Project Kitty Hawk:
Progress Report to the North Carolina General Assembly

March 1, 2024

University of North Carolina System
Project Kitty Hawk
Chapel Hill, North Carolina

Project Kitty Hawk: Context

Project Kitty Hawk is a nonprofit education technology company that serves only the UNC System. It is the vehicle for UNC System institutions to offer online degree programs specifically designed for adult learners.

Befitting its reputation as the best public university system in the United States, the UNC System is the first to build an online degree platform tailored to adult learners. As this report will detail, we are confident in Project Kitty Hawk's promise and optimistic about its future – a future in which UNC System institutions can meet the higher education needs of more North Carolinians that aspire to a degree but need a more flexible, supportive path to and through a program than the typical 18-24 year old.

Since our last report, Project Kitty Hawk built a best-in-class online degree platform with a suite of support services catered to the adult learner. It launched its first degree program in October 2023, followed by four additional program launches in the winter of 2024. By the end of the academic year, Project Kitty Hawk will have launched a total of nine degree programs in its first year in the market. Through Project Kitty Hawk, adult learners have access to a learning environment that meets their needs for degree completion from a renowned public university system.

Where we are: key milestones as of Feb. 26, 2024

Completed PKH Digital Platform Build
✓ On Schedule
✓ On Budget

Launched 1st PKH-Powered Degree Program
October 2023

Launched PKH Re-Enrollment Program
May 2023

Total Student Starts

1,069

total new learners brought into UNC System by PKH

Institution Partnerships

11

UNCW University of North Carolina Wilmington
WSSU
ECU
UNC Pembroke
NC Central University
University of North Carolina Asheville
University of North Carolina Charlotte
Appalachian State University
Fayetteville State University
Western Carolina University
UNC Greensboro

The adult learner population is both extraordinarily important and challenging to serve. **Why?**

First, the extraordinary importance of serving adult learners – to the UNC System, to employers, and to North Carolina generally.

Project Kitty Hawk unlocks a new population for the UNC System to serve. Even before COVID drove growth in online learning, data indicate that in 2019 about 63,000 North Carolinians were attending out-of-state universities exclusively online.

By opening more pathways for North Carolina adults to earn a degree at a reasonable cost at a UNC System institution, the state can better achieve its workforce goals. Indeed, every Project Kitty Hawk goal is nested within the overall state goal of 2 million adults with a degree or high-quality credential by 2030.

This attainment goal is critical to North Carolina's future. Our state is booming. We've become a favored destination for large employers in cutting edge fields. As is well-known by now, this success brings with it a major workforce development challenge. Companies move here to grow; our workforce must – *must* – have the skills to facilitate that growth, or employers will pass over North Carolina when deciding where to put its next advanced manufacturing facility or regional headquarters. Online degree programs powered by Project Kitty Hawk are a key pathway that will allow North Carolina to achieve its workforce development goals.

We know one of the best predictors of economic mobility is a bachelor's degree. North Carolina adults that have not yet earned a degree can now count on the state's public universities to provide a path to labor market opportunity and mobility. By enabling adult learners to find, enroll in, and finish a degree at a reasonable cost, the UNC System, through Project Kitty Hawk, helps them achieve career goals that can change the trajectory of their life.

Takeaway: Having a vehicle for UNC System institutions to serve adult learners yields benefits for the System, for employers, and for the state generally. Those benefits include the UNC System serving North Carolina adults; the state meeting its workforce development goals; and individuals meeting their career goals at a reasonable cost.

Second, the challenges. Most adult learners have constraints that limit the time they can dedicate to classes during normal business hours. Many have small children, for example, or care for elderly parents. Most work full-time jobs, often as the family breadwinner. The constraints also impact their ability to troubleshoot academic or technological problems, putting adult learners at higher risk of falling behind on coursework or stopping their degree pursuits altogether.

To serve an adult learner *properly*, then, every part of the degree experience – course beginning and end dates, technology support, office hours, academic coaching – must be tailored to adult learners.

In many ways, a properly executed online degree program has little overlap with the traditional operations of an on-campus experience. Adult learner courses begin at unconventional dates throughout the year. An asynchronous learning environment allows students to engage with course material and faculty outside of regular working hours. Technology support staff is available early in the morning or late at night to troubleshoot software issues. Academic coaches – assigned to each and every learner in a degree program supported by Project Kitty Hawk – are familiar with typical challenges for the adult learner, like family obligations and job responsibilities, and work with the student and the instructor to solve them. And, of course, instructional material must be engaging and curated for a digital learning environment, not simply recycled from in-person classes and posted to a website.

What's more, adult learners often have a specific career goal attached to their pursuit of a degree. It may be that a promotion from the factory floor to the management suite requires a bachelor's degree in business administration, or a raise at the hospital requires a Bachelor of Science in nursing.

For this reason, when choosing a university, adult learners usually give far more weight to whether a program can fit into their work and family schedules. They seek above all else a degree program they can finish while still being able to succeed at work and put their kids to bed.

The traditional college experience was not built with this audience in mind. The difference between the traditional on-campus experience and online degree programs explains why the State of North Carolina, through the UNC System, has chosen to invest in a capability like Project Kitty Hawk. Even universities that have embraced online learning – like ECU which has over 4,500 fully online undergraduate students – recognize the need to continuously refine and improve online offerings to better compete with out-of-state, online universities.

It also explains the value Project Kitty Hawk brings to constituent institutions. Its expertise in tailoring degree programs to adult learners enables UNC System campuses to bring what they do best – high quality, affordable education – to a new audience, and to do so with a capability that no one institution would have been able to build on its own.

Takeaway: Adult learners have entirely different academic needs than traditional students, and meeting those needs requires an entirely different approach. Project Kitty Hawk's expertise in meeting the needs of adult learners is enabling UNC System universities to meet those unique needs.

It is for these reasons – the challenge and the promise of serving adult learners – the North Carolina General Assembly appropriated $97 million for Project Kitty Hawk and tasked it with building and then delivering an online degree platform for constituent universities.

Project Kitty Hawk: Timeline and Status

Project Kitty Hawk divides its growth trajectory into five phases: Plan, Build, Enter the Market, Grow and Scale. In the third quarter of calendar year 2023 – on schedule – the organization concluded its build phase and began its market entry phase.

Where we are: Enter Market
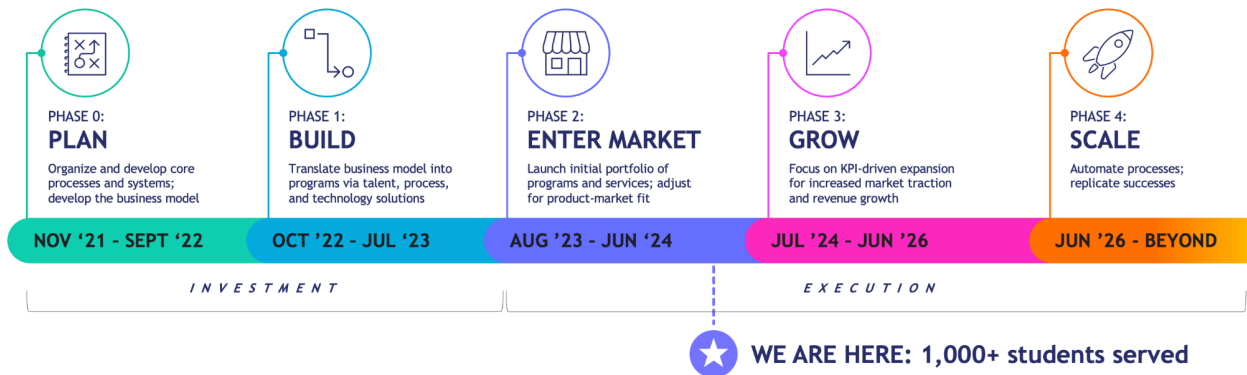
- *November 2021*: Senate Bill 105: 2021 Appropriations Act, Sec. 8.24, which includes $97 million for Project Kitty Hawk, becomes law
- *February 2022*: Wil Zemp hired as Project Kitty Hawk CEO
- *April 2022:* UNC System and Project Kitty Hawk finalize operating agreement
- *May 2022:* First cohort of PKH staff hired
- *October 2022*: Buildout of PKH Platform begins
- *February 2023:* U.S. Department of Education releases new guidance on Online Program Management
- *May 2023:* Launch of PKH Re-Enrollment Program
- *June 2023:* In response to U.S. Department of Education policy changes and guidance from the PKH Board of Directors, PKH adopts modified business model to comply with federal guidance
- *September 2023:* Buildout of PKH Platform completed
- *October 2023*: First degree program launched at North Carolina Central University (RN to BSN)
- *January 2024*: Second degree program launched (BS in Information Technology, NCCU)
- *February 2024*: Third, fourth, and fifth degree programs launched
- *March 2024:* Sixth degree program to launch
- *May 2024:* Seventh and eighth programs to launch
- *June 2024*: Ninth program to launch

The following section will describe the outputs from Project Kitty Hawk's build phase and details of Project Kitty Hawk's market entry.

Building a Best-in-Class Online Degree Platform

This report's introduction described the significant difference between the traditional on-campus experience and online degree programs designed for adult learners. Between April 2022, when the UNC System and Project Kitty Hawk finalized their operating agreement, and October 2023, when Project Kitty Hawk's first degree program went live, Project Kitty Hawk built a best-in-class online degree platform, complete with a suite of academic and technical support services.

The September 2022 report to the Joint Legislative Education Oversight Committee promised an online learning platform catered to the adult learner, and listed 18 capabilities Project Kitty Hawk expected to incorporate into its structure. Project Kitty Hawk's platform delivers on all 18 capabilities.

No other education technology organization has created this kind of product in such a short time period.

The rapid build is ideal because it not only enables constituent universities to begin deploying online degree programs, but reflects the time constraints on Project Kitty Hawk's funding. The General Assembly seeded Project Kitty Hawk with $97 million drawn from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which, per federal guidance, the organization must obligate by the end of 2024 and spend by the end of 2026.

Two of Project Kitty Hawk's largest expenditure categories are the build of the digital learning platform, which is fully functional, and funding to support university program launches. The following offers brief descriptions about key features of the Project Kitty Hawk platform.

Student learning interface: Adult learners use a virtual interface that is specifically designed for the needs of an adult learner – not the traditional 18-22-year-old college student. The PKH platform is designed to be asynchronous, which is the method adult learners prefer to use and enables UNC System institutions to better serve adult learners.

Instructor interface: Faculty are an imperative part of the students journey. The PKH platform is designed to give faculty all of the tools and resources they need to best serve adult learners. This includes a learning module system dashboard that includes key resources and information, including direct contact to the Student Success Coaches, 24/7 IT help and personal support, as well as professional development options. Project Kitty Hawk additionally supports institutions with a faculty recruiting platform.

Program design and development: Universities have final decision-making authority on all aspects of program design, including class offerings and schedules. Project Kitty Hawk offers expertise and recommendations to facilitate program design, and helps execute the technical aspects of program creation.

Course design: Like program design, Project Kitty Hawk supports instructors in building out particular courses and delivering them virtually. Instructors maintain control over the content they offer their students, but Project Kitty Hawk provides technical expertise and recommendations.

Faculty recruitment and management: Building online programs that meet the needs of adults can result in significant growth in online enrollments and a need to recruit additional faculty and/or provide professional development opportunities for existing faculty to master online teaching and learning. Some universities have already-identified faculty for online degree programs, while others wish to onboard new faculty. Project Kitty Hawk supports faculty onboarding, training, orientation, and technical needs, and can assist universities in faculty recruitment if desired.

Academic coaching: Adult learners often require more intensive academic support services because of the severe constraints on their time (e.g., family or work obligations). In fact, without a proper level of support, adult learners are far more likely than traditional students to fall behind on their coursework or stop their degree pursuit entirely. Every student enrolled in a Project Kitty Hawk-powered program has a dedicated success coach that offers students a holistic student coaching experience that goes beyond what is traditionally offered to adult learners, including coaches that are available to students in the evening when they are most likely to need that support.

Course planning and registration: In concert with its student interface and academic coaching, Project Kitty Hawk offers students personalized course planning, selection, and registration.

Student orientation: Project Kitty Hawk delivers students full-service orientation materials and support – all with university branding. Adult learners can often feel disconnected from a university because they live far away and interact digitally, not in person. A well-crafted orientation structure makes an adult learner feel he or she is part of the university culture, which improves retention.

Technical support: Adult learners usually don't get the luxury of sitting down to do their coursework during 9-5 business hours because of the demands of other facets of their lives. Coursework is usually done early in the morning or late at night. Therefore, Project Kitty Hawk offers 24/7 technical support so that if a student encounters a technical issue, they can get the support they need no matter the hour.

Curated marketing: Project Kitty Hawk develops and executes – with university feedback and final approval – a marketing strategy specifically tailored to the university and degree program. The strategy includes targeted advertisements to demographics that fit the university and degree program's expected market. Marketing tactics include digital ads and internet search

engine optimization (SEO), among others. This allows the universities to compete with out-of-state providers that spend millions annually to attract students within North Carolina.

Student recruitment: While the marketing strategy casts a wide net to inform an audience of the university's program, the student recruitment team handles direct inquiries that come in from prospective students, usually prompted by an advertisement or internet search. Adult learners usually have very specific needs and questions when considering a degree program.

Once an inquiry comes in, a student recruitment specialist will initiate contact (most often by phone) usually within minutes. The specialist introduces him or herself as speaking on behalf of the university and explains the details of the degree program, answering any questions along the way. Adult learners usually have questions about timing and accommodations for work and family life, which the specialist will be prepared to answer in full.

This interaction often represents the first person-to-person experience a prospective student has with the university, which is why Project Kitty Hawk pays particularly close attention to specialist training, response times, and feedback.

Data and analytics: Project Kitty Hawk maintains academic records and data for universities if they choose. Project Kitty Hawk's services include disaster recovery and risk management, reporting and analysis of data trends, and fulfilling special dashboard requests unique to a course, program, or university.

In sum, Project Kitty Hawk offers UNC System institutions a customizable online degree platform built to enable North Carolina's public universities to serve adult learners without needing to acquire the technical expertise an undertaking like this demands.

Market Entry

Project Kitty Hawk concluded its build phase on schedule in the third quarter of calendar year 2023. Shortly thereafter, it entered the market with its first degree program launch, a Bachelor of Science in Nursing at North Carolina Central University. Here is a breakdown of when each of the nine Project Kitty Hawk-powered programs have launched or will launch in FY24, along with other relevant information.

The three ECU programs marked below with an asterisk (*) which launched on Feb. 26, 2024 are not through the add/drop date, and therefore are not ready to report current enrollment numbers as of the publication date of this report.

Institution	Program	Launch Date	Cost Per Credit Hour	Current Enrollment	Projected Enrollment By End of 2023-24
NCCU	RN to BSN	10/11/23	$350	21	55
NCCU	BS Information Technology	1/8/24	$350	2	29
ECU	BS Psychology	2/26/24	$375	N/A*	57
ECU	BS Information & Cybersecurity Technology	2/26/24	$400	N/A*	16
ECU	BS Multidisciplinary Studies: Security Studies	2/26/24	$375	N/A*	12
NCCU	BS Business Administration	3/11/24	$350	N/A	21
NCCU	BS Public Health Education	5/21/24	$350	N/A	8
NCCU	BS Health Administration	5/21/24	$350	N/A	11
ECU	BS Criminal Justice	6/3/24	$375	N/A	15

Organization Growth

As a start-up, Project Kitty Hawk has had to build the company while running it at the same time.

While building the PKH Platform and establishing relationships with universities, Project Kitty Hawk has concurrently built a culture centered around performance and excellence. As of February 2024, Project Kitty Hawk had 50 employees drawn from a diverse array of backgrounds, including higher education institutions and organizations, technology companies, the public sector and many more types of industries.

Project Kitty Hawk offers a benefits package that is both fiscally responsible and competitive to attract the talent needed to build a thriving organization.

Finances

The North Carolina General Assembly seeded Project Kitty Hawk with $97 million.

As of Dec. 31, 2023, Project Kitty Hawk had spent $33.9 million and encumbered an additional $29.8 million to support degree program launches and student support at university partners this spring and summer. Project Kitty Hawk is on schedule to draw down the remaining grant funds ($33.3 million) by June 30, 2024, and to spend them by the end of 2026.

$14.5 million has been spent directly on the PKH digital platform. This platform is a lasting asset for the UNC System and the state. Project Kitty Hawk was able to build the digital platform in 10 months – compared to the 18-24-month industry standard – by prioritizing partnerships with the best in the industry. The build by partnership approach not only allowed Project Kitty Hawk to build at speed, but also to scale. An additional $15.6 million has funded Project Kitty Hawk operations and $3.8 million has been spent on the re-enrollment campaign described below (which has been provided to participating UNC System campuses at no cost).

How Project Kitty Hawk Generates Revenue

Project Kitty Hawk operates on a fee-for-service model. Project Kitty Hawk and universities collaborate to identify high-demand degree programs and to forecast the resources required to launch, grow, and maintain the programs. Project Kitty Hawk charges quarterly fees in arrears based on the services provided, which differ from program to program based on universities' needs.

Project Kitty Hawk Revenue Projections, FY24 to FY28

millions	FY24	FY25	FY26	FY27	FY28
NC GA SFRF Grant	$52.0	-	-	-	-
Fee-for-Service Revenue	$7.1	$19.8	$32.5	$54.2	$78.3
Other Revenue	$0.3	$0.2			
Total Revenue	$59.4	$20.0	$32.5	$54.2	$78.3

Student Cost Per Credit Hour at a Project Kitty Hawk-Powered Degree Program

The North Carolina General Assembly provides the majority of UNC System institutions' operating revenue through state appropriations. The amount of state appropriation is based in large part on the number of North Carolina residents enrolled in degree programs that are included in the University's enrollment funding model. Only resident enrollments in these "on-model" programs are included in state appropriation calculations.

Per the budget provision that created Project Kitty Hawk, credit hours delivered in PKH-powered programs are not eligible to be included in the enrollment funding model calculation (Senate Bill 105: 2021 Appropriations Act, Sec. 8.24). The state does not provide funds to universities for Project Kitty Hawk-powered programs. As a result, students in PKH-powered programs must pay tuition rates that cover the cost of their education.

Because of this, the UNC Board of Governors has created flexibility for universities to charge different tuition rates in PKH-powered programs but has also imposed a per-credit tuition cap of $500 for in-state undergraduates and $800 for in-state graduate students (Board guidance calls for out-of-state rates that are at least 20% higher than these). With this flexibility, Project Kitty Hawk has advised NCCU and ECU on the appropriate tuition rates to support their "off-model" online programs. The rates vary depending on the cost of instruction and tuition costs for similar programs offered by other adult-serving universities. In contrast, the weighted average undergraduate tuition rates for the five out-of-state online education universities that serve the largest number of North Carolina residents (Liberty University, Southern New Hampshire University, Strayer University, the University of Phoenix, and Western Governors University) is $410 per credit hour. North Carolina residents enrolled in PKH-powered programs are paying less than they would at the largest out-of-state providers.

There are two reasons that PKH-powered programs are able to charge tuition rates lower than the average rates charged by the largest out-of-state providers. First, Project Kitty Hawk is a nonprofit that exists to serve the UNC System and North Carolina adult learners. The entity does not seek extra revenue beyond what is required for operations. Second, Project Kitty Hawk has used the seed funding from the General Assembly to build a scalable service delivery platform. The platform enables Project Kitty Hawk to efficiently scale its services to UNC System institutions.

Business Model

U.S. Department of Education Regulatory Guidance; Changes to the Project Kitty Hawk Business Model

When originally conceived, Project Kitty Hawk intended to employ a revenue share model in which tuition revenue is split between the university and the Project Kitty Hawk, with each party paying its own costs from its share of revenue. This approach has been the industry standard for online program management (OPM) companies, which provide bundled services to support online program development and growth. Project Kitty Hawk's original business model offered UNC System institutions a more favorable revenue share than for-profit OPMs would offer: PKH projected it would receive 35-40% of program revenue, lower than the 50-60% share typically found in OPM agreements.

In February 2023, the U.S. Department of Education issued new guidance that signaled its intent to review and potentially prohibit revenue share agreements between OPMs and universities that receive Title IV funds. In March 2023, after careful deliberation with its Board of Directors and the UNC System, Project Kitty Hawk proactively changed its business model to a fee-for-service approach, in which it charges client institutions for online program development and support services. Over time, the fee-for-service model will benefit universities, as Project Kitty Hawk's fees equate to approximately 35% of program revenue. Unlike in the revenue share model, Project Kitty Hawk's revenues do not grow in proportion to program revenue growth; its revenues are limited by the service fees it charges.

In the short term, the fee-for-service model does come at a cost to universities: they would be obligated to cover the up-front costs for both their own program start-up expenses and Project Kitty Hawk's service fees before generating sufficient tuition revenue to recoup those costs. In response, Project Kitty Hawk will provide up to $8 million in grants to partner universities over five years to encourage adoption and offset costs that universities incur before programs generate revenue. In addition, PKH will defer up to $32 million in service fees until programs are self-sustaining. Project Kitty Hawk's $40 million capital allocation ensures that universities can design, launch, and grow online degree programs without incurring startup costs, therefore eliminating almost all risk to the institution.

In contrast to a revenue-share model, deferring fees until programs become self-sustaining necessarily limits Project Kitty Hawk's ability to launch new online programs. If the organization were to initiate too many simultaneous program launches, it would risk depleting its university support funds and face insufficient cash flow to cover operations. For this reason, Project Kitty Hawk must limit growth to nine degree program launches in each of the first three years. This plan ensures sufficient capital for successful launches but results in a longer growth horizon to reach the original projections made under the revenue share model.

Project Kitty Hawk's leadership and Board of Directors established new projections for program launches and enrollments in mid-2023 as a result of the model change.

UNC System PKH-Powered Degree Program Projections

	FY24	FY25	FY26	FY27	FY28
New Institutions	2	1	-	2	2
Total Institutions	2	3	3	5	7
Program Launches	9	9	9	14	15
Total Programs	9	18	27	41	56
New Student Starts	236	2,100	4,700	8,300	13,100
Enrollments at End of Year	210	1,800	4,800	9,100	14,800

University Partnerships: Online Degree Programs

Project Kitty Hawk's primary mission is to help UNC System institutions develop in-demand degree programs. Primarily focused on undergraduate degrees, Project Kitty Hawk provides the comprehensive suite of services described above that allow institutions to bring either existing or net-new programs to market through an online modality.

UNC System schools are not mandated to work with Project Kitty Hawk. Instead, the organization competes for their business not only with the high-quality PKH Platform, but also additional services related to online learning design and course management. Project Kitty Hawk approaches every relationship with a UNC System school intentionally and ensures that all facets of the school - the faculty, staff and administration - have input in the course development and academic program approach.

Project Kitty Hawk aimed to launch nine degree programs at two universities in FY24, a goal it will meet with its two university clients, NCCU and ECU.
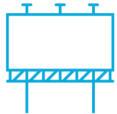
Where we are: in-demand degree programs

As of Feb. 26, we have 9 degree programs in the pipeline with 2 institution partners.

5 programs with students actively enrolled

3 programs actively recruiting and admitting students; awaiting term start

1 program preparing to enter the market

DEGREE PROGRAM		1ST TERM START
RN-BSN		10/11/23
Information Technology		1/8/24
Business Administration		3/11/24
Health Administration		5/21/24
Public Health Education	5/21/24	Preparing to enter market
Psychology		2/26/24
Information & Cybersecurity		2/26/24
Multidisciplinary Studies: Security Studies		2/26/24
Criminal Justice		6/3/24

NCCentral UNIVERSITY

ECU

North Carolina Central University

The first Project Kitty Hawk-powered program launched in October 2023 at NCCU. It is a Bachelor of Science in Nursing program designed for Registered Nurses looking to advance their careers, commonly referred to as "RN to BSN." This program was already offered online at NCCU, but had historically served a small group of students despite the significant demand for the credential in the market.

Project Kitty Hawk first engaged NCCU in January 2023. By July 2023, Project Kitty Hawk and NCCU had signed a master services agreement and completed a marketing strategy. In August 2023, Project Kitty Hawk and NCCU completed course sequencing and program design. Registration opened in September 2023, and the term began in October. In this short time, NCCU saw its RN-BSN program double in enrollment. As the academic year goes on, NCCU continues to see strong growth all due to the high quality, in-demand services that Project Kitty Hawk is providing.

> *"Since partnering just a few months ago, PKH has increased enrollment two-fold during my four years of teaching here."*

"I see Project Kitty Hawk enriching and growing the NCCU nursing community. When [NCCU Nursing] first started, we were small, and people didn't even know we had a program. Since partnering just a few months ago, PKH has increased enrollment two-fold during my four years of teaching here," said Dr. Yolanda VanRiel, department chair of Nursing at NCCU.

As NCCU continues to grow its online footprint, Project Kitty Hawk serves as its strategic partner to make its degree programs more accessible and visible to North Carolina's adult learner population.

The relationship between Project Kitty Hawk and NCCU continues to mature, and the university has launched or will launch several other Project Kitty Hawk-powered programs this fiscal year:

- On January 8, 2024, NCCU launched its second Project Kitty Hawk-powered program, a Bachelor of Science in Information Technology.
- On March 11, 2024, NCCU will launch its third Project Kitty Hawk-powered degree program, a Bachelor of Business Administration.
- On May 21, 2024, NCCU will launch its fourth Project Kitty Hawk-powered degree program, a Bachelor of Science in Public Health Education.
- Also on May 21, 2024, NCCU will launch its fifth Project Kitty Hawk-powered degree program, a Bachelor of Science in Health Administration.

East Carolina University

As was the case at NCCU, Project Kitty Hawk developed relationships with key administrators and departments at ECU to identify which programs meet the needs of the institution and the needs of the workforce. Project Kitty Hawk has worked closely with the institution to define all of the steps in the process to bring a program online, from transcript evaluation to the applicant portal.

ECU launched three Project Kitty Hawk-powered programs on February 26, 2024: Bachelor of Arts in Psychology, Bachelor of Science in Information & Cybersecurity Technology, and Bachelor of Science in Multidisciplinary Studies: Security Studies.

Additionally, ECU will launch a Bachelors of Science in Criminal Justice on June 3, 2024.

Third UNC System Customer

Project Kitty Hawk is in discussions to sign a third university partner that will launch degree programs in the 2024-25 academic year. Partner selection requires significant research and analysis to identify which high-demand programs will benefit both the university and the state's workforce. This approach is mutually beneficial and allows the institution to feel confident in the programs they are preparing to develop and bring online. Project Kitty Hawk has had productive conversations with several universities and aims to enter a formal agreement before the end of the fiscal year.

University Partnerships: Re-Enrollment, Special Programs, and Workforce Programs

Online degree programs tailored to meet the needs of adult learners are Project Kitty Hawk's primary focus. Additionally, Project Kitty Hawk offers other pathways that help advance the state's attainment goal that by 2030, 2 million North Carolinians with a degree or credential . Some of those pathways have been deployed already, like Project Kitty Hawk's Re-Enrollment Program, while others are still in development.

Re-Enrollment Program

This program targets "stop outs," former students at UNC System institutions who left without earning a degree. Stop outs often happen because of family or financial obligations, and these students usually require proactive engagement to recruit back to a university to finish a degree.

Project Kitty Hawk's Re-Enrollment Program engages stop outs via direct phone, email, and text messages from lists provided by partner institutions. The initiative is program- and school-agnostic, meaning the only goal is to re-enroll students within the UNC System in any format – online or on-campus, on-model or off-model. This is the first ever System-wide approach at re-enrolling stop-out learners.

As a nonprofit affiliated entity that serves the UNC System, Project Kitty Hawk offers this service to North Carolina's public institutions at no cost. Ten universities are currently part of the Re-Enrollment Program, which is designed to run for three years. To date, the effort has reengaged 1,014 learners who have re-enrolled at UNC System institutions to complete their education. Below is a breakdown of students re-enrolled as of Spring 2024. Two universities, Fayetteville State University and Appalachian State University, will begin their participation in the program in Summer 2024. Two more universities, East Carolina University and Winston-Salem State University, are working to integrate their data files to the PKH Re-Enrollment Program, therefore their current re-enrollment numbers are not known as of publication time.

Institution	Re-Enrollments
Western Carolina University	303
UNC Greensboro	245
UNC Pembroke	222
UNC Charlotte	160
UNC Asheville	64
UNC Wilmington	19
ECU	N/A

Fayetteville State University	N/A
Appalachian State University	N/A
Winston-Salem State University	N/A

Workforce Programs

Project Kitty Hawk is poised to bolster North Carolina's workforce by partnering with employers and public universities to upskill workers in particular industries and at particular companies. In this way, the UNC System can offer employers specially designed certification and degree programs tailored to their company needs. Such an initiative is valuable to employers who will benefit from upskilled workers; UNC System institutions, which will benefit from added students, partnerships, and programs; and North Carolina adults, who can advance their career paths with affordable and tailored training.

"When I talk with business leaders in North Carolina, they are hyper focused on one issue – access to talent. Project Kitty Hawk can help connect employers to the talent pool they need, whether that be finding new talent or upskilling existing talent," Gary Salamido, president and CEO of the NC Chamber.

This offering is still in the development phase, but it holds promise as a nimble and innovative method to help North Carolinians upskill in areas that are closely aligned with a company or industry's needs. The specific approach may vary depending on the industry, employer, or university partner, but in general Project Kitty Hawk envisions the following execution sequence:

1. Project Kitty Hawk engages an industry association or large company, potentially in concert with the NC Chamber.

2. The association or company shares its workforce training needs.

3. Project Kitty Hawk and one or more UNC System institutions design a certification or degree program tailored to the adult learner that will meet the association or company's needs.

4. Execute.

The NC Chamber of Commerce recognizes Project Kitty Hawk's integral place in the workforce development puzzle, and the two organizations continue to build a successful partnership. From business connections to strategic advice, Project Kitty Hawk is aligned with the priorities of both the NC Chamber and the NC Chamber Foundation. Together, they have established a joint Workforce Advisory Group that will focus on making connections between Project Kitty Hawk and employers, as well as give strategic guidance on things like tuition assistance programs, communications and marketing, and workforce-driven curriculum components. With assistance

of the NC Chamber, Project Kitty Hawk will become the bridge between NC's public institutions and workforce.

Special Programs

Project Kitty Hawk has built a best-in-class platform that enables it to offer a variety of services outside of degree-programs. These special programs can include non-degree credentials or offering a specific service to support an institution's strategic need. For example, in August 2023, Winston-Salem State University was facing a potential double-digit year-over-year enrollment decline and needed support with re-enrollment and its overall recruiting strategy to increase the number of incoming students for its Fall 2023 class. PKH provided expertise in lead and enrollment management to provide tactical student outreach and re-enrollment support. By the start of the Fall term, WSSU had cut its projected enrollment decline by 2/3 – a significant improvement.

Conclusion

In sum, Project Kitty Hawk:

- **succeeded** in building a best-in-class online degree platform that is ready to deploy at scale, and it did so on schedule and far faster than the industry norm;

- **succeeded** in launching its first degree program in Q4 2023, on schedule;

- **succeeded** in launching additional degree programs in Q1 2024, on schedule;

- **pivoted** to a compliant business model, a move precipitated by the new U.S. Department of Education regulatory guidance that will extend its timeline for scaling but will benefit UNC System partners; and

- **will meet** program launch projections for 2024 that were developed after the business model overhaul.

Project Kitty Hawk built a best-in-class online degree platform with a suite of support services catered to the adult learner. It launched its first degree program four months ago, and has since followed that with four additional program launches with more imminent.

The UNC System is confident in Project Kitty Hawk's potential and optimistic about the future of innovation and online learning in North Carolina. Project Kitty Hawk will enable partner universities in the UNC System to meet the higher education needs of North Carolina's adults at scale.

Project Kitty Hawk is happy to schedule time to review our capabilities and services.

Appendix

PKH digital learning student stories

At the end of the day, Project Kitty Hawk exists to serve adult learners. We are proud to share real-life examples of the personas we're serving and the problems our student success coaches help solve. Each of these students were enrolled in our first program – the RN to BSN program at NCCU – and their names have been changed to protect their identity.

Sheryl is a Triangle resident and student in the first PKH-powered program launched within the UNC System – an RN to BSN program offered by NCCU, which helps registered nurses earn their Bachelor of Science in Nursing.

Her story exemplifies one of the many types of adult learners PKH aims to serve.

Sheryl has been a nurse for 30 years and currently works in a director level position at a private North Carolina retirement community organization.

Out of high school, she attended NCCU but dropped out to work and start her family. Since then, she hasn't attempted to go back to college, and only had interest in finishing her degree from NCCU. She was a proud Eagle and determined to "finish what she started."

In her first meetings with her Student Success Coach, she had questions that come up frequently in the minds of adult learners when taking online college courses, especially for the first time:

- Would she feel engaged?
- Could she write papers again and succeed in an academic setting?
- Could she find time in her busy life for schoolwork?

So far, Sheryl has excelled in the RN to BSN program, earning an 'A' in her first course. She is currently enrolled in two more courses.

Nita is also enrolled in the Project Kitty Hawk-powered RN to BSN program at NCCU. She recently earned her RN after 20 years in healthcare, and her husband and adult children encouraged her to keep moving forward with her education.

In Nita's first call with a Project Kitty Hawk student success coach, she said the two things that scared her the most were math and the technology aspects of online learning. The coach gave Nita the option of not taking math in her first term, but she decided to "get it out of the way." Nita overcame her tech fears, and even used online tutoring to help her with the first few assignments.

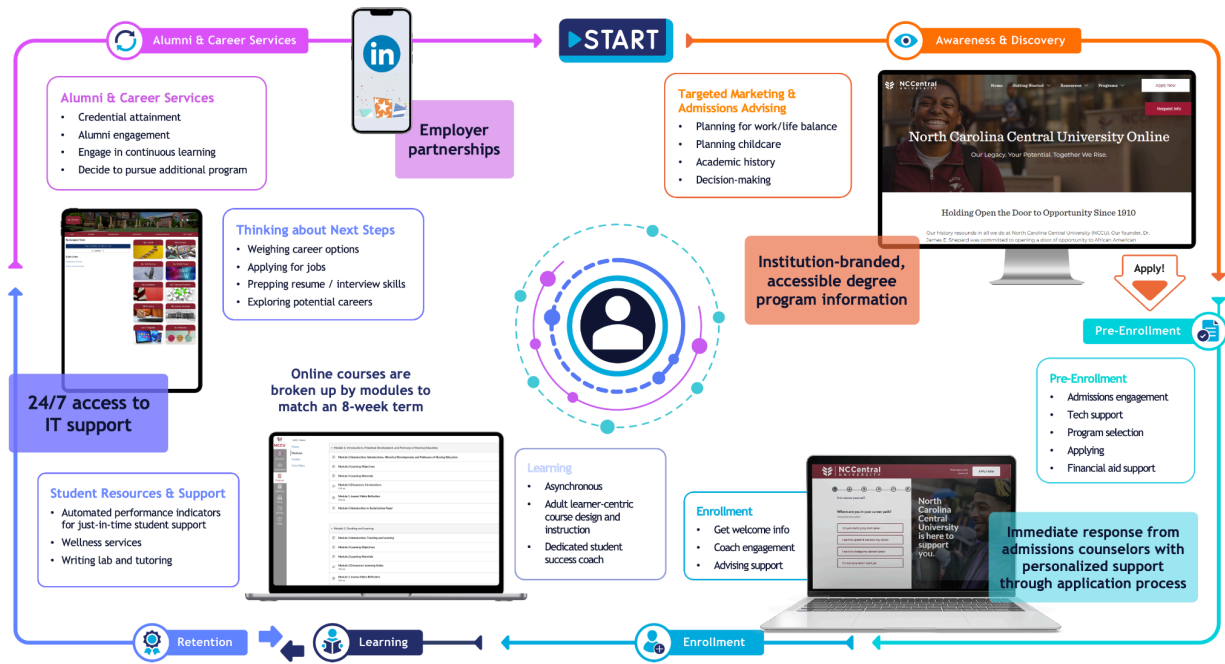She currently has a solid 'B' in the course and is hoping to pull out an 'A.' She is ahead of schedule with her assignments and recently had a dinner out with her husband and family to celebrate her achievements. Nita is also talking to her coworkers about the RN to BSN program and told her coach she'll have a referral by the end of the term.

PKH digital learning experiences

Client, Faculty, and Student Experiences

Student Journey

Alumni & Career Services

Alumni & Career Services
- Credential attainment
- Alumni engagement
- Engage in continuous learning
- Decide to pursue additional program

Employer partnerships

▶START

Awareness & Discovery

Targeted Marketing & Admissions Advising
- Planning for work/life balance
- Planning childcare
- Academic history
- Decision-making

North Carolina Central University Online

Our Legacy. Your Potential. Together We Rise.

Holding Open the Door to Opportunity Since 1910

Thinking about Next Steps
- Weighing career options
- Applying for jobs
- Prepping resume / interview skills
- Exploring potential careers

Institution-branded, accessible degree program information

Apply!

Pre-Enrollment

Pre-Enrollment
- Admissions engagement
- Tech support
- Program selection
- Applying
- Financial aid support

Online courses are broken up by modules to match an 8-week term

24/7 access to IT support

Learning
- Asynchronous
- Adult learner-centric course design and instruction
- Dedicated student success coach

Immediate response from admissions counselors with personalized support through application process

Student Resources & Support
- Automated performance indicators for just-in-time student support
- Wellness services
- Writing lab and tutoring

Enrollment
- Get welcome info
- Coach engagement
- Advising support

North Carolina Central University is here to support you.
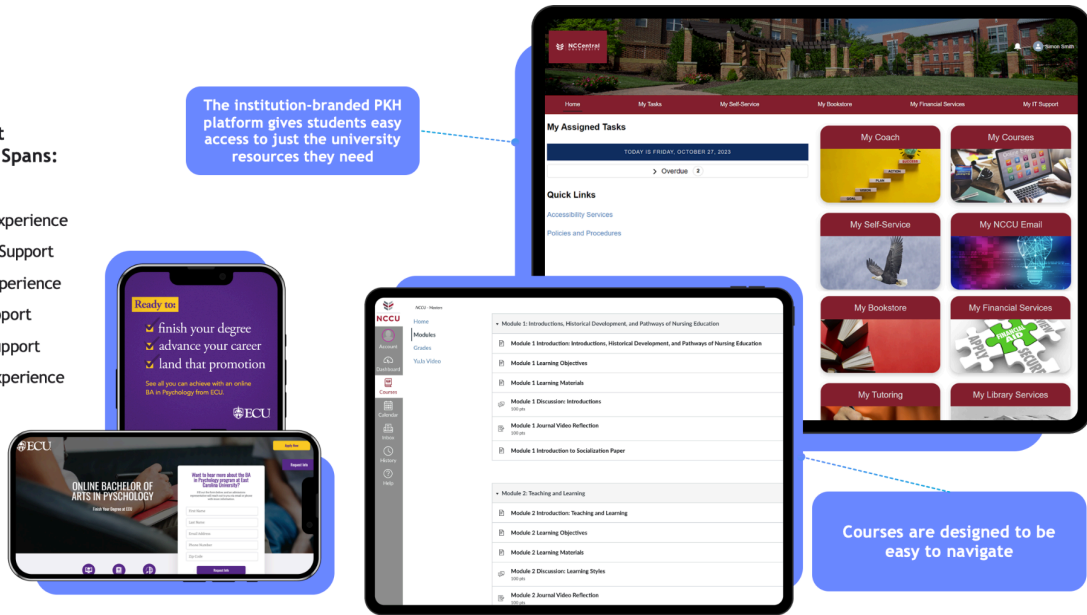
Retention   **Learning**   **Enrollment**

The Student Experience Spans:

- Marketing
- Applicant Experience
- Admissions Support
- Learning Experience
- Student Support
- Financial Support
- Coaching Experience

The institution-branded PKH platform gives students easy access to just the university resources they need

Courses are designed to be easy to navigate

Online courses are broken up by modules to match an 8-week term
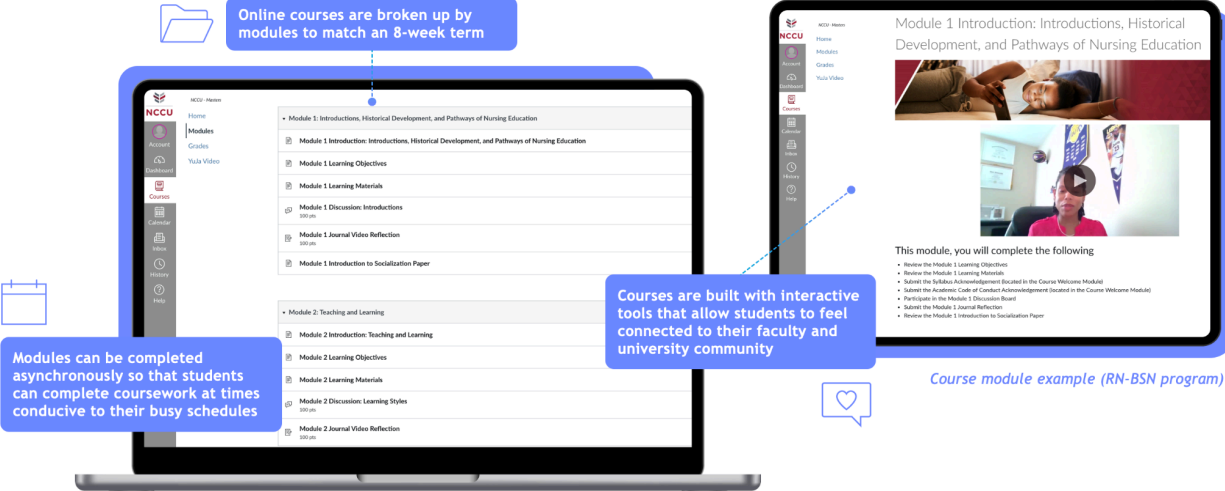
Modules can be completed asynchronously so that students can complete coursework at times conducive to their busy schedules

Courses are built with interactive tools that allow students to feel connected to their faculty and university community

Course module example (RN-BSN program)

FEBRUARY 28, 2024

Project Kitty Hawk

Annual Update

Who we are

OUR MISSION

Our mission is to serve North Carolina's colleges and universities to significantly expand access to higher education and increase the attainment of high-quality credentials that benefit residents and employers by eliminating the gap between the skills required for a nationally competitive business climate and the current education opportunities available throughout the state.

INCORPORATED IN **2021**

SENATE BILL 105: 2021 Appropriations Act, Sec. 8.24:

Kitty Hawk Public-Private Partnership Project for Digital Learning and Career Development in Response to the COVID-19 Pandemic: Project Kitty Hawk as a public-private partnership to support digital learning and career development programs offered by constituent institutions of The University of North Carolina.

OUR END-TO-END SERVICES

Partnership Success

Marketing & Admissions

Student Services & Support

Program Design & Development

Faculty Management

Data & Analytics

2

Where we are: key milestones

Completed PKH Digital Platform Build

✓ On Schedule
✓ On Budget

Launched 1st PKH-Powered Degree Program

October 2023

Launched PKH Re-Enrollment Program

May 2023

3

Total Student Starts

1,032

total new learners brought into UNC System by PKH as of Feb. 20

Institution Partnerships

11

UNCW — University of North Carolina Wilmington

WSSU

ECU

UNC Pembroke

NC Central University

University of North Carolina Asheville

University of North Carolina Charlotte

Appalachian State University

Fayetteville State University

Western Carolina University

UNC Greensboro

Meet Sheryl.

A seasoned nurse balancing a demanding director role looking to finish the degree she started.

She started her education at NCCU as a traditional on campus student when she left high school. She dropped out to work and start her family, but she always intended to earn her BSN from NCCU.

She is a proud Eagle, and the online option allows her to "finish what she started" at her beloved institution.

Sheryl was in our inaugural Fall cohort. In the first meetings with her she was equally excited and terrified.

- *She was afraid of online learning - would she feel engaged?*
- *She was afraid of the work - could she write papers again and succeed in an academic setting?*
- *She was afraid of the time commitment - could she find time in her demanding life for schoolwork?*

For these reasons, she only enrolled in 1 course for Fall 2023.

By the end of the term, Sheryl had earned an A in her first course (NURS 4520), and she had found her time management flow.

She felt so good about her achievements in her first term that she enrolled in 2 courses in her second term!

Where we are: on time, on budget

PHASE 0:
PLAN
Organize and develop core processes and systems; develop the business model

NOV '21 – SEPT '22

PHASE 1:
BUILD
Translate business model into programs via talent, process, and technology solutions

OCT '22 – JUL '23

PHASE 2:
ENTER MARKET
Launch initial portfolio of programs and services; adjust for product-market fit

AUG '23 – JUN '24

PHASE 3:
GROW
Focus on KPI-driven expansion for increased market traction and revenue growth

JUL '24 – JUN '26

PHASE 4:
SCALE
Automate processes; replicate successes

JUN '26 - BEYOND

INVESTMENT

EXECUTION

April '22
First Grant Distribution Received

Feb. '23
New Guidance Dept. of Ed

May '23
Launch of Re-Enrollment Program

June '23
Business Model Update

Oct. '23
Launch of First Degree Program

Nov. '23
NCCU Cyber Security Attack

WE ARE HERE: 1,000+ students served

Pivot from revenue share to fee-for-service

New Guidance from Dept. of Ed

FEBRUARY 2023: The U.S. Department of Education introduced new guidance that could affect relationships between educational institutions and external entities offering online program management (OPM) services in a revenue-sharing model.

This guidance has caused a seismic shift within the industry as OPMs struggle to pivot away from revenue-share.

Two of the largest OPMs – Pearson and Wiley – sold off their OPM units

The largest OPM, 2U, has seen its stock drop 95% in a year

Venture capital investment in U.S. ed-tech companies dropped by half from 2021 to 2022

PKH Pivots to Fee-for-Service Model

JUNE 2023: After careful consideration with the PKH Board of Directors, Project Kitty Hawk pivoted to a fee-for-service model to comply with the changing regulatory climate.

This model, which provides better long-term benefits for institutions, caused a few adjustments in the initial timeline that was presented at this meeting last year.

Business Model Development

It took approximately two months for PKH, the Board of Directors, and the UNC System to align on the most beneficial financial model to serve the needs of the State

Institution Pipeline

- the change to a fee-for-service model requires a larger up-front investment to launch programs

- PKH provided creative opportunities to support programs through these upfront costs, therefore is limited in how many institutions it can serve at once

Where we are: program offerings

Online Degree Programs

PKH-powered online degree programs are aligned to market demand and offered through a university partner.

2
Degree programs with active enrollments
(7 more will launch in FY24)

23
Number of students currently enrolled

2
Universities offering PKH-powered degree programs

NCCentral UNIVERSITY

ECU

Re-Enrollment Program

Enrollments in campus-based or online programs generated by PKH's stop-out Re-Enrollment program

1,012
Re-enrollments to date

10
Institution partners

Workforce Programs

Degree programs, certificates, or micro-credentials developed in partnership with employers, universities, and PKH.

Conversations underway with several NC employers

UNC HEALTH

Special Programs

Non-credential programs or offering PKH capacity to address strategic needs or opportunities.
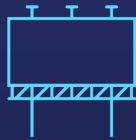
Note: Numbers as of 2/16/2024

29

Where we are: in-demand degree programs

We currently* have 9 degree programs in the pipeline with 2 institution partners.

2

programs with students actively enrolled

5

programs actively recruiting and admitting students; awaiting term start

2

programs preparing to enter the market

DEGREE PROGRAM	1ST TERM START	
NC Central University		
RN-BSN	10/11/23	
Information Technology	1/8/24	
Business Administration	3/11/24	
Health Administration	5/21/24	Preparing to enter market
Public Health Education	5/21/24	
ECU		
Psychology	2/26/24	
Information & Cybersecurity	2/26/24	
Multidisciplinary Studies: Security Studies	2/26/24	
Criminal Justice	6/3/24	

As of Feb. 20, 2024

30

Pairing needs of adult learners and industry

By 2033, there will be an estimated shortage of 12,500 nurses in North Carolina

There are over 31,000 tech jobs open in North Carolina right now

Charlie Needs to Up-skill
- Been a nurse for 30 years
- Started college out of high school, but stopped classes to be primary child caregiver
- Ready to "finish what he started"

Decreased in Hospital Revenues
- Understaffed, overworked healthcare workers
- Increased Healthcare Costs
- Reduced Access to Healthcare Services
- Increased Demand for nursing education and training programs

Rebecca Needs to Re-skill
- Currently enlisted in military, wants to earn degree for post-service life
- Needs something flexible to complement unpredictable schedule

Difficulty in Recruiting and Retaining Businesses
- Delayed tech innovation
- Cybersecurity vulnerabilities
- Increased labor costs
- Increased demand for tech education and training

PKH-powered program that aligns student & industry need:
RN to BSN

PKH-powered program that aligns student & industry need:
Information & Cybersecurity Technology

BENEFITS for LEARNER

Charlie earns nearly $1.2M in additional lifetime earnings

BENEFITS for INDUSTRY

With additional BSNs, hospitals train more RNs to alleviate staffing shortages

BENEFITS for LEARNER

Rebecca earns over $1M in additional lifetime earnings

BENEFITS for INDUSTRY

Keep NC tech sector humming by stocking talent pipeline

9 *Source: UNC System evaluation of programs ROI Study*

Where we are: grant breakdown

GRANT FUNDS SPENT AS OF JAN 31

$35.4M

PKH OPERATING EXPENSE	PKH BUILD EXPENSE	RE-ENROLLMENT EXPENSE
$16.7M	$14.9M	$3.8M

GRANT FUNDS ENCUMBERED

$36.9M*

GRANT FUNDS REMAINING

$24.7M*

Total Grant Draw Down: $72.3M of $97M

PKH must spend the $97M by the end of 2026.

*These funds will be used for contracts, personnel, ancillary expenses, and current/future obligations

Where we are: build by partnership

Professional services contracted from inception

PKH Digital Education Platform Infrastructure

$8.9M

- All foundational technology and software that PKH services and experiences are built on
- Software development and LMS
- Data management and reporting
- AWS Cloud services, security, and storage

The PKH Digital Platform and its capabilities are property of the UNC System

Instructional Design, Faculty Services, and Technology Support

$3.2M

- 24/7 IT helpdesk support
- Online learning course design & development
- Data governance, security and risk and management
- Faculty capacity building, coaching and development
- Custom content development
- Scheduling and capacity management

Student Recruitment, Marketing, and Admissions

$4.7M

- First System-wide approach to re-enroll stop-out learners through targeted outreach and communications Institution-branded landing pages and microsites
- Applicant portal and admissions support
- Financial aid support experience
- Coaching experience

Project Mobilization and Acceleration

$3.9M

- Phase 0: conceptual framework and organization model development
- Project management allowed for immediate mobilization
- Contract concluded in June 2023

One-time expense necessary for start-up mobilization and acceleration.

11

33

Where we are: compliance

FY22

FY22 COMPLETE ✓

- ✓ FY22 990 completed
- ✓ Federal single audit
- ✓ Independent audit (501c3)
- ✓ All PKH staff & Board of Directors completed and updated conflict of interest forms
- ✓ 2022 JLEOC report submitted

FY23

FY23 COMPLETE ✓

- ✓ Federal single audit
- ✓ Independent audit (501c3)
- ✓ OSC audit (state)
- ✓ OSBM/NCPRO review (state)
- ✓ All PKH staff & Board of Directors completed and updated conflict of interest forms
- ✓ 2023 JLEOC report submitted
- ✓ UNC System AE report submitted Aug. 1

FY23 IN PROGRESS

- ○ FY23 990 in progress

FY24

FY24 IN PROGRESS

- ○ 2024 JLEOC report for March 1

PKH Earned the
Silver Seal of Transparency
by Candid (Guidestar)
Non-Profit Database

Silver Transparency 2023

Candid.

Revenue share to fee-for-service business model

In anticipation of the federal regulatory changes that govern revenue share agreements, and with PKH Board guidance, PKH has shifted from a revenue share model to a fee-for-service model.

Fee-for-service model means:

Institutional Revenue

Institutions retain 100% of tuition + fee revenue and pay PKH for services

Federal Compliance

Compliant with federal regulatory updates and potential changes

Institutional Advantage

Favors the institutions in long-term projections

Institutional Investment

Projected investment of $12.2M in grants and re-enrollment support for institutions

PKH degree program funding model

Program Launch Grants to Universities

PKH has allocated program launch grant funding for high-demand, scalable programs, enabling universities to see positive cash flow in early years

$3.5M total launch grants

Operating Grants to Universities

PKH's operating grants bridge the initial gap between university costs and program revenues during the start-up phase

$2.7M total operating grants

Deferred PKH Service Fees from Universities

PKH service fees are deferred, enabling the university to delay repayment to PKH until programs generate sufficient tuition revenue
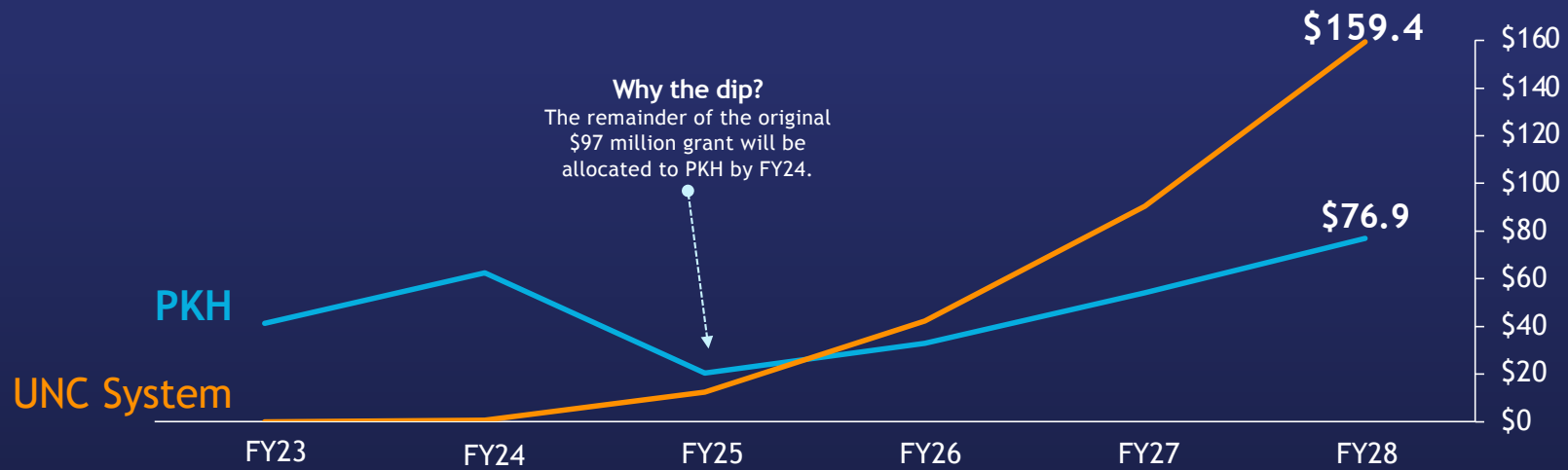
$32.9M total deferrals

Through grants and deferred payment of service fees, PKH 'closes the institutional investment gap,' enabling universities to launch programs without incurring start-up costs

This references the business model assuming 3 partners over 5 years

14

PKH and UNC System revenue projections

Revenue (in millions), PKH and UNC System Institutions

Why the dip?
The remainder of the original $97 million grant will be allocated to PKH by FY24.

$159.4

$76.9

PKH

UNC System

FY23   FY24   FY25   FY26   FY27   FY28

$160
$140
$120
$100
$80
$60
$40
$20
$0

The FFS business model provides a stronger outcome for partner universities compared to PKH

Source: PKH Analysis

New student start projections

Comparison to Selected Institutions

13,600

10,200 NC State new student starts

9,000

7,400 ECU new student starts

5,700

5,600 UNCW new student starts

3,000

2,700 NCCU new student starts

1,400

900 UNCA new student starts

FY24   FY25   FY26   FY27   FY28
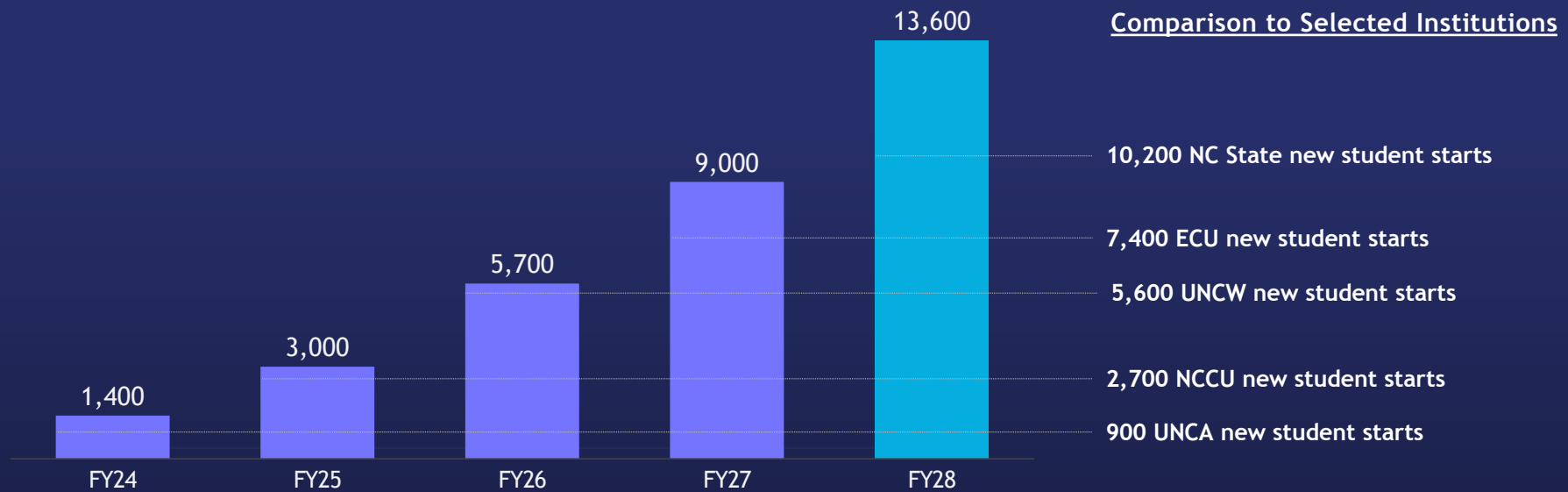
Growth to nearly 14,000 new student starts by FY28

Source: PKH analysis. Includes new student starts generated from PKH-powered degree programs and the PKH Re-Enrollment Program. Comparison to selected institutions reflect Fall 2023 total new student starts by institution.

38

Projected university outcomes: 5 years with PKH

After 5 years, a university that launches 4 PKH-powered degree programs and participates in the PKH Re-Enrollment Program will receive/generate:

Enrollment Growth
- 50,000 program inquiries
- 400 re-enrolled students
- 5,800 new student starts
- 1,000 program graduates

Faculty Recruitment & Development Support
- Full-time & adjunct faculty recruiting
- ACUE certification for online teaching

Expert Program Management
- 96 unique courses developed
- 4 degree programs built

Dedicated Student Support
- 14 admissions advisors
- 7 student coaches
- 57,000 course enrollments supported

Additional Capacity for Faculty & Staff
- 27 full-time faculty
- 2 program directors
- 5 central services staff (financial aid, registrar, IT)

17