

Football Study Committee Report (3/30/2005)

In 2004 the UTC Faculty Senate created a **Football Study Committee** to provide a report to the Faculty Senate and UTC community on the financial costs and benefits of the UTC Football program. The committee met in the fall of 2004 and spring of 2005. The committee members are listed below and the report follows.

Rybolt, Tom	CHEM Chair
Benkert, Stuart	MUS
Brodsky, David	POL SCI
Burchfield, Melissa	HONORS
Dumas, Joe	COMP SCI
Freeman, Yancy	ADMISSNS
Oglesby, Burch	EHLS
Pratt, Leila	ECON
Wilkerson, Gary	EHLS
Howe, Thomas(TJ)	UNDERGRAD STUDENT
Baird, Erick	GRAD STUDENT

In addition this report was read by Bill Miller, Director of Audit Services at UTC, for accuracy in the financial and accounting data presented.

1) Budget Background

UTC's 2004-05 Unrestricted Education and General (E&G) Budget is about \$80 million with the revenue consisting roughly half from state appropriations and half from student tuition and fees. The E&G budget is the general budget used to operate UTC. There is a division between academic and nonacademic budgets at UTC with Athletics included in the nonacademic side of the budget.

UTC and higher education in Tennessee in general have been, and will likely continue to be in a state of financial difficulty as judged by the chronic underfunding for basic needs. The State of Tennessee utilizes a funding formula for higher education. For the 2004-05 academic year, the state formula calculation predicted that UTC should receive \$50,620,000 while the actual legislative appropriation was \$38,956,300. The difference resulted in a loss of \$11,663,703 to UTC. We were funded at only 76.0% of the state's formula calculation of our needs. This situation is statewide and in no way unique to our campus. In addition, this situation is not new, but rather has been chronic and worsening over many years. For the last five years our funding percentage of this formula has been 2001 88.2%, 2002 86.4%, 2003 86.7%, 2004 79.4%, and 2005 76.0%.

THEC (the Tennessee Higher Education Commission) oversees public higher education in Tennessee through recommendations or requirements. There has been some confusion over a THEC Plan of Action dealing with the use of state revenue for athletics. The Plan of Action as

originally stated was that no school, including UTC, could use tuition and state appropriation funds for athletics beginning in July of 2007. Because of a variety of concerns, this policy may be modified to merely require a freeze in the amount of E&G funds used to run athletics ([see Appendix A](#)).

Both of these scenarios—no state funding or a freeze in general revenue funding for athletics are discussed in this report. The first scenario (no funding) would result in the loss of more than 3 million dollars for athletic expenditures but could result in an increase in funding for other academic and educational needs at UTC. This scenario obviously would require a major change for either athletic spending and/or athletic funding as now practiced at UTC. The second scenario (funding freeze) would have a more modest effect. It would leave the base spending from E&G present but require athletic funding growth to come from other areas. While less stressful to athletics at UTC, obviously it would not result in any significant new monies for other academic and nonacademic needs at UTC. The plan to deal with this scenario is outlined in a letter by Richard Brown to Fred Obear and calls upon students to pay a higher portion of the athletic costs. This plan would increase student athletic fees by \$400,000 per year by 2007-08 ([see Appendix A](#)).

2) Football at UTC

Football has been a part of UTC (including its precursors) for over a century. The first football game was on November 30, 1899 when 1000 spectators watched Grant University (later to become the University of Chattanooga and later to become UTC) defeat the South Pittsburg Athletic Club. That same year the University of Tennessee defeated Grant University on Christmas day in front of a crowd of about 2000 people. Football is a part of many universities and colleges, but THEC has raised questions regarding appropriate funding levels coming from general university funds for all state-supported Tennessee schools. In addition as a Metropolitan University with a diverse student population, football clearly plays a different role here than at a campus like UT Knoxville where it is a major part of the culture.

There are 1040 NCAA member schools divided among five Divisions including I-A, I-AA, I-AAA, II, and III in the NCAA. These schools compete in 128 different conferences. Division III does not award athletic scholarships. Division I-A normally has a much higher financial commitment than I-AA. Division I-AAA schools lack football programs but otherwise compete at level I. UTC is a division I-AA school competing in the Southern Conference. The number of allowed full football scholarships is 85 for I-A, 63 for I-AA, 36 for II, 0 for III, and no football for I-AAA.

Only a handful of the largest and most successful I-A college athletic programs in the country pay for themselves through donations, ticket sales, television bowl games, etc. Most schools (including UTC) cover a portion of their athletic expenses by using money from their general funds. According to the Southern Conference Football Financial Survey dated 5/2/2003 (part of the ETSU Football Impact Report), the football expenses (2002-03) at UTC were \$1,653,758 and the net loss was \$1,263,949 after considering football revenue. All the Southern Conference schools that compete in football had expenses that exceeded their revenue. Football operating losses for the year reported (2002-03) for some of the other Southern Conference schools were Appalachian State-\$0.79 million, Davidson-\$0.35 million, ETSU-\$1.1 million, Furman-\$1.5

million, and Georgia State-\$1.0 million. Davidson's expenses are much lower in that they do not give football scholarships and they compete in football as I-AA non-scholarship school (as if they were in Division III).

3) Interest Groups

The athletic programs at UTC have as their constituencies a diverse set of groups including:

- Administrators
- Alumni
- Athletics Board
- Coaches
- Faculty
- Residents of Chattanooga and Surrounding Communities
- Staff
- Students
- Student Athletes
- Supporters of UTC

There are financial costs and benefits of football to these various groups and the interests and needs of all groups should be considered. However, the mission of the university to serve the educational needs of its students should be central in all considerations.

4) Information Sources

In the following analysis we focus on the primary financial information (**see Appendices**) that we had available to us. [Appendix B](#) is "The University of Tennessee at Chattanooga Statement of Revenues and Expenditures for Athletics for the years 2003-04 and 2004-05." [Appendix D](#) is a 2003-04 revised budget. A series of 29 questions ([see Appendix C](#)) were officially submitted to and received by the Associate Vice Chancellor for Business and Financial Affairs (also copied to the Associate Athletic Director for Internal Operations/Finance). The only responses provided are those found in [Appendix A](#) and [Appendix E](#). [Appendix A](#) is a letter from Vice Chancellor Richard Brown detailing the student Athletic fee plan. [Appendix E](#) consists of three "NCAA Financial Reports" and three "THEC Athletic Revenues and Expenditures Reports."

Other information sources, reports, and articles available to the committee included: Intercollegiate Athletics at Rice University Report (2004), Football Impact Report for East Tennessee State University (2003), a variety of articles appearing in the Chattanooga Times Free Press, and articles in the UTC Echo and the Chronicle of Higher Education.

5) Athletic Revenue

UTC has Proposed (or original), Revised, and Actual budgets for each fiscal year so these three must be distinguished from one another. There is a significant amount of information in the Appendices; however the NCAA report for the year ending June 30, 2004 ([see Appendix E](#)) is the most comprehensive so we refer to that document below. Also, in this report we have attempted to capture the "big picture numbers." Additional details are provided in the Appendices.

UTC Athletics Revenue (\$) for 2003-04 (actual)

Institutional Support	3,574,820
Student Athletic Fees	1,398,124
Gifts	1,393,001
Other	1,603,635
Athletic Total	7,969,580

“Other” above includes tickets, game guarantees, program sales, advertising, conference and NCAA payments, and summer sports camps.

UTC Football Revenue (\$) for 2003-04 (actual)

Institutional Support	1,280,292
Student Athletic Fees	535,616
Tickets	143,488
Game Guarantees	220,000
Gifts	112,299
Football Total	2,291,695

The institutional support and student athletics fees make up 62.4% of the overall athletics revenue. The institutional support and student athletic fees make up 79.3% of the football revenue.

The institutional support above includes an annual retirement of indebtedness on UTC’s portion of Finley Stadium which is \$174,478 per year. This payment will continue each year for the next 23 years. Removing this stadium payment leaves the football budget at about \$2.1 million per year (\$2,117,216). Tickets, game guarantees, and gifts provide an income of \$475,787 and that leaves a deficit of \$1,641,429. This deficit is made up from student athletic fees and money from UTC’s E&G budget. E&G or Education and General comes from the state appropriations and student tuition payments. In other words, it is the general budget used to run UTC.

Students indirectly pay an athletic fee as part of the fees paid at registration. It is based on the number of hours taken at UTC but averages out to about \$165 per student per year assuming 8,500 students. Many students may be unaware of this payment since it comes out of the “Program and Service Fee” paid at Registration. For a student taking 12 hours of classes, the 2004-05 fees per semester were Program and Service = \$140, Debt Service = \$110, Facilities Fee = \$50, and Technology Fee = \$100. For 2003-04 the Student Program and Service Fees were \$2,146,220. Of this total, \$1,398,124 went to athletics and the remaining \$748,096 to other student services.

6) Athletic Expenditures

The UTC athletic expenditures ([see Appendix E](#)) by sport area and non-program specific are given below.

UTC Athletics Budget

Football	2,117,216
Men's Basketball	920,826
Women's Basketball	530,288
Other sports	1,986,051
Non-program specific	2,240,721
Finley Debt	174,478
Total	7,969,580

The portion of football expenditures among the sport specific expenses is (\$2,117,216/\$5,554,381) or 38.1%. An estimate of football attributed non-program specific expenses based on this "activity-based allocation" would give 38.1% of \$2,240,721 or about \$853,715 for a total of \$2,970,931. The non-program specific expenses include items such as: athletics fundraising, athletics administration, medical, tutoring, training, sports information, sports camps, etc. So one can say that the total cost of football-attributed expenses to UTC is somewhere in the range of \$2.1 to \$3.0 million ignoring the debt payment on Finley Stadium. Recall that UTC's total unrestricted E&G (education and general) budget is currently about \$80 million .

If we use the lower estimate (\$2,117,216 million) then the UTC football program cost is about \$249 per student at UTC (assume 8,500 students) or considered another way the cost is approximately \$26,465 per football player (assuming 80 players on the team). Using the higher range estimate, the cost is approximately \$350 per student or \$37,136 per player. These values should be considered the upper and lower range of an estimate that cannot be made exact. It should come as no surprise that football is an expensive sport to play because it requires a number of players, sufficient coaches, equipment, trainers, field, travel, recruitment, facilities, etc.

An overview of the Athletic Expenditures based on the actual 2003-04 budget ([Appendix B](#)) is given below. Salary benefits and other items are not included in this UTC athletic budget. Some of the costs in the NCAA report discussed above are excluded from amounts reported below so the total expenses below (5.4 million) are less than those discussed above (8.0 million). Instead of indicating the total expenditures below, these items are presented to give an idea of the relative costs of different programs.

Expenditure (\$) by gender and sport(s)

Men

Football	927,184
Basketball	615,968

Wrestling	76,492	
Tennis	39,943	
Golf and		
Cross Country	116,103	
Men Total		1,775,690
Women		
Basketball	313,881	
Softball	178,583	
Volleyball	106,344	
Cross Country	70,047	
Soccer	109,137	
Tennis	58,334	
Women Total		836,326
Sport Specific Costs (from above)		2,612,016
GIA (grants in aid) Men		1,071,588 (63 full GIA for football)
GIA (grants in aid) Women		568,733
Administrative/Medical/Trainer/Etc.		1,169,695
Total		5,422,032

The differences between the NCAA report and the THEC report (referred to above) are considerable. The THEC report excludes restricted funds which the NCAA report includes. Bill Miller, UTC Auditing Services, provided the following analysis: If one adds the restricted funds shown on the other schedule, you get a total of \$6,946,369. The NCAA total of \$7,969,580 is \$1,023,211 higher. The following account for the additional differences between what is included in the NCAA report and what is not included in the THEC report:

Amounts (\$) not included in THEC report:

232,640	- Provost Scholarship money (for athletes who qualified)
35,800	- Donated Vehicles
5,433	- Mocs Club - In Kind Contribution
25,391	- Needy Student Fund - In Kind Contribution
64,613	- Miscellaneous Institutional Expense (Lebo coach contract)
110,603	- Additional gifts/restricted funds
19,806	- Athletics related expenditures from Chancellors accounts
221,050	- Basketball camp / Lebo Salary supplement
299,121	- Development Accounts for Athletics Fundraising
8,754	- Other Difference

\$1,023,211 Total by which THEC report understands UTC athletic costs

7) Institutional Portion of Support

The level of institutional support and student fees used to support athletics has changed from 2001-02 where the institutional support was \$4.29 million and student fees \$0.65 million to the most recent year of 2003-04 where the institutional support was \$3.47 million and the student support was \$1.40 million. If institutional support were not available beginning in the July 2007 fiscal year, it would have to be replaced by some other source of revenue and/or significant cuts in the athletic budget would have to be made.

As [Appendix A](#) (Richard Brown letter) indicates, the current understanding is that a freeze in funding rather than a cut to zero is the more likely scenario, but considerations of both are discussed below.

8) Football Revenue Sources

As noted earlier, currently the effective athletic fee averages about \$165 per student per year. If the E&G funding for athletics were cut to zero and if the 8500 students at UTC were called upon to make up the difference by an additional athletic fee, then what would the impact be upon the students? In the revised 2004-05 athletic budget, the general institutional support (\$3,108,848 info from THEC Presentation) and student activity fee spent on athletics (\$1,425,124) totals \$4,533,927. This amount is equivalent to \$533 per student per year. [Appendix A](#) assumes the E&G freeze scenario but not the cut to zero scenario and suggests an increase in athletic fees over a three year period of \$400,000 which would bring the total student athletic fees up to slightly more than \$1.8 million. This would represent about \$212 per student per year. So in the best case scenario for athletics, each UTC student will be paying about \$212 per year in athletics fees. **In fairness to the students and for purposes of clarity, it would be best to have the athletics portion of their fees (whatever it may be) clearly identified as an athletics fee at the time of payment.**

The UTC students voted by about a 4 to 1 ratio in 2004 against a dedicated athletic fee so it is fair to say that the implementation of small or large fee increases would not be popular or well received among students. It must also be recognized that student attendance at UTC football games is a very small portion of the student body. In the past, it has not been possible to have UTC student lab fees for courses in which the students were enrolled. Many universities have such course specific fees. If students were asked to pay significant additional fees, perhaps they should also be given the opportunity to specify where they wished to designate their money – athletics, technology, student services, etc.

There are many possibilities for generating more revenue. Alumni giving for football could increase. Community fans and UTC supporters might be willing to pay more per ticket. More people might come to games. However, it is difficult for UTC to compete for football interest generated by surrounding schools within a few hours drive of Chattanooga. Schools such as UT Knoxville, Georgia Tech, University of Alabama, Auburn, University of Georgia, all attract the interests of Chattanooga fans. The average attendance in the last season (2004) was about 5,600 per home game at Finley Stadium. This is the lowest attendance since 1996 when UTC played at Chamberlain field.

Football ticket sales of \$143,488 represent only about 6% of the actual football expenses. Men's basketball last year generated about \$264,200 in ticket sales. If one were to have the goal of covering football costs exclusively through ticket sales, which is not expected at a I-AA institution, then it is interesting to note that for five home games last season with an average attendance of 5600, each ticket would have to generate \$82 ($\$2,291,695 / (5 \times 5600) = \81.85) for UTC. Current ticket prices are \$11 and \$16.

9) Cost Savings in Athletics

If we consider the athletic budget to be divided among Men's Football, Men's Basketball, Men's Other Sports, and Women's Sports, then we can consider the feasibility of cost savings among different areas. Cuts in women's sports without equal or greater cuts in men's sports would violate Title IX federal laws and would be prohibited. Some cost savings in basketball have already been achieved, but men's basketball is projected to generate more revenue than football in the revised 2004-05 budget so one would not expect a cut in that program. It is interesting to compare the actual 2003-04 and revised 2004-05 sport specific expenditures as listed in [Appendix B](#) for different men's teams. The amounts below do not give the total cost of each program, but do give an idea of the relative costs of different programs.

	Actual 2003-04	Revised 2004-05
Men's Sport		
Football	927,184	972,603
Basketball	615,968	521,985
Wrestling	76,492	60,229
Tennis	39,943	35,579
Golf and Cross Country	116,103	70,267

The expenditures listed above have been increased slightly for football while the other men's sports have been decreased. The minor men's sports have been funded at modest amounts and offer little in the way of significant cost savings. Some of these sports have been surprisingly successful given their modest support by UTC and are in competition with men's football for funding dollars. When ETSU eliminated their football program, they found they were able to increase funding for other sports and consider adding new sports. A change in the status of football at UTC is the only area within the UTC athletic budget that offers the possibility for significant expenditure reductions.

10) Revenue Considerations

A variety of questions should be considered by the UTC administration, athletics board, and athletics program. Can football interest, attendance, revenue, and donations be dramatically increased in the next two years? Additionally the role of football at a Metropolitan University with severe and systemic budget problems should be considered. Is football more central to UTC's mission than other auxiliary programs and academic departments?

As part of a three-year budget plan, the Provost has identified additional funding needs of \$8.4 million. This amount reflects a combination of underfunded current responsibilities, funds lost by prior impoundments, and items essential to the academic budget. What is the source of these funds? In addition, cuts have been made to support areas such as the Children's Center, Challenger Center, and Cadec Music Conservatory. The Occupational Therapy program was terminated effective December 2004.

According to a presentation given to the Budget and Economic Status Committee by Richard Brown, Facilities Planning and Management has lost 30 positions from 1988 to 2004 while our campus square footage has increased by 49% and grounds increased by 16.3 acres. The Facilities Planning and Management Staffing is 27% below national guidelines for higher education. Heating and Air Conditioning shop staffing is 60% or 6 positions below national benchmarks. Current staffing now allows for only 14% of the required preventative maintenance requirements for our facilities. In other words, UTC is a big house and there are too few people maintaining it. These examples from both the academic and nonacademic sides are given just to illustrate a few of the many budget needs that UTC faces.

11) Finley Stadium

Finley Stadium has been a money-losing operation since it was built and artificial turf will be required to replace the natural grass field. The possibility of UTC taking over operation of Finley Stadium was reviewed by UTC and the UT system. In 2004 Finley Stadium had operating expenses of about \$589,000 and revenue of about \$315,000 for an annual deficit of \$274,000. Over the last four years combined, the deficit has been \$1.2 million. The stadium corporation (non-UTC) debt for the facility has been paid off and the artificial turf to be installed should allow for a greater range of activities.

UTC pays (to the Carter Street Corporation) about \$5,800 per game for football use and \$650 for each women's soccer game. UTC paid an extra \$80,000 (from Lupton funds) last year when Hamilton County cut its funding for the stadium. Stadium corporation board chairman Ryan Crimmins suggested that if UTC did not take over the stadium then UTC fees per football game would rise to "something north of \$10,000 per game." It is interesting to note that UTC already paid more than that amount this year considering the extra \$80,000 paid. Football income may not be the dominant stadium revenue. Revenue sources that can sell out the stadium at higher ticket prices may be more significant for Finley's economic viability than football.

Chattanooga Lookouts and Bellsouth Park owner Frank Burke has made a proposal to the Stadium Corporation to operate Finley Stadium and has offered to charge UTC the same as last year's \$5,800 per football game. This option avoids financial risk for UTC. UT and UTC have decided not to make a proposal regarding the operation of Finley Stadium.

12) UTC Graduate Athletic Training Program

Because the UTC Graduate Athletic Training Program (about 18 new graduate students admitted per year into the 2 year program) is widely recognized as one of the top programs in the field, admission has become increasingly competitive among applicants from an exceptionally broad geographic area (about 95% from out of state). The existence of a football program at UTC is a critical factor for continuation of our national

prominence as a leader in graduate education of athletic trainers. Beyond the adverse effect that elimination of football would have on the perception of our ability to provide a high-quality educational experience, our academic program accreditation requirements for clinical education include the following:

The athletic training curriculum shall include provision for clinical experiences under the direct supervision of a qualified clinical instructor or approved clinical instructor. Clinical education begins with hands-on learning experiences in structured environments (e.g., classroom or laboratory) and continues to progress through field experiences in a variety of settings (e.g., college/university athletic training room, practice and game venues, etc.). There must be exposure to a variety of clinical experiences that expose the student to different populations, genders, varying levels of risk, protective equipment (minimum of experiences with helmets and shoulder pads), and medical experiences that address the continuum of care that would prepare a student to function in a variety of settings (able to meet the domains of practice delineated for a certified athletic trainer) in the field of athletic training.

Each athletic training student must complete the first two clinical rotations (first two academic semesters) in the UTC Athletic Training Facilities located in the McKenzie Arena. They are assigned to Approved Clinical Instructors who provide athletic training coverage for UTC intercollegiate sports. Football is the only sport at UTC that fulfills specific clinical experience criteria established by the accrediting agency.

13) UTC Band

There were no band specific comments to be included in this report except to say that according to the band director, the football program is not essential to band operation.

14) UTC Revenue Effects from Eliminating Football

The costs associated with football are discussed in item 6 above. A related but not identical question is: how much would UTC save by the elimination of the football program. The estimate below is provided by Bill Miller, Director of Audit Services at UTC. The details of his analysis are found in [Appendix F](#). The result of his analysis was that \$661,927 would be available for redistribution if football were eliminated. Some members of the committee think this is a reasonable estimate and others believe it to be conservative with the actual savings to be greater. In fact, there is no way to know the exact student enrollment in coming years with or without football.

There were 104 players on the roster last season including 33 walk-ons. The 63 full scholarships allowed for I-AA can be split and can be in or out of state. Mr. Miller's estimate assumed a loss of fees and tuition from all 104 student athletes. Of course it is not possible to predict the actual change in student population, and it is possible if other less expensive men's or women's sports were added, the number of students involved in athletics at UTC might increase. Also, it is worth noting that we were not purposely funded at 76% by the state. We were funded at a certain amount relative to the previous year's appropriation and that worked out to be 76% of the formula. So there may not be any immediate effect on state appropriations unless we returned to a more strictly formula-based funding system.

Mr. Miller's analysis includes a portion of the football overhead costs contained in the Non-Program specific category. He did not use a 38% across the board amount as we did in the analysis above. Instead, he separated those items which he believed would be variable - Printing (programs/schedules), communications (mailings), and contracted services and applied the 38%. Medical costs were allocated at 50% since football injuries are more serious, i.e. costly. Tutoring was allocated at 75% of the total since a greater percent of the Football players need these services (per the tutoring center). He took 38% of the training (adjusted) operating costs, because the weight rooms would still remain open.

15) Experience at Other Universities

ETSU eliminated football with a cost savings of over a million dollars per year. What has their experience been since dropping football?

The following are quotes from an article in the Chattanooga Times Free Press, 11/9/04, page D8:

From their Athletic Director, Dave Mullins: "It finally came down to this: Do we maintain a struggling football program or struggle as an entire athletic department? ... Now we have 230 student-athletes instead of 300 but I believe they are all having a quality experience. ... Assistant coaches' salaries have more than doubled in some sports, and there is more money for scholarships and equipment. An extra \$460,000 is slated for this year alone."

"We were taking \$500,000 to \$700,000 a year from the academic side of the house to prop up football," Stanton (ETSU president) said. "Now we don't have to do that anymore."

According to Pirate Club director Jo Anne Paty, giving is actually soaring without football. "I'm in charge of raising private dollars for scholarships," she said. "I've been here for four years, and giving through July, August, and September—unrestricted giving—had reached \$120,000. In 2001, 2002, 2003 it never rose above \$70,000."

Other schools have added or are considering adding football. For example, Old Dominion University in Norfolk, Virginia is examining the prospects of adding a football program. The university estimated they would need to raise about \$30 million for startup costs for a division I-AA program.

16) Division III

Division III football does not provide scholarships and is less expensive to operate than a Division I-AA scholarship football program. Although there are some schools within the Southern Conference that do not play I-AA football, the current policy suggests that UTC might be forced out of the Southern Conference if it eliminated or changed the status of its football program.