A REVIEW

Division of Intercollegiate Athletics

University of Wisconsin-Madison

99-18

October 1999

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October 21, 1999

Senator Gary R. George and
Representative Carol Kelso, Co-Chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Kelso:

We have completed a review of the expenditures and funding for programs of the University of Wisconsin-Madison's Division of Intercollegiate Athletics, as requested by the Joint Legislative Audit Committee. From fiscal year (FY) 1994-95 through FY 1999-2000, the Division's expenditures are expected to increase 77.5 percent, from approximately $23.0 million to $40.8 million, and its revenues are expected to increase 63.8 percent, from $24.9 million to $40.7 million. After deficits in FY 1998-99 and FY 1999-2000, the Division's cash reserves are expected to decline by approximately $1.2 million, to $2.7 million at the end of FY 1999-2000.

Although the Division has improved its financial management since our 1989 audit, we believe its expenditure growth could be better controlled. For example, from FY 1994-95 through FY 1999-2000, when the rate of inflation is expected to be 12 percent, expenditures for women's athletic programs (excluding three new programs) are expected to increase 64.7 percent. Expenditures for men's athletic programs are expected to increase 36.8 percent. If the Division is unable to adequately control expenditure growth, it will become necessary to increase revenues through measures that could include increases in ticket prices.

When evaluating the Division's financial plans for the future, the Legislature and others may wish to consider whether an appropriate balance exists between the extent to which expenditures will be controlled and the extent to which revenues will be increased. Further, we suggest that the Legislature carefully review support for programs not reflected in the Division's financial statements. This support includes general purpose revenue, support provided by the University of Wisconsin-Madison, and cash balances held in intercollegiate accounts of the University of Wisconsin Foundation.

We appreciate the courtesy and cooperation extended to us by the staff of the Division of Intercollegiate Athletics, as well as by officials of the University of Wisconsin System and the University of Wisconsin-Madison. The University of Wisconsin-Madison's response is Appendix IX.

Respectfully submitted,

Janice Mueller
State Auditor

JM/PS/ao

SUMMARY

In fiscal year (FY) 1999-2000, the University of Wisconsin-Madison's Division of Intercollegiate Athletics expects to spend approximately $40.8 million to operate 23 athletic programs, including 12 for women and 11 for men. A total of 695 athletes are expected to participate in these programs.

In February 1999, officials in the Division reported that deficits were expected in both FY 1998-99 and FY 1999-2000. The Division recorded a $1.1 million deficit in FY 1998-99 and, in September 1999, projected a deficit of $88,800 for FY 1999-2000, a reduction from an initial deficit projection of $600,000. As a result, cash reserves are expected to decline by approximately $1.2 million, to a balance of $2.7 million at the end of FY 1999-2000.

Legislators and others interested in intercollegiate athletics have questioned whether the current shortfall could lead to financial problems, such as those experienced in the late 1980s when the Division had an accumulated deficit of $2.0 million and deferred an additional $3.0 million of maintenance projects. Consequently, at the direction of the Joint Legislative Audit Committee, we reviewed expenditures and revenues to determine the factors that have contributed to current deficits, and we identified alternatives to improve future financial performance. In addition, we reviewed management practices to determine whether financial oversight has improved since our last audit, completed in 1989.

From FY 1994-95 through FY 1999-2000, expenditures for the Division's programs are projected to increase by 77.5 percent, from almost $23.0 million to more than $40.8 million. We categorized expenditures into one of three categories: athletic programs, facilities, and administration. During the period reviewed, we found that:

- athletic program expenditures are expected to increase by $7.7 million, or 57.8 percent;
- facilities expenditures are expected to increase by $6.7 million, or 115.1 percent; and
- administrative expenditures are expected to increase by $3.4 million, or 88.2 percent.

In FY 1999-2000, athletic program expenditures are projected to total nearly $21.0 million, representing 51.4 percent of the Division's expenditures. Men's athletic programs account for $11.1 million of this total; women's athletic programs account for $6.0 million; and shared costs, such as academic and medical services provided to student athletes, account for $3.9 million.

While expenditures for men's and women's athletic programs increased by similar dollar amounts in the five-year period reviewed, the percentage increase in women's programs (123.7 percent) is more than three times greater than the increase in men's programs (36.8 percent). This difference is a result of efforts to comply with Title IX of the federal Educational Amendments of 1972, which prohibits discrimination against women in all educational programs, including intercollegiate athletics. One of the three primary methods to satisfy the federal requirement to accommodate the interests of all athletes is to have the proportion of female and male participants in intercollegiate athletics be similar to the proportion of female and male undergraduates. Officials in the Division estimate that this goal will be met in FY 1999-2000. To help achieve it, the Division has established three new women's athletic programs since FY 1994-95: softball, lightweight crew, and ice hockey.

In FY 1999-2000, facilities expenditures are projected to account for almost $12.6 million, or 30.8 percent, of all the Division's expenditures. The Kohl Center accounts for most of the increase in facilities costs. For example, debt service increased $3.4 million as a result of bonding for a portion of its construction costs. In addition, costs related to providing security and emergency medical services at Kohl Center events increased by $1.2 million, and costs related to preparing the Kohl Center for events and returning it to its previous condition after events increased $1.1 million.

The Division's administrative expenditures, including expenditures for managers and for providing support for athletic programs, special events, and facilities, are projected to account for almost $7.3 million, or 17.8 percent of total expenditures, in FY 1999-2000. Most of the expected $3.4 million increase in administrative expenditures from FY 1994-95 through FY 1999-2000 can be attributed to the Kohl Center's operation. However, there have also been increases in administrative expenditures unrelated to the Kohl Center, including those related to computer services, overseeing compliance with National Collegiate Athletic Association, Big Ten Conference, and Western Collegiate Hockey Association guidelines, and providing information on athletic programs. As a result of devoting more resources to administration and program support since our 1989 audit, the Division is providing more reliable financial information, and members of the Athletic Board are taking a more active role in financial decisions.

There have been sizable increases in the number of permanent and limited-term staff requested by the Division and approved by the Governor and the Legislature. From FY 1994-95 through FY 1999-2000, the number of administrative positions increased by 28.3, from 39.6 to 67.9 full-time equivalent positions, and these positions are expected to account for an estimated $1.6 million, or 47.1 percent, of the increase in administrative costs. In addition, the number of full-time equivalent administrative staff hired on a limited-term basis increased by an estimated 10.2 positions, and these positions are expected to account for $300,000, or 8.8 percent, of the increase.

From FY 1994-95 through FY 1999-2000, revenues are expected to increase by approximately $15.9 million, or 63.8 percent, to a total of $40.7 million. This increase is less than the 77.5 percent growth in expenditures. Consequently, revenues have not been sufficient to support increases in expenditures. However, 3 of the 23 athletic programs—football, men's basketball, and men's ice hockey—will generate approximately $19.8 million more than is needed to fund their costs, while the remaining programs will generate approximately $9.7 million less than they cost to operate. Further, in contrast to media reports that the Kohl Center is experiencing a revenue shortfall, additional revenues generated by athletic, concert, and special events held at the Kohl Center in FY 1998-99 more than funded its operating costs.

The Division is required to provide a five-year financial forecast to the Legislature's Joint Finance Committee by October 31, 1999. This forecast is expected to include initiatives to promote financial stability and to ensure that a financial crisis similar to the one experienced in the late 1980s is not repeated. In the course of this review, we identified a number of alternatives to limit expenditures.

First, the Division typically spends more on post-season play, such as football bowl games and NCAA tournaments, than it receives for participating in these events. For example, post-season costs exceeded revenues by $458,500 in FY 1998-99. Each of the 17 athletic programs participating in post-season play spent more than they earned, although $286,700, or 62.5 percent, of the shortfall is attributable to the football team's appearance in the 1999 Rose Bowl. While the football team's appearance in the 1994 Rose Bowl also resulted in a loss, the 1999 deficit was over six times greater. In total, the Division paid for 832 team, band, university, and other representatives in 1999, or 74 more than in 1994.

Second, it may be possible to reduce team travel costs, which totaled $2.9 million in FY 1997-98. Among Big Ten Conference members, only Penn State University reported higher team travel costs than the Division. In addition, the number of car allowances provided to coaches and staff were higher than the number provided by seven members of the Big Ten Conference.

To avoid financial difficulties in the future, the Division will have to limit expenditure growth and develop strategies for increasing revenues. The Division has a number of options for increasing revenues, including fully implementing a preferential seating program for Camp Randall Stadium, which could generate $2.0 million in the first year of implementation and $4.5 million in future years after the program is fully implemented. Other alternatives include increasing the price of tickets, increasing attendance at athletic events, and increasing the number of concerts and special events held at Camp Randall Stadium and the Kohl Center. While some of these strategies have benefits, they also have a number of significant drawbacks. For example, higher ticket prices may be accepted when the Division's athletic teams are competitive with other conference members, as is currently the case. However, in years when the teams are less competitive, ticket buyers may be less willing to pay higher ticket prices or added fees for preferred seats, or they may choose not to attend games because of the cost. This was the case in the 1980s, when the football team was performing poorly and attendance dropped markedly.

The need for revenue increases could be reduced if expenditures could be better controlled. The rate of the Division's expenditure growth has significantly outpaced inflation. For example, while inflation is expected to be 12 percent from FY 1994-95 through FY 1999-2000, the Division's expenditures are expected to increase by 77.5 percent. This substantial rate of increase has been funded by a number of factors, including increasing ticket prices, increasing television and concession revenues, and requiring donations for the opportunity to sit in preferred sections during athletic events at the Kohl Center. While cost increases greater than the rate of inflation may have been necessary to fund new programs and to help ensure competitiveness in the Big Ten Conference, it is not clear that this trend can continue. We estimate that a total of $7.1 million could be saved in the five-year period from FY 1999-2000 through FY 2004-05 if the Division successfully limited growth in athletic program expenditures to 2.5 times the projected rate of inflation.

Although information on all of the Division's costs and funds is available and provided to Athletic Board members, the Division's financial statements do not include all the costs of its operations and all the revenues that support these costs. As a result, to assist Athletic

Board members and others in analyzing the Division’s financial condition and evaluating equity among athletic programs, it is important that the Division provide additional information on:

- expenditures funded and made by others that benefit its programs. In FY 1998-99, at least $3.1 million of revenue and expenditures was not included in the Division’s financial statements;

- reserve balances held in intercollegiate athletic accounts at the University of the Wisconsin Foundation, which at the end of FY 1998-99 included approximately $1.2 million available for the Division’s unrestricted use, and another $2.7 million designated for athletic programs; and

- liabilities, such as the amount of debt owed. At the end of FY 1998-99, the Division owed University of Wisconsin-Madison Transportation Services $663,000 for land used to construct the Kohl Center.

Finally, we believe the Division’s ambitious capital projects plans warrant close scrutiny. The Division has identified approximately $61.0 million in capital projects that, if approved, would increase its debt service costs by at least $4.2 million over the next five years. It may be necessary to reduce the scope of some of the Division’s planned capital projects or to delay others until either additional donations have been raised or program revenues have increased sufficiently to fund debt service costs. However, if planned renovations at Camp Randall Stadium cost more than currently estimated and fund-raising goals are not met, annual debt service costs could be substantially higher. As the annual level of debt service increases, so does the Division’s risk of future financial shortfalls. For example, if revenues were to decrease as a result of lowered attendance at athletic events, concerts, or special events, the Division would be unable to fund its debt service costs as planned. Therefore, *we recommend the University of Wisconsin-Madison’s Division of Intercollegiate Athletics develop a long-range plan for funding its future capital projects that includes an annual assessment of the level of debt service its programs can reasonably support*.

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INTRODUCTION

In fiscal year (FY) 1999-2000, the University of Wisconsin-Madison's Division of Intercollegiate Athletics operates 23 athletic programs: 12 for women and 11 for men. The Division expects to spend approximately $40.8 million to support these athletic programs, in which a total of 695 students are expected to participate.

Expenditures exceeded revenues by $1.1 million in FY 1998-99.

In February 1999, officials in the Division reported that significant deficits were expected in both FY 1998-99 and FY 1999-2000. The Division recorded a $1.1 million deficit in the first of these years and budgeted a $600,000 deficit for the second, despite increasing football ticket prices for the fall 1999 season by $2 for university students and $4 for other ticket purchasers. In September 1999, based on final revenue and expenditure data for FY 1998-99 and considering additional revenues related to tickets and other increases for FY 1999-2000, the Division revised its deficit for FY 1999-2000 to $88,800. Deficits are funded from the Division's reserves, which are expected to total $2.7 million at the end of FY 1999-2000.

Despite substantial increases in revenues from its income-generating athletic programs and donations from individuals and businesses in recent years, the Division is faced with a number of financial issues. Individuals interested in intercollegiate athletics have questioned whether the current situation could lead to financial problems such as those experienced in the late 1980s, when the Division accumulated a deficit of $2.0 million as well as an additional $3.0 million of deferred maintenance projects. Resolving these problems required a growth in attendance at athletic events, as well as significant financial assistance and other support from the Legislature, the University of Wisconsin-Madison, university students, and supporters of athletic programs. To help ensure similar financial problems are avoided in the future, and at the direction of the Joint Legislative Audit Committee, we:

- reviewed expenditures and revenues for the past five fiscal years to determine the factors that have contributed to current deficits;
- identified alternatives to improve future financial performance; and
- reviewed management practices to determine whether financial oversight has improved since our last audit, completed in 1989.

In completing our review, we examined the Division's financial and program records and reviewed revenue and expenditure information for other members of the Big Ten Conference. We also reviewed other revenue information, including support from general purpose revenue and from students at all four-year campuses in the University of Wisconsin System. We interviewed the Division's staff, members of the Athletic Board, and officials of the University of Wisconsin-Madison. Our review focused on the Division's athletic programs and general operations. However, we did not review the operations of the University Ridge golf course or the administration of the athletic coaches' camps and clinics, because these programs have been self-supporting.

Governance and Operations

The governance, management, and operations of the Division are shared by:

- the Board of Regents of the University of Wisconsin System, which establishes overall university policies and formally accepts gifts and donations on behalf of the Division;
- the University of Wisconsin-Madison Chancellor, who administers the Board of Regents' policies, ensures appropriate management of all campus funds, and hires the Athletic Director of the Division of Intercollegiate Athletics;
- the Athletic Board, which consists of 12 faculty members and two administrators of the University of Wisconsin-Madison, four alumni, two student athletes, and two student government representatives, and which develops policies and oversees program operations; and
- the Legislature's Joint Finance Committee, which approves increases and changes to the Division's base budget on an annual basis.

Division governance is also influenced by the National Collegiate Athletic Association (NCAA), the Big Ten Conference, and the Western Collegiate Hockey Association, which oversee the operations of athletic programs by conference members. Members may be sanctioned for violations of rules and regulations.

As shown in Appendix I, overall management of the Division's operations is the responsibility of the athletic director, five associate athletic directors, an assistant athletic director, and a compliance director. In addition to the 12 women's athletic programs, the 11 men's athletic programs, and the support services provided to all of the athletic programs, operations include activities such as academic support, facility management, public information, ticket operations, financial management, and fund-raising activities. In FY 1999-2000, the Division's budget is $40.8 million, and it is authorized 189.7 full-time equivalent staff positions.

The Division ranks fourth among members of the Big Ten Conference in number of athletic programs.

As noted, the Division operates a total of 23 athletic programs. The number of athletic programs operated by other members of the Big Ten Conference range from 18 at Northwestern University and Purdue University to 33 at The Ohio State University. As shown in Table 1, three members of the Big Ten Conference operate a greater number of athletic programs than the Division.

Table 1

Number of Athletic Programs Operated by Members of the Big Ten Conference
FY 1999-2000

	Women's Programs	Men's Programs	Total
Ohio State University	16	17	33
Penn State University	13	14	27
Michigan State University	12	12	24
University of Wisconsin	**12**	**11**	**23**
University of Michigan	12	11	23
University of Iowa	12	10	22
University of Minnesota	11	11	22
Indiana University	11	10	21
University of Illinois	10	9	19
Northwestern University	10	8	18
Purdue University	9	9	18

The Division has experienced substantial success in its athletic programs. For example, in FY 1998-99, it was ranked 25th of approximately 300 universities in the Sears Cup rankings, which calculate a score for each university based on the success of its NCAA programs. In addition, based on the success of its Big Ten Conference programs in FY 1998-99, the Division ranked first among members of that athletic conference.

Financial Performance

As shown in Table 2, the Division's ending reserve balance increased each year from FY 1994-95 through FY 1997-98. However, the deficit in FY 1998-99 and the estimated deficit for FY 1999-2000 will decrease reserves by $1.2 million and result in an ending balance of $2.7 million for FY 1999-2000.

Table 2

Changes in Reserve Balance

	Beginning Reserve Balance	Revenues in Excess of Expenditures	Ending Reserve Balance
FY 1994-95	$ 708,900	$1,866,900	$2,575,800
FY 1995-96	2,575,800	80,000	2,655,800
FY 1996-97	2,655,800	511,500	3,167,300
FY 1997-98	3,167,300	748,500	3,915,800
FY 1998-99	3,915,800	(1,093,300)	2,822,500
FY 1999-00	2,822,500	(88,800)*	2,733,700

* Projected as of September 1999.

From FY 1994-95 through FY 1999-2000, expenditures are projected to increase by 77.5 percent, from almost $23.0 million to more than $40.8 million. Appendix II provides comparative data on operating expenditures for all members of Big Ten Conference. In FY 1997-98, the University of Wisconsin-Madison ranked in the top three in expenditures for salaries, debt service, and team travel, but in the bottom three in expenditures for student aid and equipment and supplies.

From FY 1994-95 through FY 1999-2000, expenditures are expected to increase by $17.8 million.

As shown in Table 3, we categorized the Division's expenditures into one of three categories: athletic programs, facilities, and administration. The projected $7.7 million increase in athletic program expenditures is the most significant dollar increase, and the 115.1 percent increase for facilities is the most significant increase on a percentage basis. We reviewed expenditure trends in all three cost categories to determine reasons for these increases.

Table 3

Expenditure Trends

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Athletic Programs	$13,290,000	$20,972,400	$ 7,682,400	57.8%
Facilities	5,839,300	12,562,400	6,723,100	115.1
Administration	3,865,600	7,273,400	3,407,800	88.2
Total	$22,994,900	$40,808,200	$17,813,300	77.5

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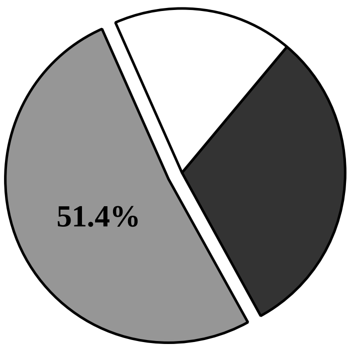
ATHLETIC PROGRAM EXPENDITURES

Athletic Programs



Athletic program costs are expected to account for 51.4 percent of the Division's expenditures in FY 1999-2000. Athletic program costs can generally be categorized as expenditures benefiting either men's programs, women's programs, or all programs. These expenditures include:

- operating costs, such as coaches' salaries, team travel, equipment, and supplies;
- scholarship costs for student athletes; and
- costs of participating in post-season competitions, such as the Rose Bowl and various NCAA tournaments.

Expenditures benefiting all athletic programs generally represent the shared costs of providing services to student athletes, such as academic support, medical care, and strength and conditioning. Appendix III provides comparative data on athletic program expenditures for members of the Big Ten Conference.

A majority of athletic program expenditures are for men's programs. Of the almost $21.0 million projected for athletic programs in FY 1999-2000, men's programs are expected to account for $11.1 million, or 53.0 percent; women's programs are expected to account for $6.0 million, or 28.5 percent; and shared costs are expected to account for $3.9 million, or 18.5 percent.

From FY 1994-95 through FY 1999-2000, total expenditures in men's and women's athletic programs are projected to increase by similar dollar amounts. However, as shown in Table 4, the percentage increase in women's programs (123.7 percent) is more than three times higher than the percentage increase in men's programs (36.8 percent). This difference is primarily a result of the Division's efforts to comply with Title IX of the federal Educational Amendments of 1972, which prohibits discrimination against women in all educational programs, including intercollegiate athletics.

Table 4

Expenditures for Athletic Programs

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Men's Programs:				
Operating Costs	$ 6,239,000	$ 8,147,400	$1,908,400	30.6%
Post Season Play	1,004,000	1,722,000	718,000	71.5
Scholarships*	884,200	1,248,000	363,800	41.1
Total	$ 8,127,200	$11,117,400	$2,990,200	36.8
Women's Programs:				
Operating Costs	$ 2,176,300	$ 4,839,500	$2,663,200	122.4
Post Season Play	68,600	249,000	180,400	263.0
Scholarships*	423,200	879,400	456,200	107.8
Total	$ 2,668,100	$ 5,967,900	$3,299,800	123.7
Shared Costs	$ 2,494,700	$ 3,887,100	$1,392,400	55.8
Total Costs	$13,290,000	$20,972,400	$7,682,400	57.8

* Represents net costs; scholarship costs are reduced by tuition and fee waivers provided and funded by the University of Wisconsin-Madison. In FY 1999-2000, waivers are expected to total $2.5 million.

Title IX requires that female and male athletes participating in comparable athletic programs receive the same benefits of participation. To achieve this goal, the Athletic Board has identified 13 standards that the Division must meet. Division officials believe substantial compliance with 9 of the 13 standards has been achieved, including a similar proportion of female and male student athletes as in the undergraduate population; equity in the level of equipment and supplies; similar practice schedules and similar opportunities for league, post-season, regional, national, and international competition; similar amounts of travel and per diem allowances; similar access and support for tutorial assistance; equity in the number, quality, and compensation of coaches; similar access to and quality of medical and training facilities and services; similar access to and quality of housing and dining; and a similar level of resources for recruitment. Because of these efforts, a sports magazine for women recently ranked the Division tenth nationally for the quality of its women's programs, which is the highest ranking received by any member of the Big Ten Conference.

The four remaining standards that will require additional resources before parity between men's and women's programs is achieved are equity in spending on female and male scholarships, providing similar levels of marketing and sports information; equal access to and quality of locker rooms and facilities; and supplying a similar level of administrative support to athletic programs. The Athletic Board also believes additional improvements are needed in the quality of office space provided to coaches of women's athletic programs.

Men's Programs

Football accounts for $1.8 million of the cost increase in men's athletic programs.

As noted, expenditures for men's athletic programs, including the costs of program operations, scholarships, and post-season play, are projected to total $11.1 million and to account for approximately 53.0 percent of athletic program expenditures in FY 1999-2000. As shown in Table 5, approximately $1.8 million of the $3.0 million increase is attributable to the football program. Football program costs increased by $561,800 for coaches and staff salaries; $531,500 for travel, equipment, and supplies; and $177,500 for scholarships. The remaining $552,800 increase for the football program reflects possible post-season bowl game costs, which increased from $947,200 in FY 1994-95 to an estimated $1.5 million in FY 1999-2000.

Since FY 1994-95, men's athletic programs increased by 36.8 percent, which is three times the rate of inflation.

Increases for other men's athletic programs have been substantially less than for the football program. During the period of our review, costs are expected to increase from a low of $29,200 in the men's cross country program to a high of $320,700 in the men's basketball program. From FY 1994-95 through FY 1999-2000, the average increase in men's programs is projected to be 36.8 percent, which is three times the rate of inflation during this period.

Table 5

Expenditures for Men's Athletic Programs*

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Football	$4,186,500	$ 6,010,100	$1,823,600	43.6%
Basketball	1,127,400	1,448,100	320,700	28.4
Ice Hockey	995,700	1,084,500	88,800	8.9
Track	341,100	494,500	153,400	45.0
Swimming/Diving	303,300	422,400	119,100	39.3
Wrestling	270,000	412,700	142,700	52.9
Crew	339,300	378,100	38,800	11.4
Soccer	220,400	335,500	115,100	52.2
Tennis	118,500	208,800	90,300	76.2
Golf	97,000	166,500	69,500	71.6
Cross Country	127,000	156,200	29,200	23.0
Baseball**	1,000	0	(1,000)	(100.0)
Total	$8,127,200	$11,117,400	$2,990,200	36.8

* Includes the costs of program operations, net scholarships, and post-season play, but does not include support for capital projects.

** Discontinued in FY 1991-92, although scholarship costs were incurred through FY 1994-95.

Women's Programs

Three new athletic programs account for 48.4 percent of the $3.3 million cost increase in women's programs.

As noted, expenditures for women's athletic programs, including the costs of program operations, scholarships, and post-season play, are projected to total $6.0 million and to account for 28.5 percent of athletic program expenditures in FY 1999-2000. As shown in Table 6, women's programs are projected to increase by $3.3 million from FY 1994-95 through FY 1999-2000. Approximately $1.6 million, or 48.4 percent, of this increase is attributable to the addition of three women's programs, which were needed to promote compliance with federal Title IX requirements:

- women's ice hockey, which will begin play in FY 1999-2000, accounts for $969,600 of the increase;
- women's softball, which began play in FY 1995-96, accounts for $346,500 of the increase; and
- women's lightweight crew, which began play in FY 1995-96, accounts for $279,800 of the increase.

Table 6

Expenditures for Women's Athletic Programs*

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Basketball	$ 652,400	$1,157,000	$ 504,600	77.3%
Ice Hockey**	0	969,600	969,600	-
Crew	264,300	552,300	288,000	109.0
Volleyball	352,200	537,600	185,400	52.6
Track	338,900	515,200	176,300	52.0
Swimming/Diving	318,800	466,800	148,000	46.4
Softball**	107,900	454,400	346,500	321.1
Soccer	252,100	445,100	193,000	76.6
Tennis	205,700	320,900	115,200	56.0
Lightweight Crew**	0	279,800	279,800	-
Golf	123,300	175,900	52,600	42.7
Cross Country	39,400	93,300	53,900	136.8
Gymnastics***	13,100	0	(13,100)	(100.0)
Total	$2,668,100	$5,967,900	$3,299,800	123.7

* Includes the costs of program operations, net scholarships, and post-season play, but does not include support for capital projects.

** The softball and lightweight crew programs began competing in FY 1995-96, although softball incurred some start-up costs in FY 1994-95. Ice hockey will begin competing in FY 1999-2000.

*** Discontinued in FY 1991-92, although scholarship costs were incurred through FY 1994-95.

With the addition of these programs and a new initiative to manage the number of participants on the roster of each men's and women's athletic program, it is expected that one of the three methods to satisfy the federal Title IX requirements which include having proportions of female and male participants in intercollegiate athletics that are similar to the proportions of female and male students in the undergraduate population, will be met in FY 1999-2000. Consequently, officials in the Division have no plans to add new women's athletic programs in the foreseeable future.

In addition to investing in new athletic programs to promote equity in the number of male and female athletes, the Athletic Board has authorized additional spending for women's programs to promote parity in, for example, modes of team travel, the level and number of opportunities to compete, and the type and amount of equipment and supplies provided to each athletic program. As a result of these efforts, the Division expects a similar level of spending for comparable men's and women's programs in FY 1999-2000, as shown in Table 7. Differences between individual programs remain for a number of reasons, including the number of student athletes participating in each program.

Table 7

Expenditures for Comparable Athletic Programs*
Projected FY 1999-2000

	Men's Programs	Women's Programs	Difference in Women's Programs
Basketball	$1,448,100	$1,157,000	$(291,100)
Ice Hockey	1,084,500	969,600	(114,900)
Crew	378,100	552,300	174,200
Track	494,500	515,200	20,700
Swimming/Diving	422,400	466,800	44,400
Soccer	335,500	445,100	109,600
Tennis	208,800	320,900	112,100
Golf	166,500	175,900	9,400
Cross Country	156,200	93,300	(62,900)
Total	$4,694,600	$4,696,100	$ 1,500

* Expenditures include the costs of program operations, net scholarships, and post-season play.

Excluding three new programs, women's athletic program costs increased by 64.7 percent since FY 1994-95.

To assist in efforts to achieve compliance with Title IX requirements, women's athletic programs have increased at rates higher than those for comparable men's programs. As a result, from FY 1994-95 through FY 1999-2000, the average cost increase for women's programs, excluding the three new programs, is projected to be 64.7 percent. In contrast, the average cost increase for men's programs is projected to be 36.8 percent. Because the Division believes it is near parity in its support of comparable men's and women's programs, officials believe the difference in expenditure growth rates will become less pronounced over time.

Shared Costs

A substantial number of costs, such as academic support, medical services, and strength and conditioning costs, are not charged to specific athletic programs because of the difficulty in identifying the amounts benefiting individual programs. Shared costs are projected to be $3.9 million and to account for 18.5 percent of athletic program expenditures in FY 1999-2000. As shown in Table 8, shared costs are expected to increase by $1.4 million, or 55.8 percent, from FY 1994-95 through FY 1999-2000.

Table 8

Expenditures for Shared Athletic Program Costs

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Academic Support	$ 581,900	$ 866,800	$ 284,900	49.0%
Sports Medicine	519,600	777,400	257,800	49.6
Medical Payments*	373,900	700,300	326,400	87.3
Strength and Conditioning	220,400	349,600	129,200	58.6
Video Services	366,700	529,400	162,700	44.4
Equipment Room	351,800	534,000	182,200	51.8
Other	80,400	129,600	49,200	61.2
Total	$2,494,700	$3,887,100	$1,392,400	55.8

* Approximately $140,000 of the increase is related to costs that were incurred in FY 1997-98 and FY 1998-99 but not billed until FY 1999-2000.

Increases in the number of athletic programs and participants have increased shared costs.

Shared costs typically are considered a function of the number of athletic programs operated and the number of student athletes participating in the programs. For example, the number of trainers and academic support staff has increased as the number of student athletes has grown. As shown in Table 9, the total number of athletes is projected to increase by 60 students, or 9.4 percent, from FY 1994-95 through FY 1999-2000. To accommodate the increasing number and needs of its athletic programs, the Division has expanded its facilities and increased its facilities costs.

Table 9

Male and Female Participation in Athletic Programs

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Men's Programs:				
Football	115	105	(10)	(8.7)%
Crew	72	55	(17)	(23.6)
Track	50	43	(7)	(14.0)
Ice Hockey	30	27	(3)	(10.0)
Wrestling	34	25	(9)	(26.5)
Soccer	31	25	(6)	(19.4)
Swimming/Diving	22	22	0	0.0
Basketball	15	15	0	0.0
Cross Country	17	12	(5)	(29.4)
Golf	17	10	(7)	(41.2)
Tennis	11	9	(2)	(18.2)
Total	414	348	(66)	(15.9)
Women's Programs:				
Crew	78	75	(3)	(3.8)
Lightweight Crew	0	55	55	-
Track	30	40	10	33.3
Ice Hockey	0	24	24	-
Soccer	29	30	1	3.4
Swimming/Diving	21	26	5	23.8
Softball	0	22	22	-
Cross Country	17	18	1	5.9
Volleyball	12	16	4	33.3
Basketball	13	16	3	23.1
Golf	14	15	1	7.1
Tennis	7	10	3	42.9
Total	221	347	126	57.0
Total for All Programs	635	695	60	9.4

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FACILITIES EXPENDITURES

As shown in Table 10, athletic events are held in various facilities. Thirteen of the 23 athletic programs hold competitions in facilities operated by the Division. Most other programs hold competitions in University of Wisconsin-Madison facilities, such as the Natatorium, the Nielsen Tennis Stadium, and Camp Randall Memorial Sports Center. The women's ice hockey team will compete at the Dane County Coliseum, and the cross-country teams compete at the Yahara Hills golf course in Madison.

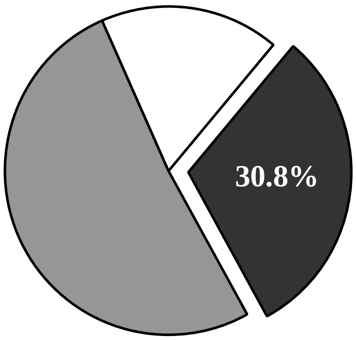
Table 10

Facilities Used by Athletic Programs

Facilities Used for Athletic Competitions	Athletic Programs
Camp Randall Memorial Sports Center	Women's and Men's Indoor Track*
Camp Randall Stadium	Men's Football
Dane County Coliseum	Women's Ice Hockey
Goodman Softball Diamond	Women's Softball
Kohl Center	Men's and Women's Basketball, Men's Ice Hockey
Lake Wingra and Lake Mendota	Women's and Men's Rowing Women's Lightweight Rowing
McClimon Track and Soccer Complex	Men's and Women's Outdoor Track* Women's and Men's Soccer
Natatorium	Men's and Women's Swimming and Diving
Nielsen Tennis Stadium	Women's and Men's Tennis
Yahara Hills Golf Course	Men's and Women's Cross Country
University Ridge Golf Course	Women's and Men's Golf
Wisconsin Field House	Men's Wrestling, Women's Volleyball

* Indoor and outdoor track are generally considered a single athletic program.

Facilities



Costs associated with facilities are expected to account for 30.8 percent of the Division's expenditures in FY 1999-2000. Facilities costs can generally be categorized as expenditures to operate athletic, concert, and special events in the Division's facilities; to repay state general obligation bonds that provided funding for facility construction; and to maintain and improve facilities.

As shown in Table 11, facilities costs are projected to be approximately $12.6 million in FY 1999-2000. A large portion of the $6.7 million increase in facilities costs has been caused by constructing and operating the Kohl Center, an athletic and special events arena with a seating capacity ranging from 13,300 to 17,300, depending on the type of event held.

Table 11

Expenditures for Facilities

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Facilities:				
Operations	$3,102,600	$ 5,206,400	$2,103,800	67.8%
Debt	532,200	4,200,000	3,667,800	689.2
Maintenance and Improvements	2,204,400	3,156,000	951,600	43.2
Total	$5,839,200	$12,562,400	$6,723,200	115.1

Facilities Operations

The Division incurs facilities costs, such as insurance costs and payments in lieu of property taxes, as well as costs during events. These include concessions costs; event management costs, including expenditures for security and emergency medical services; and parking costs, including expenditures for parking lot attendants and parking stall rentals. As shown in Table 12, facilities operating costs are projected to increase by $2.1 million, or 67.8 percent, from FY 1994-95 through FY 1999-2000.

Table 12

Expenditures for Facilities Operations

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Concessions/Catering	$1,707,100	$2,350,000	$ 642,900	37.7%
Event Management	994,500	2,181,400	1,186,900	119.3
Insurance and Taxes	236,100	350,000	113,900	48.2
Parking	164,900	325,000	160,100	97.1
Total	$3,102,600	$5,206,400	$2,103,800	67.8

Opening the Kohl Center has permitted:

- special events to be held at a facility other than Camp Randall Stadium: 8 concerts and 7 special events are budgeted for the Kohl Center in FY 1999-2000;
- men's ice hockey to compete in a campus facility, rather than at the Dane County Coliseum: 19 games will be played at the Kohl Center in FY 1999-2000; and
- attendance at athletic and special events to increase: the seating capacity of the Kohl Center is 17,100 for basketball, which is 5,600 more seats than in the Wisconsin Field House, and 13,300 for ice hockey, which is 5,100 more seats than in the Dane County Coliseum.

Most of the $2.1 million increase in facilities operating costs is attributable to the Kohl Center.

However, all of these benefits have contributed to the significant increase in facilities operating costs. For example, during the period reviewed, event management costs increased by almost $1.2 million, or 119.3 percent. Approximately $705,000 of the $1.2 million increase reflects the security and emergency medical services required for concerts and special events at the Kohl Center. In addition, men's ice hockey, men's basketball, and women's basketball event management costs have increased by $315,000 since the move to the Kohl Center.

Facilities Debt

The Division has several types of long-term debt costs, including:

- debt service on bonds issued to fund construction of new facilities, such as the Kohl Center, the Goodman Softball Diamond, and the McClain Athletic Facility, as well as to fund significant renovations to existing facilities that include electrical repairs at Camp Randall Stadium, replacing the surface of the McClimon Track, and improvements in the ice hockey practice and training facility at the Dane County Coliseum;

- payments for the Dane County Coliseum contract buyout, which compensates Dane County for its loss of income when men's ice hockey moved to the Kohl Center before FY 2006-07, when the Division's contractual obligations with the Coliseum could be ended; and

- lease-purchase payments on the Kohl Center's adjustable seating, which allows for a rapid change in seating configurations between basketball and hockey events.

Approximately 93.7 percent of the $3.7 million increase in annual debt service is associated with the construction of the Kohl Center.

As shown in Table 13, the Division's annual debt service payments have increased by almost $3.7 million since FY 1994-95. More than $3.4 million, or 93.7 percent, of the increase is attributable to the Kohl Center, including construction debt service, lease payments for adjustable seating, and contract buyout payments to the Dane County Coliseum.

As shown in Appendix IV, the amount of the Division's debt service ranges from more than $4.2 million annually through FY 2003-04 to less than $93,000 in FY 2018-19, and the length of debt service obligations varies from 7 to 19 years. Kohl Center debt is responsible for almost $50.1 million, or 82.3 percent, of the Division's current long-term debt.

Table 13

Expenditures for Facilities Debt Service

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Kohl Center Construction	n/a	$2,585,200	$2,585,200	-
Coliseum Contract Buyout	n/a	589,000	589,000	-
McClain Athletic Facility	$371,100	381,800	10,700	2.9%
Kohl Center Leased Seating	n/a	263,600	263,600	-
Bob Johnson Hockey Facility	79,500	244,600	165,100	207.7
McClimon Track	77,500	76,200	(1,300)	(1.7)
Goodman Softball Diamond	n/a	55,600	55,600	-
Camp Randall Stadium	4,100	4,000	(100)	(2.4)
Total	$532,200	$4,200,000	$3,667,800	689.2

Maintaining and Improving Facilities

The Division incurs costs to maintain and improve its facilities, including:

- maintenance expenditures, such as costs for regular cleaning, making minor repairs, preparing facilities for events, and returning facilities to normal condition after events; and

- capital expenditures, including costs for renovating existing structures, such as replacing the artificial turf in Camp Randall Stadium, and costs for new construction, such as the Goodman Softball Complex.

As shown in Table 14, expenditures to maintain facilities are projected to increase by $1.7 million, or 161.1 percent, from FY 1994-95 through FY 1999-2000. Most of this increase is attributable to maintaining the Kohl Center.

Table 14

Expenditures for Maintaining and Improving Facilities

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Maintenance:				
Camp Randall Stadium	$1,060,800	$1,533,300	$ 472,500	44.5%
Kohl Center	n/a	1,100,000	1,100,000	-
Crew Boathouse*	n/a	136,100	136,100	-
Total Maintenance	$1,060,800	$2,769,400	$1,708,600	161.1
Improvements:				
Camp Randall Stadium	342,900	105,500	$ (237,400)	(69.2)
McClain Facility	43,700	100,000	56,300	128.8
Wisconsin Field House	8,500	50,000	41,500	488.2
Other Division Facilities	382,500	18,500	(364,000)	(95.2)
University Facilities	366,000	112,500	(253,500)	(69.3)
Total Improvements	$1,143,600	$ 386,500	$ (757,100)	(66.2)
Total for Maintenance and Improvements	$2,204,400	$3,155,900	$ 951,500	43.2

* Prior to FY 1999-2000, these costs were charged directly to the crew athletic programs.

Facility improvements represent repairs and renovations to a number of existing facilities. For example, in FY 1999-2000, $105,000 is budgeted for lighting, electrical, and bleacher repairs in the Camp Randall Stadium. However, expenditures for improvements are expected to decrease by $757,100 from FY 1994-95 through FY 1999-2000. This is the only category of costs for which expenditure reductions are planned.

We also reviewed the development of several capital projects that were completed during the period of our review, including the Kohl Center, the Goodman Softball Complex, the Fetzer Student Athlete Academic Center, and the artificial turf replacement project in Camp Randall Stadium and the McClain Athletic Facility. We analyzed whether these projects have contributed to deficits requiring the use of unplanned program revenues because, for example, project costs exceeded budgets or fund-raising goals were not met.

Kohl Center

The Kohl Center was completed in December 1997 at a cost of $81.5 million. Many individuals were involved in developing plans for this facility. The Division hired a design consultant with experience in developing similar facilities, such as the Target Center in Minneapolis and Arrowhead Pond in Anaheim. A group comprising officials of the Division and members of the Athletic Board visited 11 facilities, including the Breslin Center in East Lansing and the Kiel Center in St. Louis, to obtain first-hand knowledge of the physical plant needs of an athletic and special events facility and to hear the lessons learned by others when they built their facilities.

Kohl Center construction was funded by various sources, including contributions, bonding, and the Division's program revenues. As shown in Table 15, 60.0 percent of construction funding was provided by contributions: three donors contributed a total of $37.5 million, and approximately $11.4 million was raised from numerous other contributors. General obligation bonding, which was approved by the State Building Commission and provided 36.1 percent of funding, included $27.0 million for building construction, $1.9 million for relocation and upgrading of utilities, and approximately $500,000 to relocate the offices of several university staff from the construction site. Program revenue from the Division provided the remaining 3.9 percent of construction funding.

Table 15

Funding for the Kohl Center

	Funding	Percentage of Funding
Contributions	$48,890,000	60.0%
Bonding	29,400,000	36.1
Program Revenue	3,210,000	3.9
Total	$81,500,000	100.0%

Kohl Center costs for project additions exceeded the original budget by $9.5 million.

The Kohl Center's construction costs increased by $9.5 million, or 13.2 percent, from the original budget of $72.0 million as a result of:

- a number of infrastructure costs that were not included in the original budget, such as upgrading utilities and other costs to prepare the site for construction; and

- the Division's decisions to accelerate the construction of some features planned for future periods and to upgrade some features included in the initial design.

While these additional expenditures increased initial costs, the Division believes they will eventually generate benefits through either additional revenues or cost savings. For example, men's ice hockey was moved to the Kohl Center immediately rather than after nine years, as originally planned. In addition to allowing increased student access to games, this decision has increased the amount of revenue generated by the men's ice hockey program from approximately $1.4 million in FY 1996-97 to a projected $3.7 million in FY 1999-2000. However, these additional revenues are partially offset by additional costs, including costs for the Dane County Coliseum contract buyout and for the adjustable seating in the Kohl Center, which total $852,600. Cost savings are expected from, for example, upgrading the materials used to construct concourse walls and floors, which is expected to reduce long-term facility maintenance costs.

Goodman Softball Complex

Softball, one of the three new women's athletic programs, needed a facility for practice and competition. The Goodman Softball Complex, which in addition to a softball diamond includes dugouts, locker rooms, restrooms, a concession stand, and a press box, was completed in FY 1998-99 at a cost of approximately $1.8 million. The Division did not reach its fund-raising goal for the project. As of June 30, 1999, a total of $818,300 has been raised for the softball complex. That amount is $274,700, or 25.1 percent, less than the almost $1.1 million budgeted. The Division used program revenues to fund the shortfall, which would have been $200,000 less had the project's scope not been expanded. The softball complex was initially approved with a seating capacity of 1,100; the State Building Commission expanded the capacity by 500 seats.

Fetzer Student Athlete Academic Center

In FY 1996-97, the Division constructed an academic center, which provides a location at which student athletes may study and receive services from the Division’s 11.0 academic support staff. The Fetzer Student Athlete Academic Center cost approximately $2.1 million, or approximately $350,000 less than originally budgeted. The academic center was funded by $1.9 million in donations and $200,000 in one-time licensing revenue that was generated from the sale of Badger merchandise after the football team won the Rose Bowl in 1994.

Artificial Turf Replacement

The artificial turf in Camp Randall Stadium and the McClain Athletic Facility was replaced in the summer of 1998 at a cost of almost $1.7 million. In addition to replacing the turf, the project included replacing the safety fence around the football field and upgrading the electrical and communications systems, some of which are located under the football field in Camp Randall Stadium. General obligation bonds provided 70 percent of project funding, or approximately $1.2 million, and program revenues were used to fund the remaining $500,000. The State has periodically provided a significant portion of funding for improvements in Camp Randall Stadium. The last such occurrence prior to the turf replacement was in 1993, when general obligation bonds provided funding for approximately $1.1 million, or 80 percent, of the cost to replace a portion of the bleachers.

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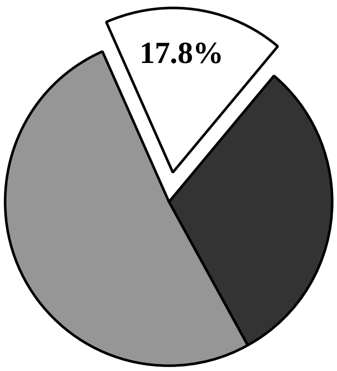
Administration



Administrative costs are expected to account for 17.8 percent of the Division's expenditures in FY 1999-2000. Administrative costs include expenditures for managers in the Division and for overseeing and providing support services for athletic programs, special events, and the Division's facilities.

Administrative expenditures are grouped into 11 categories, that include the costs of:

- the offices of managers, including the athletic director, associate athletic directors, the assistant athletic director, and the manager of the Kohl Center;
- taking ticket orders for athletic and special events held in the Division's facilities;
- providing information to the public on athletic programs;
- budgeting, recording financial transactions, and providing financial management information;
- automation such as computers, software, and information services support staff;
- promoting the Division's events;
- staff to manage operations of the Kohl Center on a daily basis;
- organizing golf and other events for the purpose of raising funds for intercollegiate athletics;
- overseeing student and athletic program compliance with NCAA, Big Ten, and Western Collegiate Hockey Association guidelines;
- assigning seats for Kohl Center athletic events based on donation levels; and
- other activities, such as ticket delivery.

From FY 1994-95 through FY 1999-2000, administrative expenditures are expected to increase by $3.4 million.

As shown in Table 16, administrative expenditures are expected to increase by $3.4 million, or 88.2 percent, from FY 1994-95 through FY 1999-2000. As was the case with changes in facilities costs, the Kohl Center accounts for most of the increase in administration. For example, $570,000 of the increase represents the cost of staff managing the Kohl Center's daily operations. In addition, all of the preferential seating costs, and most of the increase in costs for the ticket office and for mailing, relate to Kohl Center operations. In FY 1999-2000, 49 athletic events, 8 concerts, and 7 special events have been scheduled, and more events may be scheduled.

Table 16

Expenditures for Administrative Services

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Management	$1,036,500	$1,614,300	$ 577,800	55.7%
Ticket Office	630,800	1,217,100	586,300	92.9
Sports Information	574,800	815,600	240,800	41.9
Budget and Finance	554,000	739,900	185,900	33.6
Computer Services	259,400	721,000	461,600	177.9
Marketing	432,000	639,200	207,200	48.0
Kohl Center Operations	n/a	570,000	570,000	-
Development	300,200	410,300	110,100	36.7
Compliance	19,600	219,900	200,300	1,021.9
Preferential Seating*	n/a	143,200	143,200	-
Other	58,300	182,900	124,600	213.7
Total	$3,865,600	$7,273,400	$3,407,800	88.2

* Assigning seat locations for athletic events at the Kohl Center based on donation levels.

However, there have been substantial increases in administrative costs unrelated to the Kohl Center. For example, computer services have increased as a result of automating operations over time and a general upgrade in computer hardware and software in FY 1999-2000, and sports information costs have increased as a result of addressing the needs of three new athletic programs and of expanding services for existing programs.

Administrative costs also have increased as a result of creating three staff positions to monitor the Division's compliance with NCAA, Big Ten, and Western Collegiate Hockey Association program guidelines. In November 1998, the NCAA placed the Division on probation for two years because of a number of allowable expenditures made from athletic booster accounts between 1993 and 1997. These expenditures, which benefited several of the Division's athletic programs and coaches, lacked the required review and approval of University of Wisconsin-Madison officials. Prior to this, the Division was placed on probation for two years in 1994 as a result of expenditures made from a wrestling booster account between 1988 and 1992 that were not allowable under NCAA guidelines. Any additional infractions could result in more severe sanctions, such as athletic programs being designated as ineligible for post-season competition, and possibly a substantial fine. For example, the NCAA recently assessed Purdue University a $800,000 penalty for violations in its men's basketball program.

Since FY 1994-95, administrative staff positions have increased by 28.3.

Significant staffing increases requested by the Division, and approved by the Legislature and the Governor, account for the majority of the increase in administrative costs. As shown in Table 17, from FY 1994-95 through FY 1999-2000, the number of authorized administrative positions increased by 28.3, which accounts for approximately $1.6 million, or 47.1 percent, of the expected increase. Over half of the position increase is associated with the Kohl Center. These 15 positions include 9 positions for daily operations, 4 preferential seating positions, 1 management position, and 1 ticket office position. In addition, 13.3 positions are associated with the general growth in the Division's programs, including 5.3 management positions for general operations, 3 program compliance positions, 2.7 ticket office positions, and 2 computer services positions.

Table 17

Staffing for Administrative Services*
Full-Time Equivalent Positions

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Management	10.0	16.3	6.3	63.0%
Budget and Finance	10.3	10.8	0.5	4.9
Ticket Office	6.0	9.7	3.7	61.7
Kohl Center Operations	n/a	9.0	9.0	-
Sports Information	6.4	5.0	(1.4)	(21.9)
Computer Services	1.5	3.5	2.0	133.3
Marketing	1.0	3.0	2.0	200.0
Compliance	n/a	3.0	3.0	-
Preferential Seating**	n/a	4.0	4.0	-
Development	3.4	2.6	(0.8)	(23.5)
Mailroom	1.0	1.0	0.0	0.0
Total	39.6	67.9	28.3	71.5

* Excludes limited-term employes.

** Assigning seat locations to ticket purchasers for events held at the Kohl Center.

In addition to new authorized administrative positions, the Division has also increased the number of its limited-term staff providing administrative services. Since FY 1994-95, administrative expenditures have increased an estimated $300,000 to fund an additional 10.2 full-time equivalent staff hired on a limited-term basis, including 4 computer services positions; 2 marketing positions; and a number of support positions for other administrative areas, such as management and development. Increases in administrative, facilities, and athletic program expenditures are funded by various sources of revenue.

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REVENUES

Division revenues are generated from several sources, including:

- sales of tickets, concessions, programs, parking, and merchandise at athletic, concert, and other events;
- rental income from suites at the Kohl Center and Camp Randall Stadium;
- revenues provided by the Big Ten Conference, such as broadcasting rights for conference games and revenues generated by conference teams participating in post-season events;
- corporate sponsorships, such as for advertising space in the Division's facilities and for sponsoring promotional events on game days;
- revenues from the University of Wisconsin-Madison, which provides the Division with half of the licensing revenues it receives from the sale of merchandise with Bucky Badger and other university emblems;
- the Legislature, which appropriates state general purpose revenue for the Division, which has traditionally used the funds to support women's athletic programs; and
- investment income, which is earned on cash balances held in division accounts.

In addition, the Division receives funding from the University of Wisconsin Foundation, which manages donations made to various booster groups and other donations made for the benefit of intercollegiate athletics, as well as for other university schools and projects. Supporters of intercollegiate athletics make donations for designated purposes, such as to help fund a specific athletic program or capital project, or for the opportunity to sit in a preferred section at athletic events. Other donations are a result of fees the Division receives for certain credit card applications and a percentage of the cost of each purchase made with those cards. Golf outings and other fund-raising events, such as the Crazylegs Run and Butch's Bologna Bash, also generate donations. Some donations, such as endowments, may not be used for operating costs, although the income earned on balances typically may be used for purposes such as funding scholarships. Appendix V includes a comparison of revenues for members of the Big Ten Conference.

As shown in Table 18, revenues are expected to increase approximately $15.9 million, or 63.8 percent, from FY 1994-95 through FY 1999-2000, to a total of $40.7 million. This increase is less than the 77.5 percent growth in projected expenditures for the same period.

Table 18

Revenue Trends
FY 1994-95 through FY 1999-2000*

	Actual FY 1994-95	Projected FY 1999-2000	Change	Percentage Change
Ticket Sales	$10,370,600	$15,478,300	$ 5,107,700	49.3%
Big Ten Revenue	4,063,600	6,207,000	2,143,400	52.7
Concessions/Catering	1,999,100	4,207,000	2,207,900	110.4
Donations	2,048,200	3,741,500	1,693,300	82.7
Corporate Sponsorships	190,000	2,107,800	1,917,800	1,009.4
Concerts/Special Events	1,085,500	1,307,200	221,700	20.4
Post Season Participation	1,043,200	1,871,000	827,800	79.4
Suite Rentals	n/a	1,522,500	1,522,500	-
Radio Rights	488,200	800,000	311,800	63.9
Licensing	791,100	700,000	(91,100)	(11.5)
Parking	602,600	625,000	22,400	3.7
Investment Income	337,100	500,000	162,900	48.3
State General Purpose Revenue**	414,100	492,000	77,900	18.8
Merchandising***	n/a	425,000	425,000	-
Guarantees	221,000	150,000	(71,000)	(32.1)
Programs/Media Guides	36,600	85,000	48,400	132.2
Student Fees	704,300	0	(704,300)	(100.0)
Other	466,500	500,000	33,500	7.2
Total Revenue	$24,861,700	$40,719,300	$15,857,600	63.8

* Excludes the revenues of the University Ridge golf course and the coaches' camps and clinics.

** Although not reflected in the Division's financial records, additional state support is provided for the fringe benefit expenses associated with positions funded by general purpose revenue. In FY 1999-2000, state general purpose revenue will total $633,900, or $141,900 more than shown.

*** In FY 1994-95, a booster group sold all merchandise.

Athletic Program Revenues

Athletic programs are typically classified by the Division as either income programs or varsity programs, based on their ability to generate revenue. The Division generally classifies the football, men's basketball, men's hockey, and women's basketball programs as income programs. All others are considered varsity programs. We estimated the revenue generated by each of the four income programs and the total revenues generated by the varsity programs. As shown in Table 19, football generates approximately $l7.3 million in revenue, men's basketball generates $8.2 million, men's ice hockey generates $3.7 million, and women's basketball generates $1.0 million. Almost half of revenues come from ticket sales. Appendix VI provides a comparison of ticket revenue for various sports among members of the Big Ten Conference: the Division is fourth in total ticket revenue.

Table 19

Athletic Program Revenues*

Projected FY 1999-2000

	Football	Men's Basketball	Men's Ice Hockey	Women's Basketball	Women's Varsity Programs	Men's Varsity Programs
Ticket Sales	$ 9,555,800	$2,796,500	$2,251,200	$ 345,000	$ 83,500	$ 11,300
Post Season	2,801,000	1,660,000	25,000	100,000	149,000	97,000
Broadcasting	2,847,000	1,684,000	50,000	0	0	0
Suite Rentals	262,500	510,300	396,900	226,800	0	0
Preferential Seating	707,200	656,000	190,000	46,800	0	0
Advertising	482,100	300,700	233,900	133,700	0	0
Other	601,000	581,800	525,700	171,600	35,600	12,000
State Funding**	0	0	0	0	492,000	0
Total	$17,256,600	$8,189,300	$3,672,700	$1,023,900	$760,100	$120,300

* Excludes $5.2 million of revenue that we could not allocate to individual athletic programs.

** State general purpose revenue is used for women's athletic program costs.

In FY 1999-2000, three athletic programs will provide $19.8 million for other programs.

We compared revenues and expenditures to determine the extent to which athletic programs are self-supporting and provide excess funds for other of the Division's costs. As shown in Table 20, the football, men's basketball, and men's ice hockey programs are expected to generate excess revenues that total approximately $19.8 million to fund other activities of the Division in FY 1999-2000. In contrast, the other 20 athletic programs are expected to generate approximately $9.7 million less in revenue than their costs. This analysis excludes $5.2 million of athletic program revenue that we could not allocate to individual athletic programs, but that could be attributed to income programs in general.

Table 20

Comparison of Athletic Program Revenues and Expenditures
Projected FY 1999-2000

Athletic Program	Revenues*	Expenditures**	Excess Revenues
Football	$17,256,600	$ 6,597,400	$10,659,200
Men's Basketball	8,189,300	1,532,000	6,657,300
Men's Ice Hockey	3,672,700	1,235,600	2,437,100
Women's Basketball	1,023,900	1,246,500	(222,600)
Women's Varsity Programs	760,100	6,662,100	(5,902,000)
Men's Varsity Programs	120,300	3,698,800	(3,578,500)
Total	$31,022,900	$20,972,400	$10,050,500

* Excludes $5.2 million of athletic program revenue that we could not allocate.

** Includes the costs of program operations, net scholarships, and post-season play, as well as a portion of shared costs that were allocated based on the number of participants in each program.

Kohl Center Operations

When the Division first publicly reported its anticipated deficit in February 1999, media reports indicated that the majority of the deficit was attributed to a $1.2 million revenue shortfall in Kohl Center operations: a $700,000 shortfall in concert and special event revenue, and a $500,000 shortfall in catering revenue. However, we found that $450,000, or 64.3 percent, of the concert and special event revenue shortfall was attributable to Camp Randall Stadium operations, because Camp Randall Stadium did not host a Green Bay Packer game or a concert that had been budgeted in FY 1998-99. In addition, Kohl Center concert revenues actually were $237,500 higher in FY 1998-99 than anticipated because five more concerts were held than were budgeted. The shortfall in catering revenue, which was $157,900 in FY 1998-99, was $342,100 less than anticipated.

In FY 1998-99, Kohl Center revenues exceeded costs by $1.2 million.

A detailed review of the Kohl Center's financial performance in FY 1998-99 demonstrates that additional revenues generated by holding events there more than funded operating costs. As shown in Table 21, additional revenue, such as increased ticket and concession revenue, exceeded Kohl Center operating costs by approximately $1.2 million in FY 1998-99.

Table 21

Kohl Center
Additional Revenues Compared to Operating Expenditures
FY 1998-99

Additional Revenue:	
Net Concessions and Catering Revenue	$1,744,200
Suite Rental Revenue	1,217,500
Men's Ice Hockey Ticket Sales	1,215,100
Men's Basketball Ticket Sales	1,037,800
Preferential Seating Revenue	997,900
Concert/Special Event Ticket Sales	746,500
Corporate Sponsorship Revenue	668,300
Merchandising Revenue	304,800
Parking Revenue	300,300
Women's Basketball Ticket Sales	133,400
Total	$8,365,800
Operating Expenditures:	
Debt Service	$2,824,900
Event Management	1,167,000
Maintenance	1,121,500
Administration	621,300
Dane County Coliseum Hockey Contract Buyout*	580,200
Marketing	205,300
Ticket Office	201,700
Parking	165,700
Preferential Seating Assignment	140,000
Cashier's Office	100,000
Insurance	79,100
Total	$7,206,700
Revenues in Excess of Operating Expenditures	$1,159,100

* The Division must compensate the Dane County Coliseum for the loss of income resulting from the transfer of men's ice hockey to the Kohl Center.

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FUTURE CONSIDERATIONS

In April 1999, the Legislature's Joint Finance Committee directed the Division to provide it with a five-year financial forecast by October 31, 1999. This forecast is expected to include initiatives for promoting financial stability and ensuring that a financial crisis similar to the one experienced in the late 1980s is not repeated. We did not attempt to conduct the detailed financial planning that the Division has been directed to perform. However, we did identify questions to be addressed by the Division and the Legislature related to expenditures, administrative costs, and athletic program revenues, as well as issues to be considered in evaluating the Division's future financial plans. These issues are especially important given that not all of the Division's expenditures and available revenue are included in its financial statements.

Controlling the Growth in Athletic Program Expenditures

The Division spends more on post-season play than it receives for participating in events that include football bowl games and basketball and other athletic tournaments. For example, as shown in Table 22, post-season expenditures exceeded revenues by $458,500, or 24.6 percent, in FY 1998-99. Each of the teams participating in post-season play spent more than it earned, although 62.5 percent, or $286,700, of the shortfall is attributable to the football team competing in the 1999 Rose Bowl. While the revenues generated by participating in that bowl game were more than sufficient to fund the football team's costs, they were not sufficient to fully fund the additional costs associated with the trip to California.

Table 22

Post-Season Participation Revenues and Expenditures
FY 1998-99

	Revenue	Expenditures	Difference
Men's Athletic Programs:*			
Football	$1,806,800	$2,093,500	$(286,700)
Basketball	24,900	59,700	(34,800)
Wrestling	3,200	17,700	(14,500)
Track	1,200	16,700	(15,500)
Swimming/Diving	600	11,700	(11,100)
Ice Hockey	100	9,100	(9,000)
Cross Country	1,700	4,500	(2,800)
Tennis	0	1,100	(1,100)
Total	$1,838,500	$2,214,000	$(375,500)
Women's Athletic Programs:**			
Track	$ 0	$ 21,300	$ (21,300)
Basketball	9,100	18,800	(9,700)
Tennis	0	16,300	(16,300)
Volleyball	6,400	12,000	(5,600)
Crew	0	10,800	(10,800)
Lightweight Crew	0	7,900	(7,900)
Soccer	7,700	7,900	(200)
Cross Country	1,700	7,400	(5,700)
Swimming/Diving	1,700	7,200	(5,500)
Total	$ 26,600	$ 109,600	$ (83,000)
Total for All Athletic Programs	$1,865,100	$2,323,600	$(458,500)

* Men's crew is not an NCAA sanctioned athletic program, so there is no NCAA post-season competition. Men's golf and men's soccer did not qualify for post-season play.

** Women's golf and women's softball did not qualify for post-season play.

We compared 1999 Rose Bowl revenues and expenditures with those from the 1994 Rose Bowl, which also resulted in a revenue shortfall. Despite the fact that the Division received $700,300 more for the 1999 Rose Bowl than it received for the 1994 Rose Bowl, as shown in Table 23, the 1999 shortfall was substantially larger than the shortfall in 1994. This is largely because the Division appears to have inadequately limited expenditures under its control for the latter bowl game, allowing costs to almost double.

Table 23

Rose Bowl Revenues and Expenditures

	1994	1999
Revenues	$1,106,500	$1,806,800
Expenditures	1,152,600	2,093,500
Shortfall	$ (46,100)	$ (286,700)

The Division received $341,400 more from Rose Bowl organizers in FY 1998-99 than it had received in FY 1993-94, and it received an additional $305,000 from Fun Jet and the University of Wisconsin-Madison Alumni Association in FY 1998-99. Funding from Funjet and the Alumni Association represent a relatively new source of revenue, which is generated by a $25 per ticket surcharge for bowl packages sold by these entities. In FY 1998-99, the Division also received $53,900 more in reimbursements from guests of staff attending the event.

As shown in Table 24, the Division grouped 1999 Rose Bowl expenditures into eight categories:

- Team costs included expenditures for the transportation, lodging, and meals of football players, coaches, football support staff, associate directors, administrators, and staff from, for example, sports medicine, sports information, academic services, and strength and conditioning, as well as their guests.

Table 24

Expenditures for the Rose Bowl

	1994	1999	Change	Percentage Change
Team	$ 413,700	$ 831,400	$417,700	101.0%
Band	296,000	370,300	74,300	25.1
University	106,700	208,500	101,800	95.4
Secondary	84,300	163,000	78,700	93.4
Tickets	83,500	211,100	127,600	152.8
Equipment/Awards	124,600	183,700	59,100	47.4
Entertainment	14,600	34,400	19,800	135.6
Other	29,200	91,100	61,900	212.0
Total	$1,152,600	$2,093,500	$940,900	81.6

- Band costs included expenditures for the transportation, lodging, and meals of members of the marching band and the spirit squad, and directors and support staff for both of these groups.

- University costs included expenditures for the transportation, lodging, and meals of members of the Athletic Board and the Board of Regents, and representatives of the University of Wisconsin-Madison and University of Wisconsin System, as well as their guests.

- Secondary costs included expenditures for the transportation, lodging, and meals of staff in the Division who attended the event but were not associated directly with football, such as maintenance, marketing, personnel, accounting, ticketing, information services, special event, and Kohl Center staff, as well as their guests.

- Tickets included the cost of complimentary tickets provided to members of the team, the university, and secondary parties; tickets paid for by guests of secondary parties; and tickets that were purchased by the Division but not used.

- Equipment and awards included apparel, such as hats, jerseys, sweatshirts, and jackets provided to members of the team, the university, and secondary parties, and awards such as Rose Bowl rings, watches, and plaques provided to the football team, coaches, and others.

- Costs of entertaining the football team included personal appearances by celebrities, movies, and similar types of activities.

- Other miscellaneous costs included ticket delivery costs, practice facility rental, and trip planning expenses.

The cost increase is, in part, the result of an increase in the number of individuals included in the 1999 Rose Bowl trip. As shown in Table 25, the Division paid for 832 team, band, university, and other representatives in 1999, or 74 more than in 1994, despite the fact that the number of members in the team group decreased by 6.

Table 25

Number of Individuals Attending Rose Bowls

	FY 1993-94	FY 1998-99	Change	Percentage Change
Team	267	261	(6)	(2.2)%
Band/Spirit Squad	343	380	37	10.8
University	71	97	26	36.6
Secondary*	77	94	17	22.1
Total	758	832	74	9.7

* Excludes guests of the secondary group who reimbursed the Division for the cost of their trips.

Expenditures for the 1999 Rose Bowl were almost twice the amount spent in 1994.

In FY 1998-99, expenditures associated with the team, the university, and secondary groups were almost twice the amount spent in FY 1993-94. While some of the increases were unavoidable, such as the additional costs associated with the Rose Bowl organizers' requirement that the team stay in a Beverly Hills hotel rather than a less-expensive hotel in Pasadena, as had been done in FY 1993-94, other increases could have been avoided. For example:

- $69,100 would have been saved had the Division better managed its tickets and avoided paying for 628 Rose Bowl tickets that were not used. To avoid the problems caused by a lack of tickets for the 1994 Rose Bowl, the Division agreed to purchase any unsold tickets from other universities receiving an allotment from Rose Bowl organizers. However, many tickets were received too late to be sent on to California in time for the game.

- $55,900 could have been saved if the number included in the 1999 university group had been limited to the same number attending in 1994; 26 fewer would have attended in 1999.

- $36,100 could have been saved if the number included in the 1999 band group had been limited to the same number attending in 1994; 37 fewer would have attended in 1999.

- $11,400 could have been saved if the number of members in the 1999 secondary group whose trips were paid by the Division had been limited to the same number paid for in FY 1993-94; 17 fewer would have been paid for in FY 1998-99.

Football bowl game expenditures typically exceed revenues.

We examined revenues and expenditures associated with other recent football bowl games and found that the Division typically spends more than it receives for participating in these post-season events. For example, while bowl revenues exceeded expenditures by $52,800 in FY 1994-95, when the football team played in the Hall of Fame Bowl, expenditures exceeded revenues by:

- $378,700 in FY 1996-97, when the football team played in the Copper Bowl; and

- $196,700 in FY 1997-98, when the football team played in the Outback Bowl.

The Division also appears to have done little to limit overall travel costs, not just those related to post-season play. Travel costs other than those for post-season play increased from $1.7 million in FY 1994-95 to almost $2.9 million in FY 1997-98. As shown in Table 26, only Penn State University reported higher team travel costs than the Division in FY 1997-98. While a portion of the increase in team travel costs results from the Division's addition of women's softball and lightweight crew, four members of the Big Ten Conference with a number of athletic programs similar to Wisconsin's —Michigan State University, the University of Michigan, the University of Minnesota, and the University of Iowa—incurred significantly lower team travel costs in FY 1997-98. The Division's additional team travel costs are a result of many factors, including the use of more chartered flights.

Table 26

Expenditures for Team Travel
FY 1997-98

	Team Travel	Athletic Programs
Penn State University	$3,391,500	27
University of Wisconsin	**2,863,700**	**23**
Michigan State University	2,681,000	24
University of Michigan	2,203,600	23
University of Minnesota	1,972,700	22
Ohio State University	1,493,800	33
University of Iowa	1,460,700	22
University of Illinois	1,417,700	19
Purdue University	1,344,500	18
Indiana University	1,304,900	21
Northwestern University	1,228,200	18

Source: Big Ten Conference 1997-98 Financial Data Report

It may be possible to reduce travel costs associated with training trips. For example, in FY 1998-99, $25,300 could have been saved if the women's volleyball team had not taken a trip to Hawaii, and $17,400 could have been saved if the men's soccer team had not taken a trip to Florida over spring break. These trips occurred several months after the teams' seasons had ended. Division officials believe that these training trips and other travel expenditures can be justified because donations may fund a portion of their costs, training is provided, athletes derive benefits from the trips, and travel serves as a recruiting tool. Nevertheless, a comprehensive review of travel expenditures by officials in the Division may identify opportunities for limiting future travel expenditure increases without negatively affecting athletic programs and class attendance for student athletes.

Controlling Administrative Expenditures

The benefits of additional administrative staff have come at a significant cost.

Noticeable improvements have been made in the administrative oversight and support provided to the Division's athletic programs and operations since our last audit, completed in 1989. The most significant area of improvement is fiscal management. For example, more reliable financial information has become available to the Division since 1989, and members of the Athletic Board currently are taking a more active role in financial decisions. Nevertheless, the benefits provided by additional administrative staff have come at a significant cost, and adjustments may still be necessary.

As noted, administrative expenditures are expected to increase $3.4 million, or 88.2 percent, from FY 1994-95 through FY 1999-2000, to a projected total of $7.3 million. While some level of additional spending was needed to provide an adequate level of oversight and support for new athletic programs, it is likely that some of the increase in administrative costs could have been avoided without negatively affecting operations.

The Division has begun to consider changes to its organizational structure and to improve the efficiency of administrative operations. For example, some of the accounting and purchasing functions at the Kohl Center have been transferred to the Division's budget and finance office, the responsibilities of managers of the Kohl Center and other facilities are being combined into a single position, and additional consolidations between the Kohl Center and other facilities' staff are expected.

Concerns about ticket office operations have been raised.

Changes may also be needed in the operation of the Athletic Department's ticket office. For example, cost savings may be possible if the office does a better job of anticipating customer problems rather than waiting for complaints before changing its operations. In July 1999, those who waited in line overnight to purchase individual tickets for football games did not learn until the ticket office opened that a lottery would be held to determine who in line would be first to purchase tickets. In another instance, football season tickets in fall 1999 were sent to ticket holders by a private carrier, which cost $4.25 per ticket account, or approximately twice as much as in the past, when tickets were sent through the mail. Many people who were not home when the private carrier arrived had to go to a regional center to pick up their tickets. Most recently, a large number of men's basketball season ticket holders were not notified that they could purchase tickets in advance of a Milwaukee Bucks game scheduled at the Kohl Center until the day before purchases had to be completed.

Benefits Provided to Staff

Prior to FY 1991-92, the athletic programs that generated substantial income—football, men's basketball, and men's ice hockey—received a higher level of support and more competitive opportunities than other programs did. In 1992, after eliminating five athletic programs, the Athletic Board made a commitment to provide similar levels of support and competitive opportunities to the remaining programs. Typically, this has been done by providing additional resources to some programs rather than by limiting resource increases to others. For example, when supporters offered to provide a car to the third assistant coach for men's basketball, the Division determined that equity required a similar benefit be provided to the third assistant coach for women's basketball. As shown in Table 27, the Division provided more cars or car allowances to its staff in FY 1998-99 than did seven of the other members of the Big Ten Conference.

Table 27

Cars Provided to Big Ten Conference Athletic Department Staff
FY 1998-99

Ohio State University	76
University of Wisconsin	**66**
University of Michigan	66
University of Illinois	58
University of Minnesota	52
Michigan State University	44
Indiana University	43
Purdue University	25
Northwestern University	17
Penn State University	17

Source: Big Ten Conference Survey; the University of Iowa did not respond.

Wisconsin ranks second in the Big Ten in the number of cars provided to staff.

While it is common for head coaches to receive one or two cars as a benefit, other members of the Big Ten Conference vary in the number of assistant coaches, athletic program administrators, and other staff who receive a car or car allowance. In FY 1998-99, athletic program boosters donated 44 cars directly and provided funding for 22 car allowances for staff in the Division. The value of these cars and car allowances is not reflected in the Division's operating expenditures. Two cars were provided to the athletic director and the head coaches of football and men's basketball. One car or a car allowance was provided to:

- 21 head coaches, excluding the coaches of the football and men's basketball programs;

- 21 assistant coaches, including 9 in the football program and 3 each in the men's and women's basketball programs;

- 6 administrators, including 5 associate athletic directors and the Kohl Center manager; and

- 12 others who are in charge of departments, including academic services, sports information, marketing, equipment, compliance, sports medicine, and the ticket office.

Other benefits are also provided. For example, in FY 1998-99 the Division spent $75,000 for golf memberships at private courses for 14 coaches and other staff of the Division. In addition, all staff of the Division, approximately 250 individuals, may request at least two tickets to all sporting events; coaches are given 10 tickets and assistant coaches 6 tickets to all games for the sports that they coach.

Division officials believe these benefits are justified because the Division's salaries are not as high as those of some other members of the Big Ten Conference, and these benefits represent part of the overall compensation provided to coaches and staff. Appendix VII provides information on the salaries provided to Big Ten coaches and staff.

Assessing Potential Sources of Additional Revenue

To avoid financial problems in the future, the Division will need to control expenditures and increase revenues.

To avoid financial difficulties in the future, the Division will have to limit expenditure growth and develop strategies for increasing revenues. The Division has a number of options for increasing revenues, including fully implementing a preferential seating program for Camp Randall Stadium and raising ticket prices. While these options have benefits, they also have a number of significant drawbacks.

Fully implementing preferential seating for Camp Randall Stadium could increase revenues $4.5 million annually.

The Division is in the process of fully implementing a preferential seating program for Camp Randall Stadium that it believes could generate $2.0 million in the first year and $4.5 million in future years, after the program is fully implemented. The preferential seating programs for athletic events at the Kohl Center increased revenues annually by $656,000 for men's basketball, $190,000 for men's ice hockey, and $46,800 for women's basketball. In order to sit in a preferred section for men's ice hockey and women's basketball, an annual donation of $25 per seat is required. For men's basketball, an annual donation of either $50, $100, or $150 per seat is required. Currently, first-time football season ticket holders requesting seats in preferred sections and those requesting improved football seats must make donations to a football booster group in amounts ranging from $100 to $300. To be consistent and to raise additional revenue, the Division is considering requiring donations from everyone sitting in preferred sections of Camp Randall Stadium, which could include 34,000 seats.

The Division may also consider generating additional revenue by increasing ticket prices. For example, $1.0 million of additional football revenue will be received in FY 1999-2000 and subsequent years as a result of a $2 increase in student football tickets and a $4 increase in other football tickets that was implemented in fall 1999. As shown in Table 28, among members of the Big Ten Conference, the Division's football and men's ice hockey ticket prices for FY 1999-2000 rank relatively higher than its men's basketball ticket prices. Ticket prices for all sports have typically been increased once every three to five years.

Table 28

Big Ten Conference Ticket Prices*
FY 1999-2000

	Football		Men's Basketball		Men's Ice Hockey	
	Student	Other	Student	Other	Student	Other
University of Wisconsin	**$14.00**	**$28.00**	**$6.00**	**$16.00**	**$6.00**	**$14.00**
University of Illinois	10.00	23.00	7.50	19.00	n/a	n/a
Indiana University	10.00	22.00	10.00	19.00	n/a	n/a
University of Iowa	10.00	24.00	7.00	15.00	n/a	n/a
University of Michigan	14.00	31.00	6.50	13.00	8.50	17.00
Michigan State University	14.00	28.00	8.00	18.00	6.00	14.00
University of Minnesota	4.00	21.00	8.50	25.00	9.70	21.00
Northwestern University	4.00	24.00	5.00	12.00	n/a	n/a
Ohio State University	18.00	38.00	8.00	18.00	6.00	11.00
Penn State University	13.00	32.00	6.00	15.00	n/a	n/a
Purdue University	14.00	24.00	7.00	15.00	n/a	n/a
Number of Universities Charging More than Wisconsin	One	Three	Eight	Five	Two	Two

* Based on the ticket price for the largest number of season tickets sold. Other members of the Big Ten Conference have more than one price for season tickets, based on seat location. The price of single game tickets also may vary from the amounts shown.

It is important to assess the effects of charging additional ticket fees.

Although charging additional fees by fully implementing preferential seating charges and increasing ticket prices may generate additional revenue, these options also have potential drawbacks. For example, additional fees may be accepted when the Division's athletic teams are competitive with other universities, as is currently the case. However, in years when the teams are less competitive, ticket buyers may be less willing to pay the added fees for preferred seats, or they may choose not to attend games because of the cost of tickets. This was the case in the 1980s, when the football team was performing poorly and attendance dropped markedly. Consequently, before implementing fee increases, it would be prudent for the Division to assess the short- and long-term effects of:

- increased fees on the behavior of ticket purchasers;
- a reduction in overall revenues that could be caused by less-competitive athletic programs; and
- the extent to which fees charged are consistent with ticket prices of other members of the Big Ten Conference.

Options to increase revenues apart from raising ticket fees could be considered.

We believe it is important that the Division consider other methods of increasing revenues apart from raising ticket prices or assessing higher fees. For example, the Division could generate additional revenue by increasing the number of concerts and special events held at Camp Randall Stadium and the Kohl Center. A concert at Camp Randall Stadium typically generates net income of approximately $225,000, and each concert at the Kohl Center generates approximately $50,000. No concerts have been budgeted for Camp Randall Stadium in FY 1999-2000. Although 8 concerts and 7 special events are expected to be held at the Kohl Center, there are a number of available dates for additional concerts or special events in FY 1999-2000. Other options available to the Division for increasing revenues include:

- improving fund-raising efforts;
- increasing the number and amount of corporate sponsorships;
- increasing attendance at Kohl Center athletic events; and
- improving the marketing of concessions, catering, merchandise, and programs sold at events.

Other Support

The University of Wisconsin-Madison pays utilities costs for the Division’s facilities.

The State and the University of Wisconsin-Madison provide considerable support for the Division’s programs. The State provides general purpose revenue, which is expected to total $633,900 in each year of the 1999-2001 biennium. The State also provides general obligation bond revenue to fund 70 percent or more of some major renovation projects, such as the $1.2 million provided for the artificial turf replacement in Camp Randall Stadium and the McClain Athletic Facility. In addition, it occasionally provides other support, such as the $100,000 that was provided by the State Building Commission in 1999 for the development of preliminary plans to increase seating and to make other improvements in Camp Randall Stadium. The University of Wisconsin-Madison provides utilities, including heat, cooling, and light, to the Division's facilities at no charge. In addition, the Chancellor, under provisions included in s. 36.27(3)(f) Wis. Stats., can waive the tuition and fees of student athletes who have received a scholarship from the Division. In FY 1999-2000, the Division expects to receive a total of $2.5 million in tuition and fee waivers.

Increases in the level of support provided by the State and the University of Wisconsin-Madison, as well as the support provided by others, helped the Division to regain financial stability since our 1989 audit. For example, from FY 1989-90 through FY 1994-95, University of Wisconsin-Madison students were assessed a $10 per semester segregated fee, which provided $700,000 annually for intercollegiate athletic programs. Because most of the Division's athletic programs cannot generate sufficient revenue to fund their costs, support from the student population for these programs was considered practical. In return for their support, students received free or reduced-price access to many athletic events. The fees, however, were eliminated when the Division's financial condition improved.

Requesting that the Legislature reinstitute a fee for students is another option for the Division to consider for augmenting revenues. Three other members of the Big Ten Conference assess student fees for the benefit of their intercollegiate athletic programs. In FY 1997-98, the University of Illinois collected $1.1 million from students for intercollegiate athletics, the University of Iowa collected $710,500, and Purdue University collected $330,100. In addition, as shown in Appendix VIII, all of the other University of Wisconsin campuses collect student fees for athletics, ranging from approximately $2.0 million at the University of Wisconsin-Milwaukee, which assessed a fee of $44.30 per semester in FY 1998-99, to $74,000 at the University of Wisconsin-Superior, which assessed a fee of $16.97 per semester in FY 1998-99.

Evaluating the Division's Financial Plans

We have identified a number of issues the Legislature and others may wish to consider when reviewing the Division's financial plans, spending priorities, and future requests for increases, including:

- the extent to which the Division plans to rely on increasing revenues rather than on controlling expenditure growth to achieve financial stability;

- financial transactions and balances that are not disclosed in the Division's financial statements; and

- the Division’s ability to fund additional debt service increases as a result of its ambitious capital projects plans.

Balance Between Controlling Costs and Increasing Revenues

Approximately $7.1 million could be saved over the next five years by limiting athletic program expenditures.

Improving the Division’s financial condition will require increasing revenues and limiting expenditure growth. As noted, expenditures have increased significantly in the past five years: from FY 1994-95 through FY 1999-2000, they are expected to increased 77.5 percent, or at 12.2 percent annually. In contrast, the rate of inflation is expected to be approximately 12 percent, which is a 2.3 percent annual increase. The Division’s substantial growth in expenditures has been funded by various methods, including increased ticket prices, increased television and concession revenue, and implementation of preferred seating programs. However, while increased expenditures may have been needed to fund new programs and to remain competitive in the Big Ten Conference, it is not clear that this trend can continue. Because no new athletic programs are expected to be added and because comparable men’s and women’s programs are near parity, the rate that athletic program costs increase over the next five years could be less than from FY 1994-95 through FY 1999-2000. We estimate that $7.1 million could be saved from FY 1999-2000 through FY 2004-05 if the Division successfully limited growth in athletic program expenditures to 2.5 times the rate of inflation, assuming that inflation grows at 12 percent over this five-year period. This estimate also assumes that if no cost-saving measures are taken, athletic program expenditure increases will be no more than 50 percent.

Additional Financial Information

Some revenues and expenditures are not included in the Division’s financial statements.

Although financial statements are available and provided to Athletic Board members, they do not include all the costs of the Division’s operations and all the revenues that support these costs. To facilitate a comprehensive understanding of the Division’s financial condition and assist in evaluating equity among athletic programs, we believe it is important for the Division to provide additional financial information in a comprehensive manner. This includes information on revenues, expenditures, reserves, and liabilities associated with its operations that is not included in its financial statements.

First, a number of expenditures are made and funded by entities other than the Division and, as a result, a portion of the revenues and expenditures necessary to operate the Division’s programs are not included in financial records. For example, we identified an additional $3.0 million in FY 1998-99 revenue and expenditures by reviewing University of Wisconsin Foundation records and a contract with the Reebok Corporation:

- $1.9 million was spent by the University of Wisconsin Foundation to fund the Division's costs, including $1.2 million benefiting the football program, $99,600 benefiting men's basketball, $44,300 benefiting women's basketball, $286,200 benefiting other athletic programs, and $231,100 benefiting administration. These expenditures include the funding of car allowances provided to staff in the Division that were noted previously.

- $1.1 million in benefits was provided by the Reebok Corporation, including $576,300 of Reebok apparel provided to athletic programs, $295,000 in cash payments provided to coaches, $103,700 of Reebok apparel provided to coaches, and $100,000 to fund an international tour for women's basketball.

In addition, we identified approximately $104,000 in state general purpose revenue that funded the cost of fringe benefits for several staff and was not reported in the Division's financial statements.

More than $1.2 million in undesignated cash balances is available for the Division's programs.

Second, cash balances held in intercollegiate athletic accounts at the University of Wisconsin Foundation, which invests and manages funds donated or raised for various university departments, are available for the Division's use. As shown in Table 29, at the end of FY 1998-99, when the Division's financial statements recorded a reserve balance of $2.8 million, the Foundation's intercollegiate athletic accounts had $1.2 million available for any purpose, and another $2.7 million designated for athletic programs. It would be beneficial if balances of the Foundation were considered in determining whether an adequate reserve balance existed, which would ensure financial stability during periods when revenues are lower than projected.

Table 29

University of Wisconsin Foundation Balances*
June 30, 1999

Undesignated	$1,234,900
Designated for Athletic Programs	2,686,700
Designated for Capital Projects	500,800
Total	$4,422,400

*Excludes endowments, which total approximately $15.5 million, and $2.0 million that is not currently available and is designated for purposes such as coaches' retention package, booster fund-raising, and sports medicine equipment.

Finally, because the Division's focus is on annual revenues and expenditures, it is difficult to determine from its financial statements whether there are any outstanding liabilities that are not generally known. For example, we found that the Division owes University of Wisconsin-Madison Transportation Services $663,000 for land used to construct the Kohl Center. When this obligation is paid over the next three years, it will reduce the amount of revenues available for program operations.

Capital Projects

One final area of concern relates to the Division's ambitious capital projects plans, which include several substantial renovation and expansion projects, as well as construction of a number of new facilities. While donations and cash reserves are expected to fund a portion of planned capital project costs, the Division also plans to rely on additional state general obligation bonds for project funding. However, increased debt service costs will have to be funded by the Division's program revenues, which may be inadequate given the extent of the Division's plans.

The Division's plans include $61.0 million in capital projects over the next five years that, if approved, would increase debt service costs by an estimated $4.2 million. These projects include:$40.0 million for improvements to Camp Randall Stadium, which are planned to begin in spring 2002 and are projected to be funded entirely by bond revenue;

The Division is planning a $61.0 million capital projects program.

- $11.5 million for a swimming and diving pool, which is tentatively planned for FY 2005-06 and is projected to be funded by $8 million in bond revenue and $3.5 million in donations;

- $5.0 million for an expansion of the McClimon Track and Soccer Stadium, which is tentatively planned for FY 2004-05 and is projected to be funded entirely by donations;

- $3.0 million for an expansion of the crew boathouse, which is tentatively planned for FY 2001-02 and FY 2002-03 and is projected to be funded by bond revenue;

- $800,000 for improvements to the women's locker room at the Dane County Coliseum, which are tentatively planned for FY 2000-01 and are projected to be funded by cash reserves; and

- $675,000 for improvements to the track surface in the Camp Randall Memorial Sports Center, which is tentatively planned for FY 2003-04 and is projected to be funded by cash reserves.

A large renovation project is planned for Camp Randall Stadium.

The largest of these capital projects involves renovations to the aging Camp Randall Stadium, which is the fourth-oldest football stadium in the United States. In April 1999, the State's Building Commission provided $100,000 for a consultant to study and develop plans to increase the amount of seating and make other improvements to the stadium, including renovating the concourse to increase the number of restrooms and concession areas. The Division hopes to complete renovations to Camp Randall Stadium at a cost of $40.0 million, which would increase debt service costs by more than $3.3 million annually. However, this figure may not be a valid estimate. Based on stadium renovation costs incurred by other universities, such as the $150.0 million that Ohio State expects to spend and the $67.0 million that Penn State expects to spend for modifications to their stadiums, the Division's cost to renovate Camp Randall Stadium could be substantially higher. In fact, officials of the Division have recently stated that the cost could total more than $100 million.

Additional revenues may not cover all debt service costs.

Although the Division expects substantial revenues to be generated from additional ticket, concession, and merchandise sales, as well as from suite rentals and preferred seating charges for Camp Randall Stadium, these additional revenues may not be able to fund the entire annual debt service amount associated with the stadium project if renovation costs exceed $40 million. If so, the Division may request additional general purpose revenue from the Legislature. This support would be in addition to the $1.9 million that the Division already expects to receive from the Legislature in FY 2000-01 to fund 70 percent of two stadium improvement projects.

The remaining $21.0 million for capital projects is expected to require $11.0 million of additional general obligation bonds, which would increase annual debt service costs by at least $920,500. However, if the Division is successful in raising only 50 percent of the planned donations for these projects, annual debt service costs would increase an additional $355,600, to a total of approximately $1.3 million annually.

Projects at the University Ridge golf course, although intended to be self-supporting, could also require additional support from the Division's program revenues over the next several years. Three projects—construction of a second 18-hole golf course scheduled for FY 2001-02, an instructional facility scheduled for FY 2001-02, and an addition to the clubhouse scheduled for FY 2002-03—are expected to be funded by state general obligation bonds at a total cost $10.2 million, which would increase debt service costs by $857,700 annually. While new revenue from additional fees, instructional charges, and clubhouse sales is eventually expected to fund debt service costs for these projects, it may not do so in the short-term.

As the annual level of debt service increases, so does the Division's risk of future financial shortfalls. For example, if revenues were to decrease as a result of lowered attendance at athletic events, concerts, or special events, the Division would be unable to fund its debt service costs as planned. Therefore, *we recommend the University of Wisconsin-Madison's Division of Intercollegiate Athletics develop a long-range plan for funding its future capital projects that includes an annual assessment of the level of debt service its programs can reasonably support*. To better ensure financial stability, it may be appropriate to reduce the scope of some of the planned capital projects or to delay other projects until either donations have been raised or program revenues have increased sufficiently to fund debt service costs.

****

APPENDIX I

Organizational Structure
University of Wisconsin-Madison's Division of Intercollegiate Athletics

Vice Chancellor for Legal Affairs

Compliance Director

Director of Athletics

Assistant to Director

Associate Director Sports Administration

* Football
* Rowing
* University Ridge
* Kohl Center
* Facilities
* Maintenance
* Special Events
* Equipment
* Video/Computers

Associate Director Sports Administration

* Basketball
* Volleyball
* Swimming
* Golf
* Conditioning
* Booster Clubs
* Women's Sports Representative to the Big Ten Conference

Associate Director Sports Administration

* Ice Hockey
* Softball
* Track and Field
* Cross Country
* Wrestling
* Sports Medicine
* Academic Affairs
* Student Athlete Services

Assistant Director Sports Administration

* Soccer
* Tennis
* Varsity Sports Support Services

Associate Director Budget and Finance

* Business and Finance
* Payroll
* Personnel
* Purchasing
* Ticket Operations
* Travel
* Summer Camps

Associate Director External Relations

* Sports Information
* Media Relations
* Community Relations
* Marketing/Promotions
* Spirit Squads
* Liaison to the:
  Athletic Board
  Alumni Association
  W Club
  UW Foundation

APPENDIX II

Operating Expenditure Comparison
University of Wisconsin and Other Members of the Big Ten Conference
FY 1997-98

	Big Ten Conference Expenditure Levels			University of Wisconsin	
	Highest	Average	Lowest	Expenditures	Ranking
Salaries	$16,157,635	$8,237,742	$3,845,057	$10,771,273	3 of 11
Other	15,626,776	10,645,963	5,263,843	8,932,088	7 of 11
Student Aid*	7,620,410	4,363,460	1,821,714	1,821,714	11 of 11
Debt Service	4,703,797	1,936,039	0	2,519,602	3 of 9
Team Travel	3,391,451	1,942,016	1,228,190	2,863,717	2 of 11
Guarantees	3,214,740	867,606	22,659	716,440	5 of 11
Contract Services	2,568,302	1,108,385	226,794	1,468,355	4 of 11
Equipment and Supplies	2,024,790	856,877	189,248	355,099	9 of 11
Recruiting	803,161	608,858	391,264	651,469	6 of 11
Fund Raising	625,310	430,200	0	329,117	8 of 9
Officials	249,263	217,854	195,316	224,488	4 of 10

* The University of Wisconsin's costs are understated because scholarship costs were reported net of the tuition and fees waived by the Univeristy of Wisconsin-Madison, which were $2.0 million in FY 1997-98.

Source: Big Ten Conference Intercollegiate Athletics 1997-98 Financial Data

APPENDIX III

Athletic Program Expenditure Comparison*
University of Wisconsin and Other Members of the Big Ten Conference
FY 1997-98

	Big Ten Conference Expenditure Levels			University of Wisconsin**	
	Highest	Average	Lowest	Expenditures	Ranking
Men's Sports:					
Football	$12,241,179	$6,613,894	$4,483,557	$5,544,172	6 of 11
Basketball	2,614,505	1,814,263	1,394,024	1,394,024	11 of 11
Ice Hockey	1,371,581	1,103,503	695,456	1,162,331	3 of 5
Track & Cross Country	764,441	529,303	404,337	695,215	2 of 10
Soccer	615,214	323,203	112,589	351,110	2 of 6
Wrestling	611,832	420,851	338,242	338,242	11 of 11
Swimming & Diving	584,068	409,168	293,470	341,740	8 of 10
Tennis	341,669	238,239	161,951	199,018	10 of 11
Golf	247,348	170,884	115,868	142,313	8 of 11
Women's Sports:					
Basketball	1,277,367	993,233	797,343	890,187	7 of 11
Track & Cross Country	956,002	491,306	34,908	560,450	4 of 11
Volleyball	765,891	564,901	378,904	594,400	5 of 11
Rowing	762,965	542,580	324,855	762,965	1 of 5
Swimming & Diving	732,600	456,359	366,856	367,590	10 of 11
Softball	687,826	439,582	309,263	329,351	9 of 10
Soccer	552,312	348,373	148,995	425,701	4 of 11
Tennis	454,616	286,574	200,559	254,824	9 of 11
Golf	265,803	195,588	152,669	152,669	11 of 11

* Includes all of the costs that could be allocated to each sport, including salaries, recruiting, team travel, equipment, supplies, scholarship, debt service, and capital expenditures.

** The University of Wisconsin's costs are understated because scholarship costs were reported net of the tuition and fees waived by the Univeristy of Wisconsin-Madison, which were $2.0 million in FY 1197-98.

Source: Big Ten Conference Intercollegiate Athletics 1997-98 Financial Data

APPENDIX IV

Current Debt Service Schedule
University of Wisconsin-Madison's Division of Intercollegiate Athletics

	Kohl Center*	McClain Facility	Hockey Facility	McClimon Track	Goodman Diamond	Camp Randall	Total
FY 1999-00	$ 3,437,900	$ 381,800	$ 244,600	$ 76,200	$ 55,600	$ 4,000	$ 4,200,100
FY 2000-01	3,435,000	397,100	244,600	75,800	55,500	4,000	4,212,000
FY 2001-02	3,442,100	431,700	244,600	75,700	55,500	4,000	4,253,600
FY 2002-03	3,452,700	431,400	244,600	75,700	55,500	4,000	4,263,900
FY 2003-04	3,466,500	431,200	244,600	75,800	55,500	4,000	4,277,600
FY 2004-05	3,210,300	430,300	244,600	74,500	55,500	4,000	4,019,200
FY 2005-06	2,551,500	430,000	244,600	76,100	55,600	3,900	3,361,700
FY 2006-07	2,538,700	429,400	244,600	75,900	55,600	4,000	3,348,200
FY 2007-08	2,519,100	428,900	244,500	75,900	55,400	3,900	3,327,700
FY 2008-09	2,515,600	428,300	244,600	75,800	55,300	4,000	3,323,600
FY 2009-10	2,517,600	427,600	244,500	75,800	55,100	3,900	3,324,500
FY 2010-11	2,514,800	0	244,600	75,800	55,000	4,000	2,894,200
FY 2011-12	2,510,000	0	244,600	75,600	54,900	3,900	2,889,000
FY 2012-13	2,504,100	0	244,600	75,600	54,800	4,200	2,883,300
FY 2013-14	2,395,700	0	244,600	0	54,700	0	2,695,000
FY 2014-15	2,332,400	0	244,600	0	54,800	0	2,631,800
FY 2015-16	2,326,400	0	0	0	54,900	0	2,381,300
FY 2016-17	2,323,600	0	0	0	55,000	0	2,378,600
FY 2017-18	37,400	0	0	0	55,200	0	92,600
FY 2018-19	37,500	0	0	0	55,300	0	92,800
Total Debt	$50,068,900	$4,647,700	$3,913,400	$1,060,200	$1,104,700	$55,800	$60,850,700

* Includes Kohl Center construction debt service and seating lease payments, as well as annual costs of the Dane County Coliseum contract buyout. In addition to the $50.1million of debt service, the Division owes University of Wisconsin-Madison Transportation Services $663,000 for land used for the Kohl Center.

APPENDIX V

Revenue Comparison
University of Wisconsin and Other Members of the Big Ten Conference
FY 1997-98

	Big Ten Conference Revenue Levels			University of Wiscosnin	
	Highest	Average	Lowest	Revenue	Ranking
Ticket Sales	$19,335,657	$11,808,398	$5,465,069	$12,862,867	4 of 11
Other	9,258,333	3,568,003	744,133	5,529,352	2 of 11
Contributions	8,575,476	5,211,234	1,902,640	2,435,499*	10 of 11
Advertising and Royalties	8,004,140	1,748,801	22,690	547,118	8 of 11
Bowl Games	6,255,600	2,251,058	973,588	1,459,872	6 of 11
State/Institutional Support	6,247,913	2,901,643	166,563	449,271**	5 of 6
Broadcasting	4,743,296	4,266,578	3,723,596	4,405,023	5 of 11
Conference Distributions	3,863,602	1,560,048	1,008,723	1,077,646	9 of 11
Guarantees	2,404,373	503,723	(243,890)	831,500	2 of 11
Concessions	1,745,661	795,676	202,742	1,727,375	2 of 11
Student Fees***	1,067,166	702,585	710,458	0	n/a
Programs	557,129	168,811	13,292	54,446	8 of 11
Tournaments	475,641	281,714	19,842	425,566	4 of 9

* The University of Wisconsin also received $31.9 million in contributions for the Kohl Center.

** Although not reflected in the Division's financial records, additional state support is provided for the fringe benefit expenses associated with positions funded by general purpose revenue. In FY 1997-98, state general purpose revenue totaled $576,400, or approximately $127,100 more than shown.

*** Only three members of the Big Ten Conference reported receiving revenue from student activity fees.

Source: Big Ten Conference Intercollegiate Athletics 1997-98 Financial Data

APPENDIX VI

Ticket Revenue Comparison
Big Ten Conference
FY 1997-98

	Football	Men's Basketball	Men's Ice Hockey	Women's Basketball	Varsity Sports	Total
University of Michigan	$16,485,244	$1,951,606	$721,781	$7,519	$18,342	$19,184,492
Penn State University	15,635,013	1,494,841	0	259,045	261,850	17,650,749
Ohio State University	13,145,471	2,328,656	82,437	147,177	94,611	15,798,352
University of Wisconsin	**8,518,076**	**2,341,821**	**1,445,436**	**433,733**	**123,801**	**12,862,867**
Michigan State University	8,509,683	2,284,625	1,069,455	27,418	58,834	11,950,015
University of Minnesota	3,516,376	4,070,779	3,013,513	54,612	271,371	10,926,651
University of Iowa	7,783,769	2,650,295	0	53,305	279,584	10,766,953
Purdue University	5,657,632	2,930,368	0	207,933	120,453	8,916,386
University of Illinois	5,347,758	2,638,775	0	194,527	98,780	8,279,840
Indiana University	3,749,913	3,803,595	0	18,863	86,858	7,659,229
Northwestern University	4,762,417	653,283	0	34,634	14,735	5,465,069

Source: Big Ten Conference Intercollegiate Athletics 1997-98 Financial Data

APPENDIX VII

Salary Comparison*
University of Wisconsin and Other Members of the Big Ten Conference
FY 1998-99

	Big Ten Conference Salary Levels			University of Wisconsin	
	Highest	Average	Lowest	Salary	Ranking
Men's Sports:					
Football Head Coach**	$687,772	$487,108	$312,500	$596,370	4 of 10
Football Offensive Coordinator	103,556	93,888	81,600	88,683	9 of 11
Football Defensive Coordinator	98,328	89,315	77,500	86,466	11 of 11
Basketball Head Coach**	665,725	444,313	125,004	349,485	8 of 11
Basketball Assistant Coach	93,200	75,812	60,000	71,060	8 of 11
Ice Hockey Head Coach	130,000	105,273	80,000	97,405	4 of 5
Soccer Coach	66,300	50,134	34,000	47,025	4 of 6
Swimming Coach	65,000	53,032	33,589	33,589	10 of 10
Wrestling Coach	64,836	53,025	44,327	49,884	7 of 11
Track Coach	60,012	55,841	47,727	59,180	4 of 10
Diving Coach	58,376	41,562	18,500	39,188	7 of 10
Tennis Coach	54,200	48,095	35,800	44,927	8 of 11
Golf Coach	51,058	44,503	36,192	44,342	3 of 6
Women's Sports:					
Basketball Coach**	334,250	146,787	74,000	158,680	3 of 11
Volleyball Coach	95,091	65,927	52,900	67,926	5 of 11
Golf Coach	80,000	48,018	33,876	44,342	5 of 11
Track Coach	73,285	52,001	43,105	73,285	1 of 10
Softball Coach	68,261	52,288	44,604	47,921	8 of 10
Swimming Coach	60,000	47,327	33,589	33,589	11 of 11
Tennis Coach	58,000	45,074	35,268	46,004	6 of 11
Soccer Coach	50,846	44,411	37,495	48,070	2 of 11
Crew Coach	46,350	43,177	39,991	39,991	5 of 5
Other Positions Supporting Sports:					
Sports Management Director	105,000	79,268	46,204	82,680	8 of 17
Strength Coach	86,940	55,682	33,000	61,579	4 of 12
Head Athletic Trainer	65,010	55,422	43,000	57,269	8 of 14
Equipment Manager	60,000	42,743	29,450	51,949	3 of 12
Sports Information Directors	58,684	50,185	38,764	52,100	5 of 13
Administrative and Other:					
Athletic Director	275,000	170,058	108,607	191,300	5 of 13
Business Services Director	131,250	79,174	60,000	86,000	4 of 13
Facilities Manager	128,570	72,236	47,025	88,992	3 of 12
Marketing/Promotions Director	96,000	64,384	35,900	78,672	3 of 12
Compliance Director	79,570	64,511	50,000	50,000	11 of 11
Ticket Manager	77,250	53,152	25,078	52,008	6 of 12
Academic Advisor/Counselor	69,045	44,703	33,801	45,513	4 of 10
Assistant Business Manager	66,000	43,096	27,709	55,593	2 of 9
Video Specialist	52,100	39,875	32,000	38,799	4 of 10

* Salaries are understated for many positions because income from outside sources is not reported. On the other hand, some of the salaries may be overstated. For example, the University of Wisconsin has a single coach for men's and women's golf. However, instead of allocating the salary between programs, the entire salary was reported for both the salary of the men's golf coach and the women's golf coach.

** Includes salary and outside income.

Source: Big Ten Conference 1998-99 Salary Survey

APPENDIX VIII

State and Student Support Comparison
University of Wisconsin System Four-Year Campuses
FY 1998-99

University of Wisconsin-	State General Purpose Revenue	Student Segregated Fee Revenue	Student Fee Per Semester
Green Bay	$1,009,500	$ 174,600	$20.00
Oshkosh	822,000	245,300	14.39
Whitewater	788,300	543,500	27.23
Stout	707,700	362,700	26.28
Stevens Point	666,700	188,000	9.81
Eau Claire	645,200	470,000	24.89
River Falls	585,500	251,800	24.50
La Crosse	584,700	301,600	17.79
Madison*	**576,400**	**0**	**0.00**
Platteville	572,000	248,000	24.00
Milwaukee	440,400	1,958,100	44.30
Superior	418,100	74,000	16.97
Parkside	326,400	164,800	21.55

* Division statements exclude the portion of the State's general purpose revenue appropriation that funds fringe benefits. As a result, the Division's FY1998-99 financial statements included state support of $472,700, or $103,700 less than the amount received.

Source: University of Wisconsin System four-year campuses.

UNIVERSITY OF WISCONSIN MADISON
150 YEARS

October 18, 1999

Janice Mueller
State Auditor
Legislative Audit Bureau
131 West Wilson Street, Room 402
Madison, WI 53703

Dear Ms. Mueller:

First and foremost, we want to express our appreciation for the professionalism of your audit staff and for their comprehensive review of the Division of Intercollegiate Athletics. They did an excellent job of analyzing and presenting information regarding the past five years.

The findings, suggestions and recommendations of the audit report are, we believe, in basic alignment with the Five Year Financial Plan which Athletics will present to the Athletic Board on Friday, October 22. Following review and approval by the Board and by the Chancellor's Office, it will be transmitted to the Joint Committee on Finance, as required, by October 30.

The Plan will include:

1. A balance of expenditure limits and revenue increases.

2. Program operations expenditure limits that are <u>less</u> than the level suggested in the audit.

3. Increases in the Division's operating reserve that exceed the current target level.

In response to the primary recommendation of the audit report, we agree completely with the recommendation that the Division have a long-range plan for funding its capital projects and that the plan include an annual assessment of the level of debt service that can be supported. The first articulation of such a plan is in the Five Year Plan mentioned above. It will be updated and reviewed annually.

Capital projects will only be implemented if donations have been identified and committed, reserve balances are adequate to support revenue fluctuations and the level of debt service for the Division, as a whole, can be maintained. Specifically, with regard to the possible Camp Randall project, it must be self supporting.

Office of the Chancellor

161 Bascom Hall University of Wisconsin-Madison 500 Lincoln Drive Madison, Wisconsin 53706-1380
608/262-9946 TTY: 608/263-2473 FAX: 608/262-8333

In summary, we share your concerns; we agree with your recommendation.

We want to make clear, however, that the Five Year Plan will not include two of the options identified by the auditors:

1. We will not include, and do not support, a student fee for Athletics. The scope and nature of Intercollegiate Athletics at UW-Madison is significantly different from the other campuses in the UW System.

2. There is no plan to increase the current level of concerts and special events at the Kohl Center. We believe current activity, as is affects the neighborhood and the campus, is at the appropriate level.

As you suggested, we will assess travel costs and believe that some savings can be achieved. However, it is important to remember that the type of travel–and consequent costs–must minimize student athletes' absences from class, consistent with Division policy on missed class days.

Guidelines are being established which will ensure that football bowl expenditures will not exceed football bowl revenues in the future. However, for other teams' post-season event costs, it is virtually certain that direct costs will exceed direct payments. Team travel and lodging costs and conference requirements for band/spirit squad attendance will be greater than reimbursement. Unless we budget for such post-season deficits, we would be forced to decline post-season invitations to such championships. Also, indirect revenues--received from conference sharing of broadcast and attendance revenues--will offset the direct cost deficits in some of the programs.

The provision of cars and car allowances are part of total compensation packages in intercollegiate athletics. As the auditors noted and Appendix VII indicates, we feel that our overall compensation packages are only, on average, in the middle of the Big Ten.

We want to conclude by emphasizing the following conclusion which we draw from the audit. During the past five years, the Division has annually ranked at or near the top in the Big Ten in terms of both the competitive and academic performance of its teams and athletes. Yet, as the financial comparisons in the audit report's appendices indicate, we are usually at or below the conference average.

The state can and should be proud of these accomplishments. The achievements of our athletes, our coaches and our teams are a source of pride and recognition for UW-Madison–just as our academic and research achievements are. We can and will and must improve. But we must not lose sight of the commitment to and achievement of excellence over the past five years.

Sincerely,

John Torphy, Vice Chancellor
(for David Ward, Chancellor)

Pat Richter, Director of Athletics