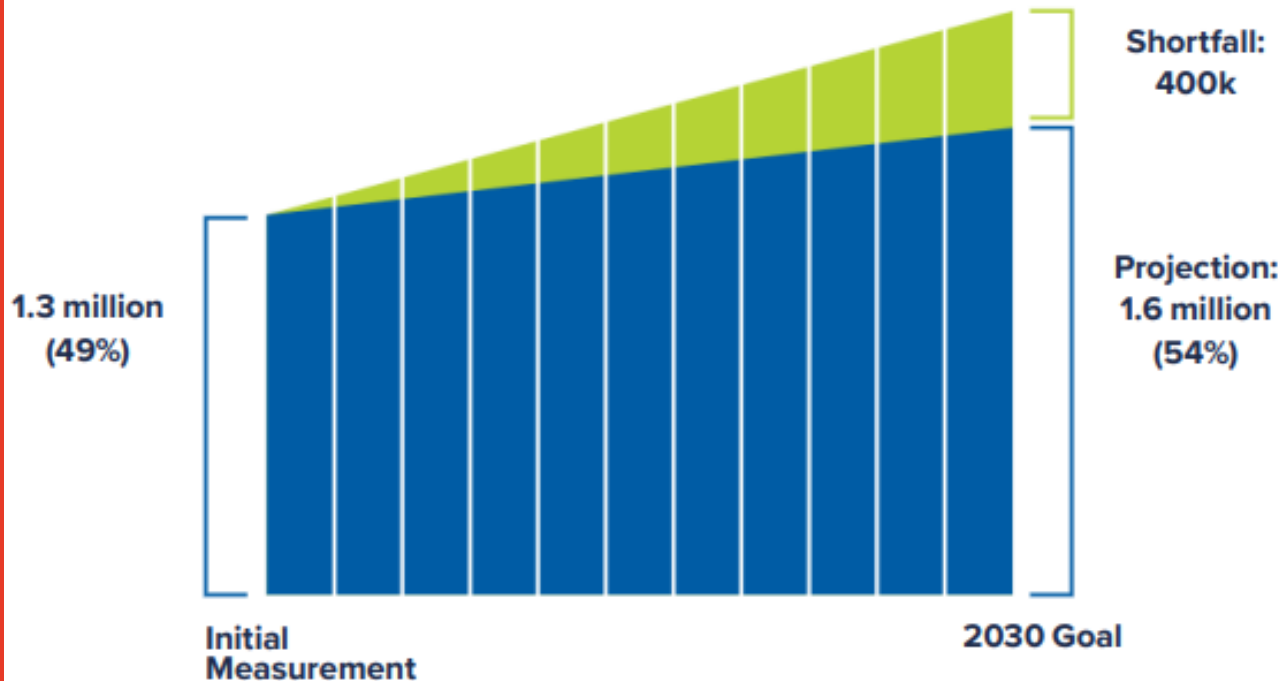# Presentation to the Joint Legislative Education Oversight Committee of the North Carolina General Assembly

SEPTEMBER 6, 2022
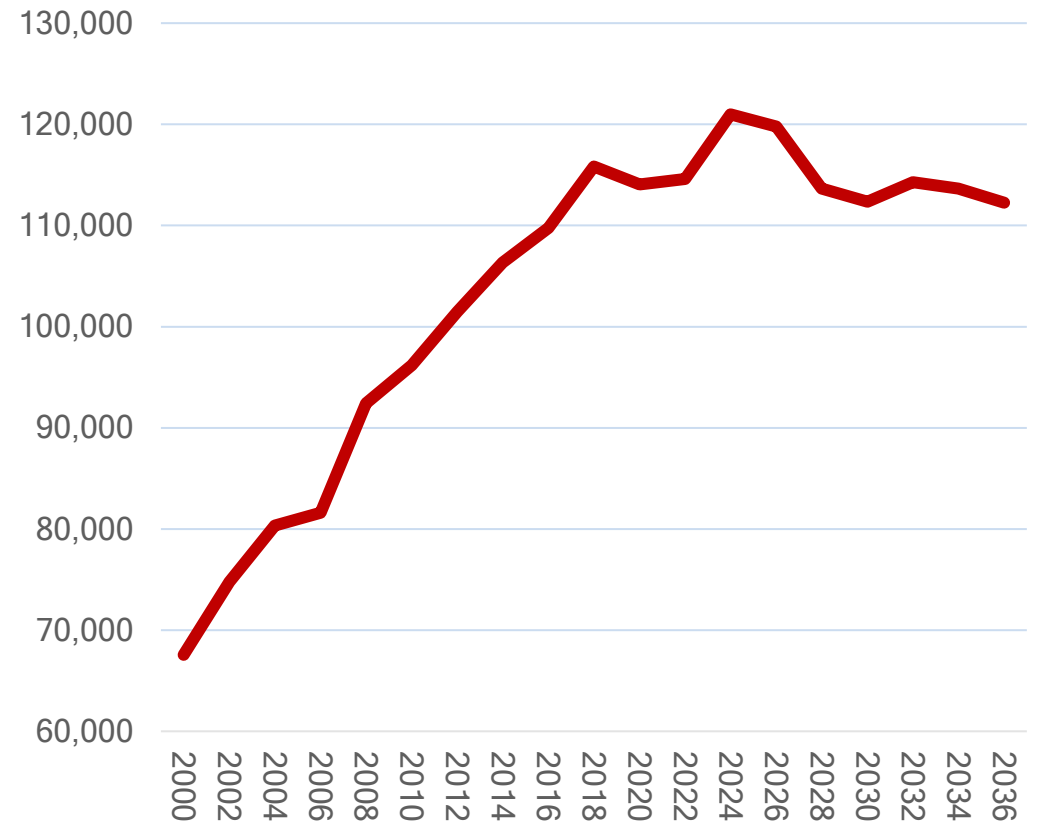
To Reach North Carolina's Attainment Goal, We Must Help More Adults Complete a Postsecondary Degree or Credential

2 million by 2030

Goal: 66% of North Carolinians with a high-quality credential and/or postsecondary degree

1.3 million (49%)

Initial Measurement

Shortfall: 400k

Projection: 1.6 million (54%)

2030 Goal

Actual and Projected North Carolina Public & Private High School Graduates

Sources: MyFutureNC and Western Interstate Compact for Higher Education (WICHE)

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Adult Learners Represent a Significant Opportunity to Accelerate Attainment and the Economy

Number of North Carolinians Age 25+ at Each Attainment Level

- Less than a High School Diploma
- High School Diploma
- Some College, No Degree
- Associate's Degree
- Bachelor's Degree
- Graduate Degree

20.7%
25.0%
20.9%

1.85 million

1.55 million
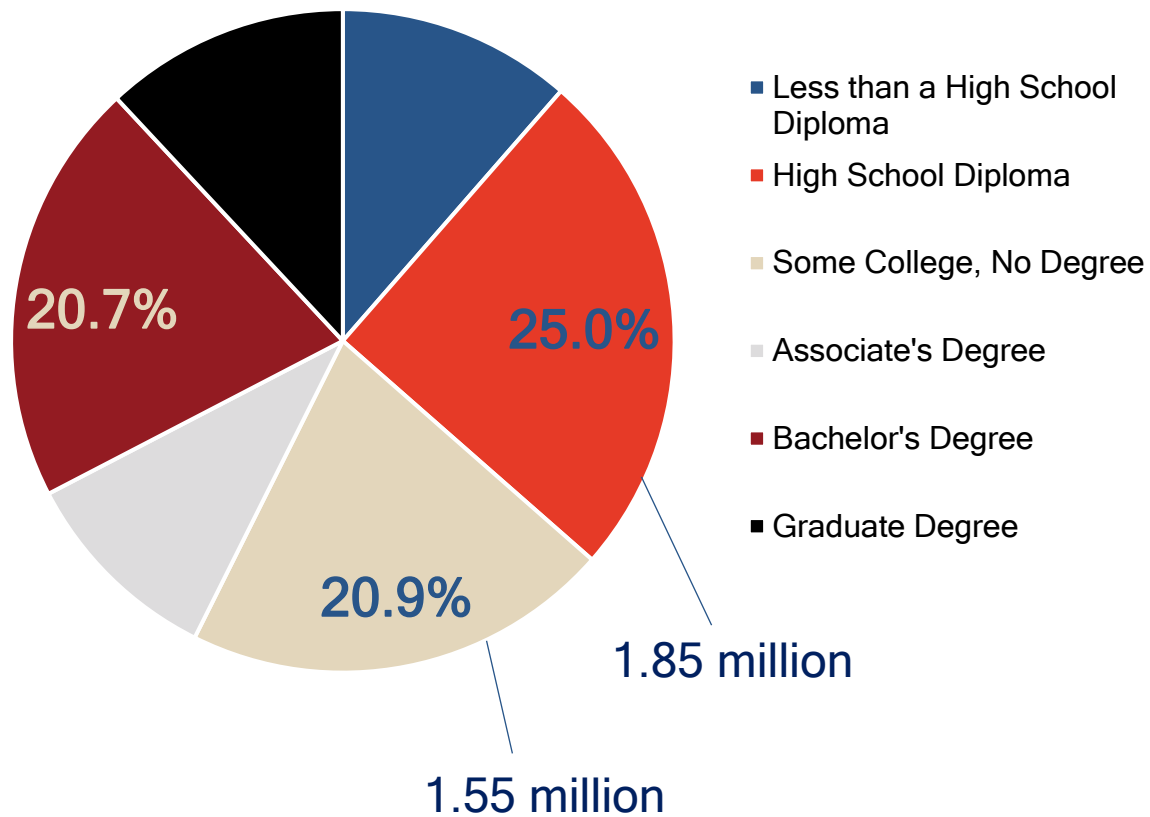
21% of the population has completed some college but not earned a degree.

>

9% of the jobs in NC require some college experience but no degree.

21% of the population has completed a bachelor's degree.

<

26% of the jobs in NC require a bachelor's degree.

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Addressing the Challenges

Working Adults

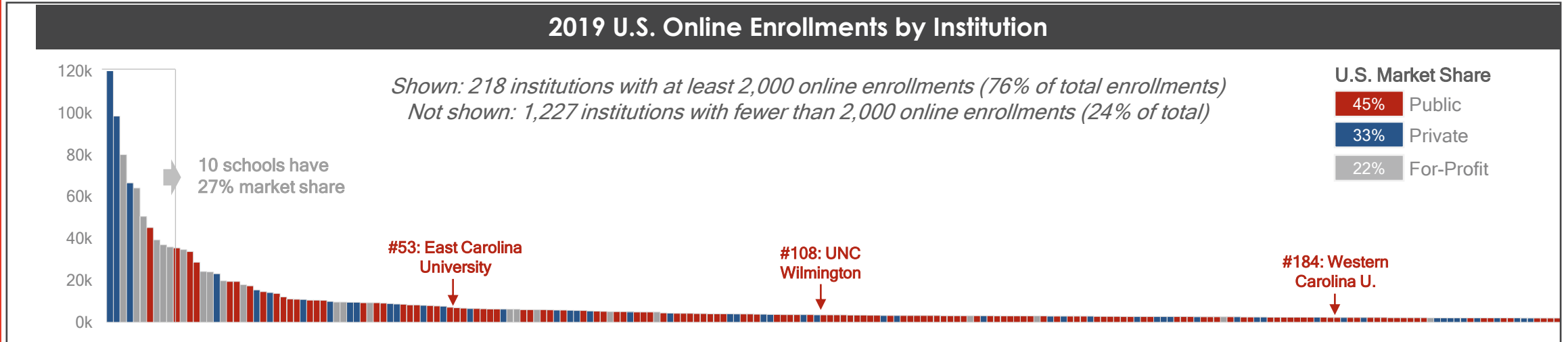**Adult Learners Are a Difficult Population to Reach and Serve, e.g., Adults Who:**

- Enrolled in, but then left higher education

- Have not pursued higher education at all

- Live in "education deserts,"

- Lack access to the necessary technology (the digital divide)

Universities

The UNC System Lacks the Infrastructure to Serve this Population at Scale

- No dedicated administrative structure focused solely on adult learners

- Most courses and programs are not tailored to adult learners

- Relationships between public universities and employers are often tenuous, limiting effective collaboration

- Administrative processes are often rigid and feel onerous to adult learners

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Today's Online Higher Education Market is Heavily Consolidated among a Small but Influential Number of Providers

2019 U.S. Online Enrollments by Institution
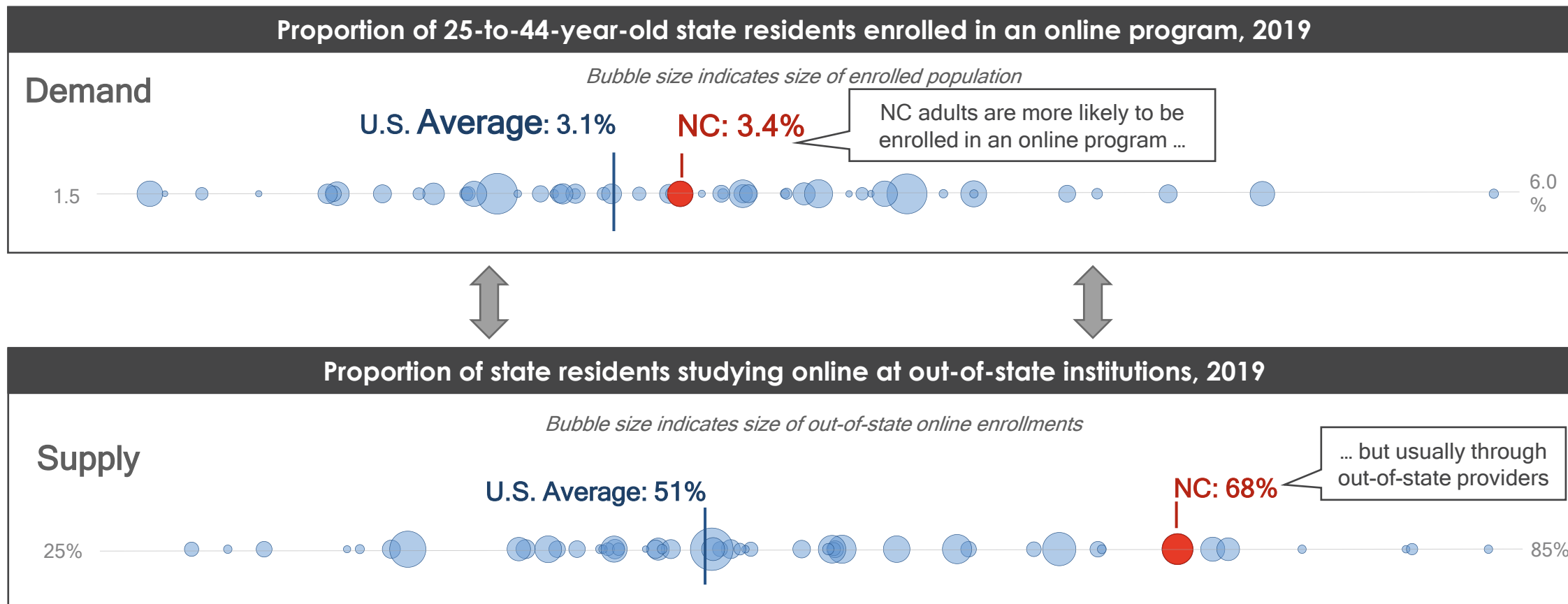

Shown: 218 institutions with at least 2,000 online enrollments (76% of total enrollments)
Not shown: 1,227 institutions with fewer than 2,000 online enrollments (24% of total)

10 schools have 27% market share

U.S. Market Share

45%	Public
33%	Private
22%	For-Profit

#53: East Carolina University

#108: UNC Wilmington

#184: Western Carolina U.

Top 10 by Online Market Share

	Provider	Size and Competitive Strategies
1	Western Governors	135k learners; competency-based; labor market focus; lean operation with low student acquisition costs; streamlined program portfolio; high innovation
2	Southern New Hampshire	120k learners; $150M+ on national marketing per year; campus as marketing; speed to lead with 72 hr. app/financial aid processing; scaled advising
3	University of Phoenix	80k learners; early to market; high scale, digital marketing and learning enabled; exclusive focus on working adult learners
4	Liberty University	67k learners; high-scale, digital-enabled; faith-based appeals to large segments of Southeast market; invests heavily in student success/predictive analytics
5	Grand Canyon University	64k learners; faith-based; residential AZ university with in-house OPM (Orbis Education); campus as marketing

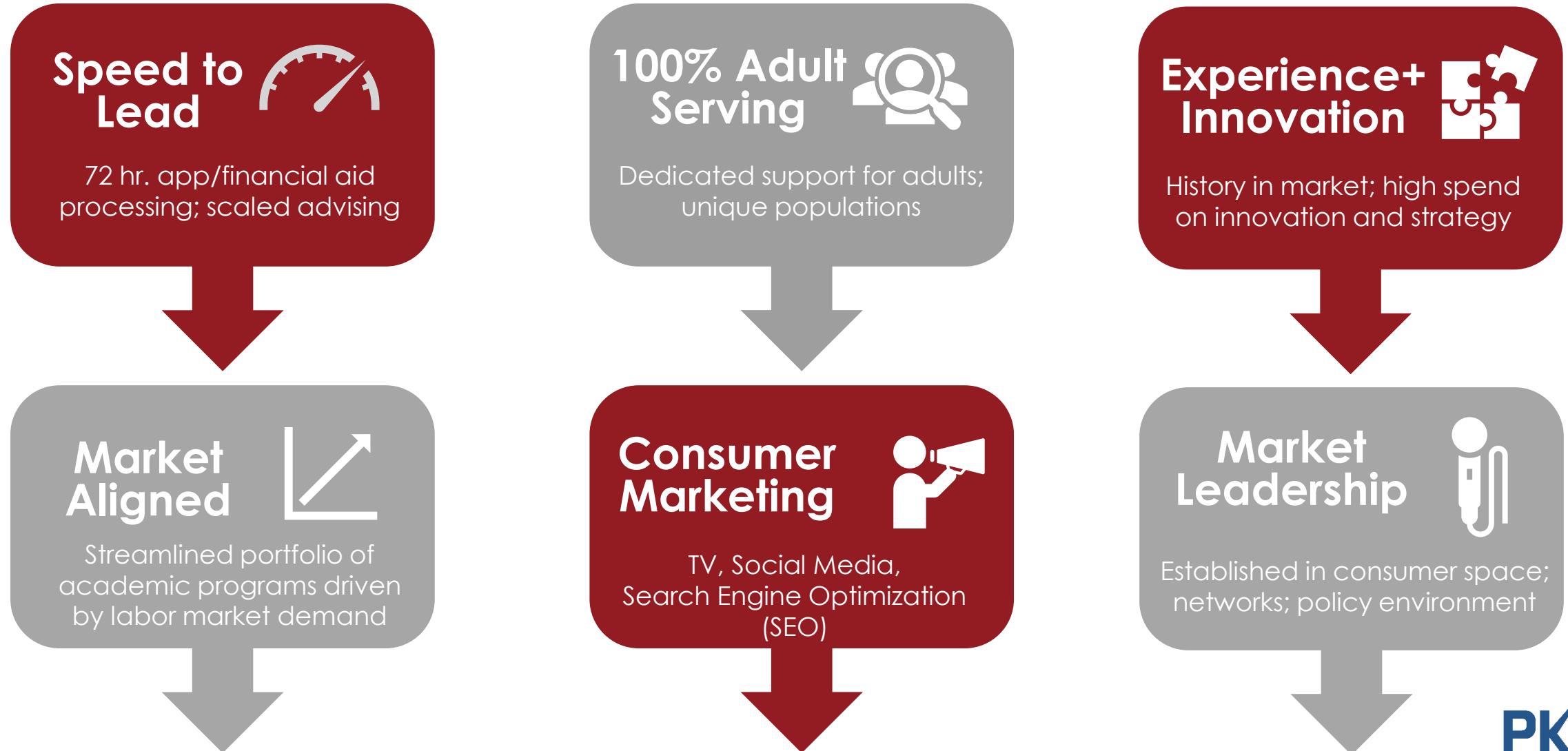|	Provider	Size and Competitive Strategies
6	Strayer University	51k learners; high focus on workforce alignment; graduate degrees mostly; operates state learning sites; B2B; markets with celebrity and industry experts
7	U. Maryland-Global Campus	45k learners; strong military focus with generous transfer/prior learning credit policies; strong in-state draw; high in-state tuition discount; public value prop
8	American Public University	39k learners; exclusive focus on the military; high investment in student and military family support; high focus on undergrad degree completion market
9	Ashworth College	37k learners; subsidiary colleges in various states; owns high school with dual enrollment; acquired by Penn Foster in 2018; undergrad only; DEAC-accredited
10	Penn Foster	36k learners; high school completion and vocational programming for adults; undergrad only; DEAC-accredited

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NC Residents Have Above-average Demand for Online Learning; However, over Two-thirds of Learners Are Choosing Out-of-state Providers

Proportion of 25-to-44-year-old state residents enrolled in an online program, 2019

Demand

Bubble size indicates size of enrolled population

U.S. **Average**: 3.1%   NC: 3.4%

NC adults are more likely to be enrolled in an online program …

1.5   6.0%

Proportion of state residents studying online at out-of-state institutions, 2019

Supply

Bubble size indicates size of out-of-state online enrollments

U.S. Average: 51%   NC: 68%

… but usually through out-of-state providers

25%   85%

NC institutions are not meeting in-state demand for online and pose little competition to out-of-state providers

6

Sources: NC-SARA, IPEDS, PKH Analysis. Incudes only four-year, Title-IV-eligible degree-conferring institutions, excluding California, which does not report to NC-SARA.

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The Infrastructure Challenge in Perspective—How the Competition Succeeds

Speed to Lead

72 hr. app/financial aid processing; scaled advising

100% Adult Serving

Dedicated support for adults; unique populations

Experience+ Innovation

History in market; high spend on innovation and strategy

Market Aligned

Streamlined portfolio of academic programs driven by labor market demand

Consumer Marketing

TV, Social Media, Search Engine Optimization (SEO)

Market Leadership

Established in consumer space; networks; policy environment
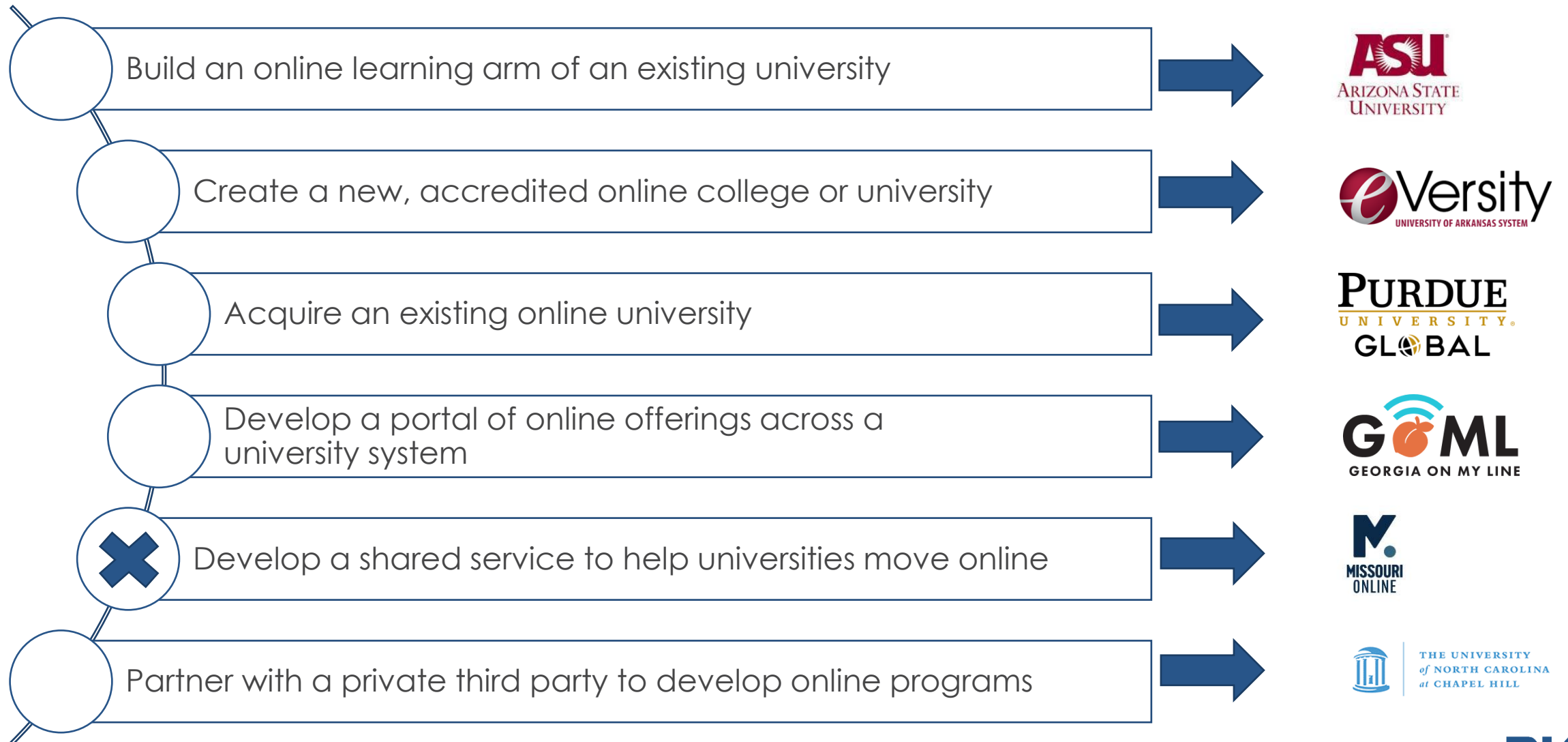
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Project Kitty Hawk's Problem Statement

"

How might the institutions across the UNC System better serve adult learners, so that each university can fulfill its mission to "extend the benefits of public higher education" to all North Carolinians and play its role in helping the state create a robust talent pool prepared for the economic and civic demands of the present and the future?

"

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Public Approaches to Online Market Development

- Build an online learning arm of an existing university → **ASU** Arizona State University

- Create a new, accredited online college or university → **eVersity** UNIVERSITY OF ARKANSAS SYSTEM

- Acquire an existing online university → **PURDUE UNIVERSITY GLOBAL**

- Develop a portal of online offerings across a university system → **GOML GEORGIA ON MY LINE**

- Develop a shared service to help universities move online → **MISSOURI ONLINE**

- Partner with a private third party to develop online programs → **THE UNIVERSITY of NORTH CAROLINA at CHAPEL HILL**

PKH Project Kitty Hawk

Project Kitty Hawk: Building the infrastructure NC needs to better serve working adults
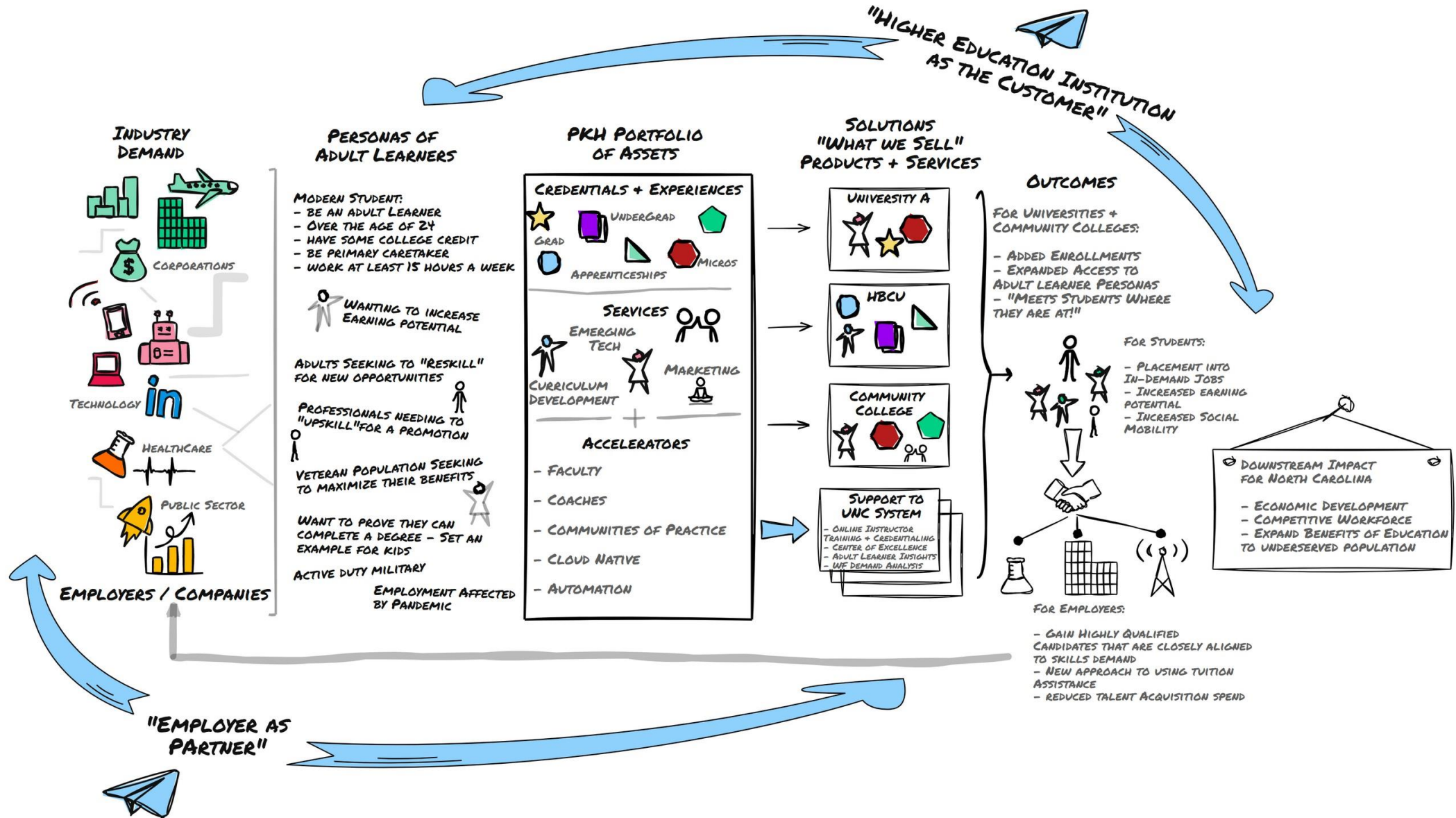
Project Kitty Hawk is:

- A 501(c)(3) non-profit corporation associated with the University of North Carolina System designed to support digital learning and career development programs offered by constituent institutions of the UNC System through a public-private partnership.

- A shared "utility" that will enable the16 universities of the UNC System to build programs and supports that can attract and serve more of North Carolina's working adult learners.

- Focused primarily on bachelor's degree-seeking students, especially those who have started college but never completed.

- Governed by a Board of Directors appointed by the UNC Board of Governors.

Project Kitty Hawk is *Not:*

- An 18th university.

- A monopoly provider that universities are obligated to partner with (Project Kitty Hawk must compete for university business).

- Designed to compete with the state's community colleges.

Labor market-aligned programs delivered by and through UNC's large network of public institutions

Supported by a state-wide online education infrastructure

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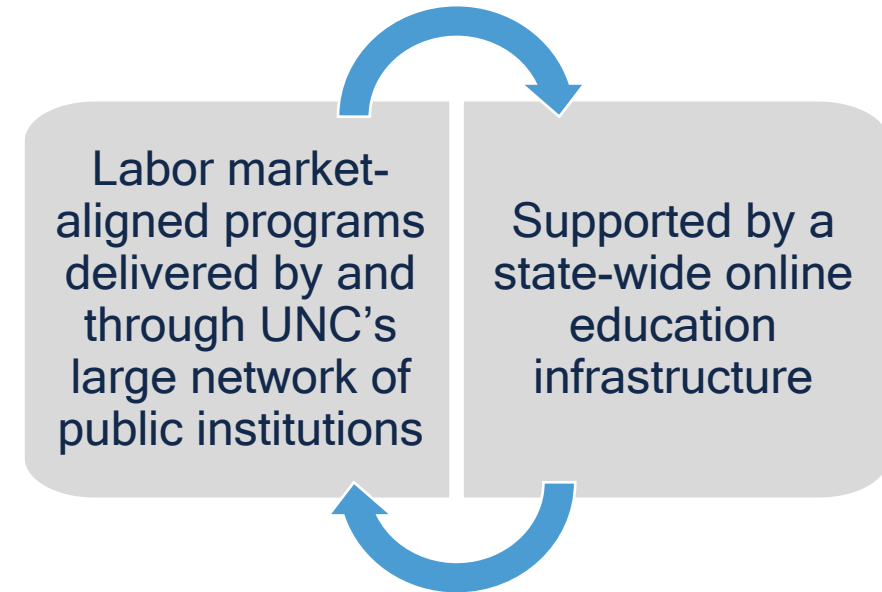
Project Kitty Hawk Mental Model: "Outcomes Engine"

Building the infrastructure NC needs to better serve working adults

Customer Account Management
Support institutions and employers with navigating design, launch, and management of educational offerings

Program Development and Management
Identify relevant programs or credentials for development, design the curriculum, and develop the courses

- Online Learning & Portfolio Strategy
- Curriculum Design & Management
- Course & Content Development

Student Lifecycle
Support program goals and address faculty, staff, and student records

- Recruiting & Marketing
- Enrollment & Admissions
- Student Academic Support
- Student Experience & Engagement
- Career Services
- Graduation & Alumni Relations

Program Delivery
Ensure appropriate supports and infrastructure are in place to deliver on program vision and quality

- Content Delivery (Teaching)
- Faculty Training & Support
- Platform Services (Deploy, SI, Maintain)

Online Program Support Services
Develop robust infrastructure to support program goals and address faculty, staff, and student needs

- Student & Faculty Technology Support
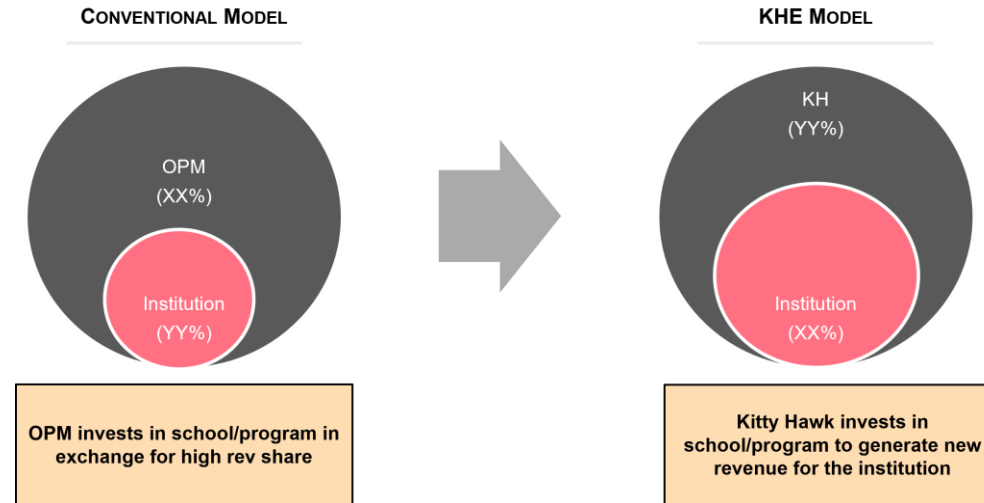- Learning Analytics & Student Success
- Data Analytics & Insights
- Academic & Faculty Affairs
- Security & Fraud
- Student Records Management
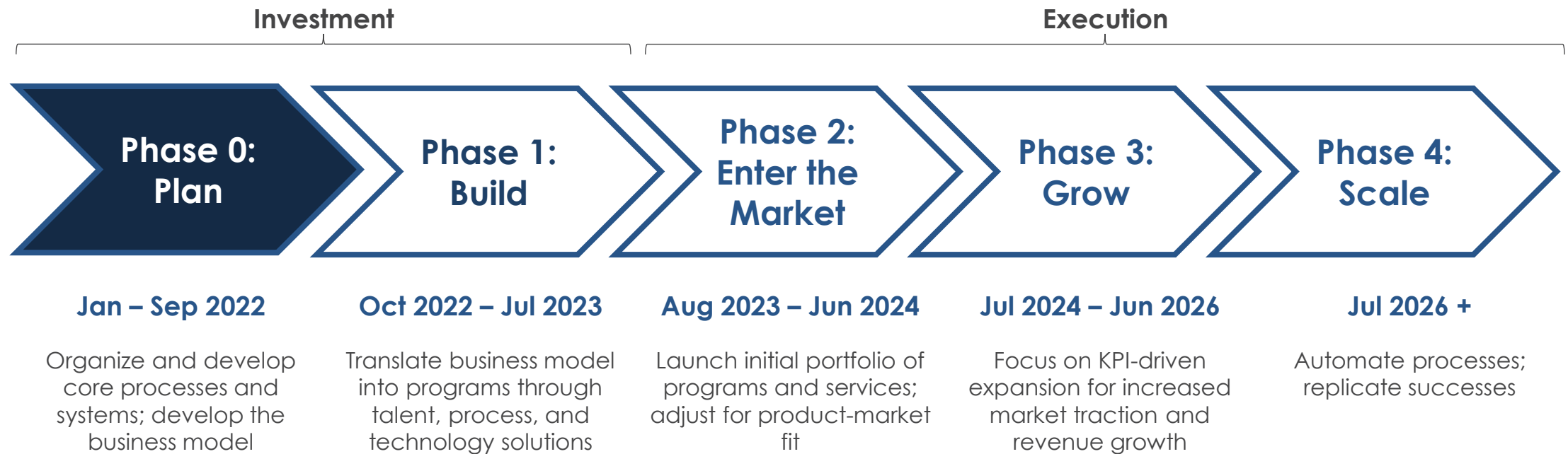
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Innovation: More Affordable Revenue Share, More Flexibility

1. **More Affordable Revenue Share than For-profit Providers.** Non-profit business model frees Project Kitty Hawk to charge lower revenue share than typically charged by for-profit OPMs.

CONVENTIONAL MODEL

KHE MODEL

OPM
(XX%)

Institution
(YY%)

KH
(YY%)

Institution
(XX%)

OPM invests in school/program in
exchange for high rev share

Kitty Hawk invests in
school/program to generate new
revenue for the institution

2. **New, More Flexible Revenue Stream.** Per the budget provision creating Project Kitty Hawk:

- Credit hours delivered in partnership with Project Kitty Hawk will **not be funded** through the university's enrollment growth model.
- Tuition revenue generated by Project Kitty Hawk Programs will be considered **institutional trust funds.**

3. **E - Rate.** Because Project Kitty Hawk programs are expected to be **self-supporting,** under Board of Governors policy, Project Kitty Hawk programs will have flexibility to charge a tuition rate that is different from the prevailing rate for in-state students (up to a per-credit hour cap established by the BoG).

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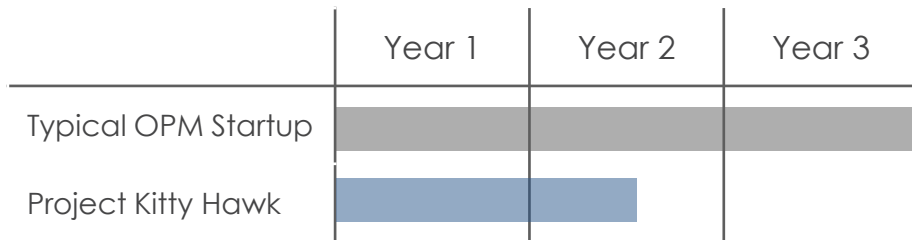# Project Kitty Hawk Development Phases

Investment

Execution

Phase 0: Plan	Phase 1: Build	Phase 2: Enter the Market	Phase 3: Grow	Phase 4: Scale
Jan – Sep 2022	**Oct 2022 – Jul 2023**	**Aug 2023 – Jun 2024**	**Jul 2024 – Jun 2026**	**Jul 2026 +**
Organize and develop core processes and systems; develop the business model	Translate business model into programs through talent, process, and technology solutions	Launch initial portfolio of programs and services; adjust for product-market fit	Focus on KPI-driven expansion for increased market traction and revenue growth	Automate processes; replicate successes

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"Build by Partnership Approach" Enables Us to Meet Our Mission

| Partners | accenture | ACUE | aws | Collegis EDUCATION |
| | Davidson Group HR SOLUTIONS | GMS · RE UP | SchellBray Attorneys and Counselors at Law | SlateAccountingGroup Grow your business with us |

Benefits

- Faster entry into the market

	Year 1	Year 2	Year 3
Typical OPM Startup			
Project Kitty Hawk			

- Deeper capabilities

- Greater human capital

- Learning through other's mistakes

The Badge-less Project Kitty Hawk Team

Project Kitty Hawk	ReUp	AWS	Accenture	ACUE	Collegis	HR/Legal/ Accounting	Total
21.8	7.0	6.0	6.0	3.5	2.5	2.5	49.3

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Project Kitty Hawk North Carolina Online Market Size Estimates

Conservative ← → Expected ← → Stretch
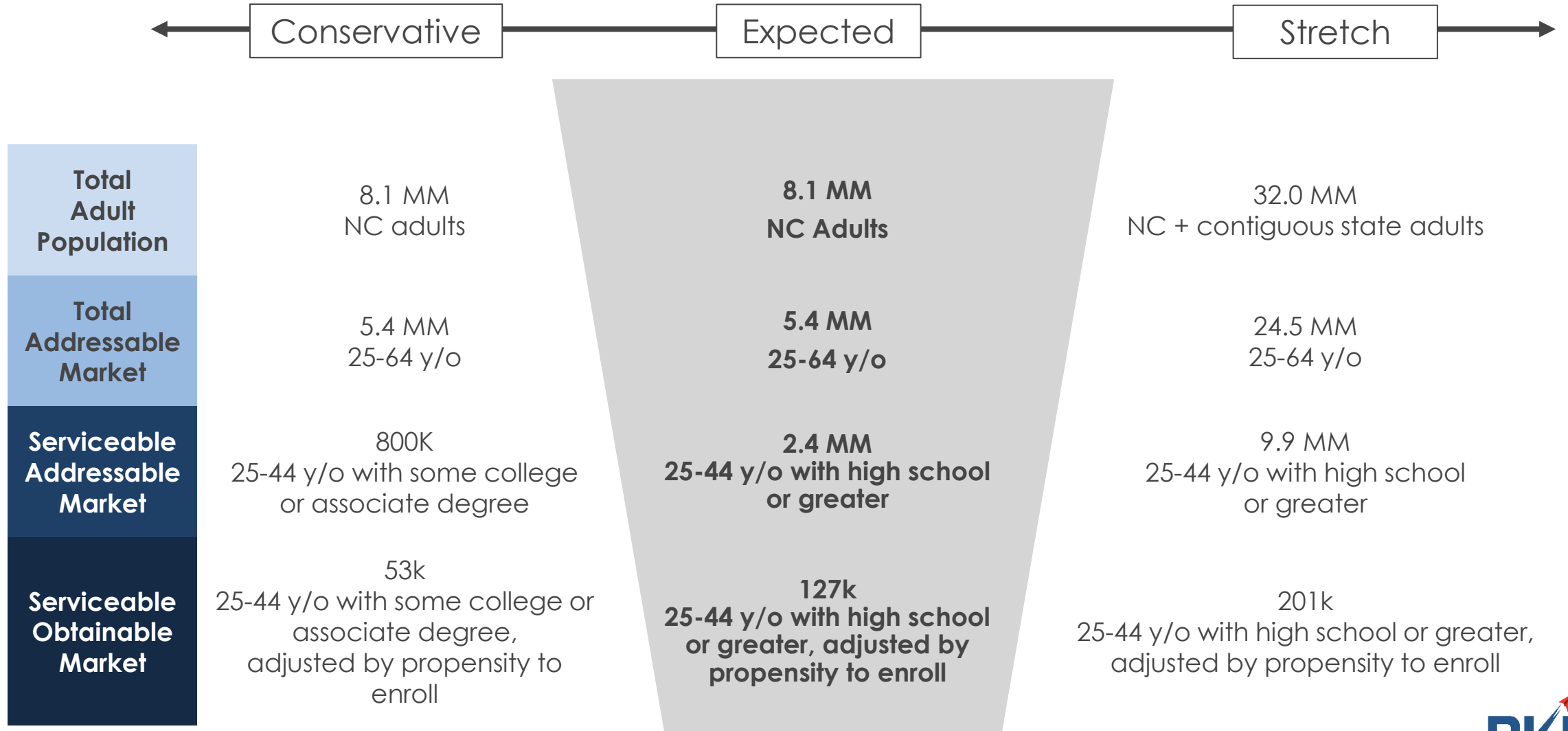
	Conservative	Expected	Stretch
Total Adult Population	8.1 MM NC adults	8.1 MM NC Adults	32.0 MM NC + contiguous state adults
Total Addressable Market	5.4 MM 25-64 y/o	5.4 MM 25-64 y/o	24.5 MM 25-64 y/o
Serviceable Addressable Market	800K 25-44 y/o with some college or associate degree	2.4 MM 25-44 y/o with high school or greater	9.9 MM 25-44 y/o with high school or greater
Serviceable Obtainable Market	53k 25-44 y/o with some college or associate degree, adjusted by propensity to enroll	127k 25-44 y/o with high school or greater, adjusted by propensity to enroll	201k 25-44 y/o with high school or greater, adjusted by propensity to enroll

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Project Kitty Hawk Builds Capacity to Enroll Adult Students, Plotting the Course for the UNC System to Exceed its 2027 Goal

UNC System Strategic Plan: 45,000 adult students enrolled by Fall 2027 (stretch goal: 50,000)
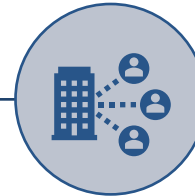
Questions?

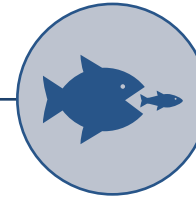PKH
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