

MEMORANDUM

FROM: Marc Lipman, Chair  
University Resources Policy Committee

TO: Executive Committee Fort Wayne Senate

SUBJECT: Costs and Benefits if IPFW participation in D-1 Athletics

DATE: 27 MAR 2014

The attached report for information only is forwarded as approved by URPC from a charge to the committee from the Fort Wayne Senate.




## Final Report: Division I Athletics at IPFW




As required by IPFW Senate document 12-25, Continue Participation in Summit League, URPC was charged to assemble a task force representative of all major stakeholders to the university and athletic program for completion of an assessment of the cost and benefits of IPFW's participation as a Division I university and to issue a report to the Senate by the February 2014 meeting. The committee was composed of the following representatives; Peter Iadicola, committee chair and representing faculty, Christine Erickson, representing faculty, Kelley Hartley Hutton, Athletic Director, Steven Sarratore, Associate Vice Chancellor for Academic Programs, Pone Vongphachanh, representing IPFW Alumni, and Christopher Hinton, student representative. This report was delayed because of a consideration to conduct surveys of students, faculty and staff, and alumni. The focus of the survey was measuring the opinions of these various stakeholders as to the value of the Division I Athletics at IPFW. Unfortunately, the survey could not be administered during the spring term and will be administered during the fall semester and an addendum to this report will be filed once the survey is completed and data analyzed. Below are the findings of the committee based on the data for the EADA reports and additional information provided by USA Today Report on sports college finances across all Division I athletic programs required to submit finance reports by EADA.

### Costs of Participation in Division I Athletics

The data presented below is from the USA Today Report (USA TODAY Sports' College Athletics Finances (<http://usatoday30.usatoday.com/sports/college/story/2012-05-14/ncaa-college-athletics-finances-database/54955804/1> Posted 5/14/2012 12:44 PM | Updated 5/16/2012 8:14 AM) The details of revenues and expenses at NCAA Division I public schools, 2006-2011, are based on the revenue and expense reports collected from more than 225 public schools in the NCAA's Division I that have an obligation to release the data under the EADA (Equity in Athletics Disclosure Act). See tables in appendices for detailed tables on expenses and revenues as reported to the NCAA as required by EADA.

1. Total expenses for IPFW's participation in the Summit League as a Division I school participating in intercollegiate athletics have increased approximately 72% between 2005 and 2012 (\$4,124,249 in 2005 to \$7,088,525 in 2012). This is a rate of increase of approximately 9% per year. In ranking of the 228 schools with Division I athletic programs reporting EADA data from largest to smallest total budget, IPFW ranks 215, one above IUPUI. The table below is the most recent information reported for EADA.

SCHOOL FINANCES  					Expenses 
YEAR	COACHING / STAFF	SCHOLARSHIPS	BUILDINGS / GROUNDS	OTHER	TOTAL EXPENSES
2012	\$1,886,056	\$2,131,392	\$98,555	\$3,001,849	\$7,088,525

SCHOOL FINANCES  							Revenues 
YEAR	TICKET SALES	CONTRIBUTIONS	RIGHTS / LICENSING	STUDENT FEES	SCHOOL FUNDS	OTHER	TOTAL REVENUES
2012	\$99,421	\$473,352	\$530,114	\$2,046,966	\$3,233,898	\$713,808	\$7,097,559

Major Expenses Categories – See tables below at the end of the report for specific breakdowns of expenses and revenues for each sport.

- a. For 2011/12, 36% of the total scholarships originating from IPFW and fee remissions went to student athletes. This breaks down to be \$2,131,392 reported Athletic Scholarships plus an additional \$51,557 portion of General University Scholarships that went to student athletes plus \$789,983 of Fee Remissions that went to student athletes for a total expense of \$2,972,932. This is 36% of the total \$8,256,631 for scholarships and fee remission funds originating from IPFW in 2011. For the most recent year available as reported by the Athletic Director, Kelley Hartley Hutton, the total number of student-athletes for 2013-14 was 262. The total number of student-athletes receiving athletic aid for 2013-14 was 200. The total equivalency for 2013-14 was 97.66 which means that 97.66 scholarships were spent on 200 student-athletes, while 62 student-athletes received no athletic financial assistance.
  - b. Approximately 26% of the budget was for coaching and auxiliary staff or \$1,886,056 for the year 2012.
  - c. The largest category is entitled “Other” which composes \$3,001,849 or 42% of the budget. In the Other expenses category the largest item is team travel, \$960,341.
2. Ticket sales during this same period have fluctuated. Ticket sales in 2005 amounted to \$97,874. The peak of ticket sales was the following year, 2006, amounted to \$160,405. Part of the increase in 2006 was a result of the attendance at men’s basketball games, in particular, the game with Notre Dame that occurred at home. The high number of ticket sales might also be a result of greater interest in Division I athletics, since IPFW’s announcement that it was joining the Summit League the following year. In 2012, the ticket sales fell to \$99,421, up 2.5% from 2005, but 48% lower than the peak season in sales. The average sales for the eight year period was \$117,154, the 2012 sales were 15% lower than the average for the period.
  3. Contributions to the athletic program have also fluctuated. Contributions increased just over 6% from 2005 to 2012, going from \$443,331 to \$473,352. The peak of contributions was \$562,021 in 2007 (first year of Summit League), which is 16% higher than the 2012 amount. The average yearly contribution to the athletic program from 2005 to 2012 was \$474,168.

4. Student fees used to support the athletic programs have increased during this same period, from \$1,186,708 in 2005 to \$2,046,966 in 2012, an increase of \$860,258 or 72%. Student fees cover approximately 29% of the cost of the Division I athletic program.

5. University funds to support IPFW’s participation in Division I sports have increased \$1,925,056 or approximately 147% during this same period, from \$1,308,842 in 2005 to \$3,233,898 in 2012.

6. In 2011, IPFW subsidized approximately 77% of the total cost Division I athletics. In 2012 IPFW subsidized 74%. The amount of the subsidies is calculated as “the sum of students’ fees, direct and indirect institutional support, and state money. The NCAA and others consider such funds "allocated" or everything not generated by the department's athletics functions.” (from USA Today College Sports Finances, Methodology for NCAA athletic department revenue database, <http://www.usatoday.com/story/sports/college/2013/05/10/college-athletic-department-revenue-database-methodology/2150123/> ). It is important to note that IPFW does not receive state funds for the direct support of athletics.

This ranks IPFW as 61st out of 227 Division I schools in amount of subsidy for its Division I athletic program. The subsidy for 227 schools ranged from 0% to 92.5% during 2012. Only seven of the 227 schools did not provide a subsidy for the Division I program: Texas, Ohio State, LSU, Penn State, Oklahoma, Nebraska, and Purdue. The table below provides data on the level of subsidy for Summit League schools in 2011. IPFW was at the median of percentage of subsidy. However, the IPFW subsidy is the smallest compared to other schools within the Summit League.

The range of subsidy for the Summit League for 2011

School	Total Exp.	Total Rev.	Total Subsidy	%Subsidy
IUPUI	\$6,495,982	\$6,472,226	\$5,747,639	88.5%
Mo-KC	\$9,001,051	\$11,146,614	\$7,366,248	81.8%
So. Utah	\$9,299,611	\$9,564,085	\$7,245,908	77.9%
Oakland	\$10,390,958	\$10,552,561	\$8,041,948	77.4%
<b>IPFW</b>	<b>\$6,762,966</b>	<b>\$6,786,352</b>	<b>\$5,205,373</b>	<b>77.0%</b>
West Illinois	\$10,832,654	\$10,430,495	\$8,240,743	76.1%
So. Dakota St.	\$13,075,613	\$13,106,871	\$7,761,765	59.4%
No. Dakota St.	\$15,273,267	\$15,351,245	\$7,311,860	47.9%

7. According to the *USA Today* only 22 out of 227 public schools in NCAA Division I generate enough money to pay for their athletic programs. The NCAA benchmark for whether a program is financially self-sufficient is generated revenues minus expenses. The number of self-sufficient schools for 2011 is unchanged from 2010. There were 14 such schools in 2009, 25 in 2008.

8. Among the 277 public institutions with a Division I athletic program, the 22 that had a surplus in 2011 nearly quadrupled their excess since 2005. The remaining schools did not generate enough to cover their operating expenses; their median deficit was 67% higher than in 2005.

9. While rising scholarship costs have played a major role in spending increases for Division I athletics during that time, outlays for coaching compensation, support-staff pay, and facilities have risen faster than those for scholarships according to the analysis completed by USA Today. This has not been the case for IPFW. Scholarships increased 86% or \$990,779 from \$1,140,613 in 2005 to \$2,131,392 in 2012. Outlays for coaching compensation, support-staff pay, facilities, and other expenses increased 67%, going from \$2,983,636 in 2005 to \$4,986,460 in 2012. This compensation for full time coaching staff includes coaching activities, and administrative and teaching responsibilities.

10. Even with increases in revenue from media rights deals, ticket sales, and corporate sponsorships, more than 90% of 227 athletics programs at Division I public schools depended on student fee and school or state support according to the 2011 report data.

11. It is difficult to calculate the cost differential from Division I to Division II, since there are many unknowns. One cost is dependent upon the league that IPFW would join for Division II which affects travel costs (a significant expense). The cost of leaving Division I for Division II would also be affected by the types of sports that are supported. One way of looking at the differential costs is to compare the differences in median amounts spent and the median amounts of deficit covered by the institutions of higher education. The median cost (cost minus revenues) for Division I schools without a football program is \$9,809,000 for 2012 (Revenue and Expenses 2004 - 2012 NCAA Division I Intercollegiate Athletics Program, table 5.1, <http://www.ncaapublications.com/productdownloads/2012RevExp.pdf> . This is significantly greater than the \$5,280,864 for cost for IPFW for the same. However, for Division II programs without football, the cost is two thirds lower than Division I schools without football, for 2012 the median cost was \$3,539,900 period (Revenue and Expenses 2004 - 2012 NCAA Division II, table 4.1 <http://www.ncaapublications.com/productdownloads/D22013RevExp.pdf>). This is a very rough comparison but it is accurate to say that overall the costs for Division II programs would be significantly less.

12. Finally, there are costs of withdrawing from the Summit League. According to the Summit League Bylaws 2013-2014, schools that withdraw from participation in the Summit League, if they give at least two years notice, will be required to pay \$40,000 for the expenses incurred by the league. Any member that affects an “Untimely Withdrawal” shall (in addition to other

provisions set forth in this section) pay to the League, a fee as liquidated damages to cover the anticipated financial harm to the League by the member's Untimely Withdrawal. The established Untimely Withdrawal Fee is \$250,000.00 (Summit League Bylaws – 2013/14 Section II Membership). Colleen Rott, Office Manager for the Summit League Offices in email correspondence dated March 19<sup>th</sup> to IPFW's Athletic Director Hartley Hutton that at the Presidents Council meeting held in Sioux Falls on March 9th the following change in withdrawal fee was passed. "Effective immediately the new withdrawal fee is \$500,000. Less than two years notice to withdrawal from the league is \$1,000,000." These costs of withdrawal does not include any additional costs to join a new conference if IPFW decided to do so.

### **Benefits of Participation in Division I Athletics**

1. Benefit of free media coverage (see attachments men's basketball local and national coverage and IPFW Athletics in the News).

a) IPFW athletics in the local news outlets (for example, from September through November 2013, 23.5% of the IPFW coverage dealt with athletics). Total local coverage last year for men's basketball was the equivalent of \$466,050 in ads (figures based on costs of ¼ to ½ page add in the newspaper and a 30-second spot during the new casts. According to IPFW Athletic Director, Kelly Hartley Hutton, IPFW Athletics Department office staff contacted the Fort Wayne Newspaper, Business Office and received this information on ad rates.

b) IPFW athletics in national news (two ESPN games this year: exposure equivalent to \$2,000 for 30 second ad x 40 minutes/game = \$16,000 per game= \$320,000 for two games): and ESPN ticker coverage: \$260 per appearance = \$1,160,640 for the season). According to IPFW Athletic Director, Kelly Hartley Hutton, IPFW Athletics Department office staff contacted the ESPN Business office in Atlanta, Georgia and received this information on ad rates.

c) Other outlets (Fox, MidCo Sports, Media Comm) – five games total.

2. Recruitment of Division I student-athletes. As presented in the Athletic Budget Presentation at the VCFA forum on February 21, 2014 using data for 2011 – 12, there are 264 current Division I student-athletes. Taking into account revenues (tuition, housing, HPER credits, state appropriations) and expenses (institutional support, general fund salary expense), IPFW ends up with a net of \$605,107. The following is the breakdown of this analysis which displays a net revenue gain for the university.

#### Revenues

- Athletic Tuition Charges \$2,959,616
- Athletic Housing Charges \$405,011
- HPER Credits Taught by Athletic Staff \$37,426

- State Appropriations \$818,813
- **Total Revenue \$4,220,866**
- 
- Expenses
- Direct Institutional Support \$2,821,898
- General Fund Salary Expense \$739,860
- **Total Expenses \$3,615,758**
- Net to IPFW \$605,107**

What is missing from this analysis is the expense of student fees. The rationale for exclusion of this expense data was that this was funds which were allocated to be part of student fees for athletics. With the inclusion of student fees of \$2,046,966 used to support the Division I program at IPFW in the expense column, IPFW ends up with a deficit of \$1,441,859.00. Below is the same analysis with the inclusion of student fees in the expense column.

Revenues - \$4,220,866.

Athletic Tuition Charges \$2,959,616

Athletic Housing Charges \$405,011

HPER Credits Taught by Athletic Staff \$37,426

State Appropriations \$818,813

Total Expenses - \$3,615,758

Direct Institutional Support \$2,821,898

General Fund Salary Expense \$739,860

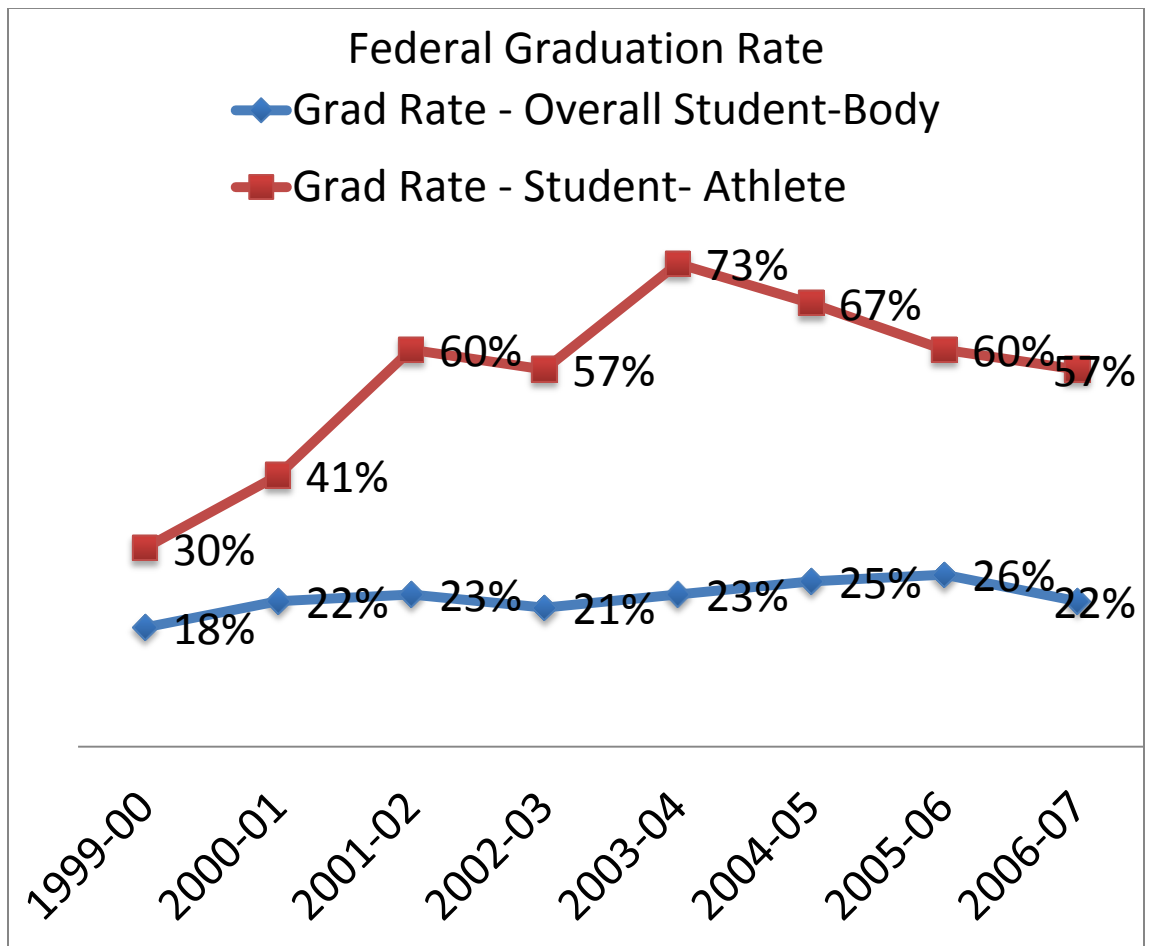
Student Fees \$2,046,966

Cost to IPFW \$1,441,859.00

Both of the analyses assume that the additional 264 students would not have come if IPFW did not have a Division I athletic program.

### 3. Student Athlete Success –

It is important to note the success of the Athletic Program in terms of the high rate of academic success of these students. IPFW student-athletes have achieved over a 3.0 GPA for ten straight years. In 2012-13, the average GPA of student-athletes was 3.18. The table below has based on is based on IPFW data for the corresponding cohort years. The information was taken from the publically available graduation rate reports compiled by the IPFW Athletic Department.

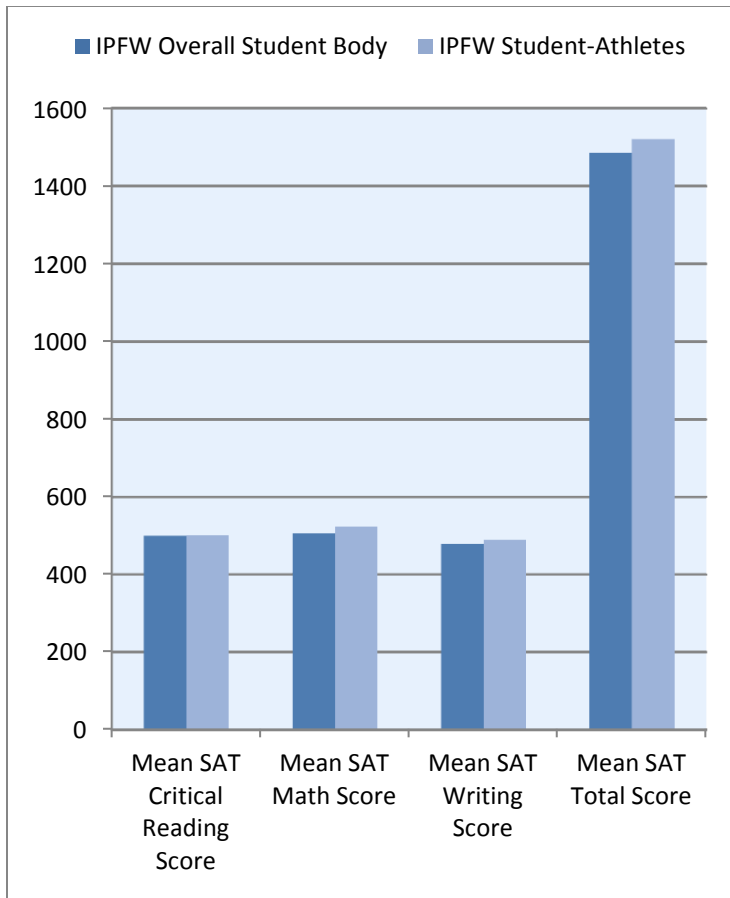


Freshman Cohort Year.

It is important to note some important factors related to IPFW’s athletics that are significant contributors for this success. The formula for academic success includes first the students’ own academic skills and talents. IPFW athletes have a higher level of academic skills as evidenced by Scholastic Aptitude Test Scores comparing them to all full time freshmen students beginning Fall 2012 (see table below compiled for presentation entitled Athletics – Benefits and Costs - An analysis of benefits and costs of athletics VCFAA Forum, presented Friday, February 21, 2014)



## Fall of 2012 Beginners Mean SAT Scores



A second component of student success comes from the advising and assistance provided by the university. IPFW student athletes in general receive a high level of student support in advising and monitoring their academic progress. Christine Kuznar, Associate Athletics Director and Director of the Mastodon Academic Performance (MAP) Center and the Student-Athlete Affairs Coordinator noted that students who after their first semester earn less than 2.5 GPA are put on what we call the PASS program “Promoting Academic Success of Student-Athletes”. She further notes that the Athletics program require student athletes have several meetings a semester with advisors to make sure they are accessing the campus resources that they need to help promote their academic success. According to NCAA Rules, DI Freshmen Athletes must pass 24 hours minimum (no repeats) in their first year. MAP Advisors review the number of hours student-athletes pass each semester and then the total for the year. The NCAA requires 40%/60% degree completion at end of sophomore/junior year. The Athletics Department ask each academic department to report to us the number of hours students have completed toward their degree, and based on the number of hours required, we then see if they have met the percentage for eligibility.

Student athletes have the benefit of not only having advisors within the academic department of their major, but also having access to all services available to students at IPFW through CASA. According to Bruce Busby, Director of CASA, for the 2012-2013 academic year, CASA provided 1,035.31 hours of support to student athletes at an estimated cost of \$7,764.82 in student wages.

Another important factor in the formula for student success is a high level of student involvement with university activities and university sponsored community activities. By the very nature of the commitment of student athletes to practice and perform in their respective athletic programs, there is a much higher level of student involvement with university activities than the vast majority of students at IPFW. Furthermore, the Athletic Department involves the students in university sponsored community activities. One example of this is SALT (Student-Athlete Leadership Team), which participates in personal development and service activities, career development, academic and a NCAA recognition athletic banquet. SALT is a required committee at every NCAA institution regardless of Division. This group is self funded and student-athletes voluntarily pay in to the group to fund its function. In 2012, IPFW Athletics was awarded the “Community Engagement Award.”

The last component of student success is financial support to pay for the cost of their education and participation in the athletics program. As mentioned in the cost section of this report, for 2011/12, 36% of the total scholarships originating from IPFW and fee remissions went to student athletes. This was a total of \$2,972,932 awarded to student athletes for that year. Generally speaking, universities spend at least three times more on student athletes compared to the median level of support for all students. According to the report of the Delta Cost Project at the American Institute for Research, for 2010 the median expenditure per athlete was \$39,201 compared to \$11,861 academic spending per FTE student in Division I schools without Football (Desrochers, 2013 available at <http://chronicle.com/blogs/players/files/2013/01/deltacost.pdf> ) For IPFW, the Knight Commission on Intercollegiate Athletics reports using EADA data that IPFW spent \$9,147 per student FTE in 2005 and \$11,000 per student FTE in 2012, a 20% increase in spending. For student athletes, spending was \$19,733 in 2005 and \$31, 227 in 2012, a 58% increase in spending per student athlete. Both the IPFW allocation per FTE for student and for athletes is below the median for Non Football Division I schools (NFS) reporting EADA data. For 2012, the median expenditure for Non Football Division I schools was \$12,686 per FTE student and \$38,521 per student athlete. (see Knight Commission Report on spending for IPFW and Non-Football Division I Schools at <http://spendingdatabase.knightcommission.org/nfs>)

2011-12 NCAA Financial Audit

	Basketball	Volleyball	Other Team Sports	General and Administrative	Total
<b>Revenue</b>					
1 Ticket sales	\$ 66,301	\$ 25,159	\$ 7,961	\$ -	\$ 99,421
2 Student fees	494,241	398,185	1,154,540	-	2,046,966
3 Guarantees	295,000	-	11,000	-	306,000
4 Contributions	15,302	29,382	46,170	382,498	473,352
5 Compensation provided by a third party	24,477	4,850	-	129,473	158,800
6 Direct government support	-	-	-	-	-
7 Direct institutional support	651,088	332,787	1,223,936	614,087	2,821,898
8 Indirect facilities	-	-	-	412,000	412,000
9 NCAA and conference distributions	-	-	-	373,102	373,102
10 Broadcast rights	-	-	-	-	-
11 Concessions and parking	1,365	-	100	25,682	27,147
12 Royalties and sponsorships	-	-	-	129,865	129,865
13 Sports camp revenue	14,994	-	29,047	2,070	46,111
14 Investment income	1,313	41,753	2,512	69,727	115,305
15 Other	2,542	16,261	20,228	48,561	87,592
16 Total revenue	<u>1,566,623</u>	<u>848,377</u>	<u>2,495,494</u>	<u>2,187,065</u>	<u>7,097,559</u>
<b>Expenditures</b>					
17 Student aid	632,728	390,892	1,107,772	-	2,131,392
18 Guarantees	5,750	-	-	-	5,750
19 Coaching salaries paid by University	279,078	180,103	456,792	-	915,973
20 Coaching salaries by third party	24,477	4,850	-	-	29,327
21 Support salaries paid by University	1,294	749	1,635	807,605	811,283
22 Support salaries paid by third party	-	-	-	129,473	129,473
23 Severance payments	-	-	-	-	-
24 Recruiting	77,205	15,635	31,877	-	124,717
25 Team travel	291,019	169,484	499,838	-	960,341
26 Equipment and uniforms	43,382	18,056	182,142	26,477	270,057
27 Game expenses	88,507	15,823	57,983	-	162,313
28 Fundraising and marketing	3,272	2,321	4,693	184,828	195,114
29 Sports camp expense	5,094	-	11,805	-	16,899
30 Direct facilities	53,808	2,649	40,803	1,295	98,555
31 Spirit groups	-	-	-	29,152	29,152
32 Indirect facilities	-	-	-	412,000	412,000
33 Medical expenses and insurance	8,652	-	65	392,316	401,033
34 Memberships and dues	640	2,410	13,042	38,775	54,867
35 Other operating expense	51,717	45,405	87,047	156,110	340,279
36 Subtotal expenditures	<u>1,566,623</u>	<u>848,377</u>	<u>2,495,494</u>	<u>2,178,031</u>	<u>7,088,525</u>
37 Transfers to institution	-	-	-	-	-
38 Total expenditures	<u>1,566,623</u>	<u>848,377</u>	<u>2,495,494</u>	<u>2,178,031</u>	<u>7,088,525</u>
<b>Excess of Revenue over Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,034</b>	<b>\$ 9,034</b>

2012-13 NCAA Financial Audit

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29 Sports camp expense	5,094	-	11,805	-	16,899
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31 Spirit groups	-	-	-	29,152	29,152
32 Indirect facilities	-	-	-	412,000	412,000
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<b>Excess of Revenue over Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,034</b>	<b>\$ 9,034</b>