

An Examination of General Education Funding Support Used to Cover  
Continuing Deficits in Athletics, Maucker Union, Gallagher-  
Bluedorn, and the Wellness and Health Centers as Auxiliary  
Enterprises at UNI from 1997 to 2011

By

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In the area of Financial Analysis may be found  
at: [www.uni.edu/thompsona/home.htm](http://www.uni.edu/thompsona/home.htm)

Source Documentation: Annual Audited Financial Statements of the University of Northern Iowa, submitted to the Iowa Board of Regents, for the fiscal years 1997 to 2012. These audits are completed by Certified Public Accountants and are independently and objectively reported. This information can be obtained in two ways. First, Rod Library contains these statements – years 1997 to 2006 may be found on the fourth floor, call number: LD2584.I6 F5 Supplement to the Annual Financial Report [ the supplemental filing provides detailed information on auxiliary/enterprises at UNI]. The year 2007 may be found in the reference section on the first floor of the library under the same call number. Alternatively, and perhaps more efficiently, you can obtain this information using the following web address: <http://access.uni.edu/reports/supp/2008/SUPP-2008.pdf> and then changing the years in this address for the particular year when you want a financial report (i.e, for the 2009 report you would substitute 2009 for 2008 in the previously cited web address. Once you have a report you can then scroll down the pages to identify the schedules dealing with each auxiliary unit [sometimes referred to as ancillary/enterprises]. The schedules list revenues at the top followed by expenses, when expenses exceed revenues (i.e., revenue over expenses are negative) there will be a separate section called Transfers. Under transfers there is an item called General Education Fund Support which represents the monies that are moved from General Education over to the auxiliary/enterprise to pay for the deficit for the fiscal year. In some years, unlike academic departments and colleges, the ancillary/enterprises were allowed to carry over losses from year to year which then required more general education in a future year. The schedules used in this report were Schedules 5, 8,9,11,12,13.

## **Introduction and Research Results**

Table 1 presents a summary of the financial deficits from UNI's auxiliary/enterprises from 1997 to 2011 based on the Supplemental Annual Report prepared by the independent, CPA auditors working for the Iowa Board of Regents.

Table 1

An Updated Report on Financial Deficits from UNI's Auxillary Enterprises from 1997 to 2011  
Based on Audited Financial Statements Contained in the UNI Supplements to the  
Annual Financial Report at the end of each fiscal year 1997 to 2011

Statement Date	Transfers from the General Education Fund to Support Deficits					Total Contribution
	Athletic Deficit	Maucker Union	Wellness Center	Gallagher Bluedorn	Health Center	
6/30/1997	\$2,282,768	\$666,761				\$2,949,529
6/30/1998	\$2,591,291					\$2,591,291
6/30/1999	\$2,863,457	\$724,598	\$685,377		\$303,470	\$4,576,902
6/30/2000	\$3,177,904	\$709,268	\$1,031,782	\$634,350	\$12,581	\$5,565,885
6/30/2001	\$3,572,435	\$757,250	\$1,351,660	\$799,770	\$5,696	\$6,486,811
6/30/2002	\$3,858,672	\$737,106	\$1,142,127	\$854,534		\$6,592,439
6/30/2003	\$4,149,209	\$748,114	\$1,014,924	\$889,357		\$6,801,605
6/30/2004	\$4,662,997	\$770,547	\$1,047,405	\$964,428		\$7,445,377
6/30/2005	\$4,860,848	\$887,640	\$1,075,760	\$1,004,518		\$7,828,766
6/30/2006	\$5,156,086	\$796,276	\$1,351,482	\$1,164,205	\$389,040	\$8,857,089
6/30/2007	\$5,284,052	\$849,828	\$1,466,051	\$1,186,359	\$396,058	\$9,182,348
6/30/2008	\$5,354,845	\$1,015,469	\$1,665,333	\$1,170,993	\$417,201	\$9,623,840
6/30/2009	\$5,231,210	\$964,626	\$1,548,639	\$1,229,806	\$477,523	\$9,451,804
6/30/2010	\$4,449,174	\$619,837	\$874,692	\$851,328	\$420,411	\$7,215,442
6/30/2011	<u>\$4,559,447</u>	<u>\$598,286</u>	<u>\$782,274</u>	<u>\$848,739</u>	<u>\$188,213</u>	<u>\$6,976,959</u>
	\$62,054,395	\$10,845,605	\$15,037,506	\$11,598,386	\$2,610,193	\$102,146,087

Some Conclusions:

Over the past 14 years there has been \$102.15 million transferred out of the general education funds at the end of the fiscal year in order to balance funding deficits in Athletics, Maucker Union, the Wellness Center, Gallagher-Bluedorn, and the Health Center. 61% of the \$102.15 million taken from general education went to pay for athletic budget losses from 1997 to 2011. In addition, for the past several years, the Intercollegiate Athletic Budget has ended the year with a net negative fund balance, meaning there is a hole in the budget before the new year begins - for example, in the 2011 report, Athletics ended the year with negative net assets of \$735,820.56. No other academic department on campus is allowed to finish the fiscal year with a negative balance, each department and college has to budget it's allotted funds in such a way as to end the year with a positive or zero

supplies and services account. However, the intercollegiate athletic department appears to be run on a substantially different basis allowing for the carryover of deficits measuring more than \$1/2 million or more in each ensuing year.

Of that \$102.15 million transferred out of academics, \$62.05 million came to Athletics ----- in other words, \$62.05 million from the general education went into covering deficits from the Athletic budget.

Over the past 14 years the amount of general education funding required to meet deficits in the Athletic budget increased from \$2.82 million in 1997 to \$5.28 million in 2007 and was \$4.55 million in 2011. . General education funding for intercollegiate athletics and losses within other ancillary units here at UNI represents what might be considered a huge endowment for non academic programs. Over the last 14 years, \$102 million was lost to academic programs in favor of outside enterprises that lost money year in and year out. If that same sum had been available to academic programs, it would have endowed 51 professorships [assuming it takes \$2 million to create a fully endowed position].

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Source: University of Northern Iowa, 1997-2011 Supplement to the Comprehensive Annual Financial Report, Schedules 5,8,9,10,11,12,13.

The majority of these deficits were paid at the end of each fiscal year by transfers of funds from the general education fund into Athletics. The general education fund represents the pool of money available to the university to provide academic programs, promoting teaching, scholarship and service to the greater community of Iowa. Also included in this report are copies of the UNI Mission Statement, as well as, the Vision Statement. Nowhere in these two statements is there a declaration that athletics is a significant element to the focus and outline of priorities to which the goals of the university are attached. On the other hand, there appears to be much in the way of rhetoric, within these statements, on UNI providing a quality education, development of students through a dynamic learning environment, promotion of student scholarship , a foundation on a strong liberal arts curriculum, and valuing intellectual vitality.

The following is the UNI Mission Statement which can be accessed at:

<http://www.uni.edu/policies/102>

To gain a better understanding of the commitment and priorities of the university found in this statement, those parts dealing with academic vitality have been highlighted.

## 1.02 UNI Mission Statement

720--14.1(262) Organization.

14.1(1) Statement of university mission. The University of Northern Iowa at Cedar Falls is recognized as having a mission of sufficient scope to enable it **to be a distinguished arts and sciences university with an outstanding teacher education program**. It provides leadership in the development of programs for the preservice and in-service preparation of teachers and other educational personnel for schools, colleges, and universities. **The institution offers undergraduate and graduate programs and degrees in the liberal and practical arts and sciences, including selected areas of technology**. It offers preprofessional programs and conducts research and extension programs to strengthen the educational, social, cultural, and economic development of Iowa and the larger community. Evolution from a state college to a university entailed a broadening of offerings, development of more specialized undergraduate and graduate programs, and greater emphasis on research and public professional services.

**It is imperative that the quality of the university's instruction be maintained and enhanced though increasingly strong emphasis on:**

- (1) General or liberal education as the most essential ingredient for the undergraduate student,**
- (2) the central importance and complementary relationship of teaching and research,**
- (3) enrichment of instruction through extensive clinical, laboratory and field experiences, and independent study, and**
- (4) development of the life of the university community itself as an effective educational force.

In order to serve students of all ages and to be responsive to their needs and preferences and to the needs of society, **it is imperative that the university offer a variety of programs in such areas as liberal arts, business, social work, and technology**. It will offer no major programs in agriculture, architecture, dentistry, engineering, forestry, hospital administration, law, pharmacy, medicine, or veterinary medicine.

In the area of teacher preparation the university must remain at the forefront of developments in the field of education and be prepared to offer instruction in new areas required by society. Furthermore, UNI should be more than merely responsive to changing needs and interests of its students and society. It must provide leadership in educational innovations, programs, and research.

Future programs will be determined by the continuing study of existing programs and of developing needs. Programs will be curtailed or eliminated when the assessment of need and resources indicates that resources could better be devoted to other programs. The university approaches the addition of new programs with considerable caution. Generally, new programs are fashioned out of existing programs in response to developing needs. However, if the university is to remain vital, it must consider at the appropriate time the development of some new programs that fall within its general mission and meet the new needs of students and of society.

Iowa Administrative Code, Ch. 14, pg. 1, 4/20/88

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In UNI's current strategic plan, reference is made to the university's mission, vision and values stated as follows and may be accessed at: <http://www.uni.edu/strategicplan/> While it would appear that UNI may have more than one mission statement, particularly telling is the lack of any reference to college athletics or the need for auxiliary enterprises to carry out a quality academic education. In reference to this issue, it may be helpful to consider that in the 1960's, 70's and 80's, there were no major funding deficits in auxiliary enterprises and they were expected to be run on a self-sustaining basis.

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## **Strategic Plan 2010-2015**

### **Leadership and Innovation for the Future: Transforming Opportunities into Reality**

#### **Vision Statement**

The University of Northern Iowa will be nationally known for innovative education, preparing students for success in a rapidly changing, globally competitive, and culturally diverse world.

#### **Mission Statement**

The University of Northern Iowa provides transformative learning experiences that inspire students to embrace challenge, engage in critical inquiry and creative thought, and contribute to society.

# Values

As a university community we are guided by the following core values:

**Academic Freedom** – freedom of inquiry by students, faculty, and staff

**Access**– an affordable, inclusive educational environment

**Accountability** – integrity, responsibility and the highest ethical standards of students, faculty and staff

**Community**– an ethical, caring, and safe community characterized by civility

**Diversity** – a welcoming community that celebrates pluralism, multiculturalism, and the unique contributions of each person and group

**Engagement** – characterized by challenge, transformation, and lifelong learning in a global society

**Excellence** – in teaching and learning, scholarship and creative work, and service

**Sustainability** – an attractive, well-maintained campus environment that enhances the living and learning experience with an emphasis on environmental stewardship

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## Financial Legacy with Respect to UNI's Auxiliary Enterprise Businesses

Over the past 14 years, \$102.15 million has been transferred out of general education funding at the end of the fiscal year in order to balance funding deficits in Athletics, Maucker Union, the Wellness Center, the Gallagher-Bluedorn Performing Arts Center, and the Health Center. \$62.05 million of that amount went into paying for losses in Athletics representing 61% of the total. In each of the years from 1997 to 2011, the Athletic Department sustained mounting losses – in other words, every year the Athletic Department lost money and never once paid back funds taken from general education funding in prior years. In this sense, the deficit financing to athletics was not so much as loan, as a direct subsidy to athletics at the expense of academics.

Within the Athletic budget there is a provision for student scholarships, however, these monies appear to be provided on the basis of athletic prowess as opposed to academic merit. In addition, there is no indication that the scholarships would be based on financial need, unlike other academic scholarships on campus. In looking to the matter of athletic scholarships, it should be noted that in the budgets of all academic units on campus [colleges and departments] there is no line item that specifies an amount of general education funding for the purpose of academic student scholarships. If there are academic student scholarships provided by a department or college, it is done with funds that have been raised from alumni, friends of the university or corporate sponsors. The athletic department could conceivably award all its scholarships independent of general education funding, if alumni and friends of the university provided enough monies to the UNI Foundation for that purpose. However, for the last 14 years, the UNI Foundation has not been able to raise a substantial amount of funding to athletics to cover scholarships, coach's salaries, and other yearly expenses to avoid the need for general education transfers to the UNI's athletic program. The UNI Foundation has the responsibility of raising funds for all scholarships and programs, whether they be for academic or athletic purposes. The difference is that academic programs cannot access general education money to institute or increase academic student scholarships, whereas, apparently the UNI Athletic Program can and does use general education support to provide athletic scholarships regardless of academic merit or financial need.

While there has been a slight improvement in reducing the UNI Athletic Department's dependence on general education funding, there has not been sufficient progress to keep academic programs from suffering due to a lack of funding. In the last 5 years, when UNI faculty have received reductions in salary and benefits, due to the UNI administration's assertion that there is less money at UNI, the UNI Athletic Department received \$24.88 million in general education funding that could have been used to increase academic programming, liberal arts faculty, and library resources. In 2007, when the last report came out, the university reported \$5.28 million deficit representing an amount that is over twice as large as it was in 1997. In 2011, the most recent UNI report shows that athletics received \$4.56 million in general education assistance or about 2 times what it was in 1997.

These amounts, whether one looks at 2007 or 2011, are real costs to the academic vitality of the university, that serve as a significant drain on resources available to academic teaching, particularly in light of recent initiatives to shave limited dollars out of current academic programs. In years past, auxiliary/enterprise programs were intended to be run in ways that would allow more dollars to the university and ultimately academics. But over the last 14 years, a number of these programs, Athletics, Maucker Union, the Wellness Center, Gallagher-Bluedorn and the Health Center are losing money and taking money out of the general education fund. The initiatives appear to have been embarked on without the benefit of faculty approval or oversight. Attached is a copy of the March 2011 report from the UNI University Budget Committee highlighting the fact that the present budget process does not directly or actively include faculty in the budget setting and oversight process [Attachment 1].

A position diametrically opposed to AAUP principles and standards on shared governance and the role of faculty in university budgeting [see attachment 2].

Due in large part, to the lack of faculty input and oversight into financial decision making, these deficit issues are not only appearing in Athletics, but also elsewhere – for example, in 2011 the Maucker union had a general education fund infusion of \$598,286 , for Gallagher-Bluedorn it was \$848,739, for the Wellness Center it turned out to be \$782,274, even the health center contributed to general education fund losses in the amount of \$188,213. With most businesses that are losing money, the managers will be held accountable to reducing costs and seeking to expand revenues to cover losses. In the last 14 years, the managers of these operations appear to have been given salary increases [in some cases far greater than the academic faculty] for increasing operating losses necessitating more money being diverted from academics. Presently, faculty are told that their performance will be evaluated on the basis of teaching, research and service. Given these reported financial results for auxiliary enterprises at UNI , a relevant question may be, how are administrators evaluated on the basis of living within a budget and seeking to have expenses only as great as what is being generated in revenues? If faculty are to be included in a shared governance relationship with the UNI administration and members of the Iowa Board of Regents, then shouldn't they be able to evaluate the financial performance of those entrusted to allocate scarce resources to improve academic quality? A good share of management theory today posits that leaders are supposed to consider the views of all stakeholders in an operation. Why would university administration seek to leave faculty stakeholders out of the budgetary, oversight, and evaluation processes? Currently, faculty have no direct input in helping determine a budget, overseeing the expenditure of funds, evaluating the performance of those allocating funds, and /or making suggestions on how UNI might prevent the loss of \$102 million diverted from academics into business ventures on campus. Faculty are evaluated once a year which provides accountability and opportunities for improvement. Administrators may be evaluated once every 5 years. if and when a process exists, and those reviews do not appear to involve reflecting on how budgets were determined, how they were executed and whether there was a meaningful improvement in academic quality or integrity of the institution. If UNI administration is seeking to vastly improve academic quality wouldn't it make sense to have those responsible for delivering that quality, namely faculty, included in the short and long term financial decision making of the university? AAUP principles on shared governance in general, and financial budgeting in particular, reinforce this perspective that the inclusion of faculty in fundamental financial decision making will lead to better universities, more attuned to having everyone committed to achieving excellence. Viewed from a different perspective, there can be little in the way of overall academic improvement for the entire institution when there is a sense of entitlement, and lack of accountability for the actions of the non-academic portions of the campus. If faculty within their academic departments are to be accountable to managing budgets, shouldn't non-academic units have the same imperative?



## **Examination of Common Myths Associated with Athletic Budgeting and Deficit Financing**

Since the last report in 2007, there have been a number of arguments brought forth to justify the significant drain of funds from the general education fund to Athletics. Though these ideas may have some merit, there has been no economic or sociological research to justify the rationales. However, it is worth examining these arguments in relation to the current financial findings to see why these myths may only serve to divert examination of the main issue on our campus--- that general education funding of athletic department deficits have reduced the academic quality and integrity of UNI and are a threat to the future vitality of the institution.

1. Athletics are the face of the university to the public and if it were lost or diminished in any way, UNI would not be able to attract alumni and friends support, and increase enrollment.

Faculty are not calling for the elimination or reduction of athletics, but rather a requirement that it live within a budget. where outside donor support and revenues cover all costs. This financial metric is no different than what was done in years past in the 1960's, 70's and 80's. It is also a requirement that currently is being met at other universities, some of whom are within UNI's conference. Right now UNI is an outlier in relation to Iowa State and the University of Iowa, where their programs are not a drain on the academic program budget each year. These universities have taken steps to eliminate their deficit financing out of general education funds. If the athletic department had been able to raise donor funds, and revenues from tickets such that they did not incur a \$4.55 million deficit at the end of the year, the faculty would have nothing to say on this issue. However, athletics has been losing large sums of money for 14 years, there seems little reason to believe those losses will be significantly eliminated, and the current administration appears to be ignoring the fact that the deficit is being paid out of funds earmarked for academic improvement at UNI.

2. A share of the athletic department budget, is devoted to student scholarships and therefore it is appropriate to use general education funds to support this activity.

Universities, as institutions of high learning, provide scholarships to students on the basis of academic performance. While there may be room for athletic scholarships that do not depend on academic merit or financial need, those would have to be paid on the basis of donor funds, not monies coming from the state from funds earmarked for the enhancement of learning. By offering significantly more athletic, full ride scholarships than presidential awards, UNI is demonstrating a priority at variance with its mission statement. These athletic scholarship awards are a visible sign to the public, parents, and students that athletic ability is more important at UNI than academic achievement. Recently, it is not uncommon to hear some parents and students indicate that they are seeking to obtain an athletic scholarship from UNI rather than an academic award. This may be an indication that the public views UNI's scholarship priority as one of attracting athletes first and academically inclined students second. In addition, it should also be noted that no academic department at UNI has access to the general education fund to award academic scholarships no matter how meritorious student

applicants may be. Each department is constrained by the amount of money it raises to offer academic scholarships. As with 1, if the athletic department were able to raise sufficient funds to endow the scholarships being provided, such that it received no general education funding, then faculty would have no reasonable argument. Finally, athletics and academics are not mutually exclusive. If there were less athletic scholarships, academic departments and athletics might be able to work together to find students who qualified for academic awards and also had an interest in sports. In the 1960's, 70's and 80's when athletic scholarships were limited such cooperative relationships existed.

3. If some of UNI's more expensive athletic programs, such as football, were to go from Division I to Division II status, attendance at games would diminish, alumni and friend support would dry up, and it would be difficult attracting good athletes.

There is no hard evidence that a movement from Division I to Division II status would be detrimental in any of these areas. On the other hand, there is a history of experiences from a number of schools in UNI's conference. Creighton, and Bradley both do not have football programs. Drake eliminated football several years ago and then brought it back as a Division II program. Each of these schools currently generates significant funds for both academic and athletic scholarship awards, and they do not take sizeable money away from academics to support athletics. Prior to UNI becoming a Division I school, we had Division II football and during this period UNI enjoyed good attendance at games, as well as, health donations to academic and athletic programs within the university. While there may be some reason to associate better ability to play professional sports coming out of a Division I program, there have been notable exceptions to that argument both in football and basketball. Ultimately, a student coming to UNI is here to receive an outstanding education and not professional sports training. Certainly if the university were to view its role as a professional sports trainer the faculty would have to question how this particular activity would be paid for. Over the years, UNI has had a modicum of success in placing a number of players into professional sports. However, one question along these lines is why those athletes have not found it important to provide significant funds to UNI's athletic program to allow them to offer scholarships and cover costs. One question may be, do athletes feel that the quality of their sports training was outstanding enough to support UNI's athletic program in such a way as to avoid general education deficit funding? One also must question why some might believe that either having a winning athletic program or not having one, would be a fundamental factor for students and parents coming to UNI. 90% of UNI's enrollment is derived from families throughout the state of Iowa. The focus of both students and parents is to get a great education at a reasonable cost. While athletics may make a student's time at the university more enjoyable it is not the single most important factor for their being at UNI. If the cost of a UNI goes up or the quality of the academic programs decline due to athletic program deficits, a more likely scenario is that student enrollment may decline due to cost and quality factors.

4. Faculty have no right to question the cost of college coach's salaries and benefits or fund allocations to administrators/alumni and student leaders to attend post season games, because

these monies are given to the athletic department from outside sources – donors, and/or NCAA conference.

This argument fails to acknowledge that the athletic program losses \$4.55 to \$5.55 million a year which results in those dollars being taken out of the general education fund earmarked for academics. If a college coach receives an extra \$500,000 in compensation from an outside donor that is in lieu of those donated funds being used to reduce the athletic department deficit. Current UNI college coaches receive compensation from the general fund as instructors and then additional monies from outside contributors to the athletic program. Even with these two sources of funding, the athletic program losses significant dollars which require economic assistance from the general education fund to the tune of \$4.55 to \$5.55 million each year. The same argument holds true for dollars paid by the NCAA for UNI's participation in post season play. If the NCAA gives UNI money off ticket sales and concessions at post season games, and those dollars don't cover the expenses of sending the band, favored administrators, alumni, and student leaders to the contest, then ultimately it is a general fund subsidized activity. You are taking dollars earmarked for academics and providing to athletics to support a few individuals. How does this work? Let's say you play one extra NCAA game, and your institution gets \$500,000 from the divided revenues. However, with all the expenses in terms of travel and benefits, \$600,000 is spent for the game. In the end, the athletic program just lost \$100,000 which will increase the amount of general education funding at the end of the year. As with the analysis in 1 and 2, the faculty would have not argument here if the athletic department were operating at a breakeven or profit level, but unfortunately that has not been the case for quite some time. In addition, since faculty are not actively included in budgeting, oversight and evaluation on this campus, there is no way of knowing just how much money is either gained or loss from post season play. However, faculty can tell on an aggregate basis whether the athletic program gained or lost money each year, and in those years when UNI went to post season play there were deficits, some larger than in other years.

### **Possible Ways to Address UNI's Budgeting Deficiencies**

1. According to AAUP principles and standards, faculty must be significantly involved in budget, oversight and evaluation.
2. UNI's budget process must have accountability and transparency allowing faculty to annually evaluate administrators, particularly those responsible for protecting the academic budget, on the basis of their performance.
3. The UNI Faculty Senate must insist on adherence to its previously passed resolution on ancillary enterprise units and the requirement that UNI administration reduce general education funding in these enterprises to set levels of the total UNI budget before making any cuts to academic programming.

4. The UNI Faculty Senate should meet with the Iowa Board of Regents and request that UNI fall under the same funding standards for athletics as its sister institutions, Iowa and Iowa State, and that those standards be applied immediately.
5. The UNI Faculty Senate request that the UNI administration begin working with the University Budget Committee to develop budget, oversight and evaluation processes that include significant faculty input, and that this process be created no later than June 30, 2012.
6. The UNI Faculty Senate appoint an Intercollegiate Athletic Transition Committee to investigate the merits of reconfiguring the UNI Football program in such a way as to have it live within the funds it receives from ticket sales, and donor support, with the report to be received no later than August 22, 2012.
7. The UNI Faculty Senate meet with UNI President and Provost to begin discussions on how a portion of the \$102 million taken out of academic funding over the past 14 years will be replaced into academics using planned transfers from non-academic programs. Those discussions to start this month with an agreement worked out before the end of this fiscal year.
8. The UNI Faculty Senate should meet with the Director of the UNI Foundation to discuss how donor funds are raised in support of academic and non-academic programs to determine to what extent donor dollars may be able to overcome funding deficits in auxiliary enterprise operations.
9. The UNI Faculty Senate call an all faculty meeting to discuss UNI's budget, funding deficits from non-academic areas that are impacting academic programming, and assess faculty views on how the Provost's office may be able to protect academic funding now and in the future.

