

Running Head: BIG BUDGET FOOTBALL

Increasing Revenue and Cutting Costs:  
The Financial Aspect of Big Budget Football

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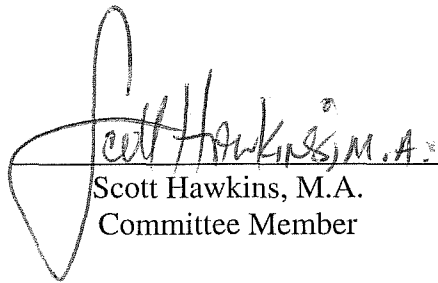
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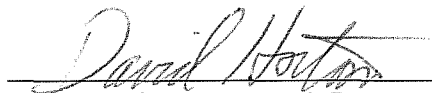
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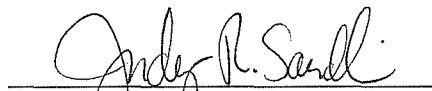
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Abstract

The growth of college sports in recent years into a multi-billion dollar industry has significantly increased the financial obligations and incentive guidelines under which many universities operate. Nowhere has the drastic increase of incentive to be competitive been as prevalent as the sport of football. Under constant pressure and intense scrutiny from the National Collegiate Athletic Association (NCAA) and critics, schools must now find ways to decrease costs and increase revenues of their athletic programs, primarily through changes to the structure and business of the sport of football. Schools have attempted to reduce unnecessary costs, and at times, these reductions have had drastic impacts on other sports. Reductions of cost through the elimination of extravagant expenses, coaching salaries and realistic spending limitation will only limit this problem somewhat. Colleges and universities who continue to pursue the highest level of competition have found it necessary to increase revenue while decreasing expenditures. Many options have emerged as possible income sources, including student fees, increased marketing exposure through changes in conference affiliations and improved management of finances. Unless these practices become standardized, or schools find processes to supplement these measures, athletics will not be able to remain the integral element of college life as it is known today.

### Increasing Revenue and Cutting Costs: The Financial Aspect of Big Budget Football

At a time when the place of intercollegiate athletics in higher education is under great scrutiny, it is essential that future leaders in sport management, business and education have a thorough understanding of the financial aspects of this field of sport. Recent pressures from the NCAA and college presidents to make athletics fiscally sound have challenged the desires of alumni, coaches, athletic departments and fans for each program to be nationally competitive, and prominent fixtures in the media, and academically reputable. Pressures to win have driven the costs of athletics skyward in recent years as the major programs in the country have been forced to build multi-million dollar facilities and further separate themselves from their mid-major level competitors. Of the more than 300 major athletic programs in the nation, very few have been able to turn a profit, leaving many to question the need of athletic programs (Howard & Crompton, 2004).

At the forefront of the NCAA's 99<sup>th</sup> annual convention in January of 2005 was the issue of fiscal responsibility in college sports. Pressure, both within the organization and the public, had built up into a situation that must be addressed. While the NCAA possesses the ultimate authority on pertinent issues, such as academic integrity and gender equity, every university maintains its own philosophy on spending and revenues (Wieberg, 2005). Some schools have entered or been thrown into what many have termed the athletics "arms race" for bigger budgets, facilities, and winning records. The financial status of collegiate sports is often saturated with more myth than reality, and has been rarely addressed as frequently as winning percentages.

At the NCAA's 99<sup>th</sup> convention Dr. Myles Brand, President of the NCAA, attempted to debunk many major myths surrounding intercollegiate athletics; particularly the myth regarding higher education's involvement in the financing of athletics. Dr. Brand focused his discussion on the rising costs of collegiate sports and the need for institutions to address this problem, by calling for financial responsibility at many levels of athletic administration. He stated, "the spiraling fiscal problem must be arrested. It will take a systematic and strategic effort to do so... this mounting financial problem threatens the integrity of the university. When the public – both local and en masse – begin to believe that the value of the institution is to be measured by the success of its athletic teams, the mission of the university is threatened" (Brand, association address, January 8, 2005). Dr. Brand raised other issues in his speech including previous studies that found that there existed "no correlation between increased spending and increased winning or between increased winning and increased revenues" (Brand, association address, January 8, 2005). This statement, if it is to be believed, strikes at the heart of a major myth in collegiate sports; that investing more money will increase winning percentages and eventually turn a program into a profitable enterprise.

Studies have demonstrated that every dollar invested in football and men's basketball only increased revenues by an additional dollar, negating the effort of an attempt to increase funds (Wieberg, 2003a). Most schools are unwilling to acknowledge this study and continue to pour money into those two sports in the hope of increasing revenue. The concern of these statements were not focused on athletic programs such as the University of Texas where expenditures total \$83.5 million but generated a \$13

million profit in 2004, or Ohio State which spent \$90 million but netted a profit of almost \$14 million in the same year (Wieberg, 2005). Brand and other critics, primarily in the media, are concerned that schools must spend beyond their ability, only to have their hopes never come to fruition.

Dr. Brand also spoke of the reality that athletics has moved away from an academics venture and into big business (Brand, 2005). While Brand would like to maintain the ideals of collegiate sports, it has become obvious to even the mild spectator the depth of commercialization surrounding collegiate sports. By the year 2000, college athletics was a \$4 billion dollar enterprise (Howard & Crompton, 2004), up from \$1 billion in 1990 (Howard & Crompton, 1995). The average collegiate athletic program with major football and basketball programs had a budget of \$20 million. The University of Michigan, a nationally prominent program, spent \$50 million on athletics during the 2003-2004 academic year (Frank, 2004). Athletic budgets have grown nearly twice as fast as university budgets from 1995 to 2001. These budgets have risen dramatically as coach's salaries, sponsorships, media contracts and the athletics "arms race" grew drastically in the 1990's. In 2004 the average Division IA football coach's salary was \$388,000, an increase of more than 80% from 1998. Another sign of the commercialization of college sports was the 1999 contract the NCAA signed; an 11 year deal with CBS for \$6.2 billion, primarily for broadcasting rights for basketball (Rozin & Zegel, 2003).

In 1999, only sixteen percent of Division I and Division II schools reported revenues that exceeded expenses. While this statistic demonstrated the financial status of

athletic departments around the country, numbers like this are often misleading and brought into question. One of the contributing factors in determining the financial status of athletic departments and universities as a whole is the various budgeting systems used by many schools. These systems used by schools to declare spending, scholarships, or accounting practices possess no uniformity, causing great confusion when reviewing costs and revenue (Suggs, 2004b). This situation is often complicated when schools have separate men's and women's programs within their athletic departments, or in some instances separate departments for men and women. Also, some athletic programs are combined with other departments; such as recreation or physical education. An additional factor which inhibits clarity is that few schools include costs to improve facilities and administrative salaries in their financial reports. Notwithstanding, these factors have a considerable impact on net profits or losses.

The NCAA is currently attempting to create a new process for schools to report their revenues and expenses in a consistent format, regardless of their budgeting methodology. At this time, revenue and expenses are reported to the NCAA through the Equity in Athletics Disclosure Act reported to the U.S. Department of Education. The new reports promoted by both the NCAA and National Association of College and University Business Officers could replace the current documentation methods with a simplified report, including financial information and information on gender equity (Suggs, 2004b). One factor in both the gender equity and financial discussion is the original widespread sport: football.

The most prominent financial aspect of college sports is football. Many schools

are looking to this financial giant to save sports; to do so they must increase revenues and cut costs. Between 1993 and 2001 schools ranking in the top ten percent for expenditures in football increased their spending by an average of 47%. Those schools in the bottom quarter of the spending bracket increased their spending by 23%; still a large increase (Suggs, 2004b). However, these growing expenditures demonstrate on-field competitiveness and willingness to invest in football.

While football was the original catalyst for the creation of the NCAA, it is an increasingly divisive subject for those looking for a scapegoat in the college sports financial situation. Many argue that football is the savior of athletic programs, often providing revenues that pay for many Olympic and women's sports. Others would argue that the majority of the expenses in college sports are driven by exorbitant football budgets. An analysis of Division I programs revealed that only Division IA football schools reported a profit from athletics, with an average of \$1.9 million. Division IAA schools with football programs reported a loss of \$1.2 million annually. Division IAAA schools without football programs report losses of \$400,000 (Howard & Crompton, 2004).

Many schools have questioned their need to field a football team, reasoning that if they are not nationally known and competitive the financial strains placed on a university exceed the benefits. As the only sport that generates money at nearly every level of competition, football has become the shoulders upon which many athletic departments rest. Recognizing the potential income from football, some universities have sought to expand their generation of revenue using a myriad of techniques. As the financial impact



of football on collegiate athletics increases every year it is necessary for schools to find ways of increasing revenue through both tried as well as exploratory efforts; schools must also find ways to limit spending on football to reach a stable financial position from which funding may be allocated to other sports at times.

### *Competition and Conferences*

The Bowl Champion Series (BCS) has become the largest revenue generator for the 64 member schools of the bowl alliance. In 2005 the four major bowls paid out \$117.2 million. This has increased the need for athletic success and to insure the invitation to a bowl game if they are to remain financially solvent. Those schools without a BCS Conference affiliation have been eliminated from this revenue potential and thus suffer economically. The final voting tally of the BCS system in the 2004 football season bumped the University of California from a major bowl, and gave the payout to the University of Texas, a loss of \$12 million to the Golden Bears of California (Hutton, 2005).

Another complaint of the system following the 2004 season was the exclusion of undefeated Auburn, from the Southeastern Conference (SEC), from the championship game. This exclusivity and significant impact of the system's decisions prompted the Associated Press to withdraw its rankings from the system. The high financial stakes of the BCS bids is one reason schools are willing to forgo the traditional reasons for affiliation, such as geographical location and competitive tradition, in favor of monetary gain.

While football is considered to be the major revenue generator for college athletics, the amount of money flowing into schools football programs varies greatly. A major factor determining the income potential is the conferences in which a school competes. From 1992 to 2002 only four Division I conferences reported a profit: the Big Ten, Big Twelve, Southeastern, and Mountain West. The Southeastern Conference was the only one to show a profit all ten years. Depending on the amount of profit created, schools are forced to collectively pay any outstanding deficit in the conference. Five Division I conferences reported losses in all ten years, the Big East, Conference USA, Mid-American, Western Athletic, and Sun Belt (Associated Press, 2004a).

A significant factor for a conference to make money has traditionally been football bowl game revenues. Those conferences aligned in the BCS, increased operating expenses from 108% to 146% during that same ten year period. The largest profit was from the SEC, with \$5.9 million, while the largest loss was from the Big East at \$3.8 million (Gap between, 2004). Research suggests that as the gap between conferences grows it only encourages the disparity between rich and poor athletic programs.

In an effort to increase revenue, many schools are willing to jump conferences from which they have traditional rivalries and geographic connections. The most debated and noticeable conference realignment in recent years began with the expansion of the Atlantic Coast Conference (ACC) and the repercussions felt throughout the NCAA. When Boston College, Virginia Tech, and the University of Miami exited the Big East to join the ACC in order to boost their credibility and income, the Big East Conference was left scrambling to fill spots with reputable football schools in order to remain a part of the

BCS (Peale, 2004). The realignments of conferences was felt throughout the country as Conference USA, the Mid-American, the Atlantic 10, and the Western Athletic conferences were shuffled to maintain their marketing value. This offered many schools the opportunity to improve not only football competition but revenue generation as well.

At the University of Cincinnati the opportunity to join the Big East was one that required little time to consider. The superior competition in the Big East, i.e. Syracuse and West Virginia, immediately appealed to their fans and their revenue potential increased greatly (Peale, 2004). The most significant source of revenue appreciation to the school will come from increased television contracts. According to the Cincinnati Enquirer, the University of Cincinnati now operates their athletic department with a budget of \$22.9 million a year. After joining the Big East their budget is likely to grow to \$35 million a year (Peale, 2004). The newspaper estimated the Big East's BCS payout in 2004-05 to be \$14 million, and Conference USA at \$1.1 million. The payout of the ACC to which many Big East schools left is estimated at \$9.7 million (Cannon, 2003).

Cincinnati Athletic Director Bob Goin is counting on a combination of increased revenue from football, basketball and television to bring the Bearcats to a level playing field financially. With schools like Connecticut, Syracuse and West Virginia operating with budgets of \$36.6, \$34.3, and \$34.5 million, respectively, and making an average of \$3.5 million a year, the move is anticipated with great expectation (Peale, 2004). While the cost to transition is \$3.5 million, the school looks at potential increase in revenue, fan appreciation, and national exposure to more than cover this expenditure bringing financial security to the athletic department.

The expansion of the ACC has brought the prospect of an additional revenue source to the conference, in the form of a championship game. The NCAA only allows a championship football game for conferences with twelve or more teams. The addition of Boston College for the 2005-2006 academic year will bring the number of schools to twelve. In the SEC one of only two Division IA conferences with a championship game, the annual championship game brings in \$12.4 million a year. With the addition of these schools the ACC could also receive an additional \$4.7 million if it can prove two teams are worthy of selection to BCS in a single year (Cannon, 2003). The Big Twelve and the SEC have long had a financial advantage over other conferences with their ability to host championship games, once again reinforcing the desire for many schools to transfer their conference affiliation to increase revenue.

### *Facilities Growth*

Many critics have claimed that the financial arms race in college sports has challenged schools to overspend since the early 1990's. Others argue that an arms race does not exist, citing that increases in expenditures of one or more members of a conference did not bring significant increases at other member schools (Wieberg, 2003a). Unfortunately, that statistic did not include capital improvements such as facility upgrades, which the NCAA acknowledged as an oversight. From 1994 to 2001 capital expenditures, such as building or remodeling facilities and buying capital equipment, increased 250%. These escalating expenses have forced teams to raise more revenue to maintain competitive teams. The Philadelphia Inquirer claimed that at some Division IA schools the amount of money spent on each athlete has been as high as \$90,000 and well

over \$100,000 on football players (Knight Foundation, 2001).

Most schools are spending current funding to secure income from luxury seating in the future. Until the 1990's luxury suites were commonly limited to professional sports and rarely found on college campuses. Today, they are seen in many major college stadiums, with more on the way. Those schools who have recently added suites and luxury seating have seen increased seating and corporate revenue. In an effort to raise money schools may soon be willing to rent their facilities for private social events and tours for those individuals willing to pay premium fares. While most football stadiums are often unused for most of the year, alternative events may be the key to turning an empty venue into a cash producer. As professional organizations find alternative rentals and facility fees for events such as dinners, promotions, and parties to be worthwhile, universities may also see this to be a revenue source worth exploring in the future.

### *Reducing the Cost Commitment*

Some schools are considering if a nationally competitive program with a budget deficit is in the best interest of the university. Rice University, at the lower end of the revenue making programs, recently considered stepping down from Division IA to IAA in football, or dropping the program altogether and going IAAA. One other consideration was to reconfigure the athletic department to Division III and stop offering athletic scholarships. The school is facing a \$10 million deficit in athletics, and dropping the football program would save \$3.4 million. School officials voted to keep the program at the IA level, but demanded that ways to increase revenues be found. A healthy athletic

tradition was noted as part of the reason to remain at the current level. The school is consistently competitive in nearly all sports in the Western Athletic Conference and is the defending national champion in baseball (Rice smallest, 2004). While attempting to increase revenue schools must decide how much effort and finances should be allocated toward the athletic program, thereby determining which side of the haves and have nots a school wishes to be on.

Those who consider football a financial strain can point to the University of Massachusetts. Currently, the football program is a major contributor to the athletic department's \$2 million annual deficit, while competing at the IAA level. University of Massachusetts chancellor and former president of football powerhouse Florida, John Lombardi has suggested moving to Division IA. This move would require an increase of the schools \$18 million budget by an estimated \$10 million annually, excluding costs to upgrade facilities (Wieberg, 2003b). Pressure to move up a division was increased by rival University of Connecticut's move to the IA ranks. Lombardi made comparisons to Florida's athletic program, in which the football and basketball programs were profitable, yet he failed to state if the athletic program as a whole was profitable. He stated, "if you mean that by investing more money you're going to make a lot of money, the answer is no. But if you invest more money, you will have a better athletic program" (Wieberg, 2003b). If the school decides not to join the IA ranks, the school may opt to drop the football program, or become non-scholarship like nearby Ivy and Patriot League schools.

#### *The Texas A&M Example*

Many schools do not enjoy a major profit in football, but those schools that

generate large revenue are doing well financially. At Texas A&M University the football team has been the “cash cow” needed to fund a large athletic program. NCAA requirements for a Division IA football team include a minimum of sixteen sports teams, the majority of which are non-revenue sports. Texas A&M’s football program pays the cost for all other sports. With the exception of men’s basketball, all other teams at the school annually report losses, \$787,000 in women’s basketball and roughly \$500,000 in losses for both baseball and softball. Total losses of the seventeen teams other than football total were \$6.2 million; all of these costs were covered by the estimated \$7 million surplus from football. It is not as if A&M is skimping on costs; the athletic program has 177 full time employees, roughly 500 student workers and nearly 500 student-athletes (Howard & Crompton, 2004).

While Texas A&M has been able to operate efficiently, the same is not true among all Big Twelve schools. With an operating budget of approximately \$26 million, the school is only in the middle of financial expenditures of other schools. The disparity of finances in the Big Twelve is large, with schools such as the University of Texas and the University of Nebraska with budgets over \$41 million and schools like Oklahoma State, Iowa State and Baylor under \$19 million. Some universities in the Big Twelve have called for increased revenue sharing. Currently each school receives \$1.3 million as base football television revenue, with additional money dispersion based upon the number of games televised; if each school were given equal amounts the schools would receive \$2.5 million (Tucker, 2001). Revenue sharing is a controversial topic as many schools even, at the top of athletics, spending want to maintain or change the status quo

depending on whether their school is fiscally self sufficient or not.

The price of success has not come cheap to the students at A&M. In 2003 the school announced it would raise the cost of football season tickets for non-students and students alike by 41%. The cost of student tickets was raised by \$55 to \$187 for the season tickets. An athletic department spokesperson stated that the increase was due to the desire to the athletic department to maintain nationally competitive teams. Fans already pay \$75 a ticket to watch the A&M vs. Texas football game, the same price as the Red River Shootout and the Big 12 Championship game (White, 2003). Although season tickets are optional for students, at some schools the choice to participate in student funding of athletics is not.

#### *A Growing Revenue Source: Student Fees*

At some schools students have taken it upon themselves to help maintain nationally competitive sports programs. Student fees are not a new revenue source for college sports, but is one commonly relied upon. Historically, student's fees have been the staple in the states of Florida, Georgia, and Texas where public funds are not used to support athletics (Suggs, 2004a). Some schools have used student fees to add sports, such as the University of Texas at Arlington, where students approved an increase of \$2 per credit hour to add football, women's golf and soccer, as long as the start-up costs would be raised from outside funds.

One of the greatest success stories of student fees has been the University of California at Davis. Faced with a \$600,000 shortfall in 1999 a group of students under the name of Students Supporting Athletics persuaded enough of the student body to



institute a \$34 fee per quarter to save up to half of the schools 20 sports teams, as well as the Student Health Center. Since that time the school has reclassified from Division II to Division I, with student fees continuing to support the transition (Howard & Crompton, 2004). Students at UC Davis recently voted to increase the fees to \$61 per quarter (UC Davis Athletics, 2002), a large factor of the move to Big West Conference, which is estimated to increase the athletic budget from \$7.8 million a year to \$12.9 million (Stratton, 2003). The fees will also cover 2/3 of the cost of a new \$29.75 million multi-use stadium complex to house many of the sports (Sacramento Business Journal, 2005). As athletic programs are continually asked to do more with less, student fees seem to be a solution, even if only a temporary one. Nationwide student fees now account for twenty percent of Division I athletic budgets (Frank, 2004).

### *Coaching Salaries*

In many cases one of the top expenses for football is coaching salaries. At Louisiana State University (LSU) head coach Nick Saban received a base salary of \$400,000 a year, but after fees from TV, radio, and personal appearances he made an estimated \$2.3-\$2.7 million in 2004. Saban has since left LSU to coach at the University of Florida. Past efforts have been made by schools to limit the amount of money spent on coaching staffs. In 2001 Big Twelve conference member Iowa State paid its football coach \$600,000 and its head basketball coach \$1.1 million. While those numbers are not necessarily high when compared to other Division 1 coaching salaries, those bulky salaries have a significant impact on the entire athletic department. In that same year Iowa State announced the elimination of the men's swimming program. The program

had at that time placed 24<sup>th</sup> at the NCAA championships, had six All-Americans, six academic All-Americans, an excellent academic record and a \$700,000 scholarship endowment. The team was left with few options when the school dropped its \$450,000 budget. While not angry at the coaches with large salaries, former head swimming coach Trip Hedrick acknowledge that high rising coaching salaries are part of an ever expanding problem (Thompson, 2001).

If schools are to look at a reduction in cost from limits in coaching staffs then schools must deal directly with their desires and intentions in having a football team. As long as schools are willing to pay to win, coaches will always be able to find a school willing to pay for their services. The NCAA has tried to limit the amount of spending in coaching staffs for all sports, but only at the level where it was assumed this change would be met with little resistance, at the entry level. In 1991 the NCAA introduced legislation to go into effect in August 1992 to mandate salary caps for graduate assistants (GA). Graduate assistantships are the most common entry level for coaches within college athletics. Most commonly a trade of coaching skills for graduate level tuition and often a living stipend, GA positions are common for former student-athletes whose knowledge of the sport is beneficial to limited coaching staffs. The NCAA claims that the intentions of the salary cap were to create a well defined entry level position within the NCAA membership structure. The salary cap limited salaries to \$12,000 during the academic year and \$4,000 during the summer (Renfro, 1998). When this legislation was placed into effect three veteran coaches at member schools were classified as GA's. They had previously been full assistants, but now had their wages garnished and therefore

sued the NCAA, claiming that the rule restricted their ability to garnish a wage equal to their skills and experience. They argued this rule to be a violation of federal antitrust laws. The three lawsuits were combined and the jury sided with the plaintiffs (Elmore, 2002). The NCAA appealed this decision and lost. The financial limitations placed on the schools remain in effect partially. The financial boundaries have become unofficial limits to the amount graduate assistant are paid, yet those few schools who can afford to offer larger amounts of money to attract the best entry level coaches are doing so. While the bylaws of the NCAA limiting coaching salaries did not remain in effect for long, other legislation concerning the financial aspects of Title IX have had a profound impact on collegiate sports.

#### *Title IX and Cutting Programs*

The financial impact of Title IX on athletics has left many schools with little choice but to find monetary equity by reducing the number of financial obligations to men's sports to cover the discrepancy of women's sports. To maintain the competitive structure of the NCAA Division I, member schools are required to sponsor at least seven sports for men and seven for women, or six for men and eight for women. Title IX and the NCAA creates a financial constraint on many schools. Women's athletic programs represent only eight percent of average revenue for collegiate athletic programs, but approximately 28% of the cost (Howard & Crompton, 2004).

Many schools have opted to drop men's and women's programs alike in an effort to curb costs. To maintain proportionality it is often considered easier to reduce the size of the situation rather than address the problem legally. In 2003 the University of West

Virginia announced it would cut its men's cross country, indoor and outdoor track, and tennis as well as its coed rifle team (Suggs, 2003b). Few expected a move like this from such a large athletic program and a member of a major conference. The school reduced its number of sports teams to 16, the minimum for IA football membership, and within a week, three other schools followed suit. The school was seeking a way to reduce their budget of \$24 million by \$500,000 and the elimination of these men's sports were chosen to maintain compliance.

One of the most vocal supporters of Title IX and big time football expenditures is Donna Shalala, former University of Wisconsin chancellor and President Clinton's Secretary of Health and Human Services. As the chancellor of Wisconsin, Shalala oversaw the growth of the football program with a new coaching staff and a new sports facility during the same years as the university cut its baseball, men's and women's gymnastics, and men's and women's fencing teams. Now the president of the University of Miami, which recently joined the powerful Atlantic Coast Conference, Shalala praises both Title IX and football expenditures. In regards to Title IX she stated that "it's had a huge impact on providing opportunities for women's sports," but she continued, "people have to restrain costs, and they have to be honest about what football costs and go out and raise more money" (Coniff, 2003).

While Title IX has historically offered security to women's teams, they are now starting to feel the financial pains as well. Women's gymnastics, swimming, rowing and water polo are now faced with cuts. In November 2003 Canisius College announced it would cut eight of its twenty three athletic teams. St. John's University announced a

month later that it would drop its football and men's track team at the end of the year, followed by men's and women's swimming the following year (Suggs, 2003a).

Tradition-rich schools have also dropped sports; Boston University dropped football in 1997, after 113 years of fielding a team (Rozin & Zegel, 2003). While many schools have sought a departure from the financial restraint of gender equity, a few schools are looking into other options.

### *Tuition Raises*

Perhaps the most dramatic area where costs have soared is the expenditures to fund scholarships. Between 1980 and 1995 tuition costs at the average public university grew 234%. At the University of Alabama costs of tuition were \$6 million in 2000, up from \$3 million in 1988. Title IX requires gender equity proportional to student population, forcing most schools to spend roughly 50% of their scholarship dollars on women's sports, which bring in only five to ten percent of revenues (Howard & Crompton, 2004). Most public universities also face a choice of where to recruit athletes as the location of athletes may directly relate to the cost of their scholarships. Teams are commonly forced to pay out of state tuition costs higher than those students from within the state. This is rarely a problem for private universities, but if necessary many teams at public institutions may be forced to limit out of state recruits to lessen costs. To reduce some of these costs some schools are attempting to endow athletic scholarships. As tuition costs continue to increase schools must search for alternative methods of cutting costs.

### *Extravagant Expenses*

Questions were recently raised by the media, once again, pertaining to the necessity of expenses related to football. Following a victory over the University of Texas at El Paso, the University of Colorado's football players were given a hand-held computer by their team. Approximately \$35,000 was spent on 100 Dell Axim computers at a price of just under \$350 each. The gifts were considered a reward, a practice not uncommon in tradition-rich and financially stable programs. The school has heard the voice of opposition to the gifts after other coaches at the school faced budget cuts. Basketball and volleyball teams have cut back on charter flights in an attempt to save money, forcing their athletes to miss more class time. The schools athletic department is already in debt \$3 million this year (CU players get, 2005). Such extravagant gifts should not be tolerated if a school claims to emphasize the benefits of athletics to students.

Florida Atlantic University has recently been faced with an unreasonably large football deficit of \$1.75 million owed to the university and \$4.5 million owed to the university's foundation (Miller, 2005). The young football program had been spending far beyond its means, and will soon be faced with increased costs as the school moves to the IA level. The school has recently reduced costs by moving from Pro-Player Stadium to a smaller venue, reducing the cost of \$100,000 a game the venue charged. In 2004 the team brought in less than \$500,000 a year in ticket revenues (Miller, 2005). Athletic department personnel have been labeled as spending at the IA level only four years after the team was started, obviously well beyond the team's financial capabilities.

More voices of concern have asked for a reduction of costs in expensive football

traditions. It is routine for nearly every major football program to spend nights preceding home contests at a local hotel to insure the athletes will get adequate sleep and not be disturbed. While this may seem like a good idea, it is a luxury almost never afforded to athletes who compete in other sports. While most teams play six home games a season, the reduction of this cost could save a team between \$10,000 and \$25,000 a year. It is necessary for athletes to sleep before contests, but hotel rooms off campus are an unnecessary expense. Eliminating unnecessary costs is excellent when attempting to trim a budget, but when compared the entirety of a large football budget, the money spent on hotel rooms is a small figure.

### *Containing Spending*

In 1989 the Knight Commission on Intercollegiate Athletics was formed as a part of the John L. and James L. Knight Foundation by presidents of universities, sport business executives, members of the NCAA, and the government in an effort to address concerns over abuses within college sports. Several of their suggestions to the NCAA have been put into action and studies conducted by the foundation have urged many to reconsider their stance on the commercialization of college sports. Recently their calls to action have included several ideas to ensure athletic integrity while cutting back on needless spending. This included cutting back on the number scholarships given to football and basketball teams (Knight Foundation, 2001). It has been estimated that a 50 percent reduction of scholarships in football would reduce the cost to schools by \$500,000 (Howard & Crompton, 2004). At private schools where tuition costs are greater, this cut could save close to a million dollars (Knight Foundation, 2001).

*Is The Price Tag Worth the Product?*

Many are arguing if the cost of athletics should remain in higher education; others argue that athletics remain a vital part of the “social capital” of colleges. Robert E. Hemingway, chairman of the NCAA’s Division I Board of Directors and chancellor of the University of Kansas, argued that the community created by athletics justifies the expense. “Social networks have value, and that’s what we create with 50,000 or 60,000 in the football stadium. When I go meet our alumni, the first thing they ask about is how we’re doing on the field (Suggs, 2004b).”

One justification for the high expenses associated with athletics is the common perception that the athletic department is a public relations branch of the university and a recruiting tool. Supporters of this theory often sight the “Flutie Factor,” a common term for the 30 % increase in applications to Boston College in the two years following an amazing come from behind victory over Miami in 1984. Replays of the dramatic touchdown as time expired on the clock were shown in highlight reels so commonly that it is often considered a major factor in the increase of applications. Boston College public affairs director points out flaws in this theory, “we would not have benefited from national exposure if we didn’t have an excellent academic program to back it up” (Burris, 2004).

Many schools claim to be investing in the future when they allocate large sums of money to athletic programs. Proponents of athletics support the theory that heightened exposure will increase university awareness on the national level, increasing applicants to the school, and eventually allowing the school to be more selective in admissions criteria.



This is believed to heighten admissions criteria and academic standards at the school. A study by the Knight Commission found this theory to be true, but not as substantial as many believed. If a football program in a major conference increased its winning percentage by 50%, the number of applicants would also increase 1.3%. Winning a national football title has by far the greatest correlation to the number of applicants a school received. After the University of Miami's 1987 national title the number of applicants rose 33%. When Georgia Tech shared the title in 1990 admissions applicants rose 21% for the three following years. From 1979 to 1993 five other football championships were followed by application increases of ten to twenty percent and ten of the thirteen basketball champions experienced the same phenomenon (Frank, 2004).

The study also revealed that by using the Associated Press's football rankings, it was found that a school finishing the football season in the top 20 teams in the nation could expect average SAT scores three percent higher than those schools that were unranked (Frank, 2004). Many have argued that athletics has somehow overshadowed the education efforts of colleges. "There is some difference between athletics and chemistry. But still, it's worth paying for. Just stop whining about athletics losing money unless you're going to start whining about the history department losing money," argues Dan Fulks, a financial analyst for the NCAA (Wieberg, 2003a). This statement may summarize the role athletics must take as they continue to remain a vital and visible aspect of college campuses.

### *Conclusion*

Every year fans and athletes unite in moments of glory, pain and memory. Many

people's memories of college include athletic events, especially football games and the festivities surrounding them. These memories will fade soon, unless changes are made to the status quo of collegiate athletics. As collegiate sports remain financially unstable more schools will be faced with tough situations that may leave many students, athletes, and alumni unhappy with institutional decisions.

If college athletics is to remain in as vital a role in collegial life as has been historically demonstrated, sport managers must be able to increase revenues in football, enabling the sport to cover its own costs and in many cases the costs of entire athletic departments. Although collegiate sports remain amateur in most realms, the financial and business management in this field have been taken to the professional level. The business of sports has relegated football into an asset to be traded and produced like nearly any commodity, and this commodity has many emotions tied to it with those who follow college sports.

While Dr. Myles Brand and his leadership at the NCAA may attempt to bring financial stability to college sports, a great part of the problem remains with those who daily deal directly with decisions concerning all financial aspects of their respective athletic departments and teams. If the suggestions of the Knight Commission are followed, monetary stability may be realized in intercollegiate athletics. No matter how schools decide to cut costs in athletics, football will remain a large part of the equation. If cuts are to be made within budgets they may come from extravagant expenses, or decreased operating costs, including the reduction of coaching salaries and/or athletic teams. The growth of costs from facilities improvements and tuition increases will

remain a critical factor for schools that are able to face these challenges and emerge financially stable. If colleges and universities continue to demand that their athletic department's financial stability rest on the shoulders of its football team, then sound fiscal practices must be followed and new revenue sources found.

Schools will continue to mimic the efforts of others to increase money while a few schools will find more creative sources of revenue. Some universities may be willing to increase voluntary or involuntary student fees; others will seek new conference alliances with improved media ratings, marketability, and financial payouts. Those schools attempting to reach the top shelf of football competitiveness, primarily the BCS alliance, will find there to be little room at the top.

As colleges and universities are forced to compete within their financial means, many schools will be overshadowed by the competition they were attempting to emulate. The cornerstone of collegiate athletics, football, will in the near future be seen as a savior for those schools who are able to finance the venture and as a financial burden for those universities attempting to be bigger than their budgets should allow. No matter how schools choose to face this growing problem, the ideas that work will soon be transferred to many other schools seeking to increase their financial solidarity.

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