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NCAA mulls tapping into \$180 million endowment fund



Enlarge

By Matt Kryger, The Indianapolis Star

Butler forward Gordon Hayward drives against Duke forward Kyle Singler, right, in the 2010 NCAA Men's Basketball championship game. The game marked the culmination of an event which brought in \$617 million for the NCAA from CBS for broadcast rights.

By Steve Berkowitz, USA TODAY

The NCAA is discussing the future of a nearly \$180 million endowment fund, including the possibility of distributing some of the money to member schools as athletic departments continue struggling with the economic downturn.

The fund has been designated as a quasi-endowment, which means it is intended to be retained and invested; unlike a permanent endowment, however, its principal can be spent. It is by far the largest of a dozen funds in which the NCAA, a non-profit organization, is holding more than \$350 million in unrestricted net assets, according to federal tax records and association documents.

It was established in 2004 by the NCAA Executive Committee, a group of college presidents that oversees association-wide matters, for several potential purposes:

- An emergency fund to supplement insurance in case of a catastrophic, temporary loss of Division I men's basketball tournament rights fees — the association's primary funding source.

- A hedge against a decline in the value of future rights contracts.

- And/or "ultimately to throw off money to support student-athlete programming within the NCAA," says interim NCAA President Jim Isch, who has been the association's chief financial officer.

The fund began with \$45 million, and Isch says the original goal for its growth was \$500 million.

As a new, 14-year men's basketball tournament rights contract is about to give the association a revenue increase, many schools are struggling with athletic budgets. Both points might be factors as the quasi-endowment is considered by the Executive Committee's current members.

"We've had a couple of preliminary discussions — we'll have more going forward — about if we're going to maintain such a reserve, what actually is the appropriate amount to have in hand," said the Executive Committee's chairman, Oregon State President Edward Ray.

The discussions, he said, have covered "the intent of the quasi-endowment. Should there be distributions out of that? How much, if at all? Should we let it grow?"

Missouri athletics director Mike Alden, president of the Division 1A Athletic Directors' Association, says he is eager "to know what the future of that account will be. ... At some certain level, I think maybe you distribute back to the membership. Maybe that level should be less (than the present total). Maybe it should be more."

The fund has grown primarily through investment and allocations from annual operating surpluses the NCAA has had recently. During the last four years, the association's average annual surplus has been \$41.5 million, tax records show. In some of those years, the budget was designed, and managed, to produce a surplus.

The NCAA had \$705.5 million in revenue and \$649 million in expenses during its fiscal year that ended Aug. 31, 2009, according to its recently filed tax return.

It is projecting \$710 million in revenue and \$672 million in expenses for fiscal 2010, according to a revised budget posted on the NCAA's website, but it is on track for a greater surplus, spokesman Erik Christianson said via e-mail.

Distributions to schools and conferences comprise about two-thirds of the NCAA's expenses. The 2009 expenses included — and the 2010 expenses will include — supplemental distributions made when fiscal 2008 and '09 surpluses were greater than planned. The association expects to make another supplemental distribution in January, Christianson said.

Ray said the Executive Committee's conversations about the quasi-endowment preceded the NCAA's new

basketball rights deal in April, but he called the \$10.8 billion agreement "another reason why we need to have a conversation about what (the quasi-endowment's) appropriate size and potential use would be."

Under the previous basketball tournament agreement with CBS, the NCAA is receiving \$617 million in 2010 and was scheduled to receive \$657 million in 2011, according to the 2008-09 NCAA Membership Report. Under the new agreement with CBS and [Turner Broadcasting](#), the NCAA will receive \$653 million in 2011; after that, the payment will increase by an average of 2%-3% a year, Christianson said.

There is no industry standard for the amount of money the NCAA should have in reserve, say experts in non-profit and higher-education finances. "Some non-profits operate with a day's reserves, some up to a year," says Ron Matan of Sobel & Co., a New Jersey consulting and accounting firm.

Some colleges compare themselves with peer institutions, but the NCAA does not have a similar organization, National Association of College and University Business Officers policy directors Mary M. Bachinger and Sue Menditto said.