Process and justification

The Athletics Feasibility Committee appreciates the opportunity to respond to these questions. We hope that you find these answers thorough and appreciate your interest as we continue the campus education of our report.

Faculty involvement:

Every relevant organization (e.g., NCAA, AAUP, COIA, etc.) clearly states that faculty should have a participatory role in decisions and policies for athletics and most universities include faculty in such decisions and policy making. It is understood that faculty should be closely involved in athletic decisions and policies because they have a unique focus on the institution's academic mission. Could you explain how the membership of the committee was selected and why there was little to no faculty participation within the process? Will you consider steps to increase faculty input into future decisions about a move to FBS and the general oversight of university athletics?

To start, we would like to answer this first question by referring back to page 1 of the Executive Summary of the Athletics Feasibility Committee, “[b]ased on the results of this exploratory study, on September 24, 2010, the University’s Board of Trustees gave formal approval for the Department of Athletics to engage in a feasibility study to examine the future of the athletics department.” The Director of Athletics and the co-chair of the committee then solicited participation on the Athletics Feasibility Committee. Dr. Alan Hauser, in his role as Faculty Athletics Representative and chair of the Athletics Council, served as the faculty representative to the Committee (see page 2 of executive summary). The existing Athletics Council provides general oversight to University for Athletics.

From pages 2-3 of the executive summary, “[m]embers of the Committee and select other stakeholder representatives were divided into five specific subcommittees originally. These committees were:

   a. Revenue Subcommittee
   b. Expense Subcommittee
   c. NCAA Subcommittee
   d. Facilities Subcommittee
   e. ASU Family Subcommittee – chaired by Mr. Doug Johnson. Its charge was to engage campus and the community regarding the athletics feasibility study by developing and hosting various stakeholder focus groups. It was also asked to determine mission and strategic fit for athletics within the University. Stakeholder Focus Groups included the University’s Board of Trustees, University academic leaders, campus and local community leaders, Engaged Appalachian State business leaders, Yosef Club Board of Directors, Appalachian State student leaders, and others as identified during the course of the study.

During the Committee’s early work, it was determined that consolidating the Revenues Subcommittee with the Expenses Subcommittee into one Revenues and Expenses Subcommittee chaired by Mr. Jeff Shepard was a more prudent way to study the financial issues related to repositioning. Therefore, ultimately, the Committee was divided into four subcommittees: Revenues and Expenses, NCAA, Facilities, and ASU Family.

In all, there were over 25 focus group meetings held. These groups included faculty, Alumni leadership groups, students, key business associates, University leadership and community leaders (see pages 4-5
on the executive summary for a complete listing). As a result, the Committee feels that faculty and the University community were engaged and included in the process.

Going forward, the Committee’s work is complete with the recommendation that was made. Any future discussions and decisions related to any FBS move rests with the Chancellor and Board of Trustees. As for oversight of Athletics, the Athletics Council has and will continue to serve in the oversight capacity as mandated by the NCAA and the UNC Board of Governors.

Why?
I am looking for a frank and honest answer to the question, “Why?” Is there some possible risk or harm to the mission of the university in remaining FCS? It seems that many schools excel by building academics rather than pursuing big-time football, and to the contrary, most of the schools that have attempted to improve themselves by moving to FBS have not done well on the field or improved their academic reputations. The report did not answer what will be lost by staying in FCS, especially since we are currently experiencing the very benefits from football success that others hope for when moving to FBS. If we move to FBS, there is no guarantee that we will maintain this success. I do not want a marketing spin. Just be honest with those who care about the university and want to make sure that this is really the right decision for the entire university.

As part of its discussion, the Committee recognized that there are always risks with any decisions. The Committee decided that with the changing landscape of NCAA athletics not being a part of the discussion poses more of a threat than the status quo. No one wants Appalachian State to appear as if the University is being left behind in any relevant discussion. The University continues to advance academically and athletically in a way that is best for all students and for the welfare of the University. In addition, the Committee looked at factors that affect the University’s mission as evidenced by the following slide from the final report. The Committee feels these considerations accurately reflect Appalachian’s positioning.

<table>
<thead>
<tr>
<th>Why Schools Consider “The Jump”?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• NCAA governance ruled by FBS leagues.</td>
</tr>
<tr>
<td>• University wants to compete at the “highest level” academically, but this does not occur by competing at FCS level in football.</td>
</tr>
<tr>
<td>• Time is now. Position for future conference alignments because FBS teams have options when shifting occurs.</td>
</tr>
<tr>
<td>• Relevance in Home State and/or Region.</td>
</tr>
<tr>
<td>• Campus leadership groups more excited about association with FBS schools than FCS schools because of higher national profile.</td>
</tr>
<tr>
<td>• Students and faculty want to be associated with excellence across campus. Athletics adds greatly to the quality of campus much like a new dining facility, parking deck, and residence hall, i.e. “all part of the experience.”</td>
</tr>
<tr>
<td>• No tuition increases go to support FBS football.</td>
</tr>
<tr>
<td>• Post-season opportunities</td>
</tr>
<tr>
<td>– Only 20 slots in FCS football playoffs versus 64 FBS bowl game opportunities.</td>
</tr>
</tbody>
</table>

Projections and process:
Prediction models typically are based on conservative estimates of future returns to minimize overexposure to potential risks. The evidence from other schools seems to suggest that ASU will not experience the same level of success in a FBS conference as it has had in FCS. Thus, the choice appears to be whether we wish to remain a top FCS program or, at best, a modestly successful non-BCS FBS conference team. There seems to have been no real conversation with alumni, faculty and students; only presentations with an apparent purpose of informing people. It appears that no real market analysis, data analysis or survey work has been conducted. What evidence do we have about what members of the university community prefer?

As the executive summary noted, this discussion involved over 25 focus groups, some of which are included in the committee time line of the executive report on pages 4-5. The Committee feels that given the conversation’s public nature and the careful formatting of each presentation, there was ample opportunity for all stakeholder groups to express their thoughts, opinions, and questions throughout the process. As evidenced in the report and graphic below, each stakeholder in the overall success of the athletics department was carefully and thoughtfully approached and given the opportunity to fairly express their opinions. In fact, the overwhelming sentiment expressed by the majority of alumni and friends who participated in the focus groups was not if Appalachian will or should reposition but rather when and where.

Interpretation of numbers:
While the report suggests that Appalachian compares favorably to lower quartile FBS school, isn’t there another possible interpretation: that many low-level FBS programs should move to FCS, not that Appalachian should move to FBS? The data actually tends to support this latter interpretation. I suspect that Montana, who rejected an invitation to FBS, realized this is likely the correct interpretation. Like Montana, Appalachian has much to lose by becoming a low-level FBS program. So why did the committee choose one interpretation and not the other?

The Committee recognizes that there is no guarantee of success on field if Appalachian stays FCS or moves to FBS. There are many ways to define success. In fact, the following slide below demonstrates
that this decision goes beyond wins and losses on the field of play. As noted, the athletics winning percentages for Appalachian as a Division I member is only part of the decision-making model.

<table>
<thead>
<tr>
<th>What Defines Success?</th>
<th>The “And” Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Athletics</td>
<td>• University</td>
</tr>
<tr>
<td>(Win % - 40 years at Division I)</td>
<td>✓ Visibility and awareness</td>
</tr>
<tr>
<td>✓ Football</td>
<td>✓ Increase in private gifts</td>
</tr>
<tr>
<td>• 77% Home</td>
<td>✓ Higher student profile</td>
</tr>
<tr>
<td>• 56% Away</td>
<td>✓ More applications</td>
</tr>
<tr>
<td>• 67% Overall</td>
<td>✓ Increased enrollment, especially out-of-state students</td>
</tr>
<tr>
<td>✓ Basketball</td>
<td>✓ Increased state and/or federal funding</td>
</tr>
<tr>
<td>• 70% Home</td>
<td>✓ Increase student fees</td>
</tr>
<tr>
<td>• 34% Away</td>
<td>✓ Increase in state and institutional support</td>
</tr>
<tr>
<td>• 50% Overall</td>
<td>✓ Increase state and/or federal funding</td>
</tr>
</tbody>
</table>

The University of Montana rejected a conference invitation and did not close the door on a move to FBS. Similarly, from page 7 of the Executive Summary, the Committee recommended that for “Appalachian to continue its athletics success... create a viable opportunity to reposition based on our core principle of creating geographic rivalries.”

**Budget**

**Current debt:**

What is the current debt on the recent upgrades to the stadium? Assuming that fees do not increase, what is the expected date when the current student debt fees ($75) will finish paying for the stadium and other facilities enhancement? What is the debt position of the athletics department, and how will this affect the ability to deal with unexpected losses in revenues?

Existing donor contributions, premium seating revenue, and approved student fees, funds phase I of the Athletics Facilities projects. An unexpected loss of revenues would have the same impact on the operating budget whether at FCS or FBS. The committee believes that transitioning to FBS provides new revenue sources currently unavailable to Appalachian at the FCS level.

From the Frequently Asked Questions section of the Final Report:

“By law, ASU athletics does not receive state appropriations or tax-payer dollars and any additional spending on athletics would not take away from the University’s academic budget. Additionally, data shows that FBS athletic departments use a substantially smaller percentage of their total spending from direct and indirect institutional support than those at the FCS level. A recent NCAA study shows that direct and indirect institutional support as a funding source for athletics is approximately 20 percent in the FBS and 72 percent in the FCS. Just over half of ASU’s current athletics budget is funded by indirect institutional support (student fees). Since the beginning of its analysis, the athletics feasibility committee has been committed to recommending a move only if it positively affects the academic role.
of the University and without substantial increases to student fees. The committee believes that its blended financial model achieves both objectives.”

Cost projections:
History suggests that Appalachian (and maybe others) tends to underestimate costs and overestimate revenues for athletics. The recent Kidd Brewer facilities enhancement is a significant example. It was to be funded by donors and boosters, but when they failed to step up with funding (in a significant way) the cost was shifted on to the students. The budget for moving up contains similar optimistic projections. It seems very plausible that such optimistic projections will not be realized. Considering that students have already seen their athletic fees increase 122% since 2000-01 (including the athletic facilities debt fee), what’s in place to ensure the students will not continue to be used as a backstop source of funding when overly optimistic projections fail to materialize?

Construction for athletics facilities is no different than for other University facilities, including cost estimates and actual construction costs. Alumni and friends responded to the Athletic Facilities Campaign in the manner expected and projected. In addition, when premium seat revenues are included, the private contributions totaled twice what was expected during the Athletics Facilities Campaign. All student fees were presented and approved by the Student Fee Committee and Board of Trustees. Student fees fund many enhancements on campus not just athletics. In fact, a true analysis of all student fees for the past ten years reveals that the increase for athletics is in line with all other approved fee requests.

Revenue-cost trends:
Trends in college football programs show that the cost of football is increasing faster than the revenue it generates, and that subsidies (often from student fees) are increasingly needed to balance the budgets. This is the case to a greater extent in the lower tiers of FBS than the upper tiers. What evidence exists that Appalachian can buck this trend of football increasingly drawing upon subsidies from students and the university (even if indirectly)?

The Committee recognizes that in a pure business model, the University would only sponsor football as it is the primary external revenue generator for the athletics department. However, NCAA rules require a minimum of 14 sports to be sponsored for Division I membership and 16 sports for FBS membership. Appalachian State supports 20. The Committee feels the projected budget in the report answers the fiscal questions. Additional revenues that are not available to Appalachian at the FCS level include post-season football revenues, increased conference revenues, new television and media revenues, increased basketball tournament revenues, and increased game guarantees. These items were included in the projected budget.

Student fees
It was notable that there was no suggestion that any increased revenues would be used to reduce student fees. Appalachian has the highest athletic fees in the UNC system. What is the process by which the student athletic fee is determined and what, if any, caps exist on how much this fee can increase? Would the athletic department be willing to commit to reducing athletic fees to the average level in the UNC system, commit to no new athletic fees for 5 years, or at least commit to a proposed cap of athletic fees (e.g., increasing no more than $70 over the next five years)?

A review of the approved student fees for 2012-2013 shows that Appalachian does not have the highest student fees in the UNC system. As mentioned previously, the Student Fee Committee and Board of
Trustees approve all student fees. This process mirrors the tuition process on campus. Ultimately, the UNC Board of Governors annually approves both. The Committee asks that those concerned about the use of student fees revisit the data provided from *USA Today* for an accurate comparison of Appalachian and its peer institutions.

**Budget fairness:**
According to NCAA data, students (many of whom are uninterested in athletics) provide over $8 million to the athletic budget via student fees while fans provide about half of that revenue via ticket sales. Further, boosters provide a fraction of this amount via contributions. Why are we asking students to pay a disproportionate share of the costs? What evidence exists on how fans will react to higher ticket prices and how boosters will react to higher Yosef Club charges? No evidence exists that students are willing and able to pay higher athletic fees (other than a reference to "student leaders") and there is no real evidence that fans are willing and able to pay higher ticket prices. What effort has been to determine which of these two choices all stakeholders prefer and whether they would be willing to pay for this change?

The Committee asks that those interested to please review the included information from *USA Today* – *University Support of Athletics*. Appalachian presently generates more external revenues than its peers as referenced in the report. Ticket prices and Yosef Club commitments were debated as part of the discussion. All groups determined the prices and pledges included in the proposed budget were reasonable. The Committee reviewed peer school budgets and presents the proposed budget as both attainable and conservative.

**Budget components:**

It would be good to see how the components of the budget changed for programs that moved from FCS to FBS. What is the change in net revenue (revenue generation minus expenditures) for all programs that have moved from the FCS to the FBS over the past 20 years or so? More specifically, and critically, how much of the increased revenues were generated from athletics versus the subsidies received from student fees and the institutions (indirectly)?

A critical part of this discussion needs to focus on when others looked at a FBS move. More directly, most were not in a position to have established external revenues like ticket sales and fundraising dollars. The Committee feels that this is a distinction for Appalachian. Also, as the following slides indicate, the percentage of external revenues to total revenues increases as a percentage at the FBS level due to additional resources available.
NCAA Division I Athletics Spending

- Generated revenues for the median FBS institutions (FBS = 5.8% increase; FCS = 3.1% decrease).
- Total expenses for the period increased at a faster rate than generated revenues for each.
- Total revenues allocated by the institutions — 20% in the FBS; 72% in FCS.
- Growth rates in total expenses after removal of the inflationary effect — 2% in FBS; -2% in FCS.
- The increase gap, which measures the difference in growth rates of athletic spending and overall institutional spending, remains very small in all three subdivisions — and is essentially that FBS.
- A total of 14 athletics programs in the FBS reported positive net revenues for the 2009 fiscal year, which represents a decrease from the 25 reported in 2008. The gap between the “profitable” programs and the remainder continued to grow.
- In all subdivisions, 2 revenue sources account for 50% or more of total generated revenues. These are ticket sales, alumni and booster contributions, and NCAA and conference distributions.
- Similarly, in all subdivisions, 2 expense line items, grants-in-aid and salaries and benefits, account for approximately 50% of total expenses.
- In all subdivisions, the number of participating athletes remains fairly constant, while the expense per athlete continues to increase, as a result of rising expenses.
- In all three subdivisions, total athletic expenditures as a percentage of total institutional expenditures have remained constant at approximately five percent for several years. More importantly, if net deficits, rather than total expenses are examined, the percentage drops to the neighborhood of one percent in the FBS and four percent in the other two subdivisions.
- Source: NCAA

Football Bowl Subdivision

- Median generated revenues increased by 5.8%, considerably less than the 17% from 2007 to 2008. Median generated revenues have increased by 23.8% since the 2007 fiscal year.
- Median total expenses increased by 10.9%, as compared with 5.5% from 2007 to 2008. The two-year increase was 17.1%. The implication is that expenses increased at a faster rate than revenues in the most recent year, but revenues increased more quickly over the two-year period. Much of the expense increase is due to increases in the cost of grants-in-aid and compensation – the two top expense line items. More importantly, 6% of the total increase is the result of inflation, leaving only a 2% “real” increase.
- Median negative net generated revenue, representing expenses in excess of generated revenues, moved from $8,089,000 in 2008 to $10,164,000 in 2009. This is a 25.7% increase in losses from 2008, which is much greater than the previous year’s increase of 7%.
- The largest generated revenue of $138,500,000, compared with the median generated revenue of $32,264,000 in 2009, is indicative of the disparity in the FBS. Similarly, the largest total expense is $277,661,000, while the median is $45,807,000.
- A total of 14 FBS athletics programs reported positive net generated revenues in 2009, down from 25 in 2008.
- The median net generated revenues for those surplus programs was $3,817,000 in 2008 and $4,360,000 in 2009, while the median net deficit for the remaining programs was $5,870,000 in 2008 and $11,267,000 in 2009.
- A consistent 50-60% of football and men’s basketball programs report surpluses for each of the 5 years covered.
- Ticket sales and donor contributions continue to carry the load for revenues. The former account for approximately 30% of generated revenues and 24% of total revenue, while the latter account for approximately 25% of generated and 20% total. Together, these two line items account for over 50% of generated revenues.
- Similarly, two line items make up almost 50% of total expenses - salaries and benefits at about 33% and grants-in-aid at 15%. The former follows the national trend of tuition increases, while the latter appears to be market driven. Facilities maintenance and rental weigh in at approximately 13%.
- The average number of participating student-athletes remained unchanged, while total expenses increased.
- Source: NCAA
Donations:

The feasibility reports that Yosef Club donations are budgeted at $3 million dollars, 20% greater than in 2010-11. This seems to be an extremely optimistic projection without any supporting evidence that suggests this level can be achieved and more importantly maintained. The presumption that successful football played at the highest level increases alumni giving is questionable. Many studies show this is not the case (e.g. Murray Sperber’s Beer and Circus: How Big-time College Sports is Crippling Undergraduate Education). In fact, many studies show that athletic donations often crowd out (take away from) academic donations. What evidence was used to project that donations will increase 20% and remain at that level over time, especially when there is no certainty of on-the-field success?

Based on the stakeholder feedback during the study, game days are essential to the life and energy of our campus. One such demonstrated value is the level of fundraising that occurs by the various colleges and development offices on these days. As the following chart demonstrates, donations to the Yosef Club have increased over 300% in the last several years. A three-year review demonstrates the ability to maintain and enhance private support.
In addition, the Committee feels that a comparison of NC State, East Carolina, and Appalachian State alumni further demonstrates our ability to grow external fundraising. As noted by the Committee, strength-of-schedule and playing quality opponents was important in all focus groups to continue our fundraising success.

<table>
<thead>
<tr>
<th>School</th>
<th>Total Alumni</th>
<th>Total Booster Club Members (% of Total Alumni)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECU</td>
<td>125,000</td>
<td>8,000 (6.4%)</td>
</tr>
<tr>
<td>NC State</td>
<td>186,000</td>
<td>15,000 (8.0%)</td>
</tr>
<tr>
<td>Appalachian</td>
<td>103,000</td>
<td>*6,180 (6%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>*5,180 (5%)</td>
</tr>
</tbody>
</table>

*Increasing the Yosef Club Alumni number to 5% (5,000 total alumni) should be our goal.

Coaches/personnel salaries:

If we moved to FBS, we would have to pay football coaches considerably more to be competitive. A review of the lowest quartile of FBS schools suggests the head coach’s salary alone would need to more than double. Assistant football coaches and athletic department staff salaries would also increase considerably. As the AD and administration are aware, faculty and staff at the university have not had
pay raises for four straight years while seeing health care and other deductions increase. The result is that most university employees have essentially received pay cuts for four straight years. Would the Athletic Department be willing to freeze athletic department salaries until faculty/staff have received adequate cost-of-living raises sufficient to compensate for the salary reductions experienced in recent years?

Increased compensation and personnel is included in the proposed budget from the Committee. Athletic department personnel salaries are subject to the same regulations as Appalachian State faculty and staff.

Revenue projections:

The Football ticket sale revenue is budgeted at $3,925,000. There is no explanation for the formula that leads to this amount. Ticket revenue is a function of attendance and ticket prices, and attendance is a function of stadium size, on-field success, and the number of home games. More information is needed to clarify these relationships. How was this revenue number estimated? Was this dependent upon attendance numbers that assumed an expansion to the stadium or current capacity? What evidence do we have that indicates attendance will not drop considerably if the football team goes 7-5 or 6-6? How has attendance changed in both absolute numbers and as a percentage of stadium capacity for those schools moving from the FCS to the FBS (1AA to 1A) over the past 10 and 20 years? If attendance were to decrease, how will the lost revenues from decreased attendance be recovered—more increases in student fees?

The chart below was included in the proposed budget. Ticket sales are based on the current stadium capacity, but know that additional temporary seating can be installed to accommodate larger crowds. Ultimately, should Appalachian reposition, then a stadium expansion would be considered. Please know that the Committee also recognized that both attendance and winning percentage could drop at the FCS level with no chance to access additional revenue sources or benefits associated at the FBS level. Additionally, the last page of the budget projection in the report includes a demonstration of how an increase in student FTE’s impacts the funding formula in a positive manner. It would do the same for student fees enhancements across campus and tuition for academic support.

### Football Ticket Sales (6 Home Games)

<table>
<thead>
<tr>
<th></th>
<th>Avg. Ticket Price</th>
<th>#</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Season Tickets</td>
<td>$185</td>
<td>10,000</td>
<td>$1,850,000</td>
</tr>
<tr>
<td>Non-conference (FCS)</td>
<td>$25</td>
<td>7,500</td>
<td>$187,500</td>
</tr>
<tr>
<td>Non-conference (FBS)</td>
<td>$25</td>
<td>10,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Conference 1</td>
<td>$30</td>
<td>10,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>Conference 2</td>
<td>$30</td>
<td>10,000</td>
<td>$30,000</td>
</tr>
</tbody>
</table>
Budget position:
The proposed football budget would rank ASU 12th from the bottom amongst FBS schools in 2010 according to Equity in Athletics data from the U.S. Department of Education. From 2003-2010, the average number of wins for non-BCS schools with football budgets below the median 2010 budget, $6.4 million, is 5. This suggests that ASU would actually need to have a considerably higher athletic budget than the one proposed. With this in mind, should ASU make the move up, could you identify several university athletic programs that ASU would consider to be aspirational peers? What are their athletic budgets and competitive success? In other words, who would we realistically like to look like (in athletics) in 10 years, and what is the evidence that we have the potential to look like them?

The Committee reviewed the proposed budget as compared to peers and decided it would allow Appalachian State to be competitive. One of the largest expenditures in all athletic budgets is scholarships. Appalachian’s low cost-of-attendance gives us an advantage, which allows athletics to be competitive with a smaller athletic budget than most peers that have a higher cost-of-attendance.

Criteria for Moving Up:

FBS tiers I:
It appears that there is virtually no difference in the amount of football-generated net revenue between the FBS' lowest quartile — in which 14 of the 19 FCS move-ups reside — and the FCS' highest, $2.31 million to $2.28 million in 2009. Therefore, isn’t it the case that ASU really needs to be in the 3rd quartile of FBS schools (not the 4th) to realize any financial benefit from the move? If that is the case, doesn’t that put us in a category of schools whose athletic budgets far exceed the proposed budget?

The low cost-of-attendance allows Appalachian to be in a competitive position with the proposed budget approved by the Committee.

FBS tiers II
The slide titled, “Finances of Post-Season Football” is confusing. According to the previous slide (Bowl Championship Series), Conference USA receives $3.34 million of BCS shared revenue as a non-AQ conference, although the “Finances” slide indicates that this is only $2.5 million. Even the more generous $3.34 million divided by 12 schools provides a BCS share of only @ $275,000 per school. The finances slide indicates that “Team expenses equal or exceed payouts for participation”. Thus, for C-USA teams that attend lower bowl games, they require the BCS money to help break even. However, the BCS share is maximum $275,000 per school. It is not clear how this results in “net revenue of $2 million”. While the conference may have net revenues, clearly some schools will have little to no financial benefit to the post-season. Furthermore, for non-bowl C-USA teams, their share of BCS revenues would no more than $275,000 plus a modest amount from the C-USA conference sharing agreement. It is not clear that ASU could rely on post-season revenues to make up any deficits.
remaining at the end of the season resulting from travel costs, higher salaries, or scholarships. It seems that ASU will run football deficits unless we move to the 3rd quartile FBS conferences and qualify for a mid-level bowl. Is there missing information that suggests ASU will not run deficits in its athletic budget?

The Committee does not feel there is any information missing. The referenced slides are examples of how additional revenues are generated at the FBS level. As included in the proposed budget, in addition to the post-season football revenues, conference revenues increase, basketball tournament revenues increase, television and new media revenues increase, and higher guarantee game revenues are available.

Moving up in name only:

There is a rumor that we are discussing a move up to FBS with a group of other FCS programs. Is this true? Doesn’t this contradict the claim that a move would require big conference/TV revenues to make it work financially? Couldn’t we simply get together in a FCS conference and incur much less costs?

Recent headlines demonstrate how the college athletic world is changing. The Committee understands that the University cannot control where the discussion goes because no one can accurately predict the future. The Committee feels that the best opportunity for long-term success is a league that focuses on geographic rivalries.

Conference members:

One argument for moving up is that ASU would like to be associated with more similar institutions, but conferences often consist of different types of institutions. It seems the decision to move up is different than the decision to associate with similar institutions. Given that Appalachian is actually more similar to FCS schools than FBS schools on academic grounds (only 9 of 120 FBS programs share our academic profile); wouldn’t we find more similar institutions by staying put or partnering with more similar FCS programs such as the CAA?

Hopefully, Appalachian continues to improve academically as well as athletically. This is why this study was conducted. As demonstrated by the following page in the report, the Committee feels that most peer institutions would position Appalachian academically as well as athletically in a positive manner.
FBS Scenarios

Prospects of success:

Of the 19 programs to move from the FCS (formerly I-AA) to the FBS (formerly Division I-A) since 1987, one respondent indicated only five have won 54 percent or more of their games since reclassification: Boise State, Connecticut, Nevada, South Florida and Troy. Only six of those programs — the aforementioned five plus Marshall - have earned bowl berths in at least half their FBS seasons. Less than half played in a postseason bowl from 2005 to 2009. Thus, among the teams that have moved up to FBS, only a few have won much more than 50% of their games after moving up. The programs that have succeeded have critical attributes that Appalachian does not possess, such as being a flagship university (e.g., Nevada, UConn), having a market advantage (e.g., USF, Boise St), or being in a large metro area (e.g., Boise St, USF). The programs that share Appalachian’s attributes have consistently done poorly after moving up to FBS. For example, WKU had two winless seasons after moving up to FBS a few years after winning the FCS championship. Two similar programs have had some success, Marshall and Troy, but even in these limited cases, the move has yielded mixed and very limited benefits for the institution. This move seems to be a gamble for the university. What tangible evidence do you have that it is a good gamble? Specifically, what evidence suggests that Appalachian can avoid the outcomes of previous similar programs? How can we overcome the constraints of being a rural, undergraduate institution surrounded by 12 BCS programs within 300 miles?

As the following slide from the study indicates, the Committee reviewed different ways that many universities define success for its athletics teams. For Appalachian, it goes beyond our 40-year history as a Division I program. Ultimately, this is a University decision. Any decision has risks, but the Committee decided that if Appalachian has an opportunity to reposition athletics with geographic rivalries, then this is the right direction for the University. Clemson University and Virginia Tech are great example of what
can be aspired. Hopefully, the increased academic profile for incoming freshmen from the past several years demonstrates a positive relationship and indicates how our profile as an institution is a benefit and not a constraint.

**What Defines Success?**

**The “And” Question**

- **Athletics**
  - (Win % - 40 years at Division I)
  - **Football**
    - 77% Home
    - 56% Away
    - 67% Overall
  - **Basketball**
    - 70% Home
    - 34% Away
    - 50% Overall

- **University**
  - Visibility and awareness
  - Increase in private gifts
  - Higher student profile
  - More applications
  - Increased enrollment, especially out-of-state students
  - Increased state and/or federal funding

**Impact on other athletic programs**

**Support for programs:**

I am a strong supporter of several non-football sports programs. What impact will the move have on other athletic programs at ASU? I have heard that some schools have had to cut or eliminate non-football sports programs to maintain expensive football programs. Could this be a possibility at ASU if the purported financial rewards do not materialize?

The Committee based its proposed budget on all current sports being maintained. However, given the rising costs associated with Division I athletics, eliminating sports is always a possibility, whether at the FCS or FBS level.

**Equity:**

What will be in the impact on equity across different ASU sports’ budgets? Will other sports teams’ budgets be increased (e.g. increase in coach’s salaries)? If so, won’t that decrease available resources to pay for the increased football costs or will those funds come from other sources and where? If the football move will not provide additional resources for other sports, won’t that contribute to further budgetary imbalance between football and other ASU athletic programs?

The Committee decided that the proposed budget presents Appalachian Athletics with the best opportunity to be competitive and enhance all sports.

**Impacts on the University Mission and Community**

**Academics prominence:**
The committee co-chair stated that “a move to FBS mirrors Appalachian’s strategic vision as a nationally prominent institution and would enhance the university’s academic mission”, but there is no explanation or evidence that supports this claim. What universities have enhanced their academic reputation by moving to a 4th quartile FBS conference? What evidence is there to support the claim that moving to FBS will enhance the prominence of academics for Appalachian? Are there not less risky and more cost-effective means to enhance academics?

The Committee recognizes that there are risks with any decisions. However, it is hoped that the information presented demonstrates a real commitment that by looking to enhance the athletics program, the University would positively benefit. The Committee believes that a small, but meaningful example of this is the University’s benefit from the media attention surrounding the 2007 football victory at Michigan.

**Academic budget:**
Please explain how a move to FBS football division will help ASU better achieve its Vision Statement and Strategic Plan? Will there be a profit-sharing agreement that a percentage of revenues above expenses will be return to Academic Affairs to enhance the academic mission of the university? Will athletics be better able to support its own facilities, which will release the current indirect institutional subsidies to athletics? Will athletic success be able to reduce student fees?

Based on the chart below, the Committee believes that a successful athletics program will help Appalachian reach its aspirational goals and strategic priorities. As a reminder, no state dollars or dollars dedicated to academic programs are spent on athletics at Appalachian. As an auxiliary budget unit for the University, athletics currently contributes 85% of its operating budget back to campus for resources provided, including scholarship payments, utility payments and physical plant charges.

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**The Role of Athletics Embedded in the University’s Vision Statement AND Strategic Plan**

**Vision Statement:** “Appalachian Campus is a model 21st century, nationally recognized university, Appalachian is committed to attracting the best students... Appalachian will provide excellent value... will develop a distinctive identity based on the university’s strengths, location, and tradition.”

**Strategic Plan**

- **Priority 1:** Create and maintain superior curricula, programs, financial incentives, and intellectual environments to attract, educate, and graduate an exceptional and diverse community of students.
- **Priority 2:** Provide resources to enable all faculty members to perform quality research and creative activities, and enhanced resources in successive, focus areas of strength to enable Appalachian to make sustained and major contributions in those fields.
- **Priority 3:** Allocate resources, develop support services, and promote a collegial culture to attract, develop, and retain an exceptional and diverse faculty and staff.
- **Priority 4:** Apply our intellectual, academic, cultural, and research resources to promote sustainable economic growth, prosperity, and quality of life throughout this region and state.
- **Priority 5:** Develop and implement a comprehensive plan to protect and enhance our distinctive historical, geographical, and cultural identity associated with our location in the Appalachian mountains.
- **Priority 6:** Practice sound management of institutional resources to continue to be a best value for students.

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**Cost-shifting and subsidies:**
It is often claimed that athletics is separate from academics, but there is significant cost-shifting and subsidies that allow athletics to exist at its current level. A move up will likely increase the extent of cost-shifting and subsidies. For example, page 20 of the Consulting Report demonstrates how many costs for athletics are actually funded through general university funds, not from designated athletic fees or revenues. The report indicates that it will be important for athletics to control the use of the Varsity Gym, but not to bear the costs for its upkeep or operation, “Athletics having access, control, and competition use of this facility is important to the overall matrix of ASU facilities success...Athletics must be careful not to inherit the long-term maintenance and operational costs of this facility. There are many positives due to the amount of space but there could also be major capital maintenance issues in the future” (italics added, p.20 of consultant report). In other words, athletics wants to control the space, but not be responsible for its maintenance. This is an example of how the university (indirectly) subsidizes athletics. How much university funds currently support the maintenance of Varsity Gym? What are the expected costs to make necessary capital improvements to the Gym? And finally, if the Varsity Gym was moved out of general university funds and into the athletic budget, how much would student fees need to increase to cover the costs of maintenance and repairs to the Varsity Gym to make it adequate for competition use?

The Committee did not consider the consultant’s report specific to Varsity Gym. Varsity Gym is a University facility and although athletics uses it for practices and competitions, the space is shared with academic and student programs on campus. This is not an exclusive-use space. Athletics did fund most of the recent improvements to Varsity Gym. Additional improvements mentioned in the report were shown as a low priority.

Cost-shifting and subsidies II:

Student activities fees have increased more than 120% in the past 10 years and increases in the athletics fee have been the major contributor to increasing the overall cost of attending ASU. Athletic fees make up about 40% of overall student activities fees and over 10% of the overall cost of attending ASU. A move to the FBS will likely lead to even higher athletic fees and take up an even greater share of resources on campus. This matters because, while fees cannot be used for academic programs and salaries, charging fees for athletics limits the ability to charge fees/tuition for other potential alternative activities that would better serve the students’ education and future. If nothing else, lowering fees will reduce the cost of attending, which is a primary objective of a public university. In other words, athletics is not separate from the other areas on campus because raising athletics fees has a real impact on the ability to fund other, more primary, objectives of ASU.

Doesn’t it seem appropriate that all members of the ASU family have a voice in deciding how many resources are used for athletics versus alternative activities that arguably better fit the mission of the university and better serve the students’ future? Doesn’t it seem appropriate for all members, particularly those most attuned to the mission of the university, to have a voice in setting the direction of the university? Can we have this important discussion as a university community before this decision is made?

The Committee feels strongly that the positioning of the athletics program has been well debated publicly and privately for many years. As mentioned previously, all student athletic fees are presented annually to and approved by the Student Fee Committee. Additionally, the projected budget identifies the student fee necessary to fund a move to FBS. Even without growth in the student FTE, the increase
shown is less than others in the UNC system. It must be noted that Appalachian State has added 4,000 students over the past 10 years. The last page of the projected budget shows both a zero growth and growth scenarios and their impact on the student fee amount.

Parking:
It is hard to have confidence in a consulting report that rates parking and access for ASU home football games as “3” on a 4 point scale (i.e. good/very good). Parking around campus during home football games (whether you are going to the game or not) is a generally agreed upon nightmare. How will the parking situation be improved for everyone (fans, residents, etc.), particularly if there is an increase in cars arriving on game days? Please be specific.

Event day parking on all college campuses creates traffic congestion. As crowds increase, so does the need for shuttles, which we hope to improve in the coming years. Specifically, the Committee suggests that the Yosef Club develop a detailed plan with the Town of Boone to utilize off-site park-and-ride shuttles like at UNC as one alternative.

Sustainability:
A major point of pride for the university is its emphasis on sustainability. What steps would the athletic department take to insure the university community that associated changes such as facility improvements, increased team travel, increased attendance at home games, etc., would fit with our commitment to sustainable practices that the ASU community has identified as being a priority for the university?

Athletics is an active participant on the University’s Sustainability Council. Recycling programs and market awareness is provided on game days in a manner similar to other campus events. This commitment would not change with any repositioning.

Increased stakes and compliance:
The proposed budget is dependent upon several variables (attendance, alumni giving, Yosef membership dues, corporate sponsorship, etc.), which seem to presume rather immediate success of the football program. The increased stakes of moving to FBS will add pressure to succeed. The literature on organizational decision-making and the recent history of big (bigger) time college football is pretty clear: isolated decision making which occurs in environments where there is high pressure for success creates tremendous incentives for unethical conduct. What steps is the athletic department willing to take to insure that ASU’s football program (and all athletics) adheres not only to NCAA rules, but is a program of which the university community and alumni can be proud?

The Committee agrees that there are many levels to creating a successful environment. We hope that past history of success both academically and athletically will continue to benefit the University. Student-athletes, through the Learning Assistance Program for Student-Athletes, consistently exceed the general student population GPA. The expectation is for this success to continue with any transition. NCAA rules compliance is a major part of the department’s daily activities. As noted previously, there are risks with all decisions, but it is important to know that the Committee did not make their recommendation in a vacuum, but instead looked at all aspects of a successful athletics program and Appalachian’s ability to be one of those programs.