

**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 The agreement was originally made between the University of Kansas and Kansas Athletics Inc. on December 1, 1988.<sup>1</sup> Mr. Coffman provided a summary of the arrangement as follows:

- 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.

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<sup>1</sup> 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 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).<sup>2</sup>

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

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

  

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.**

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.”

<sup>2</sup> 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>.

“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.”<sup>3</sup>

**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.

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