

Funding Academics at WKU during Times of Financial Hardship:

A Statement of Principle

November 21, 2019

Summary

In a time of financial uncertainty and state budget cuts, WKU has no choice but to align its budget with its core priorities: students and their academic education. Data show that WKU's athletics programs are heavily subsidized by student fees and by WKU's general operating budget. Meanwhile, Academic programs are in peril. Therefore, we recommend that: *WKU only earmark funds for Athletics after our obligations to academic programs have been funded in full.*

Introduction

Faculty, students, and alumni all value our athletic programs. We cheer for our teams and we appreciate the role they play in representing our university. However, unremitting cuts to higher education over the last decade have compromised WKU's ability to maintain its academic quality and carry out its primary mission of academic instruction at a cost that is affordable to our students. Consequences of state budget cuts have included, but are not limited to: cuts to academic programs, cuts to library services and subscriptions, cuts to research funds, cuts to community outreach programs, low faculty morale, and higher institutional and individual contributions to benefit programs. As always, students bear the brunt of state budget cuts in the form of higher tuition and fees.

For instance, WKU recently contracted Aramark, a food service company, to cover the cost of WKU's library remodeling project. The cost of this \$35 million-dollar transformation will be borne by students. This contract enables Aramark to charge students who opt out of their on-campus meal plan a \$350-per-semester penalty-fee. In addition, all freshman, whether they want to or not, will be required to purchase an Aramark campus meal plan.

Student fees also subsidize a significant percentage of the operating budget of the Athletic Program. So does money from WKU's operating budget that might otherwise go towards academics, scholarships, and other things more closely bound up with the primary mission of the university. As budget pressures grow increasingly acute, we are forced to prioritize our resources to maintain and protect WKU's core function: academic instruction.

Budget Cut Equity

While we prepare this document, the Deans of WKU's academic colleges are finalizing plans to implement a total of \$3,409,300 in budget cuts. The Athletics Department is scheduled to implement a \$365,915 budget cut.¹ None of these cuts are good. They will have a negative impact on our ability to serve our students.

As a percentage of their 2019/2020 Operating Budgets, the \$3,409,300 of cuts to WKU's academic colleges is equal to 3.72% of their total combined allotted funds of \$91,474,462. The \$365,915 of cuts to the WKU Athletics Department comprises just 1.60% of their total allotted funds of \$22,849,877.² In other words, the severity of the cuts required by Academics is 2.32 times greater than those asked of Athletics.

A comparison of the magnitude of cuts required to the Athletics budget with those required to the budget of Potter College—the academic college whose funding level most closely mirrors Athletics—puts this discrepancy in even sharper relief. As stated above, in WKU's budget for this fiscal year there is \$22,849,877 allocated to Athletics. This is very close to the \$22,503,742 allocated to Potter College. Where Athletics is required to cut \$365,915 from their budget in advance of the 2020/2021 fiscal year, a 1.60% cut, Potter College is required to cut \$1,253,585, a cut of 5.57%. This cut is 3.48 times more than the cuts asked of Athletics.

The percentage of cuts for each academic college and how they compare to the cuts asked of Athletics are shown in the chart below. As a percentage of their 2019/2020 budget allocations, each of WKU's academic colleges have been asked to sacrifice more than athletics during this round of cuts.

College/Division	Current 2019/2020 Allocation	Required 2020/2021 Cut	Percentage of Budget Erased by the Cut
Potter College	22,503,742	1,253,585	5.57%
College of Health and Human Services	18,572,039	638,653	3.43%
Ogden College	26,135,219	859,895	3.29%
College of Education and Behavioral Sciences	12,314,393	391,109	3.17%
Gordon Ford	11,949,069	266,058	2.22%
Athletics Department	22,849,877	365,915	1.60%

¹ Details of these cuts were shared by WKU Director of Media Relations Bob Skipper with WBKO on January 18th, 2019: <https://www.wbko.com/content/news/WKU-facing-more-budget-cuts-for-2020-fiscal-year-511479852.html>

² Expenditures referred to in this document from the 2019/2020 WKU Operating Budget can be found here: https://www.wku.edu/strategyopfin/budget/2019_2020docs/1920_expenditure_summary_unrestricted_2.pdf

Athletic Subsidies at WKU

The projected 2019/2020 fiscal year self-generated revenue for WKU Athletics is \$8,819,000 according to WKU's revenue projections.³ This revenue is generated from things like ticket sales, merchandise, and conference disbursements. But, as noted earlier, Athletics are budgeted to spend \$22,849,877.

Revenue minus expenditures gives Athletics a projected FY 2019/2020 shortfall of \$14,030,877

This 2019/2020 shortfall of **61.40%** is funded (subsidized) by a combination of student fees and a transfer of funds directly from the WKU operating budget to the Athletic Department.

These shortfalls are nothing new at WKU and are common at the vast majority of Division I college athletic programs. A collaboration between The Chronicle of Higher Education and The Huffington Post has created a database of NCAA Division I Athletic Program Finances.⁴

According to this report, the WKU Athletic Department during the period from 2010-2014 received its revenue in the following ways:

Ticket sales = 7%

NCAA distributions = 5%

Other revenue (Private Donations, Licensing, Merchandise, etc.) = 25%

Subsidies = 63%

These subsidies are comprised of:

Student fees = 38%

Direct Institutional support from the WKU Operating Budget = 62%

According to the report, the total revenue of the Athletics Department from all sources during the period from 2010-2014 was \$131,012,440. If 63% of that revenue was subsidized, **that means \$82,537,837 in total subsidies from 2010-2014 flowed into the WKU Athletic Department from a combination of student fees and WKU Operating Budget transfers.** When itemized, this equates to:

\$31,364,378 in student fees, and \$51,173,459 in funds from WKU's operating budget.

This is a lot of money.

To put this in perspective, even if we ignore the \$31,364,378 in student fees, WKU transferred to the Athletic Department the equivalent of one \$48 Million Dollar "WKU Freshman Village" from no source other than its own operating budget in a span of just five years, with over two million dollars extra left over. This \$51,173,459 transfer also dwarfs the cost of WKU's \$35 million "Library Commons" project, which could have been paid in full in just over three years of transfers. Instead, we're allowing a private corporation, Aramark, to directly charge our students for the cost of that construction. While eliminating athletic subsidies altogether is extreme and is not what we're suggesting in this report, these examples illustrate how much money taxpayers and students supply to athletics at WKU.

³ Ibid.

⁴ That article can be found here: https://www.chronicle.com/interactives/ncaa-subsidies-main#id=table_2014

Other universities subsidize their athletics programs as well, many of whom are also suffering under the weight of state budget cuts and likewise struggle to keep tuition affordable for their students.

The Knight Foundation tracks spending by universities on athletics and also keeps track of debt accrued by athletic departments due to facilities construction and other expenditures.⁵ The amount nationwide that taxpayers and students spend to subsidize collegiate athletics is staggering. Financial data for all NCAA Division 1 athletic programs can be found on their website. WKU's information page can be found here: http://cafidatabase.knightcommission.org/fbs/c-usa/western-kentucky-university#!quicktabs-tab-institution_data-3

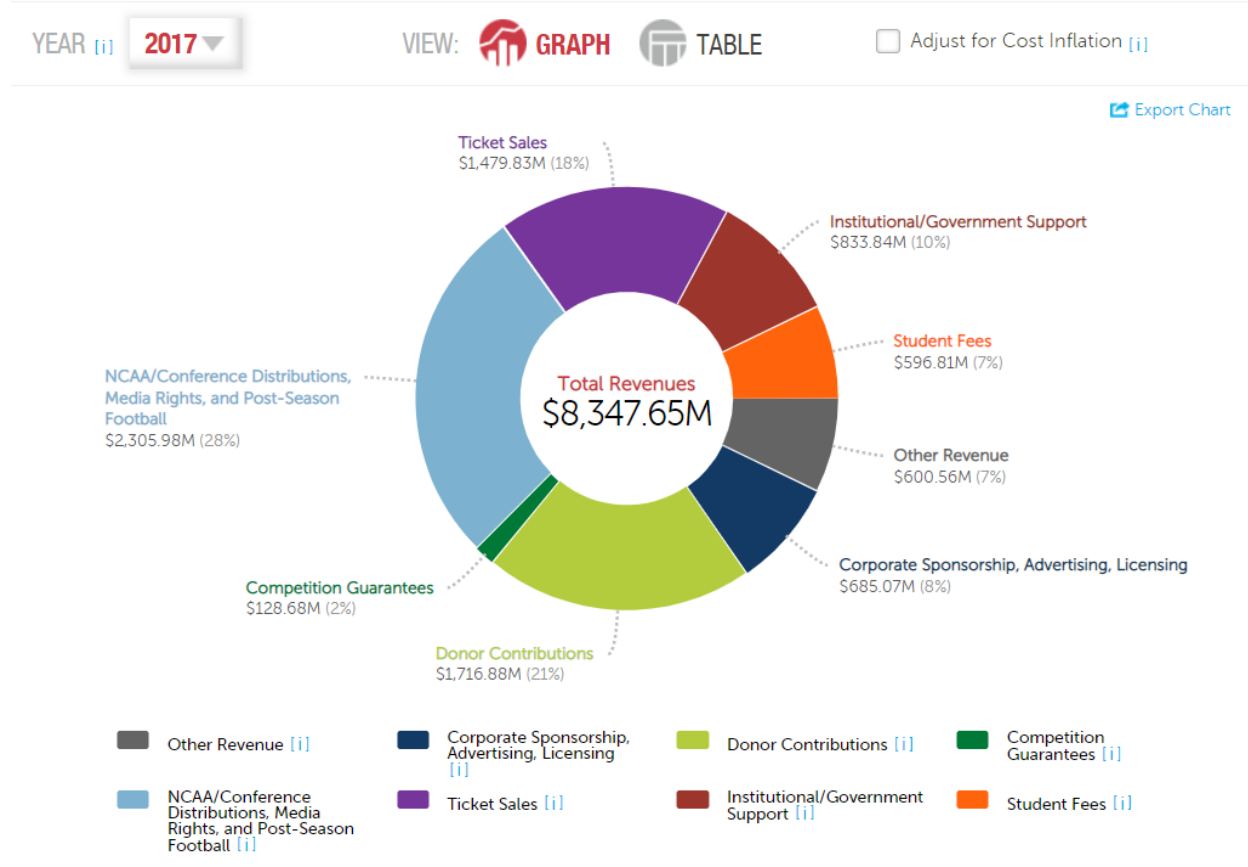
As the graphs on the following pages show, the level of athletics subsidization at WKU as well as its debt service is much higher than the national average for Football Bowl Subdivision (FBS) Division 1 Programs.

[graphs on subsequent pages]

⁵ All Knight Foundation info/graphs courtesy of *Knight Commission Athletic & Academic Spending Database for NCAA Division I. (2018). Knight Commission on Intercollegiate Athletics. www.knightcommission.org. Athletics Data Source: USA TODAY's NCAA Athletics Finance Database.*

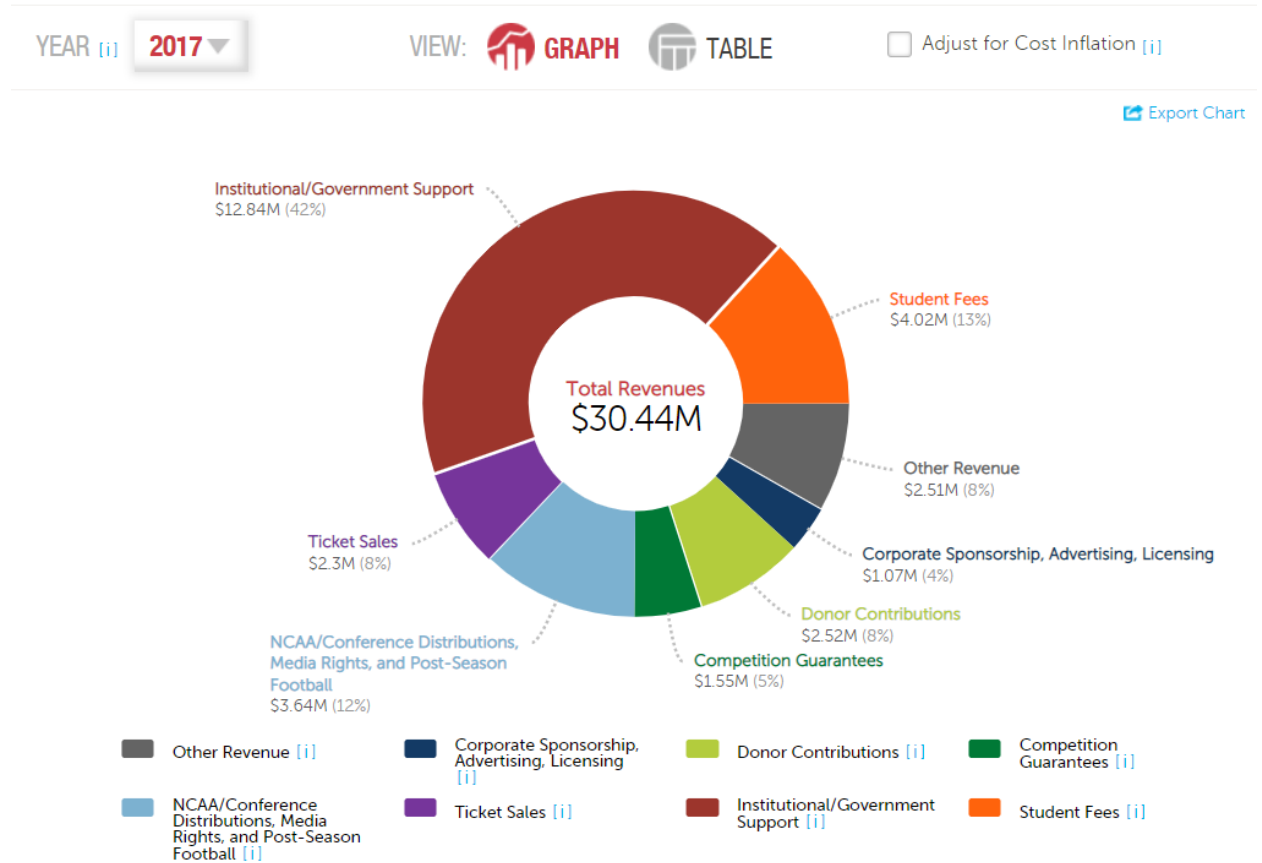
The chart below shows the total revenue and sources of revenue for all NCAA Football Bowl Subdivision programs in 2017. The average rate of subsidization (institutional support + student fees) across FBS during that year was 17%.

This graph shows the major operating revenues for all institutions in the Football Bowl Subdivision



In the most recent year available from the Knight Foundation Database (2017), the rate of subsidization at WKU was 55%, *more than three times higher than the FBS average*. [This year, as previously indicated, WKU Operating Budget Earmarks and Student Fees are anticipated to subsidize 61.40% of the Athletics Department’s Operating Budget.]

This graph shows the major operating revenues for Western Kentucky University



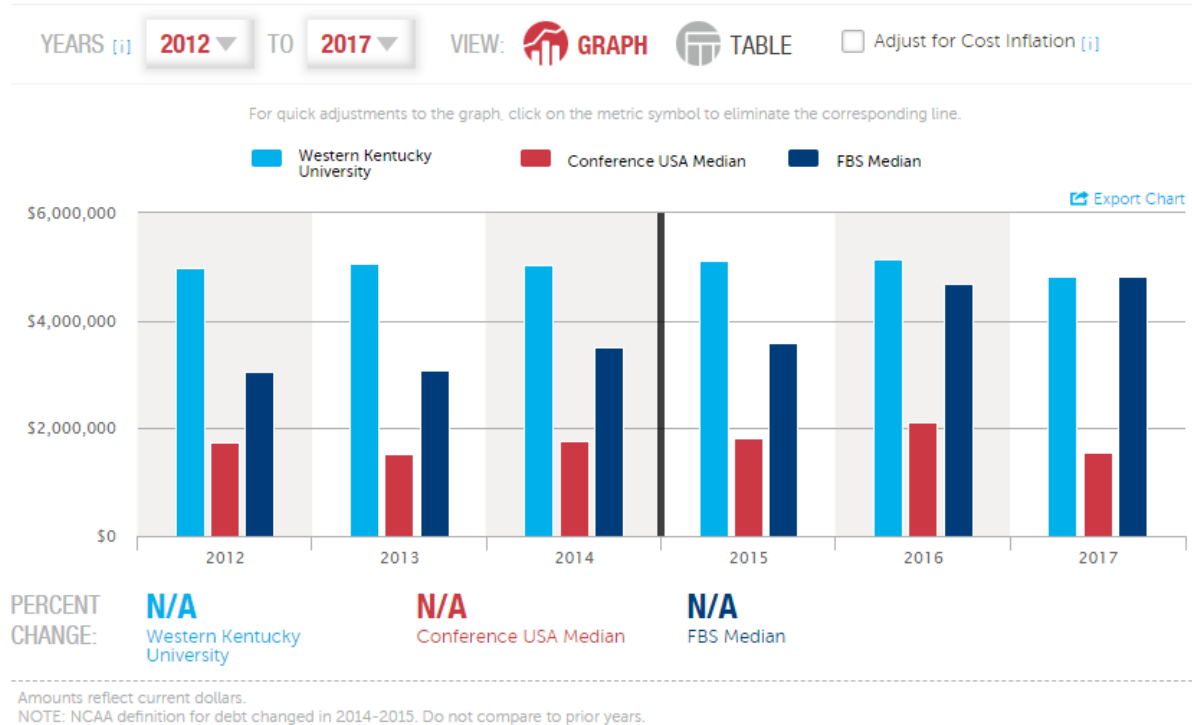
Additionally, debt accrued by the WKU Athletic Department is significant, likely due to recent augmentations to athletic facilities during the decade since our jump to Division I Football, and far outpaces that of other Conference-USA athletic departments in the graph shown here:

TOTAL ANNUAL DEBT SERVICE, LEASES AND RENTAL FEES ON ATHLETIC FACILITIES



Payment of principal and interest on athletic facilities debt, leases and rental fees in the reporting year.

NOTE: NCAA definitional changes increased, for some institutions, the amounts reported in this area beginning in 2014-15.



All of this drains resources from both the WKU Operating Budget, drawn mainly from student tuition dollars and from taxpayer-funded state support. It also drains money directly from the pockets of students through increasingly heavy student fees.

Conclusion and Recommendation

For over a decade, WKU has dealt with state budget cuts by passing those costs on to students in the form of higher tuition and fees. This in turn has made WKU less affordable and less competitive and has had a negative impact on recruiting and retention. Recently, WKU has implemented a RAMP Budget Model that effectively forces academic colleges to compete with one another for what continue to be increasingly scarce funds. The result is academics potentially cannibalizing itself through the liquidation of teaching faculty and academic programs. Such decisions diminish WKU's reputation and erode the quantity and quality of its academic offerings and negatively impact WKU's ability to recruit and retain

students. Athletics are also valued on and far beyond our campus. But a university's purpose is academic instruction. We need to budget our resources accordingly. Students and academic programs have suffered enough. Hard but *better* decisions need to be made. We love our Hilltoppers and we support our teams. But Members of the WKU community need to know that more than a decade of state budget cuts have tangible negative consequences, not just for necessary things like academic instruction, libraries, and student financial aid, but extracurricular things like athletics. We believe and hope that reprioritizing our budgets, while painful, will help the alumni and friends of our great institution realize the gravity of our situation. Budgets are value statements. If academics and student learning are our top priority, we need to take that charge seriously and allocate money from our operating budget accordingly.

Therefore we recommend that: **WKU only earmark funds for Athletics after our obligations to academic programs have been funded in full.**

The subsidies that are earmarked annually for athletics are in 2019/2020 budgeted at **\$14,030,877**. This amount far exceeds the \$3,409,300 in total combined budget cuts that currently threaten WKU's academic colleges. Once academic obligations are fulfilled, this move would still leave the WKU Athletic Department with a \$10,621,577 earmark/subsidy from WKU's operating budget. This is not ideal, but neither are the relentless cuts in state appropriations that WKU has had to endure over the last 10+ years. Sadly, these cuts have consequences. We hope our recommendation energizes the WKU community to lobby for the importance of public higher education funding in the Commonwealth of Kentucky. If we can reverse the spiral of decline in which we now find ourselves, we hope that all funding needs for both academics and athletics can be satisfied. But the reason that WKU exists is to teach students. Academics must come first.