

NKU will also work to keep tuition increases low, but there are fiscal realities that need to be addressed to achieve this goal. Following the advice of the CPE for the 2008-10 biennium, this plan assumes a 6% tuition rate increase for undergraduates as well as an 8% increase for graduate/law each year. Recognizing that the student share of the university's public funding is currently at 62%, the rate of increase then slows to 5% in 2010-11 and 4% thereafter.

Revenues from all local NKU sources, including tuition, grants, contracts and philanthropy, is \$149.1 million today and projected at \$425.2 million by 2020.

Considering growth, inflation, current state funding and increases in tuition and other NKU local funds, the university will still have a funding gap of \$10.6 million in 2009, \$14.3 million in 2010, \$44.6 million in 2015 and \$90.4 million in 2020. To achieve the goals of the state and region, this gap must be closed.

The Funding Gap				
In Millions of Dollars:	2009 Projection	2010 Projection	2015 Projection	2020 Projection
Expenses	\$229.5	\$249.6	\$379.1	\$571.1
Revenues	\$218.9	\$235.3	\$334.5	\$480.7
Gap *	\$10.6	\$14.3	\$44.6	\$90.4

* FUNDING GAP AFTER APPLYING PLANNED UNDERGRADUATE AND GRADUATE TUITION INCREASES

Balancing The Student-State Share

To keep the student share from further increasing, the business plan calls for moderate annual increases by the state (see chart top right). Except for 2008-09, when the needed investment is larger due to higher-than-normal fixed costs, nondiscretionary expenditures and market pressures, annual increases over the life of the plan average 7.5%.

Ultimately, it's a question of how much of the public-funds gap NKU students must fill in the form of additional tuition rate increases and how much will be covered through state appropriation. As the state invests in the Northern Kentucky opportunity, the annual increase in tuition rates will decline.

The chart to the right shows the estimated recurring funding gap by the end of the biennium and the relationship between state funding and undergraduate tuition rate increases. The gap assumes 8% graduate/law tuition increases in each of the next two years and revenue growth from all other local sources. If the \$23.1 million gap is completely closed with state funds, the undergraduate tuition increase needed would be 0%. If NKU receives no new state funding over the two years, the undergraduate tuition increase would need to be 16% each year. However, a recurring state investment of \$14.3 million by 2010 (\$10.6 million recurring in 2009 and an additional \$3.7 million recurring in 2010) would keep annual tuition rate increases at 6%, as advised by CPE.

Conclusion

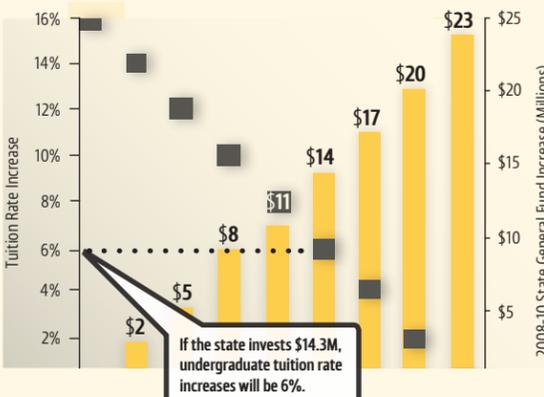
The CPE and Vision 2015 goals for NKU are very ambitious. They are also attainable, assuming the full engagement of the university and the full support of the commonwealth. This plan is not just about the needs of NKU. It is about quality of life in Kentucky. It is about all the ways a university, acting as a regional steward, can use its educational resources to address challenges ranging from early childhood education to meeting the needs of our aging population. It is ultimately about NKU being a catalyst for 50,381 new Kentucky jobs and \$270 million in new Kentucky revenue.

Needed State Appropriations: Base + Increases
(Excludes all new facilities costs)



SOURCE: THE STILLWATER GROUP

Impact of 2008-10 State Appropriation Increase on Student Tuition Increases
(Excludes all new facilities costs)



SOURCE: THE STILLWATER GROUP

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A Business Plan to Support Northern Kentucky's Goal of 50,000 New Jobs and \$270 Million in New Kentucky Revenue Annually

IT'S ALL ABOUT TALENT!

Executive Summary

Among the many Northern Kentucky Vision 2015 goals is an ambitious plan to create more than 50,000 new high-paying Kentucky jobs. Regional leaders have identified rapidly increasing the number of college graduates and building NKU's intellectual capacity to support quality community and economic growth as important first steps to meeting the new-jobs goal. This direction was confirmed through a recent study conducted by Pacific Partners, a firm that specializes in economic analysis. The consultant noted that recruiting, developing and retaining a little more than 20,000 targeted baccalaureate-level college graduates in Northern Kentucky over the next eight years will lay the foundation for the region's new jobs goal. It's All About Talent!

The Opportunity

Bachelor's degrees to sustain new NKY jobs in 2015:

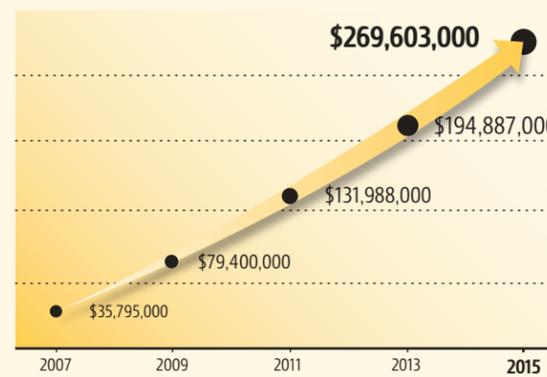
- 50,381 new high-wage jobs.
- 20,278 new jobs preferring bachelor's degrees or higher.
- 1,796 degree holders currently produced in NKY annually.
- 2,209 estimated additional bachelor's degrees preferred annually.
- 4,005 estimated degree holders annually to sustain jobs.

SOURCE: THE PACIFIC PARTNERS CONSULTING GROUP, INC.

As noted in the Pacific Partners analysis, "The Commonwealth will see a substantial gain in revenues as a result of meeting the region's goal." That study, which took an extremely conservative approach and included no economic multipliers, found that the revenue impact of 50,381 new jobs will be substantial.

New Annual Tax Revenue

As a result of the 50,000 new jobs by 2015, Kentucky will receive nearly \$270 million per year in new tax revenues from income, sales, property and motor vehicle taxes.

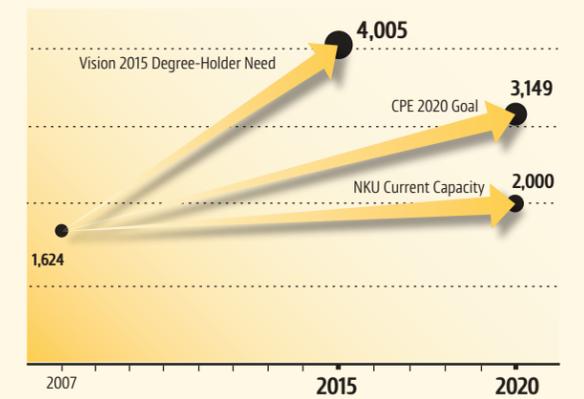


SOURCE: THE PACIFIC PARTNERS CONSULTING GROUP, INC.

"This study is unique because it focuses on the economic growth of the community and how NKU can answer the demand. Northern Kentucky University has focused its efforts on producing a return on investment for the community and the state."

— DR. RICK BIEDENWEG, PRESIDENT OF PACIFIC PARTNERS.

Bachelor's Degree Demand: Reconciling the Numbers



SOURCE: NKU OFFICE OF INSTITUTIONAL RESEARCH

Kentucky revenue from 50,381 new NKY jobs in 2015:

- \$2.8 billion in incremental wages.
- \$1.6 billion in local (Kentucky) spending.
- \$270 million in incremental new Kentucky tax revenue.

SOURCE: THE PACIFIC PARTNERS CONSULTING GROUP, INC.

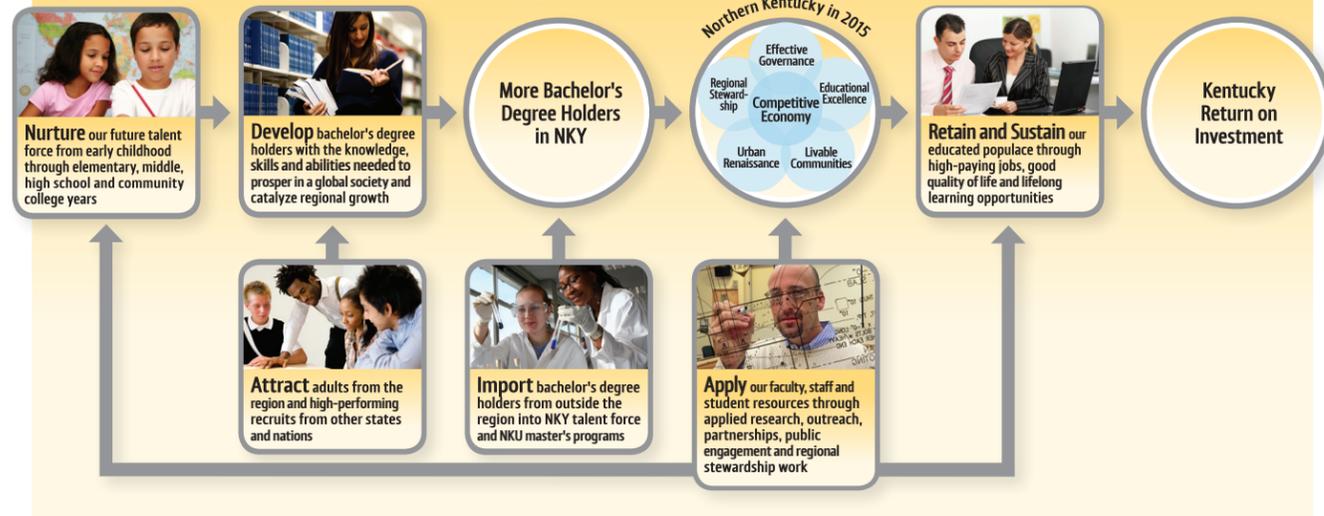
If a typical economic multiplier was applied, the impact would be at least 1.7 times the direct impact, or \$459 million annually in new Kentucky tax revenue.

The Challenge

As part of the Council on Postsecondary Education's 2020 "Double the Numbers" plan, NKU is expected to nearly double the number of bachelor's degrees it produces annually from 1,624 now to 3,149 in 12 years. Achieving this goal will require an average annual growth rate of 5% in undergraduate enrollment — to a total of 22,520 undergraduates. Today, NKU serves about 13,000 undergraduate students.

Add to the state's goal an annual need for 4,005 baccalaureate and graduate degrees in the region five years earlier. Supporting this more ambitious and accelerated goal will require a multi-faceted strategy of not

The Talent Continuum



only increasing Kentucky citizens' education attainment level but also recruiting new talent to the commonwealth. This strategy will be achieved through the intensive and unified effort of NKU, Thomas More College and Gateway Community and Technical College working with the region's community and economic development leaders.

To support the talent demand, this plan calls for NKU to:

- Increase enrollment by 9,852 undergraduate students, to 22,520 by 2020, a 78% increase.
- Increase the annual number of bachelor's degrees produced from 1,624 to 2,400 in 2015 and 3,149, in 2020, a 94% overall increase.
- Increase enrollment by 2,430 graduate/law students in high demand areas, to 4,400 in 2020.
- Increase by 10% annually the number of university applied projects directly impacting regional growth.

These enrollment and degree targets are ambitious, but can be met. The challenge will be to infuse capacity-building resources into NKU in a timeframe that coincides with the Northern Kentucky opportunity. Competing gazelle regions around the world have had an effective talent development strategy for many years and their economic progress has been moving much faster. If Kentucky acts now, Northern Kentucky will remain competitive.

The Strategy

Northern Kentucky University's business plan introduces an innovative way of thinking about the role of regional universities in the 21st century. The plan focuses on nurturing, developing, attracting, importing and applying talent in a manner that will help retain and sustain college-educated citizens and high-growth businesses in Kentucky. It establishes a comprehensive approach to creating a sustainable community where companies and citizens want to live – now and in the future. The framework for this process is called the "Talent Continuum," and it is through this process that Northern Kentucky leaders believe NKU can serve a catalytic role in the continued growth of the region.

NKU will successfully implement this talent continuum process through three distinct action agendas: talent development, regional stewardship and institutional effectiveness. These agendas are embedded in the institution's strategic plan: The Talent Imperative!

The university will manage the action agendas through a new unit-alignment planning process. This process calls for each department, college and division to develop priorities for action, desired outcomes, assessment methods and needed investments – all of which relate to the university's strategic agenda. This comprehensive effort will keep every member of the university community informed and focused on achieving the targets necessary to successfully implement this business plan. Ultimately, this process will result in great benefits for NKU students, the region and the commonwealth.

Measuring Results

NKU has a strong track record of success. Since 1997, the university has embraced the goals of postsecondary education reform and has made significant contributions in meeting the region's need for more degree holders:

- From 1997-98 to 2006-07, the total number of degrees awarded by NKU increased by 49.2% – the largest increase in the state.
- From 1997-98 to 2006-07, NKU experienced the second highest rate of growth in the state for bachelor's degree recipients – 44.7%.
- NKU has the second highest rate of growth in the state for master's/specialist degree recipients from 1997-98 to 2006-07 – 85%.

Moving forward, NKU readily accepts the challenge to develop the talent to support the 50,381 new jobs by 2015 and contribute to doubling the number of bachelor's degree holders in the state by 2020. As can be seen in the chart on page 8, the university plans to take an unconventional approach to measuring progress toward these goals by tracking both institutional performance and regional metrics.

Indicators Of Success: Talent Continuum

Nurture	Attract / Develop	Import	Retain / Sustain	Apply
Ready for Kindergarten *	Undergraduate Enrollment	Graduate and Law Enrollment	"Brain Gain" Statistics*	University Outreach and Public Engagement Partnership Agreements
% of Children Living in Poverty *	Retention Rate	Graduate and Law Degrees Conferred – Total	Job Creation*	% Faculty Engaged in Stewardship Activities
Average CTBS Scores * (3RD, 6TH AND 9TH GRADES)	Transfer Students	Graduate and Law Degrees Conferred – High-Demand Disciplines	% Population with at Least a Bachelor's Degree *	% Staff Engaged in Stewardship Activities
High School Graduation Rates *	Graduation Rate		Median Family Earnings *	% Students Engaged in Stewardship Activities
ACT of High School Graduates *	Bachelor's Degrees Conferred – Total			Number of Community Members Served
College-Going Rates *	Bachelor's Degrees Conferred – High-Demand Disciplines			Number of Service Learning Courses and Number of Students Involved
Number of Associate Degrees Conferred by Gateway Community and Technical College *				

* INDIRECT RESPONSIBILITY

NKU has established performance indicators to track progress at points all along the talent continuum. To remain on target, the university will monitor degree production and stewardship activities and outcomes as well as regional indicators such as early childhood and P-12 educational attainment, job creation and median family earnings.

To ensure institutional effectiveness, the university will also monitor annual cost savings, reallocation and other resource management and efficiency measures.

Needed Investments

To successfully build capacity fast enough to support the Northern Kentucky 2015 opportunity, NKU will need to expand its operational resource base, including an investment in 45 full-time tenure-track faculty and 71 staff, over the next two years. These numbers will incrementally grow to a need for 460 full-time tenure-track faculty, plus additional support staff, by 2020. And they must receive competitive compensation so the university will be able to recruit and retain the best talent possible. The average salary for NKU faculty is 9.5% below the median of average faculty salaries at national peer institutions.

NKU also must rapidly expand classroom and student space. **According to a recent Council on Postsecondary Education analysis, the university is 33 % under-built to serve its existing student population.** To prepare for the projected rapid growth in students, faculty and staff, the university will need to receive state support for at least the Health Innovation and College of Business academic buildings in the next two years. And, while these new facilities are being built over the next four years, the university will need state support to fund temporary lease space to accommodate short-term growth between now and 2012. NKU must also renovate the Old Science Building to avoid losing existing space, acquire additional student housing space, secure support for capital renewal and deferred maintenance and expand information technology equipment and systems in the next biennium.

Although these investments from 2008 to 2010 will provide an additional 146,000 square feet of space, the university will need to partner with the

2008-10 Capital Priorities to Meet 2015 Goals

Capital Need	Scope
Renovate Old Science Center (#1 CPE PRIORITY)	\$27.5 M
Health Innovation Center (#2 CPE PRIORITY)	\$48.5 M
College of Business Building	\$46.0 M
Acquire / Renovate Student Housing *	\$23.0 M
Temporary Lease Space	\$4.0 M (ANNUALLY)

* PROJECT FUNDED THROUGH AGENCY BONDS WITH NO COST TO THE STATE

commonwealth to develop an aggressive plan to serve the anticipated 26,920 students in 2020. Overall, the university will need to add more than 1 million square feet of space to keep pace with expected growth, even when adjusted for substantial increases in online and other technology-based instruction.

Financing The Plan

The Stillwater Group, NKU's business plan consultants, projects that the university will need to incrementally increase its budget from the current level of \$205 million to \$571 million in the year 2020.

As this plan is implemented, NKU will intensify efforts to generate locally based revenue streams. The university will secure investments from fundraising, direct support from grants and contracts and internal funds generated through increased productivity and efficiency gains. As part of the planning and budgeting process, all university departments and divisions will consider funding options from all sources, including internal reallocation. This "all funds" approach will help make the business plan goals a reality.