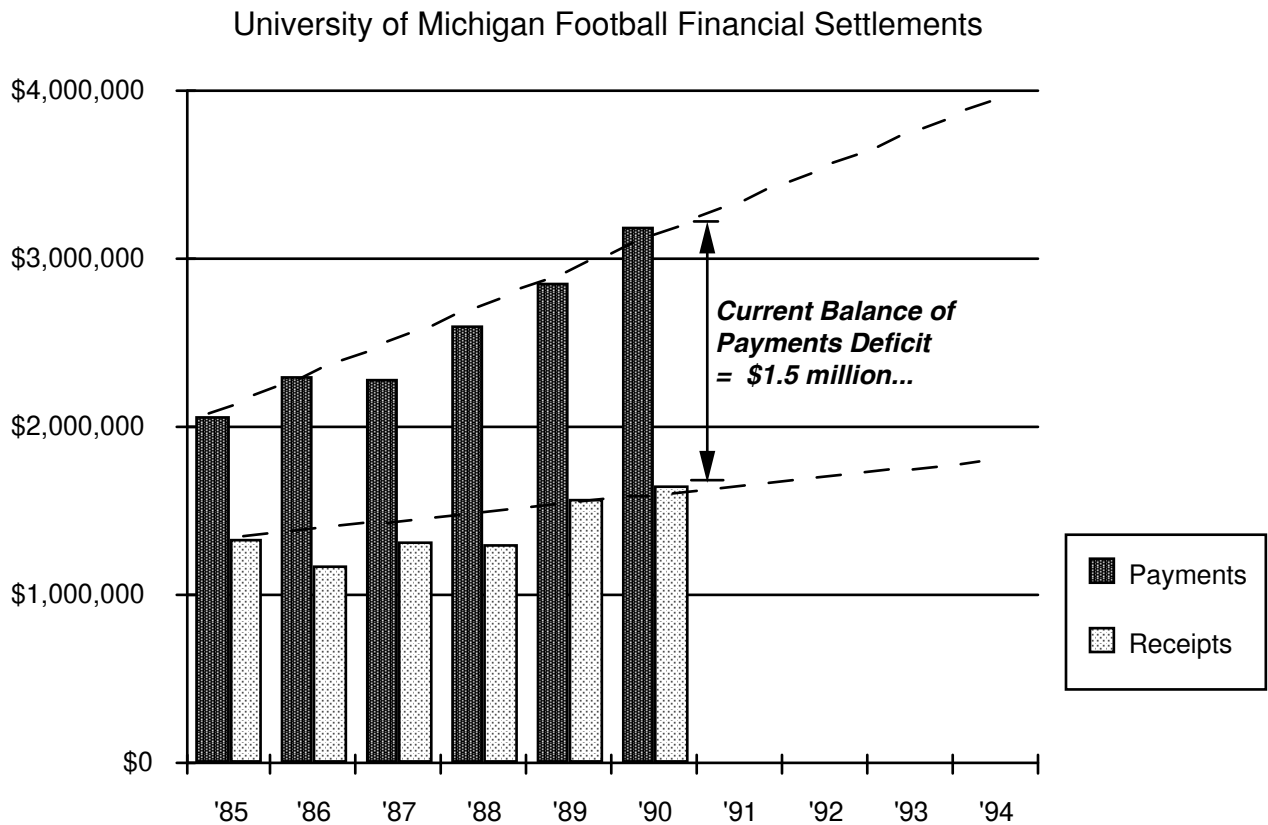


The Situation:



The Problem:

1. The present distribution formula for football gate receipts is highly inequitable and places the University of Michigan at a particular disadvantage relative to other Big Ten institutions. This past fall the University suffered a "balance of payments deficit" in excess of \$1.5 million. We estimate this deficit will grow to over \$2.5 million per year over the next several years. This situation is clearly unacceptable from either a financial or an ethical viewpoint. All Big Ten Conference athletic programs are subsidized, to some degree, by more general institutional revenues. Hence the present distribution formula, in effect, asks those students, faculty, staff, alumni, and fans purchasing Michigan football tickets to subsidize the athletic programs of other Big Ten institutions at

the direct expense of broader University priorities, including our academic programs.

2. A weakening national economy, coupled with serious structural budget problems in the state of Michigan, have lead to a serious deterioration in state appropriations for higher education. We are especially concerned about potential executive order cuts over the next several months which could be as large as 10% of our base operating appropriation. In response, the University is undertaking a major effort at "restructuring" internal operations in an effort both to reduce costs and enhance revenue from all sources. Since auxiliary activities such as intercollegiate athletics fall within the scope of this effort, we believe we must address the serious inequities in present Big Ten revenue sharing policies.

The Proposals:

The present football gate distribution formula is unacceptable to the University of Michigan. While we believe we have no choice but to insist on the adoption of a more equitable policy, we recognize that there are a range of options:

1. Allowing each institution to retain home game receipts (as in basketball and other sports).
2. Allowing each institution to negotiate home-and-away game settlements on a case-by-case basis.
3. Setting a maximum on settlement payment, similar to those used by most other conferences. For example, a maximum settlement payment of \$400,000--generous by the standards of other conferences--would better approach equity of settlements for Fall 1990. This maximum could then be increased each year at a rate comparable to the increase in Conference-wide gate receipts.
4. More complex formulas which limit deviation from conference average payments and receipts, e.g., requiring no institution to pay more than 20% over the conference average settlement.

While proposals (1) and (2) would be the simplest, we believe that proposal (3) is most consistent with the tradition of the Big Ten Conference.