

UCONN'S SUBSIDY TO THE ATHLETICS DEPARTMENT

INTRODUCTION

This report highlights key findings from research that the Senate University Budget Committee (SUBC) undertook during the Academic Year 2016/17 regarding the subsidy to UConn's Athletics Department (AD). The committee's inquiry focused on five questions: (1) How has the subsidy evolved over time? (2) How does the subsidy compare to other institutions? (3) Which teams are subsidized and to what extent? (4) How does the subsidy interrelate with other components of UConn's Budget? (5) To what extent and over what time horizon does the AD undertake strategic planning with respect to the budget? The research was motivated by broad-based concern from the University community about the apparent growth of the subsidy to the AD at the same time that academic programs were being cut and the state as a whole was experiencing severe budget constraints [1].

To address these questions, the SUBC compiled and analyzed data on the UConn AD between 2005 and 2017, and supplemented these data with qualitative information on important events such as conference realignment that occurred during the period of analysis. Detailed data for each team's finances for 2014 were also examined to understand the budget profiles of individual teams (See Appendix for data sources and supplementary information). The SUBC also researched how college athletics programs are financed across the United States to better understand how the subsidy at UConn compares to other institutions. To inform this aspect of the research, the SUBC compiled and analyzed publicly-available data for various institutions around the country as of 2014 (See Appendix for additional information). In addition, the SUBC evaluated data on other components of the UConn budget such as tuition increases to better understand how those compare to and also affect the subsidy [2]. The SUBC reviewed the Athletics' Director's presentation to the Senate on 11/3/16 [3] and followed up on specific budget items during an in person meeting on 3/27/17. Clarifying questions were directed to the UConn Office of Budget and Planning. Key findings are summarized below.

1. UConn Athletics Budget Temporal Analysis

- Between 2005 and 2017, expenditures for the AD grew 70% from \$47 million to \$80 million.
- During this same period, despite numerous high-profile achievements in women's and men's basketball, earned revenues increased by less than 10%.
- Fairly stagnant revenues meant that most (83%) of the \$33 million increase in the Athletics budget has been subsidized by UConn; an additional \$8.3 million comes from mandatory student fees.
- The subsidy has increased by a factor of almost nine from \$3.5 million in 2005 to an estimated \$31 million in 2017.
- The extent to which the AD budget is subsidized grew from 7.3% in 2005 to 38.6% in 2017.

The points mentioned above are evident in the two figures depicted below.

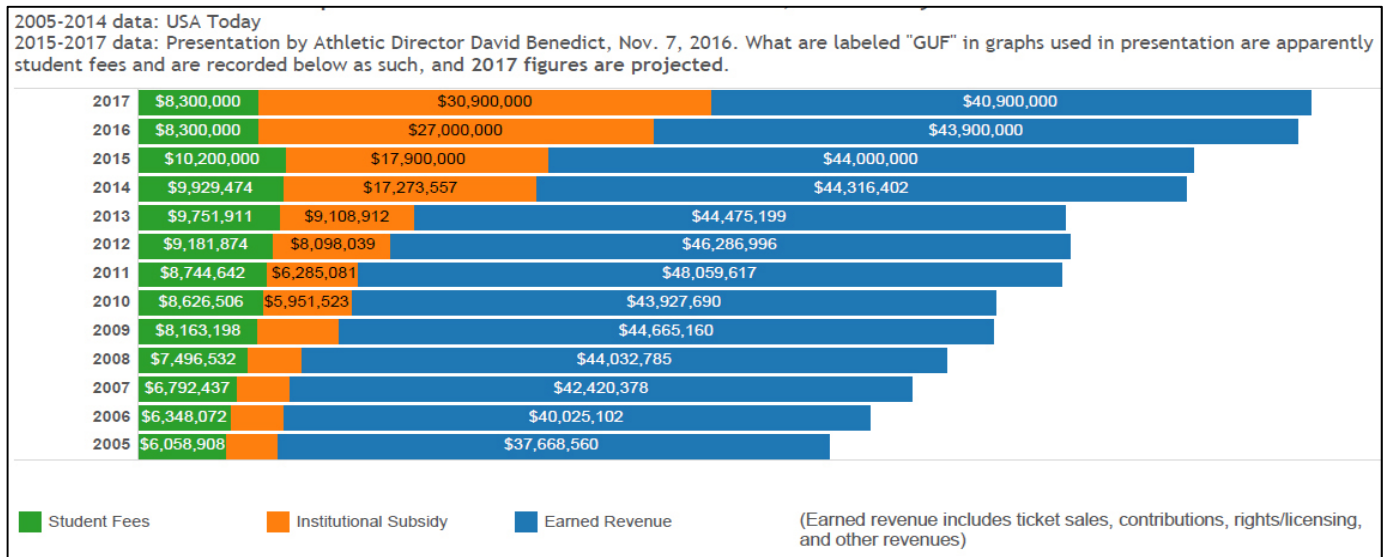


Fig. 1: Components of Total Athletics Revenues, University of Connecticut

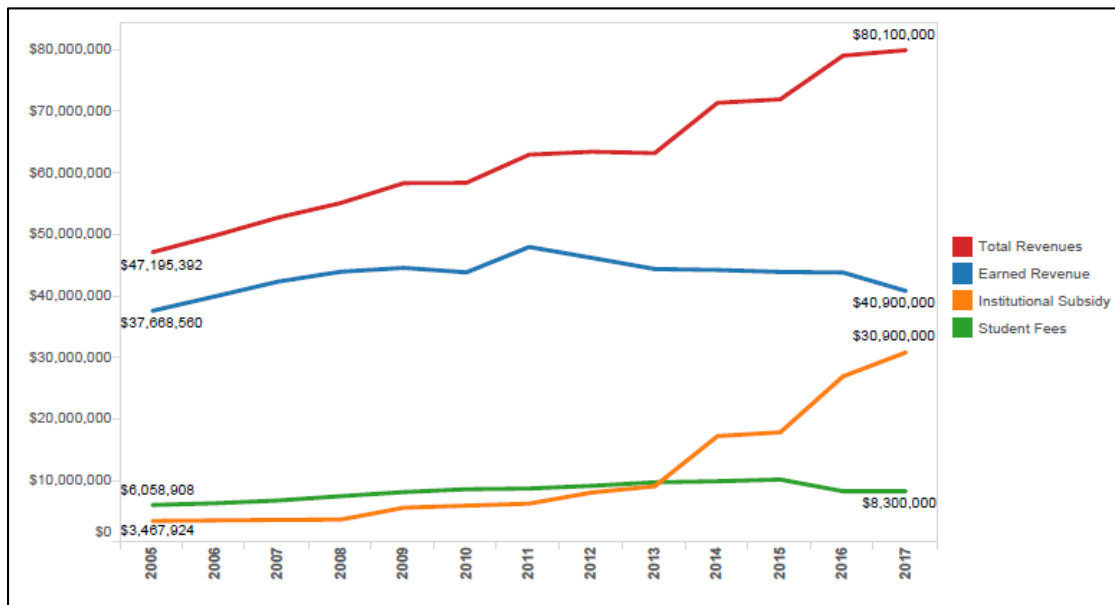


Fig. 2: Components of AD Budget 2005-2017

2. Comparison of UConn to Other Institutions

- Most ADs across the United States are subsidized. As of 2014, subsidies ranged in value from \$0 (fully funded programs) to \$36 million. UConn was at the upper end of that range with \$27.2 million in 2014. As a percentage of the overall budget for ADs, subsidies range from 0% to 90%. UConn's was 38.3% in 2014.
- Although UConn's subsidy is around the median level for all public institutions in terms of the percentage of the budget that is subsidized, as of 2014, UConn ranked 4th highest in absolute dollar terms out of all public colleges in the country.
- The institutions to which UConn was compared include Universities in the Power 5 conferences.

3. Evaluation of Expenditures for Individual Teams at UConn

- Only one of UConn's sports teams—men's basketball—receives sufficient direct revenues to cover its costs.
- Despite the outstanding achievements made by the women's basketball team during the period of analysis, the low revenues for women's sports compared to men's, resulted in the team being subsidized.
- UConn's football team was the team with the largest deficit in absolute dollar terms, requiring a subsidy of \$7.5 million for 2014.

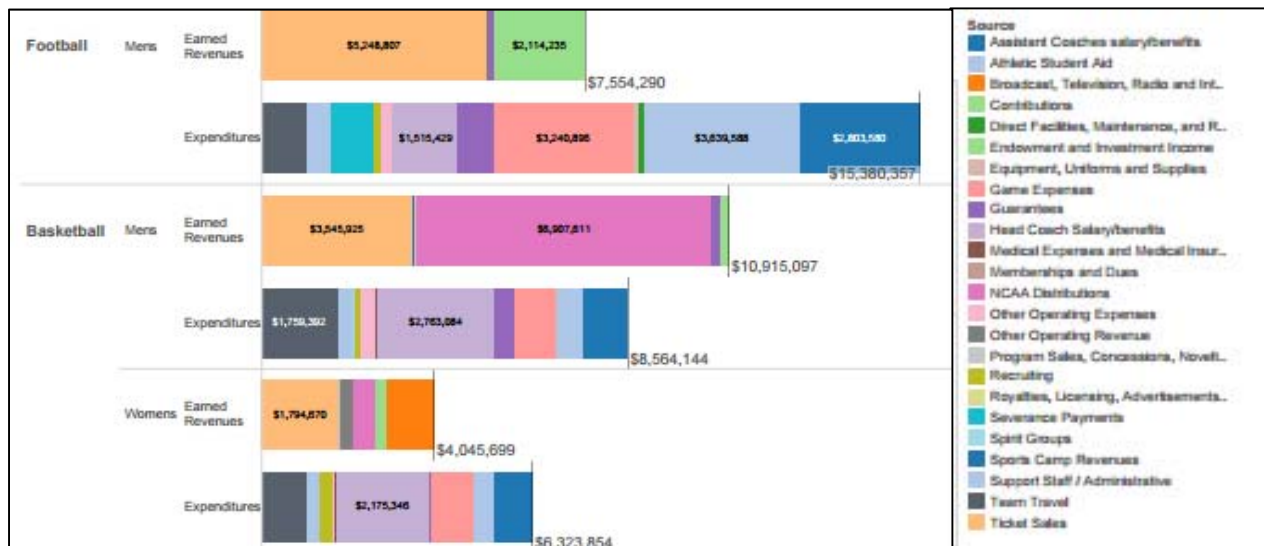


Fig. 3: Revenue and expenditure for the “big 3” sports at UConn

4. Comparison of UConn Athletics Budget to Other Budget Components

- The exponential growth in the subsidy to the AD has far outpaced other components of the budget over the same time period.
- Tuition and fees have increased from \$310 million in 2005 to \$673 million in 2017 due to increases in in-state and out-of-state tuition, increased enrollment, and a greater proportion of enrollment comprising out-of-state and international students [2].
- Another important source of revenue for the University—external funding obtained by faculty—has increased 39% from \$74 million to \$103 million from 2005 to 2016 [4].
- State appropriations, while below their peak in 2011, were 10% higher in 2017 than in 2005.
- Fringe benefits, an important expense for the University, have more than doubled between 2005 and 2017.
- The Athletic Department budget has been excluded from the rescissions that impacted the Academic Units during the 2008-2017 period [5].

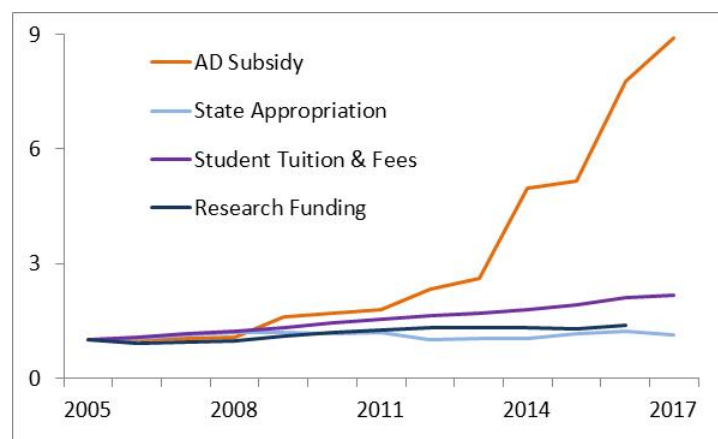


Fig. 4: Relative Change in AD Subsidy and key Budget Components normalized to 2005 level

5. The Athletic Department uses accounting practices that lack clarity and transparency

- The AD has stated that tax and tuition dollars do not go toward the subsidy. This is true, but only because subsidy money comes from other revenue sources and accounts in the University termed Auxiliary Revenues (e.g. Bookstore).
- The AD has stated that some high profile transactions, like the \$3.4 million buyout of former football coach in December 2016, were funded by revenues generated by Athletics [6]. While this is factually correct from an accounting perspective, because the enterprise of Athletics as a whole does not cover its expenses, it would seem logical that any shortfall in any of the sub-accounts would ultimately be passed onto the University.
- The contracts for the two highest paid coaches were revised and extended with an estimated cost of \$31 million through 2021 without any notification to the public [7].

CONCLUSIONS

The SUBC recognizes that college athletics brings many intangible benefits to the institution by fostering a sense of identity within the university community, raising the profile of the institution nationally, which may potentially attract out-of-state and international students, and providing strong bonds between the university and the broader community. The latter benefit appears to be especially prominent in Connecticut, in the absence of any major league team in the state.

That said, the budget/subsidy of the AD grew nine-fold between 2005 and 2017. Only part of this increase can be attributed to exogenous factors such as higher fringe rates and student tuition. The AD expenditures rank 48th out of all public institutions, exceeding that of several Power Five conference members, absent the revenue streams associated with conference membership.

In a meeting between the SUBC and the Director of Athletics on March 27th 2017, the SUBC asked direct questions about strategic planning in general and institutional plans to address the subsidy. It remained unclear whether there were any comprehensive plans to address the subsidy beyond a handful of revenue increasing and cost reducing measures that—if effective—may reduce the subsidy by around \$5 million. Further, the impact of some of those measures may be diluted by the costs associated with the football coach in December 2016 and the renewal of contracts to UConn's two highest paid coaches that were signed in October and November 2016. In collecting the information needed to undertake our review of the AD subsidy, the SUBC was struck by the lack of transparency surrounding the AD budget. One example is the contract renewal for basketball coaches only came to light in February 2017, and only then as a result of a Freedom of Information Act request from USA Today [8].

In sum, after evaluating the fiscal situation at UConn and the State of Connecticut, and comparing expenditures by the AD in relation to its peers and those in Power Five conferences, the SUBC deems that the current subsidy to UConn's AD is unsustainable.

RECOMMENDATIONS

The SUBC recommends that the Athletics Department in conjunction with the UConn Office of Budget and Planning develop a comprehensive multi-year strategy designed to reduce the AD subsidy to 2010 levels by 2022.

Given that the strategic plan will need to be adapted on an ongoing basis to incorporate the budgetary impact of critical decisions such as multi-year contractual obligations and the tapering off of revenues associated with the Big East conference realignment, the SUBC recommends that updated strategic plans as well as a full financial report should be shared with the University Senate in October and April of each year going forward.

The SUBC also recommends that the Financial Report that UConn AD is required to submit to the NCAA each year be posted on the UConn website.

REFERENCES

1. Van Wagner, M., et al., *Connecticut (State of): Weak Economy, High Fixed Costs Test Connecticut's Fiscal Management*, in *Issuer In-Depth*, M.s.I. Services, Editor. 2017, Moody's Investor Services.
2. Connecticut, U.o., *UConn Fact Sheets*. 2005-2017.
3. Senate, U.o.C., *Minutes of Meeting 11/3/16*, in *Meeting Minutes*, U. Senate, Editor. 2016.
4. Seeman, J., *Research Expenditures for University of Connecticut, Storrs*. 2017: University Senate.
5. Spencer, K., *Vice President for Budget & Planning, UConn, SUBC*, Editor. 2017.
6. Kauffman, M., *\$3.4 Million for Fired UConn Coach. So Who Pays?*, in *Hartford Courant*. 2016: Hartford, CT.
7. Board, E., *Revelation of Auriemma and Ollie contract extensions handled poorly*, in *Daily Campus*. 2017, University of Connecticut: Storrs, CT.
8. Doyle, P., *Auriemma, Ollie Under Contract at UConn Through 2021 For Close To \$31M*, in *Hartford Courant*. 2017: Hartford, Connecticut.

APPENDIX

Graphical Comparison of Growth of Per-Team Expenditures and the Institutional Subsidy at UConn among other D1-Athletics Programs, along with metadata detailing sources.

Data sources	Overall subsidy in D1-A programs	Subsidy as % of total expenditures	Revenue in Power 5 conferences	Institutional Subsidy in Power 5 Schools	UConn overall revenues & expendit..	Revenues and expenditures by obje..	UConn FY14 Expenditures by team	FY14 football & bb team revenues & ex..	Other team expenditures/revenu..
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Athletics revenues & expenditures in NCAA D1-A institutions

Graphical comparison of growth of per-team expenditures and the institutional subsidy, at UConn and among other D1-A programs.

University Senate Budget Committee April 24, 2017

Data used:

Chronicle of Higher Education / Huffington Post

Brad Wolverton, Ben Hallman, Shane Shifflett and Sandhya Kambhampati. "The \$10-Billion Sports Tab: How Colleges are Funding the Athletics Arms Race". [Chronicle of Higher Education](http://www.chronicle.com/interactives/ncaa-subsidies-main#id=details_129020)
http://www.chronicle.com/interactives/ncaa-subsidies-main#id=details_129020

notes from Methodology section:

"The *Chronicle of Higher Education* and The Huffington Post requested athletic revenue-and-expense reports for the years 2010 through 2014 from 234 public universities that compete in Division I conferences. Private institutions and public colleges in Pennsylvania aren't subject to public records laws, so they were excluded from our research. Of the 234 institutions we contacted, four provided reports too late to be included in our analysis, though their data are included in our table. The remaining 29 did not provide reports before publication. Our analysis focused primarily on subsidies — how much a university effectively "donates" or invests in its athletics department to make up for a lack of earned revenue. Subsidies can come from three sources: student fees, funds allocated by the school, and government support. Earned revenue includes any income generated through ticket sales, endowments, royalties, and TV and conference distributions, among others. Colleges were grouped by conference according to their 2013-2014 men's basketball conference memberships."

EADA - Equity in Athletics Data Analysis

U.S Department of Education Office of Postsecondary Education <https://ope.ed.gov/athletics/#/> data downloaded Jan. 3, 2017

2014 University of Connecticut NCAA financial statement

File downloaded from Chronicle of Higher Education site:
<http://www.chronicle.com/interactives/ncaa-subsidies-main#> (see Download this institution's documents menu)

Presentation by Athletic Director David Benedict to University Senate, Nov. 7, 2016

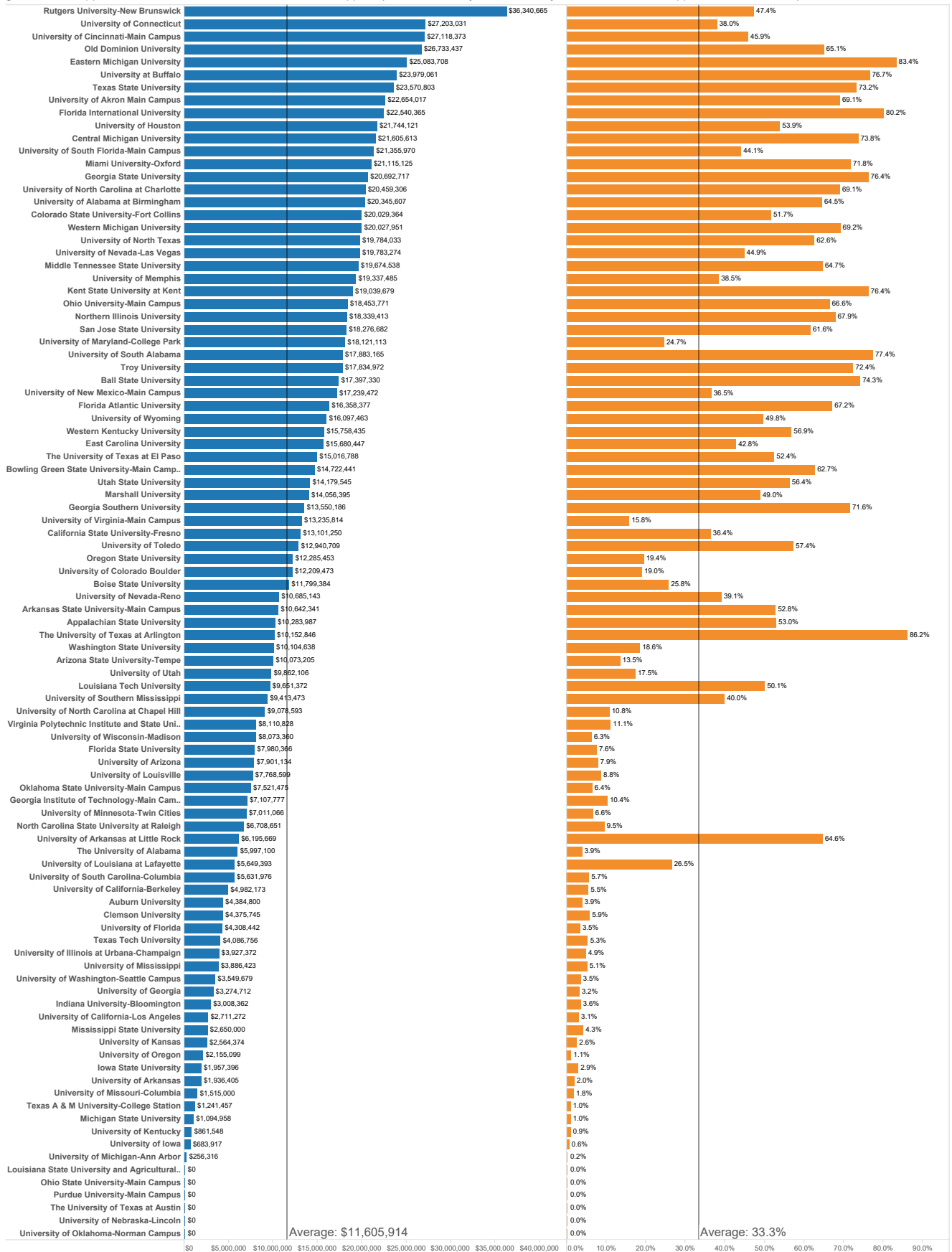
Presentation downloaded from <http://senate.uconn.edu/senatemeetingminutes/>

USA Today: NCAA Finances

data downloaded from <http://sports.usatoday.com/ncaa/finances/>

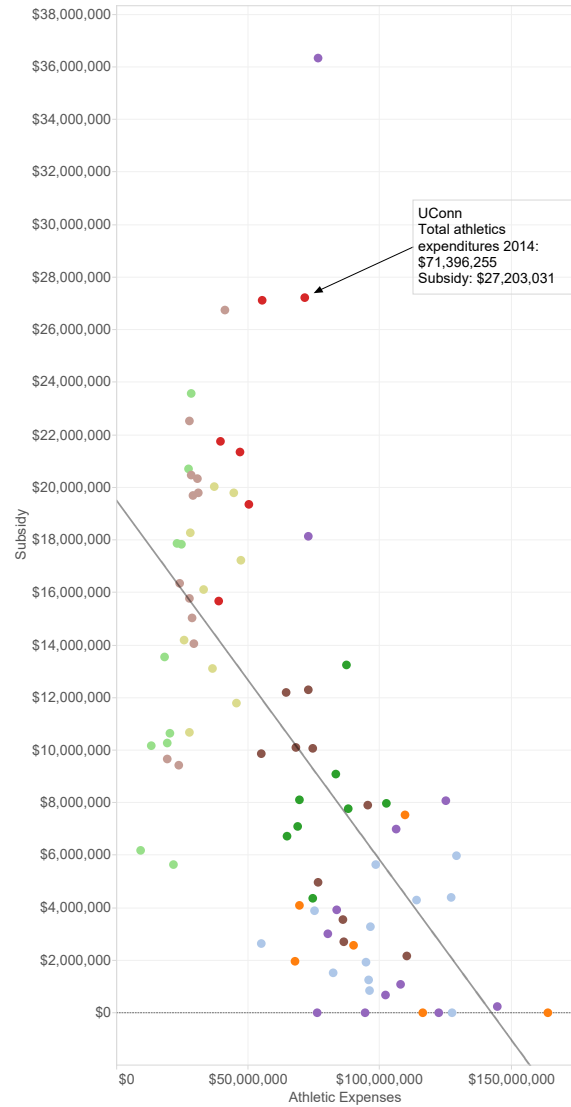
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2014 subsidy of athletics programs in Division 1-A football conferences, and percentage of athletics budget that was subsidized
 data: Chronicle of Higher Education / Huffington Post. In the *Chronicle's* analysis, the subsidy was defined as the sum of direct institutional support, student fees, direct government support, and indirect facilities and administrative support. (UConn's subsidy consists solely of direct institutional support and student fees).

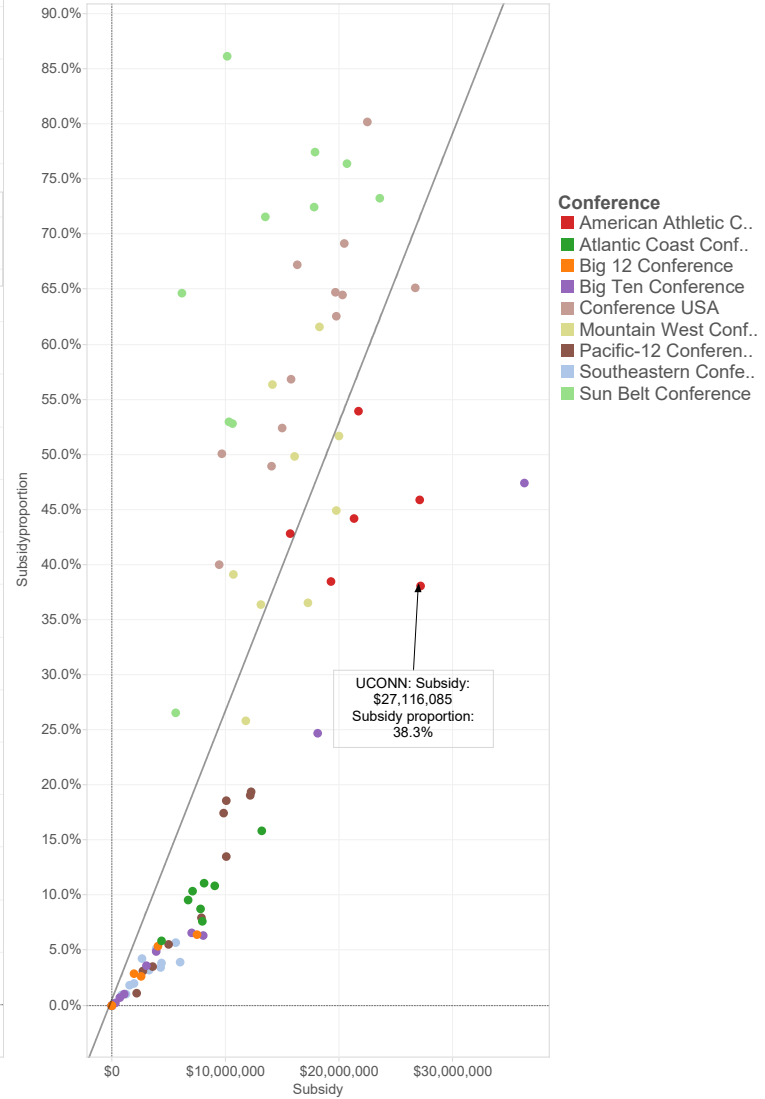


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Total subsidy of Division 1-A NCAA programs in 2014, and total Athletics budget
 data: Chronicle of Higher Education / Huffington Post.



Total subsidy of Division 1-A NCAA programs in 2014, and proportion of the Athletics budget that was subsidized
 data: Chronicle of Higher Education / Huffington Post.

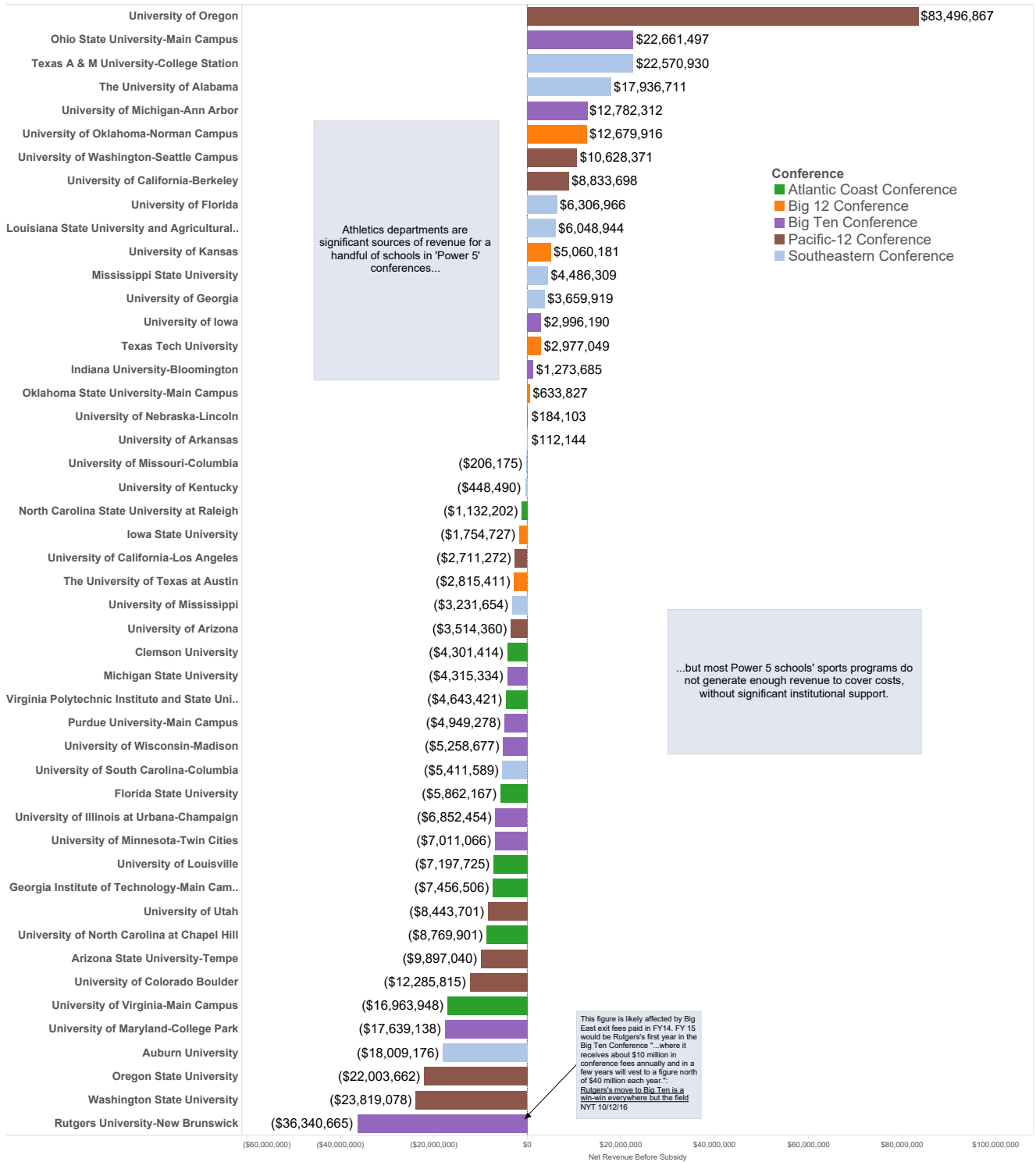


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Total revenue, before institutional subsidy, in Power 5 conference schools, 2014

data: Chronicle of Higher Education / Huffington Post

In 2014, only 19 of 54 NCAA athletics programs in the "Power 5" conferences had revenues (not including institutional subsidies - student fees, direct institutional support, direct state government support, and indirect facilities and administrative support) that exceeded expenses. No NCAA programs outside the 'Power 5' conferences had revenues that exceeded expenses in 2014.



Per NCAA Revenue/Expense form: Athletics Expenditures include athletic student aid, guarantee expenses, coaching salaries, benefits and bonuses paid by the university and related entities, coaching other compensation and benefits paid by a third party, support staff/administrative salaries, benefits and bonuses paid by the university and related entities, support staff/administrative other compensation and benefits paid by a third party, severance payments, recruiting, team travel, equipment, uniforms and supplies, game expenses, fundraising, marketing, and promotion, sports camp expenses, direct facilities, maintenance and rental, spirit groups, indirect facilities and administrative support, medical expenses and medical insurance, memberships and dues, and other operating expenditures.

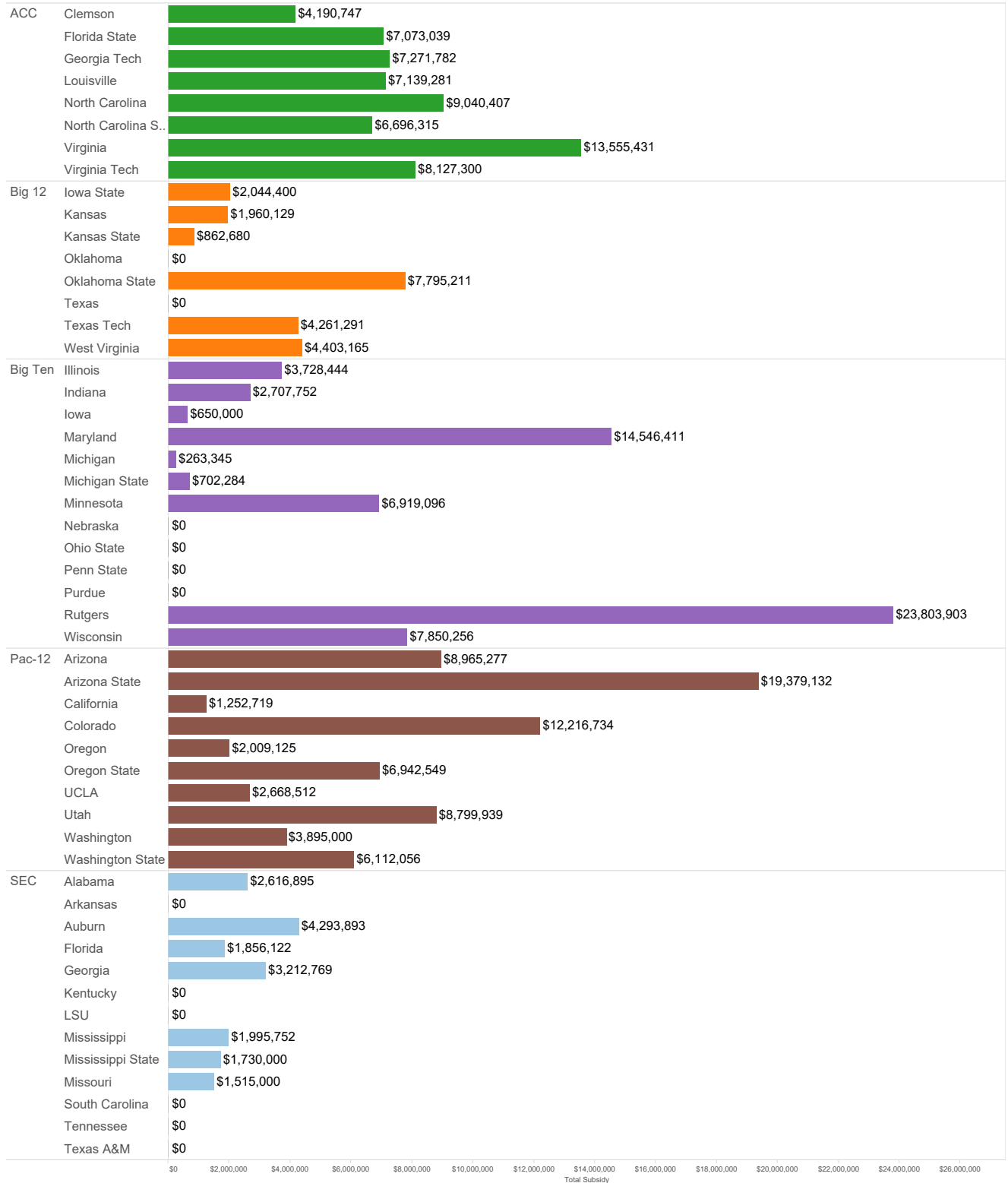
Per NCAA Revenue/Expense form: Athletic revenues include ticket sales, student fees, guarantee revenue, contributions, compensation and benefits provided by a third party, direct state or other government support, direct institutional support, indirect facilities and administrative support, NCAA/Conference Distributions including all

Data sources	Overall subsidy in D1-A programs	Subsity as % of total expenditures	Revenue in Power 5 conferences	Institutional Subsidy in Power 5 Schools	UConn overall revenues & expendit..	Revenues and expenditures by obje..	UConn FY14 Expenditures by team	FY14 fooball & bb team revenues & ex..	Other team expenditures/revenu..
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Institutional subsidies in Power 5 institutions, 2015

data: USA Today <http://sports.usatoday.com/ncaa/finances/>

Institutional subsidy consists of direct institutional support and student fees.

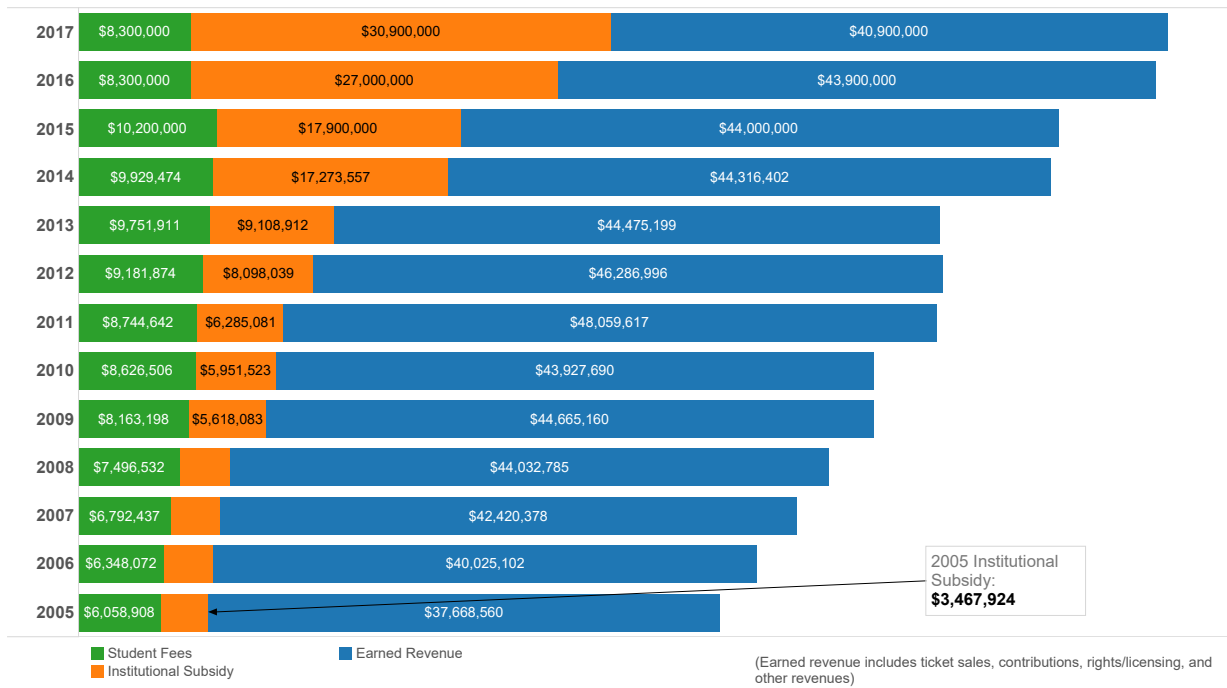


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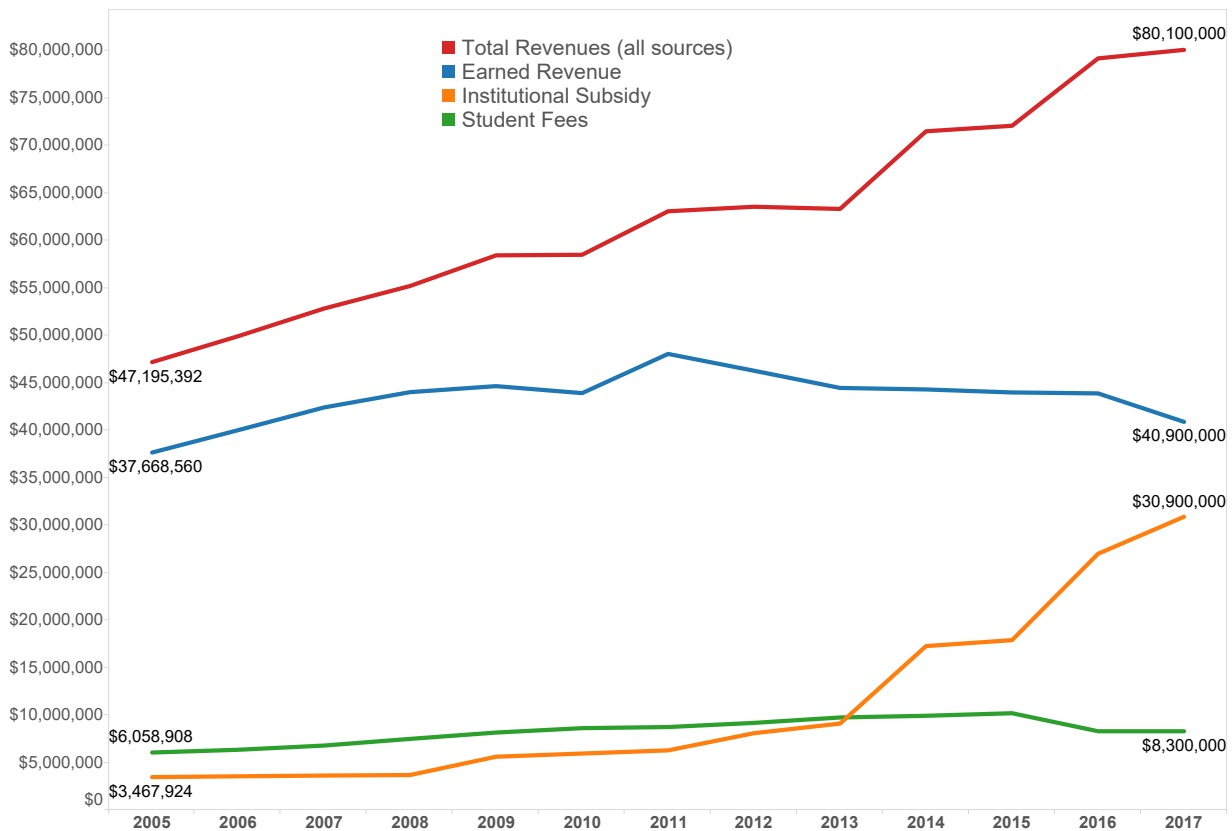
Components of total athletics revenues, University of Connecticut

2005-2014 data: USA Today

2015-2017 data: Presentation by Athletic Director David Benedict, Nov. 7, 2016. What are labeled "GUF" in graphs used in presentation are student fees and are recorded below as such; and **2017 figures are projected**.



Change in student fees, institutional subsidy, and earned revenue, and total athletics revenues, 2005-2015

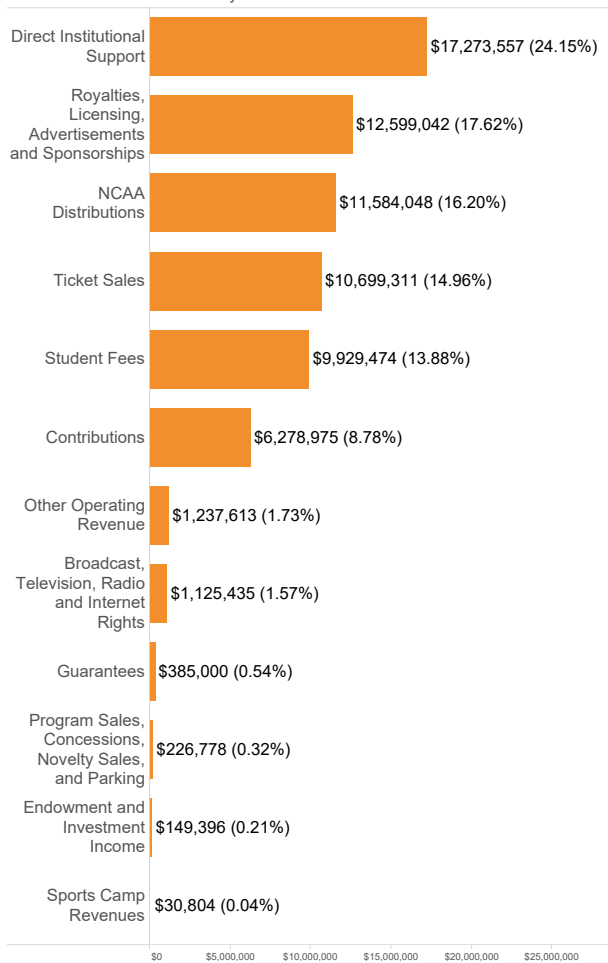


UConn Athletics revenues and expenditures by object

Data: 2014 University of Connecticut NCAA financial statement

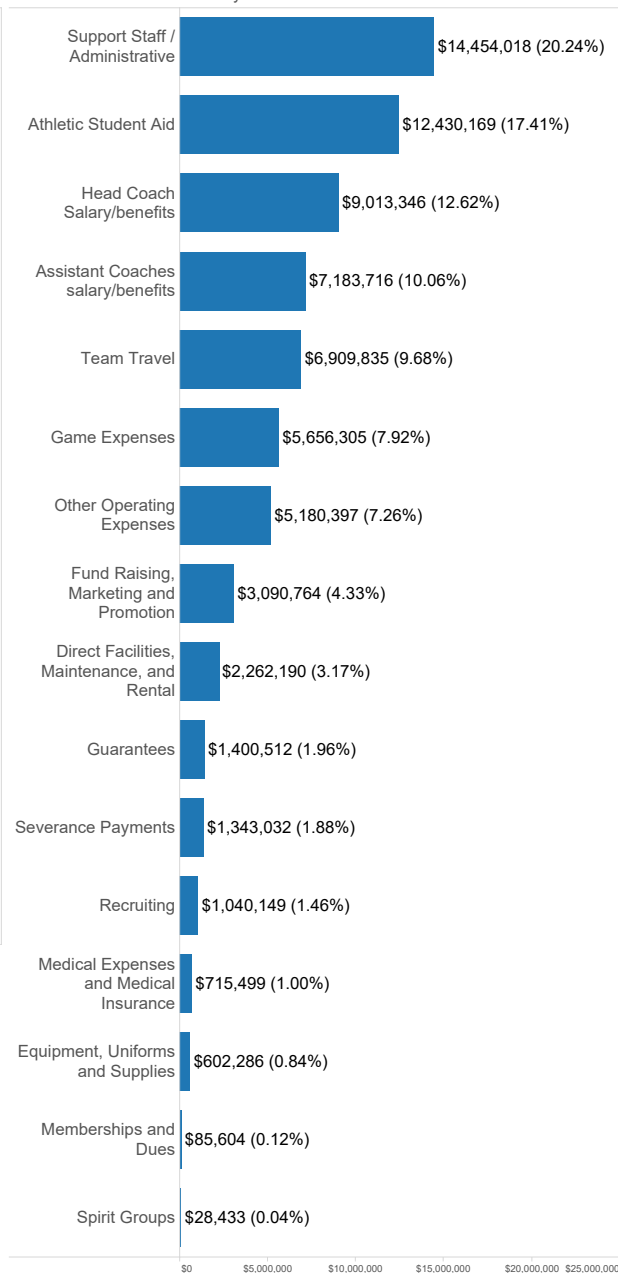
UConn 2014 athletics revenues

Data: 2014 University of Connecticut NCAA financial statement



UConn 2014 athletics expenditures

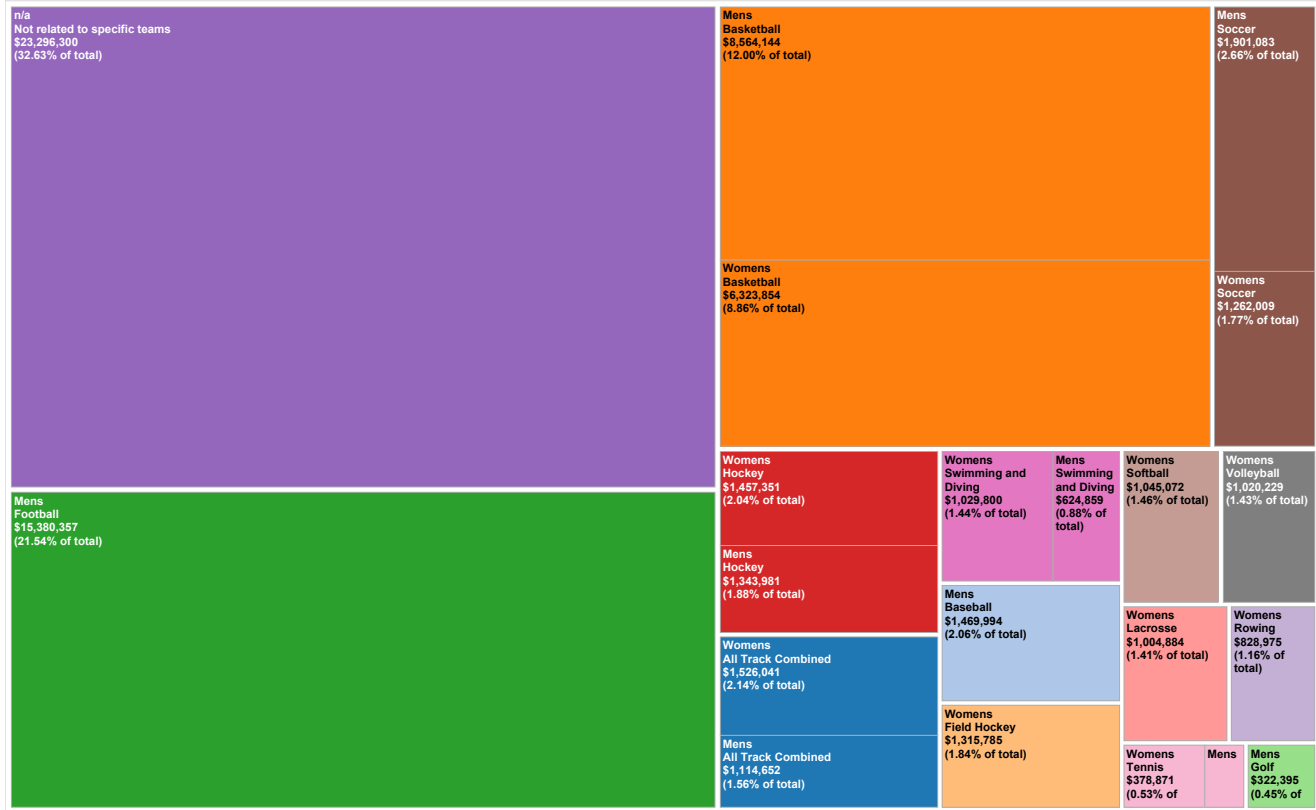
Data: 2014 University of Connecticut NCAA financial statement



Overall subsidy in D1-A programs	Subsidy as % of total expenditures	Revenue in Power 5 conferences	Institutional Subsidy in Power 5 Schools	UConn overall revenues & expendit..	Revenues and expenditures by obje..	UConn FY14 Expenditures by team	FY14 football & bb team revenues & ex..	Other team expenditures/revenu..	Academic assistance to athletes, FY14
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Expenditures, UConn Athletics FY2014

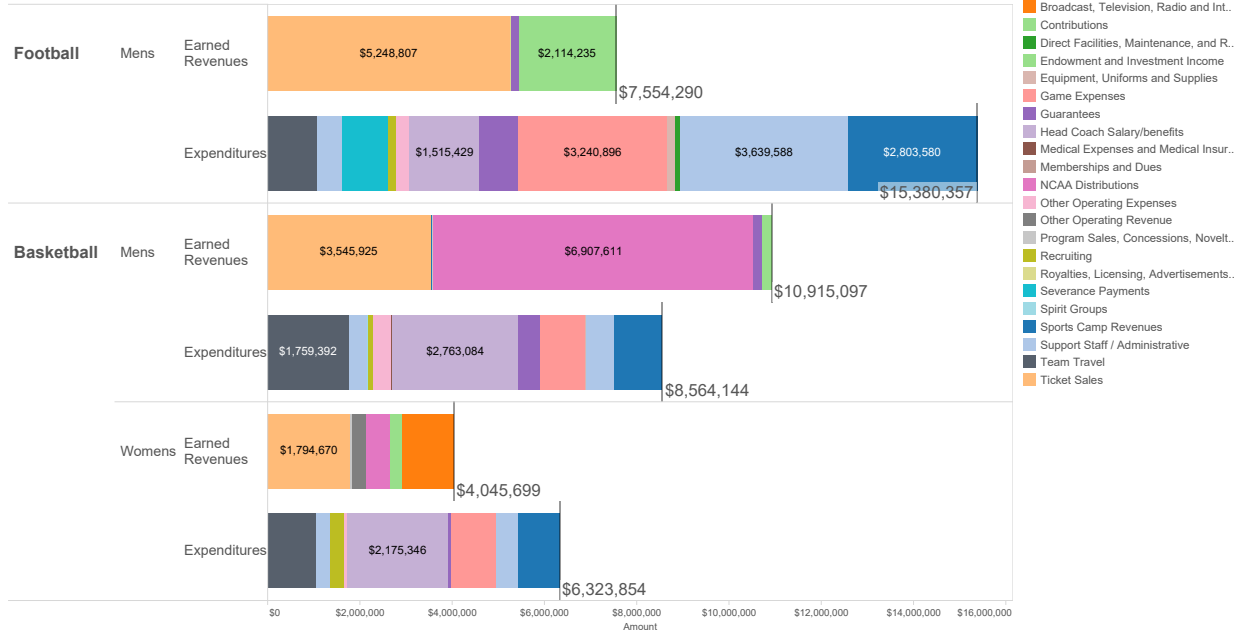
Data: 2014 University of Connecticut NCAA financial statement



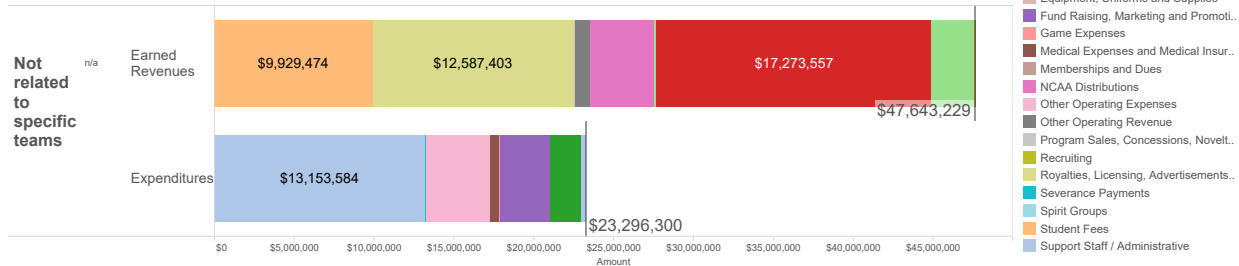
Overall subsidy in D1-A programs	Subsidy as % of total expenditures	Revenue in Power 5 conferences	Institutional Subsidy in Power 5 Schools	UConn overall revenues & expendit..	Revenues and expenditures by obje..	UConn FY14 Expenditures by team	FY14 football & bb team revenues & ex..	Other team expenditures/revenu..	Academic assistance to athletes, FY14
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UConn Athletics 2014 revenues and expenditures for football & basketball programs, and expenditures and revenues not related to specific teams, 2014

UConn team revenue and expenditures by source for football and basketball programs, 2014
data: NCAA financial report



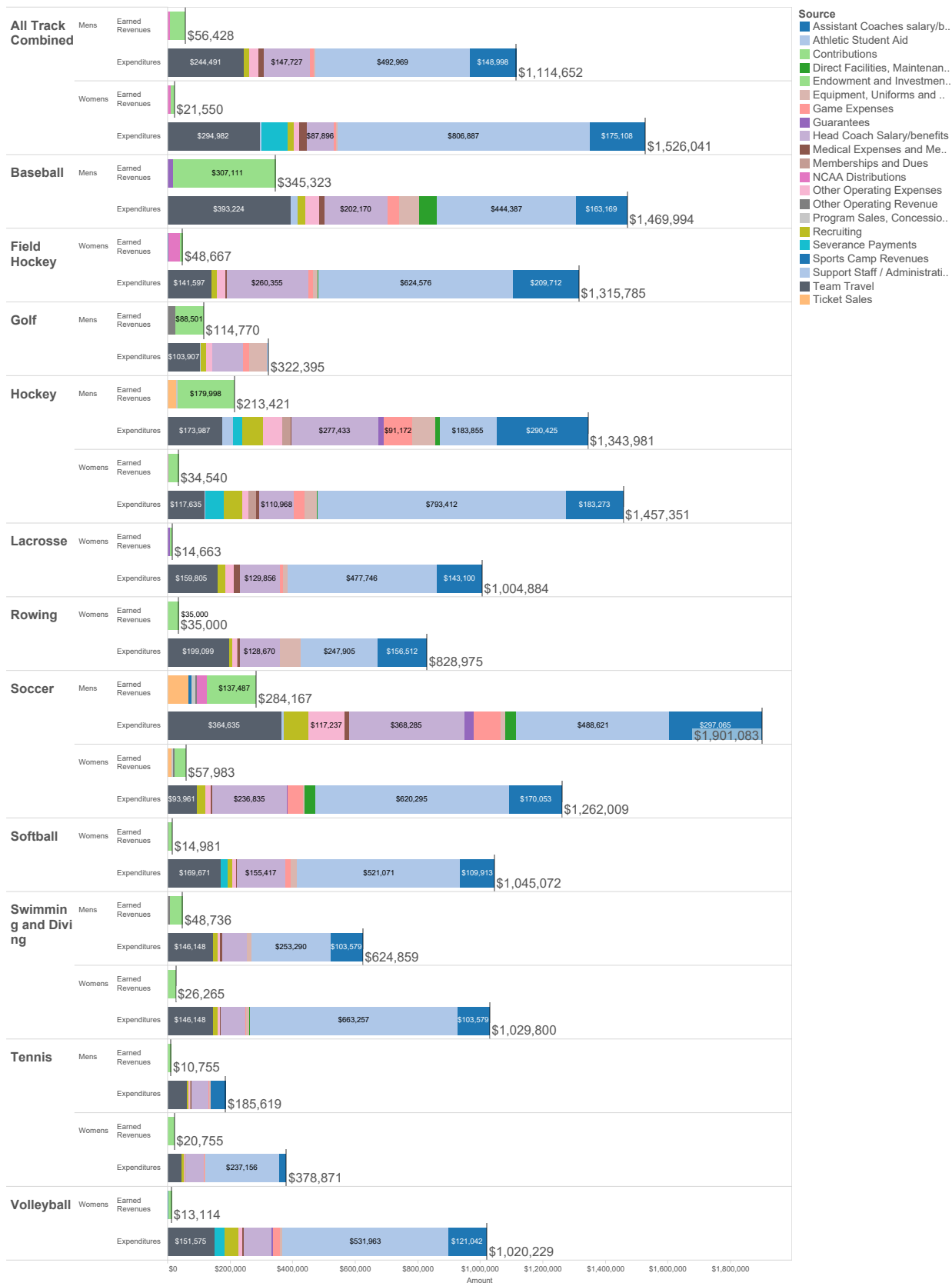
Athletics revenues & expenditures not related to specific teams, 2014
data: NCAA financial report



Overall subsidy in D1-A programs	Subsity as % of total expenditures	Revenue in Power 5 conferences	Institutional Subsidy in Power 5 Schools	UConn overall revenues & expendit..	Revenues and expenditures by obje..	UConn FY14 Expenditures by team	FY14 football & bb team revenues & ex..	Other team expenditures/revenu..	Academic assistance to athletes, FY14
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UConn Athletics Revenue & Expenditures by Team and Source, FY14

Data: 2014 University of Connecticut NCAA financial statement



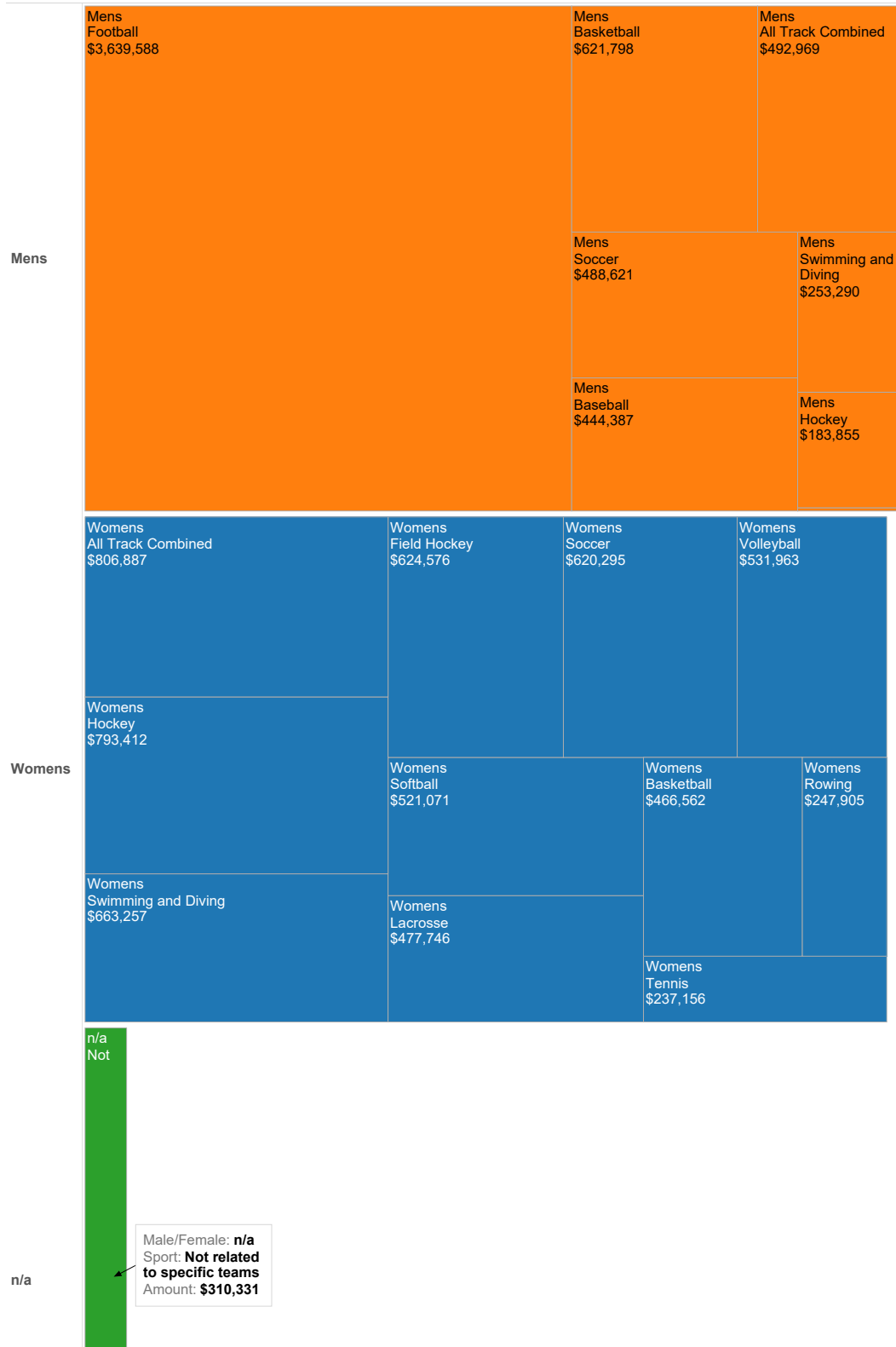
Overall subsidy in D1-A programs	Subsidy as % of total expenditures	Revenue in Power 5 conferences	Institutional Subsidy in Power 5 Schools	UConn overall revenues & expendit..	Revenues and expenditures by obje..	UConn FY14 Expenditures by team	FY14 fooball & bb team revenues & ex..	Other team expenditures/revenu..	Academic assistance to athletes, FY14
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Total academic assistance (scholarships) expenditures FY14:

Student academic assistance for men's and women's teams, 2014

Data: 2014 University of Connecticut NCAA financial statement

Mens	\$6,129,008
Womens	\$5,990,830
n/a	\$310,331



Change in per-team expenses 2005-2015, UConn vs. NCAA D1-A median costs

Sport	2005 UConn costs	2005 median costs among NCAA D1-A teams	2015 UConn costs	2015 median cost among NCAA D1-A teams	Increase in UConn costs 2005-2015	Increase in D1-A median costs 2005-2015
All Track Combined Men's Team Expenses	\$732,401	\$677,605	\$1,133,801	\$1,285,180	54.8%	89.7%
All Track Combined Women's Team Expenses	\$941,080	\$783,473	\$1,968,360	\$1,416,916	109.2%	80.9%
Baseball Men's Team Expenses	\$836,748	\$887,626	\$1,617,650	\$1,768,548	93.3%	99.2%
Basketball Men's Team Expenses	\$6,081,742	\$2,924,531	\$9,516,308	\$6,081,807	56.5%	108.0%
Basketball Women's Team Expenses	\$4,481,048	\$1,569,597	\$7,518,348	\$3,131,258	67.8%	99.5%
Field Hockey Women's Team Expenses	\$714,761	\$646,601	\$1,494,932	\$1,192,901	109.2%	84.5%
Football Men's Team Expenses	\$10,172,761	\$8,223,776	\$16,781,226	\$17,321,663	65.0%	110.6%
Golf Men's Team Expenses	\$218,696	\$304,536	\$563,057	\$572,735	157.5%	88.1%
Ice Hockey Men's Team Expenses	\$519,880	\$1,797,590	\$2,755,443	\$3,005,159	430.0%	67.2%
Ice Hockey Women's Team Expenses	\$956,470	\$956,470	\$1,684,594	\$1,961,915	76.1%	105.1%
Lacrosse Women's Team Expenses	\$635,506	\$671,371	\$1,266,073	\$1,296,768	99.2%	93.2%
Rowing Women's Team Expenses	\$492,452	\$882,731	\$1,294,272	\$1,690,708	162.8%	91.5%
Soccer Men's Team Expenses	\$1,144,521	\$561,091	\$2,214,898	\$1,049,940	93.5%	87.1%
Soccer Women's Team Expenses	\$904,546	\$672,524	\$1,642,542	\$1,241,874	81.6%	84.7%
Swimming and Diving Men's Team Expenses	\$353,553	\$568,170	\$413,703	\$1,019,502	17.0%	79.4%
Swimming and Diving Women's Team Expenses	\$663,015	\$634,781	\$1,147,682	\$1,135,662	73.1%	78.9%
Tennis Men's Team Expenses	\$79,816	\$370,161	\$862,529	\$684,694	980.6%	85.0%
Tennis Women's Team Expenses	\$151,189	\$399,589	\$714,116	\$738,819	372.3%	84.9%
Volleyball Women's Team Expenses	\$636,217	\$702,572	\$1,189,739	\$1,320,071	87.0%	87.9%

Source: EADA - Equity in Athletics Data Analysis. U.S Department of Education Office of Postsecondary Education <https://ope.ed.gov/athletics/#/> data downloaded April 20, 2017