

**Budgetary Affairs Subcommittee
Report Requested by the Senate–
IPFW's Move to NCAA Division I**
November 17, 2000

This document has several appendices which are not attached to this document. Paper copies of the entire document have been sent to all Senators and the Senate mailing list which includes the secretary in each academic department office.

INTRODUCTION:

BAS involvement with the decision of the IPFW administration to move from Division II to Division I began with Faculty Senate Resolution SD 99-22, which was approved and forwarded to Chancellor Wartell on April 10, 2000 (Appendix A). It states, in part:

"BE IT RESOLVED, that the Fort Wayne Senate recommends that IPFW continue to develop a plan (e.g. scholarships, operating budget, staffing) to be submitted to the Budgetary Affairs Subcommittee for comment; and

BE IT RESOLVED, that the plan, along with the Budgetary Affairs Subcommittee comments, be made available to all faculty prior to further Senate consideration of this issue."

CHRONOLOGY OF RELEVANT EVENTS:

April 19, 2000

As a result of SD 99-22, the BAS met with Vice Chancellor for Financial Affairs Walt Branson. At this time, BAS members learned that an administrative committee consisting of Chancellor Wartell, VCFA Branson, and Athletic Director Walt Bowman had been working on the matter of moving from Division II to Division I. Financial analyses, projections of revenues and expenses, comparisons to other institutions, and extensive contacts in the community were reported to have been done.

VCFA Branson noted a preference to provide a report to the BAS which would be substantially verbal in nature, with supporting material and data gathered by the administrative committee. He pointed out that the Athletics Department staff had been heavily involved in the preparation and gathering of material and data only since April 1, 2000, so a verbal -- rather than written -- report seemed more suitable.

The haste had been prompted by a recent NCAA moratorium on any division shifting for a two-year period. VCFA Branson noted the IPFW move to Division I could still be made by filing with the NCAA prior to June 1, 2000, thus the haste. VCFA Branson said a final decision to shift IPFW to Division I had not been made as of this date. That final decision, though, he said was imminent.

The BAS made it clear that it expected to see a formal, written report on all aspects of the planning for the move to Division I. (Note 1: BAS notes that all proposals for new academic programs - regardless of size - are required to be submitted in accordance with a 22-page document from the Indiana Commission for Higher Education entitled "Guidelines, Policies, and Procedures for Developing New Academic Program Proposals.") VCFA Branson indicated that such a report would be forthcoming if the final decision was to move to Division I.

May 8, 2000

The BAS was provided with the "Feasibility study Division I athletics" document as prepared by AD Bowman and submitted to Chancellor Wartell (Appendix B).

The BAS notes that this was the written material on which the administration ultimately based its decision to request Division I status immediately prior to the June 1 deadline.

May 17 and May 24, 2000

Because the May 8 "feasibility study" raised many questions by BAS members, BAS requested to meet with the administration.

On May 17, BAS met with VCFA Branson and AD Bowman. On May 24, BAS met with VCFA Branson and Associate Athletic Director and Business Manager Tim Heffron. It was the mutual understanding of the two parties that the sole purpose of the meetings was for BAS to raise questions/issues to which the administration would respond at a later date. The two meetings consumed approximately three hours. BAS provided a number of comments about the May 8 report as presented. Among the comments were these:

1. Far too much of the supporting data used for rationale and justification was anecdotal. BAS members pointed out at length that while a given conclusion might be valid, there was little actual supporting documentation for the conclusion. In some cases, there was no supporting documentation for a conclusion.
2. The conference income was among the revenue projections. BAS members pointed out that to count the conference revenue was a mistake as it was not known which conference might be joined or when the income from a conference would start. Somewhat the same condition was noted for the NCAA income portion as to exact amount and when the income would begin.
3. BAS members said, too, that the incomes from the funding plan regarding the levels of community pledge support were not complete, and needed to be clarified. It was understood that pledge names were confidential and that other potential pledgers were waiting to commit when the Division I decision was final.

May 31, 2000

The letter of intent to move from Division II to Division I was submitted to the NCAA by Chancellor Wartell. Subsequent actions by the NCAA Membership Committee and its

interpretation of the moratorium caused the University's letter of intent to be rejected. After further consideration by the NCAA, it was decided that the Membership Committee interpretation was in error and the IPFW intent to move to Division I would be reviewed a second time. This delay allowed the administration to do a revision of the May 8 report.

June 28, 2000

BAS Chair Guthrie received correspondence from VCFA Branson titled "Answers to Division I Questions from BAS."

A question as to the confidentiality of the correspondence arose between Chair Guthrie and VCFA Branson. Accordingly, Chair Guthrie held the correspondence unto himself until the question was resolved. Other members did not receive the correspondence until the first meeting of BAS at the start of the fall semester, August 25.

September 5 and 6, 2000

An "Updated Feasibility Study for Division I Athletics," sent by AD Bowman to Chancellor Wartell, was dated and received by the BAS September 5 (Appendix C).

By these dates, the NCAA Membership Committee had reviewed its negative decision, changing it to a positive one. The vote by the Division I Committee at the NCAA President's level was also positive. The NCAA decision allowing IPFW to move to Division I was rendered on September 6, 2000.

The BAS apologizes to faculty who anticipated a response to SD 99-22 at the beginning of the fall semester 2000-01. It was the original intent of BAS to provide such; however, it hopes that the chronology just given shows why that original intent was not possible to execute.

Finally, BAS notes that the chronology was such that the administration had the benefits of BAS's reaction to the May 8 "feasibility study" prior to its May 31 decision; however, BAS did not make a recommendation relative to the move to Division I at that time. BAS was charged to comment. Those comments follow.

COMMENTS ON THE MAY 8 AND SEPTEMBER 5 "FEASIBILITY" STUDIES:

RATIONALE/BENEFITS TO IPFW:

In AD Bowman's May 8 and September 5 documents to Chancellor Wartell, he lists a number of arguments for IPFW making the move to Division I. In the May 8 document, the arguments are called rationale, while in the September 5 document the arguments are referred to as benefits to IPFW. In the May 8 and September 5 document table below, BAS has listed the arguments and has noted whether supporting evidence was contained in either document, or was provided in the communications that BAS had with either AD Bowman and/or VCFA Branson. BAS's evaluation and categorization of the statements presented below regarding evidence offered is as follows:

No evidence - no supporting data or evidence of any kind was offered;

Inadequate evidence - data or evidence offered inadequately supports the listed benefit or

rationale;

Adequate evidence - data offered supports the argument but is incomplete;

Full evidence - evidence presented fully supports the argument offered; and

Anecdotal evidence - arguments offered appear to be based upon unverified statements, conclusions, or arguments presented by others.

Each row of the table below is intended to provide a match between specific rationale offered in the May 8 document and comparable benefit set forth in the September 5 document. As can be seen in some rows in the table, the matches are not perfect and may require some resourcefulness on the part of the reader to make an association.

Row #	May 8, 2000 "Rationale"	September 5, 2000 "Benefits to IPFW"	Evidence Offered in Support of Listed Rationale/Benefits
1.	"IPFW's transition to Division I would help us combat the current 'brain drain' northeast Indiana is experiencing."		No evidence
Row #	May 8, 2000 "Rationale"	September 5, 2000 "Benefits to IPFW"	Evidence Offered in Support of Listed Rationale/Benefits
2.	"IPFW's transition to Division I gives the students of northeast Indiana an alternative to attending other Division I state institutions." (which will increase IPFW enrollments) (Note 2: The phrase in parentheses was added by BAS, since we assume this is what was originally intended. Otherwise, the statement is without meaning.)		No evidence
3.	"IPFW's transition to Division I garnering our local students and student-athletes would		No evidence

	allow our local business community to hire Fort Wayne's best."		
4.	"A Division I athletic program will have a positive economic effect."	"Division I athletic events at IPFW can be expected to attract a larger audience from the immediate area and from more distant locations." "A Division I athletic program, in conjunction with a growing number of major athletics events, will bolster Fort Wayne and Allen County economic development efforts."	Inadequate evidence
5.	"IPFW's transition to Division I would enhance the caliber of student in the classroom by attracting Fort Wayne's better academically prepared students to our campus."	"Division I athletics can be expected to improve student achievement at IPFW." "Fort Wayne and area high schools produce a significant number of graduates who have achieved success both as students and as high school athletes." (Note 3: BAS is unclear as to what this purported benefit means.) "Prominent area high school student athletes who achieve similar success in IPFW Division I programs will also serve as role models for area students, encouraging them both to achieve and to consider IPFW."	Inadequate evidence
6.		"Division I athletics becomes	No

		one of the major subjects of publicity about the institution, and in turn becomes one of the factors leading to increased loyalty in alumni of the institution."	Evidence
7.	"IPFW's transition to Division I, along with the addition of residence halls will create a greater sense of campus community life." (Note 4: BAS does not understand that there is a linkage between residence halls and the Division I decision.)	"Division I athletics is an important part of changing the culture of the campus." "Division I athletics programs can be expected to promote the enrollment and retention of students by offering prospective students a wider array of campus activities and events to supplement the academic program and by providing another way in which institutional attachment and loyalty can be fostered."	No evidence
8.		"Division I athletics (which mandates additional athletic scholarships) will make IPFW affordable for students who might otherwise not be able to gain the benefits of IPFW's academic programs." (Note 5: The phrase in parentheses was added by BAS since we assume that is what was originally intended. Otherwise, the statement is without meaning.)	No evidence (Note 6: Statement of fact if one assumes that some of the athletes receiving the additional scholarships beyond current Division II levels would have been unable to afford the cost of attending IPFW.)
9.		"The move to Division I can	Adequate

		be accomplished using current athletics facilities."	evidence
10.		"In recent years, successful, high-profile IPFW athletics events have been held in major area facilities, including the Coliseum and Memorial stadium. These events have demonstrated that area residents and businesses will support IPFW athletics programs."	No evidence

Two points about the rationale/benefits to IPFW listed in the above table are:

1. Two of the six rationale (#s 2 and 3) listed in the May 8 document were omitted from the benefits section of the September 5 document.
2. Four of the eleven benefits (#s 6, 8, 9, and 10) listed in the September 5 document did not appear in the rationale section of the May 8 document.

There appears to have been a major shift in the administration's rationale for IPFW's move to Division I after the May 31 letter of intent was submitted to the NCAA. The overall rationale for the move in the May 8 document had to do with the purported economic benefits to the community, while the benefits to IPFW in the September 5 report focused more on IPFW's athletes, students, potential students, and alumni.

Generally, the BAS was disappointed in the lack of breadth and depth of the May 8 and September 5 documents. Especially disappointing was the lack of investigation into and reporting on the experiences of comparable institutions which have moved from Division II to Division I. In the May 17 meeting, VCFA Branson and AD Bowman repeatedly cited Indiana University-Purdue University Indianapolis as a campus comparable to IPFW. The BAS rejects IUPUI as comparable for many reasons:

The Indianapolis metropolitan area is populated with approximately 1.6 million, Fort Wayne with approximately .5 million (Appendix D).

This past Spring Semester, IUPUI's student body and faculty numbered 27,800 and 1,660 respectively. IPFW's numbered 10,650 and 336 (Appendix E).

Ceteris paribus, revenue that IUPUI can expect to receive from spectators is approximately three times the potential that IPFW can expect given the relative sizes of the campus and the community that each serves.

BUDGETARY:

Some of the detailed information used as a basis for BAS comments in this budgetary section is deemed confidential, thus the lack of specific references. General budget information can be found in the latter halves of the May 8 and September 5 documents, particularly in Appendices H and E, respectively. As the reader examines these two appendices, note that both encompass only intercollegiate athletics. Other appendices in the documents sometimes include not only intercollegiate athletics, but wellness, recreation, and intramural sports.

In fairness to the administration, it has 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. Furthermore, the administration has noted that fundraising continued through the summer (and the BAS assumes continues today). The current position of the administration is that it has sufficient financial support from the community to in turn support Division I. The September 5 Appendix E shows \$1,081,828 in Actual 1999-00 Funds Available for the IPFW intercollegiate athletic program. As IPFW becomes a Full Division I Member in 2003-04, the Total Funds Available projection for the program becomes \$2,520,111, more than doubling the income required in four years. It seems that particular revenue projection does not represent average funds available in Division I institutions such as IPFW:

"In Division I-A, I-AA and Division II universities without football, the percentage of revenue growth outpaced the growth in expenses. For example, in Division I-AA, average revenues increased from \$4.2 million to \$4.8 million, a 14.3 percent change. Average expenses increased from \$4.9 million to \$5.4 million, a 10.2 percent increase" (Appendix F).

Some September 5 Appendix E income projections in the documents need further explanation. We cite explicitly:

1. Foundation Income is from grants provided by foundations operating in northeastern Indiana. Most of these foundations are in Allen County. Foundation Income is shown as \$0 in 1999-00. It becomes \$250,000 in this and in each of the subsequent four fiscal years.
2. Guarantee Income is from payments made by Division I institutions to IPFW in consideration of IPFW agreeing to schedule a game at the other team's home site. Guarantee Income is \$5,000 this 2000-01 fiscal year and \$110,000 for 2001-02, \$150,000 for 2002-03, \$170,000 for 2003-04, and \$180,000 for 2004-05.
3. Marketing Income is comprised of revenues from the sale of advertising and general corporate sponsorship of IPFW's athletic teams and/or events. Marketing Income is \$0 for this and next fiscal year, then becomes \$300,000 per year for the next three years. The marketing income was said to be part of the \$504,000 in organizational income for 2002-03.

4. After the 1999-00 fiscal year, the Coaches Initiated Donations drop to \$0. BAS understands that this means coaches will not be allowed to raise funds solely on behalf of their own program(s) or sport(s).

5. In the May 8 document, an eleven-category income projection is drawn for 2002-03. From May 8, 2000, to September 5, 2000, the projection increased \$90,500. While the NCAA Enhancement Income decreased by \$30,000 and Mid Continent Conference income decreased \$150,000, the income from seven other categories stayed the same. Organizational income was divided, between May 8 and September 5, into five categories and increased from \$504,000 to \$764,500.

6. The May 8 document stated there was \$250,000 in "Additional Shortfall Guarantees" from area foundations, but that category disappeared in the September 5 document. Given the critical nature of any revenue shortfall, the campus community needs the assurance of knowing exactly where these funds will come from should a shortfall be realized. For example, BAS noted that the 1998-99 and 1999-00 Intercollegiate Athletics, Wellness, Recreation, and Intramural Sports budgets were overspent by \$68,923.44 and \$60,136.04 respectively.

7. In the September 5 document, page 5, paragraph 2, AD Bowman states "(e)ndowment interest is earned from funds donated specifically for athletics program endowments." BAS believes this statement not to be correct. Approximately 50% of the athletic endowment funds are from the Carlyle and Georgia Wilbur Smith estate which bequeathed in a 1970 will \$1,712,365.19 to a scholarship fund designated for IU students at the Fort Wayne campus, to be administered by the IU foundation. The bequest actually came to the campus 25 years after the death of the donors - in 1995. At the time of their 1970 will there were no athletic scholarships on this campus. Of this bequest, \$700,000 has been allocated on a permanent basis to match funds that the Foellinger Foundation contributed to the Gates Athletic Scholarship Fund. Earnings from this scholarship fund, which is administered by Chancellor Wartell, have been used, in part, to fund up to \$30,000 in Chancellor's Honor Scholarships that were awarded to student athletes. (Note 7: This statement is based upon information provided by AD Bowman to SCOA in January, 2000.)

The BAS received financial information which the administration said was used to develop a one-page spreadsheet of pro forma financials contained in the May 8 document. It is the understanding of the BAS that this same financial information was provided to an outside consultant before the BAS received it, and that it was part of the information used by Michael L. Motter, CPA, Olive, LLP, in producing his May 8, 2000, letter to Chancellor Wartell (Appendix G). The opinion rendered by Mr. Motter is his alone, and does not represent a position of Olive, LLP. That is, Olive, LLP, has no position on the proposal. Had the BAS received the same information at the same time as Mr. Motter, it would have been in a position to analyze and comment in more detail on the financial aspects of an IPFW move to Division I prior to the application deadline.

Recommendation 1. Given the insufficient evidence to support the rationale and the problem of insufficient funds, and the potential for funding of Division I to come from continued increases in student fees, student scholarship funds, and the funding of academic programs, BAS recommends that the move to Division I should be suspended until further research and analysis more clearly proves the value of Division I athletics to the academic mission of IPFW.

BAS vote on Recommendation 1: 5 For, 3 Against

From athletics **budget** information the BAS obtained on August 26, 2000, the personnel portion of the 1999-00 NCAA/Athletic Department Salary Budget Summary equaled \$638,798. Of that

total, \$438,121 (68%) was shown as "IPFW Portion," while \$200,677 (32%) as "NCAA Portion." The administration maintains there is no reason to be concerned about the potential use of state-appropriated funds (i.e., funds normally used, in part, to support academic programs) to support athletics. It maintains that if any attempt were made to support athletics in that fashion, that action would be quickly uncovered by Purdue internal auditors. Although the internal auditors close watch on expenditures ensures the proper following of correct accounting procedures and practices, it does not address the broader issue as to how the athletic budget is administered. The BAS maintains there is substantial room for managerial discretion in this budget.

Recommendation 2. BAS acknowledges Senate Bylaw 5.3.4.1.1 regarding the athletics budget and SCOA. Since that process has not worked to this point, the BAS is willing to perform an annual review of the Athletic Department's financial operations, and to make a report DIRECTLY to the Senate each fall beginning in the year 2001 and continuing

annually thereafter. The report would be based upon the closing of the Department's

books on June 30 (the end of the fiscal year).

BAS vote on Recommendation 2: 8 For, 0 Against

In the May 8 document, page 3, the third bullet point, the Athletics Department asserted that the primary financial consideration in an IPFW move to Division I was the funding of 78 full scholarships (a projected \$727,775 in 2001-02), however, the provision of full scholarships was third on that list.

The projected cost for operating expenses is \$1,708,999 in 2003-04 (September 5 Appendix E), making it the top expense. A primary source of funds for the operating expenses is student fee income. In the 1998-99 fiscal year, the student fee income to athletics was \$412,236. In this 2000-01 fiscal year, the student fee income to athletics is \$585,387 - a 42% increase over two years. It is budgeted to increase 4% in each of the next four fiscal years. BAS notes the primary funding for the initial IUPUI Division I program came from a substantial increase in student fees, as has allegedly been the strategy at other universities (Appendix H). Most NCAA Division I athletic departments do, however, lose money (Appendix I). NCAA President Cedric W. Dempsey

"has been outspoken lately about two of his primary concerns in intercollegiate sports today: the need for athletics leaders to refocus on the educational mission and the desire to control what Dempsey calls an ever-growing 'arms race' of spending and building to reach impractical financial goals. There is evidence to support Dempsey's concerns. The NCAA's latest study of revenues and expenses at Divisions I and II institutions shows that only about 15 percent operate their athletics programs in the black. Granted, many of those are very much in the black, but the vast majority of athletics programs lose almost as much money as the others make. And those deficits are growing year after year" (Appendix J), as BAS has pointed out elsewhere (Appendix F).

Recommendation 3. 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.

BAS vote on Recommendation 3: 8 For, 0 Against

BAS has determined that the administration has used 070 (general) funds to pay coaches and staff in the Department of Athletics, Recreation, and Intramural Sports. In Division II, many of the coaches and staff do not have full duties related to NCAA activities that constitute a 9-, 10-, or 12-month contract. The administration chose the route of assigning other duties and tasks of a general University nature to complete a full-time contract. It was for these non-NCAA duties and tasks that the 070 funds have been used.

However, with the advent of Division I status, many of these same coaches and staff will have full, or greatly expanded, duties to meet their NCAA activities and requirements. BAS fully expects that the amount of 070 monies being utilized in the Department of Athletics, Recreation, and Intramural Sports will not rise from current levels. And, as a matter of operations, it is expected that the amount of 070 funds should decline with the funding efforts being established and put into place.

This situation should be monitored and scrutinized over the upcoming provisional years to insure that in fact the 070 monies being utilized are for non-NCAA related duties and tasks.

In the 1999-00 fiscal year 68% of the Athletics Department salaries were paid out of IPFW general funds (state funds). Most of these salaries were paid for teaching and development duties. The development duties were done for the Athletics Department and teaching duties were quite limited. It appears that several coaches received 50% of their salary for development duties and for teaching as few as two credit hours during the entire fiscal year, per SIS records. The September 5 document projects an increase of 12 staff members in the Athletics Department by 2003-04. This could have a considerable impact on the IPFW general budget if a significant part of the salaries for these staff members are paid out of the IPFW general budget. Hence BAS proposes the following recommendation:

Recommendation 4. All Athletics Department salaries as well as NCAA positions salaries, including the corresponding fringe benefits, should be paid from funds raised for the Athletics Department or from student fees for athletics except for salaries that reflect the actual duties not related to the intercollegiate athletic program.

BAS vote on Recommendation 4: 8 For, 0 Against

The BAS wishes, for the sake of all parties – student athletes, student body, faculty, athletic department, administration, and especially the community - that the move from Division II to Division I is an unmitigated success. The administration has stated that the community is strongly in support of this move. Therefore, if (a) financial shortfall(s) do(es) occur, BAS believes that the community must shoulder the burden. The BAS suggests that, given the current states of the formulation of rationale and budget related to the move, if pursued, the Senate needs to be vigilant that success comes not at the further expense of academics, IPFW's primary mission.

Recommendation 5. The administration should submit, effective immediately, all proposals for athletics programs that have a potentially major (Note 8: SR No. 96-35: "All new initiatives involving the commitment of significant recurring funds (suggested level \$50,000) should be presented, early in the formative stages, to the BAS for analysis of financial impact.") financial impact on the academic programs to the BAS for financial analysis and to the Senate for debate prior to the implementation of the decision.

BAS vote on Recommendation 5: 8 For, 0 Against

CONCLUDING STATEMENT:

The BAS has concluded that the existing analysis of the potential academic, enrollment, and financial impact of the IPFW move to NCAA Division I is inadequate to make the conclusions found in the rationale/benefits to IPFW sections of the May 8 and September 5 documents.

BAS vote on Concluding Statement: 7 For, 1 Against

VOTE ON REPORT:

BAS was asked to comment on IPFW's plan to move to NCAA Division I. Below reflects the vote of BAS members on its comments. Included among its comments at logical points are various recommendations. A straw vote was conducted on each recommendation and the concluding statement. The result is shown immediately following each.

BAS vote on the entire Report: 8 For, 0 Against

Budget Affairs Subcommittee members:

Kenneth J. Balthaser
Robert A. Barrett
George W. M. Bullion
Thomas L. Guthrie
Peter Iadicola
David L. Oberstar
Kenneth D. Perry
David J. Thuente