Labor Income (millions)</b>				
1	\$8.21	\$0.08	-\$0.15	\$8.14
2	\$8.48	\$0.05	-\$0.46	\$8.08
3	\$8.87	\$0.03	-\$0.76	\$8.14
4	\$9.22	\$0.01	-\$1.08	\$8.15
5	\$16.78	\$0.07	-\$1.26	\$15.59
6	\$17.29	\$0.05	-\$1.59	\$15.75
7	\$17.81	\$0.02	-\$1.92	\$15.92

### Economic Impacts on Kentucky River ADD

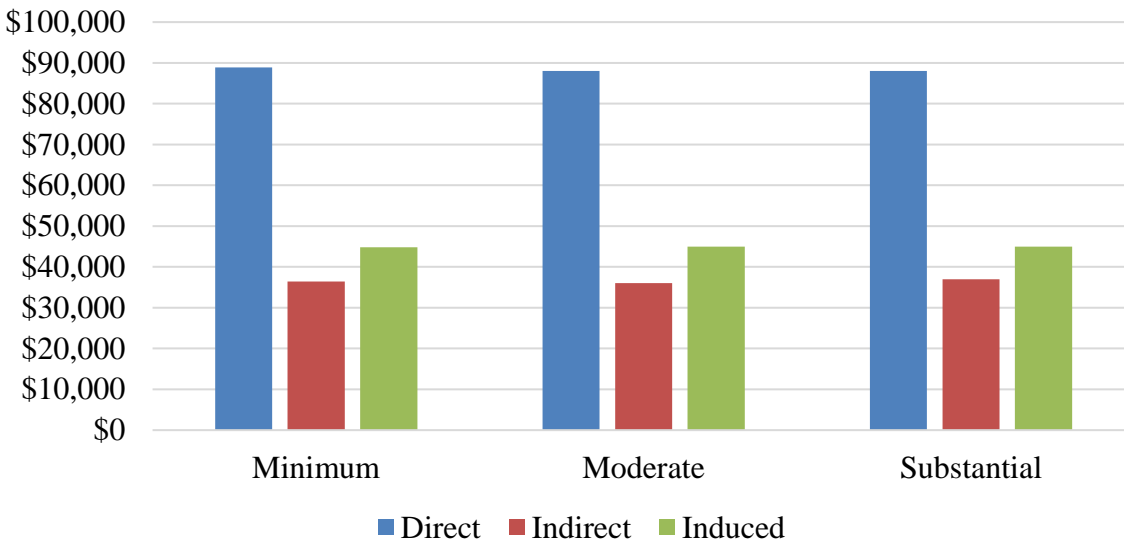
As noted, most of the employment impact is expected to occur in the Kentucky River ADD. Table 9 shows estimates of the additional employment in the Kentucky River ADD that could result from expanding Hazard Community and Technical College to a 4-year University.

**Table 9**  
**Total Employment Impact on Kentucky River ADD**  
**by Scenario**

Year	Scenario		
	Minimal	Moderate	Substantial
1	105	106	107
2	106	108	111
3	108	112	119
4	109	115	125
5	110	119	230
6	111	123	237
7	113	127	244

Figure B shows the average labor income per job by scenario and type of impact. Direct impacts refer to the additional faculty and staff jobs at the 4-year university. Faculty and staff jobs are estimated to provide \$88,900 in annual labor income in year 1. The indirect and induced jobs provide \$36,400 and \$44,800 on average annual labor income respectively.

**Figure B**  
**Average Labor Income per Job (Year 1)**  
**by Scenario and Impact**



## Limitations

This report examines the potential economic impact from the additional spending that would occur if HCTC is expanded to a 4-year university. The impacts are driven specifically by the increased spending to construction a 96-bed housing facility and to operate a 4-year university. It is also driven by new spending in the region generated by new students who might be attracted to the area. The expansion to a 4-year university could generate additional economic effects that are not addressed in this report. While these additional impacts are not addressed here, they might be of interest to state and local policymakers.

One impact not addressed is the additional spending of visitors to the university. Many universities have active sports and other programs that attract visitors to the area. When these visitors attend an event, they often stay in nearby hotels, eat in local restaurants, and spend money at local retailers. There is considerable uncertainty related to whether a hypothetical institution would be able to attract substantial numbers of visitors and how much they would spend in the region. However, the impact of visitor spending appears likely to be small but positive.

A second potential impact not addressed in this report is whether the hypothetical institution could make the region more attractive to new businesses or new households. If so, the hypothetical institution might attract additional new investment and create new jobs beyond the

level estimated in this report. Determining whether universities could attract this additional investment would be challenging. Ideally, this issue would be informed by examining the experiences of other regions that hosted new universities. By measuring economic growth in these regions before and after the university opened and comparing this change to how the economy changed in other similar regions that did not host a new university, researchers might be able to measure a new university's potential impact.

Given time, this analysis could be done and could provide a better understanding of the potential economic effect a new 4-year university could have on the southeastern Kentucky region. However, policymakers should also be aware that there would still be considerable uncertainty associated with these impacts. Southeastern Kentucky may differ in important ways from other regions where new universities have been built. These differences might include the rural nature of the region and the types of degrees offered. These differences could mean that the experience in southeastern Kentucky could be substantively different than the other regions.

Finally, while appropriating state funds to support the establishment of a 4-year university would generate additional employment in the region, allocating the funds to support other programs could also generate additional employment. To the extent that increased employment is a goal, policymakers might consider the employment foregone by not allocating the funds to other programs.

---

# APPENDIX C

---

# KEY FINDINGS FROM RESEARCH ON STATE STRATEGIES FOR FINANCING HIGHER EDUCATION

---

Prepared by the Kentucky Council on Postsecondary Education

---

**Source:** State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. <https://shef.sheeo.org/report/>. <https://shef.sheeo.org/data-definitions/#general>.

## Important Notes:

- CPE staff analyzed finance data published by the State Higher Education Executive Officers Association (SHEEO) as part of their State Higher Education Finance (SHEF) report. The SHEF report provides historical state-level and sector-level data for a wide range of financial metrics.
- SHEEO staff provided additional data for the analysis as some of the required data was not accessible through SHEEO's website. Furthermore, some measures included in the analysis are CPE staff calculations created using SHEF data elements.
- The SHEF report contains three index measures which can be used to adjust the raw state-level and sector-level data. These include (1) the Higher Education Cost Adjustment (HECA), (2) Cost of Living Index (COLI), and (3) Enrollment Mix Index (EMI). All data in the analysis was adjusted for inflation using the HECA and is in constant 2022 dollars. Furthermore, to account for interstate differences and improve comparability, COLI and EMI also adjusted all state-level data. All sector-level data was adjusted for inflation using HECA and to account for interstate differences using COLI, per SHEEO guidance.
- It is important to note that the data and findings below are presented at the state- and sector-level as this is how the SHEF data is made available. While it is beneficial to examine aggregated financial data from institutions at these levels, it must be recognized that the experience of the individual institutions comprising the data may vary significantly.
- See Appendix for relevant visualizations of the findings shown below.

## Data Definitions:

- **State and local support** consists of state tax appropriations and local tax support plus additional non-tax funds (e.g., lottery revenue) that support or benefit higher education, and funds appropriated to other state entities for specific higher education expenditures or benefits (e.g., employee fringe benefits disbursed by the state treasurer). State and local support for 2009-2012 and 2020-2022 also includes federal stimulus funding provided to stabilize these sources of revenue for higher education.
- **Education appropriations** is a measure of state and local support available for public higher education operating expenses and student financial aid excluding research, hospitals, and medical education (RAM). State-level education appropriations include total federal stimulus funding. Sector-level education appropriations include any portion of federal stimulus funding allocated specifically to each sector.

- **General public operations** are any state and local support for public higher education institutions and agencies, excluding RAM, financial aid, and non-credit and continuing education. Federal stimulus funding is not included.
- **Public financial aid** is any state appropriated student financial aid for public institutions, excluding loans and aid for students attending medical schools.
- **Net tuition revenue** is gross tuition and fee revenue less state-funded student aid, institutional tuition discounts and waivers, and tuition revenue paid by medical students. Federal financial aid is not backed out.

### Summary Statements (As of fiscal year 2022):

- State and local support for higher education in Kentucky depends much more on non-tax revenues (e.g., lottery proceeds) than other states. Kentucky ranks 3<sup>rd</sup> for the share of support from this source.
- Kentucky allocates a smaller share of its state and local support for higher education for general operations at the institutions compared other states, ranking 45<sup>th</sup> overall.
- Kentucky allocates a larger share of state and local support to students attending independent/private institutions and those enrolling out-of-state than most other states, ranking 3<sup>rd</sup> overall.
- Kentucky has experienced a decline in education appropriations per FTE since the previous enrollment peak in fiscal year (FY) 2011 while the U.S. and SREB saw substantial growth over this period.
- Kentucky's support for general public operations per FTE decreased from the previous FTE enrollment peak in FY 2011 while per FTE support for general public operations increased for all adjacent states, the SREB, and U.S.
- Kentucky's financial aid for students attending its public institutions per FTE is significantly higher than the SREB and U.S. averages.
- Net tuition revenue per FTE at Kentucky institutions substantially exceeds the SREB and U.S. averages. Net tuition revenue per FTE is net of state and institutional aid but federal financial aid is included.
- Kentucky's State and local support for 2-year sector operations per FTE ranks among the lowest nationally (6<sup>th</sup>) while public financial aid support for the 2-year sector ranks among the highest (3<sup>rd</sup>).



---

## KEY FINDINGS

---

### Governmental Sources of State and Local Government Support for Higher Education

- As of FY 2022, Kentucky gets 74.9% of its revenue for higher education from state tax appropriations. The next largest source of funding comes from non-tax support (e.g., lottery proceeds, tobacco settlements, gaming revenues) at 22.5%. The share of revenues from tax appropriations is significantly lower than the average for the SREB and U.S.
- Overall, Kentucky ranks 44th, 27th, and 3rd, nationally, for the percent of total state and local support for higher education that comes from state tax appropriations, local appropriations, and non-tax support, respectively.

### Uses of State and Local Government Support for Higher Education

- As of FY 2022, Kentucky allocates relatively less of its state and local funding for higher education to support general operations at institutions than the SREB and U.S. averages at 66.3%. This share is nearly 5% points below the SREB and 12.2% below the U.S.
- Kentucky allocates a larger share of state and local support to other financial aid, which consists of aid to students attending independent/private institutions and students enrolling out-of-state, at 7.1%. This compares to 3% for the SREB and 2% for the U.S.
- As of FY 2022, Kentucky ranks 45th for the percent of state and local support uses to support general operations at public institutions, 7th for the percent used for financial aid to public institutions, 34th for the percent used to support research, agriculture, and medical activities at the institutions, and 3rd for the percent used for other financial aid.
- As of FY 2022, the share of support for the 2-year sector used for state public financial was substantially higher than the SREB, U.S., and all surrounding states, except for Tennessee, at 25.8%, while the share of state and local support for operations was much lower than the SREB and U.S. as well as every adjacent state except for Tennessee.

### Education Appropriations per FTE

- As of FY 2022, Kentucky's education appropriations per FTE are lower than the SREB average (\$9,612) and U.S. average (\$10,237) at \$9,022.
- FY 2011 was the previous FTE enrollment peak for Kentucky, the SREB, the U.S. From FY 2011 to FY 2022, Kentucky reported a negative percent change (-2.6%) in education appropriations per FTE. The SREB and U.S. saw 11.9% and 22.7% increases in education appropriations per FTE, respectively, over this same period.
- As of FY 2022, education appropriations per FTE for the 2-year sector was below the U.S. average of \$10,141 and the SREB average of \$8,175 at \$7,228.

## General Public Operating Appropriations per FTE

- As of FY 2022, state and local support for general operations at public institutions per FTE was below the SREB (\$8,035) and U.S. (\$9,006) averages at \$7,301.
- Kentucky's support for general public operations per FTE decreased from the previous FTE enrollment peak in FY 2011 by -3.6%. All surrounding states and the SREB and U.S. increased per FTE support for general public operations.
- As of FY 2022, state and local support for operations at 2-year institutions per FTE was \$5,348. This is among the lowest nationally, ranking as the 6th lowest.

## Public Financial Aid Per FTE

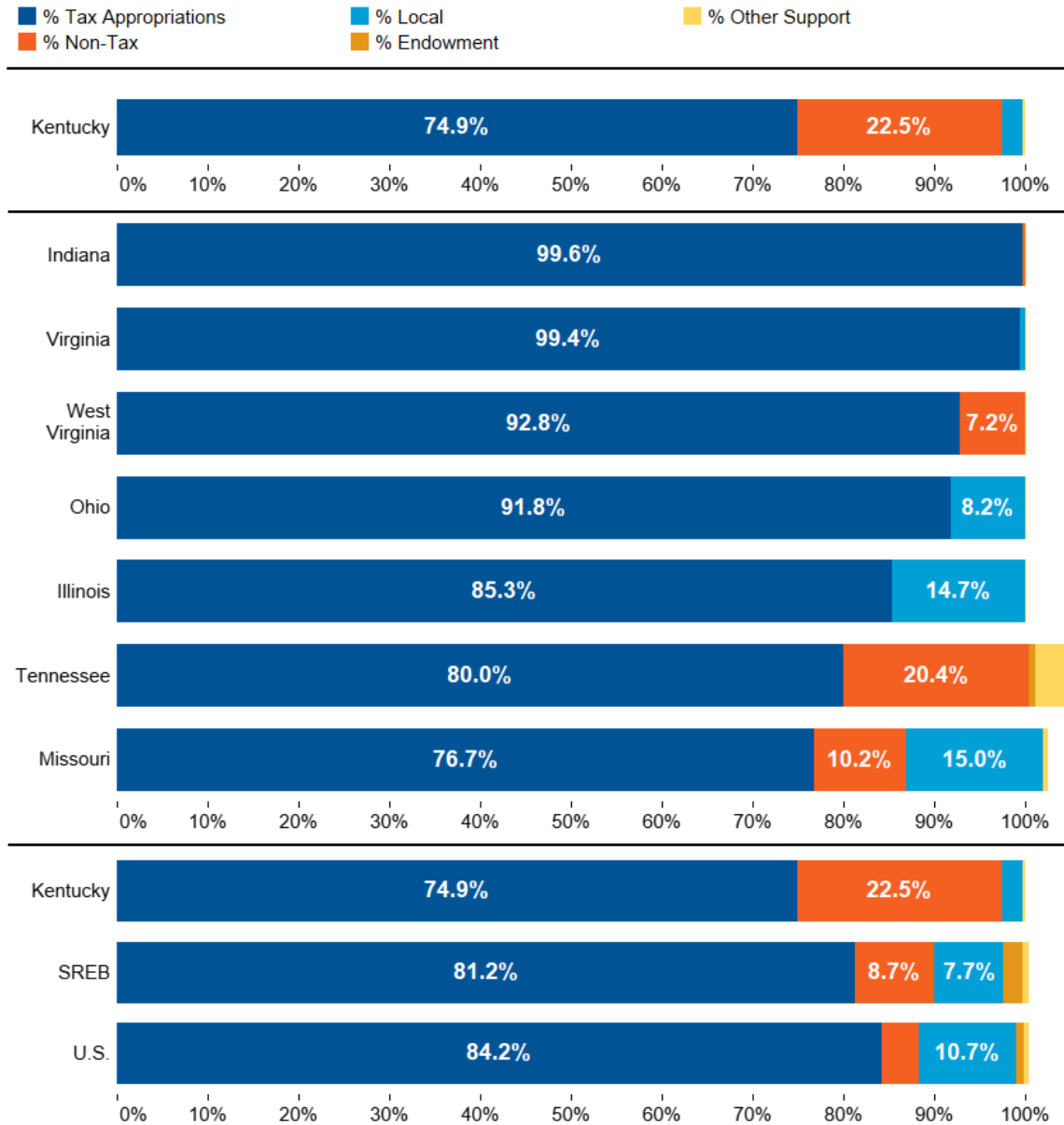
- As of FY 2022, Kentucky's support for public financial aid per FTE was significantly above the SREB average (\$1,184) and U.S. average (\$990) at \$1,690.
- Kentucky's public financial aid per FTE has exceeded the SREB and U.S. averages for most of the period from FY 2001 to FY 2022 and has increased significantly since the Great Recession.
- As of FY 2022, Kentucky's 2-year sector state public financial aid per FTE was 3rd, nationally, at \$1,855. This is above the SREB average of \$619 and the U.S. average of \$562.

## Net Tuition Revenue Per FTE

- As of FY 2022, Kentucky's net tuition revenue per FTE substantially exceeded the U.S. average of \$7,244 and SREB average of \$7,400 at \$9,725.
- The impact of CPE's tuition and fee ceilings can be clearly seen from FY 2010 on as net tuition revenue per FTE growth slows, flattens, and eventually declines. Large tuition and fee sticker price increases from FY 2001 to FY 2009 still affect the level of net tuition revenue per FTE today.
- As of FY 2022, net tuition revenue per FTE for the 2-year sector was \$4,438. This is well-above the SREB at \$2,976 and the U.S. at \$2,577.

## SUPPORTING CHARTS

### Sources of State and Local Support for Higher Education Fiscal Year 2022



Notes: Percentages may add up to more than 100% due to funds that were returned to the state or spread over other years. Non-tax support includes funding under state auspices for appropriated non-tax state support set aside by the state for higher education. These may include, but are not limited to, monies from lotteries (including lottery scholarships), tobacco settlements, casinos, or other gaming sources.

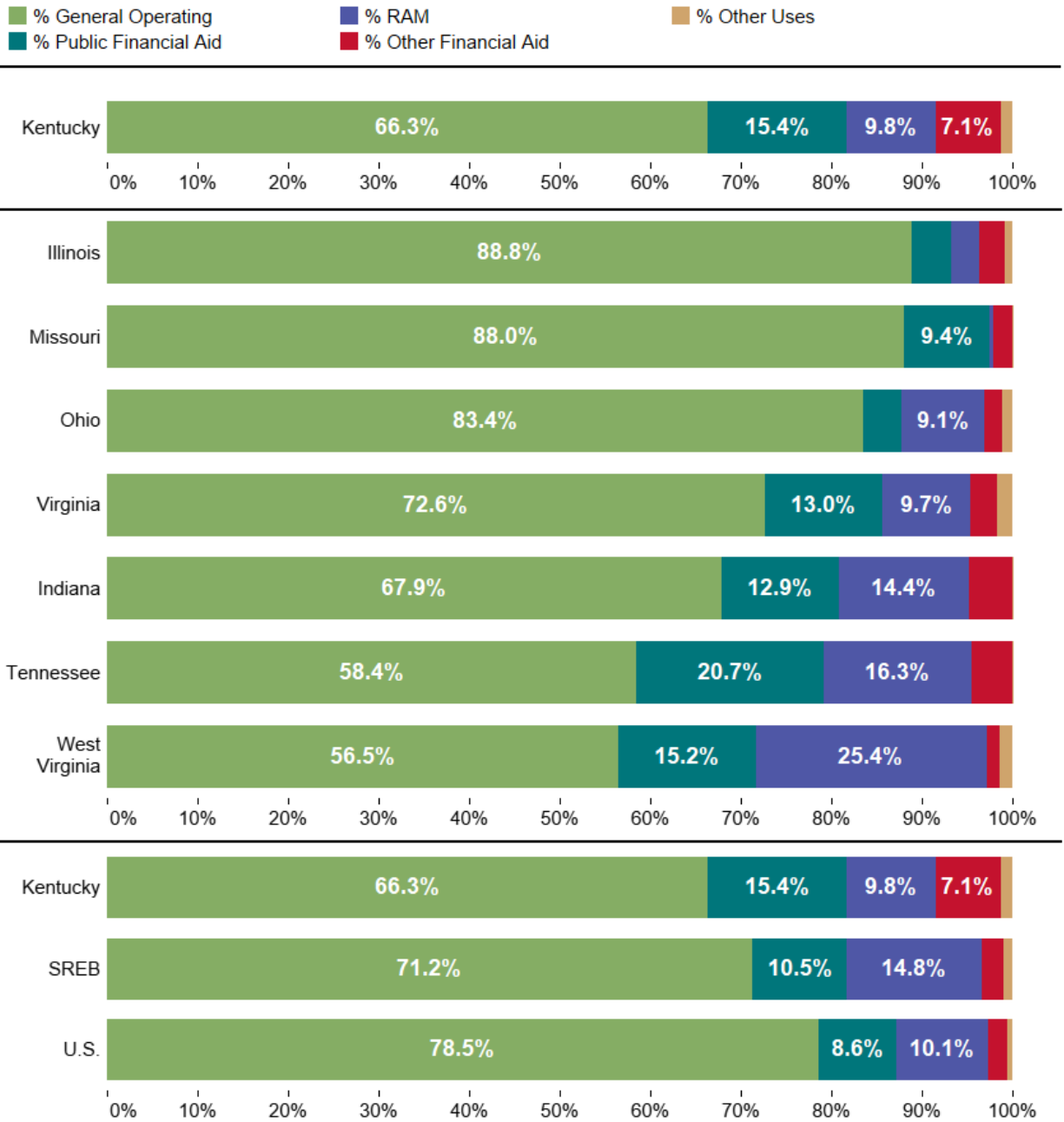
Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

## National Rankings of Sources of State & Local Support for Higher Education

Measured as a Percent of Total State and Local Support in Descending Order; Fiscal Year 2022

State	% Tax Appropriations	% Local Appropriations	% Non-tax
Alabama	1	32	28
Alaska	9	30	28
Arizona	50	1	25
Arkansas	30	26	8
California	37	11	15
Colorado	29	15	14
Connecticut	1	32	28
Delaware	1	32	28
Florida	44	28	2
Georgia	41	32	4
Hawaii	14	32	18
Idaho	26	19	28
Illinois	32	12	28
Indiana	11	32	23
Iowa	19	24	28
Kansas	46	2	19
Kentucky	44	27	3
Louisiana	16	32	28
Maine	18	32	16
Maryland	36	7	24
Massachusetts	1	32	28
Michigan	39	4	28
Minnesota	10	32	28
Mississippi	22	20	25
Missouri	43	10	7
Montana	20	25	28
Nebraska	42	6	12
Nevada	31	31	6
New Hampshire	1	32	28
New Jersey	27	17	11
New Mexico	47	4	10
New York	33	9	28
North Carolina	21	22	25
North Dakota	1	32	28
Ohio	25	16	28
Oklahoma	40	23	13
Oregon	35	8	20
Pennsylvania	23	18	28
Rhode Island	1	32	28
South Carolina	49	20	1
South Dakota	17	32	17
Tennessee	38	32	4
Texas	48	3	20
Utah	12	32	20
Vermont	15	32	28
Virginia	12	29	28
Washington	1	32	28
West Virginia	23	32	9
Wisconsin	28	13	28
Wyoming	34	14	28

## Uses of State and Local Support for Higher Education Fiscal Year 2022



Notes: Research, Agriculture, and Medical (RAM) includes the portion of total state and local appropriations targeted by legislative budget line-item identification or institutional designation for the direct operations of research, agriculture, public health care services, and medical schools. Other Financial Aid includes state financial aid to students attending independent/private institutions and out-of-state institutions.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

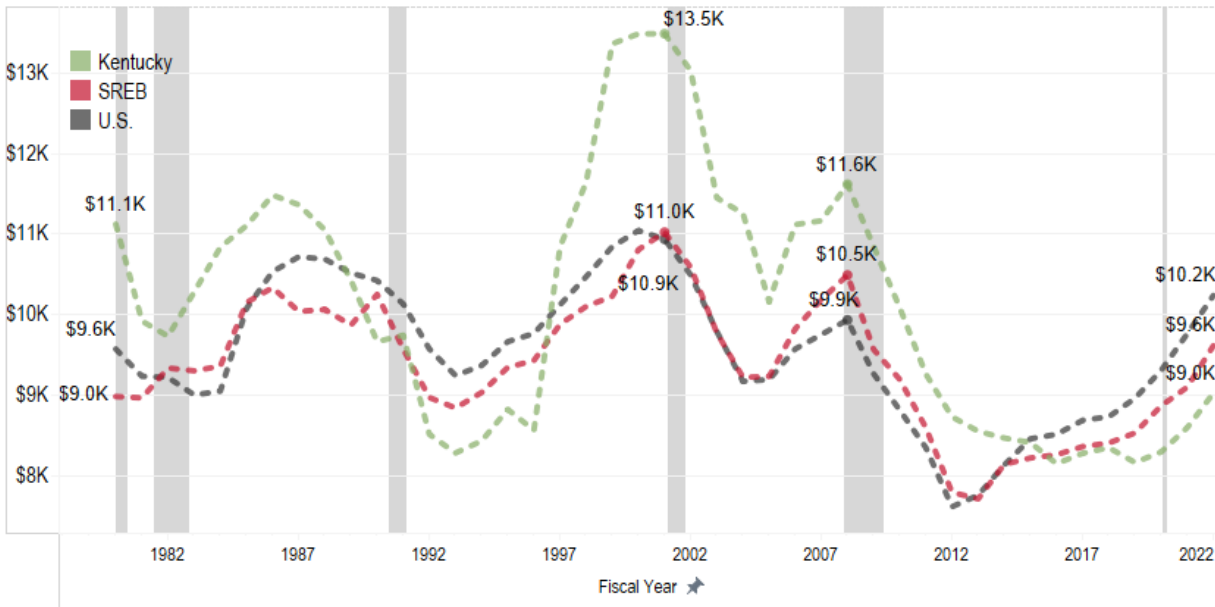
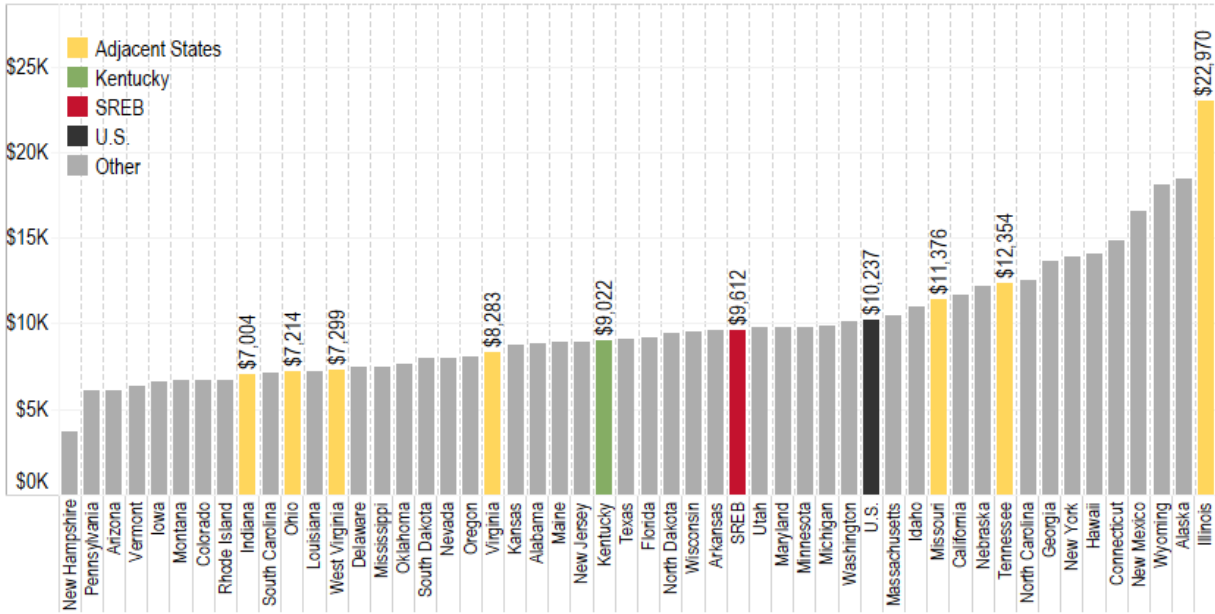
## National Rankings of Uses of State & Local Support for Higher Education

Measured as a Percent of Total State and Local Support in Descending Order; Fiscal Year 2022

State	% General Operating	% Other Financial Aid	% Public Financial Aid	% RAM
Alabama	31	38	43	9
Alaska	8	22	32	40
Arizona	10	45	49	21
Arkansas	43	21	15	7
California	13	28	18	42
Colorado	38	33	5	22
Connecticut	28	39	46	5
Delaware	3	43	25	46
Florida	34	11	9	38
Georgia	41	18	4	31
Hawaii	18	45	48	13
Idaho	11	31	39	30
Illinois	4	15	31	48
Indiana	44	6	13	16
Iowa	27	5	35	18
Kansas	25	26	37	11
Kentucky	45	3	7	34
Louisiana	50	20	1	4
Maine	20	28	25	26
Maryland	19	34	37	24
Massachusetts	5	16	28	47
Michigan	2	43	44	41
Minnesota	30	10	22	23
Mississippi	42	39	34	1
Missouri	7	17	17	49
Montana	14	48	50	15
Nebraska	25	39	45	8
Nevada	34	48	10	19
New Hampshire	8	26	39	37
New Jersey	39	6	11	28
New Mexico	12	45	46	24
New York	16	12	20	44
North Carolina	22	9	39	28
North Dakota	40	28	30	3
Ohio	15	18	32	36
Oklahoma	32	25	16	17
Oregon	23	37	23	32
Pennsylvania	32	4	14	44
Rhode Island	1	34	24	50
South Carolina	49	2	1	20
South Dakota	24	34	36	12
Tennessee	47	8	3	14
Texas	36	31	28	6
Utah	6	39	42	39
Vermont	46	1	19	10
Virginia	37	13	12	35
Washington	29	14	6	43
West Virginia	48	24	8	2
Wisconsin	17	22	27	32
Wyoming	21	48	20	27

# Education Appropriations Per Full-time Equivalent Student

Fiscal Year 2022



**Note:**

- Education appropriations includes state and local support available for public higher education operating expenses and student financial aid excluding research, hospitals, and medical education (RAM). State-level education appropriations include total federal stimulus funding.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are in constant 2022 dollars as adjusted by the Higher Education Cost Adjustment (HECA). Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI) and Enrollment Mix Index (EMI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

**Education Appropriations Per Full-time Equivalent Student and Full-time Equivalent Enrollment  
Fiscal Year 2011 to 2022**

State		Fiscal Year											Change 2011 to 2022	
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		2022
Kentucky	Education Appropriations Per FTE	\$9,261	\$8,729	\$8,549	\$8,465	\$8,409	\$8,146	\$8,275	\$8,345	\$8,161	\$8,291	\$8,594	\$9,022	-2.58%
	Net FTE Enrollment	160K	159K	155K	155K	153K	149K	147K	145K	142K	140K	138K	134K	-16.38%
Illinois	Education Appropriations Per FTE	\$14,056	\$14,975	\$16,975	\$17,054	\$17,585	\$14,712	\$19,113	\$17,907	\$18,426	\$19,526	\$22,040	\$22,970	63.42%
	Net FTE Enrollment	393K	385K	373K	363K	352K	342K	328K	315K	307K	303K	282K	281K	-28.68%
Indiana	Education Appropriations Per FTE	\$6,466	\$6,515	\$6,574	\$7,032	\$6,847	\$7,188	\$7,031	\$6,870	\$7,127	\$6,957	\$6,746	\$7,004	8.32%
	Net FTE Enrollment	273K	263K	256K	253K	253K	250K	249K	248K	246K	245K	238K	235K	-13.87%
Missouri	Education Appropriations Per FTE	\$8,492	\$7,963	\$7,765	\$7,734	\$8,725	\$8,377	\$7,858	\$7,971	\$8,086	\$9,460	\$10,753	\$11,376	33.96%
	Net FTE Enrollment	198K	196K	197K	197K	187K	193K	195K	187K	182K	163K	156K	137K	-30.79%
Ohio	Education Appropriations Per FTE	\$6,566	\$6,140	\$6,055	\$6,142	\$6,973	\$7,306	\$7,320	\$7,284	\$7,116	\$6,970	\$8,002	\$7,214	9.87%
	Net FTE Enrollment	461K	424K	401K	402K	394K	389K	391K	387K	386K	385K	374K	369K	-20.02%
Tennessee	Education Appropriations Per FTE	\$10,121	\$8,409	\$8,584	\$9,579	\$9,531	\$9,929	\$10,582	\$10,814	\$11,312	\$12,016	\$12,874	\$12,354	22.06%
	Net FTE Enrollment	194K	191K	189K	182K	179K	183K	182K	183K	184K	185K	179K	173K	-10.70%
Virginia	Education Appropriations Per FTE	\$6,749	\$5,416	\$5,653	\$5,822	\$5,899	\$6,061	\$6,689	\$6,415	\$6,663	\$7,775	\$7,651	\$8,283	22.73%
	Net FTE Enrollment	322K	326K	320K	318K	314K	310K	305K	303K	302K	302K	299K	289K	-10.24%
West Virginia	Education Appropriations Per FTE	\$6,499	\$6,506	\$6,571	\$6,106	\$6,052	\$5,642	\$5,588	\$5,429	\$5,736	\$6,494	\$6,676	\$7,299	12.31%
	Net FTE Enrollment	81K	80K	78K	76K	73K	71K	70K	69K	67K	65K	62K	59K	-27.43%
SREB	Education Appropriations Per FTE	\$8,593	\$7,790	\$7,708	\$8,138	\$8,217	\$8,257	\$8,359	\$8,403	\$8,528	\$8,864	\$9,098	\$9,612	11.86%
	Net FTE Enrollment	4,441K	4,451K	4,372K	4,305K	4,256K	4,254K	4,250K	4,271K	4,292K	4,293K	4,194K	4,080K	-8.13%
U.S.	Education Appropriations Per FTE	\$8,345	\$7,610	\$7,754	\$8,130	\$8,456	\$8,511	\$8,686	\$8,730	\$8,959	\$9,305	\$9,762	\$10,237	22.67%
	Net FTE Enrollment	11,655K	11,521K	11,321K	11,206K	11,121K	11,087K	11,057K	11,039K	10,991K	10,920K	10,573K	10,307K	-11.57%

Notes:

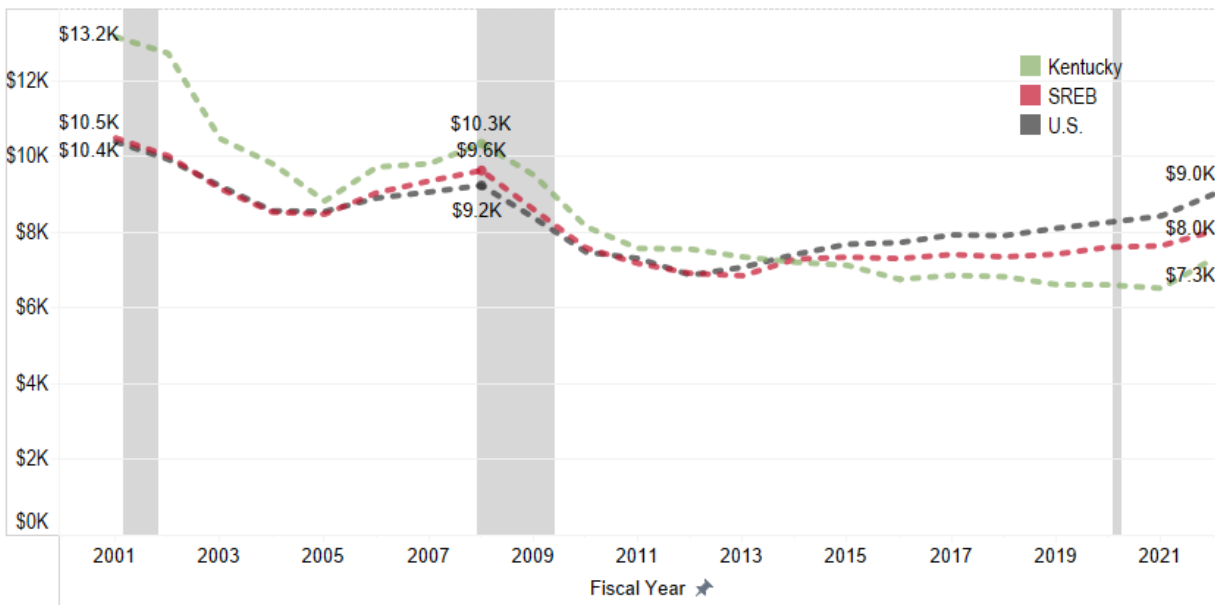
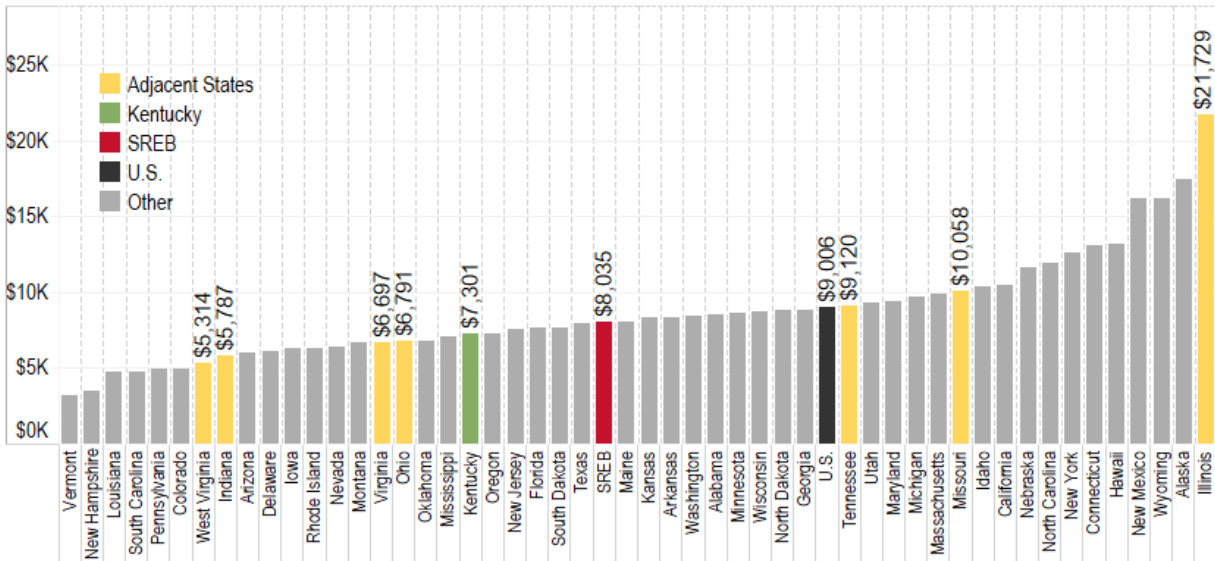
- Education appropriations includes state and local support available for public higher education operating expenses and student financial aid excluding research, hospitals, and medical education (RAM). State-level education appropriations include total federal stimulus funding.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are in constant 2022 dollars as adjusted by the Higher Education Cost Adjustment (HECA). Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI) and Enrollment Mix Index (EMI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.



# General Public Operating Appropriations Per Full-time Equivalent Student

Fiscal Year 2022



**Note:**

- General public operating appropriations are any state and local support for public higher education institutions and agencies, excluding RAM, financial aid, and non-credit and continuing education. Federal stimulus funding is not included.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are in constant 2022 dollars as adjusted by the Higher Education Cost Adjustment (HECA). Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI) and Enrollment Mix Index (EMI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

**General Public Operating Appropriations Per Full-time Equivalent Student & Full-time Equivalent Enrollment  
Fiscal Year 2011 to 2022**

State		Fiscal Year												Change 2011 to 2022
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Kentucky	General Public Operations Per FTE	\$7,576	\$7,559	\$7,353	\$7,213	\$7,131	\$6,760	\$6,865	\$6,831	\$6,622	\$6,616	\$6,524	\$7,301	-3.63%
	Net FTE Enrollment	160K	159K	155K	155K	153K	149K	147K	145K	142K	140K	138K	134K	-16.38%
Illinois	General Public Operations Per FTE	\$13,336	\$14,171	\$16,213	\$16,310	\$16,865	\$14,073	\$18,380	\$16,999	\$17,523	\$18,507	\$20,753	\$21,729	62.94%
	Net FTE Enrollment	393K	385K	373K	363K	352K	342K	328K	315K	307K	303K	282K	281K	-28.68%
Indiana	General Public Operations Per FTE	\$5,544	\$5,471	\$5,515	\$5,869	\$5,695	\$6,008	\$5,841	\$5,554	\$5,858	\$5,738	\$5,457	\$5,787	4.38%
	Net FTE Enrollment	273K	263K	256K	253K	253K	250K	249K	248K	246K	245K	238K	235K	-13.87%
Missouri	General Public Operations Per FTE	\$7,704	\$7,463	\$7,238	\$7,187	\$8,043	\$7,677	\$7,134	\$7,257	\$7,359	\$8,643	\$8,673	\$10,058	30.55%
	Net FTE Enrollment	198K	196K	197K	197K	187K	193K	195K	187K	182K	163K	156K	137K	-30.79%
Ohio	General Public Operations Per FTE	\$5,432	\$5,946	\$5,823	\$5,912	\$6,725	\$7,031	\$7,058	\$6,997	\$6,815	\$6,636	\$6,945	\$6,791	25.01%
	Net FTE Enrollment	461K	424K	401K	402K	394K	389K	391K	387K	386K	385K	374K	369K	-20.02%
Tennessee	General Public Operations Per FTE	\$7,981	\$6,248	\$6,417	\$7,460	\$7,388	\$7,340	\$7,723	\$8,077	\$8,405	\$9,025	\$9,535	\$9,120	14.27%
	Net FTE Enrollment	194K	191K	189K	182K	179K	183K	182K	183K	184K	185K	179K	173K	-10.70%
Virginia	General Public Operations Per FTE	\$5,352	\$4,794	\$4,997	\$5,135	\$5,221	\$5,353	\$5,856	\$5,575	\$5,771	\$6,090	\$6,584	\$6,697	25.13%
	Net FTE Enrollment	322K	326K	320K	318K	314K	310K	305K	303K	302K	302K	299K	289K	-10.24%
West Virginia	General Public Operations Per FTE	\$4,631	\$5,150	\$5,187	\$4,723	\$4,648	\$4,248	\$4,159	\$4,016	\$4,332	\$4,954	\$5,240	\$5,314	14.74%
	Net FTE Enrollment	81K	80K	78K	76K	73K	71K	70K	69K	67K	65K	62K	59K	-27.43%
SREB	General Public Operations Per FTE	\$7,178	\$6,920	\$6,856	\$7,293	\$7,346	\$7,310	\$7,417	\$7,354	\$7,425	\$7,611	\$7,645	\$8,035	11.94%
	Net FTE Enrollment	4,441K	4,451K	4,372K	4,305K	4,256K	4,254K	4,250K	4,271K	4,292K	4,293K	4,194K	4,080K	-8.13%
U.S.	General Public Operations Per FTE	\$7,313	\$6,874	\$7,080	\$7,418	\$7,688	\$7,730	\$7,934	\$7,914	\$8,109	\$8,267	\$8,431	\$9,006	23.15%
	Net FTE Enrollment	11,655K	11,521K	11,321K	11,206K	11,121K	11,087K	11,057K	11,039K	10,991K	10,920K	10,573K	10,307K	-11.57%

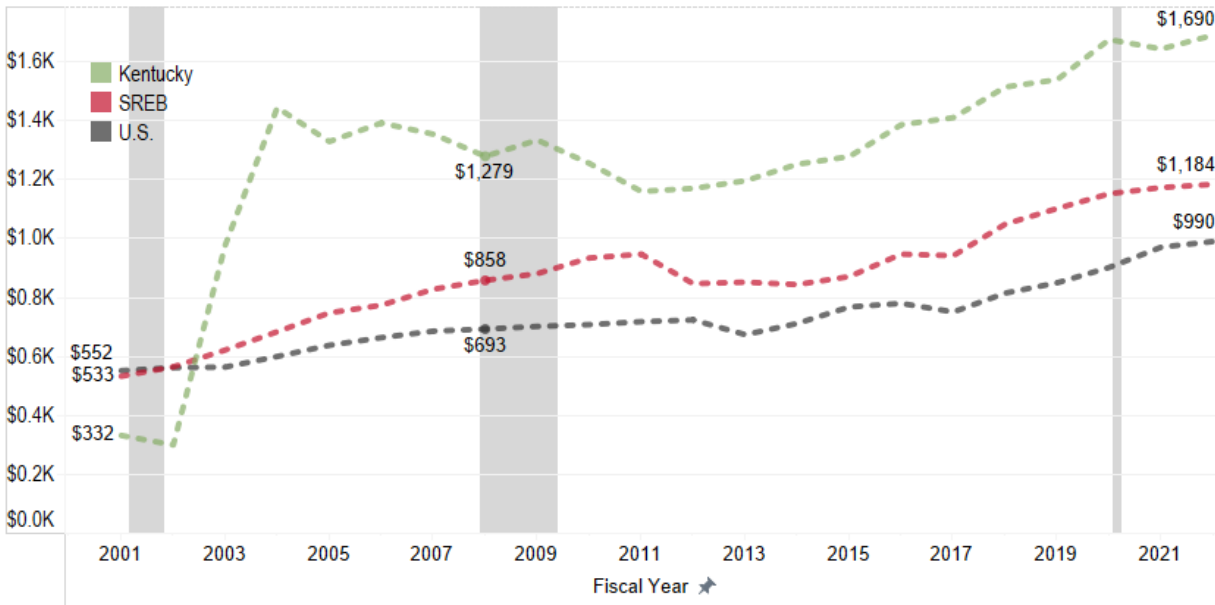
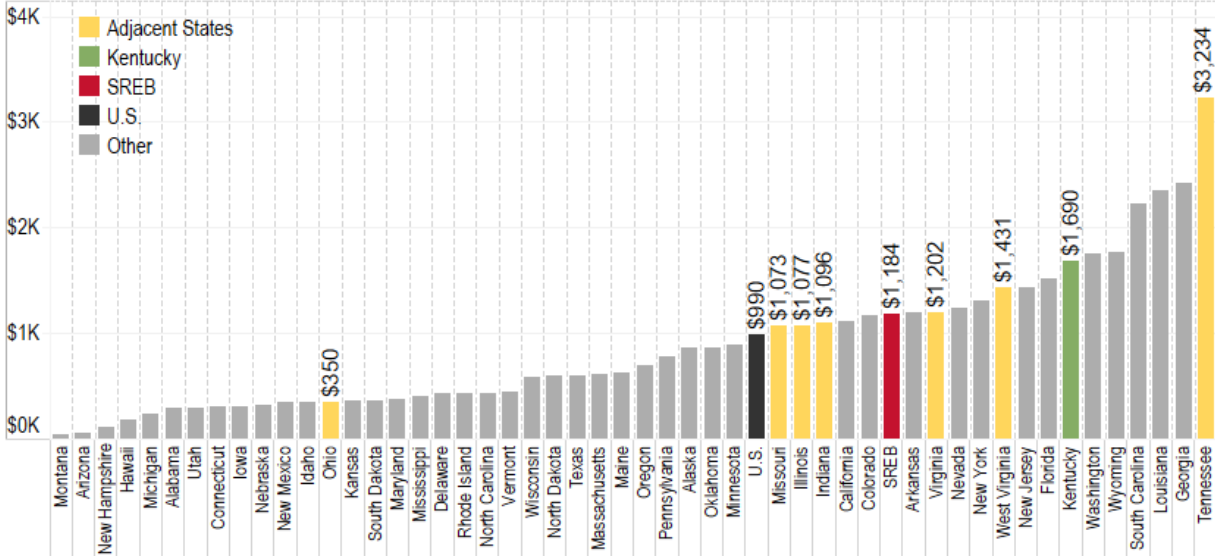
Notes:

- General public operating appropriations are any state and local support for public higher education institutions and agencies, excluding RAM, financial aid, and non-credit and continuing education. Federal stimulus funding is not included.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are in constant 2022 dollars as adjusted by the Higher Education Cost Adjustment (HECA). Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI) and Enrollment Mix Index (EMI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

# Public Financial Aid Appropriations Per Full-time Equivalent Student

Fiscal Year 2022



**Note:**

- State public financial aid is any state appropriated student financial aid for public institutions, excluding loans and aid for students attending medical schools. For many states, it includes aid for both tuition costs and living expenses. In several states, financial aid may include unawarded funds that were reverted back to the state.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are in constant 2022 dollars as adjusted by the Higher Education Cost Adjustment (HECA). Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI) and Enrollment Mix Index (EMI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

**Public Financial Aid Appropriations Per Full-time Equivalent Student & Full-time Equivalent Enrollment  
Fiscal Year 2011 to 2022**

State		Fiscal Year											Change 2011 to 2022	
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		2022
Kentucky	Public Financial Aid Per FTE	\$1,160	\$1,170	\$1,196	\$1,252	\$1,278	\$1,386	\$1,410	\$1,514	\$1,539	\$1,675	\$1,643	\$1,690	45.69%
	Net FTE Enrollment	160K	159K	155K	155K	153K	149K	147K	145K	142K	140K	138K	134K	-16.38%
Illinois	Public Financial Aid Per FTE	\$720	\$803	\$762	\$744	\$720	\$639	\$733	\$909	\$903	\$1,019	\$1,064	\$1,077	49.58%
	Net FTE Enrollment	393K	385K	373K	363K	352K	342K	328K	315K	307K	303K	282K	281K	-28.68%
Indiana	Public Financial Aid Per FTE	\$922	\$1,043	\$1,059	\$1,163	\$1,152	\$1,180	\$1,190	\$1,316	\$1,269	\$1,220	\$1,233	\$1,096	18.87%
	Net FTE Enrollment	273K	263K	256K	253K	253K	250K	249K	248K	246K	245K	238K	235K	-13.87%
Missouri	Public Financial Aid Per FTE	\$463	\$500	\$527	\$547	\$682	\$700	\$724	\$713	\$728	\$817	\$867	\$1,073	131.75%
	Net FTE Enrollment	198K	196K	197K	197K	187K	193K	195K	187K	182K	163K	156K	137K	-30.79%
Ohio	Public Financial Aid Per FTE	\$218	\$194	\$232	\$230	\$249	\$275	\$263	\$288	\$301	\$335	\$329	\$350	60.55%
	Net FTE Enrollment	461K	424K	401K	402K	394K	389K	391K	387K	386K	385K	374K	369K	-20.02%
Tennessee	Public Financial Aid Per FTE	\$2,139	\$2,161	\$2,167	\$2,119	\$2,143	\$2,589	\$2,859	\$2,737	\$2,907	\$2,991	\$3,309	\$3,234	51.19%
	Net FTE Enrollment	194K	191K	189K	182K	179K	183K	182K	183K	184K	185K	179K	173K	-10.70%
Virginia	Public Financial Aid Per FTE	\$588	\$622	\$656	\$687	\$678	\$708	\$833	\$840	\$892	\$977	\$990	\$1,202	104.42%
	Net FTE Enrollment	322K	326K	320K	318K	314K	310K	305K	303K	302K	302K	299K	289K	-10.24%
West Virginia	Public Financial Aid Per FTE	\$1,294	\$1,354	\$1,384	\$1,382	\$1,404	\$1,394	\$1,428	\$1,413	\$1,405	\$1,413	\$1,436	\$1,431	10.59%
	Net FTE Enrollment	81K	80K	78K	76K	73K	71K	70K	69K	67K	65K	62K	59K	-27.43%
SREB	Public Financial Aid Per FTE	\$947	\$847	\$852	\$844	\$871	\$947	\$942	\$1,049	\$1,102	\$1,152	\$1,173	\$1,184	25.03%
	Net FTE Enrollment	4,441K	4,451K	4,372K	4,305K	4,256K	4,254K	4,250K	4,271K	4,292K	4,293K	4,194K	4,080K	-8.13%
U.S.	Public Financial Aid Per FTE	\$718	\$724	\$674	\$712	\$768	\$780	\$751	\$815	\$850	\$902	\$971	\$990	37.88%
	Net FTE Enrollment	11,655K	11,521K	11,321K	11,206K	11,121K	11,087K	11,057K	11,039K	10,991K	10,920K	10,573K	10,307K	-11.57%

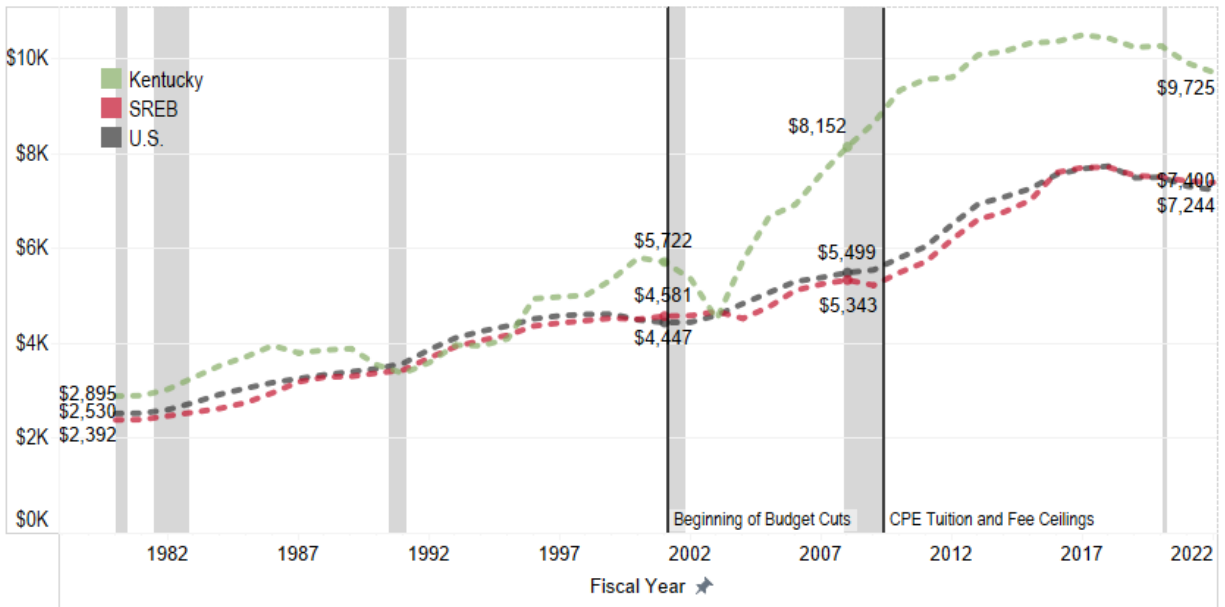
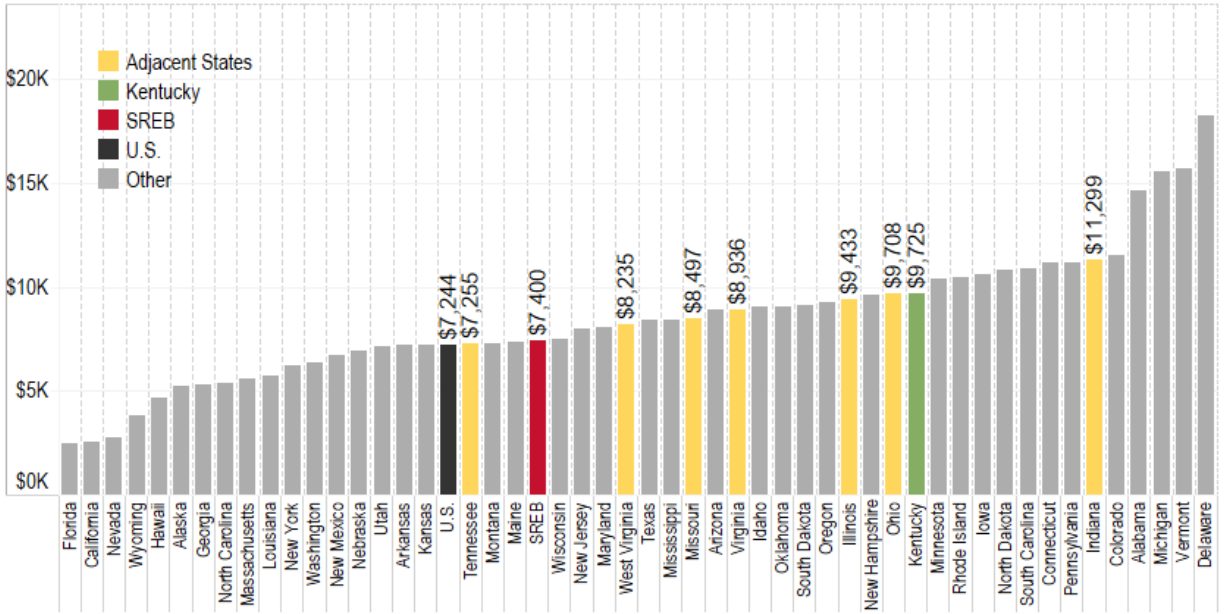
Notes:

- State public financial aid is any state appropriated student financial aid for public institutions, excluding loans and aid for students attending medical schools. For many states, it includes aid for both tuition costs and living expenses. In several states, financial aid may include unawarded funds that were reverted back to the state.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are in constant 2022 dollars as adjusted by the Higher Education Cost Adjustment (HECA). Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI) and Enrollment Mix Index (EMI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

# Net Tuition Revenue Per Full-time Equivalent Student

Fiscal Year 2022



Note:

- Net Tuition Revenue is gross tuition and fee revenue less state-funded student aid, institutional tuition discounts and waivers, and tuition revenue paid by medical students.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are in constant 2022 dollars as adjusted by the Higher Education Cost Adjustment (HECA). Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI) and Enrollment Mix Index (EMI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

**Net Tuition Revenue Per Full-time Equivalent Student & Full-time Equivalent Enrollment  
Fiscal Year 2011 to 2022**

State		Fiscal Year											Change 2011 to 2022	
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		2022
Kentucky	Net Tuition Revenue Per FTE	\$9,579	\$9,612	\$10,092	\$10,162	\$10,341	\$10,371	\$10,511	\$10,442	\$10,250	\$10,281	\$9,920	\$9,725	1.52%
	Net FTE Enrollment	160K	159K	155K	155K	153K	149K	147K	145K	142K	140K	138K	134K	-16.38%
Illinois	Net Tuition Revenue Per FTE	\$6,999	\$7,320	\$8,045	\$8,300	\$8,786	\$9,117	\$9,259	\$9,337	\$9,217	\$8,934	\$9,361	\$9,433	34.78%
	Net FTE Enrollment	393K	385K	373K	363K	352K	342K	328K	315K	307K	303K	282K	281K	-28.68%
Indiana	Net Tuition Revenue Per FTE	\$8,937	\$10,497	\$10,794	\$10,721	\$10,878	\$11,073	\$11,034	\$10,879	\$10,895	\$10,958	\$10,999	\$11,299	26.43%
	Net FTE Enrollment	273K	263K	256K	253K	253K	250K	249K	248K	246K	245K	238K	235K	-13.87%
Missouri	Net Tuition Revenue Per FTE	\$7,320	\$7,806	\$7,825	\$8,118	\$8,465	\$8,008	\$7,144	\$7,472	\$7,940	\$8,182	\$8,093	\$8,497	16.08%
	Net FTE Enrollment	198K	196K	197K	197K	187K	193K	195K	187K	182K	163K	156K	137K	-30.79%
Ohio	Net Tuition Revenue Per FTE	\$8,731	\$10,129	\$10,652	\$10,454	\$10,636	\$10,642	\$10,418	\$11,288	\$10,267	\$10,563	\$10,236	\$9,708	11.19%
	Net FTE Enrollment	461K	424K	401K	402K	394K	389K	391K	387K	386K	385K	374K	369K	-20.02%
Tennessee	Net Tuition Revenue Per FTE	\$6,465	\$7,351	\$7,745	\$8,400	\$8,679	\$8,307	\$8,054	\$8,184	\$7,780	\$7,629	\$7,156	\$7,255	12.22%
	Net FTE Enrollment	194K	191K	189K	182K	179K	183K	182K	183K	184K	185K	179K	173K	-10.70%
Virginia	Net Tuition Revenue Per FTE	\$7,614	\$8,309	\$8,660	\$8,391	\$8,658	\$9,025	\$9,127	\$9,360	\$9,463	\$9,404	\$9,345	\$8,936	17.36%
	Net FTE Enrollment	322K	326K	320K	318K	314K	310K	305K	303K	302K	302K	299K	289K	-10.24%
West Virginia	Net Tuition Revenue Per FTE	\$6,610	\$6,981	\$6,911	\$7,907	\$8,148	\$8,569	\$8,530	\$8,704	\$8,358	\$8,185	\$8,051	\$8,235	24.58%
	Net FTE Enrollment	81K	80K	78K	76K	73K	71K	70K	69K	67K	65K	62K	59K	-27.43%
SREB	Net Tuition Revenue Per FTE	\$5,729	\$6,197	\$6,621	\$6,778	\$7,025	\$7,610	\$7,715	\$7,722	\$7,546	\$7,515	\$7,430	\$7,400	29.17%
	Net FTE Enrollment	4,441K	4,451K	4,372K	4,305K	4,256K	4,254K	4,250K	4,271K	4,292K	4,293K	4,194K	4,080K	-8.13%
U.S.	Net Tuition Revenue Per FTE	\$6,050	\$6,514	\$6,944	\$7,094	\$7,270	\$7,568	\$7,691	\$7,745	\$7,500	\$7,511	\$7,320	\$7,244	19.74%
	Net FTE Enrollment	11,655K	11,521K	11,321K	11,206K	11,121K	11,087K	11,057K	11,039K	10,991K	10,920K	10,573K	10,307K	-11.57%

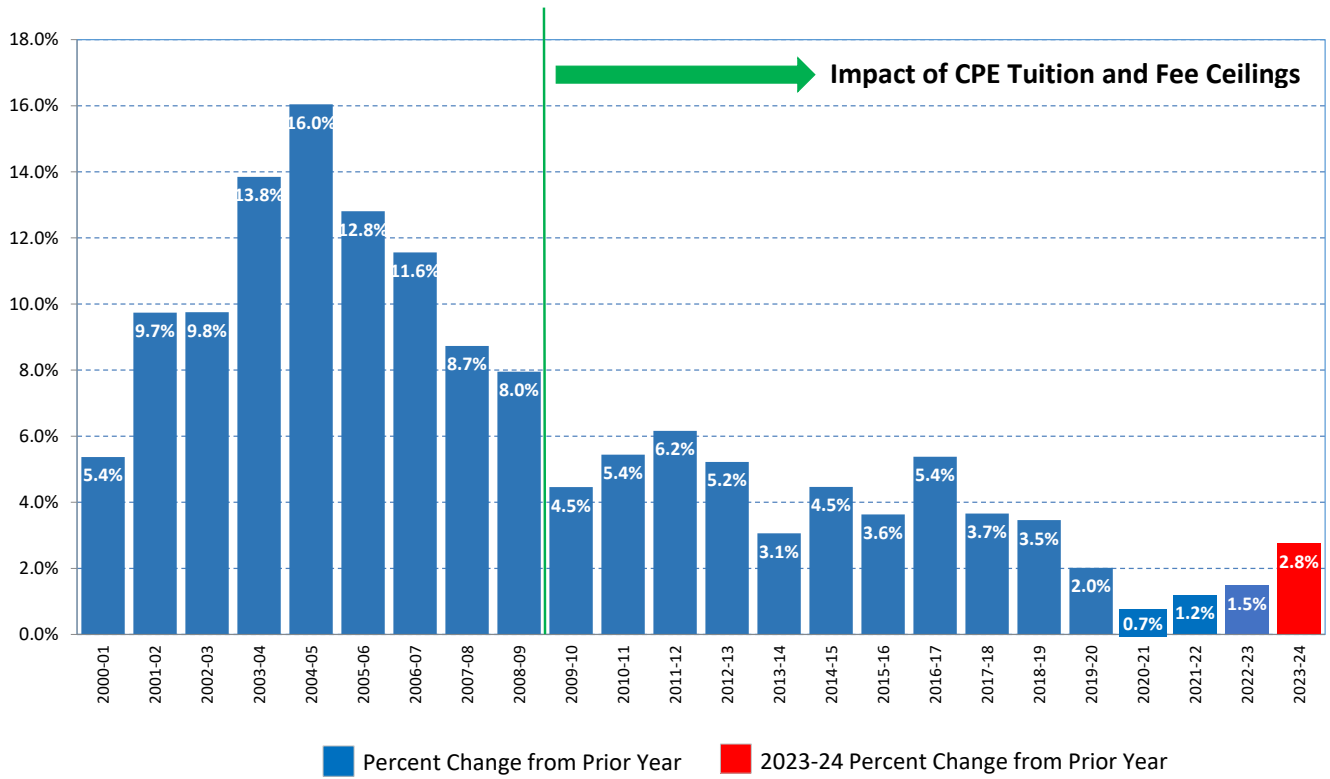
Notes:

- Net Tuition Revenue is gross tuition and fee revenue less state-funded student aid, institutional tuition discounts and waivers, and tuition revenue paid by medical students.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are in constant 2022 dollars as adjusted by the Higher Education Cost Adjustment (HECA). Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI) and Enrollment Mix Index (EMI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

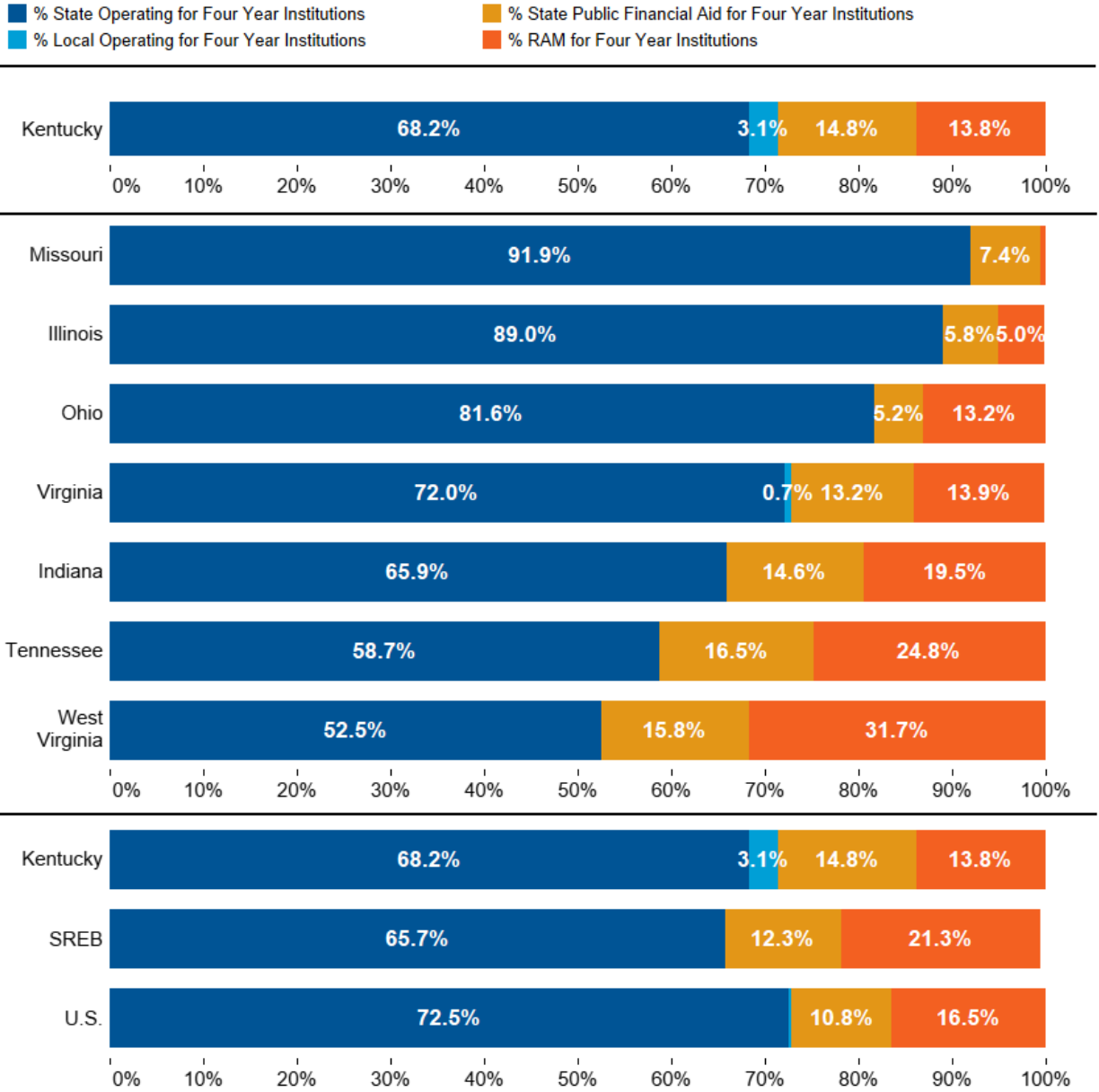
## Kentucky Public Postsecondary Institutions Annual Change in Resident Undergraduate Tuition and Fees

Academic Years 2000-01 through 2023-24



Source: Council on Postsecondary Education, Comprehensive Database.

## State and Local Support for 4-year Higher Education Institutions Fiscal Year 2022



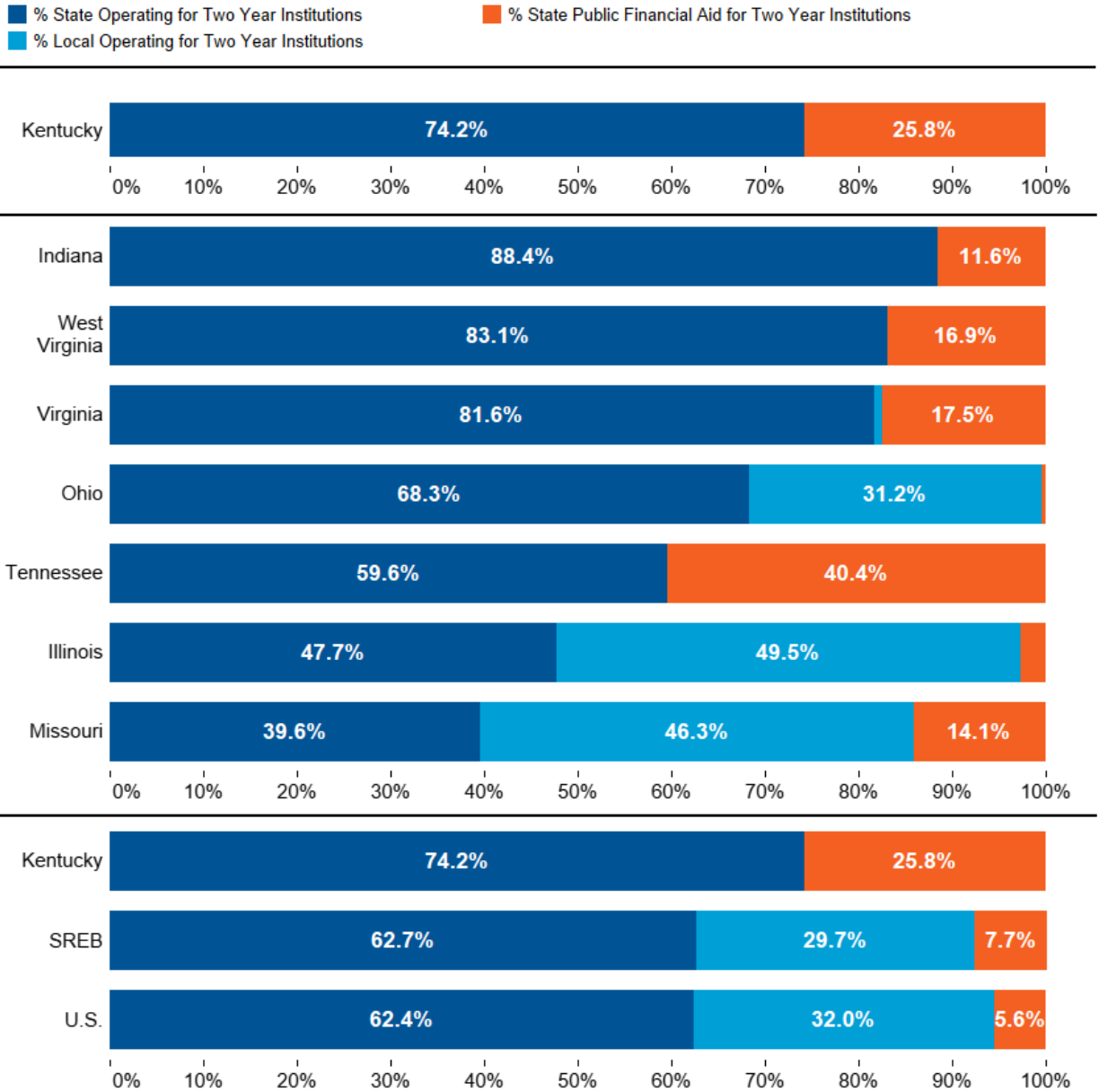
Notes:

- Four-year Public Operating includes total state support, net of any funds included in agency funding, state financial aid, or RAM, allocated to public four-year institutions (per Carnegie definitions).
- Four-year Public Financial Aid includes allocations to state scholarships or other state financial aid for students attending four-year public institutions (per Carnegie definitions).
- RAM includes the portion of total state and local appropriations targeted by legislative budget line-item identification or institutional designation for the direct operations of research, agriculture, public health care services, and medical schools.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.



## State and Local Support for 2-year Higher Education Institutions Fiscal Year 2022

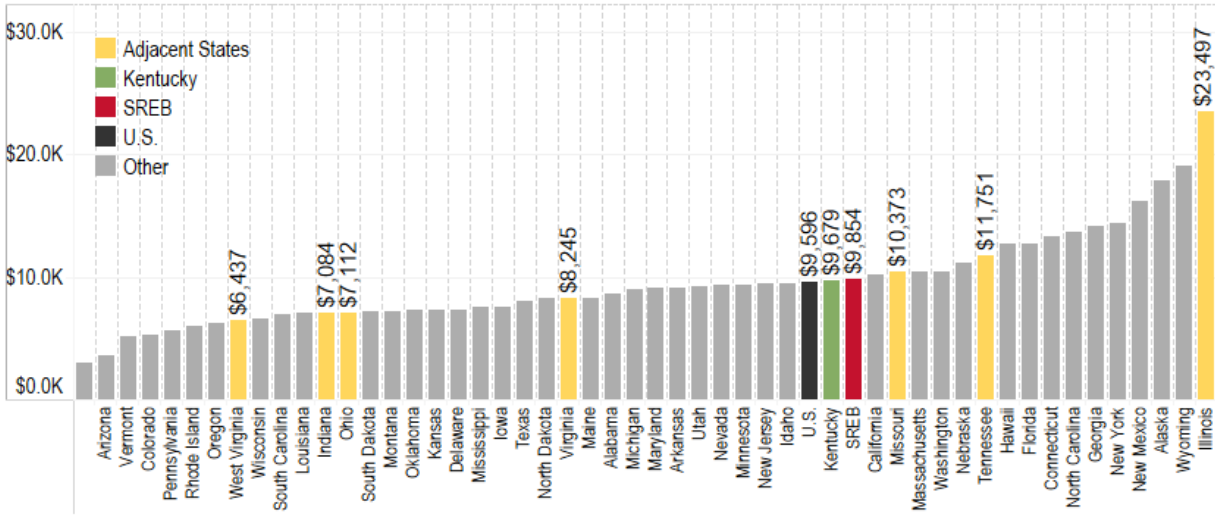


Notes:  
 - Two-year Public Operating includes total state support, net of any funds included in agency funding or state financial aid, allocated to public Carnegie Associate's Colleges, Mixed Baccalaureate/ Associate's Colleges, Special Focus Two-Year Institutions, Technical Colleges, and those that are considered "less-than-two-year" but are not in the Carnegie Classification.  
 - Two-year Public Financial Aid includes allocations to state scholarships or other state financial aid for students attending public Carnegie Associate's Colleges, Mixed Baccalaureate/Associate's Colleges, Special Focus Two-Year Institutions, Technical Colleges, and those that are considered "less-than-two-year" but are not in the Carnegie Classification.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

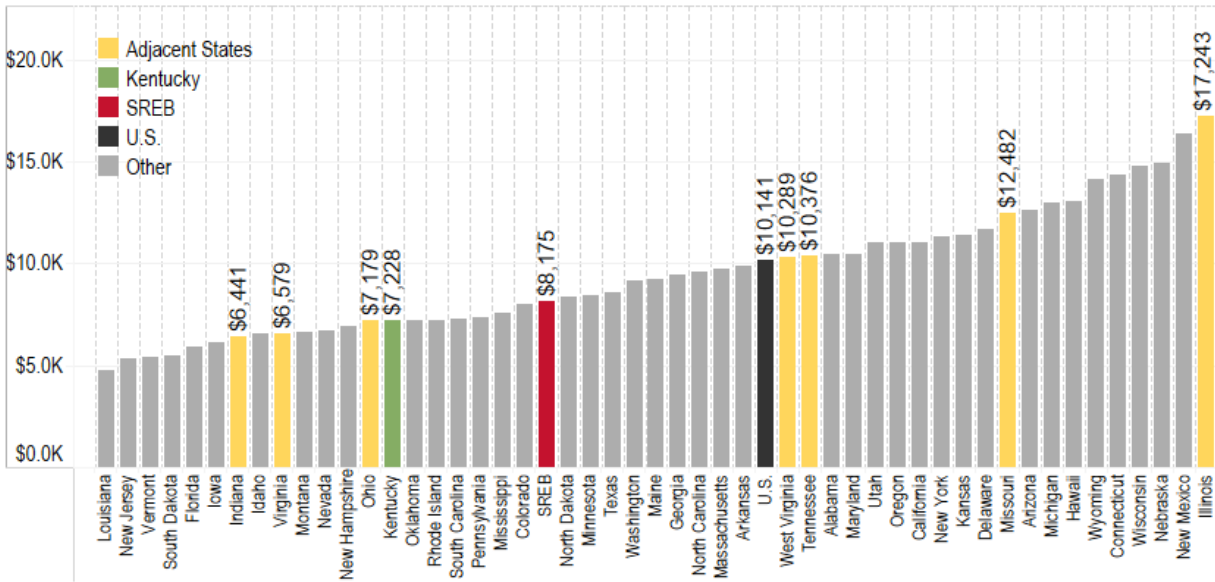
## Education Appropriations for 4-year Institutions Per Full-time Equivalent Student

Fiscal Year 2022



## Education Appropriations for 2-year Institutions Per Full-time Equivalent Student

Fiscal Year 2022



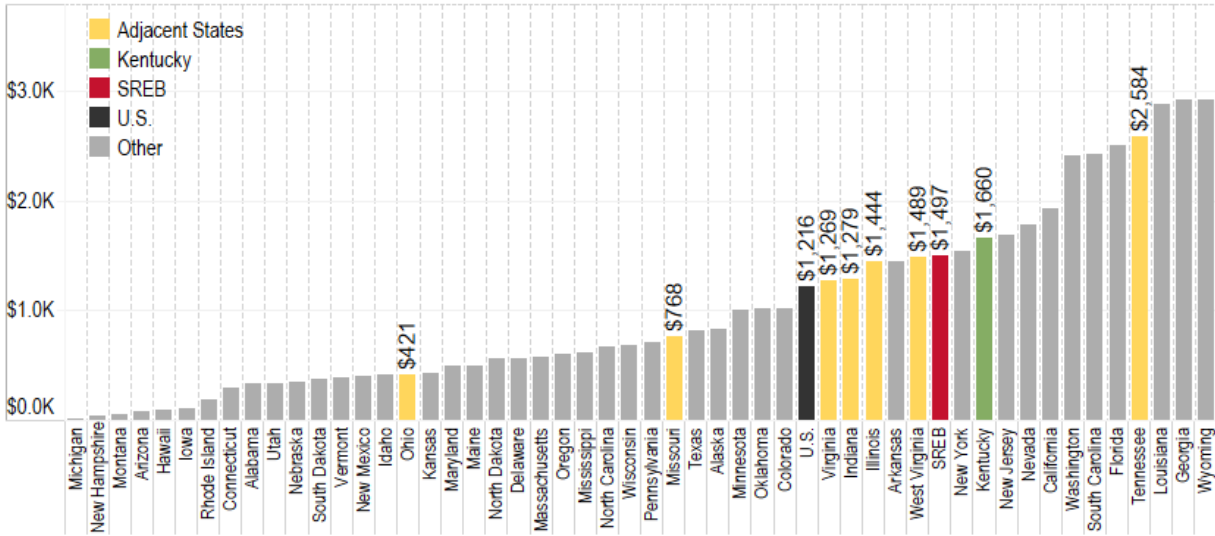
**Notes:**

- Sector-level Education Appropriations are a measure of state and local support available for public higher education operating expenses and student financial aid, excluding appropriations for research, hospitals, and medical education. Sector-level education appropriations include any portion of federal stimulus funding allocated specifically to each sector and do not include agency funding.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

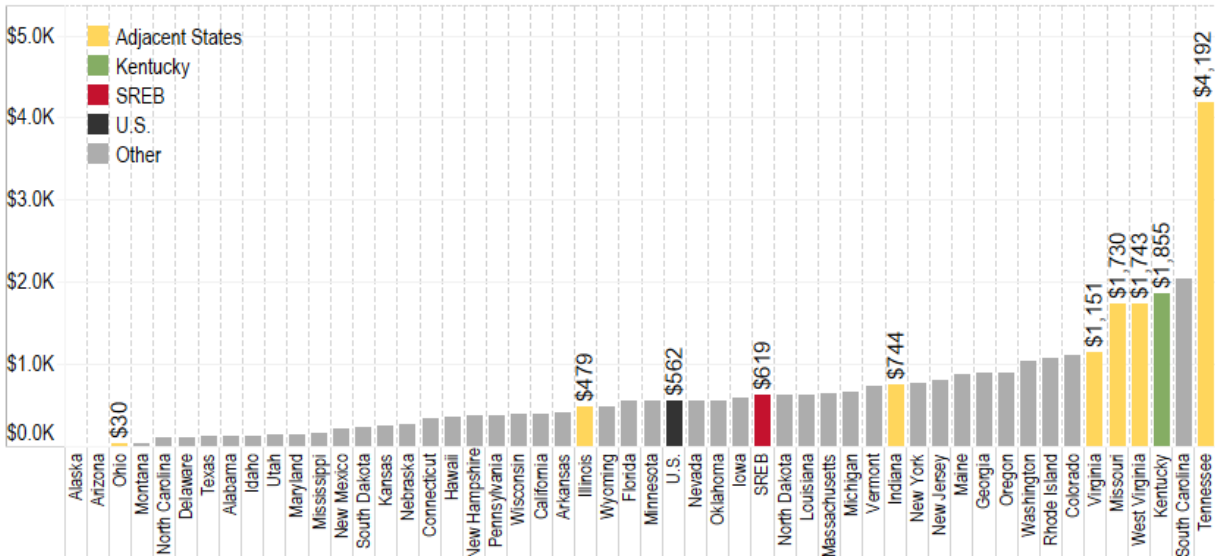
## State Public Financial Aid for 4-year Institutions Per Full-time Equivalent Student

Fiscal Year 2022



## State Public Financial Aid for 2-year Institutions Per Full-time Equivalent Student

Fiscal Year 2022



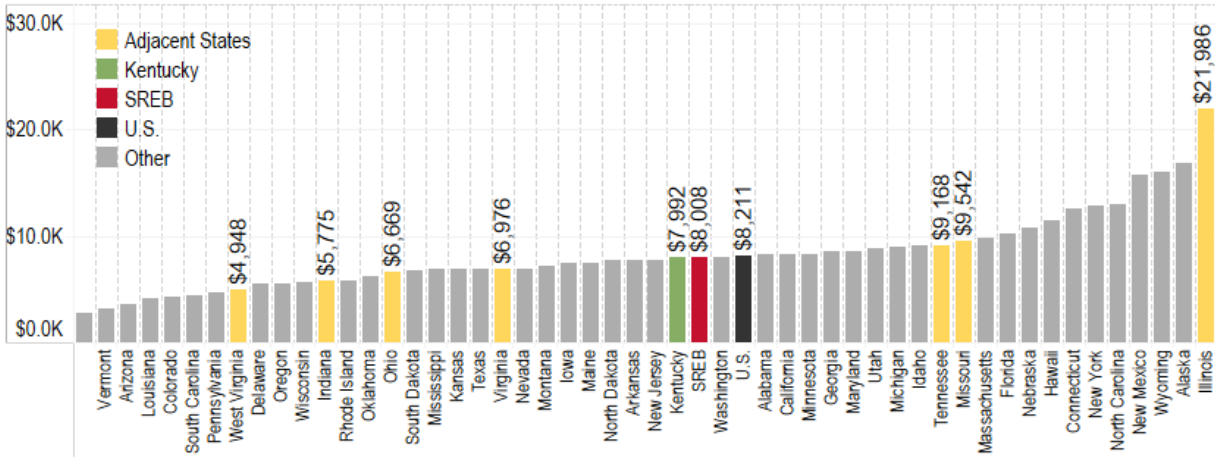
**Notes:**

- Sector-level State Public Financial Aid Appropriations are allocations to state scholarships or other state financial aid for students attending two- and four-year public institutions, reported separately.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

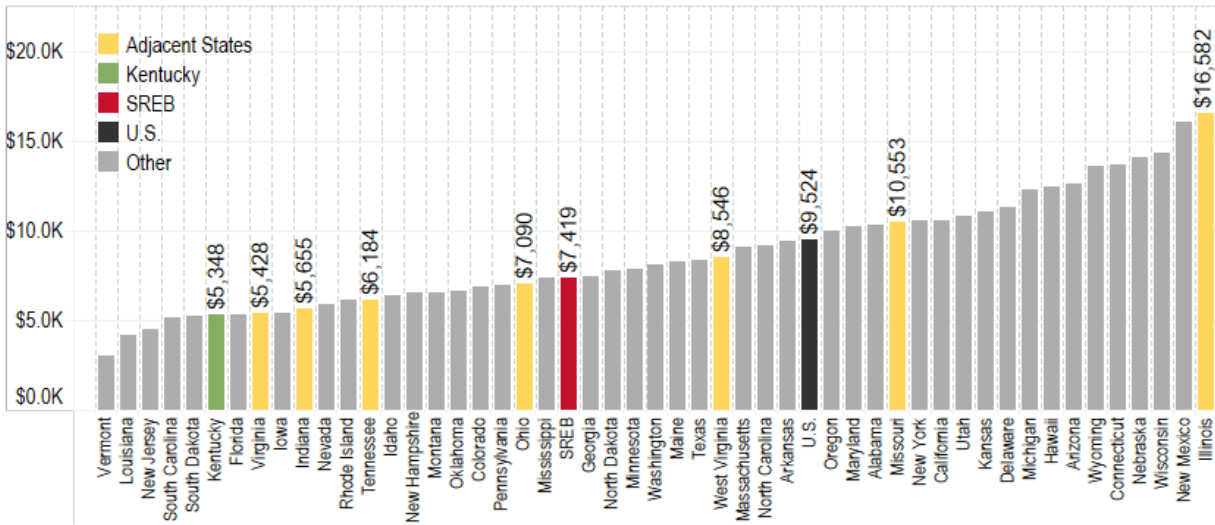
## State and Local Operating Appropriations for 4-year Institutions Per Full-time Equivalent Student

Fiscal Year 2022



## State and Local Operating Appropriations for 2-year Institutions Per Full-time Equivalent Student

Fiscal Year 2022



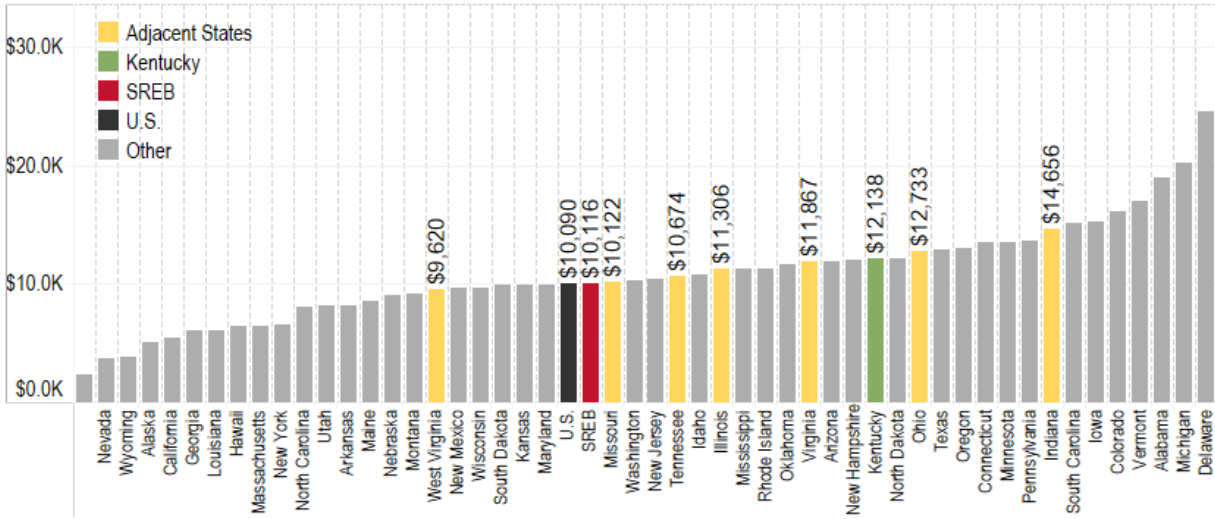
**Notes:**

- Sector-level State and Local Operating Appropriations is a calculated field equal to the sum of Sector-level State Public Operating Appropriations and Sector-level Local Appropriations. Sector-level State Public Operating Appropriations are a measure of state support directly allocated to public two- and four-year institutions. State operating excludes federal stimulus, local appropriations, agency funding, research, hospitals, and medical education, and student financial aid. Sector-level Local Appropriations are those from local government taxes to public two- and four-year institutions for operating expenses.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

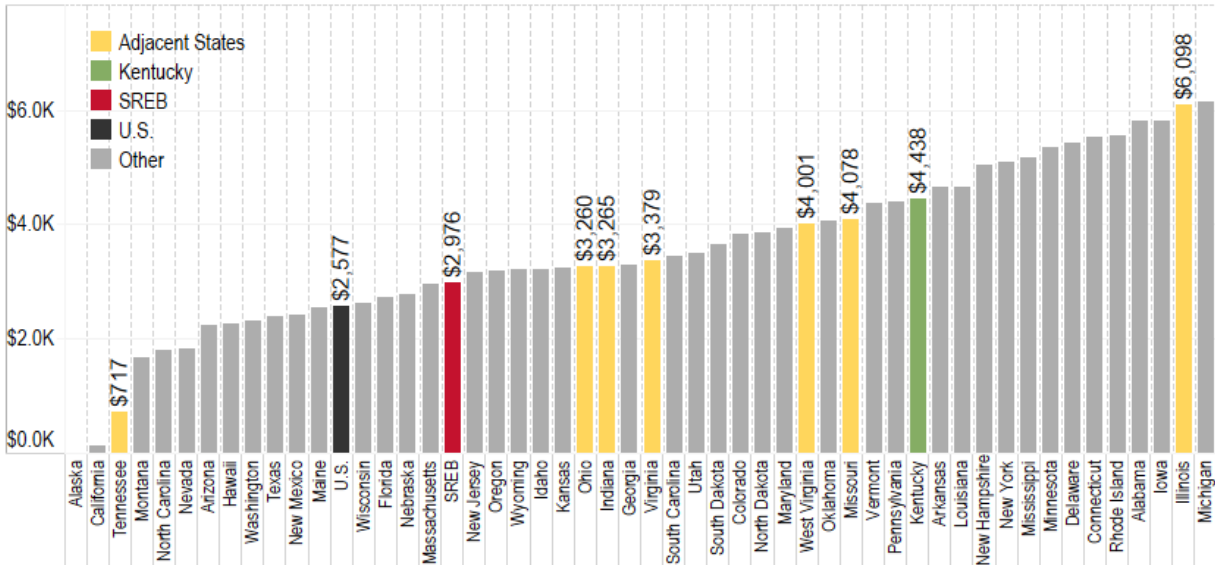
## Net Tuition Revenue for 4-year Institutions Per Full-time Equivalent Student

Fiscal Year 2022



## Net Tuition Revenue for 2-year Institutions Per Full-time Equivalent Student

Fiscal Year 2022



**Notes:**

- Net Tuition and Fee Revenue is gross tuition and fee revenue less state-funded student aid, institutional tuition discounts and waivers, and tuition revenue paid by medical students. This is a measure of the resources available from tuition and fees to support instruction and related operations at public higher education institutions and includes revenue from in-state and out-of-state students as well as undergraduate and graduate students.
- FTE Enrollment is enrollment equal to one student enrolled full time for one academic year, calculated from the aggregate number of enrolled credit hours (including summer session enrollments). Excludes non-credit or non-degree program and medical school enrollments, but includes coursework in vocational or technical programs.
- Dollar amounts are adjusted to account for interstate differences using the Cost of Living Index (COLI).
- The Southern Regional Education Board (SREB) is a nonpartisan, nonprofit interstate compact headquartered in Atlanta. The members are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Source: State Higher Education Executive Officers Association. (2023). State Higher Education Finance: FY 2022. Boulder, CO.

---

# APPENDIX D

---

# ESTIMATED IMPACTS OF THE HYPOTHETICAL INSTITUTION ON PUBLIC UNIVERSITIES

---

Prepared by the Kentucky Council on Postsecondary Education

---

## Hypothetical Institution Enrollment Projections

CPE crafted three projected enrollment scenarios to demonstrate potential changes in the number of full-time equivalent students (FTE) at the institution, considering the impact that the new institution's presence might have on the existing student flow. Although accurately predicting the impact of a new hypothetical institution on current and prospective students' behavior is challenging, CPE's enrollment projections employ six metrics that represent student flows from the region to postsecondary institutions to forecast how potential incremental shifts in student behavior might influence enrollment at the hypothetical institution.

It is important to note that none of these metrics capture potential changes in the behavior of students that are already enrolled at four-year postsecondary institutions but may leave their institutions to enroll at the new hypothetical institution. Additionally, any potential enrollment impact from changes in the behavior of out-of-state students is not included. It is also important to understand that these projections are contingent upon the underlying assumptions being met. As such, the enrollment estimates calculated in CPE's model could vary from those actually experienced by the new institution.

- **College-going rate.** Determines the impact on enrollment at the institution from changes in the number of students enrolling directly out of high school.
- **Annual increase in high school FTE students.** Captures additional enrollment resulting from dual credit participation.
- **Percent of 20- to 29-year-olds in the region enrolled in postsecondary education.** Accounts for enrollment changes due to non-traditional students from the region.
- **First- to second-year retention rate.** Reflects enrollment impacts from retaining students from their first- to second-year.
- **Percent of postsecondary students from the region enrolling at institutions outside the region.** Captures enrollment from changes to the number of students that leave the region for postsecondary education.
- **Percent of enrollment that transfers to four-year institutions outside the region.** Determines enrollment from changes to the number of students that transfer to institutions outside the region.

The three scenarios reflect the different enrollment outcomes that could result if there are: (1) minimal improvements to any of the student flow metrics, (2) moderate improvements, and (3) substantial improvements. Enrollment is projected for each scenario for seven years. Figure 1 shows the expected values of the six metrics under each scenario at the end of the period, with Scenario 1 representing the status quo exception for the 5% annual increase in high school FTE students. It is assumed that improvements in the metrics relative to the baseline occur linearly over the period. Additionally, at the time of this analysis, fall 2023 FTE enrollment data for HCTC was unavailable. As such, CPE staff used HCTC's fall 2022 FTE enrollment of 1,356 as the baseline for each scenario.

**Figure 1. Student Flow Metric Assumptions for Enrollment Projections by Scenario**

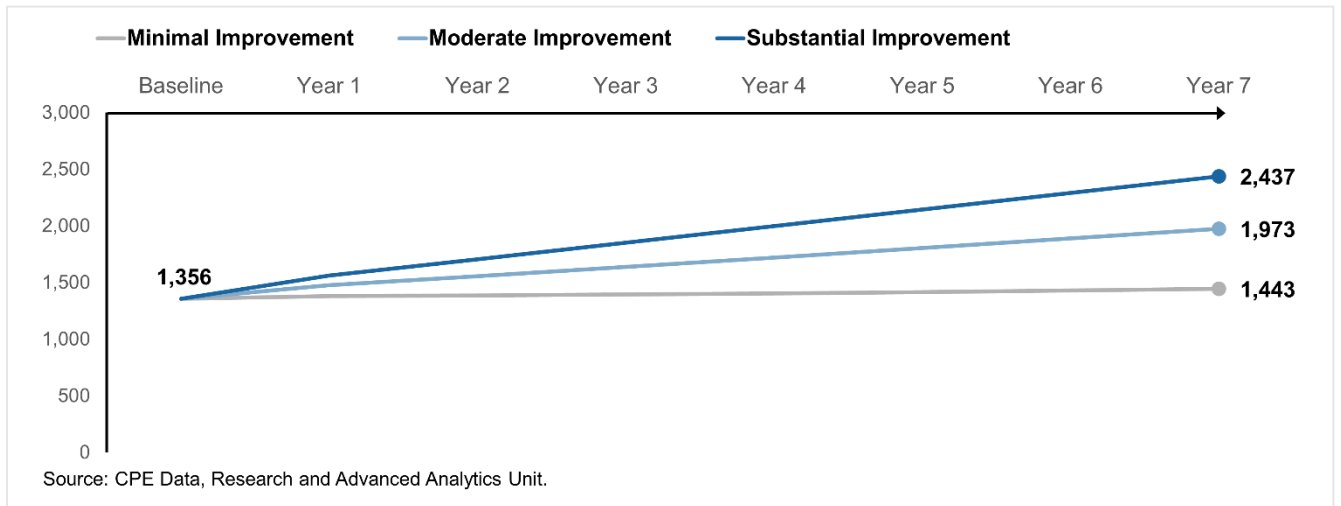
Student Flow Metric	Assumed Values in Year 7		
	Scenario 1: Minimal Improvement	Scenario 2: Moderate Improvement	Scenario 3: Substantial Improvement
College-going rate	54.5%	58.3%	62.0%
Annual increase in high school FTE students	5.0%	5.0%	5.0%
Percent of 20- to 29-year-olds in the region enrolled in postsecondary education	11.4%	14.8%	16.9%
First- to second-year retention rate	54.5%	65.7%	77.0%
Percent of postsecondary students from the region enrolling at institutions outside the region	53.7%	40.3%	26.9%
Percent of enrollment that transfers to four-year institutions outside the region	6.4%	4.8%	3.2%
<b>Estimated Additional FTE Enrollment in Year 7</b>	<b>87</b>	<b>617</b>	<b>1,081</b>
<b>Estimated Total FTE Enrollment in Year 7</b>	<b>1,443</b>	<b>1,973</b>	<b>2,437</b>

Figure 2 shows CPE’s enrollment projections for the hypothetical institution. Without any improvement to the underlying student flow metrics, enrollment is projected to increase by 87 FTE students in Year 7. This small growth is due to the annual increase in the level of participation in dual credit included in the assumptions. Absent increased high school enrollments, projected FTE enrollment under the no improvement scenario would decrease over the period due to the region’s declining population. Under the moderate improvement scenario, enrollment increases by 617 FTE students over the period. Lastly, under the most aspirational scenario, enrollment would grow by 1,081 FTE students.

Under the moderate and substantial improvement scenarios by year 7, approximately 44% to 50% of the additional FTE enrollment come from student flows that do not adversely affect the existing universities. These sources of potential students include increases in the number of dual credit students, the region’s college-going rate, the institution’s first- to second-year retention rate, and the number of adults aged 20 to 29 enrolled in postsecondary education. In CPE’s model, approximately 50% to 56% of the additional FTE enrollment at the hypothetical institution would have a negative impact on existing institution enrollment as it retains more four-year seeking, first-time students and transfer students in the region.



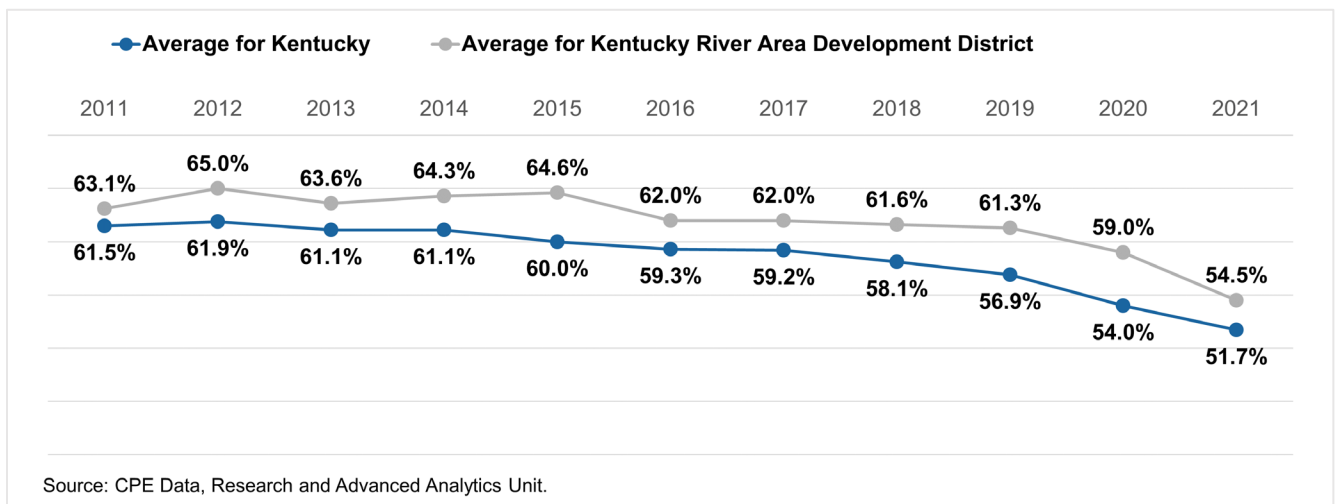
**Figure 2. Projected FTE Enrollment by Scenario**



As discussed in prior sections of this report, higher education institutions across the U.S. are being affected by forces including a shrinking number of high school graduates, changes in the public’s perception of the value of postsecondary credentials, inflationary pressures, evolving workforce demands, strong labor markets, and more. As a result, higher education is entering a period of contraction with some states opting to consolidate their public institutions (e.g., Pennsylvania) and some small private institutions choosing to merge or close.

It is important to note that each of these forces could have adverse impacts on the assumptions that drive the enrollment projections shown in Figure 2, resulting in a fourth scenario depicting a negative enrollment trend. Figure 3 shows the college-going rate for the state and the Kentucky River ADD. What happens in the future with regard to the aforementioned dynamics will further clarify the reasonableness of each enrollment projection scenario.

**Figure 3. College-Going Rate by High School Graduation Year**



## Estimated Impacts of the Hypothetical Institution on Public Universities

As part of examining the feasibility of a new four-year, residential university in southeast Kentucky, SJR 98 requires CPE to estimate the potential impact on existing universities.<sup>1</sup> To accomplish this task, CPE estimated potential declines in FTE Enrollment that could be experienced by public universities as a result of the new hypothetical institution.<sup>2</sup> Understanding the potential effects on enrollment allowed CPE to estimate the impact on tuition revenue.<sup>3</sup> CPE also calculated the impacted tuition revenue as a percent of fiscal year 2021-22 Total Tuition Revenue to illustrate the proportionate impact on each institution.<sup>4</sup> It is important to recognize that, due to a number of underlying assumptions and data limitations, the actual dollar impacts would likely vary from those estimated in this analysis.

The impact on public university enrollment is determined using headcount enrollment projections for the number of first-time students from the Kentucky River ADD and transfer students from HCTC in 2022-23. These two student populations are used because a portion of the hypothetical institution's projected enrollment comes from a reduction in the number of these two student populations. Figure 1 shows the distribution of first-time students from the Kentucky River ADD and transfer students from HCTC across Kentucky's public universities. As of academic year 2022-23, Murray State University and Kentucky State University did not enroll any of these student populations. As such, they are excluded from the rest of the analysis. Additionally, EKU, MoSU, and UK enroll the most students from the region of the public universities. This is anticipated given their geographic proximity to the region.

The distribution shown in Figure 4 is used to allocate a headcount enrollment impact on each of the universities by applying the percentages to the number of students the hypothetical institution is projected to gain by retaining more first-time and transfer students in the Kentucky River ADD. The impacted headcount enrollment is then converted into Lost FTE Enrollment. Figures 5 and 6 show the institutions' estimated Lost FTE Enrollment as it corresponds to Scenario 2 (Moderate Improvement) and Scenario 3 (Substantial Improvement) enrollment projections for the hypothetical institution. Enrollment at EKU, MoSU, and UK will experience the greatest change based on our projections. It is important to note that this analysis assumes that student behavior changes in a manner consistent with the enrollment patterns discussed above.

---

<sup>1</sup> Senate Joint Resolution 98, A JOINT RESOLUTION relating to state administrative bodies, 2023 Regular Session, <https://apps.legislature.ky.gov/record/23rs/sjr98.html>

<sup>2</sup> **Lost FTE Enrollment** is calculated by multiplying the projected impact on the institution's headcount enrollment by the ratio of undergraduate FTE enrollment to undergraduate headcount enrollment for academic year 2022-23, excluding high school students.

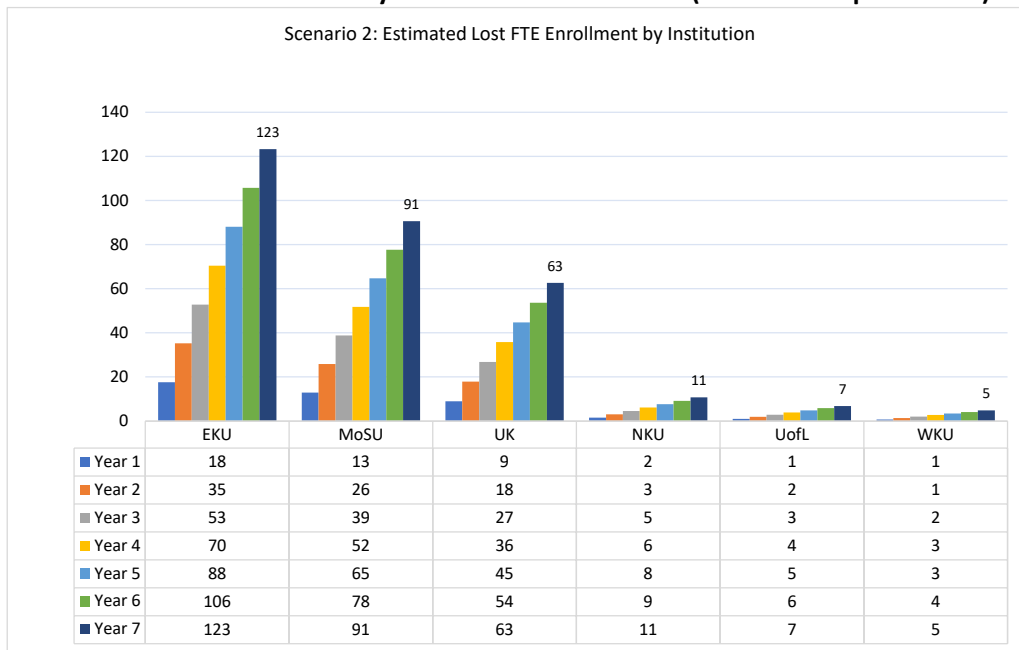
<sup>3</sup> **Lost Tuition Revenue** is calculated by multiplying the institution's projected Lost FTE Enrollment by its academic year 2023-24 per credit hour rate multiplied by 30. The 2023-24 per credit hour rate is equal to the institution's annual tuition and fee rate for full-time students divided by 30 credit hours and reduced by the university's fiscal year 2020-21 institutional discount rate, as determined using the most recent data from IPEDS.

<sup>4</sup> **Percent of Total Tuition Revenue** is equal the institution's Lost Tuition Revenue divided by its adjusted fiscal year 2021-22 tuition and fee revenue multiplied by 100. Adjusted 2021-22 tuition and fee revenue is the institution's gross tuition and fee revenue reduced by its fiscal year 2020-21 institutional discount rate, as determined using the most recent data from IPEDS. At the time of analysis, fiscal year 2021-22 tuition and fee revenue was the most recent available data from the institutions' audited financial statements.

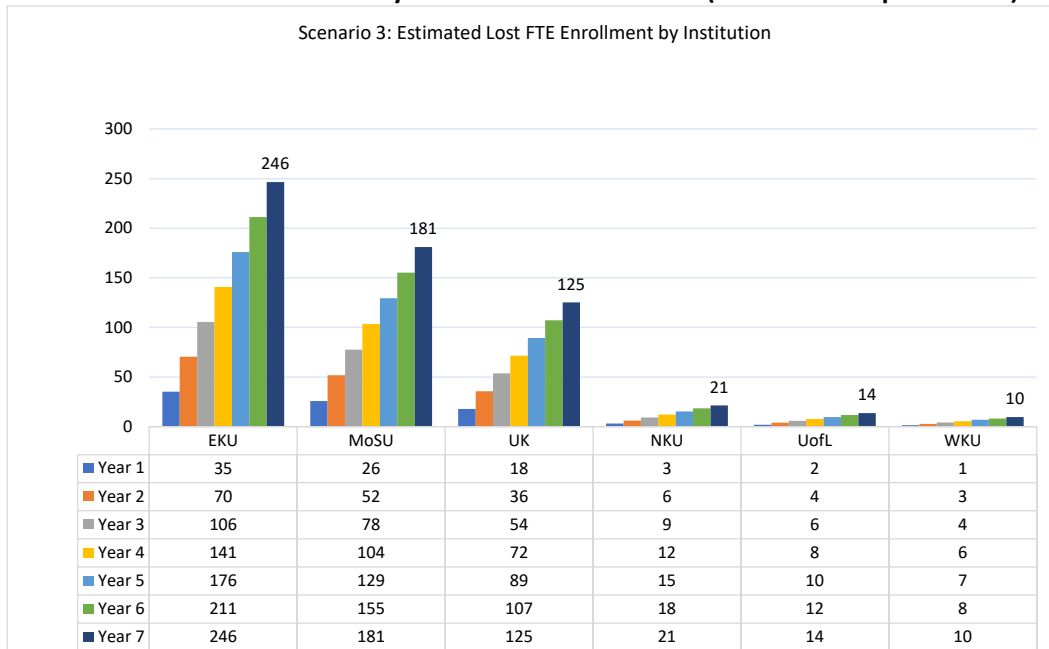
**Figure 4. First-time and Transfer Enrollments of Students from the Kentucky River ADD**

Institution	First-Time Students from the Kentucky River ADD (2022-23)		Transfers from HCTC (2022-23)	
	Number	Percentage	Number	Percentage
Eastern Kentucky University	65	26.2	42	24.0
Morehead State University	46	18.5	28	16.0
University of Kentucky	32	12.9	11	6.3
University of Louisville	4	1.6	1	0.6
Northern Kentucky University	5	2.0	9	5.1
Western Kentucky University	2	0.8	4	2.3
Murray State University	0	0.0	0	0.0
Kentucky State University	0	0.0	0	0.0
Other Institutions	94	37.9	80	45.7
<b>Total</b>	<b>248</b>		<b>175</b>	

**Figure 5. Estimated Lost FTE Enrollment by Institution for Scenario 2 (Moderate Improvement)**

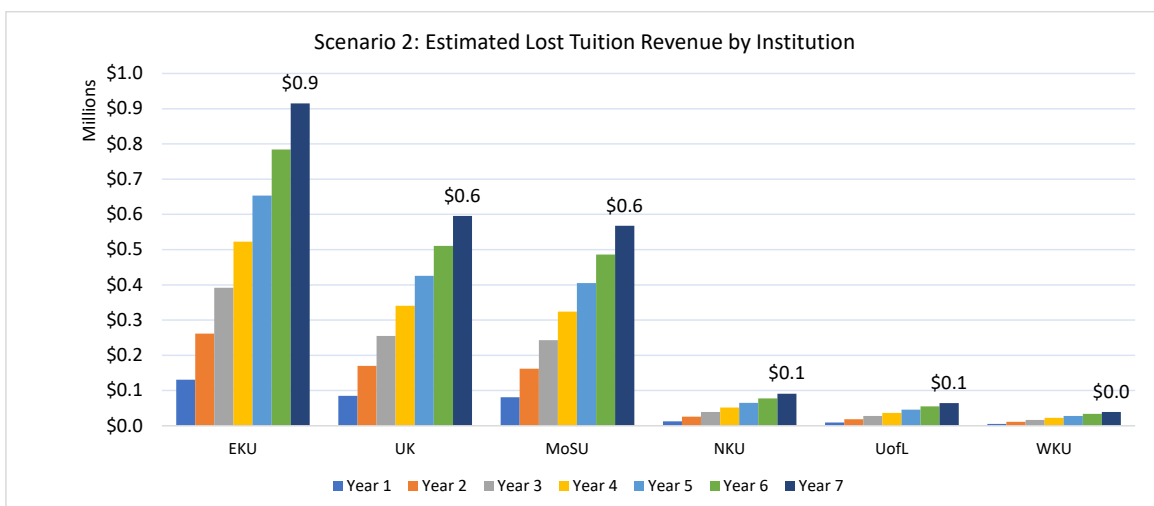


**Figure 6. Estimated Lost FTE Enrollment by Institution for Scenario 3 (Substantial Improvement)**



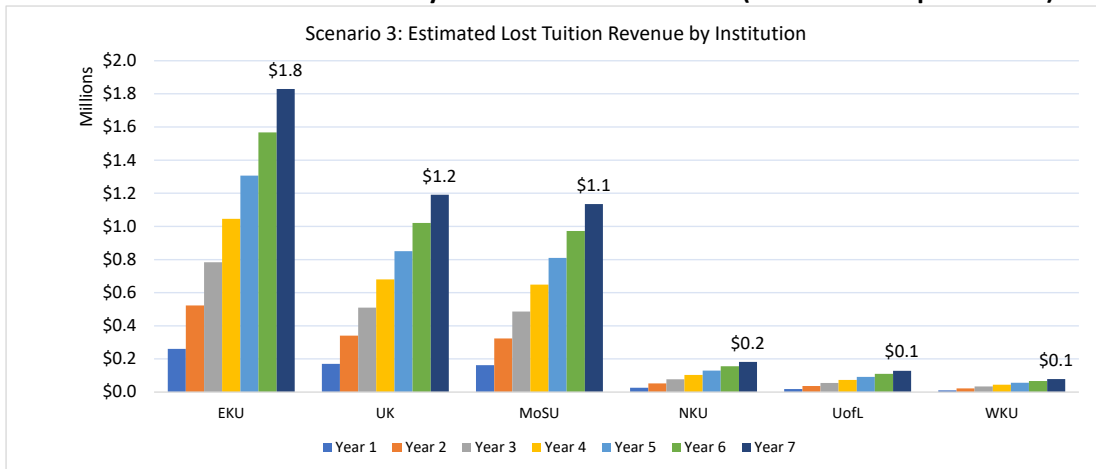
Once each university’s estimated Lost FTE Enrollment is calculated, the associated Lost Tuition Revenue is estimated. The analysis assumes each university keeps constant their full-time tuition and fee rate and institutional discount rate.<sup>5</sup> Figures 7 and 8 show the estimated Lost Tuition Revenue for each public university. Despite having a lower level of estimated Lost FTE Enrollment, UK’s estimated Lost Tuition Revenue exceeds that of MoSU. This is due to a combination of UK’s higher full-time tuition and fee rate and MoSU’s higher institutional discount rate. The hypothetical institution is projected to have the greatest dollar impact on EKU in both scenarios.

**Figure 7. Estimated Lost Tuition Revenue by Institution for Scenario 2 (Moderate Improvement)**



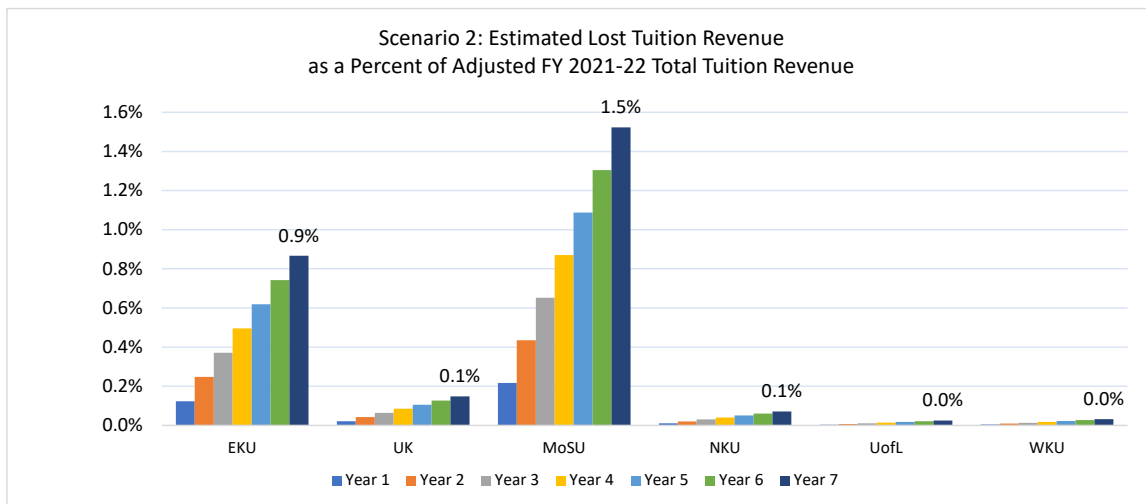
<sup>5</sup> Both rates are determined based on the most recent available data either from CPE’s database or IPEDS.

**Figure 8. Estimated Lost Tuition Revenue by Institution for Scenario 3 (Substantial Improvement)**



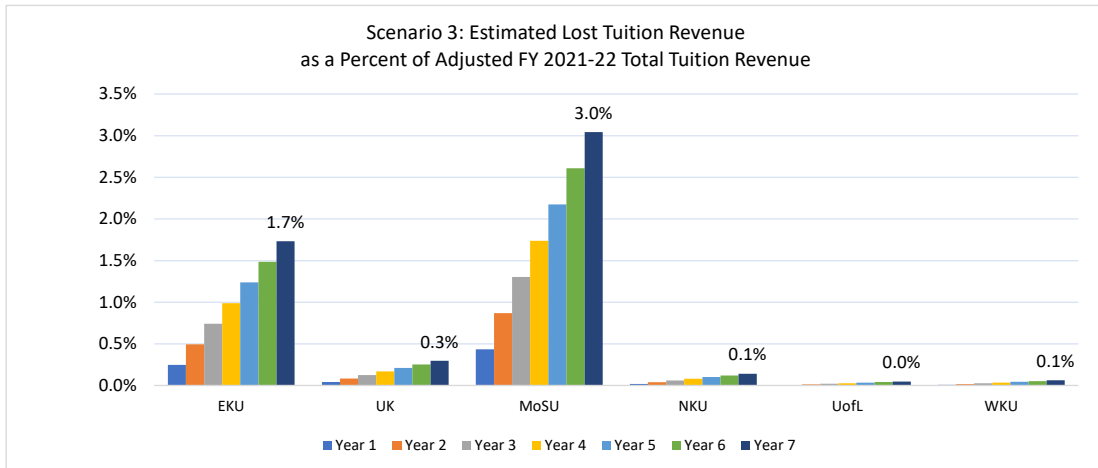
To illustrate how the budgetary impacts could vary across the universities, CPE compared each institution’s estimated Lost Tuition Revenue to its fiscal year 2021-22 gross tuition and fee revenue reduced by its fiscal year 2020-21 institutional discount rate.<sup>6</sup> This is referred to as each institution’s Total Tuition Revenue. Figures 9 and 10 show each public university’s estimated Lost Tuition Revenue as a percentage of its Total Tuition Revenue. As a share of its Total Tuition Revenue, MoSU’s estimated loss is the largest of the public universities, with EKU’s proportionate loss is the second largest. UK’s estimated Lost Tuition Revenue represents a relatively small portion of its Total Tuition Revenue.

**Figure 9. Estimated Lost Tuition Revenue as a Percent of Adjusted FY 2021-22 Total Tuition Revenue for Scenario 2 (Moderate Improvement)**



<sup>6</sup> At the time of analysis, fiscal year 2021-22 was the most recent year audited financial statements were available for the public universities. Furthermore, fiscal year 2020-21 was the most recent year for which IPEDS data was available to calculate the universities’ institutional discount rates.

**Figure 10. Estimated Lost Tuition Revenue as a Percent of Adjusted FY 2021-22 Total Tuition Revenue for Scenario 3 (Substantial Improvement)**



CPE’s analysis of the potential impact of the hypothetical institution on existing public universities is limited to tuition and fee revenues; however, the hypothetical institution could impact state funding at existing universities through the distribution of funds appropriated to the Postsecondary Education Performance Fund. To the extent that enrollment at the hypothetical institution reduces enrollment at some existing universities, all else held constant, distributions to those universities could be affected due to the impact on credit hour and FTE enrollment-based metrics in the model. Because of the numerous assumptions and complexities involved, CPE staff chose not to estimate the effect of reduced enrollments on state funding (performance funding) for existing universities.

---

# APPENDIX E

---

# A DESCRIPTIVE EXAMINATION OF KENTUCKY'S TRANSFER SYSTEM

## *TRENDS IN TRANSFERS FROM TWO-YEAR TO FOUR-YEAR INSTITUTIONS*

---

Prepared by the Kentucky Council on Postsecondary Education

---

### Introduction

Officially created in 1997, the Kentucky Community and Technical College System (KCTCS) provides Kentucky students broad access to low cost technical and non-technical education. KCTCS offers a wide array of technical programs that prepare students for specialized roles in Kentucky's workforce. In addition to technical training and workforce development, KCTCS also plays a unique and important role as an entry point into higher education through degree transfer programs designed for students seeking to obtain a baccalaureate degree from a four-year institution.

KCTCS offers a wide variety of credentials, but there are specific degree programs intended to transfer to bachelor's degree programs at four-year institutions include associate of arts (AA), associate of science (AS), and associate of fine arts (AFA) degree programs. These programs typically require students to complete 60 credit hours to receive their degree, of which 33 credits must be in general education core classes designed to facilitate a more seamless transfer to four-year institutions.

Although KCTCS is an integral part of Kentucky's postsecondary landscape given the provision of technical education, technical degree program enrollment has seen a substantial decline over the last decade, going from 48.6% of total enrollment in Academic Year 2012-13 to 34.5% in Academic Year 2022-23. While this does not account for technical certificate completion, this trend illustrates the increased importance of transfer program enrollment both for our institutions and our students. Therefore, this brief seeks to examine the landscape of Kentucky's transfer trends by utilizing a cohort analysis.

### Kentucky's Transfer Landscape

Kentucky has developed a strong infrastructure to promote and facilitate student transfer from two-year KCTCS institutions to four-year public institutions across the state. This is formalized not only in the [Kentucky Revised Statute \(KRS 164.2951\)](#), but also in the [2022-2030 Council on Postsecondary Education's \(CPE\) Strategic Plan](#) where key performance indicators are specified for successful student transfers to four-year institutions. In 2023, [CPE also outlined a strategy](#) to promote transfer student success that emphasizes meeting student needs, working collaboratively with postsecondary institutions, and minimizing barriers to transferring institutions and credits. As the state seeks to move from a transfer rate of 58.3% in the current year to 65% by Academic Year 2023-24, it is imperative that these efforts are sustained and supported.

Beyond Kentucky's vision and goals for postsecondary transfer, the state has a strong infrastructure built into its transfer policy to support students seeking a transition to a four-year institution. Although KRS.164.2951 and the accompanying documentation above provide a robust depiction of Kentucky's transfer policy, a summary of its primary features is included below:



- **Transferability of general education** – Kentucky provides a guarantee that 30 credit hours across six core categories of general education courses will be accepted for transfer. Credit transfer therefore does not require course-to-course comparisons, which provides a greater deal of flexibility to establish equivalency.
- **Flexibility** – In addition to general education core providing flexibility, there is also an institutional commitment that any remaining credit will be treated as generously as possible to facilitate seamless transferability toward degree requirements.
- **Credit outside the classroom** – Recognition of courses and standard scores for awarding credit for AP, CLEP, IB, Cambridge International, and DSST exams.
- **Checks and balances** – Institutions are required to notify CPE of any changes in programs or learning outcomes that may impact transferability.
- **Quality enhancement** – Institutions submit annual reports to CPE regarding assessment methods, results, and proposed changes to their respective general education program.
- **Appeals Process** – Students have the ability to appeal decisions regarding the transfer and acceptance of credits at another institutions.

Collectively, these policies allow for a great deal of flexibility and support for students seeking a transfer to a new institution in the state. Having discussed the current policy that supports postsecondary transfer across the state, we now turn our focus to analysis of current trends in transfers using a cohort analysis.

### Defining a Transfer Cohort

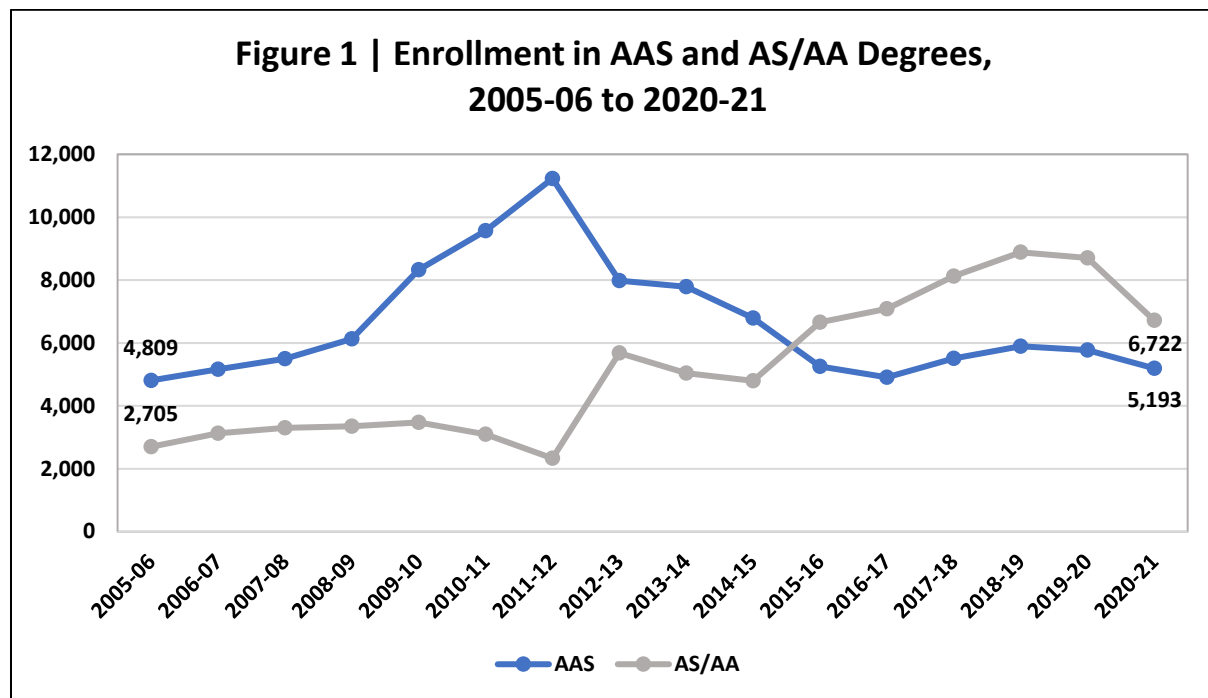
For the purposes of this analysis, student transfers are examined in cohorts based on their first-time fall enrollment in transfer degree programs (AA and AS degrees). Similarly, comparisons made for technical programs (AAS) are based on first-time fall enrollment. This analysis uses cohorts ranging from Academic Year 2005-06 to Academic Year 2020-21. In addition to this, graduation rates are aligned with nationally recognized timeframes to determine successful completion based on 150% time. For KCTCS institutions (two-year institutions), this means graduation rates are calculated based on completion in three years. For four-year public institutions, graduation rates are based on completion in six years. By defining cohorts and graduation rates this way, the analysis for each entering cohort has the same frame of reference for success and improvement over time. This is consistent with the National Association of System Heads' (NASH) Transfer Success Improvement Community Workshop in which Kentucky participates.

### First-time Enrollment in Transfer and Technical Programs

While both transfer and technical degrees play important, yet distinct roles in Kentucky's educational and workforce landscape, the first-time fall enrollment trends across degree types are starkly different. As discussed above, technical program enrollment (AAS) has declined substantially over the last decade,

suggesting that transfer programs have an increased importance for Kentucky two-year institutions and Kentucky students.

In our cohort analysis, we see a continued trend of decreasing enrollment in AAS programs over time for first-time students. From the AAS enrollment peak in Academic Year 2011-2012, first-time AAS enrollment declined by -53.8% with a consistent decline throughout that period ending in Academic Year 2020-21. Extending the scope of analysis to Academic Year 2005-06, we see a modest change of 8.0% for AAS enrollment, pointing toward minimal change over the last 15 years with a declining trend in more recent years. In contrast to the declines in AAS enrollment, transfer program enrollment (AA/AS) has seen a substantial growth over time. Compared to Academic Year 2005-06, enrollment in Academic Year 2020-21 was up 148.5%. Figure 1 below shows that this growth was sustained through the 2018-19 Academic Year but regressed during the COVID-19 pandemic. Still, the prolific growth over this period points to the importance and popularity of transfer degree programs at KCTCS institutions. As these degrees are intended to be a part of a larger four-year degree program and may not provide substantial value as standalone degrees, it is vital that the transfer process be clear and readily available to Kentucky students.



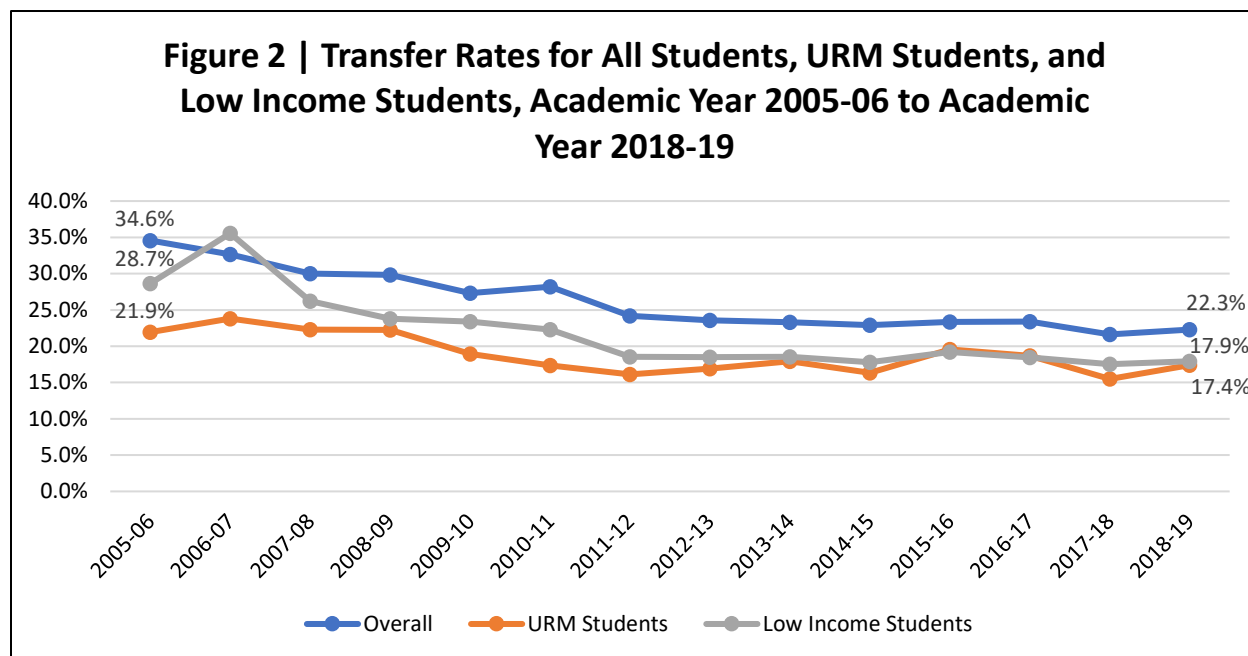
Source: Kentucky Postsecondary Education Data System (KPEDS).

### Transfer Rates and Timing of Transfers

CPE's accountability system only recognizes transfer success if students first complete their AA/AS degree prior transferring to a four-year institution. However, only about half of the students transferring to four-year institutions in each cohort complete their two-year degree before moving to a new institution. This figure has improved substantially over the years. For the 2005-06 cohort, 34.6% of students transferred to a four-year institution, and 27.9% of the cohort transferred without completing their associate degree. The 2018-19

cohort saw 22.3% of students transfer to a four-year institution, with 11.4% of students completing an associate degree prior to transfer.

While there have been marked improvements in the rate at which students graduate with an associate prior to transferring to a four-year institution, there have been a substantial dip in overall transfer rates. As transfer degrees do not provide much value to students without a bachelor's degree, there is work to be done to improve transfer rates on a timeframe that works for students.



Source: Kentucky Postsecondary Education Data System (KPEDS).

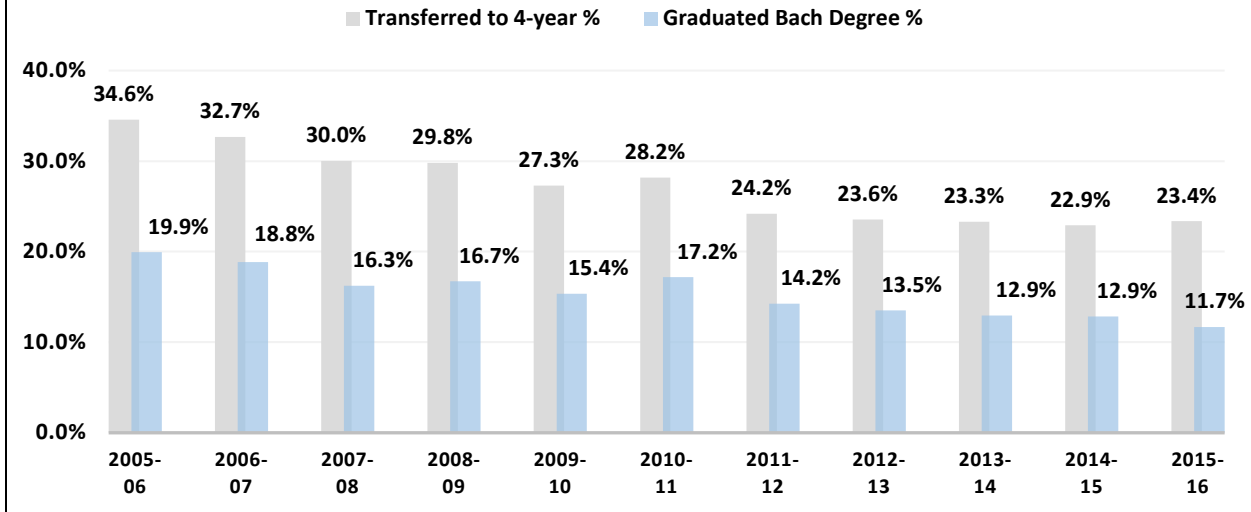
Looking deeper at transfer rates, underrepresented minority students (URM) and low-income students see substantially lower rates of transfer compared to the overall cohort. Although this is a trend that is consistent across various metrics of student success and across various institution types, it signifies the need for additional student support within these demographics to achieve the transfer success rates prioritized by the state.

### Transfer Student Success

Overall, completion rates for AA and AS degrees have been consistent year-to-year. Transfer degree completion went from 9.9% for the 2005-06 cohort to 15.8% in the 2006-07 cohort. Since then, completion rates have been stable, with 18.3% of the 2018-19 cohort completing AA/AS degrees.

On the other hand, four-year degree completion by transfer students has declined over the last decade, along with transfer rates. The 6-year bachelor's graduation rate for transfer students declined from 19.9% for the 2005-06 cohort to 11.7% in the 2015-16 cohort.

**Figure 3 | Transfer and Graduation Rates for Kentucky Students Transferring to Four-Year Institutions, 2005-06 to 2015-16**



Source: Kentucky Postsecondary Education Data System (KPEDS).

Although the trends of student transfer to four-year institutions and the subsequent graduation rates have declined over time, Kentucky’s effort to make transfer work more seamlessly and efficiently for students is illustrated by the credits needed to graduate. In Academic Year 2015-16, transfer students needed 6 additional credits to complete a bachelor’s degree compared to first-time students at four-year public institutions. In Academic Year 2021-22, the gap between transfer students and students who only attended a four-year public institution decreased to only 2 credits.

**Table 1 | Credits Required to Graduate with a Bachelor's Degree, First-time Students at Four-year Institutions vs. Transfer Students**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
First-time Student (Four-Year)	136.8	136.9	136.7	136.1	135.8	135.8	135.8
Transfer Student	142.8	143.1	142.6	140.1	139.4	137.8	137.8

Source: Kentucky Postsecondary Education Data System (KPEDS).

### Stop Out Rates

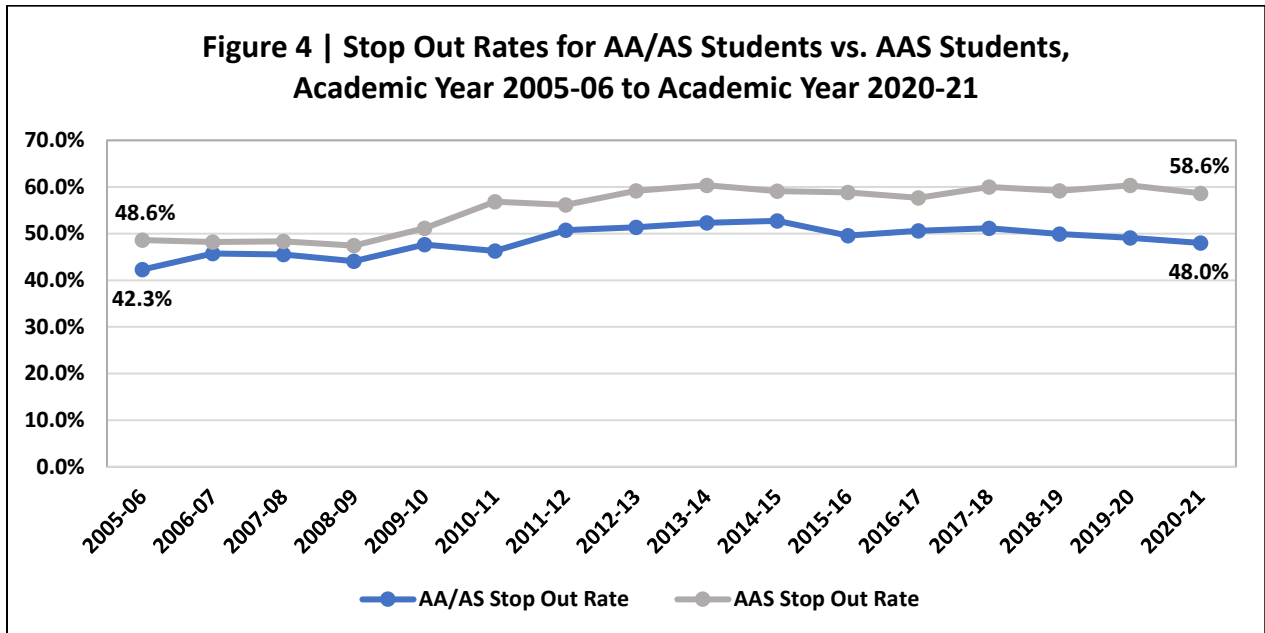
Stop outs occur when students do not maintain consistent enrollment at their institution. Students may have a variety of reasons for stopping out, and some students may return outside of the 3-year window through which we examine our cohorts in this analysis. However, for both technical and transfer degree programs,

stop out rates have remained relatively high. Looking at stop out rates for AA/AS programs, the stop out rate has maintained at around 50% of the total cohort. Stop outs in AA/AS programs have increased from 42.9% in 2005-06 cohort to 48.0% in the 2020-21 cohort. However, the stop out rate has decreased from its peak in Academic Year 2014-15, where it was 52.7%.

Stop out rates in AAS programs, unlike those in AA/AS programs, have risen steadily over time. Academic Year 2005-06 saw stop out rates at 48.6%, which grew to 58.6% in the 2020-21 cohort. Although stop out numbers in technical programs may have been impacted by the COVID-19 pandemic, stop out rates began to peak well before the 2019-2020 academic year, hitting 60.4% in the 2013-14 cohort.

It must also be noted that trends in URM stop out rates are, on average, 9.1 percentage points higher for AA/AS programs and 7.8 percentage points higher in AAS programs. Turning to low-income enrollment, we see a similar trend with averages 3.4 percentage points higher in AA/AS programs and 2.6 percentage points higher in AAS programs.

Taken collectively, stop out rates for transfer programs are stable, but still relatively high considering the decreasing rate of transfer among students in the programs. AAS stop out rates have risen consistently over the period examined, and further highlight enrollment declines for these program areas. Although this analysis focuses primarily on transfer rates, the findings related to technical program enrollment and stop out merit further consideration as they demonstrate a persistent decline in program enrollment and retention.



Source: Kentucky Postsecondary Education Data System (KPEDS).

## Conclusion

Students who transfer to four-year institutions complete bachelor’s degrees at about the same rate as students who began their studies at four-year institutions. Additionally, transfer students now graduate with nearly the same number of credits as their peers enrolling exclusively at four-year institutions. While transfer

students who successfully make the transfer see success rates on par with students at four-year institutions, the declining transfer rate from two-year institutions to four-year institutions for AA/AS students is a point of continued investigation and improvement.

KCTCS still serves as a vital entry point for postsecondary education throughout the state. Although transfer degrees do not provide immediate value to students completing them, they work in conjunction with a robust and accessible transfer process to provide students a pathway to high-value bachelor's degrees and certificates. Continued research policy development must be completed to ensure that students and institutions fully utilize the transfer pathways available throughout the state to fulfill CPE's priorities related to student success and transfer.

### **Citation**

All data utilized in this analysis are taken from the Kentucky Postsecondary Education Data System (KPEDS).

---

# APPENDIX F

---

# GLOSSARY

---

## Prepared by the Kentucky Council on Postsecondary Education

---

**60x30 Goal** – The Council on Postsecondary Education established a goal to raise Kentucky’s educational attainment level to 60% by the year 2030.

**Associate of Applied Science (AAS)** – Credentials that lead to employment within a particular industry and require a combination of general education/work effectiveness and technical coursework. The **diploma** is a concentration of technical course work with only 6 required hours of general education credit. A **certificate** can range from 3-50 credit hours, but most certificates require between 6 and 30 credit hours. A **degree** typically requires 60 credit hours. Though not designed to transfer to a baccalaureate program, some programs do include transfer pathways.

**Associate of Arts/Science/Fine Arts (AA/AS/AFA)** - An associate of arts (AA) focuses on liberal arts and general education. An associate of science (AS) focuses on science, business, and other professional pathways. An associate of fine arts (AFA) prepares students for careers in theater, film, and visual arts. These degrees require around 60 credits, include general education, and are designed to transfer to a four-year program.

**Bachelor of Arts/Science (BA/BS)** - Undergraduate degrees offered by four-year universities that typically consist of 120 credit hours. BS degrees typically have more coursework in subjects such as science, math, and technology, while BA degrees tend to focus more heavily on the arts, humanities, and social sciences.

**College Access Program (CAP) Grant** - Grants to help Kentucky’s financially needy undergraduate students attend eligible public and private colleges and universities, trade schools, and technical colleges.

**Community and Technical College (CTC)** – One of the 16 colleges overseen by the Kentucky Community and Technical College System, a governing board.

**Comprehensive Universities** – Kentucky’s six regional universities, including Eastern Kentucky University (EKU), Kentucky State University (KSU), Morehead State University (MoSU), Murray State University (MuSU), Northern Kentucky University (NKU), and Western Kentucky University (WKU).

**Council on Postsecondary Education (CPE)** – Kentucky’s higher education coordinating board overseeing eight public universities and KCTCS.

**Doctoral Degree (Ph.D.)** – A research degree awarded by a Research 1 university that typically requires completing a dissertation. Students enrolled in a Doctor of Philosophy (Ph.D.) program may be interested in working in academia as a professor or conducting research in their field.

**Dual Credit Scholarship** - The Dual Credit Scholarship helps Kentucky high school and home school students pay for dual credit classes at a participating Kentucky college or university. The scholarship is awarded to eligible juniors and seniors and can be used for two general education dual credit classes.



**Educational Attainment** – The percentage of adults in the population who have earned a postsecondary credential (certificate, associate, baccalaureate, or graduate degree), as reported by the U.S. Census Bureau.

**EY** – Ernst & Young LLC, a multinational professional service firm that provides consulting services to range of clients.

**Full-Time Equivalent (FTE) Student** – A single value providing a meaningful combination of full-time and part-time students used in enrollment and financial metrics. FTE offers a more nuanced look at enrollment, focusing on the actual coursework load rather than just student numbers. This metric is valuable for budgeting and financial planning since institutions often allocate resources based on the educational load they provide. This number also provides a starting point for the analysis of year-to-year resources.

**Headcount Enrollment** - Headcount is the most straightforward enrollment metric. It represents the total number of individual students enrolled at an institution, regardless of their enrollment status (full-time, part-time, etc.).

**House Bill 1 (HB 1)** – The *Kentucky Postsecondary Education Improvement Act of 1997*, a reform act that created CPE and KCTCS and established statewide and sector goals for the system.

**KCTCS** – the Kentucky Community and Technical College System, the governing board created by HB 1 to oversee 16 community and technical colleges.

**KEES** – The Kentucky Educational Excellence Scholarship program provides scholarships to Kentucky students who earn at least a 2.5 GPA each year they attend a certified Kentucky high school. The better they do in high school, the more they earn toward college. Students may also earn awards for ACT/SAT scores and Advanced Placement (AP), International Baccalaureate (IB) or Cambridge Advanced International (CAI) test scores. Home school and GED graduates may earn awards based on their ACT scores.

**KHEAA** – the Kentucky Higher Education Assistance Authority, a state agency established in 1966 to improve students' access to higher education. KHEAA offers FAFSA verification and student default prevention services to higher education institutions across the country. KHEAA also provides state aid such as the Kentucky Education Excellence Scholarship (KEES) program, the College Access Program Grant (CAP), the Kentucky Tuition Grant (KTG) and other scholarship, grant and work-study programs.

**KYSTATS** – The Kentucky Center for Statistics collects and integrates education and workforce data so that policymakers, practitioners, and the public can make informed decisions. KYSTATS houses Kentucky's state longitudinal data system, one of the most robust in the country.

**KTG** – The Kentucky Tuition Grant program provides need-based aid to help Kentucky residents attend an eligible private college or university in Kentucky.

**Master of Arts/Science (MA/MS)** – Graduate degrees that build on the knowledge gained from undergraduate education that can lead to a doctorate degree. The MA is usually awarded in fields such as languages, literature, history, geography, philosophy, social sciences and fine arts, while the MS is awarded

for the natural sciences, mathematics, and for technical fields such as engineering, agriculture, and computer science.

**NCHEMS** – The National Center for Higher Education Management Systems, a private nonprofit 501(c)(3) organization whose mission is to improve strategic decision-making in higher education for states and institutions in the United States and abroad.

**Research Universities** – Institutions with a Carnegie Classification of R1 offer a full range of baccalaureate programs, grant 50 or more doctoral degrees annually, give a high priority to research, and receive \$40 million or more in federal support. Kentucky's R1 institutions are the University of Kentucky (UK) and the University of Louisville (UL).

**ROI** – Return on investment, an approximate measure of an investment's profitability or value.

**SHEEO** – State Higher Education Executive Officers Association, which serves the chief executives of statewide governing, policy, and coordinating boards of postsecondary education and their staffs.

**SJR 98** – Senate Joint Resolution 98 was passed in March 2023 by the Kentucky General Assembly, which led to this report.

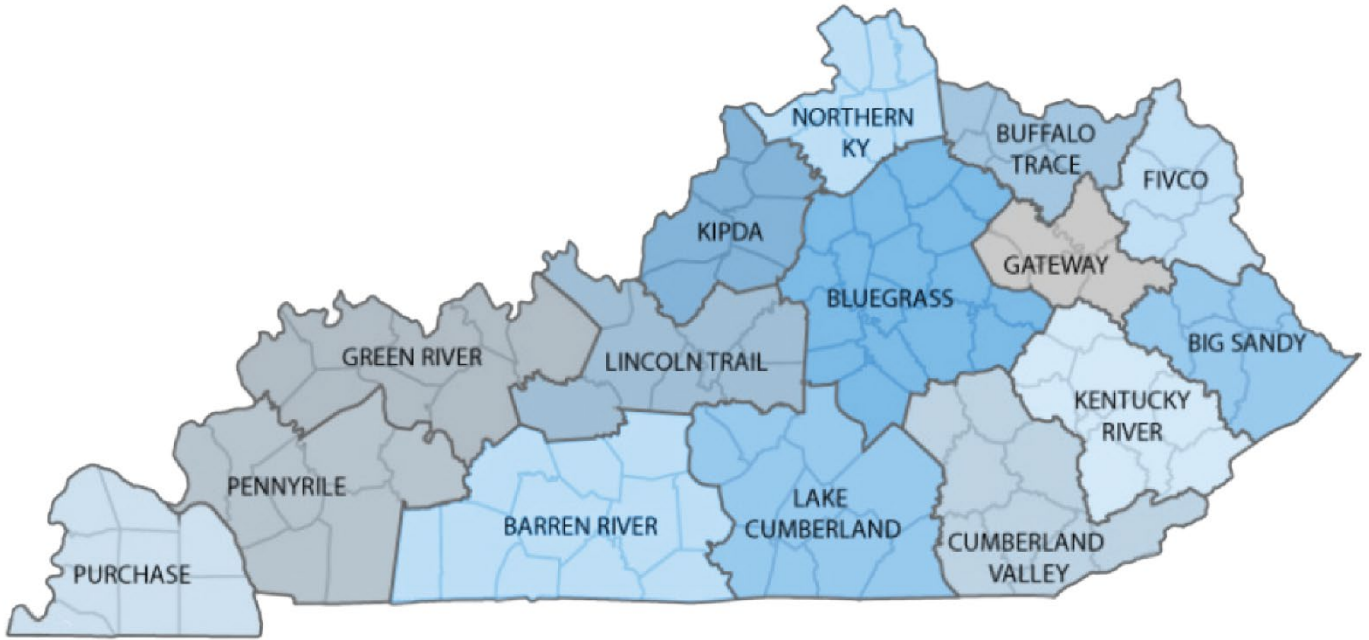
**URM** – Underrepresented minority student populations, which for CPE include Black/African American, Hispanic/Latino, American Indian or Alaska Native, Native Hawaiian or other Pacific Islander, or two or more races.

---

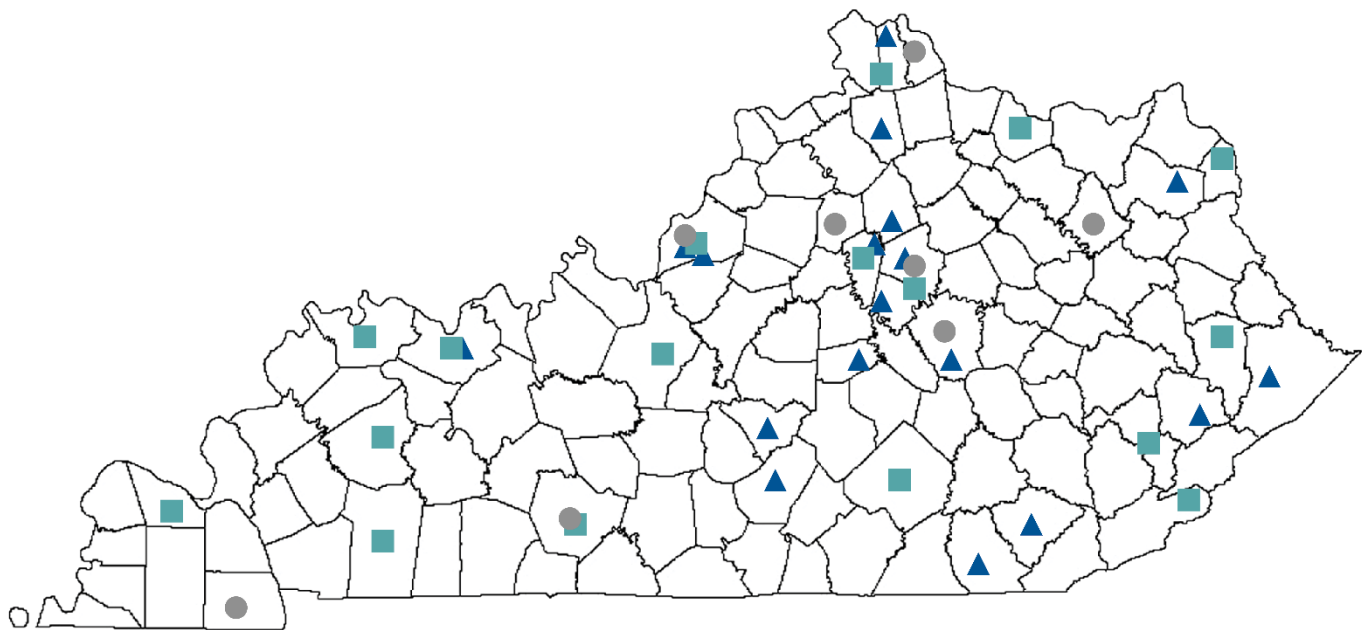
# APPENDIX G

---

# Kentucky's Area Development Districts



# Kentucky's Public and AIKCU Campuses



● **State Universities**

- Eastern Kentucky University
- Kentucky State University
- Morehead State University
- Murray State University
- Northern Kentucky University
- University of Kentucky
- University of Louisville
- Western Kentucky University

■ **Kentucky Community and Technical College System**

- Ashland Community and Technical College
- Big Sandy Community and Technical College
- Bluegrass Community and Technical College
- Bowling Green Community and Technical College
- Elizabethtown Community and Technical College
- Gateway Community and Technical College
- Hazard Community and Technical College
- Henderson Community and Technical College
- Hopkinsville Community and Technical College

■ **Jefferson Community and Technical College**

- Jefferson Community and Technical College
- Kentucky Community and Technical College System Headquarters
- Madisonville Community and Technical College
- Maysville Community and Technical College
- Owensboro Community and Technical College
- Somerset Community and Technical College
- Southeast Kentucky Community and Technical College
- West Kentucky Community and Technical College

▲ **Association of Independent Kentucky Colleges and Universities**

- Alice Lloyd College
- Asbury University
- Bellarmine University
- Berea College
- Brescia University
- Campbellsville University
- Centre College
- Georgetown College
- Kentucky Christian University
- Kentucky Wesleyan College
- Lindsey Wilson College
- Midway University
- Spalding University
- Thomas More College
- Transylvania University
- Union College
- University of Pikeville
- University of the Cumberlands

---

# APPENDIX H

---

1 A JOINT RESOLUTION relating to state administrative bodies.

2 WHEREAS, public universities and community colleges serve as economic  
3 development incubators for the cities and regions in which they are located, both by the  
4 faculty and staff jobs the colleges provide and the business innovations that can spring  
5 from collaborations in the academic environment; and

6 WHEREAS, Kentucky's postsecondary governance structure currently includes the  
7 Council on Postsecondary Education as the systemwide coordinating agency charged  
8 with developing and implementing a strategic agenda and a system of public  
9 accountability for evaluating the performance and effectiveness of the state's  
10 postsecondary system. Kentucky's universities are governed by individual boards and a  
11 governing board oversees the Kentucky Community and Technical College system and  
12 local advisory boards are affiliated with the individual campuses; and

13 WHEREAS, as the Commonwealth has, through the years, located regional  
14 universities throughout the state charged by the General Assembly with providing a  
15 seamless, integrated system of postsecondary education strategically planned to enhance  
16 economic development and quality of life; and

17 WHEREAS, the mission of the community and technical colleges is to work  
18 cooperatively with postsecondary institutions throughout the Commonwealth to align  
19 program and training programs necessary to develop a workforce with the skills to meet  
20 the needs of new and existing industries and improve employability of citizens; and

21 WHEREAS, the southeastern region of Kentucky is conspicuously without a public,  
22 residential, four-year university, hindering its ability to make the same economic progress  
23 as other regions of the state; and

24 WHEREAS, the southeastern region of Kentucky is being forced to pursue new  
25 economic development and workforce strategies due to the decline in the coal industry;  
26 and

27 WHEREAS, the Council on Postsecondary Education is statutorily charged with the

1 responsibility to review proposals for the establishment of new four-year colleges; and

2 WHEREAS, the Council on Postsecondary Education is statutorily charged with the  
3 responsibility of eliminating or changing existing academic programs to provide  
4 consistency and alignment with institutional missions and the state's strategic  
5 implementation plan as well as avoiding duplication of programs;

6 NOW, THEREFORE,

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

8 ➔Section 1. The Council on Postsecondary Education shall conduct a thorough  
9 study of:

10 (1) The structure of higher education governance in the Commonwealth,  
11 including the current condition and projected needs of the state over the next 20 years in  
12 terms of postsecondary education attainment, workforce, and economic needs. The  
13 analysis shall consider: population and demographic trends; economic and workforce  
14 conditions and needs; state of college preparation; extent of postsecondary access,  
15 completion, and affordability; student learning options; and education finance. The study  
16 shall include recommendations on changes needed to the state's postsecondary  
17 governance structure that would be essential to meet identified needs and ensure the best  
18 delivery of postsecondary educational services to students;

19 (2) The impact and feasibility of establishing a regional, residential, four-year  
20 public university in southeastern Kentucky. The study shall include a comprehensive  
21 review of the prospect of:

22 (a) Establishing a new regional, residential, four-year public university in  
23 southeastern Kentucky and the impact that would have on the existing regional  
24 universities in the Commonwealth;

25 (b) Establishing a residential campus in southeastern Kentucky that is a satellite  
26 campus of an existing regional public university; and

27 (c) The Commonwealth acquiring an existing, private university in southeastern

1 Kentucky to serve the region as a new regional, residential, four-year public university, as  
2 an alternative to establishing an entirely new four-year university; and

3 (3) The feasibility and programmatic and fiscal impacts of having the Kentucky  
4 Community and Technical College System continue to be responsible for technical  
5 education programs but transferring responsibility for traditional academic subjects to the  
6 regional universities. The study shall include a comprehensive review of how this  
7 transition might impact each regional university and the potential implications on any  
8 proposal for establishing a four-year university in southeastern Kentucky identified in  
9 subsection (2) of this section and the potential impact on prospective Kentucky  
10 Community and Technical College System students statewide.

11 ➔Section 2. The President of the Council on Postsecondary Education shall report  
12 the comprehensive study required by Section 1 of this Joint Resolution with findings and  
13 recommendations to the Legislative Research Commission to be distributed to the  
14 relevant subject matter committees, including but not limited to the Interim Joint  
15 Committee on Economic Development and Workforce Investment and the Interim Joint  
16 Committee on Education by December 1, 2023.

17 ➔Section 3. The General Assembly of the Commonwealth of Kentucky hereby  
18 approves Phase 1 of the State Fair Board's comprehensive statewide proposal for  
19 improving properties dated November 29, 2022, and submitted to the Interim Joint  
20 Committee on Appropriations and Revenue. The Office of State Budget Director is  
21 authorized to release the \$180,000,000 in capital construction funds for use by the State  
22 Fair Board in fiscal year 2024 as appropriated by 2022 Ky. Acts ch. 199 and amended by  
23 2022 Ky. Acts ch. 239.