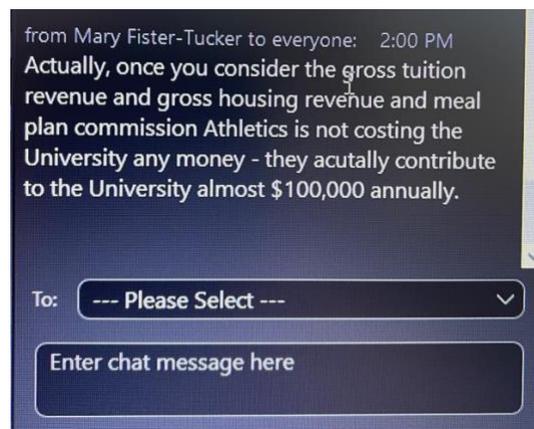


Follow-up on Athletic costs

At the November 18, 2021 Faculty Senate meeting I presented an infographic on Athletic costs that relied solely on institutional data. At the December 2, 2021 Board of Regents Meeting, CFO Fister-Tucker reported Athletic revenues were up half a million. I reported this, and caveats and qualifications regarding her assertions regarding Athletics and Athletic costs in my Regent Report, given later that day (on 12/2/21—the document is available in the “Faculty Senate Meeting, December 2, 2021” folder, on the Senate BlackBoard site).

During the virtual Staff Congress meeting, held on December 7, 2021, CFO Fister-Tucker typed this message in the WebEx chat as Communications Officer Grupe was giving his Senate report:



Like ogres and onions, this dubious accounting has *layers* that need to be addressed. At its core, though, **the misleading representation devalues Academic Affairs and ignores the core mission of the university.**

Layer #1: “gross”

The gross is the total before any deduction, loss, or payment. In other words, it is income without expense.



Remember the 8th episode of season 12 of *The Simpsons*, “Skinner’s Sense of Snow,” when the school children figure their principal is a millionaire because he makes \$25,000 a year and is 40 years old ($40 \text{ years} \times \$25,000 / \text{year} = \$1,000,000$)? This is like that, but not funny.

Layer #2: “contribute”

There’s a name for units that (a) do not cost the university and (b) contribute to the general coffers. That name is an *auxiliary enterprise*. Housing and dining are auxiliary enterprises on campus. Our Athletics program is classified as a “Student Service.”

Here’s the thing: intercollegiate athletic programs can be classified as auxiliary units. They are so classified at UK and U of L. They aren’t here, and at other regional universities, because our programs fail to turn a profit **and substantially cost the university**. Relying on the flexibility allowed for in [NACUBO accounting practices](#) (see the “Budget Breakdown: Athletics” infographic available in the “Faculty Senate Meeting, November 18, 2021” folder on the Senate BlackBoard site for linked information *you can verify*), we classify our athletic deficits as **expenses** in “Student Services.”

Layer #3: ignoring the (safety) net of the budget

As the “Budget Breakdown: Athletics” infographic notes, there are various ways to compute athletic expenses. The NCAA, for example, asks institutions to consider facilities costs. Our own internal budgeting does not add such costs to the Athletics budget (ditto scholarships for DI athletes).

Our internal Athletics budget includes all the revenue generated by the Athletics program and it subtracts this income (which off-sets expense) in a computation of the net operating budget.

Here’s the relevant computation from MSU’s 2020-2021 budget (chosen because the 2020-2021 budget year ended and our yearly finances have been audited, so this is “officially in the books”):

Athletics - Supporting Revenue			
Object	Revenue Type	Object Description	2020-21
4060100	S&S of Educ Activities	Gate Rcpts Football	(25,000)
4060151	S&S of Educ Activities	Gate Rcpts Mens Basketball	(40,000)
4060152	S&S of Educ Activities	Gate Rcpts Womens Basketball	(30,000)
4060160	S&S of Educ Activities	Gate Rcpts Baseball	(500)
4060170	S&S of Educ Activities	Gate Rcpts Soccer	(500)
4060180	S&S of Educ Activities	Gate Rcpts Softball	(500)
4060190	S&S of Educ Activities	Gate Rcpts Volleyball	(2,000)
4060200	S&S of Educ Activities	Football Guarantees	(250,000)
4060250	S&S of Educ Activities	Basketball Guarantees	(194,000)
4060300	S&S of Educ Activities	NCAA Proceeds	(59,670)
4060310	S&S of Educ Activities	NCAA Academic Assistance	(60,000)
4060410	S&S of Educ Activities	Athletic Parking Football	(4,000)
4060420	S&S of Educ Activities	Athletic Parking Mens Basketball	(4,500)
4060450	S&S of Educ Activities	Women’s B’ball Guarantees	(13,000)
4060500	S&S of Educ Activities	Baseball Guarantees	(7,500)
Athletics - Supporting Revenue Total			(691,170)
Athletics - Net Operating Budget			6,683,078

See how there’s no “tuition revenue” (gross or net) or “housing revenue” there? Because that’s not revenue (or income) we factor into the budget for programs.

And, in case you're wondering, annual contributions to the university *are* recorded in the budget. Witness the operating budget from Food Services (an auxiliary enterprise) from the same budget book:

Food Services			2020-21
Functional Category: Auxiliary			Opening
Performance Funding Component: N/A			Budget
Object Description			
Supplies			4,373
Repair & Maintenance			61,825
Telephone Device Profile			936
Service Contracts			8,500
Rentals			46,000
Equipment			11,875
Food Services Total			133,309
Food Services - Supporting Revenue			2020-21
Object	Revenue Type	Object Description	
4081600	Auxiliary	Food Svc Commission	(600,000)
4081650	Auxiliary	Soft Drink Commission	(60,000)
4081700	Auxiliary	Off-Campus Food Serv	(2,500)
Food Services - Supporting Revenue Total			(662,500)
Food Services - Net Operating Budget			(529,191)

See the parentheses around the net operating budget? That denotes a negative number. **This is what a net operating budget looks like when a unit that is not part of the core mission is ACTUALLY contributing to the university.**

Layer #4: sleight of hand with supporting revenue

We all know that tuition and housing income goes into the Educational and General fund. But where does athletic income go? Into "supporting revenue" for the Athletics program, revenue that barely accounts for 1/10th of the total cost of the program overall.

Housing and Food Services also generate income, and they too serve students at the university. So why don't they get to capture their own income as "supporting revenue" for their unit and their unit alone, and why don't they get to count the income of other units (like Academic Affairs) as their own?

Because this "accounting" doesn't officially exist. I mean, all sorts of casual figures can be generated "on the back of an envelope," but there's a reason official (and audited) documents say something different, and why the suggestions of profit and net "contribution" from Athletics are relegated to off-hand comments in meetings and chat replies.



It's a final countdown!

Layer #5: “tuition revenue”

According to the CFO of the university, the money students pay to get an education can and should be allotted to Athletics.

Now, in practice, that is what is already occurring—students are paying tuition and tax dollars to support athletic deficits—but let’s take Ms. Fister-Tucker at her word and actually “consider.”

And what are we to accept at the end of these cogitations? **That the work product of Academic Affairs can and should be used to support a deficit-creating Athletics program.**

In Ms. Fister-Tucker’s dubious accounting, Academic Affairs is an auxiliary enterprise that “contributes” to the real university—Athletics. How else would tuition revenue (gross or net) be factored as “income” or “supporting revenue” for Athletics?!?

What this runs counter to:

1. The University’s core mission:

MISSION STATEMENT

As a community of lifelong learners, we will:

- ▶ Educate students for success in a global environment;
- ▶ Engage in scholarship;
- ▶ Promote diversity of people and ideas;
- ▶ Foster innovation, collaboration and creative thinking; and
- ▶ Serve our communities to improve the quality of life.

and

2. Common sense.

Despite all official evidence, the standard rules of accounting practices, and basic reason itself, we are somehow to believe that the money [student-athletes](#) pay **to receive an education** “counts in the ledger” for the sport they are playing, not the program they are studying?

Purposefully bracketing scholarships (because, as has already been noted, athletic scholarships for DI students are *not* factored into our internal Athletics budget), let’s do our own “back of the napkin” calculation, assuming, as Ms. Fister-Tucker does, that students in each program generate “gross tuition,” “gross housing,” and “meal plan commission.”

Given the fact that all our undergraduate students pay the same tuition rates, have access to the same university housing, and are all obliged to use our meal plans, all we need to do determine how much any group of students in a defined program with a net operating budget “contributes” to the university is use the CFO’s own accounting logic to compute how much our student-athletes pay to play on an individual basis and then use that figure (and institutional enrollment data) to generate the “contributions” of other programs.

If the Athletics program generated a \$100,000 profit (note: I am rounding up from Ms. Fister-Tucker’s “almost”), then the total amount “paid” by student-athletes in tuition, housing, and food is the net operating budget of Athletics (\$6.68m) + the “contribution” or profit (\$100k). That’s \$6.78m. Divide that by the 347 student-athletes Ms. Fister-Tucker said were in the program, and we end up with \$19,538.90 per student.

Let’s use that same “accounting” practice to determine a “contribution” or profit for Biology. Relying again on the 2020-2021 budget, we’ll even be giving Athletics a ***distinct advantage***, as the Athletics program budget only includes the personnel costs for persons in Athletics. (Biology’s net operating budget includes the lovely folks in Chemistry.) Keeping the full personnel costs of BIOC, but only factoring in the 415 Biology and Biomedical students, we get a proposed profit or “contribution” of \$5,968,643.50 (or what we get when we multiply 415 students by the \$19,538.90 per student contribution, then remove the *full* personnel costs of Biology and Chemistry, \$2.14m).

And what if we “account” for the instructional unit that provides all the known benefits of athletics through the formal study of sports and medicine? (Our very own department of Kinesiology, Health, and Imaging Sciences does just that, all while serving 136 more students than Athletics!) CFO Fister-Tucker’s formula produces a **whopping “contribution” of \$8.29m!**

Put in tabular form (because who doesn’t love a table?):

Program (or unit)	Net operating budget 2020-2021	Current Number of Students	Proposed profit/contribution
Athletics	\$6.68m	347	\$100k
Biology	\$2.14m	415	\$5.97m
KHIS	\$1.14m	483	\$8.29m



And these are just TWO calculations for academics. Imagine capturing them all, like Pokémon!



Even our CFO's dubious accounting measures, which implicitly devalue Academic Affairs and undermine the core mission of the university, can't convincingly make Athletics turn a profit at MSU.



Mystifying and muddling budget conversations won't make actual expenses go away. It will only distract and delay a much-needed conversation about institutional priorities (because a budget, after all, is an articulation of priorities).



I'll continue to counter misinformation and provide whatever clarification I can. Please consider doing the same—and join me on the case to track down our missing Core Mission!