

**PLANNING AND RESOURCES COMMITTEE (P & R)
FINAL REPORT, AY 2016-2017**

Committee Membership:

Faculty representatives: Stacey Swearingen White, Urban Planning (Chair)
Ron Barrett-Gonzalez, Aerospace Engineering
Katherine Clark, English
Scott McEathron, KU Libraries

Staff representatives: Deb Deering, Shared Services Center
Kelsey Fortin, Watkins Health Center
Kevin Fullerton, School of Pharmacy

Student representatives: Mitch Reinig, Undergraduate Student
Amy Schumacher, Graduate Student

Ex-Officio members: Diane Goddard, Vice Provost for Administration and Finance
Deb Teeter, OIRP

The report sections that follow address committee activities and committee recommendations with respect to our standing and specific charges for the year.

STANDING CHARGES

1. Participate in the University's planning processes by communicating with the Provost and the Provost's senior staff on matters of capital strategic planning, infrastructure, IT resources, and sustainability, and examine how current financial circumstances (the health of the state economy, current university indebtedness, school-specific fees and charges, etc.) will influence such projects. Coordinate with ACEC of IT matters. Report issues and any recommendations for action to Sen Ex. (ongoing)

Committee Activities:

The committee received budget updates from Vice Provost Diane Goddard during our monthly meetings, as well as updates on major capital projects such as the Central District plan. Because the Kansas Legislature has yet to finalize a budget for the next fiscal year, we can only speculate as to the future impacts on KU's planning processes.

Committee Recommendations:

None at this time.

2. Monitor the University budget. When current financial circumstances result in changes to annual spending plans, advise SenEx and suggest any actions the committee would deem helpful. (ongoing)

Committee Activities:

As noted above, Vice Provost Diane Goddard provided budget updates during the committee's monthly meetings. Additional subcommittee work, (described below) addresses specific budgetary issues.

Committee Recommendations:

None at this time.

3. Provide committee representation at hearings held by the Provost and the Provost's senior staff to review planning reports and budgetary submissions made by the various units. Report issues and any recommendations to SenEx for consideration. (ongoing)

Committee Activities:

The first budget hearing does not take place until May 4, which is well after the deadline for this report. We are currently developing a schedule for committee members to attend these hearings, and will provide additional information to SenEx when those conclude in late June.

Committee Recommendations:

The purpose of this standing charge could be clarified. As it is, committee members are not sure of what sorts of additional information or recommendations SenEx might expect us to provide from these hearings.

4. Monitor changes in tuition plans and their effects on allocation of resources across the university. Report recommendations to SenEx for action. (ongoing)

Committee Activities:

The committee had several budget updates from Vice Provost Diane Goddard, but nothing specific to tuition plan changes. The KU Tuition Advisory Committee (on which Stacey White also serves) does not complete its work until after this report is due.

Committee Recommendations:

If possible, SenEx should clarify this charge, perhaps by developing specific questions related to the relationship between tuition plans and resource allocation. This would likely require the Planning and Resources Committee to coordinate with the Tuition Advisory Committee, as materials shared in the latter committee's meetings are considered confidential.

SPECIFIC CHARGES

Committee Activities: Given the complexity of each specific charge, we divided into three subcommittees, each with three members. Subcommittee reports are provided as appendices to this report.

1. Monitor and examine the partnerships between KU and outside contractors and consultants. Work with the University Senate President and Provost to develop a cost-benefit analysis of partnerships between KU and outside contractors and consultants.
2. Report on the progress of implementing both the Campus Master plan and the Science Master Plan. Obtain an analysis of funding sources and dollar amounts to be used to pay off interest and principal on the bonds used to finance both Plans, and how that portfolio of sources and amounts may affect the University's credit and bond ratings.
3. Work with Athletics Committee to produce a report detailing the University's financial relationships with KAI. Determine how much income the University is receiving for licensing of its name, logo, colors, font, etc. Determine how much income the University is receiving for use of its facilities.

OVERALL THOUGHTS AND RECOMMENDATIONS OF THE PLANNING AND RESOURCES COMMITTEE:

Both the general and specific charges for the Planning and Resources Committee are overly broad for effective committee work. In addition, since the Committee did not receive our charges until early October, we have only a limited number of months to determine what data we need, analyze that data, and conduct our analyses.

Although the subcommittee approach has worked for us, we recommend further specificity in Committee charges for next year. For example, the Committee could be tasked with conducting a cost benefit analysis for the Shorelight Program. Another possibility would be to examine the budgetary impacts of operating and maintaining new buildings/facilities.

APPENDIX A: Subcommittee for Specific Charge 1
Subcommittee Members: Ron-Barret-Gonzalez, Katherine Clark, Amy Schumacher

A.1 Aviation Report*

A.2 Consultant Report*

*Due to large files sizes, each of these reports is attached as a separate document.

APPENDIX B: Subcommittee for Specific Charge 2
Subcommittee Members: Deb Deering, Kevin Fullerton, Stacey White

Subcommittee 2: Deb Deering, Kevin Fullerton, and Stacey White

Charge: Report on the progress of implementing both the Campus Master Plan and the Science Master Plan.

Actions:

The subcommittee gathered relevant information from Vice Provost Diane Goddard. We also met with Shannan Nelson, Associate Vice Provost for Campus Operations.

Findings:

There have not been any changes in the funding sources for these plans. Funding sources include tuition dollars from international students, bonds, housing and parking facilities, and ongoing savings captured from the Changing for Excellence.

International student enrollment is down from the Shorelight target of 1800. However, the tuition money contributing to the Campus Master Plan was based on enrollment of 300 international students, a target that has been reached. There is an awareness of potential further declines in international student enrollment (at KU and across the US), but so far no plans in place for responding to those declines, should they occur.

The Science Master Plan, as part of the Campus Master Plan, is on track. The Earth, Energy and Environment Center (EEEC) should be open in November. Integrated Science Buildings (ISB) I and II are nearly complete. The new parking garage is complete. A new residence hall and new dining center will be complete in May/June. Apartments and ISB III will be completed in 2018. KU Athletics has committed to filling half of the new apartments, and will be using that housing option as part of their recruiting effort.

At the end of FY 2016, the Kansas Legislature imposed a one-year spending cap on KU, based on concern as to how KU moved forward with the Central District Plan. That spending cap is set to expire and renewing the cap has not been mentioned in this year's Legislative session.

KU is anticipating a credit rating downgrade for future projects, largely because the State of Kansas received such a downgrade. A credit rating downgrade for KU will not affect the Central District project, but could have an impact on rates the University could secure on future projects. The lease/lease-back arrangement is working well.

Recommendations:

An analysis of international student enrollment changes would be helpful, especially given expected decreases in coming years.

It would also be helpful to understand the relationship between the construction of new facilities and the budgetary resources needed to operate and maintain those facilities.

APPENDIX C: Subcommittee for Specific Charge 3

Subcommittee 3: Kelsey Fortin, Scott McEathron, Mitchell Reinig

Charge:

Work with Athletics Committee to produce a report detailing the University's financial relationships with KAI. Determine how much income the University is receiving for licensing of its name, logo, colors, font, etc. Determine how much income the University is receiving for use of its facilities.

Actions:

On December 8, 2016, members of the P & R Committee joined the University Senate Athletic Committee at their meeting. Also attending the meeting was Mr. Paul Vander Tuig (Assistant AD, Trademark Licensing) and Mr. Pat Kaufman (Chief Financial Officer, Kansas Athletics)

On the question of how much income the University is receiving for licensing of its name, logo, colors, font, etc.... Mr. Vander Tuig related that the net royalty income is split 50/50 between the University and Kansas Athletics. The income is derived from a 12% royalty. The total generally ranges between 1.9 and 2.4 million dollars annually (see Table 1). About seventy percent of the income comes from the sale of apparel. There are about 500 to 550 vendors that are licensed to use the KU branding at over 2,900 locations.

Table 1. -- Trademark Licensing Net Royalty Income (FY 2013-2016)

2013	2,324,768
2014	2,043,708
2015	2,015,590
2016	1,994,266

Mr. Kaufman addressed the last part of the charge: "determine how much income the University is receiving for use of its facilities." The University receives zero dollars for the use of facilities. The agreement was originally made between the University of Kansas and Kansas Athletics Inc. on December 1, 1988.¹ Mr. Coffman provided a summary of the arrangement as follows:

¹ Agreement Between the University of Kansas and the University of Kansas Athletic Corporation, dated December 1, 1988, as previously amended by the Amendment to Agreement Between the University of Kansas and the University of Kansas Athletic Corporation, dated October 1, 1995; the Second Amendment by and Between the University of Kansas and Kansas Athletics, Incorporated, dated July 1, 2007; and the Third Amendment by and Between the University of Kansas and Kansas Athletics, Incorporated, dated July 1, 2010; and as previously supplemented by the Supplemental Agreement dated January 15, 1998; the Second Supplemental Agreement, dated December 1, 2004; the Third Supplemental Agreement, dated July 1, 2008; and the Fourth Supplemental Agreement, dated June 1, 2014 (collectively, the "Operating Agreement" or "Agreement").

- KAI is entitled to the use and control of the stadium, fieldhouse, baseball field, Anschutz Pavilion, Horejsi, and other athletics facilities, but these facilities shall be available for other University or University approved activities and events.
 - KAI pays for all operating costs (utilities, insurance, etc.) related to these facilities.
 - KAI pays for all repairs and maintenance in, plus all desired renovations and improvements to these facilities.
 - KAI also pays for new facilities that may arise from time to time through fundraising and/or operating revenues; such new facilities are contributed to the University upon completion.
- The University will make available to KAI other University facilities that may be necessary to operate the athletic program (e.g. Robinson Gym for swimming and diving programs).

One possible need is a clear policy and procedure for the *internal* usage of these same facilities. While the policy *University Facilities, Use by External Organizations or Entities, Policy and Procedures* provides guidelines and procedures for external interests to use University facilities, an equivalent policy for internal parties to gain access to the facilities for research purposes does not appear to exist.

Findings:

In regards to the first part of the charge, a deeper inquiry into the budget of KAI may provide better understanding between KAI and the University for Faculty, Staff and Students, and lead to other recommendations. Publicly available data suggests that KAI is similar to many peer universities in income and expenses (See Table 4).²

YEAR	TICKET SALES	CONTRIBUTIONS	RIGHTS / LICENSING	STUDENT FEES	SCHOOL FUNDS	OTHER	TOTAL REVENUES
2015	\$19,993,153	\$25,772,560	\$38,341,131	\$418,078	\$1,542,051	\$5,793,700	\$91,860,673
2014	\$20,083,624	\$28,952,472	\$36,399,620	\$1,080,061	\$1,484,313	\$9,680,976	\$97,681,066
2013	\$18,786,106	\$32,996,068	\$34,404,906	\$1,104,748	\$1,765,878	\$4,056,462	\$93,114,168

Table 2 -- KU Athletics Expenses, 2013-2015.

YEAR	COACHING / STAFF	SCHOLARSHIPS	FACILITIES / OVERHEAD	OTHER	TOTAL EXPENSES
2015	\$33,502,288	\$11,941,782	\$10,751,118	\$36,012,689	\$92,207,877
2014	\$33,760,483	\$11,146,895	\$5,152,682	\$39,996,451	\$90,056,511
2013	\$35,488,107	\$10,791,102	\$5,076,307	\$28,364,520	\$79,720,036

Table 3 -- KU Athletics Revenues, 2013-2015.

² Knight Commission on Intercollegiate Athletics, *Athletic & Academic Spending Database for NCAA Division I, 2013-2017*, <http://spendingdatabase.knightcommission.org>; USA Today, *NCAA Athletic Finances Database*, <http://sports.usatoday.com/ncaa/finances>.

According to the Methodology of NCAA Athletics Department Revenue database found on US Today Sports:

“**Scholarships:** Athletically related student aid, including summer school and tuition discounts and waivers (including aid given to student-athletes who have exhausted their eligibility or who are inactive due to medical reasons), and aid for non-athletes such as student managers.”

“**Other:** Includes guarantees paid to other schools; severance payments to past coaches and staff; recruiting; team travel; equipment and uniforms; game day and camp expenses; fundraising and marketing costs; spirit group support; medical expense/insurance; conference dues; the value of university-provided support such as administrative services, facilities and grounds maintenance, security, risk management, utilities, depreciation and debt service that is not charged to the athletics department.”³

Table 4. -- KU Peer Institutions

Rank	SCHOOL	CONF	TOTAL REVENUE	TOTAL EXPENSES	TOTAL SUBSIDY	% SUBSIDY
1	Texas A&M	SEC	\$192,608,876	\$109,313,651	\$0	0.00
2	Texas	Big 12	\$183,521,028	\$173,248,133	\$0	0.00
20	Iowa	Big Ten	\$105,969,545	\$109,214,651	\$650,000	0.61
21	Oregon	Pac-12	\$105,701,523	\$103,880,557	\$2,009,125	1.90
24	Nebraska	Big Ten	\$102,157,399	\$98,023,037	\$0	0.00
28	Kansas	Big 12	\$91,860,673	\$92,207,877	\$1,960,129	2.13
29	Virginia	ACC	\$91,256,772	\$91,345,925	\$13,555,431	14.85
30	Missouri	SEC	\$91,217,778	\$86,859,158	\$1,515,000	1.66
32	North Carolina	ACC	\$89,128,256	\$89,080,843	\$9,040,407	10.14
33	Indiana	Big Ten	\$88,362,421	\$88,330,530	\$2,707,752	3.06
50	Colorado	Pac-12	\$67,852,236	\$65,273,311	\$12,216,734	18.00

Recommendations:

- Reducing student fees that support Athletics.
- A worthy goal of KAI would be to have a 0% subsidy.
- Clear policy and procedure for the internal usage of facilities used to operate athletic programs.

³ USA Today, *Methodology for NCAA athletic department revenue database*, 2016, <http://sports.usatoday.com/2016/04/14/methodology-for-ncaa-athletic-department-revenue-database/>