



July 12, 2024

Office of Internal Auditing

Athletics Impact Advisory Report

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Report Classification: Public

MINNESOTA STATE

Strategic Questions for Consideration

Are governance structures clearly defined and consistently applied to guide decision-making for athletics department operations?

How does Title IX impact the decision-making process and overall governance of athletics?

What are the financial, enrollment, student experience, and other impacts of athletics for the colleges and universities?

Athletics Impact Advisory Report

In June 2023, the Audit Committee approved an advisory review project of Athletics. The attached report represents the summary results of the advisory review.

We discussed the project results with system office leadership on April 29, May 11, and June 7. We included management's response on pages 10-11.

This project was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Background – Impact of Athletics

Minnesota State Colleges and Universities (Minnesota State) provides athletic opportunities for over 4,000 student-athletes across twenty institutions. Teams primarily compete in National Collegiate Athletics Association (NCAA) Division 2, National Junior College Athletic Association (NJCAA) Division 3, and some teams compete at the NCAA Division 1 level.

Athletics departments (athletics) offer opportunities for leadership, campus involvement, and community engagement. Athletics can also contribute to Equity 2030 goals by attracting and retaining students across different demographic groups.

However, athletics represent significant financial expenses, and these costs are not generally recovered through revenues derived from athletics (e.g., student fees, donations, camps and clinics, ticket sales). Each institution records and reports athletics related expenses and revenues differently, and it is difficult to compare financial impacts across institutions.

Project Objectives, Scope, Methodology

Objectives	Scope	Methodology
Determine how athletics departments are governed and operate across Minnesota State	Internal Audit included 20 institutions in scope for this review (listed on slide 6)	<ul style="list-style-type: none"> • Sent a survey to institutions to gather key information regarding athletics structures and qualitative data on non-financial impact of athletics • Interviewed a sample of six institutions*
Evaluate the financial impact of athletics	Internal Audit reviewed NCAA financial reports for universities, Equity in Athletics Disclosures Act (EADA) reports for all institutions, and requested financial reports and fund information from each institution	<ul style="list-style-type: none"> • Performed data analysis and compared, where possible, financial data of in scope institutions • Gathered financial data from the system for analysis (i.e., deferred maintenance, insurance)

*We conducted interviews with Bemidji State, Lake Superior, Minnesota North, MSU, Mankato, Ridgewater, and Rochester CTC.

External Financial Reporting

All institutions with athletics departments are required to submit specific financial reports to external parties to ensure transparency and compliance. There are no requirements for reporting to the system office, and reporting to institutional leadership varies by institution. There are audit requirements for NCAA institutions to conduct agreed upon procedures at the universities every three years during the system's annual audit.

We used two key reports to gather information for this review. Below we outline the purpose of each report and how we used it.

NCAA Membership Financial Reporting System (FRS)

Objective of the report: To provide detailed financial data related to operating revenues, expenses, and capital for intercollegiate athletics.

How we used the data: We used data from each university's 2022 FRS report for all financial comparisons in this report.

Equity in Athletics Disclosure Act (EADA) Report

Objective of the report: To promote gender equity in college athletics; includes information on athletic participation, staffing, and revenues/expenses by men's and women's teams.

How we used the data: We used data from each college's 2022 EADA report for financial comparisons and used participation data for both colleges and universities.

Athletics Overview Fiscal Year 2022

This chart displays data the institutions reported in their annual EADA report including number of enrolled full-time undergraduate students*, the number of athletic teams, and the number of student-athletes for FY 2022**.

The five green institutions represent universities, and the remaining blue institutions represent colleges***.

*The enrollment numbers are lower than typically reported but align with the EADA's definition of full-time undergraduates.

**Number of athletes reported is unduplicated headcount.

***Minnesota North includes athletics at 5 locations (Hibbing, Itasca, Mesabi Range, Rainy River, and Vermilion).

Institution	Enrollment	Teams	Athletes
Bemidji State University (Bemidji State)	2,295	14	366
Minnesota State University, Mankato (MSU, Mankato)	9,765	16	583
Minnesota State University Moorhead (MSU Moorhead)	2,883	12	331
Southwest Minnesota State University (Southwest Minnesota State)	1,389	13	340
St. Cloud State University (St. Cloud State)	4,280	15	367
Winona State University (Winona State)	4,590	15	345
Alexandria Technical and Community College (Alexandria TCC)	958	6	176
Anoka-Ramsey Community College (Anoka-Ramsey CC)	1,756	7	105
Central Lakes College (Central Lakes)	908	6	150
Century College (Century)	2,570	2	41
Dakota County Technical College (Dakota County TC)	1,291	6	97
Lake Superior College (Lake Superior)	1,214	3	50
Minnesota North College (Minnesota North)	1,534	35	475
Minnesota State Community and Technical College (Minnesota State CTC)	1,624	8	121
Minnesota West Community and Technical College (Minnesota West CTC)	754	9	138
Northland Community and Technical College (Northland CTC)	798	9	77
Ridgewater College (Ridgewater)	1,320	6	82
Riverland Community College (Riverland CC)	866	6	108
Rochester Community and Technical College (Rochester CTC)	1,410	8	208
St. Cloud Technical and Community College (St. Cloud TCC)	1,415	5	77

Project Conclusion

Strengths

Athletics provides unique benefits to each campus. On-field success has brought national attention to Minnesota State, as evidenced by MSU, Mankato's recent men's and women's national basketball championships. Student athletes are also heavily involved within the campus and their surrounding communities by serving on-campus committees, engaging in fundraising campaigns, and participating in community service events. For many institutions, athletics is a key enrollment driver and can enhance feelings of belonging on campus for all students.

Opportunities

Governance structures for athletics at the system level are not clearly defined, affecting reporting and oversight of athletics programs. Athletics expenditures total over \$65 million per year, but there are no consistent approaches to recording and reporting the financial impact of the athletics department. Additionally, what activities constitute athletics is difficult to define (e.g., competitive sports, recreational/intramural sports, health and wellness), leading to inconsistencies across the system in reporting athletics related financial information.

Recommendation

Increase transparency and accountability over key financial and non-financial metrics through enhanced financial reporting and information sharing.

Recommendation

Minnesota State should consider the following opportunities to increase oversight, accountability, and sharing of leading practices for athletics.

Increase transparency and accountability over key financial and non-financial metrics through enhanced financial reporting and information sharing.

Designate leadership

Minnesota State should consider implementing a role with oversight and leadership at the system office to provide guidance and monitor the sustainability of athletics across all institutions. Board Policy 2.6 Intercollegiate Athletics provides an overview of expectations but does not designate oversight.

Encourage knowledge sharing

Establish a community of practice for athletics leadership to communicate lessons learned, leading practices, and strategic development to allow for consistent communication across institutions.

Connect to Title IX

Title IX coordinators should be connected to the community of practice to enhance communication and transparency between Title IX and athletics.

Recommendation (continued)

Increase transparency and accountability over key financial and non-financial metrics through enhanced financial reporting and information sharing.

Create budgeting policies

Minnesota State should consider defining policies for athletics to document budget expectations, in a similar manner to student life operations outlined in procedure 2.8.1. Athletics departments at each institution should create a five-year budget plan, including setting expense expectations, estimates for deferred maintenance, and plans for revenue to offset costs*.

Define financial reporting

Athletics departments should record or recognize indirect expenses within the athletics fund to allow for clear reporting on actual expenses of the athletics programs.

Monitor performance

Institutions could be required to set and report on key performance indicators, based on institution size and athletics participation (e.g., financial, student academic success, Equity 2030).

***Revenue and expense expectations will vary across institutions and should consider competitive level of the institution, such as division, number of athletes, and number of teams.**

Management's Response (1 of 2)

We met with system leadership (Academic and Student Affairs, Finance and Facilities, Diversity, Equity and Inclusion, and Human Resources) on April 29, May 11, and June 7 to discuss the results of our review.

Recommendation related to designating leadership, encouraging knowledge sharing, and connecting to Title IX

Management's Response: *System leadership did not provide a specific implementation plan at this time, however, there was general agreement with the recommendation.*

Recommendation related to defining financial reporting

Management's Response: *Agree with the recommendation. The Finance Division will work with colleges and universities to establish a consistent definition of indirect expenses for intercollegiate athletics that can be implemented for fiscal year 2025.*

Recommendation related to monitoring performance

Management's Response: *Agree with the recommendation. One step which can be implemented in fiscal year 2025 is to have colleges and universities share their FRS and EADA reports with the system office so the various divisions can track and make institutional comparisons.*

Management's Response (2 of 2)

We met with system leadership (Academic and Student Affairs, Finance and Facilities, Diversity, Equity and Inclusion, and Human Resources) on April 29, May 11, and June 7 to discuss the results of our review.

Recommendation related to create budgeting policies

Management Response: *Agree with the recommendation with one exception, the athletic department should not be responsible for submitting estimates for deferred maintenance. The majority of the facilities utilized by intercollegiate athletic programs are also academic facilities and planning to resolve deferred maintenance should be part of the overall system strategy presented to the Finance and Facilities committee in March 2024 of establishing a third-party facility condition assessment requirement and strategy that includes identifying ten-year needs and a spending plan.*

The system office will add a system procedure to accompany Board Policy 2.6 Intercollegiate Athletics that establishes intercollegiate athletic budget expectations that are similar to student life activity fee allocations while also incorporating components of the multi-year planning components of the system procedure for auxiliary operations. Formalizing these budget policies will occur during fiscal year 2025.

Non-Financial Impact of Athletics



Non-Financial Impact Overview

Internal Audit interviewed a sample of six institutions and surveyed other institutions to gather information regarding perceptions of athletics, structure of key roles and responsibilities of athletics at the institution and reporting mechanisms of athletics impacts. The survey was primarily completed by athletics directors and others in positions of leadership for athletics.

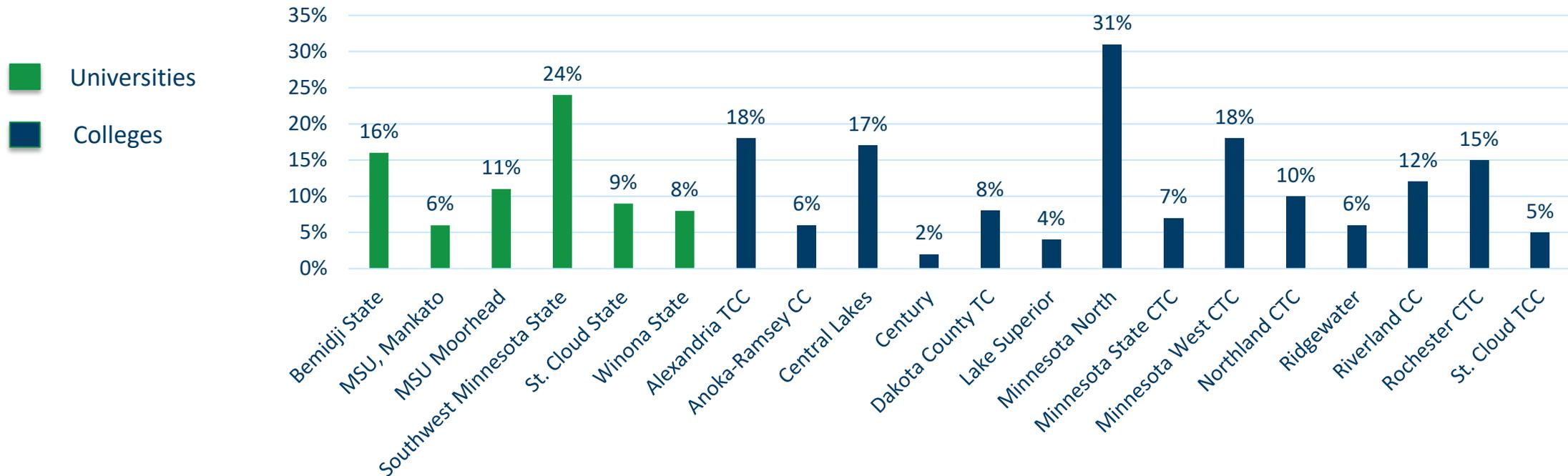
The following pages summarize qualitative information gathered through our efforts and present considerations when evaluating the impact of athletics at institutions across the system.

Enrollment

Successful athletics programs are generally seen as an overall driver of student enrollment. Some institutions perform surveys annually to determine if student-athletes would have come to the institution if not for athletics. Student athlete enrollment also has an impact on campus life. For example, many student-athletes live on campus and pay for on-campus housing, when it is an option.

The chart below displays fiscal year 2022 data on percentage of students participating in athletics relative to the total enrollment of full-time undergraduate students for universities (green) and colleges (blue).

Percentage of Unduplicated Athletics Participation



Academic Performance

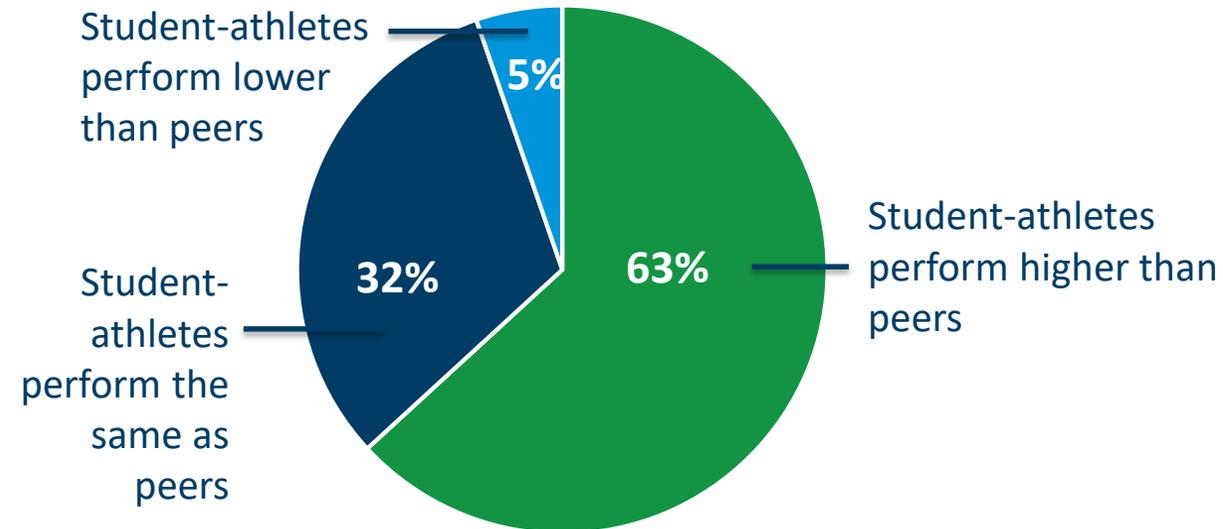
The survey respondents (primarily athletics department leadership) indicated most institutions had the perception student-athletes performed at a higher academic standard than other students. The NCAA has reporting requirements for academic success metrics, such as graduation success rate, but requirements vary by division. Many institutions track this data for institution-level monitoring, but there is not a consistent requirement and therefore Internal Audit did not obtain data to support these conclusions.

Best Practice

Rochester CTC dedicates a position to assist student-athlete academic success. Further, it has developed a student-athlete data report to:

- Compare student-athlete academic performance by GPA to the student body as a whole
- Track other student success metrics, such as persistence, retention, and completion
- Track demographic information to identify opportunities for alignment with Equity 2030

System Student-Athlete Academic Performance in Relation to Peers

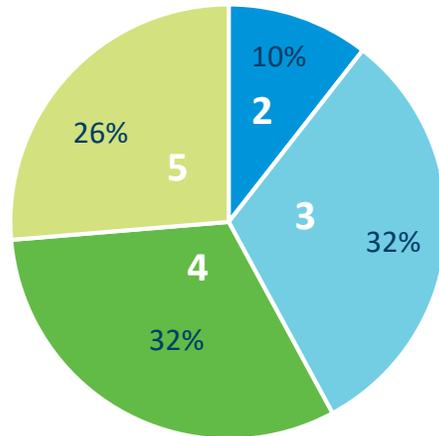


Student Experience

Based on information gathered from surveys and interviews, there is a perception athletics helps improve student experience on campus. There is also a perception student-athletes have a positive impact on campus, as these students are often serving in leadership roles and perform many hours of community service. Our survey asked respondents (primarily athletics leadership) to rank the popularity of athletics on campus on a scale of 1 to 5. The average rating for surveyed institutions was 3.2/5; see below chart for results of all institutions.

Rank of Popularity of Athletics

Rating Scale
1: Unpopular
5: Popular



Considerations

Popularity of athletics did not tie to size of athletics program. The five schools ranking athletics as most popular were Central Lakes, Minnesota North, Minnesota West CTC, MSU Moorhead and Northland CTC.

Survey response from Bemidji State: Athletics is a catalyst on our campus and should be supported as both a consistent enrollment tool and student engagement and morale tool. According to a recent campus survey, students who attended athletic events reported a higher sense of belonging on campus than those who never attended athletic events.

Title IX Impacts

- To demonstrate Title IX compliance in athletics, an institution must comply in three areas: participation, treatment areas, and financial assistance. Each institution must:
 - Provide equal opportunities for male and female students to become intercollegiate athletes
 - Provide equitable treatment of participants in the overall women’s program as compared to the men’s program
- *Specific to participation:* The majority of Minnesota State institutions do not meet substantial proportionality (i.e., participation is not proportional to enrollment). This does not indicate noncompliance with Title IX, but if institutions do not meet the substantial proportionality, it constrains options when evaluating continuity of athletics teams. The alternative options for indicating participation compliance require intentional planning and actions.
- Oversight of Title IX compliance in athletics is the responsibility of the institution’s Title IX Coordinator; there needs to be a collaborative effort between the Title IX Coordinators and athletics to mitigate risk and ensure compliance.

Male Participation and Enrollment Percentages

Institution	Male Athlete Participation (%)	Male Enrollment (%)
University Average	56%	42%
College Average	70%	53%

Name, Image, and Likeness Impact

Name, Image, and Likeness (NIL) is a pivotal concept reshaping college athletics. Beginning in 2021, in the context of college sports, NIL rights empower college athletes to control the use of their name, image, and likeness for commercial purposes.

Practically, this means athletes can earn money through:

Brand deals: Athletes can earn money through brand deals. This involves posting promotional content on social media or endorsing products related to their name or jersey number.

Collectives: Athletes can receive de facto salaries from donor-funded groups called collectives. These collectives, affiliated with schools but not officially part of them, pay athletes for charity work or other activities.

Contributions to collectives do not flow through the institution.

Considerations

- Increased competition from larger institutions (i.e., able to offer money beyond scholarships to attract student-athletes)
- Need for increased compliance education, particularly for institutions competing in NCAA
- Opportunity to increase athletes' presence in the community (e.g., brand deals with local businesses)
- Competing interests when attracting donor funds (e.g., does a donor contribute to the institution or the collective)

Student Athletes – Employees and Unions

Currently, the NCAA does not recognize athletes as employees of their schools.

A National Labor Relations Board (NLRB) regional director ruled men's college basketball players at Dartmouth College are "employees" and have the right to a union election. In March 2024, the Dartmouth men's basketball team voted to join the local service employees union and form the first union in NCAA sports. The team's signed petition highlighted issues such as class scheduling conflicts with practice times and significant control exercised by Dartmouth over their activities.

Dartmouth College has appealed the decision, asserting student-athletes are not employees as they do not perform work in exchange for compensation, stating it does not offer athletic scholarships and it does not turn a profit from the basketball program.

Considerations

- Student athletes could potentially gain more influence, negotiating conditions of performance (e.g., number of practices per week), compensation and benefits (e.g., health care, sick leave).
- Student workers in Minnesota are eligible for sick and safe time, which may apply to athletes if determined student-athletes are employees.

Financial Impact of Athletics



Athletics Expenditures - Universities

The chart below shows expenses the universities reported to the NCAA.

Average athletics expenditures for universities was \$9,588,456 in FY 2022.

Institution	Total Expenses (1)	Salaries	Team Travel	Equipment	Athletic Student Aid
Bemidji State	\$8,447,931	\$3,205,252	\$1,100,443	\$664,607	\$1,838,033
MSU, Mankato	\$17,099,434	\$6,855,568	\$1,650,827	\$1,036,733	\$3,018,236
MSU Moorhead	\$5,727,118	\$599,198	\$576,499	\$315,557	\$1,583,325
Southwest Minnesota State	\$6,920,864	\$2,952,910	\$527,149	\$373,153	\$1,262,041
St. Cloud State	\$12,556,095	\$4,674,648	\$1,319,861	\$656,156	\$2,244,802
Winona State	\$6,779,295	\$3,327,120	\$574,840	\$284,187	\$1,788,334

Notes: (1) Total expenses includes additional expense categories not included above.

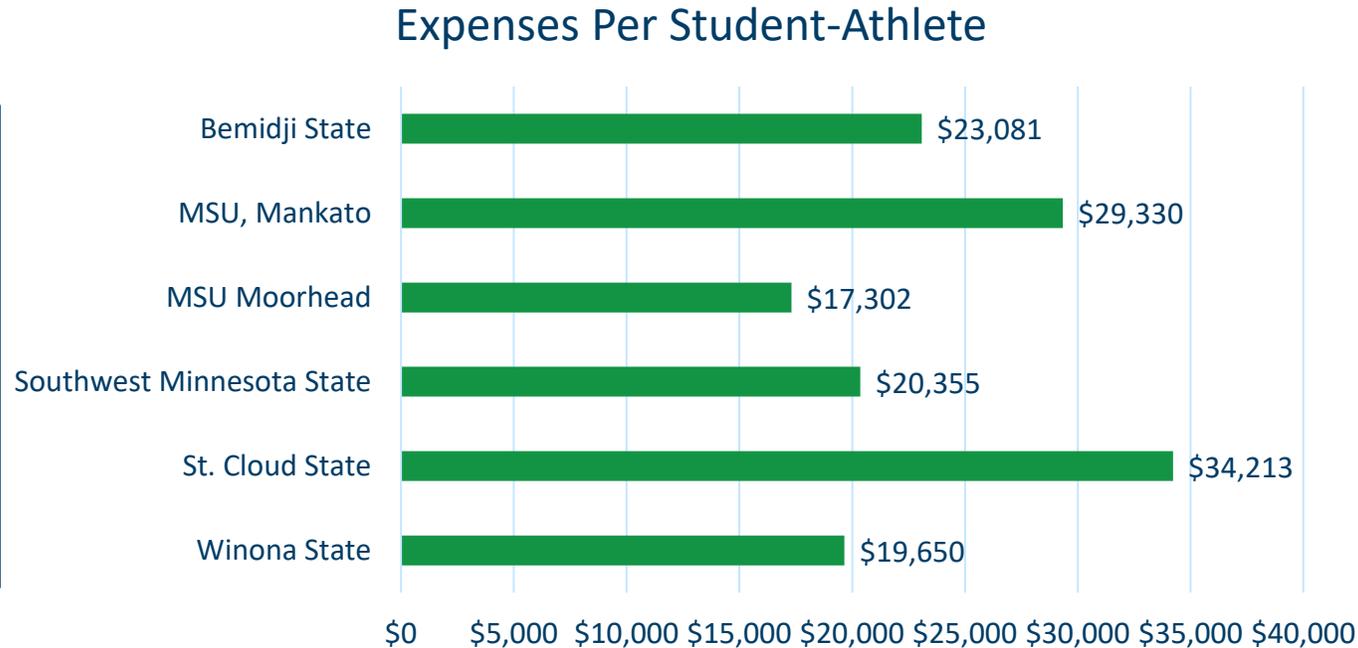
Considerations

- The rising cost of travel, such as transportation and hotels, has impacted overall athletics budgets.
- From a financial perspective, it is challenging to provide full-time coaches; however, coaches with a full-time presence on campus are perceived as the most successful (considering athletic success and engagement impact).

Athletics Expenditures - Universities

The chart below shows per-student-athlete data the universities reported to the NCAA.

Average athletics expenditures per student-athlete for universities was \$23,989 in FY 2022.



Considerations

- Athletic team success leads to increased expenses (i.e., additional travel to post season competition)
- MSU, Mankato has seen recent success as its men's and women's Basketball teams each won NCAA Division II championships

Athletics Expenditures - Colleges

The chart below shows expenses colleges reported to the U.S. Department of Education in 2022.

**Average
athletics
expenditures
for colleges
was \$652,259
in FY 2022.**

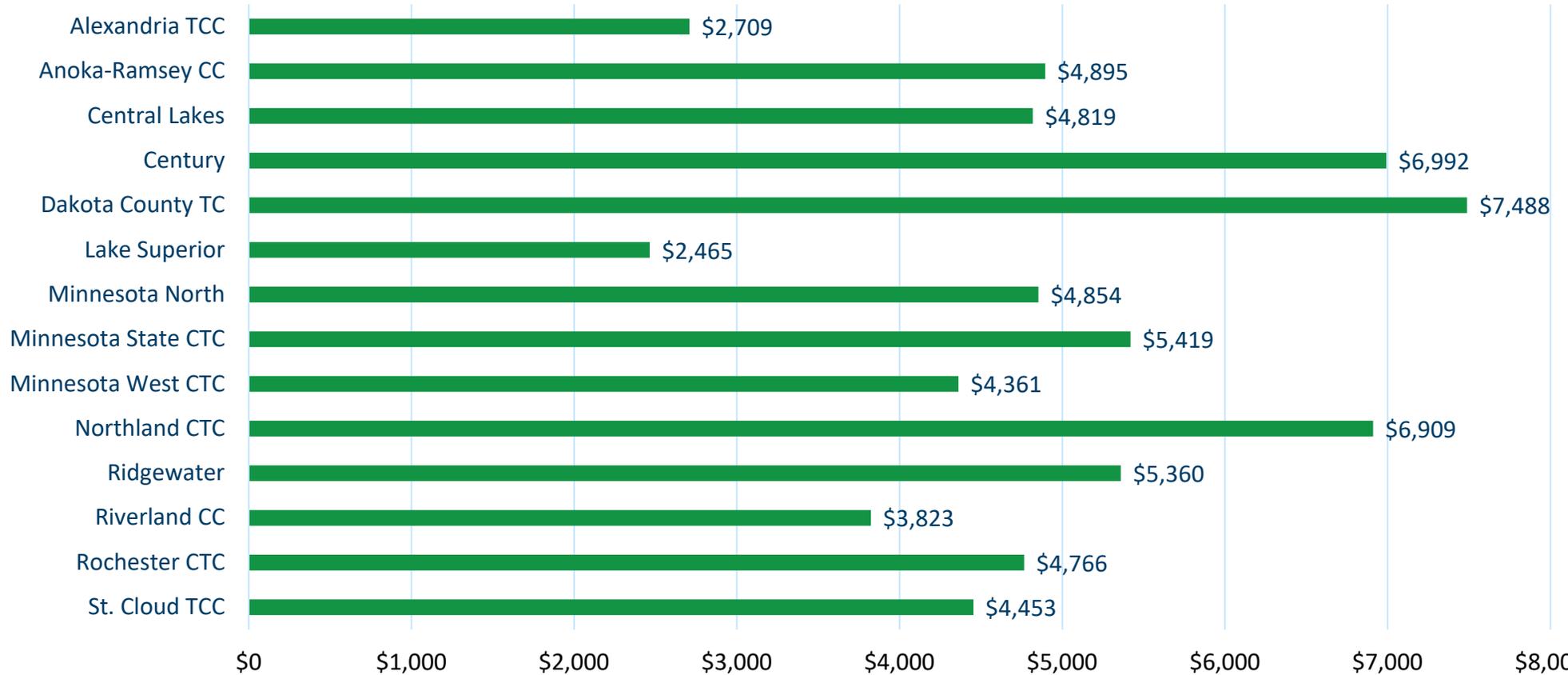
Institution	Total Expenses (1)	Salaries	Operating (Game-Day) Expenses
Alexandria TCC	\$476,787	\$170,007	\$74,720
Anoka-Ramsey CC	\$513,928	\$133,504	\$187,030
Central Lakes	\$722,882	\$192,008	\$128,281
Century	\$286,682	\$59,670	\$73,146
Dakota County TC	\$726,328	\$166,611	\$305,909
Lake Superior	\$123,240	\$59,099	\$42,826
Minnesota North	\$2,305,558	\$650,138	\$1,015,841
Minnesota State CTC	\$655,718	\$179,013	\$324,994
Minnesota West CTC	\$601,885	\$188,874	\$253,506
Northland CTC	\$532,028	\$162,316	\$177,002
Ridgewater	\$439,520	\$121,002	\$129,049
Riverland CC	\$412,937	\$123,480	\$173,674
Rochester CTC	\$991,229	\$272,270	\$309,902
St. Cloud TCC	\$342,910	\$110,414	\$181,091

Notes: (1) Total expenses includes additional expense categories not included above.

Athletics Expenditures - Colleges

This chart shows a comparison of the expenses per student-athlete, as reported on the FY 2022 EADA report.

Expenses Per Student-Athlete



**Average
athletics
expenditures
per student-
athlete for
colleges was
\$4,951 in FY
2022.**

Facilities and Deferred Maintenance

Table includes deferred maintenance for buildings with athletics component.

Considerations

2023
Average deferred maintenance
 \$32,587,368 at universities
 \$11,686,086 at colleges

- Institutions define deferred maintenance for athletics facilities differently, making it difficult to compare across institutions. The data presented shows the full deferred maintenance for each building with an athletics component, even though the entire building may not be used for athletics. For example, if a student center contains a locker room, all deferred maintenance for the building is included, not just the locker room.
- Inability to maintain facilities may lead to health and safety concerns and potential Americans with Disabilities (ADA) act violations.
- Bonding has not historically been used as a funding tactic for athletic facilities due to competing priorities.
- Some institutions have chosen to rent facilities or share with local schools or towns to reduce risk and decrease costs.

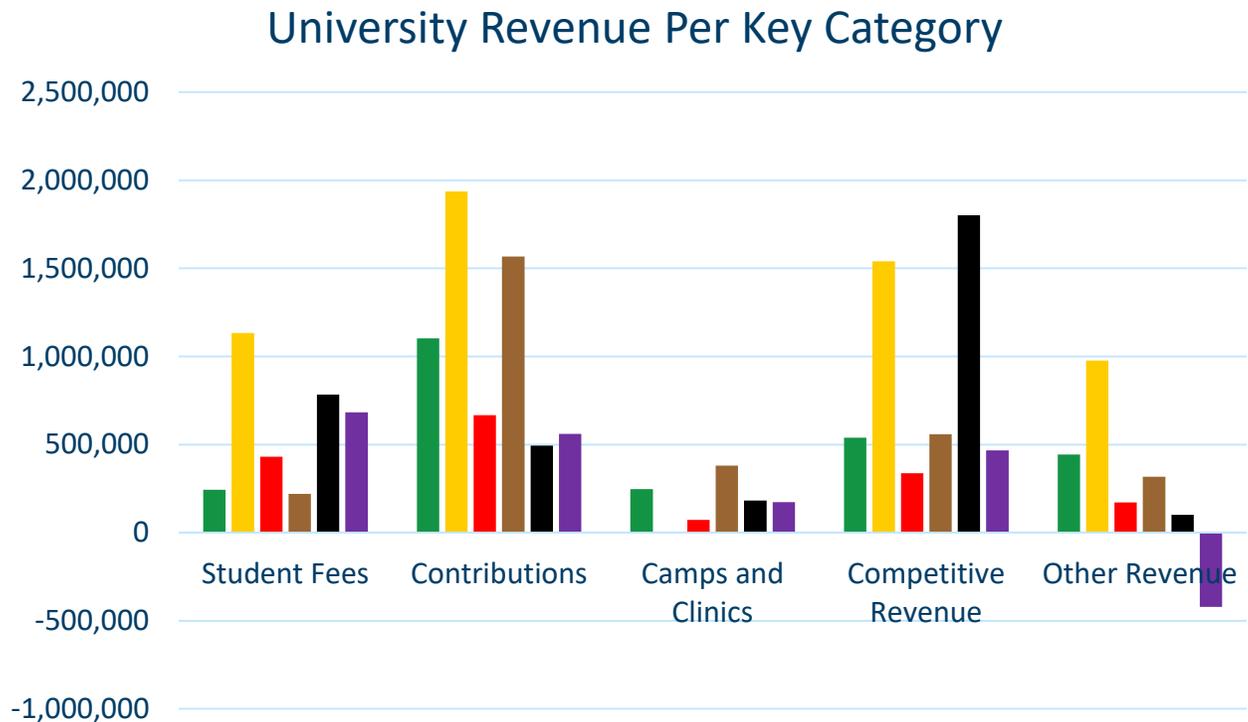
Institution	Total Deferred Maintenance
Bemidji State	\$19,788,540
Minnesota State, Mankato	\$12,998,987
Minnesota State Moorhead	\$25,763,004
Southwest Minnesota State	\$50,796,257
St. Cloud State	\$66,807,959
Winona State	\$19,369,448
Alexandria TCC	\$11,986,851
Anoka-Ramsey CC	\$0
Central Lakes	\$35,622,843
Century	\$6,551,356
Dakota County TC	\$29,521,318
Lake Superior	\$21,388,921
Minnesota North	\$15,316,786
Minnesota State CTC	\$20,693,780
Minnesota West CTC	\$2,162,751
Northland CTC	\$1,402,613
Ridgewater	\$1,380,734
Riverland CC	\$2,954,944
Rochester CTC	\$5,976,858
St. Cloud TCC	\$0

Revenues - Universities

Typically, revenues do not cover the entirety of athletics expenses, and there is a general expectation the institution will contribute to any financial overages. The NCAA FRS report shows key categories of revenues, which are presented below for universities, but we were unable to provide the same analysis for colleges due to lack of data in the EADA report.

Average athletics revenue without institutional support in FY2022 was \$2,950,538 per university.

- Bemidji State
- MSU, Mankato
- MSU Moorhead
- Southwest Minn State
- St. Cloud State
- Winona State



Considerations

- Foundations have varied roles at institutions, and typically assist with coordinating fundraising campaigns.
- There are different levels of expectations for each team/coach in terms of amount of revenue the team needs to raise to support operational expenses, equipment, and travel for the team

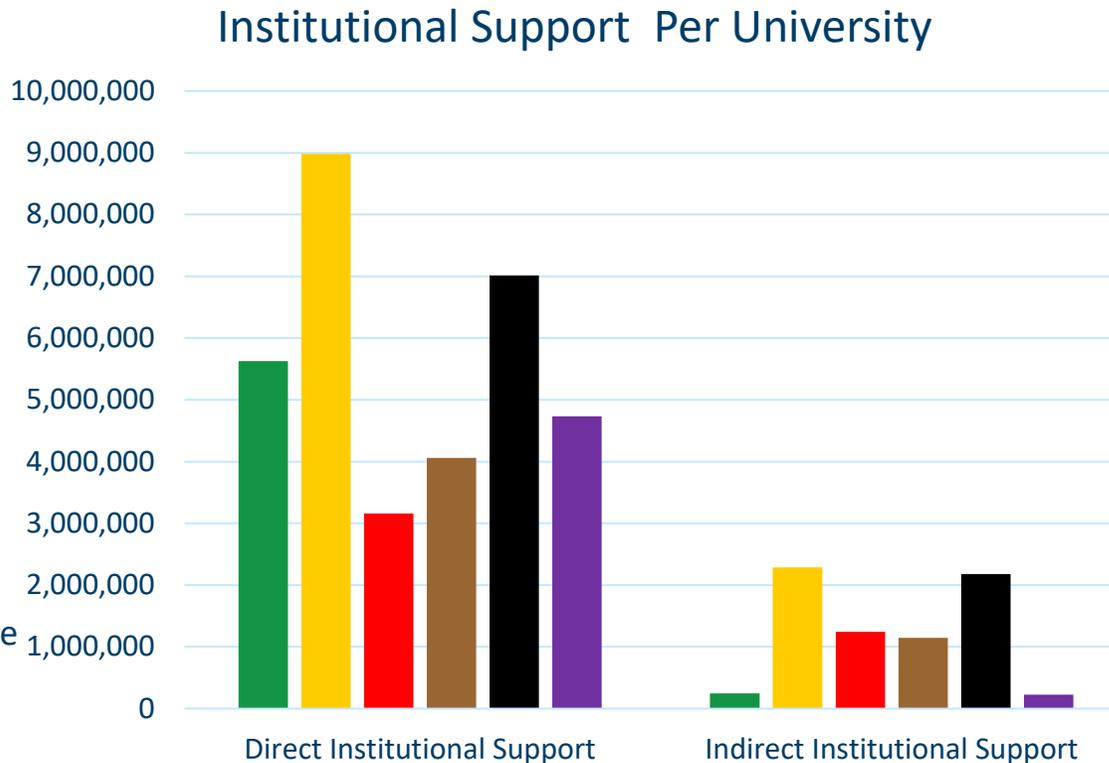
Note: Above, Winona State has negative “other” revenue due to a negative total of Athletics Restricted Endowment and Investments Income.

Institutional Support - Universities

Both the NCAA FRS Report and the EADA Report include funds provided by the institution to athletics as a revenue line item; the EADA Report requires total revenues to be equal to or greater than expenses. For the NCAA FRS report, institutional support is divided into direct and indirect support, which is defined and displayed for each university below.

Average institutional support in FY 2022 was \$6,814,965 per university.

- Bemidji State
- MSU, Mankato
- MSU Moorhead
- Southwest Minn State
- St. Cloud State
- Winona State



Considerations

Direct Institutional Support: Funds provided by the institution to support intercollegiate athletics operations (e.g., unrestricted funds allocated to athletics, endowment unrestricted income)

Indirect Institutional Support: Value of costs covered, and services provided by the institution to athletics, but not charged to athletics (e.g., administrative services such as IT, facilities maintenance, utilities, debt service payments not paid by athletics)

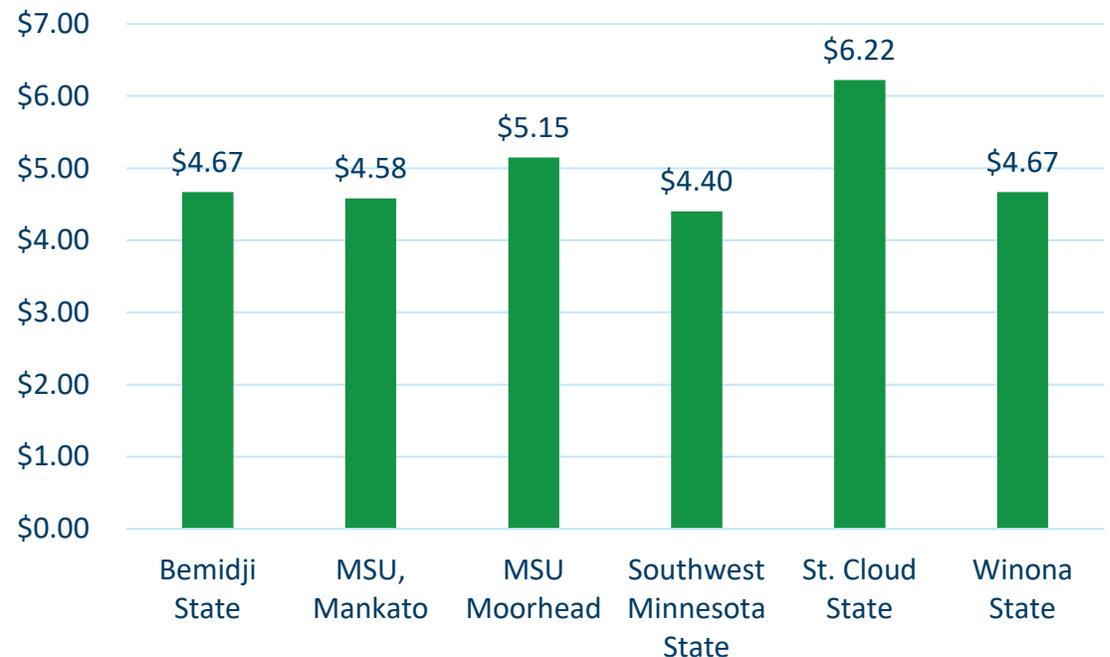
Student Fee Revenue - Universities

Universities apply an athletics fee on a per credit rate. Each university has a separate athletics and student life/activity fee. Typically, athletics fee revenues cover operating expenses of teams, and the general fund covers salaries, facilities and cover the budget overages. However, there is no consistency between universities for how revenues and expenses are budgeted and tracked.

Considerations

- The amount of student fees is typically set by Student Life and voted on by students.
- Online students are not always required to pay athletics fees and increased online enrollment negatively impacts athletics financial status.
- MSU, Mankato has separate student fees for campus recreation and the seasonal sports dome to help fund athletics facilities.
- Institutions have caps for the maximum amount charged to a student each semester (e.g., not charged after 12 credits).

FY24 Athletics Fee Per Credit



Student Fee Revenue - Colleges

Colleges charge student life/activity fees on a per credit basis. Six colleges also have a separate athletics fee charged on a per credit basis. The figure below displays the average student life fee and average athletics fee charged per college.

	Average FY 2024 Athletics Fee	Average FY 2024 Student Life Fee
Colleges with Athletics Fee	\$2.90	\$6.66
Colleges with only Student Life Fee	N/A	\$7.52

Consideration

- Revenue from athletics fees go entirely to athletics, and a portion of the student life fee goes to athletics, as well as to fund other student activities.
- The six colleges with an athletics fee are Alexandria TCC, Anoka-Ramsey CC, Century, Central Lakes, Dakota County TC, and Lake Superior.
 - FY 2024 is the first year Alexandria TCC charged an athletics fee in addition to its student life fee.



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