

# All-University Athletics Task Force Report: DRAFT

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**January 4, 2010**

Running Head: Athletics Task Force Report

## **All-University Athletics Task Force Report: DRAFT (Draft 12)**

The Task Force has taken concrete steps towards the fulfillment of its charge. We embarked on a data-gathering phase and from this data emerged an overview of the current role of intercollegiate athletics at the university. We have compared expenditures and revenue with other member institutions in the Big East Conference. In an attempt to better understand the role of athletics at the university, we distributed an athletics survey to a sample of UC constituents.

Based on the information that we have received, reviewed, and discussed, the Task Force came to a series of conclusions that are presented in this report. In addition, we answered the questions provided to us in the charge to the Task Force and made recommendations in relation to these questions. All of the information shared with the Task Force is attached in the Appendices. The remainder of this report will be organized around the following headings:

- Task Force Charge
- Overview of Athletics
- Department of Athletics Costs and Revenues
- Survey Results
- Findings and Conclusions
- Recommendations Based upon Questions Posed in the Charge

### **Task Force Charge**

In August 2009, then University of Cincinnati Interim President Monica Rimai convened an All-University Task Force on Athletics to address pressing issues concerning the university's funding of athletics within the current context of declining state support to the University of Cincinnati. As stated in Interim President Rimai's letter to the Task Force:

“In recent years, the University of Cincinnati's budget process has undergone a transformation, just like many other aspects of the institution. There remains, however, a persistent issue that we need to address in a more strategic and long-term way: the manner by which the university funds Athletics. Similar to research prominence of renowned faculty, sports play a significant role in building goodwill, respect and recognition for our university as well as providing valuable lessons in teamwork and leadership for our student-athletes. As a consequence, it is imperative that we engage in a thorough assessment and lively dialogue about the role of Athletics in our university community, priorities in an environment of declining state support and how best to sustain Athletics into the future.” “To its credit, the Athletics Department has worked diligently over recent years to reduce spending and eliminate deficits while achieving enormous success with limited resources. Yet the challenge of recurring cost-overruns persists. One of the key issues that the Task Force will need to help us figure out is where Athletics fits in with our university budget priorities and how to solve this recurring issue.”

The primary task for the Task Force has been to identify solutions to the challenge of UC's recurring budget deficits in athletics. Questions to be examined include:

1. What do we want athletics to deliver?
2. What is the appropriate size of our athletics budget?
3. How do we fund athletics and generate additional revenue?
4. How can we generate additional attendance?
5. How do we address athletics' facilities issues?
6. How do we address the issue of retaining coaches?

### Overview of Athletics

An overview of the Athletics Department is presented in **Appendix 1**. Below are the highlights of our Athletics Program:

- The University of Cincinnati Athletics Department has a strategic plan called *Catapult: Raising the Bar* (**Appendices 2 and 3**). The goals of this plan are:
  - **Championships:** UC will win a Big East championship in every sport within the next five years.
  - **Academics:** UC will set the pace academically by continuing to lead the general student body in graduation rates and out perform the general student body in GPA.
  - **Engagement:** UC student-athletes, coaches and staff will recognize that UC's goals cannot be achieved without engaging the UC family and the community. UC Athletics will become more engaged in the Greater Cincinnati community through community service programs.
- The University of Cincinnati is an NCAA Division I school that competes in the Big East Conference. Currently, over 530 student athletes participate in 18 sport programs. Membership in the Big East Conference requires that we sponsor at least 16 sports programs. Of the 18 sports programs, 8 are for men and 10 are for women. These sports are:
  - **Women's:** basketball, golf, soccer, cross-country, tennis, indoor and outdoor track & field, swimming & diving, lacrosse, volleyball.
  - **Men's:** basketball, baseball, football, golf, soccer, cross-country, track & field, swimming & diving.
- Our Big East Conference winning percentage has ranged from 43% to 52% since entering the conference in 2005; with 4 team championships and 15 individual champions.
- In the past three years, student-athletes have maintained an average 3.0 GPA and graduated at a higher rate than the student body average (**Appendix 4**).
- Student-athletes, coaches and athletic administrators put in over 5000 hours of community service in 2008. A summary of 2008-2009 Catapult Points of Pride is presented in **Appendix 5**.

### Department of Athletics Costs and Revenue

During the various presentations and discussions (**Appendices 6 and 7**), we have learned the following:

1. Football and basketball are the revenue sports.
2. Conference revenue distribution has more than doubled since UC entered the Big East Conference compared to the Conference USA.
3. Revenue follows winning.
  - a. Football revenue is up.
  - b. Basketball revenue is down but we expect an upturn as the team rebuilds.
4. In the Big East Conference, UC has the lowest amount of revenue generated by football, primarily due to a lack of premium revenue amenities and the limited capacity of the football stadium (Nippert Stadium):
  - a. small number of seats (32,500),
  - b. small number of club seats,
  - c. small number of suites (1), and
  - d. small number of lower bowl premium seats.
5. In the Big East Conference, UC is in the bottom half of revenue producers for basketball.
6. While not as limited as the football stadium, the basketball arena (Fifth-Third Arena) also has revenue-generating limitations, including the following:
  - a. smaller arena (bottom half in Big East - 13,176 seats),
  - b. small number of lower bowl seats (2,500), and
  - c. the arena is really a gym and is not fan-friendly; it lacks fan amenities which drive revenue.
7. The new media contract doubles revenue sharing from \$11 million to \$25 million over a 12-year span from FY2009 to FY2021.
8. Licensing revenue has steadily increased. Currently, licensing revenue is going toward correcting a deficit caused by the implementation of a new C-Paw brand and is not available to Athletics. The deficit is expected to be covered in two to three years.
9. Compared to football schools in the Big East Conference, the amount we spend on intercollegiate athletics is low. UC is second to or last in the following areas:
  - a. staffing (UC is last),
  - b. athletic aid,
  - c. operational budget (UC is last), and
  - d. total expenditures.
10. The annual scholarship budget is \$6.5 million, and the UCATS (the fundraising arm of the Athletics Department) raise 60% of these funds. The other 40% comes from the Athletics Department general funds budget.

11. UCATS membership has increased to over 3,800 members, which is a 94% increase since 2005.
12. UC has the lowest cost of fundraising in the Big East Conference (7% compared to 23% average from other Big East football programs).
13. The UC Athletics Department runs at a \$3.5 million yearly deficit.
14. The UC Athletics Department has a large debt service that was created largely because of unmet fund raising goals for the Varsity Village project. The university did not fully institute a funding model for entering the Big East Conference. The university reduced the subsidy for the Athletics Department (reduction of \$2.1M), the department incurred the Huggins Buyout (\$3M) and the Men's Basketball Program has not continued to generate revenues at the same levels as in the past. The Athletics Department also has been charged with all the debt service on Varsity Village. UC's Student Health Services, academic classroom space, the UC Physician Imaging Center and the Faculty Club also occupy Varsity Village but do not contribute to that debt service. In addition, the athletic program currently pays for all of the utilities in the buildings it occupies which resulted in an additional \$700,000 in cost. This is a newly incurred cost since the department moved into the Linder Center. In previous years, the university absorbed utility cost for the Athletics Department, as it does for other departments.

The Athletics Department has taken the following measures over the past several years to reduce their expenses. In 2008, the Department of Athletics reduced its general budget by over \$1.7M. The department implemented the following strategies to reach this goal:

1. Each unit and sports program was asked to identify at least 10% of their operations budget for cuts. Some units, like Marketing, Academics, Men's Basketball and Lacrosse were assigned a higher reduction rate. Teams were not allowed to purchase additional equipment or office supplies after March 1, 2009.
2. Beginning Jan. 1, 2009, the department implemented a mandatory hiring freeze on all open positions with the exception of coaching positions.
3. The Athletics Department initiated a reduction in maintenance services. Trash pick-up and cleaning services were reduced. The electric use for Fifth-Third Arena and Linder was reduced by lowering temperatures and turning off lights during non-peak hours.
4. The department reduced scholarship dollars for every team. If teams did not use scholarship dollars prior to a certain date, they were not allowed to reallocate or reissue existing dollars. The department also reduced the summer school scholarship budgets of every sports program. With the exception of football and men's basketball, summer school aid was granted only to those athletes who needed the summer aid for graduation or eligibility.
5. The department eliminated the "Back to School" scholarship program which provided financial assistance for former student-athletes who had not graduated prior to the end of their eligibility.
6. The department cut (reduced or eliminated) the scholarship aid for two males sport programs.
7. Out-of-state competition was limited for those sports competing during their non-traditional seasons. Teams were required to schedule non-traditional season games on campus.
8. The department eliminated professional development travel and support for all staff members. This included cancellation of newsletter and magazine subscriptions.
9. The department set strict guidelines for department travel during the Orange Bowl to capitalize on additional revenue.

10. The department instituted a “Book Buy Back” program which required student-athletes to return their books to the department for resale to the book store. Student-athletes were not allowed to keep their books from quarter to quarter.

### **Survey Results**

The Task Force put together a survey to determine how the university community felt about the athletics program in relation to various other programs at UC.

The survey was distributed to a random sample of UC students (undergraduate and graduate), faculty, staff, and members of the Alumni Association. The survey was sent to 1000 members of each group for a total of 5000 surveys distributed. There were 726 responses (381 males and 340 females) that were distributed as follows: 64 undergraduate students, 88 graduate students, 209 faculty members, 263 staff members, and 97 alumni.

It is important to note that this is a small response and the committee is not suggesting that these data are representative of all stakeholders at the university. It is also important that these data and the findings be interpreted carefully because of the small response. However, we did seek out information from these stakeholders and felt that they provided some important insights as we consider the role of athletics at the University of Cincinnati.

Taken as a whole, these data indicated the following:

1. All five groups tended to rate intercollegiate athletics positively, with alumni and students giving the most positive ratings.
2. However, when rating the relative importance of ten components of the university’s mission (Faculty, Administration and Leadership, Music and the Arts, Student Life, Intercollegiate Athletics, Community Engagement and Service, Academic Programs and Curriculum, Diversity, Research, and Physical Campus/Buildings and Grounds), all five groups were remarkably similar: “Academic Programs” and “Faculty” were ranked highest across all groups while “Intercollegiate Athletics” was seen as the least important in relation to these other components of the university.
3. Perhaps the most insightful set of findings were from the comments. All five groups repeatedly talked about athletics as being important; however, they called for “balance” as UC determines how to fund athletics in relation to the university mission. All groups commented that UC shouldn’t fund athletics at the expense of academics.

## Findings and Conclusions

Based on data collected, presentations, and a review of the literature (**Appendix 8**), the committee concluded the following:

1. Intercollegiate athletics at UC is important and has been beneficial (see presentation in Appendix 7 and literature review in Appendix 8). Some of the benefits that the committee identified are as follows:
  - a. Increases awareness of UC.
  - b. When done correctly, the image of UC in the region and beyond is improved.
  - c. Maintains an important connection with UC alumni and is a source of pride.
  - d. Helps attract new students to look at UC – other UC characteristics seal the deal.
  - e. Enhances the college experience for current students.
  - f. Builds pride in their association with UC from students, faculty, alumni, and the Greater Cincinnati community.
  - g. Improves diversity.
  - h. Increases the likelihood of donations, both to athletics and academics.
2. Intercollegiate athletics represents a costly investment that will be difficult to afford in the current economic climate. While the cost of athletics is substantial, UC currently spends much less than its peer institutions in the Big East.
3. Intercollegiate athletics generates much less revenue at UC than at peer institutions, primarily due to the following:
  - a. A historical lack of interest in UC sports.
  - b. Obstacles to revenue production due to inadequacies in the facilities.
  - c. Lower benchmark levels of spending to build revenues. For example, we are well below the norm on spending for marketing and fundraising efforts.
  - d. Revenue generating facilities that lack premium amenities and/or capacity issues due to design flaws which impact game day revenues.
  - e. Some potential sources of revenue available to athletics at other institutions are not being directed to athletics at UC such as licensing and parking. In addition, some schools cover the costs of facilities (maintenance, utilities, etc) if there is open access to the students and the community to the sports fields.
4. In determining ways to fund the athletic programs at UC, the university should work to maintain a “balance” of priorities for funding athletics, but not at the expense of other important university functions.

## Recommendations Based upon Questions Posed in Charge

### 1. What do we want athletics to deliver?

Considering the benefits of athletics to the university, it is desirable to maintain and enhance the performance of intercollegiate athletics at UC. The vision, as articulated in the Catapult Strategic Plan, is consistent with what the Task Force would like athletics to deliver. However, it is important to remember that achieving this vision will be a costly investment during difficult economic times and that the institution should seek to maintain a “balance” of priorities as it seeks to appropriately fund athletics.

### 2. What is the appropriate size of our athletics budget?

The Athletics Department is running at a \$3.5 million operational deficit and has amassed a \$24 million total structural deficit. Furthermore, the Athletics Department estimates that it could take as much as \$11 million additional annually to be competitive in the Big East Conference (based on a priority funding assessment for each sport excluding football). A three stage plan needs to be developed to appropriately fund athletics. This plan must maintain a “balance” of priorities within the university as the three stage plan is implemented:

- a) remove the annual deficit,
- b) pay back the overall deficit, and
- c) generate additional revenue and funding to reach the desired level of funding to be competitive in the Big East.

### 3. How do we fund athletics and generate additional revenue?

Below is a series of revenue generating ideas that can be implemented to close the annual deficit, generate additional revenue, and pay back the total deficit. Table 1, contains a summary of the potential revenue to be generated

- **Licensing Revenue:** After the deficit is paid off for the branding change, restore the licensing revenue distribution to a similar model as was the previous practice. It is estimated that this could generate an additional \$400,000 per year.
- **Future Ticket Revenue Opportunities:** Currently UC Football has one of the highest priced season and individual game tickets in the Big East. This is due in part to Nippert Stadium’s capacity being the smallest in the league. The fewer the seats, the fewer the opportunities to offer discounted sections while also maximizing revenue. With UC’s winning tradition only a recent trend, the prices are at a maximum point when balanced against the current level of season tickets sold at full price. There is room for substantial revenue growth if we are able to maximize the number of full priced season tickets that are sold. This can be accelerated by investing one-time money (\$400,000) to expand the number of season ticket holders willing to pay full price for tickets over the next two years. In the first year, this would generate

\$1.2M for a profit of \$800K after the \$400,000 investment is taken out. In the second year, it would generate another \$1.2M. The future revenue that could be counted would total approximately \$2M within the initial two year period.

- **Campus Life Fee:** For every 1% of tuition increase, the increase in Campus Life Fee would generate \$128,500 in additional revenue. Historically, increased revenue from Campus Life Fees has been allocated to Campus Services. It is recommended that at least some portion of the additional revenue be allocated to the Athletics Department.
- **Student Fee:** For every 1% of tuition increase, the increase in Student Fees would generate an additional \$71,000 in revenue to the Athletics Department.
- **Restructuring Scholarships:** Consider revising how UC awards institutional aid and scholarships to students who also happen to be student athletes. UC should be aware that there are NCAA compliance regulations that interact differently for “head count” sports as compared to “team equivalency” sports. Any restructuring would require careful collaboration between the Athletics Compliance Office and Student Financial Aid. Options for consideration include the following:
  - Consider “waiving” or funding the out-of-state surcharge from non-athletics sources. It is estimated that this will be a cost savings to the Athletics Department of \$1,500,000 each year. However, it is a revenue loss or a cost to the General Fund of an equal amount. Tuition waivers or General Fund scholarships specific to athletes are still countable aid at both the team and individual levels.
  - Explore use and eligibility for other institutional aid currently not tapped by athletics. Student athletes might qualify for aid based on other characteristics (merit, demography, residence). For example: there is a member of the UC men’s basketball team who would be eligible for a Cincinnati Pride Grant. Could that be applied before athletic aid to save athletics resources? Would the answer be different for an equivalency sport athlete?
  - Establish a fund to support academically talented students who do not apply by December 1<sup>st</sup> of the year prior to matriculation. December 1<sup>st</sup> is the priority date for scholarship consideration. Consideration would be eligible for all students and awards made at the discretion of the Director of Student Financial Aid and the Sr. Associate Vice President for Enrollment Management. It is recommended that the amount be \$300,000 in the first year; \$570,000 in the second year; \$870,000 in the third; and \$1,170,000 in the fourth year. Eligible students should meet Cincinnati, Turner or Choose Ohio First eligibility. Such a fund would assist in the yield of high ability students and talented first generation students who do not always understand the higher education award process.
  - For Olympic sports and early signees who are both athletically and academically talented, the Athletics Department should push students to meet the December 1<sup>st</sup> priority deadline. Additionally, as UC grows reciprocity and target market rates, athletics should seek talented student athletes from these regions.

- **Restoration of Athletic Subsidy:** The Athletics Department became a member of the Big East Conference in 2005. In order to ensure that the Athletics Department meets NCAA Certification standards for scholarships for its Olympic sports the University initiated permanent subsidy increases to the athletic budget from general funds. The subsidy, which would be given yearly in an amount ranging from \$640K to \$700K would offset the increase in tuition, room and board, and also provide needed dollars to bring the female and Olympic sports into compliance NCAA Certification standards. To date the subsidy has been given only once and three cycles have not been issued. This has resulted in more than \$2 million support dollars lost by athletics. We recommend that subsidy be reinstated for the 2011 budget year and be maintained for the next five budget cycles.
- **Maintenance of Open Access Fields and Facilities:** Currently the Athletics Department is solely responsible for the maintenance of the athletic fields and facilities, although they are open access and used by the entire UC community. This likely costs the Athletics Department approximately \$1.2M annually. The Task Force recommends that the university implement a cost sharing plan for all open access fields and facilities.
- **Deficit Adjustment:** The Athletics Department is faced with accumulated deficits described on page 5. The findings of this report suggest that the university's current athletic funding model does not adequately support UC's membership in The Big East or the agreed upon university athletic mission (as defined by Catapult.) This situation makes it clear that additional annual transfers to athletics will be necessary if there is to be repayment of the accumulated deficits. Thus, the Task Force recommends that the university consider assuming completely, or at least partially, the Athletics Department's accumulated deficits, based on criteria and timing to be determined by the President and the Director of Athletics. This recommendation builds on statements by former Interim President Rimai that such considerations may be made if the Athletics Department continues to exercise fiscal responsibility for an extended period of time and is consistent with assumptions of deficit funding decisions made by the university regarding other units of the university during the past decades.

**Summary of Recommendations to Generate Revenue:** Table 1 contains a breakdown of revenue recommendations that could be used to address the issues with the athletic budget. As was recommended in point 2 above, a plan needs to be developed to appropriately fund athletics that has the following three stages: 1) remove the annual deficit, 2) pay back the overall deficit, and 3) generate additional revenue to reach the desired level of funding to be competitive in the Big East. Review of Table 1 indicates that the first stage of the plan could be accomplished by implementing the recommendations for sources of revenue contained in this document. Based on the assumptions contained in the Table 1, in FY 2011 the operating deficit would be wiped out and there would be \$509,000 for reinvestment. In FY 2012 and FY 2013 the amount for reinvestment is \$2,751,769 and \$3,439,495 respectively. While this does not completely address stage 2 and 3 of the plan, it does provide a good foundation.

**Table 1**  
**Addressing Future Athletics Department Budgets**

	<u>Changes in Sources of Funds from FY10</u>		
	FY2011	FY2012	FY2013
<b>New Revenues</b>			
<b>Resumption of licensing revenue (after C-Paw transition debt repaid)</b>	\$0	\$400,000	\$400,000
<b>Increased football ticket revenues net of expenses</b>	\$800,000	\$2,000,000	\$2,000,000
<i>Increased revenue from football season ticket sales</i>	\$1,200,000	\$2,400,000	\$2,400,000
<i>Less expenses</i>	(\$400,000)	(\$400,000)	(\$400,000)
Increased basketball ticket revenues net of expenses			
<i>Increased revenue from basketball ticket sales</i>		<i>not estimated</i>	
<i>Less expenses</i>			
Increased revenues from donations net of expenses			
<i>Increased revenue from donations</i>		<i>not estimated</i>	
<i>Less Expenses</i>			
<b>Allocation of Campus Life fee revenue from tuition increases*</b>	\$642,500	\$642,500	\$642,500
<i>*1% increase in tuition generates \$128,500 in additional campus life fee revenue</i>		<i>assumes 5% increase</i>	
<b>Student fee increases accompanying tuition increases**</b>	\$355,000	\$355,000	\$355,000
<i>**1% increase in tuition generates \$71,000 in additional student fee revenue</i>		<i>assumes 5% increase</i>	
<b>Transfers of Existing Revenue</b>			
<b>Restoration of "committed" subsidy for Olympic sports</b>	\$680,606	\$1,323,269	\$2,010,995
<i>Phased in over 3 years</i>			
<b>Cost Reductions (transferred to university)</b>			
<b>Waiver of out-of-state tuition</b>	\$1,500,000	\$1,500,000	\$1,500,000
<b>Total Improvement in Sources of Funds</b>	\$3,978,106	\$6,220,769	\$6,908,495
	<u>Changes in Uses of Funds from FY10</u>		
Elimination of annual operating deficit	\$3,469,000	\$3,469,000	\$3,469,000
Available for reinvestment	\$ 509,106	\$2,751,769	\$3,439,495

#### 4. How can we generate additional attendance?

Given the time frame provided for the work of the Task Force this question was not dealt with in detail. However, it is clear that an answer to this question would be part of the business plan needed to address the facility issues.

#### 5. How do we address athletics' facilities issues?

As has been pointed out earlier in this document, Nippert Stadium and the Shoemaker Fifth Third Arena have serious problems that inhibit them as revenue producers. The Athletics Program is currently undertaking a study of options to address this problem. Without question a long-term plan needs to be developed to address this concern. This plan must be accompanied by

a business plan and it is important that we maintain balance as we attempt to address our facility issues and understand the relative importance of athletics in relation to the mission of the university.

**6. How do we address the issue of retaining coaches?**

Keeping good coaches is very important to the success of our Athletics Program, and they should have the resources and flexibility to attract and retain quality coaches. It is important that we maintain balance as we attempt to develop packages to retain coaches and understand the relative importance of athletics in relation to the mission of the university.