

KENTUCKY STATE UNIVERSITY



HOUSE BILL 303 (2016)

MANAGEMENT AND IMPROVEMENT PLAN UPDATE

NOVEMBER 27, 2019

M. CHRISTOPHER BROWN II, Ph.D.
President





ABOUT KENTUCKY STATE

From its modest beginnings as a small normal school for the training of African-American teachers, Kentucky State University has grown into a land-grant and liberal arts institution that prepares a diverse student population to compete in a multifaceted, ever-changing global society.

Kentucky State University began as an idea on October 15, 1885. The Commonwealth needed more normal schools to train African-American teachers for employment in its black elementary schools. On May 18, 1886, legislators authorized the school's creation, and the university was chartered as the State Normal School for Colored Persons, the second state-supported institution of higher learning in Kentucky.

During the euphoria of Frankfort's 1886 centennial celebration, when vivid recollections of the Civil War remained, the city's 4,000 residents were keenly interested in having the new institution located in Frankfort. Toward that end, the city donated \$1,500, a considerable amount in 1886 dollars, and a site on a scenic bluff overlooking the town. This united display of community enthusiasm and commitment secured the new college's place in Frankfort despite competition from several other cities.

Recitation Hall—now Jackson Hall—the college's first building, was erected in 1887. The new school opened on October 11, 1887, with three teachers, 55 students and John Henry Jackson as its first president.

Kentucky State became a land-grant college in 1890, and the departments of home economics, agriculture and mechanics were added to the school's curriculum. The school produced its first graduating class of five students in the spring of that year.

As the school began to grow and change, so too did its moniker. In 1902, the name was changed to Kentucky Normal and Industrial Institute for Colored Persons. The name was changed again in 1926 to Kentucky State Industrial College for Colored Persons.

By 1929, most students had access to high school, leading then-President Rufus B. Atwood to discontinue the college's high school, which had been in operation since 1893.

Even so, Atwood's 33-year tenure was marked by dramatic institutional growth including the first modern yearbook, the first student newspaper, and most notably, by gaining accreditation for the institution. His administrative acuity and political acumen were necessary to position the university for growth during a period of marked social change, while avoiding fallout in the political town of Frankfort.

In 1938, the school was named Kentucky State College for Negroes and began focusing again on offering more traditional liberal arts education. The college notably gained full accreditation from the Southern Association of Colleges and Schools the following year.

The term "for Negroes" was dropped in 1952 when the school's name became merely Kentucky State College. In 1972, it became Kentucky State University and enrolled its first graduate students in the School of Public Affairs in 1973.

In the 45 years since then, more than 43 new structures or major building expansions have enhanced Kentucky State University's 914-acre campus, which includes a 311-acre agricultural research farm and a 306-acre environmental education center.

Kentucky State University, "The College on the Hill," is led by its 18th president, Dr. M. Christopher Brown II. It is a public institution with an enrollment of approximately 2,000 students and 120 full-time faculty members. The university's diverse mix of faculty, staff, and students has made Kentucky State the most diverse public institution in the Commonwealth, and among the most diverse nationwide.



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MISSION STATEMENT

Kentucky State University is a public, comprehensive, historically black land-grant university committed to advancing the Commonwealth of Kentucky, enhancing society, and impacting individuals by providing quality teaching with a foundation in liberal studies, scholarly research, and public service to enable productive lives within the diverse global economy.

KENTUCKY STATE UNIVERSITY REPORT CARD

FALL
2015

FALL
2016

FALL
2017

FALL
2018

FALL
2019

FALL ENROLLMENT

D

B

A

A

A

FALL TO FALL RETENTION

B

C

B

C

B

COHORT STUDENTS
RETURNING
FOR THE THIRD YEAR

F

D

D

C

C

GROSS TUITION
AND FEES REVENUE

F

D

C

B

B

YEAR END UNRESTRICTED NET
ASSETS EXCLUDING PLANT
NET OF COMP ABSENCES
AND PENSIONS

*

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PRIMARY RESERVE RATIO

D

C

C

A

B

VIABILITY RATIO

F

D

C

B

A

RETURN ON NET
ASSETS RATIO

F

F

B

A

B

NET OPERATING
REVENUES RATIO

F

F

C

A

A

COMPOSITE
FINANCIAL INDEX

F

D

C

B

B



OVERVIEW

Kentucky State University takes seriously its charge to fulfill the aims and ambitions of the Commonwealth to provide continued evidence and outcomes commensurate with being the high performing small liberal arts institution envisioned in the original statutory charter. HB 303 enacted by the 2016 General Assembly, contained a provision that requires Kentucky State University to report its progress in attaining a defined set of goals and metrics related to student enrollment, academic persistence, and fiscal stability.

After a half-decade of stark enrollment declines and unpaid accounts receivables, Kentucky State University has emerged as a valuable “public, comprehensive, historically black land-grant university committed to advancing the Commonwealth of Kentucky, enhancing society, and impacting individuals by providing quality teaching with a foundation in liberal studies, scholarly research, and public service to enable productive lives within the diverse global economy”. Recent outcomes data on all indices confirm a mission-focused, fiscally conservative state institution rapidly transforming into a beacon of efficiency and effectiveness.

A focused and intentional shift in the operational culture is resulting in improved admission yields, academically ready undergraduate cohorts, increased retention, better than predicted persistence, higher tuition collections, reduced receivables, and fiscal ratios appropriate for credit-worthiness. The stabilization of student enrollment is punctuated by marked stability in the University’s gross billable tuition and overall revenue receipts.

Kentucky State University has attained the student headcount and full-time equivalent enrollment to remain a viable and autonomous state-supported postsecondary institution. The enrollment and retention increases are noteworthy given the intentional attrition of prior cohort students who lacked the academic proficiency to be successful without a significant investment in unfunded academic and remedial supports. The campus community is transitioning to a community of scholars and practitioners preparing for the extant workforce.

The near flat operational expenditures coupled with increased fiscal revenues have enabled the campus to withstand a multi-year succession of reductions in the Commonwealth of Kentucky’s appropriations. The loss in total public funding revenue has placed considerable stress on the campus’ operating budget. Even more, the threat of a fiscal cliff pursuant to the proposed equilibrium of the postsecondary performance funding model threatens to upend the last three years of progress and drive the campus into draconian operations.

Kentucky State University has continued to implement cost containment strategies including staff reductions, elimination of vacant positions, reorganization of administrative and academic functions, and the elimination or renegotiation of contracts in an effort to provide evidence that the University merits continued economic investment by the Commonwealth. These actions, while difficult, have positioned Kentucky State University to function within its current revenue stream. Although enrollment has stabilized, the institution still requires additional state funding to guarantee academic success.

— **M. Christopher Brown II, Ph.D.**
Eighteenth President



INSTITUTIONAL GROWTH OUTCOMES DATA

FALL UNDERGRADUATE ADMISSION

	2015	2016	2017	2018	2019
First-Time Freshman Applied	4,768	4,622	3,505	4,889	4,072
First-Time Freshman Admitted	1,808	1,657	1,549	2,068	1,743
First-Time Freshman Enrolled	210	204	317	276	510
Average ACT Comp (All)	19	19	18	18	18
Average HS GPA (All)	3.0	3.0	2.9	2.8	2.8
Regular Admit: Average ACT	-	21	20	19	20
Average HS GPA	-	3.3	3.0	3.0	3.0

FALL ENROLLMENT

	2015	2016	2017	2018	2019
Total Headcount	1,586	1,736	1,926	1,781	2,171
Undergraduate	1,433	1,568	1,757	1,667	2,029
Graduate	153	168	169	114	142
Full-Time	1,192	1,143	1,219	1,130	1,227
Part-Time	394	593	707	651	944
FTE (Full-Time + 1/3 Part-Time)	1,323	1,341	1,455	1,347	1,542
Female	922	1,048	1,136	1,048	1,227
Male	664	688	790	719	935
Black, Non Hispanic	812	804	918	819	1,108
White, Non Hispanic	505	432	374	264	235
Nonresident Alien	17	22	34	16	22
Other Races	252	478	600	682	806
In-State	1,087	1,258	1,374	1,280	1,440
Out-of-State	499	478	552	501	731
Age 24 or younger	71%	71%	75%	76%	86%
Age 25 or older	29%	29%	25%	24%	14%

FIVE LARGEST FALL ENROLLMENT BY STATE

	2015	2016	2017	2018	2019
Kentucky	1,005	1,243	1,242	1,205	1,338
Ohio	120	111	149	139	164
Michigan	91	78	119	109	155
Illinois	103	89	102	89	118
Indiana	70	64	80	74	107

INSTITUTIONAL GROWTH OUTCOMES DATA (CONT.)

FALL ENROLLMENT BY SERVICE COUNTIES

	2015	2016	2017	2018	2019
Anderson	56	51	53	41	34
Franklin	246	455	356	298	318
Henry	54	93	67	31	33
Owen	13	9	104	97	72
Scott	28	32	27	15	10
Shelby	36	75	27	30	17

DEGREES AWARDED

	2014-15	2015-16	2016-17	2018	2019
Certificates			3	7	5
Associate Degrees	62	43	43	52	32
Bachelor Degrees	270	276	315	222	212
Master's Degrees	52	45	40	57	49
Doctoral Degrees				6	2
Total Degrees Awarded	384	364	401	344	300

TOP TEN ENROLLMENT COUNTIES IN KY

	2015	2016	2017	2018	2019
Anderson	56	51	53	41	34
Fayette	157	196	164	176	259
Franklin	246	455	356	298	318
Henry	54	93	67	31	33
Jefferson	160	124	183	195	230
Jessamine	50	17	32	151	127
Knott	17	24	21	29	17
Owen	13	9	104	97	72
Scott	28	32	27	15	10
Shelby	36	75	27	30	17



2019 MANAGEMENT AND IMPROVEMENT DATA

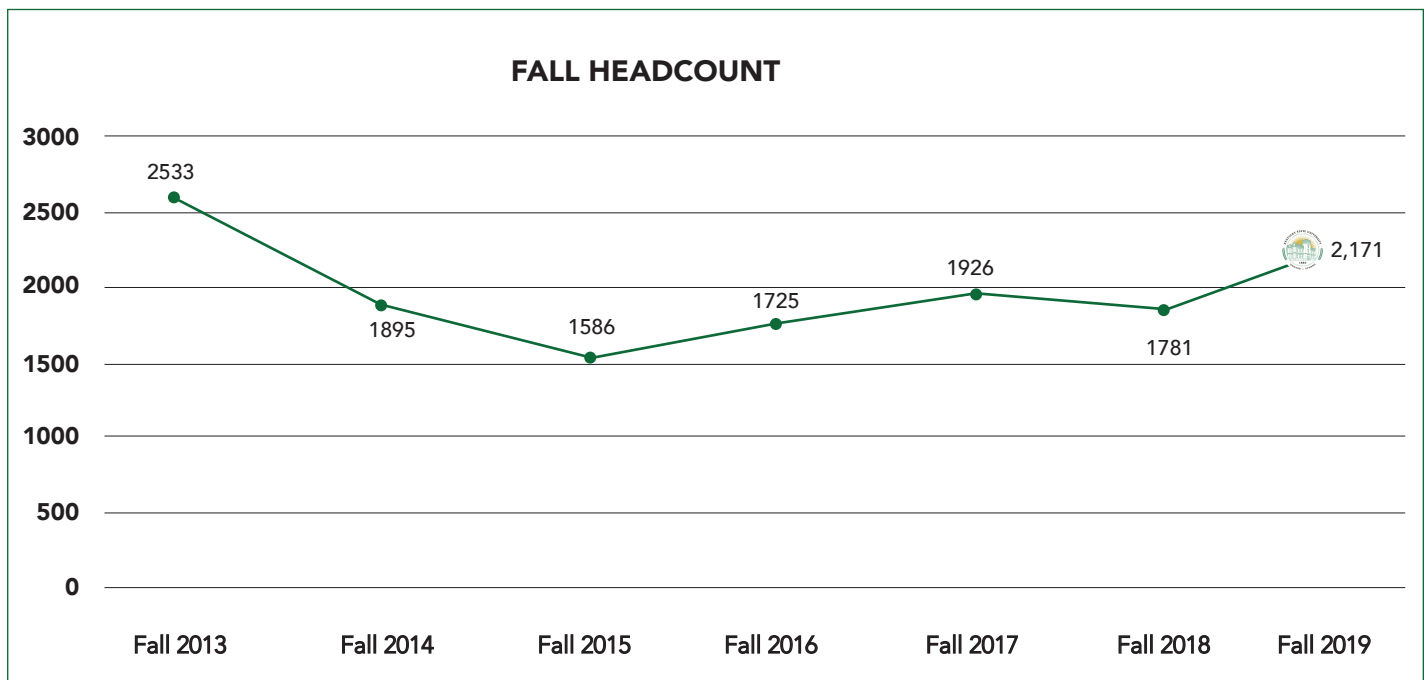
HEADCOUNT & ENROLLMENT

According to the Kentucky State University management and improvement plan approved by the Council on Postsecondary Education, “a headcount enrollment of 2,100 students will provide sufficient resources for the University to reach long-term financial stability”. It is important to note that the Fall of 2019 is the first time the institutional headcount has exceeded 2000 students since Fall 2013.

Kentucky State University attained the prescribed headcount enrollment metric in alignment with a concomitant Strategic Enrollment Plan. The Fall 2017 enrollment include a sizeable freshmen cohort. However, a careful review revealed a proclivity for academic unreadiness throughout the class brought on by a conditional admission category. After a year of retrenchment, the campus employed an external big data admissions service to assist in recruiting and enrolling a college-ready freshmen cohort. Corrections began in 2018 and continued this fall.

Disaggregated data include two significant information points: (1) the scholastic quality of first-time full-time students have improved and (2) the number of students from the Commonwealth (including non-service counties) increased significantly.

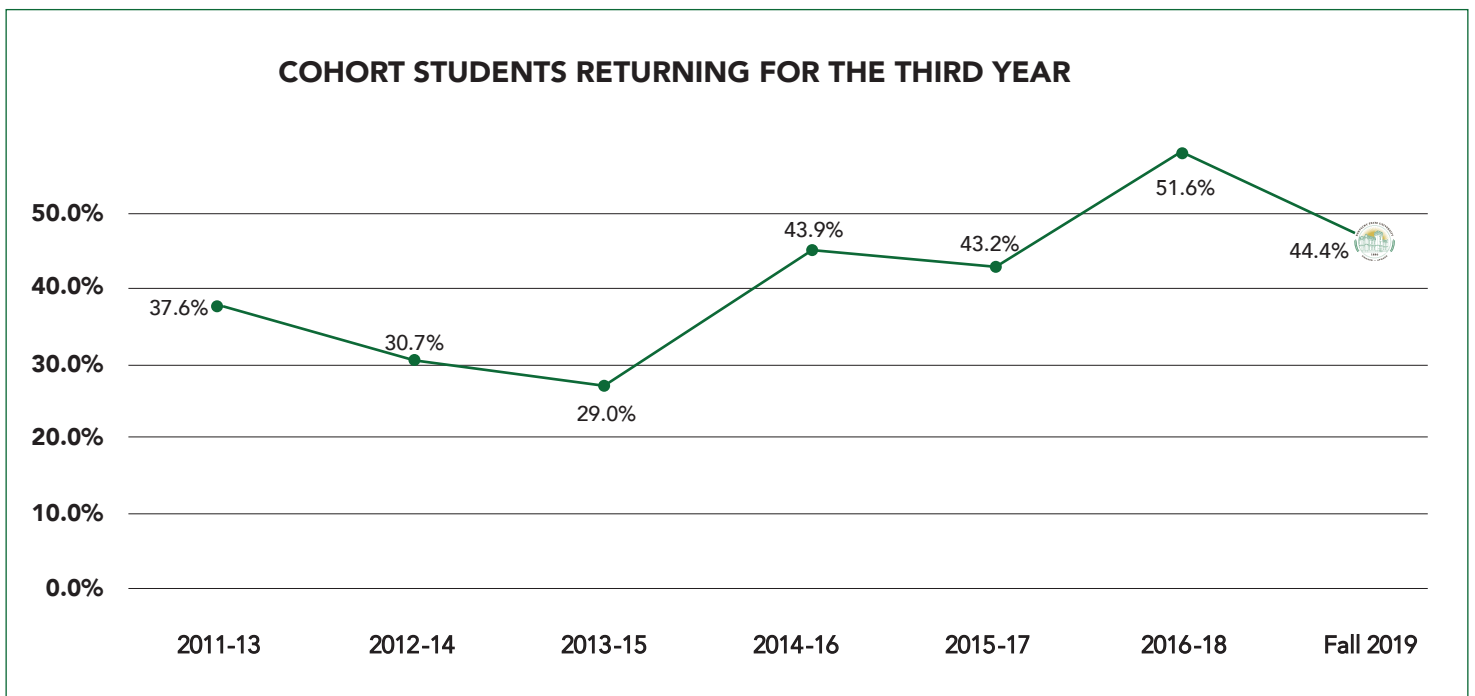
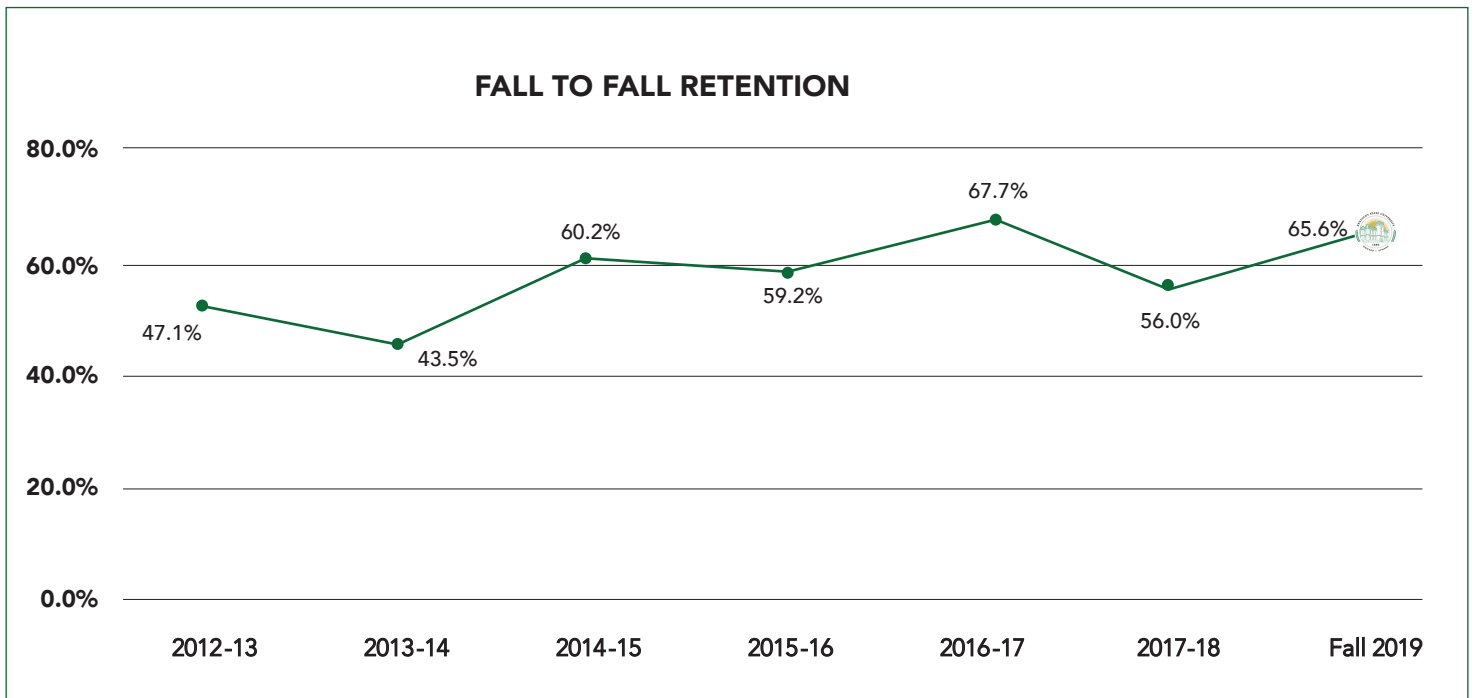
In sum, Kentucky State University has developed a data-based profile of which students are best suited academically and most likely to be interested in the institution. One-untapped area for further enrollment expansion remains – transfer fluency with Kentucky Community and Technical College System member campuses. It is likely that the reduced out-of-state tuition being piloted is also a contributor to the yield.



MANAGEMENT AND IMPROVEMENT DATA

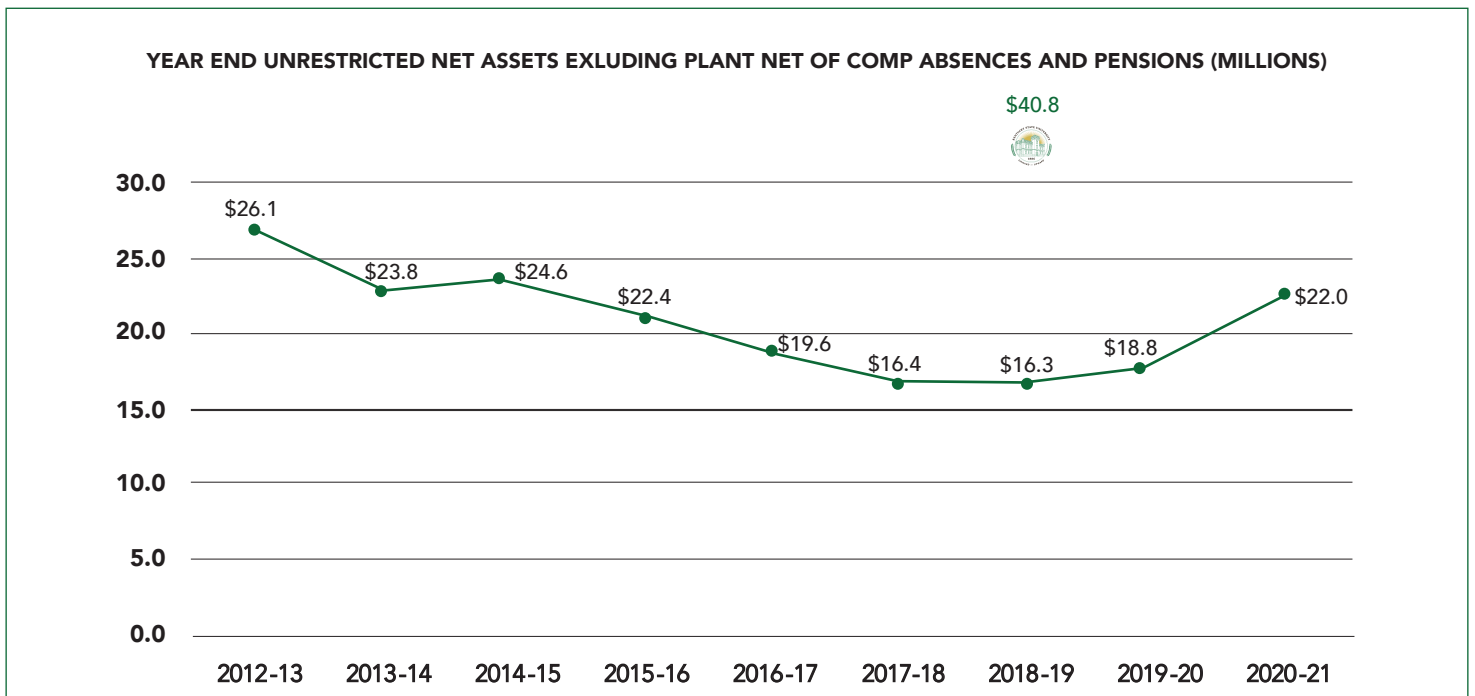
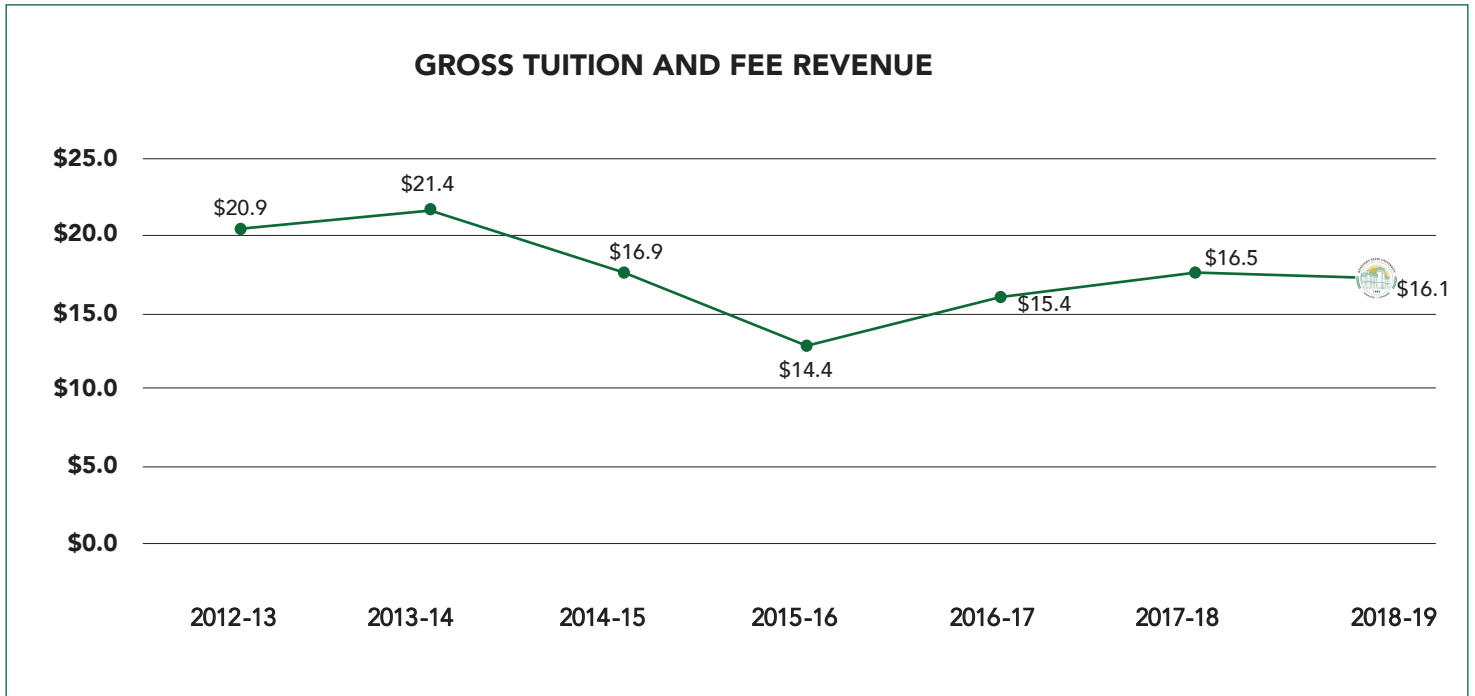
RETENTION & PROGRESSION

For at least a decade or more, Kentucky State University demonstrated an over-reliance in recruiting on significantly underprepared students. Many of these students lacked a realistic financial path to complete a college degree. This recipe yielded an annual retention rate below 50% (often in the low 40s). The university self-funded three initiatives that elevated the retention rate to 65.6% (nearly 7 out of 10 freshmen return for the second year). Despite the success of the campus' co-requisite initiative (eliminating all remediation courses), university college (which revamped advising), and the pre-college summer enrollment cohort, Kentucky State University does not have a financial plan to institutionalize these initiatives.



TUITION & REVENUE

Kentucky State University is committed to the long term stability of the institution via fiscal prudence and expansion of auxiliary based revenues. There is a noteworthy data trend that began in the Fall of 2018 and repeats in 2019. The data show that of the students applying to the institution, fewer students were admitted, yet more students enrolled. In parallel, although the enrollment line is flat, the campus collected more tuition revenue from enrolled students. The recent employment of a four-year tuition guarantee coupled with the decision to forego an approved 4% annual tuition increase has generated a tuition sweet-spot in the marketplace. Students pay what the institution charges.

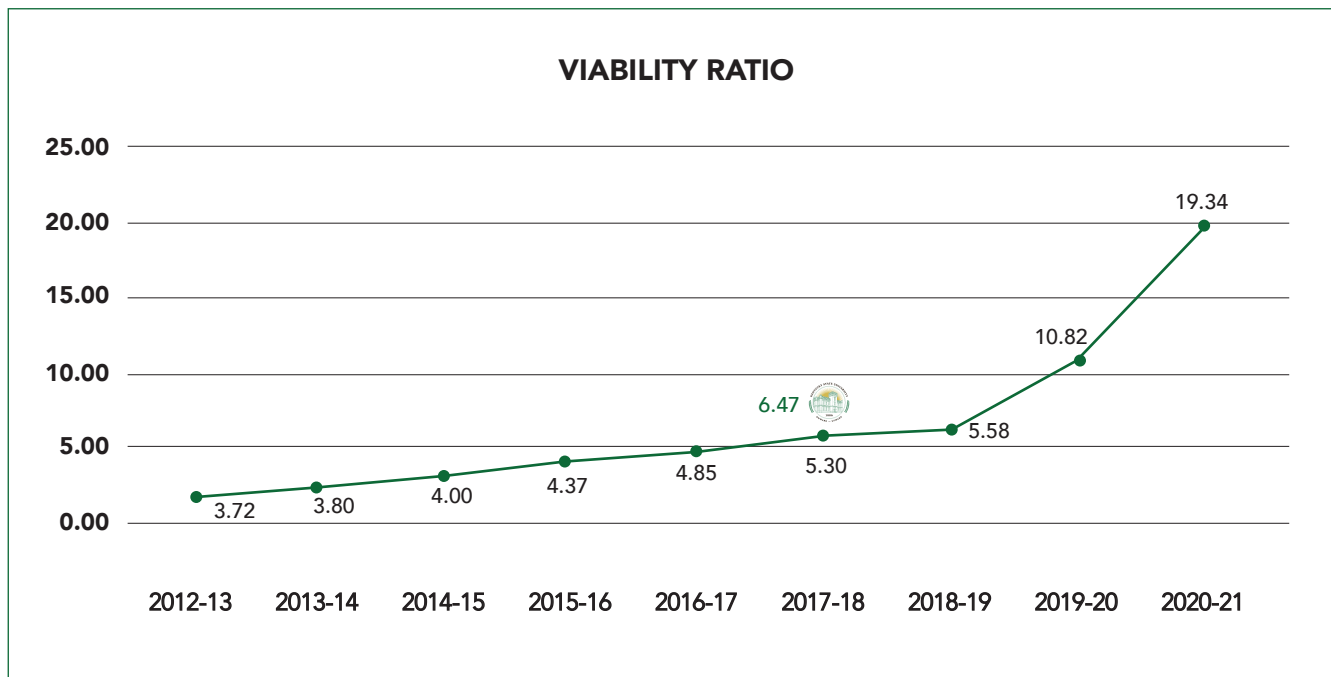
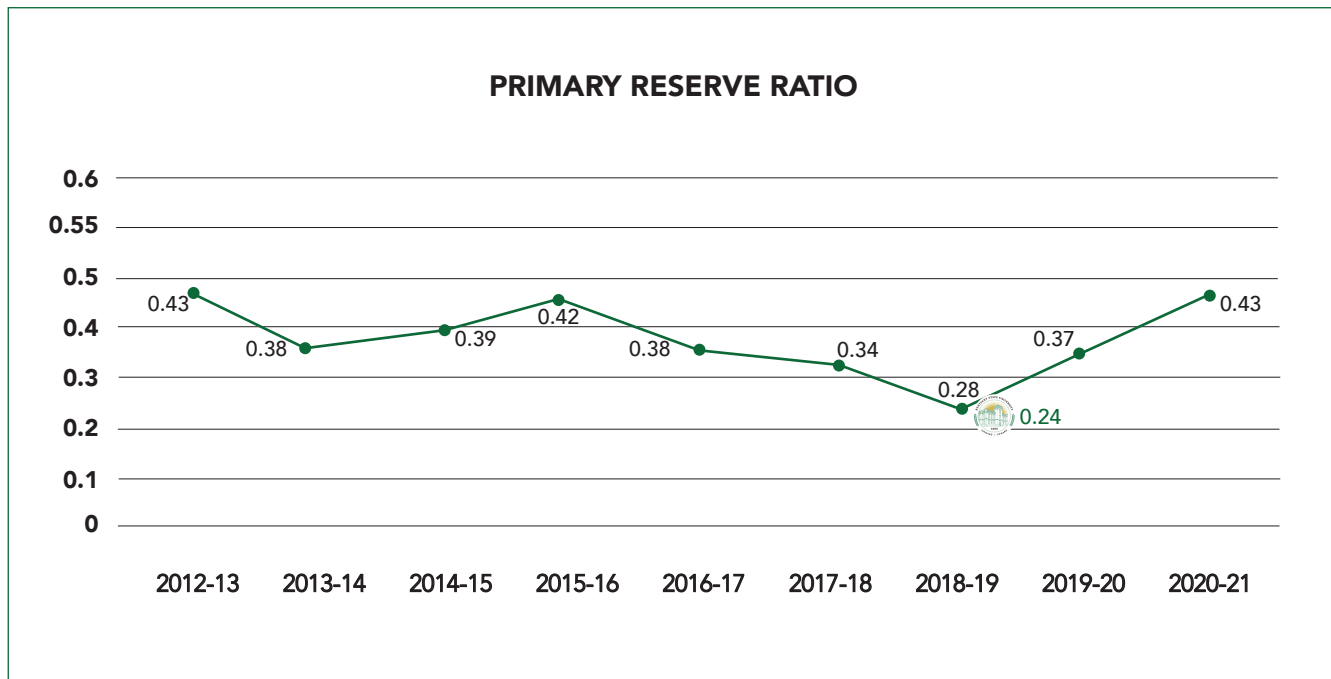


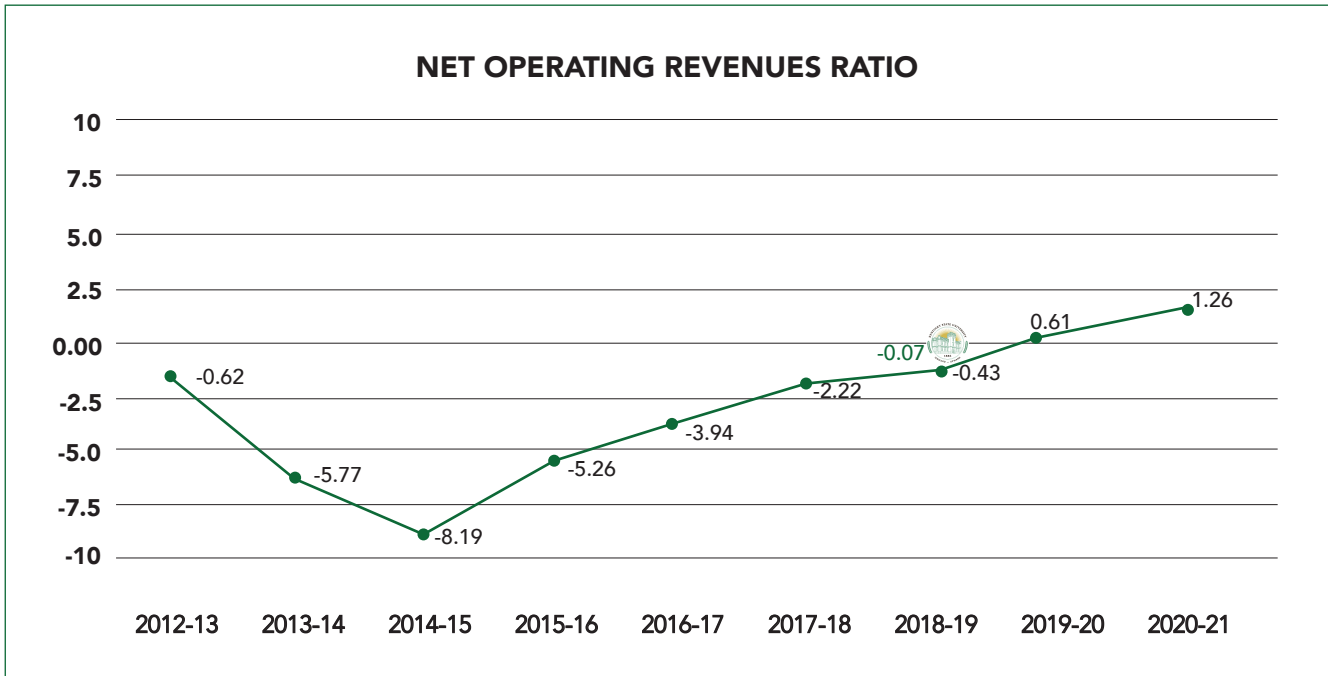
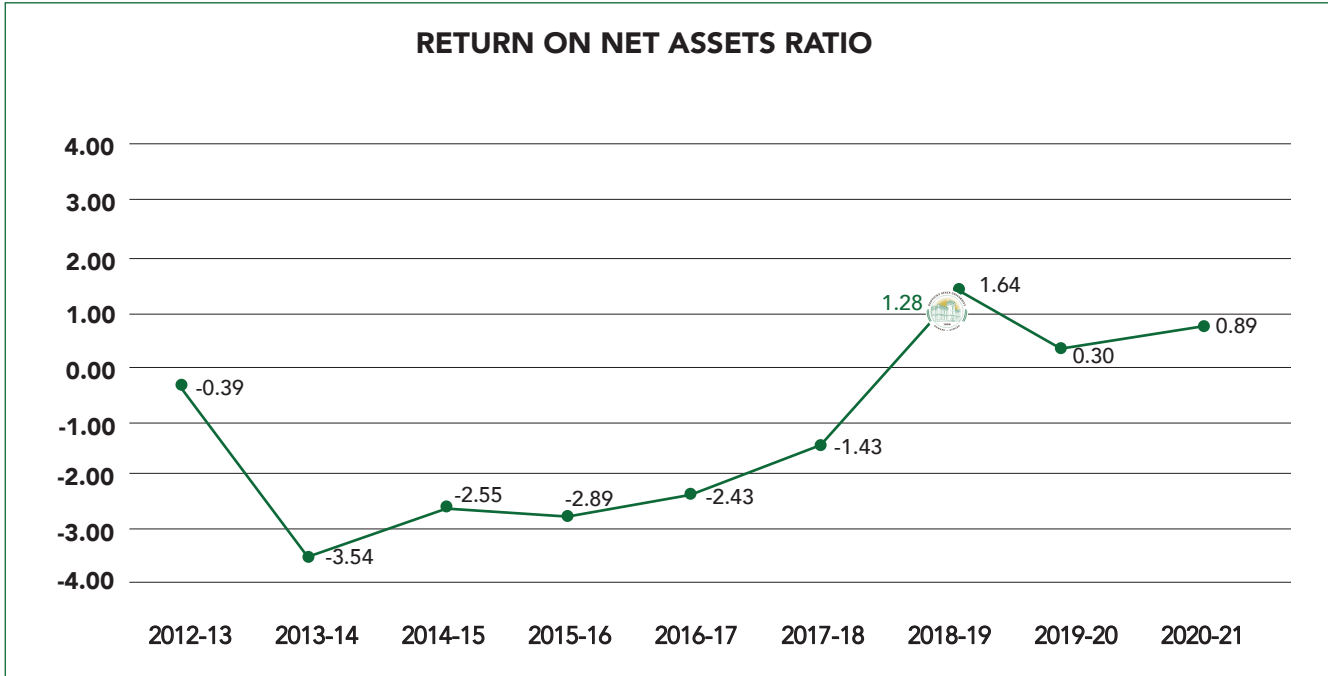
FINANCIAL RATIOS & STABILITY

Consistent state funding is critical to the long term stability of Kentucky State University. The campus has suffered annual decreases in state appropriations resulting from the onboarding of a new performance funding strategem. It is imperative that the institution builds on a firm revenue base while aligning expenditures with ongoing revenue.

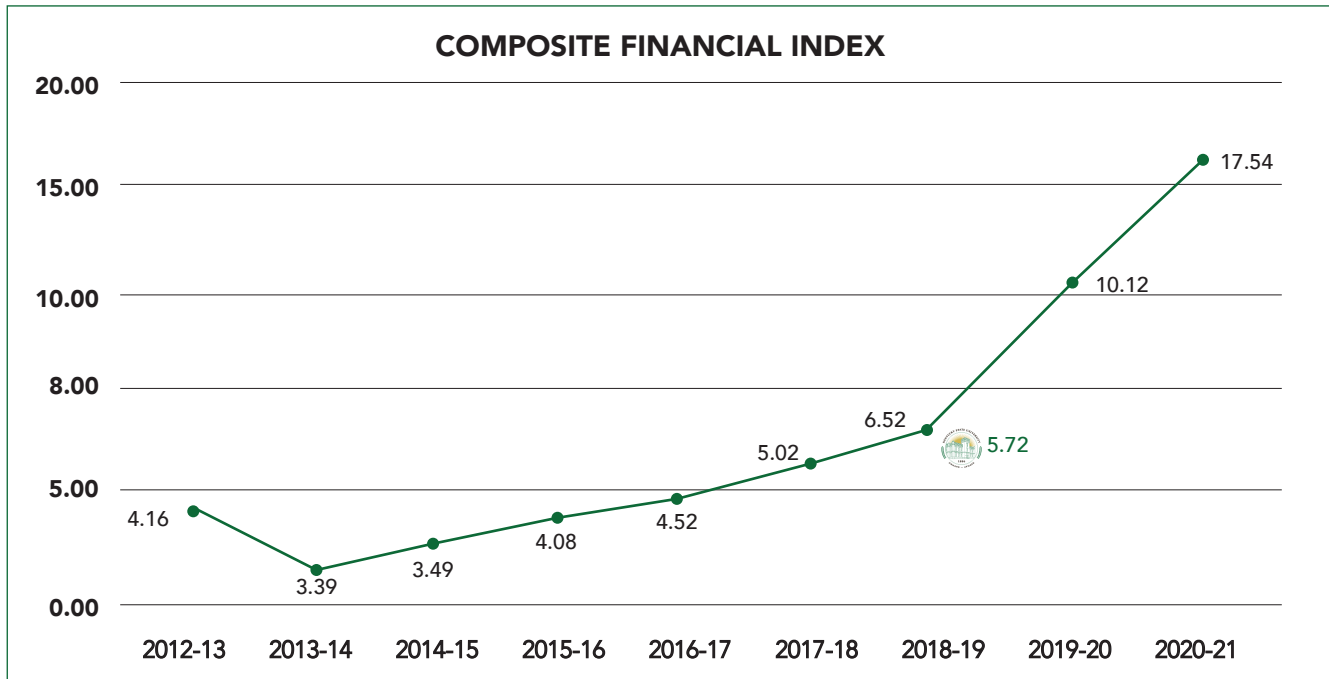
Kentucky State University again received an unmodified opinion which is the highest level of assurance our external audit firm can provide. The audit resolved six audit findings from prior years. Although the audit capture cash-flow on June 30, Kentucky State University had receivable claims on cash of \$4,456,000 for expenditures incurred to be reimbursed by the Federal Government. Despite the timing issue on cash deposits, the institution exceeded the Composite Financial Index as required by the HB303 Management and Improvement Plan.

The primary metric to evaluate the financial stability of the University is the change in unrestricted net assets each year and the reason for any change. Any use of unrestricted net assets (fund balance) should be a planned investment in the future of the University, fund balances cannot be used to support ongoing operations. Kentucky State University has not used our fund balance for ongoing operations.





MANAGEMENT AND IMPROVEMENT PLAN - FINANCIAL INDEX



METRIC

TARGETS AND ACHIEVEMENTS

	ACTUAL 2015-16	ACTUAL 2016-17	ACTUAL 2017-18	ACTUAL 2018-19	TARGET 2019-20	TARGET 2020-21
Headcount	1,586	1,757	1,926	2,171	2,100	2,100
Primary Reserve Ratio	0.42	0.59	0.55	0.24	0.37	0.43
Viability Ratio	4.37	8.09	8.86	6.47	10.82	19.34
Return on Net Assets Ratio	-2.89%	4.06%	31.64%	1.28%	0.30%	0.89%
Net Operating Revenues Ratio	-5.26	0.51	4.10	-0.07	0.43	1.26
Composite Financial Index	4.08	8.35	8.90	5.72	10.12	17.54
Use of Reserve for Ongoing Expenses	\$3,083,960	\$0	\$0	\$0	\$0	\$0

MANAGEMENT & IMPROVEMENT PLAN SUMMARY

The 2019 Management and Improvement Plan update confirms that Kentucky State University has implemented the necessary cost containment strategies, including the reorganization of administrative and academic function, the elimination of managerial duplication, personnel reductions and improved revenue collection. While these efforts are central to fiscal viability, alone these activities are insufficient to launch programmatic growth and expansion. Kentucky State University has demonstrated that it merits continued state level investments.

The years to come require an unwavering commitment to academic excellence, brand identity, and workforce production. Kentucky State University must continue ongoing efforts toward strategic enrollment growth, research productivity, economic development, and student success. A university is known for the quality of both its inputs and its outputs. There are several investments that can accelerate institutional stability. These supports include, but are not limited to:

- A commitment to provide Kentucky State University with the full matching funds requirement for all agricultural research and extension activities in the land-grant programs;
- Elimination of the existential threat posed by delayed equilibrium in adoption of the performance funding formula by making permanent the stop-loss provision (arguably the removal of the provision violates HB303 in both principal and substance);
- Authorizing Kentucky State University pursuant to KRS 45.763 to facilitate a public-private partnership to develop student housing to sustain increased enrollment;
- Granting Kentucky State University permission to retain proceeds from the sale of real estate and other real properties without sequestration or return of monies to the Commonwealth's general fund; and
- Providing Kentucky State University restricted supplemental appropriations to maintain academic excellence focused on student retention and success in strong support of the Commonwealth's workforce needs.

With stable enrollment, increasing revenues, judicious expenditures, and support from the Commonwealth, Kentucky State University is positioned to demonstrate continued improvement, institutional success, and state-wide utility going forward. The institution continues to meet the required targets for continued state appropriations and investment. Annual data provide compelling evidence of institutional transformation over the last three years. Kentucky State University aims to achieve all benchmarks and metrics set forth by the General Assembly.



ONWARD. UPWARD. FORWARD.

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