

MEMORANDUM OF UNDERSTANDING
Agreement on Return of Lottery Bonds to General Fund

June 19, 2009

BACKGROUND:

During the 2007 session the Oregon State Legislature approved an increase in the allocation of sports action lottery proceeds to support athletics and scholarships within the Oregon University System. This bill supplemented funding that had been approved in previous sessions. It was designed to provide additional direct support to athletic programs at the seven campuses and reduce or eliminate the amount of general fund support provided to athletics by individual institutions. At the same time the legislature proportionately increased lottery funding for graduate scholarships. As an offset to the system wide increase in lottery funds of \$5,507,099, the general fund support for the Oregon University System was reduced by \$4,900,000 for the biennium. The impact on the UO was a permanent decrease to the base state appropriation of \$1,163,360 for the biennium or \$581,680 per year. The OUS allocated both the additional lottery proceeds and the general fund reductions to the individual campuses. The attached spreadsheet displays the final allocations.

The University of Oregon does not provide general fund support to the Department of Intercollegiate Athletics. The reduction in general fund dollars that resulted from legislative action to increase lottery revenues distributed to the campuses resulted at the UO in a direct reduction to the general fund support. The impacts at Oregon State University and Portland State University were very different since both of those schools provide direct general fund support to their athletic departments and the increase in lottery proceeds and reduction in general fund proceeds had a net zero or better impact on revenues available to support the general operating budgets.

The Department of Administrative Services analyst assigned to higher education (Bill McGee) indicated that it was up to each university to recover from its athletic department the lost general fund dollars.

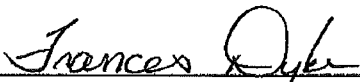
The reduction in state appropriation was a reduction to the permanent base budget. As such it would have been subject to across the board increases or decreases in general fund support. A methodology is required to determine the amount that should be returned by athletics to the general fund in each future year. Further, an appropriate accounting strategy for recovering the funds must be adopted.

PRINCIPLES:

- The reduction in general fund revenue will be applied proportionately to the lottery funds allocated to graduate scholarships and to athletic department support.
- Recovery from the pool for athletic support will be estimated at the beginning of the fiscal year with any adjustments to the estimated amount applied to the recovery for the following fiscal year.
- Recovery from the pool for graduate scholarships will be waived consistent with the university priority to support graduate education.
- The base for all future calculations is \$581,680 (see attached). The share attributable to the athletic department is \$511,878. This amount is fixed unless there is an increase in total state appropriation to the UO above \$156,333,663 which represents the beginning base budget for FY 2007-2011. Any increases above this amount will be reflected in proportionate percentage increases applied to the amount that is owed from the athletic department, currently \$511,878.
- There is no end date to this agreement except by order of the university president. However, this agreement is subject to review every five years.
- The appropriate accounting treatment for this recovery is to add calculated return to the administrative overhead assessment charged to the athletic department. Thus, the total accounting amount shown as overhead assessment to the athletic department will be the percentage overhead charge, currently 3% of defined expenditures, plus the return of the recovery of the general fund loss as described above.


Pat Kilkenny, Athletic Director

6/24/09
Date


Frances Dyke, Vice President
Finance and Administration


6/23/09
Date

MEMORANDUM OF UNDERSTANDING

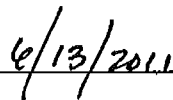
Amendment to Agreement on Return of Lottery Bonds to General Fund

Amendment

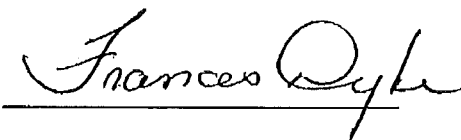
Beginning in FY2011, the assessment charged to Athletics (that represents the reduction in general fund revenue) will be calculated based on the actual value of lottery funds distributed from the State to the Athletic Department each year. The assessment will be fixed at 44.87% of the value of the lottery funds that the Athletic Department receives.



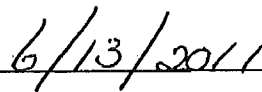
Rob Mullens, Athletic Director



Date



Frances Dyke, Vice President
Finance and Administration



Date