

DATE: April 26, 2007

SUBJECT: THEC Position Statement Regarding the Funding of Intercollegiate Athletics

ACTION RECOMMENDED: Approval

BACKGROUND INFORMATION: In response to the austere funding climate for higher education in 2002, THEC adopted a ten point Plan of Action to address the challenges facing public higher education. The Plan of Action included a provision that capped the general fund expenditures for intercollegiate athletics, and set a goal of having all athletics programs be self sufficient by 2007-08. THEC recently adopted a new Master Plan, superseding the Plan of Action, for 2005-2010 that did not directly address the funding of intercollegiate athletics. However, THEC staff believe that it is our responsibility and in the best interest of higher education to focus attention on intercollegiate athletics funding issues. Within annual operating budget reports, THEC staff have reported to the Commission all general fund expenditures for athletics, as well as the percentage of expenditures that are directed to athletics.

At the January 2007 THEC meeting, State Treasurer Dale Sims asked staff to bring to the next quarterly meeting options for implementing regulations or guidelines for funding intercollegiate athletics.

Position Options

The options available to THEC regarding the funding of intercollegiate athletics are information disclosure, current budget monitoring, and those options which have a fiscal impact. These options can be applied to the universities, the community colleges, or both. Also available to THEC is the option of not approving nor transmitting to F&A the institutional operating budgets if athletics guidelines on disclosure or financing is not followed.

A general outline of the policy options available to THEC on the funding of intercollegiate athletics is as follows.

1. Disclosure

- A. Current data reporting which includes general fund support, athletics fees and more
- B. Expanded reporting to include more detailed athletics revenue and expenditure data
 - 1. Publicize information through the THEC website
 - 2. Provide more detail of athletics revenue and expenditures
 - 3. Provide media and student organizations with athletics data
 - 4. Include athletics revenue and expenditure data on student bills
 - 5. Other

2. Budget Monitoring

- A. Cap general fund expenditures for athletics
- B. Cap the percentage of E&G expenditures that are devoted to athletics

3. Fiscal Impact Options

- A. “Swap pockets” by lowering maintenance fees and raising athletics fees
- B. “Swap pockets” by lowering athletics fees and raising maintenance fees that would then impact the total revenue need analysis
- C. Recommend a lower tuition increase for institutions with large general fund support
- D. Offset athletics expenditures with reduced state appropriations using the gap methodology

Considering these options, THEC staff recommends the following position on the funding of intercollegiate athletics is the most appropriate.

Position Statement

THEC recognizes the value of intercollegiate athletics and other student performance activities to the cultural and social life of a campus. Like any activity within higher education, a balance must be struck between the value of the activity and good stewardship of institutional resources. By generating outside revenue from ticket sales, marketing, fundraising and other sources, college and university athletics programs are able to support themselves to some degree, though this ability varies by campus and level

of competition. Where self-generated revenues are not adequate, institutions charge mandatory athletics fees to students and/or spend unrestricted general fund dollars to support athletics programs.

It is the duty and responsibility of the campus to fully disclose all intercollegiate athletics revenues and expenditures to the students, faculty and staff. THEC has the responsibility of reporting on budgets, including athletics budgets, to the General Assembly. THEC will report annually on intercollegiate athletics expenditures and revenues, including mandatory athletics fees and general fund support. THEC will ensure that THEC members, the General Assembly, the public and the higher education community are aware of athletics department revenues and expenditures. Without interfering in institutional budget decisions, THEC has a role in promoting disclosure of and transparency in athletics budgets.