

The image features the NCAA logo, which consists of the letters "NCAA" in a bold, white, sans-serif font. The logo is centered on a blue, three-dimensional sphere that has a subtle gradient and a soft shadow. The sphere is set against a dark blue background with a pattern of lighter blue, semi-transparent geometric shapes and lines that create a sense of depth and movement. A small registered trademark symbol (®) is located to the right of the "A" in "NCAA".

**NCAA**®

# Kathleen T. McNeely

NCAA Vice President of Administration  
and Chief Financial Officer

July 22, 2013

# Agenda

- Where does the money go?
- Financial data on Division I Programs.
- FCS to FBS analysis.
- NCAA change initiatives.
- NCAA financial reporting system changes.

# Where does the money go?

# 2012-13 Budget Details

	Budgeted Amount (Millions)	% of Total		Budgeted Amount (Millions)	% of Total
Television and Marketing Rights Fees	\$718	90%	Division I Distribution	\$484	61%
Championships Revenue	\$75	9%	Division I Championships	\$74	9%
Fees, Sales and Services	\$5	1%	Division II Allocation	\$35	4.37%
<b>Total Revenues</b>	<b>\$798</b>	<b>100%</b>	Division III Allocation	\$25	3.18%
			<b>Total Division Specific Budgets</b>	<b>\$618</b>	<b>78%</b>
			Student-Athlete Services	\$56	7%
			Membership Support Services	\$32	4%
			Educational Services	\$5	1%
			Communications Support Services	\$8	1%
			Legal and Insurance	\$19	2%
			General and Administrative	\$32	4%
			<b>Total Association-Wide Expenses</b>	<b>\$153</b>	<b>19%</b>
			Reserves and Contingencies	\$27	3%
			<b>Total Budget</b>	<b>\$798</b>	<b>100%</b>

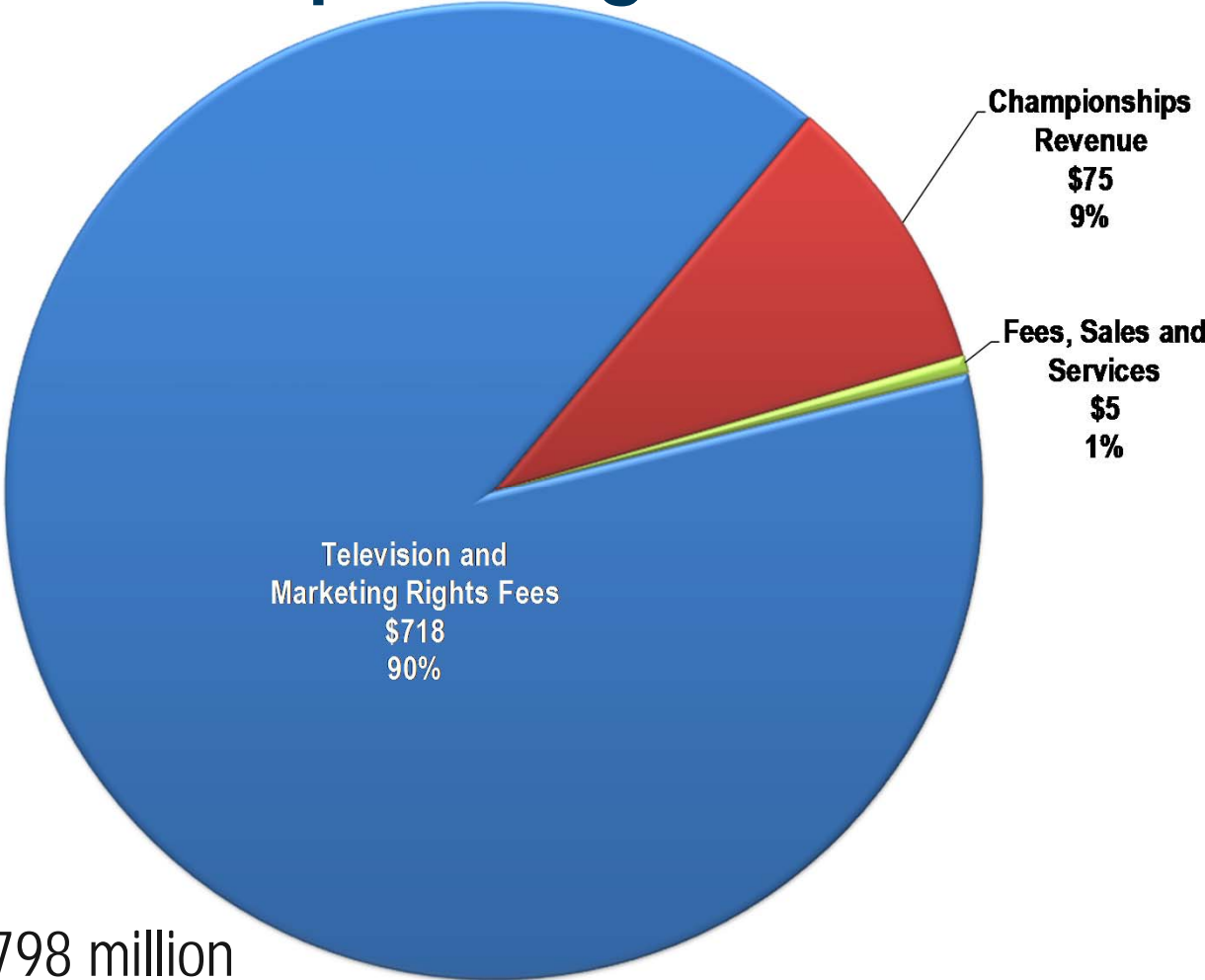
# Where Does the Money Go?

- Number of NCAA Active Member Institutions and Conferences: 1,217
- Number of NCAA Student-Athletes: 459,253



	DIVISION I	DIVISION II	DIVISION III
NCAA Members Institutions and Conferences	399 32.8%	314 25.8%	504 41.4%
NCAA Student-Athletes	172,871 37.6%	107,941 23.5%	178,441 38.9%

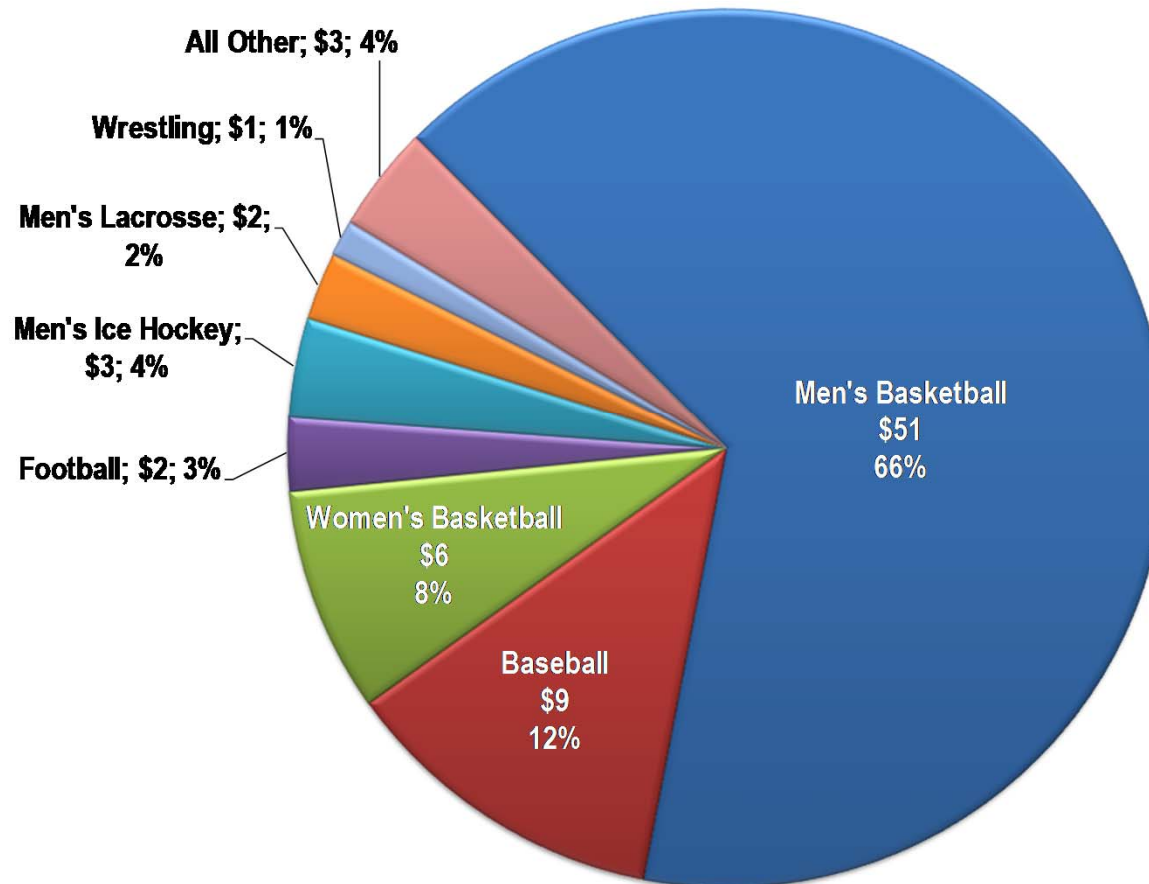
# 2012-13 Operating Revenues



Total revenues = \$798 million



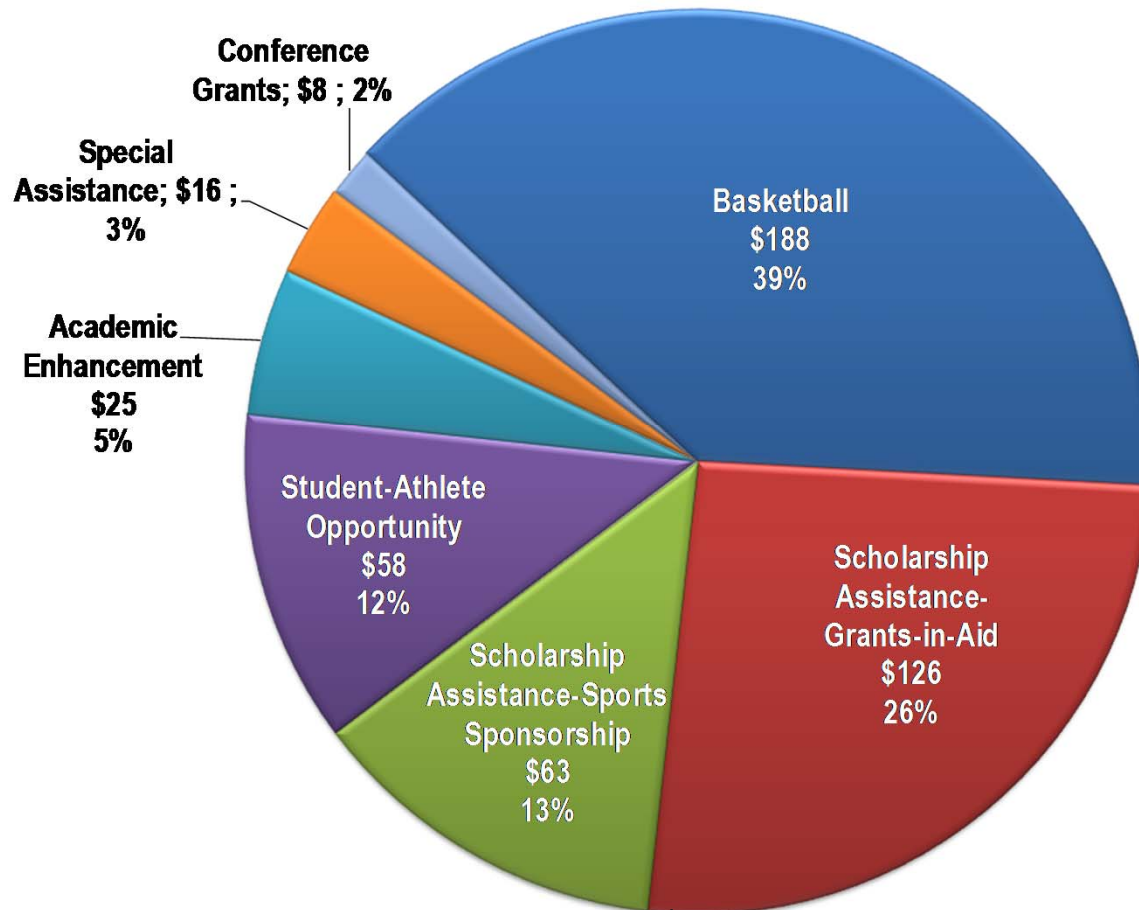
# 2012-13 Revenue Details: Championships



Total championships revenues = \$75 million



# 2012-13 Division I Distribution



Total Division I Revenue Distribution = \$484 million

# 2012-13 Division I Distribution

**BROAD-BASED FUNDS: \$188,309,000**

**GRANTS-IN-AID: \$125,539,000**

The broad-based distribution is made to all Division I institutions on the basis of the number of athletics grants-in-aid awarded. The funds are distributed back to Division I institutions to support their student-athletes.

**SPORTS SPONSORSHIP: \$62,770,000**

The broad-based distribution is made to all Division I institutions on the basis of the number of varsity sports sponsored. Sports in which the NCAA conducts championships competition (which meet the minimum contests and participants requirements of Bylaw 20.9.4.3) and emerging sports for women are counted. Schools are paid a per sport amount beginning with the 14<sup>th</sup> sport which is the minimum requirement for Division I. The funds are distributed back to Division I institutions to support their student-athletes.

**PERFORMANCE-BASED FUND**

**BASKETBALL FUND: \$188,309,000**

The Basketball Fund provides for monies to be distributed to Division I conferences based on their performance in the Division I Men's Basketball Championship over a six-year rolling period. Institutions receive a full unit share for each game played in the tournament except the championship game over the same rolling six-year period. Units are accumulated by conference and distributed by the conference based on the conference revenue sharing program.



# 2012-13 Division I Distribution

## **STUDENT-ATHLETE OPPORTUNITY and SPECIAL ASSISTANCE FUNDS: \$73,514,000**

The Student-Athlete Opportunity and Special Assistance Funds are intended to provide direct benefits to student-athletes as determined by conference offices. As a guiding principle, the fund shall be used to assist student-athletes in meeting financial needs that arise in conjunction with participation in intercollegiate athletics, enrollment in an academic curriculum or that recognize academic achievement.

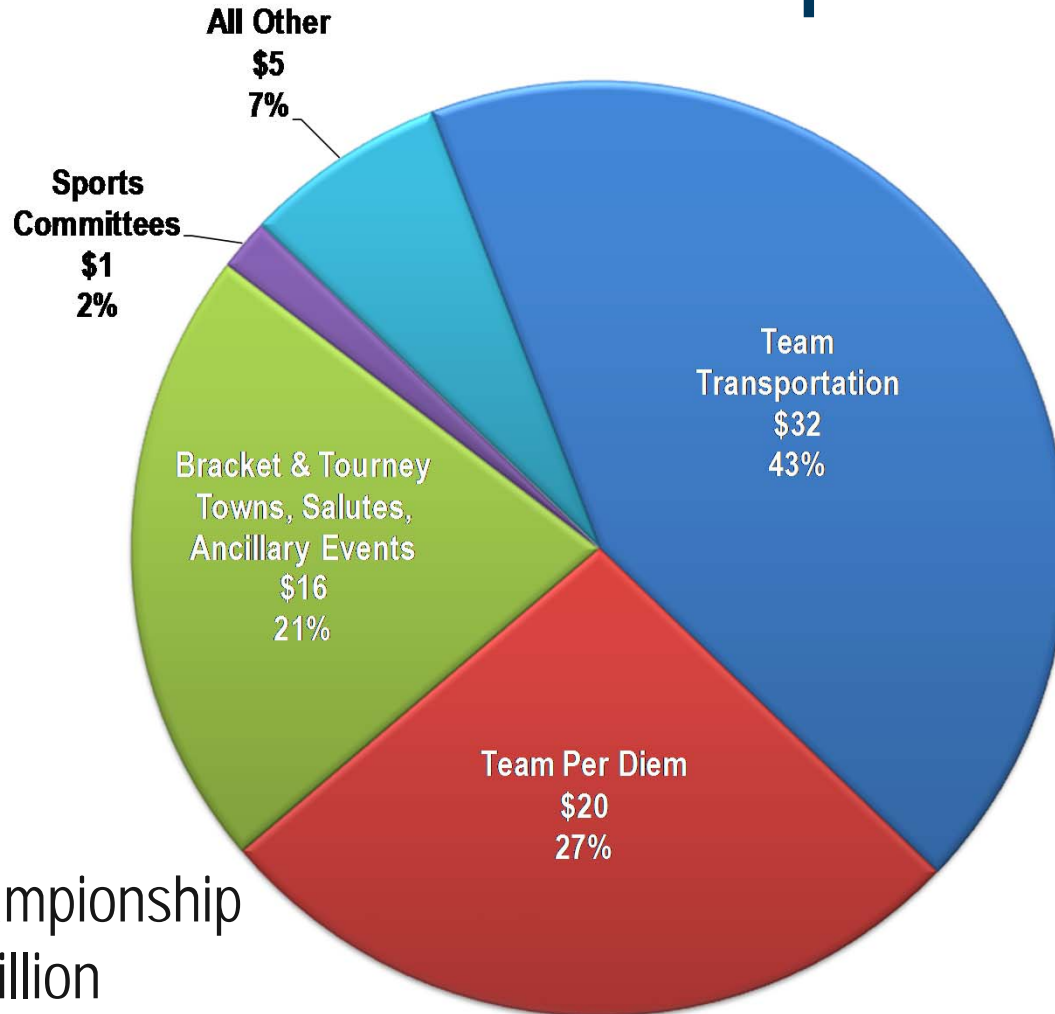
## **ACADEMIC ENHANCEMENT: \$25,448,000**

Academic Enhancement Fund monies are allocated for enhancement of academic-support programs for student-athletes at Division I institutions. The Academic Enhancement Fund allows spending on academic support salaries and benefits, tutoring and capital improvements that enhance the academic services and can be used to assist student-athletes in their financial needs.

## **CONFERENCE GRANT FUND: \$8,466,000**

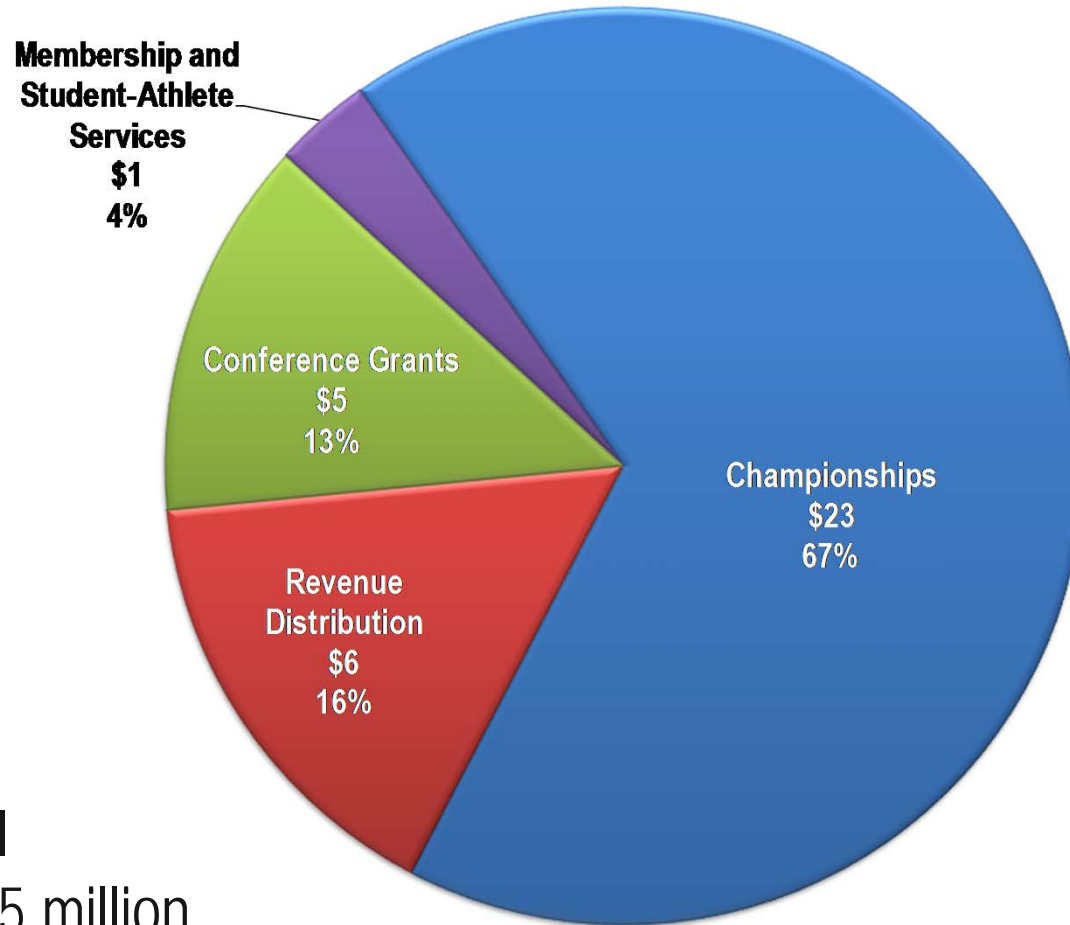
The Conference Grant Fund is allocated for grants to Division I men's and women's basketball-playing conferences. These grant funds must be used to maintain, enhance or implement programs and services in each of the following areas: men's and women's officiating programs; enhancement of conference compliance and enforcement programs; heightening the awareness of athletics administrators, coaches, and student-athletes to programs associated with drug use; enhancement of opportunities in the areas of employment, professional development, career advancement and leadership/management training in intercollegiate athletics for ethnic minorities; and development of conference gambling education programs.

# 2012-13 Division I Championships



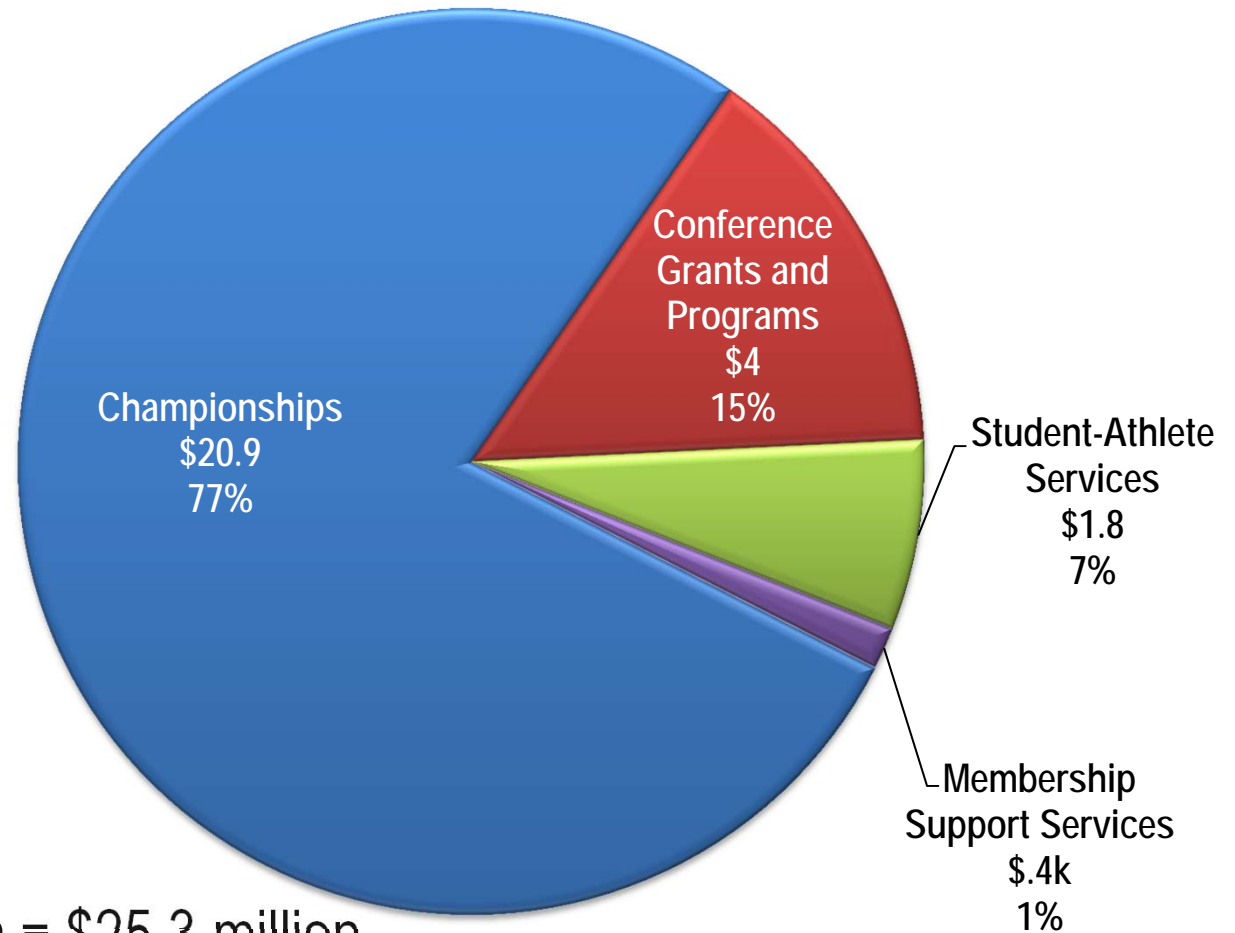
Total Division I championship expenses = \$74 million

# 2012-13 Division II Allocation



Total Division II  
allocation = \$35 million

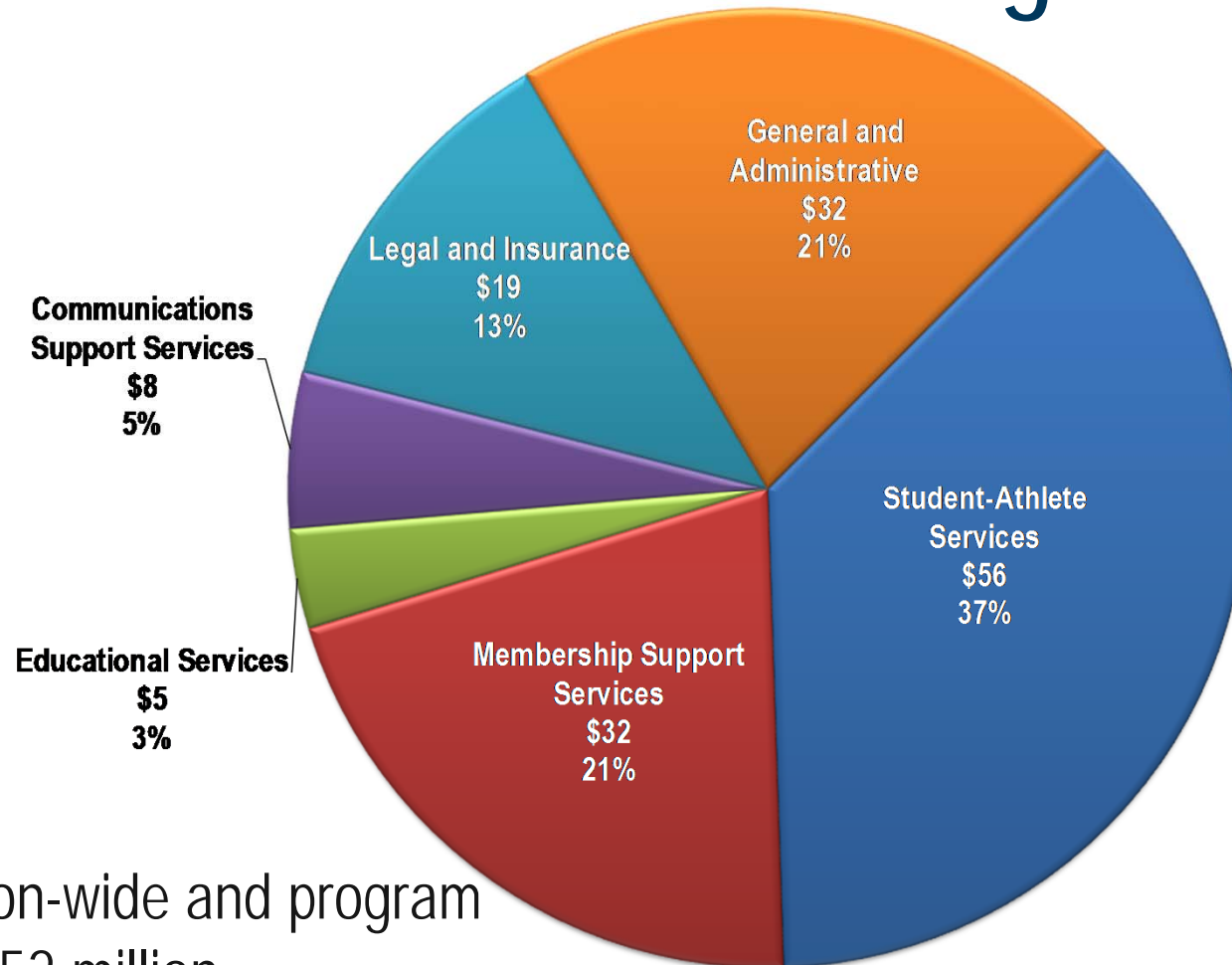
# 2012-13 Division III Allocation



Total Division III allocation = \$25.3 million

Note: The excess budgeted expenses of \$1.8 million are allocated from DIII reserves

# 2012-13 Association-Wide Programming



Total Association-wide and program expenses = \$152 million (including G&A)

# Financial Data on Division I Programs





# Data Treatment - Revenue

- Allocated Revenues (institutional subsidies).
  - Student activity fees.
  - Direct governmental support.
  - Direct and indirect institutional support.
- Generated Revenues.
  - Ticket Sales.
  - Conference distributions (including NCAA).
  - Contributions.
  - Other – anything “earned”.

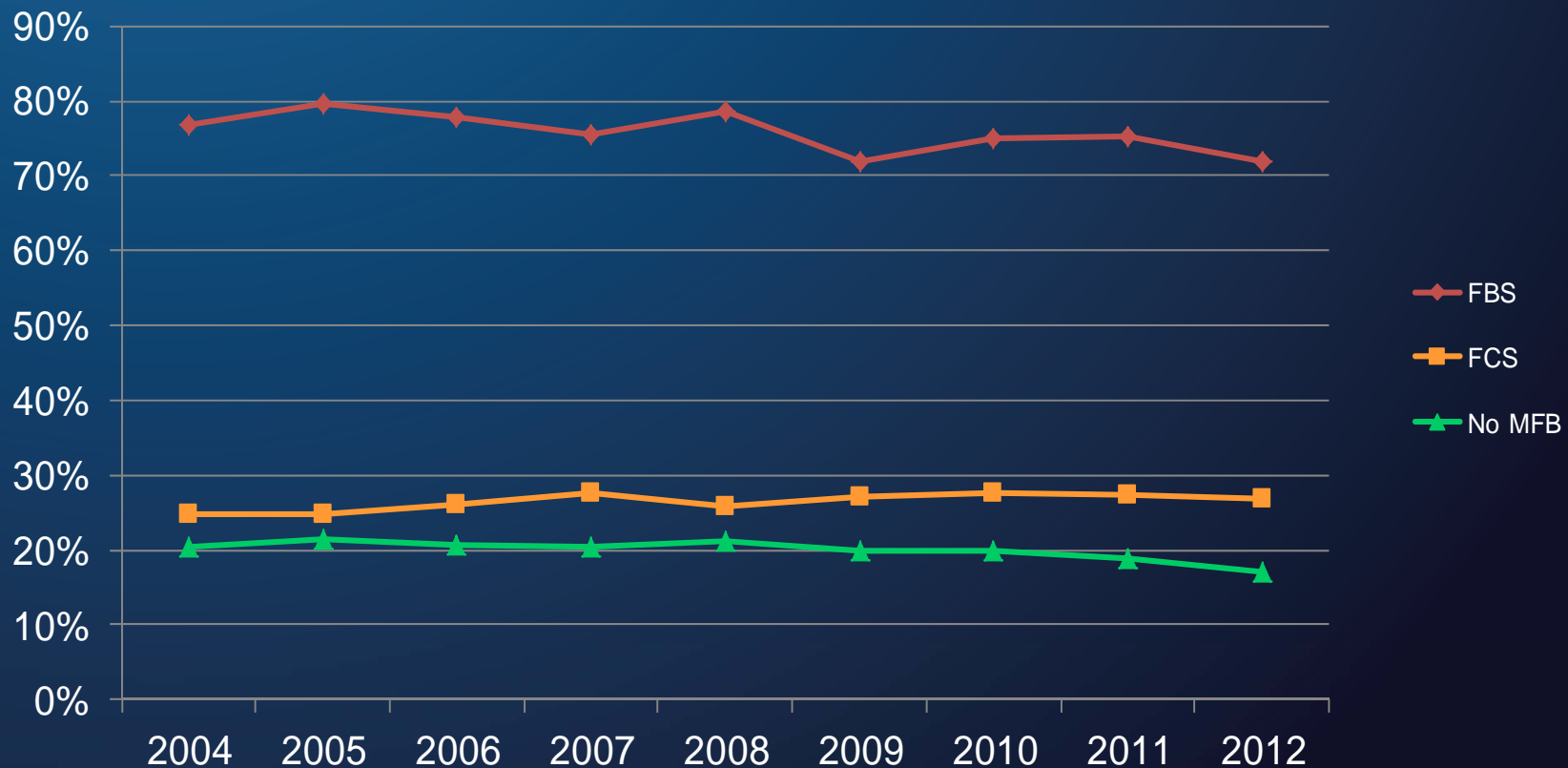
# Median (and Range) 2012 Revenues and Expenses for Division I Institutions By Subdivision

	FBS	FCS	Division I – No MFB
Generated Revenues	\$40,581,000 (\$4.2 million to \$163.3 million)	\$3,750,000 (\$705,000 to \$19.3 million)	\$2,206,000 (\$454,000 to \$15.6 million)
Total Revenues	\$55,976,000 (\$11.3 million to \$163.3 million)	\$13,761,000 (\$2.6 million to \$44.6 million)	\$12,756,000 (\$1.5 million to \$33.8 million)
Total Expenses	\$56,265,000 (\$10.8 million to \$138.3 million)	\$14,115,000 (\$4.6 million to \$44.9 million)	\$12,983,000 (\$3.5 million to \$33.8 million)
Net Generated Revenue	(\$12,272,000) ((\$44.1 million) to \$32.7 million)	(\$10,219,000) (\$2.7 million to \$27.3 million)	(\$9,809,000) (\$2.8 million to \$24.6 million)

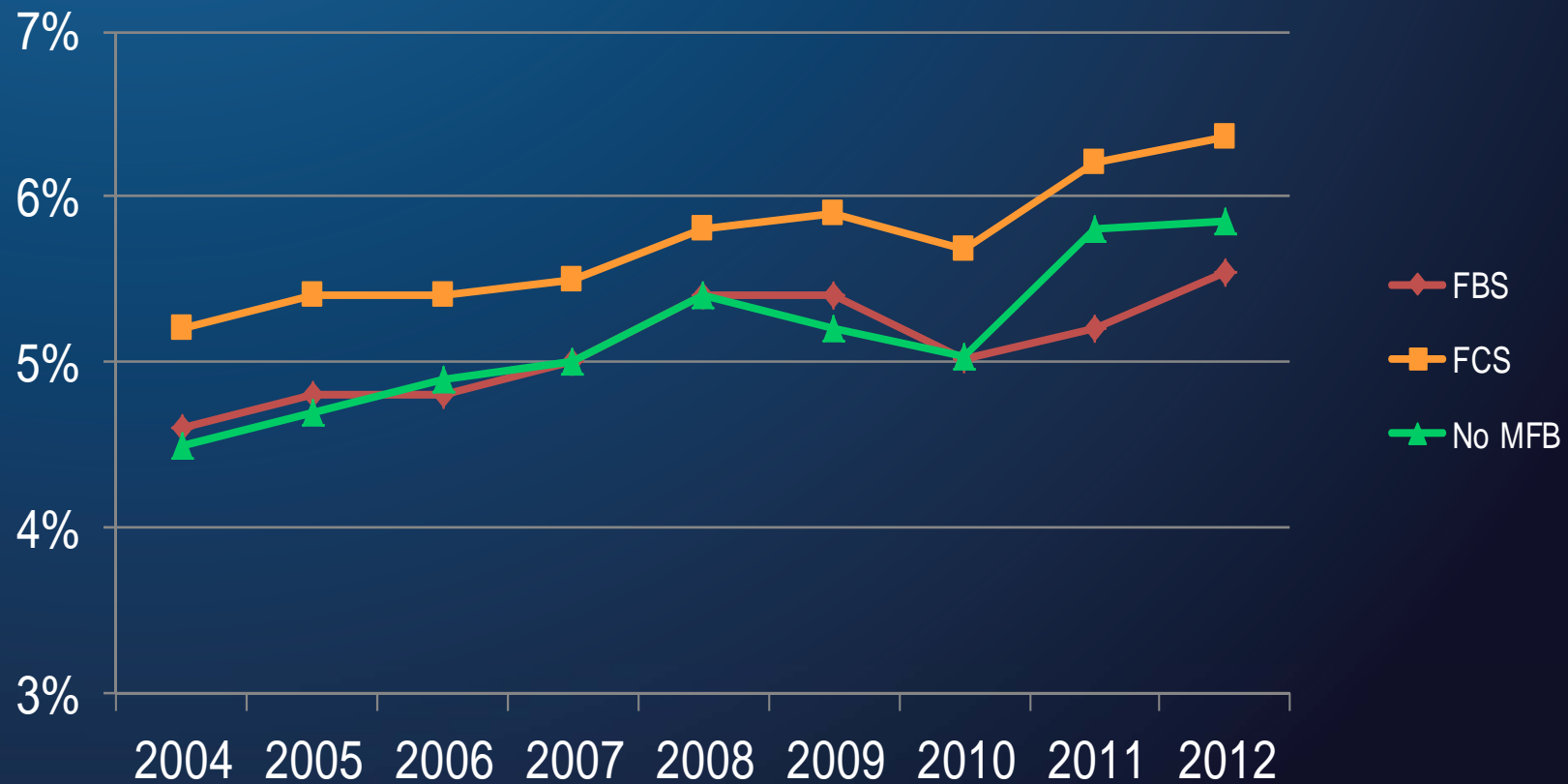
# Median (and Range) 2012 Revenues and Expenses for Division I Institutions By Subdivision

	AQ	Non-AQ
Generated Revenues	\$69,574,000 (\$24 million to \$163.3 million)	\$9,718,000 (\$4.2 million to \$43.6 million)
Total Revenues	\$75,656,000 (\$40.8 million to \$163.3 million)	\$28,007,000 (\$11.3 million to \$58.8 million)
Total Expenses	\$74,636,000 (\$43.1 million to \$138.3 million)	\$27,319,000 (\$10.8 million to \$58.7 million)
Net Generated Revenue	(\$5,225,000) ((\$44.1 million) to \$32.7 million)	(\$16,690,000) (\$3.8 million to \$36.3 million)

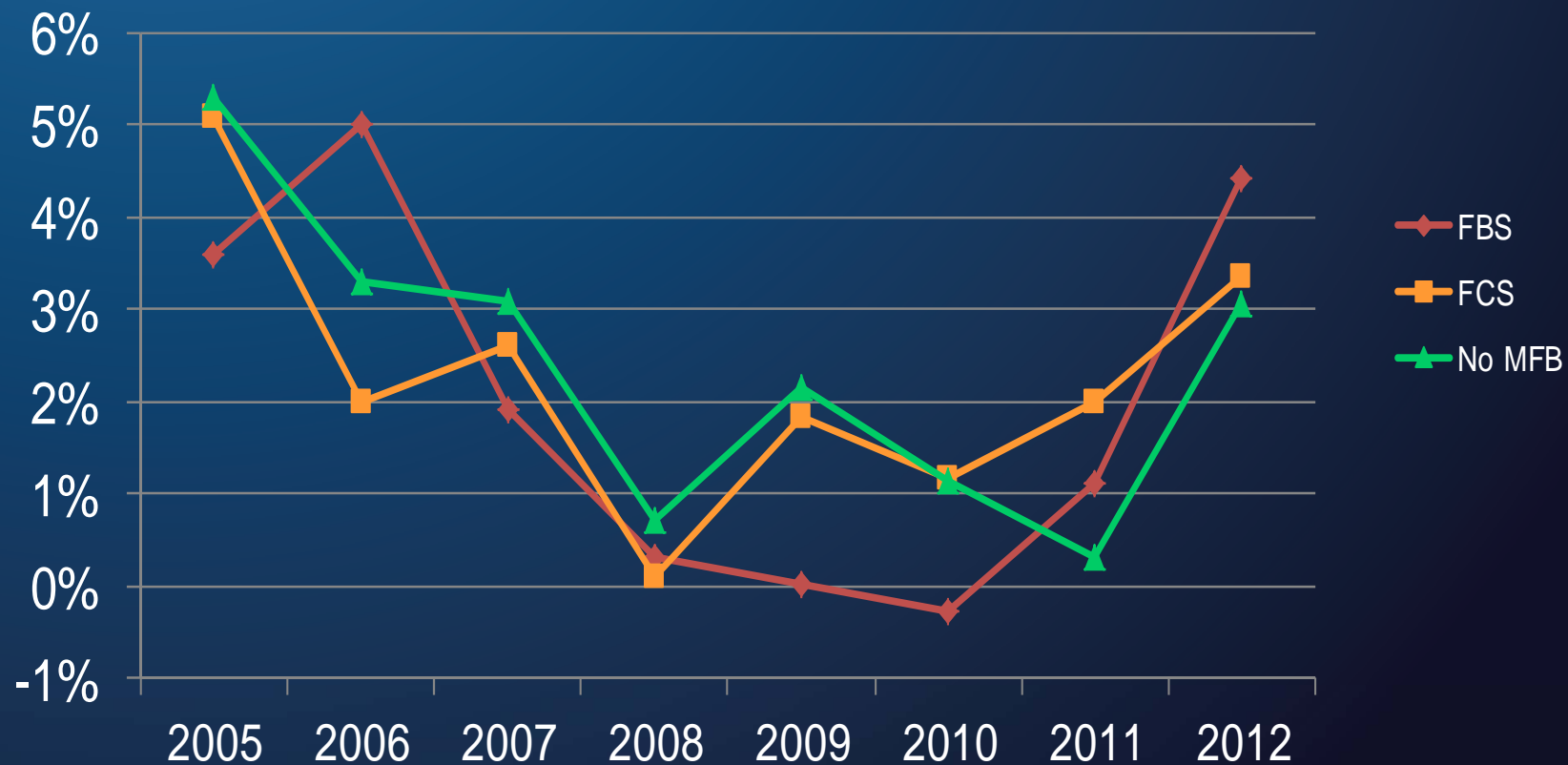
# Division I Median Revenue Self-Sufficiency (Gen. Rev. by Total Exp.) By Subdivision and Year (2004 – 2012)



# Division I Median Ratio of Athletics Expenses to Institutional Expenses By Subdivision and Year (2004 – 2012)



# Division I Median Increase Gap\* Between Athletics Expenses and Institutional Expenses By Subdivision and Year (2004 – 2012)



\*Increase Gap is calculated by subtracting annual percentage increase in institutional expenses from annual percentage increase in athletics expenses.

# 2012 Division I Top Four Revenue Categories

	Overall FBS	Overall FCS	Overall No MFB
Category 1 (% of Total)	Ticket Sales (22%)	Direct Inst. Support (42%)	Direct Inst. Support (50%)
Category 2 (% of Total)	Alumni Contributions (21%)	Student Fees (18%)	Student Fees (17%)
Category 3 (% of Total)	NCAA/Conf. Distributions (18%)	Indirect Inst. Support (9%)	Indirect Inst. Support (10%)
Category 4 (% of Total)	Direct Inst. Support (10%)	Alumni Contributions (8%)	Alumni Contributions (6%)

# 2012 Division I Top Four Expense Categories

	Overall FBS	Overall FCS	Overall No MFB
Category 1 (% of Total)	Salaries and Benefits (35%)	Salaries and Benefits (32%)	Salaries and Benefits (32%)
Category 2 (% of Total)	Grants-in-Aid (15%)	Grants-in-Aid (26%)	Grants-in-Aid (29%)
Category 3 (% of Total)	Facilities and Maintenance (14%)	Indirect Inst. Support (9%)	Indirect Inst. Support (9%)
Category 4 (% of Total)	Other Expenses (9%)	Team Travel (8%)	Team Travel (8%)



# Division I Data Takeaways

- Only 23 Division I Athletic Programs had positive net generated revenues.
- Across the board Division I Athletic Programs spend more than they generate.
- FBS programs generate a larger portion of the money they spend (over 70%), but still have a larger median allocated revenues than FCS and no football programs.
- The economic downturn resulted in a brief period of athletic program increases not being larger than the institutional increase.
- Top Revenues and Expenses vary by subdivision.
- Revenues and Expenses continue to increase.

# FCS to FBS Analysis



# Background on Analysis

- Trend data that we have already reviewed.
- President's requested analysis.
  - Request made in January at FCS Championship
  - Goal to provide President's with speaking points as the discussion on FCS to FBS occurs in-house and with Trustees.
- Commissioners also support the analysis.

# Handout Review: FCS to FBS

- Large difference between FBS AQ group and non AQ group.
- Gap continues to grow.
- Top FCS institutions generated revenues equal to bottom FBS institutions.
  - FCS schools sponsor almost 7 more sports teams.
  - Support on average 200 more student-athletes.
  - Bottom FBS devote almost twice as much money to football.
  - National champions in all NCAA sports come from FBS-AQ conferences 90% of the time.

# FCS to FBS

- Studies show:
  - Institutions generate more revenue after FBS move.
  - In most cases expenses increased by a larger amount.
  - Subsidies went up \$1-2 million per year.
  - For 19 teams, winning after move dropped from 55.7% in FCS to 44.8% in FBS.
  - Prior to change the teams had winning seasons 64.4% of the time as FCS, but only 37.2% in FBS.

# Conclusion

FCS institutions provide more sports and more opportunities for student-athletes, providing a well rounded collegiate experience.

# NCAA Change Initiatives



# Initial Eligibility | Effective 2016

- Goal is to ensure prospective student-athletes are better academically prepared for college coursework.
- Standards include:
  - Must achieve at least a 2.3 GPA **with current test-score scale.**
  - Must successfully complete 10 of 16 total required core courses before the start of their senior year in high school.
  - 7 of 10 courses must be completed in English, math or science.
  - Allows true freshmen that meet prior requirements to practice with team and receive financial aid, but not compete.
  - Two-year college transfer student-athletes must achieve 2.5 transferrable GPA and transfer only two PE courses, plus complete a core curriculum of English, math and science.



# Mid-Year Scholarships

- Adopted October 2012.
- Effective 2012-13 academic year.
- Allows schools to award scholarships for more than one year.
- Conditions for nonrenewal or cancellation are unchanged – poor academic performance, disciplinary matters, etc.
- Does not prohibit student-athletes from transferring.

# Enforcement Reform

- Approved October 2012.
- Effective August 1, 2013.
- Switching from two-tier to four tiers violation structure.
- New penalty guidelines based on tiers to hold those who break code of conduct to be held accountable.
- Increase size of Committee on Infractions (COI) from 10 members to as many as 24.
- Expand demographics of COI to include others.
- Enforcing fact that head coaches set tone and culture for compliance.

# Rulebook Reform

- Twenty-six proposals went to Division I Board in January 2013.
- Efforts are focused on changing regulatory culture with an effective date of August 1, 2013.
- Focus of proposals on deregulation. Such as:
  - Remove limits on # of coaches who can recruit off-campus
  - Allows for more necessary competition related expenses.
  - Allows program to treat prospects like student-athletes.
  - Deregulates campus and clinic employment rules related to both recruits and student-athletes.
- Commitments in proposals are on fair competition.

# NCAA Financial Reporting System Proposed Changes

# Financial Reporting System

- Impetus for system came from Presidential discussion in 2005.
  - Greater transparency.
  - More knowledgeable campus.
- Focus group gathered in March 2013.
- A number of items identified to be looked at:
  - Elimination of some things.
  - Additions.
  - Better descriptions.

# Financial Reporting System Discussions

- Timing discussed but no change in site.
- Stop calling it EADA Reporting – too confusing.
- Documents need to be more accessible by auditors.
- Audit should be risk based.
- Materiality levels like variances above certain dollar threshold or percent increase over previous year.

# Financial Reporting System Changes

## Revenues

- Evaluation of student fee being treated as subsidy and create logic that allows some to be allocate to generated revenues.
- Separate NCAA distributions from conference distributions.
- Redefine broad revenue to include all broadcast revenue, including those distributed by conference.
- Greater clarity around contributions and direct institutional support.
  - Debt service, allocations from institutional unrestricted endowments.
  - In-kind broken out from contributions.

# Financial Reporting System Changes

## Expenses

- Make debt service a separate line.
  - Include leases and rental expenses.
- Eliminate depreciation.
- Eliminate 5% limitation on “other”.
- Consider consistent methodology for institutional support.
- Conference realignment expenses added as a below the operating line item.



# Financial Reporting System Changes

## Other

- Eliminate capital survey.
  - Collect total value of athletic program's endowment.
  - Collect total debt outstanding balance.
- Collect bowl game total revenues and expenses.
- Clarity added on endowment income.
- Move grant-in-aid and sports sponsorship data from spring collection to Financial Reporting System due in January.
- Analysis surrounding whether indirect institutional support should be added as both revenues and expenses.

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