INTERIM REPORT

OF THE

AD HOC COMMITTEE ON FBS FOOTBALL

Presented at the
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The Ad Hoc Committee on FBS Football was created by a vote of the Faculty Senate on December 13, 2011 of the following motion:

“That the Faculty Senate establish a broadly representative Ad Hoc Committee, appointed by the Rules Committee and approved by the full Faculty Senate, to monitor and evaluate the costs and financial impacts of FBS Football, reporting back at least once each semester to the full Faculty Senate.”

The Ad Hoc Committee arose out of a concern about the process by which the UMass administration moved the football program into the Mid-American Conference (MAC), a conference in the Football Bowl Subdivision (FBS), and the costs of such a move. The purpose of the committee is to evaluate the costs of FBS football on an ongoing basis. This first report focuses on the very straightforward expenses and revenues of the program.

The committee is composed of 17 members of the faculty, students and staff, some of whom are supportive of the move to the FBS, others who have been vocally opposed. But our goal has been to present as full a picture of the expenses and revenues of the program, so that the Faculty Senate can have a healthy debate based on a set of accepted numbers.

In order to explain the expenses and revenues in an accessible manner, and thereby support an open discussion about the future of the football program, we have distilled the data we have assembled to the most fundamental figures. Much more detail is available through budget spreadsheets from the Athletic Department.

However, while we have relied on the Athletic Department budget spreadsheets as a starting point for our discussion, the charge of the committee is broader: to look at the full range of costs associated with the FBS move, not just the revenues and expenditures of the Athletic Department.

We would like to note that while there was concern among some senators about the transparency of the process and the data offered by the previous administration, we are pleased that we have had good cooperation from Whitmore and the staff of the Athletic Department. Individuals will certainly disagree about what lessons we should take from the numbers. But we can confidently say that we have been given all information we have requested, and in a very timely manner.

The Athletic Department Budget

The starting point of this discussion must be the Athletic Department budget predictions and actual revenues and expenditures. We begin by looking at the budget projections for the team itself. In the subsequent section, we will look at additional costs associated with the program.

The Athletic Department produced a “Financial Pro Forma Summary” in advance of the transition to FBS football, offering projections of football budgets all the way up to FY2020.
The baseline on the pro forma was FY11, the last year before UMass moved into the FBS. In that year, UMass spent the following on the football program:

$4,379,889, of which $3,157,800 came from the university (in direct support, student fees, out-of-state waivers) or the state (in the form of Board of Higher Education fee waivers). Throughout the report, we will refer to these resources as “institutional support.”

In FY12, the first year in the transition to FBS, the pro forma projected increased spending on football:

$5,428,581, with $4,273,764 of institutional support.

The actual FY12 budget turned out to be higher:

$5,983,990, with $4,967,638 of institutional support.

In FY13, the pro forma projected that the total football budget would be:

$6,468,373, with $4,178,794 from university resources. Starting in FY13 and going all the way to FY20, the pro forma predicts that revenues will exceed expenses.

The actual, audited FY13 budget turned out to be slightly higher:

$6,897,021, with $4,489,764 of institutional support. In FY13, the program generated $1,995,633 of revenue, primarily through two “guarantees” (payments made by host teams, in FY13 Wisconsin -- $900,000 -- and Kansas State -- $750,000).

For FY14 (the current year), the pro forma projected that the total football budget would be $6,918,966 with $4,509,084 of institutional support.

The FY14 projections from November 2013 (which will be audited by the fall of 2014) for the FY14 budget show that the FY14 budget is again higher:

$7,781,217 with $5,106,548 of institutional support. The Athletic Department estimates that $2,674,669 will come from guarantees and ticket sales.

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1 On another issue, there is some debate as to what constitutes “institutional support.” There are operating budget monies that go toward athletics. There are also student fees that are earmarked for athletics and, arguably, should count differently as those funds ostensibly cannot be used for other uses. And finally, there are Board of Higher Education and UMass out-of-state waivers that are treated as “institutional support” (because the university is spending money on the education of athletic scholarship students without receiving any tuition or fees). We have included all these categories in what we describe as university and state support, as has been the practice in Athletic Department budgets and in reporting to the NCAA.

2 The football team ended FY13 with a deficit of $411,624 which is being carried over to FY14. The bulk of the revenue shortfall was in weak ticket sales.
In sum, the annual Athletic Department budget for football has grown by $3,401,328 in three years. Financial support from the university and the state for the football team budget has grown by about $2 million (to $5,106,548).

Additional Expenses

There are, however, a number of other expenses that must be added to gain a complete accounting of the expenses associated with the move to FBS football.

1. Gender Equity Scholarships. Moving to the FBS required an increase in football scholarships (from 63 to 85). In order to maintain gender equity, the university is required to increase its spending on female scholarships. For FY13, the university spent an additional $208,470 on scholarships for female students. In FY14, the university expected to spend $427,196. The increase is due to the football team this year offering a full complement of 85 scholarships, which must be matched with scholarships for female athletes. The cost of these scholarships is predicted to rise to $489,943 in FY15 and to $1,227,183 in 2020.

2. Marketing. In FY13, $860,182 was spent on marketing the new FBS football program, of which $534,242 is in addition to marketing monies included elsewhere in the football budget. This $534,242 does not usually appear in Athletic Department budgets because it is spent through the Office of External Relations. In FY14, it is projected that the football program will spend $778,330 for marketing.

3. McGuirk Stadium Improvements (Press Box and Football Team Facility). Almost immediately after the move to the Mid-American Conference (MAC), then-Chancellor Holub announced that there would be a renovation to McGuirk Alumni Stadium, as called for in the contract with the MAC. A new press box was planned (to accommodate ESPN cameras) as well as an addition to the north end of the stadium, which would serve as the home of the football team. These projects were taken on as part of the agreement with the MAC, but it is also true that McGuirk Stadium has had only minimal renovations since its construction in 1965. The project has grown from its initial $30 million total estimate in 2011 to $34.5 million in 2012 and now, in 2013, to $36.8 million. The total estimated principal and interest payments for the 30-year debt is approximately $65.6 million. The estimated annual debt service will be $2.2 million. That amount will be paid out of the university’s operating budget. In addition, once the building opens (in the fall of 2014) annual operating costs -- also paid from the university budget -- will be approximately $1 million. Members of the university community who want a clearer sense of how much FBS football will cost the university should add $3.2 million to the yearly baseline expenditures.

In FY13, the university spent little on the McGuirk project as it was not yet under construction. Furthermore, the university does not begin paying off the debt until close to the opening of the facility in the fall of 2014. So, including the cost of the debt service payments in our first interim report was an error.

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3 There are a number of costs and revenues that remain difficult to measure. Most notable, on the revenue side, are alleged increases in alumni donations, student applications, and more general benefits of name recognition that are said to flow from playing at the FBS level. On the cost side, are the many staff people who have been newly directed to spend part of their time on marketing and administering the FBS program. There are also potential negative costs associated with losing and with hosting home games at Gillette stadium. The Ad Hoc Committee expects to continue to debate these questions.
Summary

The spending on the football program in FY13, the first year of FBS-level play, using audited numbers is as follows:

6,897,021  FY13 football program budget
534,242  additional marketing
208,469  gender equity scholarships
7,639,732  total spent in FY13

We must, however, subtract the non-institutional revenues (from ticket sales, guarantees, contributions and NCAA sponsorship) generated by the program in FY13. They total $1,995,633.

The final total is $5,644,099.4

The spending on the football program in FY14 is estimated to be as follows, using November 2013 projections (which should be fairly accurate as they were made near the end of the season):

7,781,217  FY14 football program budget
778,330  marketing, student buses, etc.
427,196  gender equity scholarships
8,986,743  total spent in FY14

We must, however, subtract the non-institutional revenues (from ticket sales, guarantees, contributions and NCAA sponsorship) generated by the program in FY14. They are estimated to total $2,674,669.

Therefore, the projected total net amount of institutional support spent on football in FY14 is $6,312,074, more than double what was spent in FY11.

To get a better sense of what the future, ongoing costs will be, one must consider future expenses and revenues. For example, looking ahead, one must include the debt service and annual operating expense for the new football facilities as a cost relating to running the football program. Offsetting these future increases in costs is the potential for increases in revenues such as larger guarantees and higher ticket sales.

Finally, there remains great uncertainty about intangible benefits or costs associated with fielding an FBS program. How much does the campus benefit -- in applications and donations -- from the greater exposure that comes with playing in the FBS? Does it hurt the financial picture to win just two games in two years? These more knotty issues will be at the forefront of the Ad Hoc Committee’s work in the coming year.

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4 The Athletic Department only received $5,232,475 in total revenues, ending the year with a deficit.