

MEMORANDUM

TO: Fort Wayne Senate

FROM: Mark Jordan, Chair
University Resources Policy Committee (URPC)

DATE: March 18, 2022

SUBJ: Athletics budget analysis

WHEREAS, the Budgetary Affairs Subcommittee (BAS) is a subcommittee of URPC; and

WHEREAS, The Bylaws of the Senate establishes (5.3.5.4.2.5.) that one of the BAS responsibilities is to “review and comment on the annual athletic budget and supportive activities in the fall semester each year;”

BE IT RESOLVED, that the Senate consider approval of the attached report on the athletics budget.

Approved	Opposed	Abstention	Absent	Non-Voting
H. Alasti			B. Chen	D. Jackson
P. Dragnev			M. Dixson	G. Justice
M. Jordan			J. Egger	
J. Leatherman			D. Holland	
G. Nakata			S. Koorsen	
T. Soule				
D. Steffens				
S. Wight				
D. Yorgov				

TO: FW Senate University Resources Policy Committee
Mark Jordan, Chair

FROM: FW Senate Budgetary Affairs Subcommittee
Zafar Nazarov, Chair

DATE: February 25th, 2022

SUBJ: Review and comment on the annual Athletic Department’s budget

WHEREAS, The Bylaws of the Senate establishes (5.3.5.4.2.5.) that one of the BAS responsibilities is to “review and comment on the annual athletic budget and supportive activities in the fall semester each year;” and

WHEREAS, the BAS with the representatives of the Athletic Department and VCFAA office reviewed the department’s annual budget for the last four years in November 2021 – February, 2022; and

BE IT RESOLVED, the findings of the analysis, BAS presented in the report outlining the trends in the Athletic Department’s budget for the last four academic years for further Senate’s consideration.

Approved	Opposed	Abstention	Absent	Non-Voting
Zafar Nazarov, chair				
Stacy Betz				
Shawyna Koorsen				
Andrew Kopec				
Harold Odden				
Aranzazu Pinan-Llamas				
Shubham Singh				
Christa Van De Weg				
Yuan Zhang				

One of the Budgetary Affairs Subcommittee's responsibilities is to review and comment on the annual Athletic Department's budget. Since BAS has not reviewed the Athletic Department's budget for several academic years, BAS has analyzed the budget numbers shared by the representatives of the Athletic Department and the VCFAA office for the last four years. The major findings are outlined in Tables 1-5.

Table 1 provides detailed information on the Athletic Department's budget separately for the last four academic years. The Revenue of the Athletic budget has increased from \$10.5 million to \$12.4 million in the last four years. The revenue items can be grouped into two major sources: Generated Revenue and Institutional Revenue.

Generated Revenue has not increased substantially in the last four years; it has fluctuated around the highest value, \$2.083 million in 2017/2018, to its lowest value, \$1.927 million in 2019/2020. Generated Revenue includes ticket sales, private contributions, revenues from broadcasting rights, and other sources. The COVID pandemic has a limited implication on Generated Revenue. For example, revenue from ticket sales dropped only from \$91,691 in 2019/2020 to \$6,435 in 2020/2021. In all four years, the largest source of Generated Revenue has been private contributions, which comprise 62% of Generated Revenue in the 2020-2021 academic year.

Institutional Revenue combines student fees and internal transfers made by the university to cover the Athletic Department's budget deficit. The Revenue from student fees has been flat, almost matching the level of Generated Revenue. The internal transfers by the university, or school funds, have increased from \$6.7 million in 2017/2018 to \$8.5 million 2020-2021. Interestingly, although only \$6.976 million was required to cover the deficit, in the final year of the analysis, the use of school funds was substantially higher than the required amount, \$8.534 million.

Table 1 depicts expenses incurred by the Athletic Department in the previous four years. Conventionally, the expenses are grouped into four major categories: coaching & support salaries, facility expenses, other expenses, and scholarships—the expense breakdown into more granular NCAA Expense categories are reported in Table 5.

The largest expense is "other" expenses, including travel, equipment & uniform, medical & insurance, and other operating expenses (See Table 5). "Other" expenses have decreased from \$5 million in 2018-2019 to \$3.5 million in the previous academic year, probably, as the reaction to the COVID pandemic.

The second-largest item is "Coaching + Support Salaries," comprising of two expense items: coaching and support staff salaries paid by the university. The salary expenses declined from \$3.693 to \$3.086 million in the last two years, suggesting that the Athletic Department reacted to the need for rightsizing.

"Facilities" expenses include the Athletic Department's spending on maintenance of the facilities and serving debts on the loans or obligations the university borrowed to build the athletic facilities. "Facilities" also include rental and leasing fees. Most of the "Facilities" expenses in 2020/2021, \$1.3 million, are debt service or rental/leasing fee payments. "Facilities" expenses have been flat in the last three years and comprised about \$1.6 million.

The final category in Expenses represents scholarship aid provided to student-athletes. Scholarships allocated to the athletes have increased from \$2.3 million to 2.6 million. The given trend can probably be explained by an increase in student-athletes (see Table 2). The number of student-athletes increased from 267 to 342 full-time students. As % of all full-time students, the student-athletes represent 6.4%.

Table 1 also demonstrates that the university generates indirect Revenue from student-athletes in the form of tuition and student housing payments. Student athletes' tuition and student housing revenue has increased from \$3.234 million in 2017/2018 to \$4.499 million in 2020/2021 for the same reason discussed in the previous paragraph. Overall, tuition and housing revenue receipts exceeds scholarships outlays allocated to student-athletes, and the wedge in 2020/2021 was \$1,902 million.

Tables 1 and 3 help us understand the size of the Athletic Department's deficit in the last four years. BAS members have analyzed three different measures of a budget deficit. The first measure is based on the size of internal transfers made by the university to the Athletic Department chiefly to cover the gap between Revenue and Expenses. This item is part of "institutional revenue" for the Athletic Department and is known as "school funds" in the budgeting process. School funds have been increasing over time from \$6.657 million in 2017/2018 to \$8.534 million in 2020/2021. As % of the university's operating budget, school funds have increased from 3.5% to 6.5%. This level is much higher than the level assumed by the current policy, 4.4% of the institutional general fund or 2.6% of the institutional all funds budget whichever is less. The second measure, which we refer "Deficit" in our tables, accounts only for the actual gap between Revenue and Expenses, ignoring school funds. Based on the given measure, the budget deficit has not changed in 2020/2021 relative to 2017/2018, but it has decreased significantly from its peak in 2018/2019, from \$8.693 million to \$6.977 million. Based on the second measure of the budget deficit, the deficit comprises 4.92% of the university's operating budget.

The final approach adds to the second measure the indirect Revenue generated by student-athletes, such as tuition and housing receipts. After accounting for these additional sources of revenue, the deficit has declined significantly in 2020-2021 to \$2.478 million from \$5.285 million. As % of the university's operating budget, the consolidated budget deficit declined from 3.54% in 2018/2019 to 1.75% in 2020/2021 and satisfies the threshold set by the administration, 4.4% of the institutional general fund or 2.6% of the institutional all funds budget whichever is less.

In summary, if the major responsibility of our subcommittee established by Bylaws is to review the Athletic Department's budget for the purpose of finding untapped revenue or potential cost saving opportunities, BAS members have the following set of recommendations that the Athletic Department jointly with the administration should review and potentially address in the nearest future.

1. Although the following could be a simple accounting issue, the Athletic Department should review and explain to the university community why instead of the required \$6.976 million to cover the difference between operating revenue and expense, in the final year of the analysis, the university allocated substantially higher level of school funds, \$8.534 million.
2. The analysis might also lead to the question of whether the Athletic Department can reduce the indirect institutional support expenses which in 2020/2021 were \$890,000 (See Table 5). Based on the NCAA expense categorization guidance, this expense category is defined as "overhead and administrative expenses not paid by or charged directly to athletics" and includes such expenses as facilities maintenance, security, risk management, utilities, equipment repair, telephone and other administrative expenses.
3. In 2020/2021, the Athletic Department appropriated \$1,079,418 for "other operating expenses" (See Table 5). Based on the NCAA's expense classification, "other operating expenses" assumes "any operating expenses paid by athletics in the report year which cannot be classified into one of the stated categories, including non-team travel (conferences, etc.) and team banquets and awards." For the sake of transparency, it would be beneficial for the university community to learn more about the exact activities included in this aggregated expense item and probably, for the Athletic Department, in the future, minimize such expenses.
4. In 2020/2021, the Athletic Department allocated \$1,331,249 for compensation, bonuses and benefits paid to all administrative and support staff of the Athletic Department (See Table 5). Although based on Table 1, the Athletic Department in the given academic year reduced by \$607,399 wage expenses paid to coaches and its staff, BAS recommends further to consider rightsizing the department's structure and reduce the size of administrative expenses.

Table 1. Detailed Athletic Department's Budget for the Previous Four Academic Years

Academic Year, 2020-2021			
Revenue	Amount	Expenses	Amount
Ticket Sales	6,435	Coaching + Support Salaries	3,086,564
Contributions	1,267,500	Facilities	1,630,156
Rights/Licensing	552,793	Other	3,552,015
Other	223,753	Expenses	8,268,735
Generated Revenue	2,050,481	Scholarships	2,595,059
Student Fee	1,836,355		
School Funds	8,534,120		
Institutional Revenue	10,370,475		
Total Revenue	12,420,956	Total Expenses	10,863,794
Deficit			-6,976,958
Indirect Revenue (Tuition and Housing)	4,498,698		
Consolidated Deficit			-2,478,260
Academic Year, 2019- 2020			
Revenue	Amount	Expenses	Amount
Ticket Sales	93,173	Coaching + Support Salaries	3,693,963
Contributions	753,023	Facilities	1,771,535
Rights/Licensing	444,880	Other	3,998,406
Other	635,726	Expenses	9,463,904
Generated Revenue	1,926,802	Scholarships	2,507,049
Student Fee	1,854,293		
School Funds	8,458,502		
Institutional Revenue	10,312,795		
Total Revenue	12,239,597	Total Expenses	11,970,953
Deficit			-8,189,858
Indirect Revenue (Tuition and Housing)	4,023,368		

Consolidated Deficit			-4,166,490
Academic Year, 2018 - 2019			
Revenue	Amount	Expenses	Amount
Ticket Sales	91,691	Coaching + Support Salaries	3,344,953
Contributions	618,741	Facilities	1,799,038
Rights/Licensing	752,073	Other	5,007,544
Other	500,391	Expenses	10,151,535
Generated Revenue	1,962,896	Scholarships	2,340,010
Student Fee	1,835,117		
School Funds	7,862,611		
Institutional Revenue	9,697,728		
Total Revenue	11,660,624	Total Expenses	12,491,545
Deficit			-8,693,532
Indirect Revenue (Tuition and Housing)	3,408,349		
Consolidated Deficit			-5,285,183
Academic Year, 2017-2018			
Revenue	Amount	Expenses	Amount
Ticket Sales	96,503	Coaching + Support Salaries	3,280,383
Contributions	388,644	Facilities	1,172,887
Rights/Licensing	734,036	Other	4,004,021
Other	864,175	Expenses	8,457,291
Generated Revenue	2,083,358	Scholarships	2,314,494
Student Fee	1,725,794		
School Funds	6,657,506		
Institutional Revenue	8,383,300		
Total Revenue	10,466,658	Total Expenses	10,771,785
Deficit			-6,962,633
Indirect Revenue (Tuition and Housing)	3,234,774		
Consolidated Deficit			-3,727,859

Table 2. Headcount of Athletes Relative to Student Population

Year	# of Athletes	Total # of PFW students	Total # of Full-time students	Total # of Part-time students	% of Athletes to Full-time students
2020-2021	342	8,093	5,324	2,769	6.42%
2019-2020	297	10,208	5,541	4,667	5.36%
2018-2019	251	10,139	5,838	4,301	4.30%
2017-2018	267	10,414	6,024	4,390	4.43%

Table 3. Athletic Department's Deficit and Consolidated Deficit by Year

Year	School Funds	Deficit	Consolidated Deficit	University's Operating Budget	School Funds as % of Budget	Deficit as % of Budget	Consolidated Deficit as % of Budget
2020-2021	8,534,120	-6,976,958	-2,478,260	141,726,790	6.02%	-4.92%	-1.75%
2019-2020	8,458,502	-8,189,858	-4,166,490	156,863,136	5.39%	-5.22%	-2.66%
2018-2019	7,862,611	-8,693,532	-5,285,183	149,257,167	5.27%	-5.82%	-3.54%
2017-2018	6,657,506	-6,962,633	-3,727,859	169,061,100	3.94%	-4.12%	-2.21%

Table 4. Athletic Department's Indirect Cost Breakdown by Year

Year	Physical Plant	Accounting Services	Human Resources	Information Technology	Realignment Cost	Debt Service	Total Indirect Costs
2020-2021	383,000	22,000	75,000	410,000		1,500,194	2,390,194
2019-2020	356,000	23,000	67,000	389,000		1,533,011	2,368,011
2018-2019	356,000	20,000	64,000	368,000	761,018	1,532,414	3,101,432
2017-2018	331,000	7,000	38,000	210,000		1,055,189	1,641,189

Table 5. 2020-2021 Total Expense Breakdown

Cat #	NCAA Expense Categories	Major Categories	Amount
20	Student aid	Scholarships	2,595,059
22	Coaching salaries paid by University	Coaching + Support Salaries	1,755,315
24	Support salaries paid by University		1,331,249
34	Athletic facility debt service, leases, rental fees	Facilities	1,559,735
35	Direct facilities		70,421
21	Guarantees	Other	30,000
27	Recruiting		28,377
28	Team travel		451,663
29	Equipment and uniforms		367,287
30	Game expenses		165,648
31	Fund raising and marketing		102,924
33	Spirit groups		3,415
36	Indirect Institutional Support		890,000
37	Medical expenses and insurance		371,297
38	Memberships and dues		27,739
39	Student-Athlete Meals (non-travel)		34,247
40	Other operating expense		1,079,418
	Total Expenses		