

TO: The Senate

FROM: Budgetary Affairs Subcommittee,
George Bullion, Chair

DATE: April 2, 2003

SUBJ: IPFW Budgetary Affairs Report on the Status of Division I Budgetary Matters

The attached report was adopted at the February 19, 2003 Budgetary Affairs Subcommittee meeting and is being brought to Senate for information only.

Approving:

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The IPFW Budgetary Affairs Subcommittee's Report on the
Status of Division I Budgetary Matters

February 19, 2003

(This report was adopted by a vote of 8-Yes; 0-No in the February 19, 2003 BAS Meeting)

"In fairness to the administration, it has been noted to the BAS that a large portion of the additional funds needed for a Division I program are to come from the community, rather than from IPFW funds." Budgetary Affairs Subcommittee Report Requested by the Senate-IPFW's Move to NCAA Division I, November 17, 2000

This report is submitted to the University Resources Policy Committee pursuant to action taken by the University Senate--SD 00-10 passed on March 19. The action was precipitated by a November 17, 2000, BAS report to the University Senate titled "Report Regarding Division I – for information only (SR 00-8D). In the report, BAS noted deficiencies in the plan offered by the IPFW administration in support of the move to DI. BAS was especially concerned with the lack of data to support the financial assumptions made to support the move to DI. The quote, which serves as a preamble to this report, frames a major point of contention that BAS had with regard to IPFW administration's case in support of the move to DI.

In its November 17, 2000 report, BAS proposed five recommendations that pertained to the operation of IPFW's DI program. In response to BAS's report (which initially was routed through the University Resources Policy Committee), the URPC submitted a resolution to the University Senate (Senate Document 00-9, dated February 16, 2001) that expressed disagreement with four of the five BAS recommendations. At the March 19, 2001 University Senate meeting the URPC resolution was replaced with a substitute motion (Senate Document 00-10) that stated "...the Senate withhold its support for the move to Division I athletics until such time as it has been given the data necessary for making an informed decision." The substitute motion was adopted at the March 19, 2001 meeting.

This report has been generated as a follow up study to determine the financial progress of the DI program from its inception in 2000 to the present academic year. To initiate this study, members of BAS met with IPFW's Vice Chancellor for Financial Affairs, Walt Branson, and IPFW Athletic Director, Mark Pope, on November 20, 2002 to review the financial status of IPFW's Division I program. Data contained in this report came from IPFW's former athletic

director Walt Bowman's September 5, 2000 memo to Chancellor Michael Wartell, titled "Updated Feasibility Study Division I Athletics" and data contained in a November 12, 2002 spreadsheet prepared by Tim Heffron, business manager for the IPFW Athletic Department. BAS also reviewed the Gender Equity Report that IPFW filed with the NCAA for the 2001-02 fiscal year.

Following is BAS's analysis of the finances of the athletic program for 2002-03, with special emphasis on the impact of DI. The actual results for 2002-03 for the athletic program will be reviewed by BAS when they become available in the next academic year, as will budget projections for future years. Findings are as follows:

1. The original revenue budget presented by the IPFW administration in support of the move to DI is no longer relevant. Following are items significantly below budget:
 - a. Although former IPFW Athletic Director Walt Bowman projected in his September 5, 2000 memorandum to Chancellor Mike Wartell that \$980,000 would be raised from the Board of Directors, Business 100, Grand Society and Foundation Income categories in 2001-02, only some \$288,465.60 was raised from these four sources. While the 2002-03 budget projects that \$500,000 will be raised from these four sources, the ability to raise these funds is in serious doubt given the limited success in raising funds from these sources in the immediate past budget year (2001-02).
 - b. The administration originally projected that marketing income in 2002-03 would total \$300,000 but the current budget assumes that only \$80,000 will be raised from marketing income.
 - c. The current budget shows \$400,000 in the institutional support category although the initial budget used to justify going to DI did not list any projected institutional support.
2. Two anticipated revenue sources are above budget:
 - a. Guarantee income, or income received from playing established DI schools on their home courts, has increased from the \$150,000 anticipated in the original budget to \$247,000 in the 2002-03 budget. Since the amount of revenue realized in this category in 2001-02 was \$246,500, the 2002-03 budget appears to be based on last year's experience.
 - b. Student fee income has increased from the \$633,155 in the budget on which the move to DI was based to an expected \$900,816 in the current budget year, an increase of almost 50 percent. Although the student fees going to athletics has increased dramatically, Vice Chancellor Branson stated that the percentage going to athletics (60 percent) has not increased.

3. The expense side of the current year's budget (\$1,557,086) is close to the original projection (\$1,534,854). However, scholarship expenses are running approximately 30 percent above the original budget--\$952,605 versus \$756,982.
4. The budget was in deficit in 2001-02 and the current year's budget is projected to result in a small deficit. The administration has been using an accumulated surplus from past years to fund the past and projected deficits but that option will likely cease to exist after the current budget year. BAS's understanding is that the athletic budget cannot go into a deficit once the accumulated surplus is exhausted.
5. BAS did not attempt to determine how much of coaches salaries has been "offloaded" onto the operating budget thus far but this is an item that should receive attention as BAS in the future conducts its annual reviews of the financial performance of the DI athletic program.
6. BAS has not attempted to ascertain what indirect costs the campus may have incurred on behalf of the DI program. Examples of potential increased indirect costs because of the DI programs are: buildings and grounds, security, utilities, and administrative costs elsewhere in the University.

Based on its investigation, BAS concludes that:

1. Athletic Director Pope told BAS that IPFW will need a budget of \$5 million annually, in current dollars, to be competitive in a conference and perhaps to even gain admission to a conference. That is, the athletic budget will need to double from its present level. Given the revenue shortfalls thus far in funding the DI athletic program and BAS's initial insistence that the program not be funded primarily through increases in student fees, a \$5 million budget for the DI programs presents a formidable barrier to IPFW's future successful operation of the program. BAS shares Athletic Director Pope's concern that if IPFW is going to have a program, whether in the athletic department or otherwise, it should be funded adequately. Members of BAS accept Mr. Pope's assessment that \$5 million annually, in current dollars, will be needed to adequately fund a credible DI program.
2. The bad news thus far for the move to DI is that IPFW has not gained entrance into a conference but the good news is that the institution has been able to realize almost \$250,000 by playing better-established DI teams on their home courts. BAS believes that the DI student-athletes are bearing a heavy burden through extensive and prolonged travel to games where they have little chance of being competitive. Without conference affiliation, reciprocity is not likely.

Based on its investigation, BAS recommends that:

1. The move to DI is on very shaky financial footing at this point since the projected rich and diverse sources of funding have not materialized. Given this fact, BAS recommends that the IPFW administration develop an exit strategy or plan to cover the reality that the program might have to be terminated. However, BAS recognizes that there is no simple way to exit DI once the decision was made to forego DII status.
2. Unfortunately, IPFW students have to “bail out” the revenue shortfalls through the increased fees that they pay. BAS went on record in its 2001 report (recommendation number three, page 12) by stating that, “the student fee rate used to support the IPFW athletics program will not be increased at a rate greater than the overall rate of increase in fees per credit hour.” While, technically, the increase in total student fees may conform to this recommendation, the recommendation was intended to ensure that the DI program would not be financed mainly via student fees. BAS reiterates that expectation.
3. BAS believes that an intensive and continuing review of IPFW’s participation in the DI program is required. Athletic Director Pope noted in his November 20, 2002 meeting with BAS that the DI decision needs to be revisited three years hence if IPFW does not have a conference affiliation by that time. BAS recommends that review be completed no later than Spring 2005 and/or before a final decision is made to join a conference assuming an invitation is forthcoming.

Table 1. Comparison of changes from the initial to the current 2002-03 projected revenue and expense budget for IPFW's DI program.

Estimated Revenue/Expenses	Projections Operating	
	Used for DI	Budget
	2002-03	2002-03
	09/5/2000	11/12/2003
Endowment Interest	\$125,000.00	\$24,000.00
Contributions	\$980,000.00	\$500,000.00
-Board of Directors Income	\$200,000.00	
-Business 100 Income	\$200,000.00	
-Phase 3 Income	\$300,000.00	
-Misc. Donations	\$30,000.00	
-Coach Initiated Donations	\$0.00	
-Foundation Income	\$250,000.00	
Student Fee Income	\$633,155.00	\$900,816.00
NCAA Enhancement Income	\$50,000.00	
Interest Income	\$3,000.00	
Continuing Education Transfer	\$10,500.00	
Ticket Income	\$54,000.00	\$50,000.00
Guarantee Income	\$150,000.00	\$247,000.00
Marketing Income	\$300,000.00	\$80,000.00
Other Income		\$281,000.00
Institutional Support		\$400,000.00
-Endowment generated aid		\$75,000.00
-Chancellor's scholarships		\$29,246.98
-Chancellor's merit scholarships		\$102,441.92
-IPFW unrestricted scholarships		\$193,311.10
Total Funds Available	\$2,305,655.00	\$2,482,816.00
Estimated Expenditures		
-Total Scholarship Expenses	\$756,886.00	\$952,605.00
-Total Operational Expenses	\$1,534,854.00	\$1,557,086.00
Total Expenditures	\$2,291,740.00	\$2,509,691.00
Surplus/Deficit	\$13,915.00	-\$26,875.00

Addendum

BAS supports including the following five metrics (adopted at its December 11, 2002 meeting) in the list of metrics used to assess the progress of IPFW's DI program. These have been provided to the University Resources Policy Committee, through which BAS reports to the Fort Wayne Senate, for its consideration. The suggested metrics are as follows:

1. Percent of dollar amount of athletic scholarships funded from IPFW administered scholarship funds.
2. Percent of dollar amount of athletic scholarships funded from the Chancellor's Merit Scholarship fund.
3. Fees per student used in support of DI (student fees divided by fall semester headcount as reported in the NCAA Gender Equity Survey, NCAA Analysis of Revenue and Expenses, Equity in Athletics Disclosure Act report).
4. Percent of total athletic budget funded by student fees.
5. Total dollar amount of allocated costs of coaching staff and support personnel to general fund.

BAS reiterates its commitment to working with URPC according to a motion passed at the sixth regular meeting of the Twentieth Senate on March 19, 2001, however, in the absence of any requests from URPC, BAS will continue monitoring the move to DI based on the metrics set forth in its November 17, 2000 report to the Senate.

Members of BAS extend special appreciation to Athletic Director Mark Pope for the candor and cooperation that he exhibited in providing information and insight critical to the deliberations that produced this report. In addition, appreciation is extended to Vice Chancellor for Financial Affairs, Walt Branson, for his review of the information presented in this report with regard to its accuracy.

BAS has asked for a breakout by source (additional students, fee increases, the additional freshmen fee) of the increase, but that data was not available as of the date of this report.

The income data in this column came from page 6 and Appendix E of former IPFW Athletic Director Walt Bowman's September 5, 2000 report (Updated Feasibility Study for Division I Athletics) to Chancellor Michael Wartell. The estimated expenditures were presented in Appendix E only.

The 2002-03 budgeted income and expenditures data in this column was obtained from an 11/12/02 spreadsheet prepared by Tim Heffron, business manager for the IPFW Athletic Department.

Pooled Investment Income and Endowment Income Distribution.

Foundation Income consists of donations from area foundations. It was a separate category in the 2000 budget but in the current year it has been made a subcategory of the “contributions” category. Contributions now includes the former categories of Board of Directors Income, Business 100 Income, Phase 3 Income, Misc. Donations, and Coach Initiated Donations with the latter category being listed but not used at the current time.

Student Service Fees.

Distributions from the NCAA.

Interest from balances in operating accounts.

Income from Continuing Studies courses.

Ticket sales from athletic events.

Income from IPFW teams playing away contests.

Game program sales, corporate sponsorships, and advertising income.

Concession sales, camp fees, apparel sales, rental income, and misc. income.

Includes much of the aid that athletes receive including endowment generated aid, chancellor’s scholarships, and chancellor’s merit scholarships.

Aid from university scholarship endowments.

Tuition scholarships for students in the top 10% of their class and with a 1200 SAT score.

Scholarships for non-resident fees for qualified students in the top 25% of their class and with an 1100 SAT score.

Aid awarded from unrestricted university scholarship accounts.