



**University of
Northern
Iowa**

University of Northern Iowa

Football Feasibility Study

February 2010

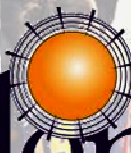

**Alden
& Associates**
Executive Search & Consulting
for Higher Education

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I. STUDY INTRODUCTION

A. Background

In December 2009, the University of Northern Iowa (UNI) retained Alden & Associates, Inc. to study the options available to the institution regarding its football program. An examination of these football options became necessary because of state funding reductions resulting from the downturn in the economy over the last year and the expectation of reduced state funding in the future.

In visiting campus the following individuals met with Alden & Associates, Inc. to discuss this assignment:

- Troy Dannen, Director of Athletics
- Dr. Benjamin Allen, President
- Thomas Schellhardt, Vice President for Administration & Financial Services
- William Calhoun, Vice President for Marketing & Advancement
- Mark Farley, Head Football Coach

B. Assignment

The assignment specifically asked Alden & Associates to conduct a cost /benefit analysis related to the football options identified in the Table of Contents. As part of the analysis, Alden & Associates has attempted to identify the advantages and disadvantages that would flow from each option. Additionally, Alden & Associates has tried to identify the many considerations that surround the different courses of action so that the institution has a firm understanding of the full context of each option.

C. Timetable

UNI asked Alden & Associates to file its report by the end of January 2010 so that the institution would have time to incorporate the report into its FY 2011 planning process.

D. Fiscal Assumptions

For purposes of this study Alden & Associates has worked with the UNI Department of Athletics and University administrators to estimate state and institutional funding trends and external revenue generating expectations over the next five years. As part of the study we have assumed an 8% annual increase in tuition and room and board costs. Any changes to the football program have been projected to take place following the 2010 season, or in the case of an FBS move the earliest change would be the 2012 season. This timetable would allow for careful consideration of the options and allow for scheduling adjustments if they are necessary. These realistic financial projections create a budgetary context for the athletic program as it pursues its competitive goals.

UNI's FY 2010 budget was used as the basis of the financial analysis of each option. Financial information was developed from a variety of sources including NCAA reports, the Equity in Athletics Disclosure Act, conference information and peer institutions. This comparative information was used in developing the revenue and expense operational projections, as well as scholarship estimates.

Recent NCAA Football Championship Subdivision (FCS) and conference financial information demonstrate the increasing reliance on institutional funds for institutional athletic programs. Most schools indicate that a significant portion of funding comes from institutional support, including fee waivers or student athletic fees. As a result of this trend, it is more critical than ever that the intercollegiate athletics program be perceived as an integral part of the educational process or there will be constant questioning of the institution's financial commitment to the athletics program. With the growing national reliance on institutional funds to support an athletic department's budget, it becomes important that a consensus be reached as to the goals and objectives of UNI's athletics program.

E. Football Environment

Over the last few years there has been considerable movement nationally regarding the Football Championship Subdivision. This movement has been in all directions—some schools adding football, some schools moving up to the Football Bowl Subdivision (FBS) and others dropping football altogether. This instability is generally a result of both the lack of revenue available to institutions to offset expenses at the Football Championship Subdivision (FCS) level and the conflicting desire to increase enrollments, enhance visibility and build campus spirit. Looking ahead it is anticipated that as the economic problems across the country persist, more and more schools will be examining their football options.

These new college football programs will boost the overall ranks of four-year institutions carrying the sport to over 700 schools. The current divisional breakdown includes: 120 Division I Football Bowl Subdivision programs; 126 Division I Football Championship Subdivision programs; 149 Division II programs; 238 Division III programs; and 92 NAIA programs.

FCS level schools that have discontinued football since 2000 include St. John's University, Siena College, St. Peter's College, St. Mary's College, LaSalle University, Canisius College, East Tennessee State University, California State University Northridge, Fairfield University, Northeastern University and Hofstra University. While the financial landscape for the FCS level shows significant dependence on institutional funding, the financial landscape for the FBS level is equally problematic. According to the NCAA's latest report on revenues and expenses, fewer than 25 percent of FBS schools make money (no institutional support and excess revenue is generated), while the remaining schools require varying degrees of institutional support.

Nationally, there are no imminent NCAA changes in FCS or FBS rules that will produce significant new revenues or increase expenses for UNI or the Missouri Valley Conference (MVC) regarding football. Looking toward the future UNI should pay particular attention to any proposed NCAA rules for FCS teams that may reduce the opportunities for FCS teams to play FBS opponents for large financial guarantees.

F. Transition Issues

Inherent in three of the four scenarios are a variety of transition issues ranging from identification of conference options, NCAA rules governing playing levels and scholarship obligations. Whenever possible these transition concerns have been identified and discussed within each section.

II. FOOTBALL CHAMPIONSHIP SUBDIVISION WITH SCHOLARSHIPS

A. Introduction

Presently UNI competes very successfully in the FCS. Over the years UNI has been among the nationally elite programs at this level. Competitive football resources in terms of scholarships, operating budgets and facilities have contributed to this achievement. As a result, one of the viable options for UNI to consider is to continue its participation at this level of play.

Currently there is a playoff structure that characterizes the FCS level, but there is no significant financial windfall for the playoff teams. In fact, a number of years ago the University of Massachusetts, Amherst made headlines when it complained that winning the FCS national title cost the school approximately \$200,000. Travel costs are reimbursable, but other costs are not. As an example of the financial problems facing the FCS, Southern University and Grambling University have shunned the FCS playoffs by opting to play in the annual Bayou Classic in return for a significant payday.

As mentioned above, there is considerable movement nationally both in dropping FCS programs and adding FCS programs. Over the last couple of years Georgia State University and Old Dominion University have announced their intentions to start play at this level, as well as their intentions to play football in the very competitive Colonial Athletic Association (CAA). Fordham University also announced its intention to award football scholarships for the first time since 1954, which indicates an interest in competing nationally at this level and potentially leaving its current football conference (Patriot League) to do so.

Supporters of this move point out that this will aid the Rams in enhancing their non-conference schedule at both the FCS and FBS levels. Fordham will offer 60 scholarships, allowing the Rams to schedule NCAA FBS schools, including already scheduled games with regionally attractive schools like Connecticut, Navy and Army.

The decision to start a FCS football program at Old Dominion University has brought a new level of excitement to many constituencies at the institution. The president cited the convergence of a number of factors for why the decision seemed right. The institution is becoming an increasingly residential campus, with new residence halls and other student-centered development. The athletic director also indicated that a FCS program will fill a void for a fall spectator sport which would bring together alumni, students, friends, and fans. The reasoning expressed at Old Dominion is representative of a number of schools that have started football programs.

B. Considerations

UNI is currently competing at this level with an almost full complement of coaches (9 out of 10 permissibly paid coaching positions), but it also operates with a very lean administrative staff. The Panthers compete in the nationally competitive Missouri Valley Conference, along with eight (8) other football programs. The MVC is a stable conference that is committed to playing nationally competitive FCS football.

Presently UNI plays one game guarantee annually against either the University of Iowa or Iowa State. In order to generate an additional large financial guarantee on a yearly basis the institution has the opportunity to play a second guarantee game, but it would come at the possible expense of the team's competitiveness and eligibility for the FCS playoffs. This is a sensitive topic because in doing so you can damage your team physically and therefore hurt yourselves for conference competition. As a long term strategy this is probably not the correct decision, but as a relatively short term strategy this may be a financial necessity and worth exploring.

C. Financial Projections

University of Northern Iowa Football Cost/Benefit Feasibility Study FCS Scholarships (No change)

	FY10 Budgeted	FY11 Projected	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	Note
External Revenue							
Football Related							
Guarantees In	430,000	494,500	568,675	653,976	752,072	864,882	(1)
Season Ticket Sales	345,000	351,900	358,938	366,116	373,438	380,906	(2)
Gate Sales	372,000	379,440	387,029	394,769	402,665	410,718	(2)
Concessions	70,000	71,400	72,828	74,285	75,770	77,286	(2)
Foundation	130,000	132,600	135,252	137,957	140,716	143,531	(2)
Departmental Related							
Fundraising	1,136,000	1,158,720	1,181,894	1,205,532	1,229,642	1,254,236	(2)
Corporate Sponsorships	909,000	927,180	945,723	964,638	983,931	1,003,609	(2)
NCAA FB Distribution	266,360	292,996	322,296	354,525	389,978	428,975	(3)
Other	<u>2,055,990</u>	<u>2,097,110</u>	<u>2,139,052</u>	<u>2,181,833</u>	<u>2,225,470</u>	<u>2,269,979</u>	(2)
Total Revenue	5,714,350	5,905,846	6,111,687	6,333,631	6,573,682	6,834,122	
Football Related							
Salaries and Wages	950,932	969,951	989,350	1,009,137	1,029,319	1,049,906	(2)
Supplies & Services	531,260	547,198	563,614	580,522	597,938	615,876	(4)
Scholarships	1,206,437	1,303,060	1,407,305	1,519,889	1,641,480	1,772,798	(5)
Guarantees Out	100,000	115,000	132,250	152,088	174,900	201,136	(1)
Administrative Expense Allocation	754,800	777,444	800,767	824,790	849,534	875,020	(6)
Departmental Related							
Other	<u>8,012,739</u>	<u>8,253,121</u>	<u>8,500,715</u>	<u>8,755,736</u>	<u>9,018,408</u>	<u>9,288,961</u>	(7)
Total Expense	11,556,168	11,965,774	12,394,001	12,842,162	13,311,579	13,803,697	
Net Surplus/(Deficit)	(5,841,818)	(6,059,928)	(6,282,314)	(6,508,531)	(6,737,897)	(6,969,575)	
Institutional Subsidy							
GEF Support	4,629,318	4,847,428	5,069,814	5,296,031	5,525,397	5,757,075	
Student Fee Support	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	
Total Institutional Subsidy	5,841,818	6,059,928	6,282,314	6,508,531	6,737,897	6,969,575	

Notes: (1) Assume 15% increase per year.
(2) Assume 2% increase per year.

- (3) Approximate value of NCAA sport sponsorship and GIA distribution; increase by 10% per year.
- (4) Assume 3% increase per year.
- (5) Assume 8% increase per year.
- (6) Calculated as % football is of total expenses times aggregate of all administrative expenses w/3% increase per year.
- (7) All other departmental expenses; increase by 3% per year.

D. Summary

The financial projections for this option lead to the following conclusions:

- The percentage amount of institutional subsidy (the combination of GEF Support and the Student Athletic Fee) will remain constant at approximately 50.5% of the athletics budget over the next five fiscal years. The current institutional subsidy of \$5,841,818 will grow to \$6,969,575 from FY 2010 through FY 2015.
- The ability of the UNI Department of Athletics to generate approximately half of its budget from external sources in FY 2010 through FY 2015 is among the best for institutions at the FCS level and is to be commended; however, it also indicates that the ability to generate additional external funds is extremely limited.
- Playing FCS scholarship football is a middle ground approach that permits significant overall revenue generation while reasonably limiting expenses. The result is that the institutional subsidy or net expenditure for this option is less than the subsidy required to play FCS non-scholarship football (\$6,969,575 vs. \$7,401,374) and significantly less than the institutional subsidy or net expenditure required to play at the FBS level (\$6,969,575 vs. \$10,416,025). It is also not much more than the institutional subsidy required if the football program was discontinued (\$6,969,575 vs. \$6,133,533). The table below illustrates the institutional subsidy required for each option:

Football Option	Subsidy Required
FB FCS with Scholarships	\$6,969,575
FB FCS Non-Scholarships	\$7,401,374
FB FBS	\$10,416,025
FB Dropped	\$6,133,533

Continuing as a nationally competitive FCS scholarship program is a viable option if UNI is prepared to continue to fund the program appropriately, as it is now doing. With a strong competitive tradition and excellent facilities, this seems to be an ideal level for UNI. However, recognizing the budgetary environment that will be facing the institution for the foreseeable future two (2) alternative modifications of this approach may be worth considering for a number of years until the economy recovers.

The first approach would be to try and lobby FCS institutions to impose greater scholarship limitations nationally than the 63 that currently exist. Most FCS institutions across the country would probably support a rational reduction to approximately 50 scholarships during this difficult economic time as long as it was done across the country via an NCAA rule change. This reduction would not only help control football expenses in the FCS where there is limited revenue generating ability, but it would also allow institutions to more easily meet Title IX obligations.

The second approach which could be pursued concurrently would be to play a second guarantee game each year against a FBS program. Currently UNI game guarantees are fixed through 2017, but a second game could be considered. This approach would provide a significant net revenue increase, which could be utilized to offset some of the inevitable athletic program cutbacks required by the economy. Realistically, this revenue generating option may be the only path to generating more revenue since the other sources appear to have been maximized.

III. FOOTBALL CHAMPIONSHIP SUBDIVISION NON-SCHOLARSHIPS

A. Introduction

With the history and tradition of UNI football, an excellent football facility and local interest in the program a natural option to consider is the move to a FCS non-scholarship level. As a general rule, this playing level generates very little external revenue and relies on institutional support to pay for the football program. Many schools look at tuition revenue increases from additional students who either play football or want to follow football as a way to pay for the program. This fiscal approach is usually more prevalent for smaller private institutions that use football as a student recruitment and enrollment strategy. It is very common for those types of institutions to be focused on ways to attract more male students in particular.

The financial viability of this model would allow UNI to offer a broad-based intercollegiate athletics program. With strong regional recruiting prospects in football, a modest tuition cost and an outstanding football facility this option would be attractive; however, this level relies on generous institutional financial aid packages to help secure the football talent. UNI's relatively low endowment limits its ability to offer attractive financial aid packages, which would probably hurt the program from a competitive standpoint.

B. Considerations

In examining the coaching staff levels of current FCS non-scholarship football programs it shows that a model coaching staff would include 5 full-time and 5 part-time coaches. Therefore, there would be some savings from the current coaching staff level. Regarding the proper administrative staffing level it is unlikely that the minimally staffed UNI athletics program could be reduced.

One of the premier FCS non-scholarship leagues in the country is the Pioneer League. There are ten (10) members of this national league: Butler, Campbell, Davidson, Dayton, Drake, Jacksonville, Marist, Morehead State, San Diego and Valparaiso. The football facilities within the Pioneer League range in size from 5,000 to 11,500. With the national recession it is anticipated that this level of football will grow over the next decade. The Pioneer League has indicated an interest in growing its conference membership, but it currently only has one (1) public institution as a member (Morehead State). The league is also interested in growing the national interest in non-scholarship football.

A review of the budgets of Pioneer League members reveals that the annual operating costs are approximately \$1-\$1.5 million. With the transition to this level UNI would save considerably in the area of operational expenditures. These savings would be realized by

having fewer full-time coaches and readjusting coaching salary levels to the market for this level of play. Recruiting costs would also decline. Travel costs and supplies and services costs would stay approximately the same under this option.

Scholarship expenses would also eventually go away; however, because of the need to honor current scholarships until the student-athletes have graduated the savings would be gradually realized. The best estimate is that 20% of the student-athletes will choose to transfer so that they could continue to play at the scholarship level. An 8% annual increase in tuition costs has been estimated for all those continuing scholarship commitments.

Revenue opportunities at the FCS non-scholarship level are virtually non-existent. Ticket sales and corporate sponsorships at this level are limited. Ticket sales in the Pioneer League range from \$50,000-\$250,000. For the purposes of this option ticket sales have been projected to drop 70% in year one and then grow by 5% per year thereafter. Fundraising and corporate sponsorship revenue sources have been estimated to decline significantly as well over the next five years.

C. Financial Projections

University of Northern Iowa Football Cost/Benefit Feasibility Study FCS Without Scholarships

	FY10	FY11	FY12	FY13	FY14	FY15	Notes
	Budgeted	Projected	Projected	Projected	Projected	Projected	
External Revenue							
Football Related							
Guarantees In	430,000	215,000	247,250	284,338	326,988	376,036	(1)
Season Ticket Sales	345,000	103,500	108,675	114,109	119,814	125,805	(2)
Gate Sales	372,000	111,600	117,180	123,039	129,191	135,650	(2)
Concessions	70,000	21,000	22,050	23,153	24,310	25,526	(2)
Foundation	130,000	117,000	119,340	121,726	124,161	126,644	(3)
Departmental Related							
Fundraising	1,136,000	681,600	695,232	709,137	723,319	737,786	(4)
Corporate Sponsorships	909,000	300,000	315,000	330,750	347,288	364,652	(5)
NCAA FB Distribution	266,360	28,735	31,609	34,769	38,247	42,071	(6)
Other	<u>2,055,990</u>	<u>2,097,110</u>	<u>2,139,052</u>	<u>2,181,833</u>	<u>2,225,470</u>	<u>2,269,979</u>	(7)
Total Revenue	5,714,350	3,675,545	3,795,388	3,922,854	4,058,788	4,204,149	
Expense							
Football Related							
Salaries and Wages	950,932	855,838	872,956	890,415	908,223	926,387	(3)
Supplies and Services	531,260	478,134	492,478	507,252	522,470	538,144	(8)
Scholarships	1,206,437	781,771	633,235	458,209	247,432	0	(9)
Guarantees Out	100,000	50,000	57,500	66,125	76,044	87,450	(1)
Administrative Expense Allocation	754,800	679,320	699,700	720,691	742,311	764,581	(10)
Departmental Related							
Other	<u>8,012,739</u>	<u>8,253,121</u>	<u>8,500,715</u>	<u>8,755,736</u>	<u>9,018,408</u>	<u>9,288,961</u>	(11)
Total Expense	11,556,168	11,098,184	11,256,584	11,398,428	11,514,888	11,605,523	
Net Surplus/(Deficit)	(5,841,818)	(7,422,639)	(7,461,196)	(7,475,574)	(7,456,100)	(7,401,374)	
Institutional Subsidy							
GEF Support	4,629,318	6,210,139	6,248,696	6,263,074	6,243,600	6,188,874	
Student Fee Support	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	
Total Institutional Subsidy	5,841,818	7,422,639	7,461,196	7,475,574	7,456,100	7,401,374	

Notes:

- (1) Assume reduction by one-half then 15% increase per year thereafter.
- (2) Assume 70% reduction initially then 5% increase per year thereafter.
- (3) Assume 10% reduction initially then 2% increase thereafter.
- (4) Assume 40% reduction initially then 2% increase thereafter.
- (5) Increase of 2% per year following initial decrease.
- (6) NCAA Sport Sponsorship distribution only; assume no GIA distribution.
- (7) Assume 2% increase per year.
- (8) Assume 10% reduction initially then 3% increase per year thereafter.
Assume 20% transfer initially plus graduation of remaining seniors each year plus 8% expense increase each year.
- (9) Calculated as % football is of total expenses times aggregate of all administrative expenses w/10% reduction initially, then 3% increase per year thereafter.
- (10)
- (11) All other departmental expenses; increase by 3% per year.

D. Summary

The financial projections for this option lead to the following conclusions:

- The percentage amount of institutional subsidy (the combination of GEF Support and the Student Athletic Fee) will grow from approximately 50.5% of the athletics budget in FY 2010 to approximately 64% in FY 2015. The current institutional subsidy of \$5,841,818 will grow to \$7,401,374 from FY 2010 through FY 2015.
- The ability of the UNI Department of Athletics to generate approximately half of its budget from external sources in FY 2010 will decrease to 37% by FY 2015.
- The total athletics budget will only grow to \$11,605,523 in FY 2015, rather than \$13,803,697 under the current FCS scholarship option, but the institutional subsidy will grow.
- The expense savings realized by playing non-scholarship football will not offset the loss in external revenue sources, which will result in a net institutional subsidy increase of \$431,799 in FY 2015 when compared against the FCS scholarship option.

Although FCS non-scholarship football is an economically comparable alternative it will actually increase the institutional subsidy. The continuation of the football program, although in a non-scholarship format, would allow the institution to continue utilizing its excellent football facility, while reducing the size of the overall athletic budget.

This move, however, is not without other problems as well. By moving to this level game guarantee revenue would drop significantly. Ticket sales and fan interest would significantly decline. Sponsorship revenue would significantly decline because it is largely driven by FCS scholarship football and its historical competitive success nationally. As a large state institution, UNI may find it difficult to locate an appropriate football conference at this level. With relatively low discretionary financial aid availability, UNI may struggle to compete on the field with schools that have large endowments and more institutional financial aid.

IV. FOOTBALL BOWL SUBDIVISION

A. Introduction

One of the options to be considered is whether UNI can realistically aspire to move its football program to the Football Bowl Subdivision. This section examines the resource, revenue and expense issues associated with this option. Additionally, this section also examines the conference possibilities associated with making this transition. A discussion of the challenges and experiences encountered by other institutions that have made this transition are reviewed.

Generally, there are several reasons institutions cite when considering reclassification to the FBS level: increased revenue generation; increased exposure; and, an increase in reputation and prestige. While it is true that increases in revenue will come from increased ticket sales, conference revenue distributions, postseason earnings and alumni contributions, the increase in expenditures is also significant and often exceeds the new revenue. Increased exposure from the FBS level may result in an increase in applications, greater student diversity and other marketing advantages. An increase in institutional reputation may also occur due to the highly visible success of a FBS program.

In making the move to the FBS level UNI would be required to increase its scholarship commitment to football. The maximum number of scholarships is 85, with most schools needing to be at this number in order to be competitive. Obviously, this additional scholarship requirement means that concomitant scholarship money would need to be made available for gender equity purposes. UNI would have to offer 200 total grants-in-aid or spend \$4 million in athletically-related aid. The institution would need to offer a minimum of 16 sports as opposed to a minimum of 14 in the FCS.

Across the country there are a number of programs that have recently addressed the issue of either starting a FBS football program or elevating its current football program to the FBS level.

The University of South Alabama cited that one of its reasons to consider starting a football program was because so many academically talented students chose other universities because their institution did not offer football. For many universities across the nation, football and a marching band program serve as the centerpiece of student life and campus tradition. They serve as a catalyst for a wide range of student life activities. The South Alabama athletic director indicated that having homecoming, parents' weekend and other activities on football weekends would be a great addition to campus life. In the past, the institution tried to hold these types of activities around other sports, but it was not successful. The school hopes that by potentially starting a football program it would help change its reputation as a commuter-based institution to an institution with a more vibrant campus life.

In San Antonio, Texas, the seventh largest city in the country, the University of Texas at San Antonio (UTSA) recognized that the city lacked both a professional and college team. College administrators recognized the void, and are in the process of starting a future FBS program. The institution believes adding FBS football will have a positive impact on the San Antonio region and will help generate interest among high school students to attend college.

The University of North Carolina Charlotte has also announced its tentative plan to start a football program with the ultimate goal of becoming a FBS institution. The chancellor of UNC Charlotte cited the move to the FBS level would meet the institution's interest in: enhancing its institutional reputation; enriching the student experience; enlivening school spirit; improving student engagement, retention and graduation; and, building strong community support.

B. Considerations

FBS college football is often credited with enhancing institutional identity, boosting alumni support, stirring student spirit, and increasing community interest. Beyond these perceived benefits another advantage for UNI as it considers this option is the popularity of college football in Iowa, although there are already two FBS level institutions. This possible move would also be attractive because there is a strong regional recruiting base of football talent for UNI to cultivate.

One of the strongest arguments in favor of FBS football is that big-time college sports tend to have considerable television opportunities; and, FBS football is of particular interest to television entities trying to strike conference broadcasting deals. An attractive conference affiliation can depend on a school having football. Looking into the future it appears that in some ways schools and conferences that do not play at the FBS level will increasingly become second class citizens. Continuing conference realignment may exclude non-football playing members.

The UNI Dome meets the 15,000 seat requirement for a FBS institution; however, the facility would be one of the smallest stadiums in the nation for a FBS program. Although a detailed structural analysis is not part of this assignment it is apparent that expanding the stadium to 25,000 would be structurally difficult and very expensive financially. The purpose in expanding the stadium would be to try and have the capability to generate additional revenue for BCS play.

The move to the FBS level will require an increased coaching and administrative staff. Additional compensation levels for coaches will also be required. Staff will need to be added in the areas of ticket operations, academic support, strength and conditioning, equipment operations, video operations, facility and event management, marketing and promotions, development and sports information. The additional costs for these positions are outlined in the section on Financial Projections.

Over the last few years attendance at UNI football games has been in the range of 12,000. FBS requirements call for an average of 15,000 in actual or paid attendance per game once over a two-year period. Given the size of the current facility and the excitement of moving to the FBS level with the attendant attractive competition coming to campus, it would appear that the attendance requirement would be easy to meet.

A consequence of the move to the FBS would be the probability of having to leave the MVC for all sports; additionally, the quest for new revenue opportunities would also drive this decision. Therefore, one of the most important questions needing to be addressed in considering a reclassification is identifying and securing membership in a FBS conference. Realistically the FBS conference options would seem to be the Mid-American Conference, Western Athletic Conference, Conference USA and the Sun Belt Conference. Membership in a FBS conference is almost an absolute requirement since playing as an independent is very difficult from a scheduling perspective. The actual costs of the reclassification will also be influenced by which conference UNI joins. Variables such as geographic travel requirements and revenue distribution amounts from television and bowl games will influence expenses.

Another conference option would be to seek the development of or membership in a newly formed conference. The impetus for this option could come from the economic recession and potential athletic subsidy reductions at many schools. If this occurs there could be some conference realignments that produce openings in current conferences and/or could produce new conference formation possibilities.

Presently the NCAA has imposed a moratorium prohibiting new FBS membership until December 2011. This action has at least temporarily prevented many institutions from exploring this option. It is unclear whether as part of lifting this moratorium the NCAA will impose new requirements for FBS membership.

One of the driving motivations for making this move would be the branding of the institution that comes from the high visibility and national recognition that FBS membership could provide. Whether those goals can be realized in a non-Bowl Championship Series (BCS) conference is a legitimate question, since UNI is unlikely to gain admission to a BCS conference. For non-BCS schools the FBS level usually provides a limitation on revenues, but no real limitation on expenses.

Aspiring to move to the FBS level and finding the right conference opportunity to make this happen depends on the attractiveness of the institution and its sports program. Elements that assist in making an institution attractive include a winning tradition in football and other sports, an adequate and stable institutional budget, strong athletic fundraising and corporate support, attractive facilities and a large media market, which the institution dominates and can deliver. In particular, conferences also look at the strength of the basketball programs since conference revenue is significantly derived from that sport. Part of the process of moving to the FBS level is to build a highly

competitive basketball program replete with excellent facilities and a strong fan base reflected in growing attendance patterns.

In examining this option one of the most important objectives is to fully understand the expenses associated with a FBS program. By examining the budgets of other FBS programs and extracting expense information from the NCAA's Reclassification Study, a projected expense budget has been compiled and is outlined in the section on Financial Projections.

These scholarship and operating expense increases would bring the total athletic department budget to \$17,949,145 in FY 2015, which is very low for a FBS institution. These annual costs do not account for new debt service and operating costs that may be incurred to improve facilities up to the FBS level. As a general rule most schools that have made this transition have significantly underestimated both the annual operating costs and the costs associated with facility upkeep and improvement.

In analyzing the costs associated with this reclassification it is important to assess the potential revenue increases that might occur to offset the increased expenses. The current amount of athletic fundraising shows that UNI is considerably behind FBS levels. Home football attendance and ticket sales also lag considerably behind FBS standards. With a limited corporate base in the UNI geographic footprint, it is not surprising that its corporate sponsorship support is also behind FBS standards; and, the possibility of increasing this support significantly with the reclassification is unlikely. Even with an optimistic view that most UNI supporters would be willing to increase their level of support in terms of donations, ticket sales and corporate support it is unlikely that these revenue categories will significantly offset the increased expenses associated with this move.

The final revenue category to be considered is the revenue distribution from a new conference affiliation. Unfortunately, the conference options that may be available to UNI do not distribute revenue amounts in any appreciable manner that would significantly offset the expenses of reclassification.

C. Financial Projections

University of Northern Iowa Football Cost/Benefit Feasibility Study Move to FBS

	FY10	FY11	FY12	FY13	FY14	FY15	Notes
	Budgeted	Projected	Projected	Projected	Projected	Projected	
External Revenue							
Football Related							
Guarantees In	430,000	516,000	619,200	743,040	891,648	1,069,978	(1)
Season Ticket Sales	345,000	414,000	434,700	456,435	479,257	503,220	(2)
Gate Sales	372,000	446,400	468,720	492,156	516,763	542,602	(2)
Concessions	70,000	84,000	88,200	92,610	97,241	102,103	(2)
Foundation	130,000	162,500	170,625	179,156	188,114	197,520	(3)
Departmental Related							
Fundraising	1,136,000	1,249,600	1,274,592	1,300,084	1,326,086	1,352,607	(4)
Corporate Sponsorships	909,000	927,180	945,724	964,638	983,931	1,003,609	(5)
NCAA FB Distribution	266,360	330,364	363,401	406,200	446,820	491,502	(6)
Other	<u>2,055,990</u>	<u>2,097,110</u>	<u>2,139,052</u>	<u>2,181,833</u>	<u>2,225,470</u>	<u>2,269,979</u>	(7)
Total Revenue	5,714,350	6,227,154	6,504,214	6,816,152	7,155,330	7,533,120	
Expense							
Football Related							
Salaries and Wages	950,932	1,331,305	1,397,870	1,467,763	1,541,152	1,618,209	(8)
Supplies and Services	531,260	637,512	669,388	702,857	738,000	774,900	(9)
Scholarships	1,206,437	1,443,946	1,711,735	2,022,701	2,184,517	2,359,278	(10)
Guarantees Out	100,000	200,000	240,000	288,000	345,000	414,720	(1)
Administrative Expense Allocation	754,800	792,540	832,167	873,775	917,464	963,337	(11)
Conference Assessments	40,500	130,000	143,000	157,300	173,030	190,333	(12)
Departmental Related							
Other	<u>7,972,239</u>	<u>9,566,687</u>	<u>10,045,021</u>	<u>10,547,272</u>	<u>11,074,636</u>	<u>11,628,368</u>	(13)
Total Expense	11,556,168	14,101,990	15,039,181	16,059,668	16,973,799	17,949,145	
Net Surplus/(Deficit)	(5,841,818)	(7,874,836)	(8,534,967)	(9,243,516)	(9,818,469)	(10,416,025)	
Institutional Subsidy							
GEF Support	4,629,318	6,662,336	7,322,467	8,031,016	8,605,969	9,203,525	
Student Fee Support	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	
Total Institutional Subsidy	5,841,818	7,874,836	8,534,967	9,243,516	9,818,469	10,416,025	

Notes:

- (1) Assume 20% increase per year with 100% increase initially on expense.
- (2) Assume 20% increase initially for attendance and ticket price then 5% increase per year thereafter.
- (3) Assume 25% increase initially then 5% increase per year thereafter.
- (4) Assume 10% increase initially then 2% increase per year thereafter.
- (5) Assume 2% increase per year.
- (6) Approximate value of NCAA Sport Sponsorship and GIA distributions; increase by 10% per year thereafter, plus 22 more grants.
- (7) Assume 2% increase per year.
- (8) Assume 40% increase initially then 3% per year thereafter.
- (9) Assume 20% increase initially then 5% per year thereafter.
- (10) Assume ramp up to 85 scholarships over three years plus 8% increase in expense per year.
- (11) Calculated as % football is of total expenses times aggregate of all administrative expenses w/5% increase per year thereafter.
- (12) Amount listed FY11-15 is current MAC assessment; increase 10% per year. All other departmental expenses; assume 20% increase initially then 5% per year.
- (13) year.

D. Summary

The financial projections for this option lead to the following conclusions:

- The percentage amount of institutional subsidy (the combination of GEF Support and the Student Athletic Fee) will increase from approximately 50.5% of the athletics budget in FY 2010 at the FCS scholarship level to approximately 58% in FY 2015 at the FBS level. The current institutional subsidy of \$5,841,818 will grow to \$10,416,025 from FY 2010 through FY 2015.
- The ability of the UNI Department of Athletics to generate approximately half of its budget from external sources in FY 2010 will decrease to 42% by FY 2015.
- The total athletics budget will grow to \$17,949,145 in FY 2015, rather than \$13,803,697 under the current FCS scholarship option, and the institutional subsidy will increase as noted above.
- The increased revenue sources realized by playing at the FBS level will not offset the increased expenses, which will result in a net institutional subsidy increase of \$3,446,450 in FY 2015 when compared to continuing to play at the FCS scholarship level.
- The projected budget of \$17,949,145 in FY 2015 would be anticipated to be the lowest in the Mid-American Conference.

Given the historical competitiveness of UNI's football program at the FCS level it is likely that the institution would be competitive on the field at the FBS level. However, the ability to sustain that competitiveness and to periodically excel at the FBS level is less

certain principally because of the difficulty UNI will experience in generating the necessary resources to compete at this level.

The most significant concern with this option is the uncertainty of the funding model that will be used to allow for this transition. Faculty will continue to be concerned about the diversion of academic resources to pay for this move and the possibility of lowering admission standards to be more competitive. Students will be excited about the move, but they may be reluctant to pay for it solely with an increased student fee. Alumni will be excited to be going big-time, but will be both leery and unable to reach the giving levels required to fund this transition. Coaches and athletic administrators will be concerned about the viability of joining a prominent FBS conference and will be skeptical about the prospects of receiving sufficient revenue distribution to pay for this higher level of play in all sports. Scheduling concerns and revenue shortfalls would prohibit the move without a conference affiliation.

Any move upward will also raise the practical questions of whether UNI can be competitive in football and its other sports given its funding level and the quality of its facilities. Oftentimes the issue of establishing winning traditions in sports other than football while making the move to the FBS level is underrated.

The move to the FBS level is wrought with increased scholarship, operational and facility costs. Access to new revenue streams is somewhat illusory. FBS football is not contested on anything resembling a level playing field. Schools outside of the BCS conferences, with few exceptions, cannot compete on the field or financially off of the field. Given that UNI's likely conference options do not include one of the six Bowl Championship Series conferences, a significant conference revenue distribution to help offset these increased costs will not be forthcoming; hence, the real source for increased revenue must come from locally generated ticket sales, fundraising and corporate sponsorships. A review of these categories at UNI from both a historical and potential perspective indicates that it will be very difficult to generate sufficient local revenue to pursue transition to the FBS level.

The examination of this option should not be rationalized on the myth of gaining access to new streams of revenue that will allow the institution to reduce its subsidy to athletics. Rather, this option will in all likelihood increase institutional spending on athletics both directly through scholarship and operational costs, as well as capital investments required to upgrade and maintain athletic facilities. As a result, consideration of this option only makes sense if the institution believes it will increase its visibility, stature and prestige by playing at the FBS level, and that those institutional benefits are worth the increased costs of competing at the highest level.

V. DISCONTINUING FOOTBALL

A. Introduction

One of the options needing to be reviewed is the possibility of discontinuing football entirely at UNI. With state funding levels expected to continue to drop over the next few years it is logical to examine the most costly sport very closely. As budget cuts are distributed down through the institution the athletic department is faced with a philosophical choice of either imposing across the board cuts in all of its programs or deep and narrow cuts in one or more sports. By examining the advantages and disadvantages of discontinuing football, UNI is performing its due diligence in looking at all options.

Recently two (2) institutions from the highly competitive Colonial Athletic Association decided to drop football. In announcing Hofstra's decision to drop football the president referenced a small fan base, poor ticket sales and the minimal earning potential of those residing in the Football Championship Subdivision. He explained that the strategic decision to reallocate resources is based on the institution's academic mission and priorities. According to the president, Hofstra was spending \$4.5 million annually on its football program, and making nothing off of the investment.

Another CAA institution to drop football was Northeastern University. The institution cited that one of its goals for athletics is to achieve sustainable excellence in all areas. The athletic director said that success comes from creating a positive student-athlete experience and that the primary motivation for this decision was based on the significant obstacles to providing this experience for the football student-athletes. Budget and facility problems were driving factors in the decision.

B. Considerations

There are many issues to consider in discontinuing football. The most important one from an ethical perspective is providing the student-athletes who do not choose to transfer with the option to continue on scholarship as they make satisfactory progress toward earning their degrees. This benefit is also critically important from a public relations perspective as well. For the purposes of financial projections we assumed that 40% of the student-athletes will choose to transfer so that they can continue to play football. Given that this decision will be extremely difficult for all of the student-athletes it is recommended that the institution keep the head coach position funded for a period of one year to help facilitate the transfer issues with the players. Other coaching positions should be handled in accordance with institutional human resource practices.

C. Financial Analysis

University of Northern Iowa Football Cost/Benefit Feasibility Study Discontinue Football

	FY10	FY11	FY12	FY13	FY14	FY15	Notes
	Budgeted	Projected	Projected	Projected	Projected	Projected	
External Revenue							
Football Related							
Guarantees In	430,000	0	0	0	0	0	
Season Ticket Sales	345,000	0	0	0	0	0	
Gate Sales	372,000	0	0	0	0	0	
Concessions	70,000	0	0	0	0	0	
Foundation	130,000	0	0	0	0	0	
Departmental Related							
Fundraising	1,136,000	568,000	579,360	590,947	602,766	614,821	(1)
Corporate Sponsorships	909,000	250,000	255,000	260,100	265,302	270,608	(2)
NCAA FB Distribution	266,360	0	0	0	0	0	(3)
Other	<u>2,055,990</u>	<u>2,097,110</u>	<u>2,139,052</u>	<u>2,181,833</u>	<u>2,225,470</u>	<u>2,269,979</u>	(4)
Total Revenue	5,714,350	2,915,110	2,973,412	3,032,880	3,093,538	3,155,408	
Expense							
Football Related							
Salaries and Wages	950,932	325,987	0	0	0	0	(5)
Supplies and Services	531,260	0	0	0	0	0	
Scholarships	1,206,437	781,771	633,234	458,209	247,432	0	(6)
Guarantees Out	100,000	0	0	0	0	0	
Administrative Expense Allocation	754,800	0	0	0	0	0	(7)
Departmental Related							
Other	<u>8,012,739</u>	<u>8,253,121</u>	<u>8,500,715</u>	<u>8,755,736</u>	<u>9,018,408</u>	<u>9,288,961</u>	(8)
Total Expense	1,556,168	9,360,879	9,133,949	9,213,945	9,265,840	9,288,961	
Net Surplus/(Deficit)	(5,841,818)	(6,445,769)	(6,160,537)	(6,181,065)	(6,172,302)	(6,133,553)	
Institutional Subsidy							
GEF Support	4,629,318	5,233,269	4,948,037	4,968,565	4,959,802	4,921,053	
Student Fee Support	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	
Total Institutional Subsidy	5,841,818	6,445,769	6,160,537	6,181,065	6,172,302	6,133,553	

Notes:

- (1) Assume 50% drop initially then 2% increase per year.
- (2) Assume 2% annual increase after initial decrease.
- (3) Sport Sponsorship and GIA components eliminated.
- (4) Assume 2% increase per year.
- (5) Head coach retained one year; all others released immediately.
Assume 40% transfer immediately with balance completing degrees with 8%
- (6) increase in expense per year.
- (7) Elimination of incremental administrative expenses.
- (8) All other departmental expenses; increase by 3% per year.

D. Summary

The financial projections for this option lead to the following conclusions:

- The percentage amount of institutional subsidy (the combination of GEF Support and the Student Athletic Fee) will grow from approximately 50.5% of the athletics budget in FY 2010 to approximately 66% in FY 2015. The current institutional subsidy of \$5,841,818 will increase to \$ 6,133,553 from FY 2010 through FY 2015.
- The ability of the UNI Department of Athletics to generate approximately half of its budget from external sources in FY 2010 will decrease to 34% by FY 2015.
- The total athletics budget will decrease from \$11,605,523 in FY 2010 to \$9,288,961 in 2015. This contrasts with a budget of \$13,803,697 under the current FCS scholarship option.
- The expense savings realized by discontinuing football will offset the loss in external revenue sources, which will result in a net institutional subsidy decrease of \$836,022 in FY 2015 when compared to the FCS scholarship option.

In a financial emergency all options must be examined. UNI would be remiss not to examine this option, but having done so there are many compelling reasons to try and avoid this outcome. With an impressive history and tradition of nationally competitive FCS level football, an outstanding stadium and support facilities, a supportive fan base, growing corporate support and a nationally competitive conference affiliation the option of discontinuing football should be a last resort.

VI. CONCLUDING OBSERVATIONS

In examining the budget of UNI's intercollegiate athletics program a number of conclusions emerge. First, UNI's athletics budget is currently only the fourth highest budget within the Missouri Valley Conference. According to a recent NCAA Reclassification study institutional revenues or subsidies constitute 57.2% of the average FCS athletic program budget. At UNI institutional revenues or subsidies make up only 50.5% of the athletic budget. Therefore, it appears that neither the size of the budget nor the portion funded through the institutional subsidy is excessive.

Second, the revenue generating performance of UNI's athletics program is exceptionally good and among the best for institutions that compete in a non-BCS conference and in the Football Championship Subdivision. Since UNI is already generating 49.5% of its budget through external revenue sources versus the national FCS pattern of generating 42.8%, the prospects for significantly increasing external revenue are very limited.

Third, the student athletic fee received by the athletics department is considerably less than most FCS athletic departments receive. UNI's student athletic fee amounts to \$1,212,500, which is 10.5% of its FY 2010 budget while nationally the student athletic fee makes up 22.5% of a FCS program's athletic budget. See the table below which shows that UNI's student athletic fee amount ranks last in the Missouri Valley Conference:

MVC Institution	Student Athletic Fee
Illinois State	\$7,900,000
Indiana State	\$5,247,776
SIU-Carbondale	\$5,028,000
Wichita State	\$2,328,419
UNI	\$1,212,500

This area of funding presents the institution with some options moving forward to methodically increase the student athletic fee within the national norm while decreasing the general fund support.

The intercollegiate athletics program at UNI has much to be proud of from a competitive standpoint. Local interest in the program is strong and the facilities are excellent. As the economic difficulties facing the nation continue there are always difficult decisions to be made about competing funding priorities. Hopefully, this Study will assist UNI in understanding its programmatic options regarding its football program.

Thank you for the opportunity to work with the University of Northern Iowa on this important study. We appreciate your confidence in Alden & Associates, Inc. and look forward to being of assistance in the future.