

## Revenue-Sharing Plan for Game Guarantee Revenue

The purpose of this plan is to formulate and make transparent the method by which Game Guarantee revenue supports the University. It is believed that if the means for funding the Athletic Department and how the department generates funds is open and transparent, more people within EMU would be supportive of the Athletic Department and the teams it fields. Building support for the athletic teams at EMU must begin from inside EMU with an open and transparent budget process.

Currently all academic departments at EMU follow revenue sharing plans to reimburse the General Fund for overhead needed to maintain and operate their departments and program offerings. The Athletic Department should be no different. In generating Game Guarantee revenue, the General Fund has subsidized the Athletic Department in the form of coach's salaries and benefits, administrative salaries and benefits, athletic scholarships, travel, lodging, cell phone usage, car allowances, recruiting visits, equipment, facilities maintenance and repairs, and many other expenses. As such, the following revenue sharing plan, modeled after the CE revenue sharing plan all academic departments adhere to, is proposed:

- 1) The Athletic Department will create a detailed budget of Game Guarantee Revenues for the upcoming year and how expenses to play these games will be covered (what fund will be used). This analysis will become part of the Budget process for the upcoming year when the games will be played. The Athletic Department will be expected to meet its revenue and expense forecasts, as these revenues and expenses will be built into the upcoming General Fund budget. This plan will be presented to the University Budget Council.
- 2) The Game Guarantee revenue should first cover all direct expenses paid out of the General Fund (and detailed in 1) to participate in the game: team and administrative travel, lodging, meals, etc. The Athletic Department is expected to present to the University Budget Council a detailed analysis of the actual expenses after the game is played when the expenses are known (for example, at the end of the season). Bonuses earned by coaches due to these games, if paid by the General Fund, must be included in the expenses in this step.
- 3) After General Fund expenses are reimbursed, the remaining revenue (the net "profit") from the Game Guarantee revenue should then be divided:

50% to the General Fund as a revenue-sharing amount, and

50% to the Athletic Department,

unless:

- a) Should the revenue-sharing amount falls short of the forecast revenue built into the budget in Step 1, first the General Fund will be paid up to the amount built into the budget. The Athletic Department would receive the remainder.

b) Should there be no profit from the Game Guarantee or the revenue-sharing amount still does not cover the forecast amount built into the budget in Step 1 and paid in 3a), the Athletic Department will present a detailed plan to modify its current year budget to make up the shortfall in both budgeted revenue and expenses.

4) Since a bowl game would not be budgeted, the payout from a bowl game would follow the same plan beginning with the preparation of a separate budget for participating in the game itself in Step 1 above and proceeding through the plan.

### **Justification of the 50% Revenue Sharing**

In FY09, the Athletic Department will generate approximately \$3.2M in revenue in the form of ticket sales and corporate sponsorships (\$0.3M), NCAA payments to EMU (\$1M), the transfer of a portion of Student Fees (\$1.5M), and other miscellaneous items (\$0.4M) for the General Fund. However, the current Athletic Department Budget for administering the sports programs is \$9.7M (excludes scholarships). Thus the General Fund is providing about 66% or \$6.5M of the Athletic Department budget.

If we now include the Game Guarantee as revenue in the General Fund, the Athletic Department will generate approximately \$5M in revenue (the FY10 Game Guarantee is \$1.8M). Hence the Athletic Department will be generating revenue to support approximately 50% of its overhead expenses and the General Fund will provide the other 50%.

### **Maximizing Revenue**

It is beneficial to the University, the students, and the taxpayers of Michigan that the Athletic Department seeks to maximize the external revenue it brings to the University. The Game Guarantee money is currently the largest external source of revenue. To maximize Game Guarantee revenue, the Athletic Department should:

- 1) Play the maximum number of games allowed (for example, petitioning for a 13<sup>th</sup> football game whenever allowed)
- 2) All non-conference games should be Game Guarantee games.
- 3) EMU should not be paying universities or colleges to come to EMU, as this is an expense and a lost opportunity to generate revenue.
- 4) The exposure of the EMU name at these games is reported as an additional benefit of the program, thus more games, more positive exposure.
- 5) Basketball, with its lower expenses, is particularly "profitable". Efforts should be made to maximize the number of revenue-generating, non-conference games during the season.