SOME POSSIBLE BASELINES FOR THE FINANCIAL RELATIONSHIP BETWEEN
THE ATHLETICS DEPARTMENT AND THE REST OF THE UO

This document is a rough draft of ideas rather than a final report on some analysis. But it addresses matters where others have taken far less care in making their own assumptions and analysis clear, so it is offered to move forward campus discussion.

The athletics department has long been summarizing its financial relationship with the university as being self-supporting. Some have responded to this summary by pointing out that the university incurs expenses in other units in order to fulfill the athletics department’s mission and obligations. Such expenses include those arising from operating the Services for Student Athletes program, supporting the work of the Faculty Athletics Representative, auditing services(?), and the time and energy of central administrators and staff working with athletics department (legal, the president’s office, etc).

In the context of university finances, it is customary to call an auxiliary unit (such as athletics or housing) self-supporting if it covers its operational obligations - that is, those costs which are controlled by head of that unit along with assessments imposed by the greater university. Some might want to introduce new terminology (operationally self-supporting?), though this is standard.

Some have called for the athletics department to pay these external expenses, calling them “subsidies.” But to rightly account for subsidies, one must set a baseline for such accounting. To do accounting without clear baseline assumptions is meaningless and intellectually negligent.

In this document, we discuss some of these for the purposes of increasing the level of understanding of members of the IAC. While a general, approximate reckoning can be helpful for that understanding, we do not suggest that this kind of accounting done at a fine level is a good use of institutional time and energy for a few reasons. First, both the process of teasing out the data and the process of settling on precise baseline assumptions would be expensive in terms of time. The litany of assumptions would inevitably be dropped from conversation, leading to a number which would be less meaningful than implied. Finally, other than giving us some overly certain sense of whether the athletics department is “truly self-supporting,” this number would be of little practical use as long as being operationally self-supporting is the norm for auxiliaries on this campus.

Finally, a warning: some numbers are taken from memory, and even more are back-of-the-envelope estimated. These are not reliable numbers, but are supplied here for illustrative purposes. I will try to be clear about particularly shaky numbers.

0.1. Value baseline. The value baseline looks at the value delivered to campus by the athletics department compared to what is paid. While this baseline is far from what those who wish to discuss subsidies have in mind, it is helpful for example in comparing our campus to others, since in particular that value is best estimated by looking at what other campuses are willing to pay.

As we see from USA Today Data (http://tinyurl.com/cg784oo), most D1 schools are willing to pay roughly $3M-$15M or so for their athletics programs, including both direct operational budget and support. Indeed, even at a Division III level, seventeen sports including football would generally cost $3M. The increased quality of coaching in D1A does represent a significant increase in educational value, and D1A serves a cohort of students who for example in other countries would forgo their college education (indeed, many of those students come here for college, hence the success of the Pac-12 as an “Olympic country”). Serving these students is one of the biggest benefits of D1A-level athletics to our mission. Along with the
other benefits this accounts for why schools are willing to pay up to more than five times as much as the D3 baseline to operate a D1A program.

In addition to these direct benefits, we should look at the tuition and supplies/ living expenses paid. The tuition alone, $6M in scholarships, is a highly significant amount, and should not be understood as a “fee for service” as other budget items are. Indeed, it would take a quarter of a billion dollars to endow that much in scholarships, and if someone announced such we would rightly be dancing in the streets. Some might want to discount this number based on the fact that it is restricted to student-athletes, but that is a subjective rather than objective discount.

Together, these represent a value of anywhere from $10-20M. Some might point out that this is significantly less than the athletics department’s budget, but we have not taken into account all lines of value (including exposure, internships, more applications, alumni loyalty, etc), and there are significant fixed costs involved when one moves from merely staging athletics events to generating revenue from doing so.

In the end, there are very few if any athletics departments for whom the value to the mission of the university relative to the costs incurred are even close to what we see at the University of Oregon.

0.2. Non-existence baseline. Suppose that the athletics department on this campus did not exist, and never did (which on this campus would have more ramifications than on most, but we’ll ignore that). We would certainly not have to pay for the FAR, SSA, etc. But the campus would lose, at the top of the list financially, the scholarship money, and the DAF assessment by the UO Foundation and the excess in Overhead paid by the department. (added recently:) Indeed, early in his tenure President Gottfredson had the administration look closely at overhead rates for all auxiliaries, looking at those as an opportunity to reduce pressures on the academic budget, much as he implemented with the medical school in particular while being provost at UC Irvine.

While it would be a significant loss to not have as many students attending on scholarship, some tuition money would of course come in with the “general” students attending. But general students are not from out of state in the same proportion as student-athletes (roughly 50% vs. 80%), and students paying on their own do not usually pay full tuition. Back-of-the-envelope calculations estimate this tuition-paid difference of anywhere from $2M to $4M, which in addition to the $1-2M in lost DAF taxes and excess in Overhead would be more lost than the SSA and FAR costs recouped. But these numbers would probably be small next to other effects of not having an athletics program, which would be difficult if not impossible to quantify with any meaning.

0.3. Separate entity baseline. This is probably the most meaningful baseline, based at least in part on a scenario which is a reality on some other campuses, namely that the athletics department operates as an administratively-independent not-for-profit. To better understand such a realistic scenario, we would need to have a much more detailed understanding of the comparisons of such departments with those governed such as our own. Thus there are many possible variants of this baseline.

For purposes of an accounting, let’s assume that each party - the now-separate athletics department and the rest of the campus - pay market value for goods and services. In particular, the FAR and SSA services are billed for as above (with a mark-up?) and tuition is billed-in-full. But under this hypothetical market-value scenario, student-athletes could apply for scholarships and financial aid, which would offset the cost of their scholarships, saving the athletics department roughly $0.5M to $1M.

Student tickets would be sold at market value, an increase of roughly $1.5M. The price of the President’s Box at Autzen (the one recurring cost, paid by the UO Foundation, which has recently been discovered which was not known as such by the IAC previously) would probably also increase.

The athletics department would no longer pay an overhead assessment, which is likely to be at a significant savings to them ($1M - $3M??). They would need to beef up their HR department (benefits, training?), pay for auditing services, either hire some legal help to combine with compliance or just pay for outside help when needed...? I don’t see much else since general operations, financial, IT, media, ticketing,
physical plant, campus tours etc. are already in their budget, and things like academic orientation are included in what they would pay for SSA. Once again, we see that the numbers roughly balance.

0.4. **Arbitrary, subjective baselines.** We can define a baseline as we go along, saying that the athletics department should pay this or that in a case-by-case basis. But that would be an arbitrary and rather subjective in what the relationship “should be.” We all know that the athletics department could hypothetically pay for different things. I personally would love to see a %1 tax on athletics department operations which goes directly to the Mathematics Department. But serious discussion of what the should do rather than what we wish for in a more perfect world should be based on an objective baseline.