



Why Does USA Hockey Need a Registration Fee Increase?

It is the mission of USA Hockey to offer programs and initiatives to improve the experience, promote the sport, and make the game safer. This is what makes this organization a leader in amateur sports, and a standard-setting national governing body, looked up to by everyone within the Olympic family. But it does not come without expense.

The objective has always been to go as long as possible without increasing membership fees. The last increase was approved and took effect for the 2005-06 season. That is seven years ago, the second-longest stretch between fee increases since individual membership registration began in 1989-90. As we emerge from the recession of the past few years, most economists expect inflation to increase. Cost of living adjustments (calculated by the Social Security Administration), which have averaged just fewer than three percent recently (2.73% average since 2005) will be greater. Everything that impacts the cost of operating – *salaries, benefits, insurance, travel, utilities, current and future program initiatives, vendor charges, etc.* – will rise accordingly. The total rate of inflation since 2004 is just over 24%. What cost \$100 in 2004 cost \$124.19 today. Approximately 30% of \$30.00 or \$9.00 is due to inflation over the past seven years. If inflation exceeds 2-3%, which is likely, then this figure will be even higher. The need to increase revenue to just stay even with inflation over the coming years is self-evident.

By providing a reserve to postpone a required increase in fees well into the future, we are providing our membership with our understanding that some of the increased revenue will not be spent immediately. It will be kept in a “stabilization fund” *under the control of the USA Hockey Board of Directors* to prevent regular future fee increases, and it will provide stability in programming important to continuing our mission: growing the game for all players – young and old, male and female, disabled and able-bodied – as well as to train and support volunteers and stakeholders to manage risks on and off the ice, ranging from child protection to safer play to athlete development issues.

Our budgeting philosophy is to manage to breakeven. We work hard to be within an acceptable one-percent margin of error. We have generally been successful in doing so, though this has become increasingly challenging. USAH had an operating deficit this past year of over \$350,000. While we are aware of the reasons for this, we cannot plan to operate at a loss into the future. Every attempt has been made to reduce spending where possible. In order to operate a breakeven, either services must be reduced or revenue needs to be increased.

In recent years, USA Hockey has added many significant and valuable elements – on-line member registration, *Hockey Weekend Across America*, growth initiatives, *Try Hockey for Free* opportunities, starter equipment packages through the *OneGoal* program, the American Development Model, free websites and tournament tools for affiliates and local programs, on-line delivery of many parts of our officiating education program, the on-line registry for junior hockey, a re-write of our coaching clinic curriculum, more opportunities for our female players and the disabled hockey player, *Skills & Drills* and off-ice training manuals and DVDs, full-season practice plans for Mites and Squirts (PeeWees and above are scheduled to be released soon), and most recently, our on-line coaching education modules. In addition, USA Hockey has provided additional field support (ADM Regional Managers) to help our volunteers at the grassroots level. We will need to continue to grow these programs as well as start additional new initiatives (i.e. safety programs, disabled opportunities).

Our marketing department has worked hard, generating an increase of 150% in corporate revenue since 2005. It has also delivered the *Degree* jersey program which has distributed 180,000 jerseys to youth programs in the last two years, and the *Liberty Mutual Responsible Sport* and *RBC Bank Play Hockey* grant programs. Collectively, these have delivered easily more than \$2 million dollars in cash or value-in-kind to local programs. However, without large-scale events of our own to attract network television and big attendance numbers, there is a ceiling on how much sponsorship can grow.

There are more important services and projects we need to undertake for the good of the sport – a parents education program, volunteer education webinars, a comprehensive participant protection and safety initiative, enhanced social media efforts to better and more conveniently communicate with our membership, and updated information technology to support the delivery of our communications and data management. Additionally, a significantly larger membership has made it more important to communicate better and more efficiently. There is a need to allocate additional resources to upgrade our current technology, as well as to provide additional experienced personnel to capitalize on new digital communication and fundraising opportunities

In addition, we are directing increased support to our affiliate associations for the operation of programs and services at the grassroots level. In an effort to offset the added costs for affiliates to continue to implement numerous new initiatives (*ADM, Red, White & Blue Hockey, Screening, coaching certification, etc.*), USAH will increase the Affiliate Block Grant by \$2 (to a total of \$3) for each paid, registered player based on the previous season's registration totals.

Further, USA Hockey has always been proud of the quality of insurance that protects our members and volunteers. Few, if any, national youth sports organizations have coverage as good as ours. Budgeting for insurance expenses is imprecise, as the premiums are (sooner or later) tied to the incidence of claims which are themselves impossible to forecast. The insurance market is hardening for General Liability and Directors & Officers coverage largely due to circumstances beyond anyone's control, specifically the

world events that have required the insurance industry to make enormous payouts. The result is an escalation of the premiums everyone pays. This includes USA Hockey.

We are extremely fortunate to have not had a catastrophic injury within USA Hockey in several years, but it's important we're prepared as the expenses of any incident are significant. Also, SAM (sexual abuse and molestation) insurance is becoming more and more difficult to obtain, and we will need to prepare for possible alternative insurance coverage options, including self-insuring for these kinds of claims through HARP, our captive insurance company. Due to the difficulty that USAH expects to encounter in obtaining Sexual Abuse and Molestation Insurance in the future, (in part due to recent events such as the Penn State situation) we will need to look to HARP to provide coverage. We will need to build up the reserves on HARP over the coming years by substantially increasing our current annual premium.

Staff and volunteer travel has been and will continue to be closely monitored. The cost of travel (*airfare, lodging, meals*) for the Board of Directors, Councils, Committees, Sections, volunteers, staff and national teams is always difficult to forecast and expected to continue to escalate sharply. Currently, every trip is questioned and must be justified. Some councils or committees have reduced the number of face-to-face meetings. Everyone is making better use of conference calls and on-line meeting services. But the size of this organization, the number of teams that travel, and the number of groups that need to meet in person is considerable and still a big expense. The need to maintain, and in some cases to increase the services provided to our members must not be stifled due to costs. We need to aggressively plan for these travel cost increases,

While any increase in fees in our lives is difficult, whether it is a utility bill, the cost of hockey equipment, or just a Coke and a sandwich at the rink snack shop, the expectation is that continued careful stewardship of our resources will result in another extended and hopefully record-setting period of years without an increase in fees.

Below you will find the projections used for the time and dollar value of the membership fee stabilization reserves based on certain assumptions that I believe are realistic in nature. I hope you will be able to use the material in this memo if someone asks you why USA Hockey needed to raise the membership fee at this time.

If you have any questions or comments, please feel free to contact me at any time.

Sincerely,

Jim Smith
Treasurer
USA Hockey

Estimated Expense Projections

Balanced Budget	\$360,000
SAM Insurance	500-750,000 (est.)@
Insurance premium increases <i>(other coverages – catastrophic, D&O)</i>	300,000 (est.)#
Cost of living increases	500,000 (est.)
Increased Affiliate Block Grant	1,000,000
Travel	100,000 (est.)
Technology development/enhancement <i>(including data mining and social media)</i>	300,000 (est.)
Program development <i>(in first year – parent and volunteer education)</i>	200,000 (est.)
	= \$3,260,000-3,510,000

@ may want to increase in early years of fee increase to enhance reserves

estimated first-year increase; expected to escalate at more rapid rate in out years

Assumptions			
\$35,000,000	Current Budget		
3.8%	Annual Cost of Living Adjustments (COLA)		
\$1,330,000	Annual Cost due to COLA		
5.0%	Return on Reserve Investment	ROI	
\$1,400,000	Annual Addition to Reserves		
New Program Costs and Costs to Maintain and/or Refurbish current Programs stays the same adjusted for COLA and membership revenue remains the same			
Future Annual Costs Meet Projections for Insurance, Technology, Program Development, etc.			
Anticipated Income Reserve	ROI Earnings	Withdrawal Cola	Remainder For Reserves
\$1,400,000	\$70,000	\$1,330,000	\$140,000
\$1,540,000	\$77,000	\$1,380,540	\$236,460
\$1,636,460	\$81,823	\$1,433,001	\$285,282
\$1,685,282	\$84,264	\$1,487,455	\$282,092
\$1,682,092	\$84,105	\$1,543,978	\$222,219
\$1,622,219	\$81,111	\$1,602,649	\$100,681
\$1,500,681	\$75,034	\$1,663,550	-\$87,835
\$1,312,165	\$65,608	\$1,726,765	-\$348,991
This report projects the time and dollar value of the membership fee stabilization reserves based on the assumptions			