

**FOUNDATION**

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proves accurate, athletic scholarship expenses will have increased more than 10 percent in just one year.

Until last year, the foundation had met the total amount of requested scholarship funding every year since its inception. In the 2003-04 fiscal year, the foundation initially fell about \$160,000 short on scholarship expenses, which totalled about \$7.24 million.

The group met its fund-raising goal later in the year and had the opportunity to pay the scholarship cost retroactively. But rather than make up the funding shortfall, the foundation decided to put the revenue toward 2004-05 scholarship costs.

The athletics department picked up the rest of the tab for the first time in the foundation's history.

Last year's \$160,000 deficit was funded through an unexpected surplus of money generated from basketball ticket sales, said Martina Ballen, senior associate athletic director for business and finance.

This year, the athletic department is preparing to help fund scholarships once again, having set aside about \$600,000 for them in the budget, said Dick Baddour, director of athletics.

These funds account for about 1.4 percent of the department's \$43 million 2004-05 budget.

"It's a core value for us to have a broad-based program," Baddour said. "We could solve the problem by cutting sports. We don't want to do that."

He also said that it is diffi-

cult to determine what services will be impacted, as the money comes from the general operating fund.

Cuts could be handed down to individual sports, salary increases for personnel, travel services or maintenance for facilities, Baddour said. "You hope it doesn't come from support services for student athletes."

Senior Associate Director of Athletics Larry Gallo said he is hesitant to make any projection regarding athletic scholarship costs for next year until a decision has been made on tuition increases.

"I would hope to God '05-'06 isn't a million dollars more," he said. "Right now, we're just going to sit tight."

Gallo said the department is pushing back its typical December date for projecting next year's scholarship costs to January, primarily because of current tuition talks.

"It all makes us very nervous about the future, especially as you pick up (The Daily) Tar Heel every day and read about this Tuition Task Force," Baddour said.

**The cost of tuition**

Last Thursday the Tuition Task Force finalized its proposal for an in-state tuition raise of between \$250 and \$350 and an out-of-state tuition hike of between \$800 and \$1200.

If the plan is approved, none of the more than \$10 million generated by the tuition increases would go to athletic scholarship funding.

Last January the Board of Trustees considered using

some of the money garnered from tuition hikes to supplement the private Morehead and Educational Foundations and help offset the rise in costs.

But the BOT ultimately rejected the proposal.

The general consensus among the faculty was that it really wasn't appropriate for other students to be surcharged for athletic scholarships when the Educational Foundation ... is there to cover it," said Judith Wegner, chairwoman of the faculty.

Again this year, the trustees will not consider devoting a portion of a tuition hike to athletic scholarships or merit-based financial aid, the task force reported to members of the BOT on Wednesday at a committee meeting.

But Chancellor James Moeser said he would like next year's task force to discuss allocating a portion of student fees to the athletics department.

Now the department is pursuing corporate signage to help fund the future cost of athletic scholarships.

The most financial backing from the foundation goes to football, with 85 scholarships totaling more than \$1.6 million this year. Men's basketball receives about \$262,500 for 13 scholarships.

All varsity sports, except fencing, gymnastics, rowing and men's lacrosse, receive the maximum scholarship funding allowed by NCAA regulations. Fencing receives no scholarship funding from the Educational Foundation.

**Building a foundation**

The Educational Foundation

is an umbrella for the Rams Club and the Scholarship Endowment Trust.

When a donor contributes money specifically to athletic scholarships, that money is placed in the endowment trust, which amounts to more than \$100 million.

As with most comparable trusts, only the interest collected off the total fund can be used to pay scholarship costs — the principle investment remains untouched.

The interest amounts to about 5 percent of the total, or about \$5 million, annually.

With scholarship costs now well exceeding \$5 million each year, the foundation uses Rams Club dues and other donations to help make up the difference.

One of the athletic department's goals for the Carolina First campaign, a University-wide fundraiser, is to fund an additional 200 endowed athletic scholarships.

At \$150,000 each, donations are aimed at enabling the Scholarship Endowment Trust to fund the entire athletic scholarship budget.

Growth of the endowment is key to the foundation's continued success, said John Montgomery, executive director of the foundation.

The foundation has raised more than \$120 million of its \$175 million goal for the Carolina First campaign. "We have three years to go, so we feel pretty good about where we are," Montgomery said.

The foundation's fund-raising efforts count toward the University's total goal of raising \$1.8 billion by 2007.

"The endowment has grown," Baddour said. "There's no question (Carolina First) has had a very positive impact."

**Paying their dues**

The Rams Club, UNC's athletic booster club, offers benefits to members based on how much they donate to the foundation each year.

Last year marked an increase in dues to help make up the growing disparity between the endowment revenue and scholarship costs, Montgomery said.

All revenue generated from the Rams Club goes into the general fund for the foundation to pay costs not covered by the endowment.

"It had been about 15 years since (dues) had been raised across the board," he said. "We had scholarship expenses rising. (The Rams

Club members) were responsive. They understood."

Giving levels now range from the Student Ram at \$25 to more than \$5,000 a year for the Coaches' Circle designation.

When rates changed, the Rameses Gift Level, which offers the option to purchase and maintain two season football tickets, increased from \$375 to \$500 per year.

Benefits can include the option of purchasing season tickets and parking passes as well as complimentary media guides for basketball and football.

The foundation dished out more than \$280,000 in complimentary game tickets during 2002-03, according to tax records.

And the foundation might soon add a giving level above and beyond its highest level of \$5,000 in order to remain competitive within the conference, Montgomery said.

The Rams Club ranks fourth in the ACC in athletic club size, with 13,042 members. Clemson leads the ACC with 23,241 members.

But UNC has the largest athletic scholarship endowment in the ACC, clocking in at \$106 million, followed by Duke University and the University of Virginia — which respectively boast \$63 million and \$40 million.

**'Very tight on our budget'**

The estimated total cost of attendance for the current academic year is \$13,800 for in-state UNC students and \$27,398 for out-of-state students, according to UNC Undergraduate Admissions.

In 2002-03, athletic scholarship costs amounted to just more than \$6.7 million. Athletic scholarship expenses have increased almost 20 percent since then.

Foundation officials are projecting that the athletic scholarships funding gap will continue to widen as long as tuition costs keep climbing.

"Our ability to pay scholarship costs is being outpaced by college tuition inflation," said Sue Walsh, director of the endowment for the foundation.

A study the foundation conducted on its finances predicted that tuition will increase significantly faster than fund-raising revenues.

The Rams Club will reach an operating deficit of \$12.7 million for the year 2012 alone if it continues to fund scholarships in full without finding other sources of

**SCHOLARSHIP LIMITS**

Listed are the maximum number of scholarships provided for Varsity sports by the NCAA at UNC.

MEN	
Baseball	11.7
Basketball	13
Cross Country/Track and Field	12.6
Fencing**	0
Football (1-A)	85
Golf	4.5
Lacrosse*	12.6
Soccer	9.9
Swimming/Diving	9.9
Tennis	4.5
Wrestling	9.9
WOMEN	
Basketball	15
Cross Country/Track and Field	18
Fencing**	0
Field Hockey	12
Golf	6
Gymnastics*	12
Lacrosse	12
Rowing*	20
Soccer	12
Softball	12
Swimming/Diving	8.1
Tennis	8
Volleyball	12

\* Under funded Varsity Sports at UNC  
\*\* Sports not funded by UNC or NCAA

SOURCE: CAMPUSCHAMPS.COM  
DTH/GINNY HENDRIX

revenue, the study said.

By 2012, the foundation will have accumulated more than a \$57 million deficit, according to the study.

"The Educational Foundation will have ceilings every year," Ballen said. "That'll be very tight on our budget."

**Manning facilities**

Funding capital improvement for athletic facilities is also a chartered goal for the foundation. To date, it has contributed to such capital improvements as the expansion to Kenan Stadium and, most recently, the Eddie Smith Field House.

The foundation also is responsible for paying the balance of a \$35 million expansion of Kenan Stadium, done in the mid-'90s, Montgomery said.

The debt will be paid off in \$1.1 million increments each year through 2020.

This payment is factored into the foundation's yearly budgets but is one more hurdle that will keep it from being able to meet scholarship needs in the years to come.

Contact the Projects Team  
at mbhanson@email.unc.edu.

**CORRECTION**

■ Due to a reporting error, the Nov. 18 brief "UNC's long-distance service goes down for two hours" states that Battery Technology Inc. was contacted to fix the problem.

It should have stated that the telecommunications company BTI was contacted.

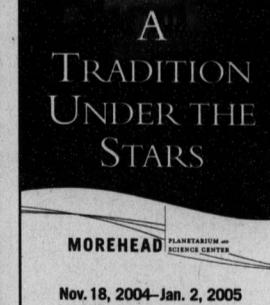
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Nov. 18, 2004-Jan. 2, 2005

For show times and tickets, call 919.962.1236 or visit www.moreheadplanetarium.org

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MOREHEAD PLANETARIUM AND SCIENCE CENTER

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