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ABSTRACT

An examination is made into the eroding financial health of intercollegiate athletic programs, especially at the Division I level of the National Collegiate Athletic Association (NCAA), that was determined to have come about as a product of standard practices and policies. The question posed is, if Division I college sports have become a large commercial enterprise, what then is the condition of these programs as measured by standards of business practice? It is found that university varsity programs, instead of being net revenue producers, were net revenue users and not self-supporting. Traditional revenue sources (ticket sales, television, donations) are chronically short in generating enough income to support costly intercollegiate programs. During periods of rising costs, Division I athletic directors want to increase these revenues instead of decreasing costs; since revenues are already difficult to increase appreciably, there is quickly created a revenue/cost gap. These same problems found in Division I-AA are also growing in Division I-A programs. The most popular method of closing the revenue/cost gap is to increase donor solicitation. A need for universities to rethink the incorporated "athletic associations" within their institutions is due. (GLR)

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Fiscal Fitness? The Peculiar Economics of Intercollegiate Athletics

By John R. Thelin and Lawrence L. Wiseman

Scandal and shame are themes that have dominated popular press coverage of intercollegiate athletics in recent years, with exposés of altered transcripts, slush funds, and recruiting abuses. This sensationalism leads one to assume that these episodes are exceptions in an essentially healthy system; i.e., that a university can "solve" its athletic problems and restore proper balance by firing an errant coach or by expelling student-athletes who violate rules. One unintended consequence of dramatic media coverage is that it masks attention to a less-spectacular yet a more fundamental problem: intercollegiate athletic programs, especially at the Division I level of the National Collegiate Athletic Association (NCAA), show signs of precarious fiscal fitness.

Most troubling is that this eroding financial health has not been a result of "illegal" behavior, but is a product of standard practices and policies. The peculiar economics of intercollegiate athletic programs are symptomatic of weak financial controls that have only marginal connection with academic accountability and sound educational policy.

What has caused this situation? One predictable answer is the complaint that college sports have become a "business," characterized by "commercialism" and "professionalism," and indelibly linked to scandals and excesses. Our approach is different. We start with a more straightforward, less normative question: If university presidents and trustees accept that Division I college sports programs are a big business, what is the condition of these programs as measured by standards of business practice?

We rejected moral outrage as a starting point for critical analysis of the economics and finances of college sports mainly because no one denies that Division I college sports have become a large commercial enterprise. For example, in 1986 the athletic director at Florida State University commented, "I'm not afraid to say it: It's a business." During a 1975 congressional hearing the athletic director at the University of Maryland told a subcommittee that his department opposed giving equal opportunity to women's varsity sports because doing so would be "poor business and poor management." He also said the university was "in competition with professional sports and other entertainment for the consumer's money" and "did not want a lesser product to

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market " Similarly, a football coach at another large state university explained to reporters that a losing season and bad publicity hurt his program because, "We're in the entertainment business and are susceptible to the whims of fans who may get upset with our performance "

Division I College Sports— An Athletic Director's View: "I'm not afraid to say that it's a business."

THE BUSINESS OF UNIVERSITY ATHLETICS:

NATIONAL SURVEY DATA

Our first concern about the business practices of major college sports programs is that they are becoming a world turned upside down Varsity programs that are supposed to be net *revenue producers are often net revenue consumers.* A storm warning about intercollegiate athletic finances comes from a number of nationwide institutional surveys, including 1) the periodic reports Mitchell Raiborn has prepared for the NCAA since 1974, 2) a 1988 survey of intercollegiate athletic funding conducted by the State Higher Education Executive Officers, and 3) a 1986 survey by the American Association of State Colleges and Universities (AASCU) on the revenues and expenses of athletic programs The various studies agree on one trend as a whole and within program categories, intercollegiate athletic programs are unable to support themselves, most run deficits. To illustrate the financial condition of intercollegiate athletics, we have included two representative annual budgets The first summarizes the $15 million budget of a typical Division I-A (See box on facing page.) The second represents the $5 million budget of a representative Division I-AA program (See box on the following page.)

Certainly the finding that athletic programs are usually not self-supporting is not surprising at colleges that designate their activities as a part of the educational program and make no claim that varsity sports should be self-supporting via gate receipts, or broadcast revenues. It does warrant concern for NCAA Division I institutions, at which, by NCAA definition, an "athletics program strives for regional and national excellence and prominence" and the "program serves both [the] college community and [the] general public " A university that opts for Division I standing "may award financial aid based on [a student's] athletic ability," irrespective of financial need Above all, the Division I institution tries "to finance its athletic programs with revenues of the program itself " Within this group of schools there are signs of severe financial strain, not to mention outright failure For example, in 1986 the AASCU survey indicated that among 67 Division I institutions, only nine generated surplus revenue; 31 programs ran a deficit and 25 were "self-supporting" (but, as we shall discuss later, in many cases this was dependent on monies from mandatory student fees)

Deficit-riden college athletic programs clash with the popular image of lucrative television contracts and sell-out crowds at large stadiums

One fascinating, unexpected finding from the AASCU report is that despite the Division I institutions' self imposed emphasis on generating revenues via ticket sales, television, and donations, these sources are chronically inadequate Ticket sales accounted for [illegible] percent of all program revenues, television and radio, 1 percent, and alumni and other contributions, 13 percent.

Deficit-ridden college athletic programs clash with the popular image of lucrative television contracts and sellout crowds at large stadiums In November 1989, for example, the NCAA and CBS announced a $1 billion contract for exclusive broadcast rights to seven years of NCAA basketball games. How does one reconcile such affluence with so many institutional program deficits? On closer inspection one finds within Division I ranks a clear imbalance between big winners and big losers in what an American Council on Education report called "The Money Game " To understand the paradoxical coexistence of college sports affluence with program deficits, one needs to disaggregate nationwide survey data An important, partial answer is the distinction between Division I-A and I-AA institutions among the allegedly self-supporting and revenue-producing intercollegiate athletics programs

. . . one finds within Division I ranks a clear imbalance between big winners and big losers in what an A.C.E. report called, 'The Money Game.'

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Sample Budget for Division I-A Intercollegiate Athletics

This 1988 and 89 operating budget of $15 million is for a large flagship state university that fields national-caliber teams in football, basketball, and 16 other sports for men and women.

Income

Football		
Ticket sales	$5,200,000	
Season ticket surcharge	300,000	
TV bowl game rebates	800,000	
Local Broadcast Rights	310,000	
Other sources	390,000	
Total Football		$7,000,000
Basketball		
Ticket sales	$2,100,000	
Tournaments and preseason games	400,000	
Local broadcast rights	950,000	
Conference	250,000	
Other sources	300,000	
Total Basketball		$4,000,000
Other sports		110,000
Sports camps		[illegible]
Interest income		[illegible]
Gifts and grants		1,200,000
Other income		150,000
Prior year balance		1,340,000
Student activity fees		450,000
TOTAL INCOME		$15,000,000

Expenses

Football		
Grants-in-aid	$950,000	
Salaries other	4,350,000	
Total Football		$ 5,300,000
Basketball		
Grants-in-Aid	150,000	
Salaries other	2,050,000	
Total Basketball		$2,200,000
Other sports		
Grants-in-aid	900,000	
Salaries other	1,850,000	
Total Other Sports		$ 2,750,000
Capital improvements equipment		$ 1,300,000
Academic program support		$ 1,500,000
Administrative general expenses		$ 1,950,000
TOTAL EXPENSES		$15,000,000

Sample Budget for Division I-AA Intercollegiate Athletics

This 1988 and 89 operating budget of $5 million is for a medium-size university (enrollment about 10,000) that is Division I-AA in football and I-A in basketball, and fields teams in an additional 20 sports for men and women.

Income

Football	$600,000
Basketball	200,000
Gifts and grants	850,000
TV and broadcasts	60,000
Program sales advertisements	120,000
Other sources	170,000
Student activity fees	3,000,000
TOTAL INCOME	**$ 5,000,000**

Expenses

Football		
Grants-in-aid	$ 600,000	
Salaries	340,000	
Other	610,000	
Total Football		$ 1,550,000
Basketball		
Grants-in-aid	$150,000	
Salaries	140,000	
Other	210,000	
Total Basketball		$ 500,000
Other sports		
Grants-in-aid	$450,000	
Salaries	380,000	
Other	420,000	
Total Other Sports		$1,250,000
Administrative and general expenses		$1,700,000
TOTAL EXPENSES		**$5,000,000**

Within Division I, the NCAA distinguishes two categories of institutional programs. Division I-A represents "Mount Olympus" — such conferences as the Big Ten, the Big Eight, the Southeastern, the Pacific Ten, the Southwestern, and the Atlantic Coast, plus such prominent independent institutions as Notre Dame, Penn State, Syracuse, and Miami Furthermore, these conferences overwhelmingly dominate the national television network broadcasts. Often overlooked is that Division I also includes a large number of I-AA programs which subcribe to the revenue-producing ethos and are allowed to provide athletic grants-in-aid, yet do not have a football stadiums with 30,000 seats or average home football attendance of 17,000

Division I-AA Programs: Life Without Television

A closer look at Division I-AA is important for understanding the increasing strains and dilemmas for colleges and universities that wish to offer highly competitive varsity sports The Yankee Conference provides good examples of Division I-AA teams: most are flagship state universities (e.g., the Universities of Massachusetts, Connecticut, Delaware, Maine, New Hampshire, Vermont, and Rhode Island) along with two private universities (Richmond and Villanova) A good football game attendance is between 10,000 and 15,000 but attendance sometimes goes as high as 25,000.

Without television broadcast revenues and with such relatively modest crowds (compared with those attending Division I-A games), the Division I-AA teams face an increasingly difficult, almost impossible, task in trying to be self-supporting. For example, in one survey 15 prominent Division I-AA football programs reported substantial deficits in 1987 (a 16th institution did not respond to the survey). Among Virginia's state institutions, the Division I-AA football programs at James Madison University, William and Mary, and Virginia Military Institute displayed similar patterns over the 1985-87 football seasons: each program showed an annual deficit of about $700,000 and a three-year deficit of about $2 million. Such data offer two particular causes for alarm: first, since these three programs are considered quite successful and have relatively high football game attendance for Division I AA, it is reasonable to project greater deficits for many other Division I-AA programs. Second, the deficits are for these institutions' *football programs only,* not for the so-called minor or nonrevenue varsity sports. Division I-AA football programs are hard-pressed to reduce expenses because they are committed to athletic grants-in-aid and must continually spend on marketing and publicity to promote ticket sales. At the same time, they cannot tap into the bonanza of 1980s college sports revenues because seldom, if ever, will they command broadcast television coverage by a major network or appearance in a major bowl game To use the argot of bookmakers and loan sharks, Division I-AA programs have and will continue to have a "case of the shorts "

To use the argot of bookmakers and loan sharks, Division I-AA programs have and will continue to have a "case of the shorts."

Trouble in Paradise: Financial Strains in Division I-A

All this might be acceptable if deficits (whether for football or for a total varsity sports program) were confined to the Division I-AA teams. Unfortunately, the same problems can be found percolating upward; i.e., within each major conference of Division I-A, one can identify "poor cousins" whose big-time varsity programs are losing money. For example, in November 1989 within the Big Ten Conference, the University of Wisconsin reported a substantial deficit ($1.9 million, according to one press report) for its intercollegiate athletic program. The anatomy of athletics budgets from selected major universities suggests how such problems evolve and persist.

Unfortunately, the same problems facing Division I-AA programs can be found percolating upward to Division I-A.

Financial problems are neither new nor unexpected. Data from a decade ago for the University of Missouri at Columbia illustrate characteristic strains. Missouri's 1979-80 intercollegiate athletic budget was relatively large ($6.9 million). Although not as successful in winning or in gate receipts as, for example, the University of Oklahoma or the University of Southern California, "Mizzou" is significant because it is admittedly "big time," it belongs to the formidable Big Eight Conference, it often is among the top 10 nationally in terms of football game attendance, it has an in-

For all these advantages, the programs at many Division I-A universities illustrate how the alleged revenue-producing sports can become revenue consuming.

creasingly successful basketball program, and it has the marketing leverage of being the only Division I football team in its state The university expected football to fund about 80 percent of the entire varsity sports program — a premise that led it to expand the stadium's seating capacity from 55,000 to 65,000 A decade ago the Missouri football program brought in $5.7 million; but operating the program cost $3.2 million, leaving a net revenue of $2.5 million. In subsequent years that surplus has dwindled because of rising costs. A cause for concern is that Missouri represents a *successful* program in terms of attendance and gate receipts; i.e., it is operating at about optimal level. Its athletic officials believe they ought not raise ticket prices much beyond annual inflation. If home football games were not selling out, the athletic department could at least plan on more aggressive marketing to increase ticket sales. The university does gain some athletic income via Big Eight Conference revenue sharing; however, since the football team usually finishes in the bottom half of the conference, it has few opportunities to be on national television or in national bowl games. The best option for raising additional income is through booster clubs and alumni donations.

How do seemingly strong athletic programs go from being merely financially stretched to being overextended? The example of the University of Maryland illustrates this problem. Since 1985 Maryland's athletic department has been struggling to maintain national-caliber play for its nonrevenue varsity men's sports along with its primary commitment to football and to men's and women's basketball Reduction in resources and in grants-in-aid are cited as reasons for declining won-loss records in track, lacrosse, wrestling, baseball, and swimming The most interesting data, however, are those showing that the sports which are expected to produce revenues have a long record of falling short. From 1978 to 1981 football *lost* $300,000-$400,000 each year. By 1987 the athletic department had a deficit of over $1 million; that shortfall eventually led the athletic director to fire 17 employees in the ticket office, marketing, public relations, training, and maintenance.

Why did Maryland's athletic department fail to balance its 1988 budget of $8 3 million? First, football gate receipts fell $600,000 below projections Second, football lost an anticipated $350,000 when the Cherry Bowl could not pay its "guaranteed" money after Maryland appeared in that 1985 postseason game Third, men's varsity basketball showed a deficit of $150,000. Finally, the athletic department had to honor substantial salary obligations to staff who resigned or who were reassigned. An athletic director who resigned was paid $77,000 for one year as a special consultant. One former basketball coach was guaranteed $136,000 per year when he was reassigned to be assistant athletic director. Department expenses increased once again by summer 1989, when Maryland carried yet another former men's basketball coach on its payroll (at an estimated $80,000 annual salary) along with the base annual salary of $100,000 for the newly hired basketball coach. By 1989 the University of Maryland's athletic director projected an annual deficit of about $200,000 and was proposing to ask the state legislature to consider a direct subsidy to the school's intercollegiate athletics program.

The cases of the universities of Missouri and Maryland are disconcerting because both represent large public flagship universities with teams that enjoy strong support from administration and alumni, and that have the blessings of good location, affiliation with prestigious conferences, and excellent media coverage. For all these advantages, they illustrate how the alleged *revenue-producing* sports can become *revenue-consuming* Among the 64 members of the high-powered College Football Association, one estimate is that about 40% have varsity sports programs that run a deficit.

Perhaps the most surprising news about the finances of intercollegiate athletics came in September 1988 when the University of Michigan announced projected budget deficits increasing from $2.5 million for the 1989 fiscal year to $5.2 million by 1993. Ironically, Michigan usually is cited as a model of a large, well-run program. The projections appear to be close to the mark. A summary published in the January 8, 1990, issue of *U.S. News and World Report* shows an annual budget of $21.1 million in expenses and $18 5 million in revenues The athletic department

has teams in 21 sports, a staff of 130 full-time employees (including a travel agent, mechanics, carpenters, and engineers), and several hundred part-time employees who work at sporting events. In 1987 its facilities—12 buildings, including a stadium that seats over 100,000 spectators—were valued at over $200 million. The University of Michigan fills its stadium at home football games. In addition, Michigan appears on national television two or three times each football season, regularly goes to a major football bowl, sells out its basketball games, and enjoys substantial revenues from its NCAA championship men's basketball team. If this established program projects a deficit, the financial outlook for intercollegiate athletic programs at other universities is bleak.

Why Are College Sports Expenses So High?

In projecting a departmental deficit, the assistant athletic director at the University of Michigan noted that expenses are "likely to increase by almost 25%, while revenues are expected to increase by only 15% over the next five years." This is due partly to unavoidable increases in the costs of liability insurance, administrative compliance, data reporting, and other operating matters. Another partial explanation is that athletic departments indulge in expensive customs. Conspicuous consumption for student-athletes often is standard practice as suggested by the construction of special dormitories for them. Some precedent for current spending comes from the University of Pittsburgh, whose alumni donated over $181,000 in 1974 for refurbishing football locker rooms. The head coach commented, "Carpeting floors doesn't win ball games for you, but it sure makes things more comfortable." A younger generation of coaches has heeded his message: in November 1989 the new basketball coach at the University of Kentucky directed an intense fund-raising campaign that provided $1 million for new lockers and furnishings in the *practice* facility.

College coaches are not especially precise in their ability to select talented student-athletes. Division I-A football squads are allowed to have 95 athletes on full grant-in-aid sufficient to subsidize more than four players at each of the 22 positions in a complete starting lineup (professional teams in the National Football League, by comparison, limit squad size to 48). Reliance on a high number of scholarship players often represents a coach's hedge against several problems: high attrition due to scholastic ineligibility, failure of athletes to play to their predicted potential, and "stockpiling" athletes as a strategy to prevent opposing teams from having access to player talent. These practices are both expensive and wasteful.

Attempts at frugality are uneven. Athletic directors and football coaches have been reluctant to endorse compacts that would promote savings in athletic grants-in-aid, leading to what Chancellor Ira Heyman of the University of California, Berkeley, has called the "athletics arms race." Proposals to reduce the number of permissible grants-in-aid have been defeated at recent NCAA annual meetings. And, of course, expenses are kept high because athletic grants-in-aid are not based on a student-athlete's financial need.

Another expensive practice is that of paying high salaries for selected coaches. At several major universities the head football or basketball coaches make over $100,000 in annual base salary sometimes more than the university president earns. (Contracts for these highly successful coaches also often include substantial income from perks, such as local television shows that can boost total annual remuneration, to the $200,000 to $700,000 range.) And, as already shown in discussing the University of Maryland budget, big-time athletic departments follow the custom of "buying up" multiyear contracts of a fired coach. The University of North Carolina at Chapel Hill, to cite another example, which is regarded as having a well-run, clean sports program, reportedly "bought up" a fired football coach's contract for over $800,000.

How Do College Sports Programs Reduce Expenses?

During a period of rising costs and inflation, athletic directors for Division I intercollegiate programs tend to favor strategies to increase revenues rather than to reduce expenses. When cost cutting

One coach's view on program costs: "Carpeting floors doesn't win ball games for you, but it sure makes things more comfortable."

During a period of rising costs, athletic directors for Division I Intercollegiate programs tend to favor strategies to increase revenues rather than to reduce expenses.

What has been more curious (and underreported) is the disappearance from many major universities of such traditionally established sports as baseball, track, wrestling, swimming, and tennis.

Athletic fund-raising can imbalance universities' priorities set by academic leadership.

does take place, it usually hits least and last in the most expensive sports, football and basketball. The reduction approach has been either to eliminate nonrevenue (minor) varsity sports or to adopt a policy of "tiering." According to the latter policy, the department targets selected sports for reduced funding, limited facilities, fewer athletic scholarships, and local schedules. As one would expect, the usual choices for elimination or drastic reduction are fencing, riflery, and lacrosse. What has been more curious (and underreported) in the past decade is the disappearance from many major universities of traditionally established sports e.g., baseball, track, wrestling, swimming, and tennis. About a decade ago the University of Colorado eliminated varsity wrestling, baseball, and swimming. The University of Washington eliminated its nationally ranked teams in wrestling and gymnastics. Although varsity wrestling gained national stature at several institutions in the Southeastern Conference in the 1970s, the sport has been dropped. Indeed, a 1982 study indicated that the athletic directors of most Southeastern Conference institutions favored abolishing scholarships in nonrevenue sports and diverting more funds and efforts to football and basketball.

This strategy strikes us as foul play, because it tends to violate an implicit justification of big-time sports; i.e., a university endorses big-time football and, perhaps, basketball because these sports generate revenues to subsidize the minor sports. Now, even when alleged revenue-producing sports fail to provide this expected surplus (or run a deficit), the penalty of resource reduction falls on the victim (minor sports), not the offender. An additional irony is that eliminating minor sports does relatively little to reduce deficits, because nonrevenue sports often already are lean, relying on part-time coaches, local travel schedules, minuscule recruiting expenses, and few grants-in-aid

Increasing Revenues: Philanthropy and Boosterism

The most popular solution for closing the gap between flat or saturated revenues from ticket sales and rising expenses is to increase donor solicitation. Even within many major conferences, private contributions still surpass television revenues as the pillar of athletic resources. The usual mechanism for fund-raising is through booster clubs ("athletic-educational foundations"), which are part of a semiautonomous intercollegiate athletic association. Investment in a sophisticated athletic fund raising program often is justified by one or more of the following contentions: winning teams in football and basketball increase alumni giving to the entire institution; championship teams enhance the total reputation of a campus; and donations to intercollegiate athletics have a multiplier effect for all institutional giving. In recent years a number of economists and social scientists have attempted to systematically test these assertions. The bulk of the research literature indicates at best equivocal support for and, often, rejection of such claims. For example, political scientists Lee Sigelman and Robert Carter concluded in their classic 1979 study, "Win One for the Giver," that "there is simply no relationship between success or failure in football and basketball and increases and decreases in alumni giving." They also bring our attention to the limits of logic in university planning: despite their research findings, they doubted athletic departments would alter their practices, because "so many people believe (the above-stated) relationship exists."

More problematic is how intercollegiate athletic fund-raising by a semiautonomous association or foundation meshes with total university priorities, planning, and development. Despite athletic directors' contention that their programs are integrated into institutional budgeting and decisions, intriguing data suggest athletic fund-raising can imbalance university priorities set by the *academic* leadership. For example, at the same time the University of North Carolina's Athletic Educational Foundation successfully raised $22 million in two years to build a new basketball arena, faculty salaries were frozen because of low state tax revenues and recession. The chancellor responded to faculty complaints about misplaced priorities by insisting, "The center was not a priority of the university. It was a priority of the Educational Foundation."

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Policy Implications: Rethinking Concepts and Structures

Athletic - Educational Foundations

Perhaps the most critical measure is for universities (especially state institutions) to rethink their justification for creating separately incorporated "athletic associations" within their institutional structure. In the 1940s and 1950s the original intent was to have these associations clearly separated from educational budgets; i.e., they allowed universities to create a clean, clear entity that would make varsity sports truly revenue producing and self-supporting. This distinction was made for two related yet very different reasons. First, in the wake of athletic scandals and charges of financial abuse, a number of state legislatures wanted varsity athletic programs clearly separated from the academic and educational programs by a **cordon sanitaire**, to build assurance that state appropriations and tuition monies would not go toward intercollegiate athletics. Second, creation of the distinct athletic association was intended to provide the useful mechanism for raising money via contributions and ticket sales. Increasingly, the data suggest, athletic associations are having difficulty fulfilling either charge. Nowhere is this more evident than in the substantial, growing reliance on institutional support through mandatory student fees as a source of "revenue" for supposedly-producing and self-supporting athletic programs. The AASCU survey illustrated two dominant trends among Division I athletic programs: for one large cluster of programs, student fees accounted for 51% of revenues; for a second cluster, an average of about 38% of varsity sports revenues came from state and institutional sources. This distribution obviously is skewed among the Division I-AA institutions but the point still holds to a lesser extent in Division I-A. For example, the University of Kentucky Athletic Association's 1988-89 projected revenues of $14.8 million included $450,000 from student activity fees.

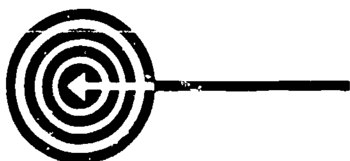
Tracing where money comes from and where it goes in varsity sports is problematic. For example, our own earlier reference to newspaper accounts about financial strain at Division I-A institutions raises more questions than it answers. Reports of a deficit for varsity sports at the University of Wisconsin are disheartening, but not wholly surprising. In marked contrast, the University of Michigan's projected deficit in intercollegiate athletics strikes us as puzzling; i.e., at first glance it seems so troubling and unlikely that it calls for more detailed data and explanation from internal records not available to us. Are there capital projects or construction that dramatically increase the deficits? Or is the program truly operating in the red? One curious nondevelopment is that we find little evidence of follow-up investigative reporting on this significant item in the national press

In general, data on college sports finances are uneven and often unreliable National surveys often have low response rates. Perks and subsidies that benefit intercollegiate athletic programs tend to be understated, as they are marbled throughout the university budget in such forms as presidential discretionary funds or relatively low charges for using university facilities. Financial reports from athletic departments along with complete reports from affiliated booster clubs and athletic foundations frequently are not readily available. Given the limits of comparable nationwide data, the financial information is most useful and comprehensive when distilled to the campus level Economists Arthur Padilla and Janice Boucher, for example, suggest that the $10 and 15 million annual operating budget of a Division I-A athletic program is comparable to the budget of a large academic unit, e.g , medium-size professional school of a university.

Tracing where money comes from and where it goes in varsity sports is problematic . . . In general, data on college sports finances are uneven and often unreliable.

Subsidies Strategies

The fragility of "self-supporting" intercollegiate athletic programs is evident in the growing interest in subsidy strategies. The state of Oregon, for example, recently implemented a lottery (based on choosing winners of professional football and basketball games) to provide several million



Coaches and athletic administrators push the theme of college sports as a business to retain resources to generate future funds or build winning teams. But when confronted with deficits, they depict intercollegiate athletics as an educational activity.

dollars to the intercollegiate athletic programs at the University of Oregon, Oregon State University, and Portland State University. This initiative may well represent acknowledgment at the level of public and institutional policy that ticket sales, bowl revenues, television receipts, and direct contributions are no longer adequate to support big-time intercollegiate sports.

An interesting twist in budget discussions is the shifting stance of athletic departments. Coaches and athletic administrators push the theme of college sports as a *business* to retain resources or to acquire resources to generate future funds or build winning teams. But when confronted with deficits, they depict intercollegiate athletics as an *educational* activity. This point comes through in the recent book edited by Richard Lapchick and John Slaughter, **The Rules of the Game**, in which the football coach at Boston College and the athletic director at Southern Methodist University urge coaches and athletic directors to be and be seen as educators. This proposal would warrant more support if, for example, coaches and athletic directors had to operate under the same conditions, salaries, restraints, and budgeting processes as their fellow "educators" in modern languages, chemistry, social work, and so forth. It loses some appeal, however, when one notes that most Division I programs are not connected to the educational structures of the institution and are not a defined part of the general student body experience.

A Critique of the Reform Proposal for "Professionalism"

One recurrent reform proposal deserves special attention. From time to time one hears that big-time college sports ought to be allowed to be truly "professional." The logic is that this would eliminate the hypocrisy of 'shamateurism," would allow varsity athletes to receive salaries that are a fair share of the television and bowl games bonanza, and would acknowledge the true scope and character of Division I-A sports. And deregulation would enable established big-time programs to flourish.

Despite these merits, however, we think such a reform is unlikely for two related reasons. first, it would be financially disastrous for all but a handful of university athletic programs. Second, it would expose a central weakness of Division I-A college sports, self-depiction as a business. The 64 institutions that form the elite College Football Association would be the likely candidates for an intercollegiate professional football conference. But the rich-get-richer "syndrome" would accelerate making it unlikely that the weaker members could survive. The result probably would be about 40 major football programs. Even this would be unattractive, for if all play were confined within the ranks of 40, some traditionally winning teams would by definition become losers. It would create a "devil-take-the-hindmost" situation, in which each season a growing number of teams would lose both more games and more fans support. It illustrates the attractiveness of what Paul Lawrence has called the NCAA "cartel" for propping up college sports as an "industry." Some other concerns are as follows:

- Except for a relative minority of truly exceptional players, it is likely that student-athletes even in football and basketball at major universities would find a glutted market and relatively little demand for their services. To test this hypothesis, look at the low market value of football players who are cut from the National Football League rosters. So, although an occasional Doug Flutie or Patrick Ewing might negotiate a great contract, players who now receive a full grant-in-aid (roughly $12,000 to $15,000 per year) and who are the 90th member of a varsity squad would command little on the open market.

- Professional teams are expensive. The World Football League went bankrupt. Last year the New England Patriots of the established National Football League had difficulty meeting their payroll. Professional team owners usually have made their fortunes elsewhere.

- A shift toward true professionalism and commercialism might force intercollegiate programs to forfeit some

privileges and subsidies they receive under current structures. A Division I-A football coach is allowed 95 scholarship players; professional football squads are restricted to 48. The reform proposal shows in dramatic relief how fragile even big-time college programs are.

It is time to stop thinking of intercollegiate athletics as a **business** and to depict it instead as a **subsidized activity**. A university may justify this subsidy on any number of grounds but the general claim that intercollegiate athletic programs are revenue producing or self-supporting is dubious. Our main recommendation is that universities at least accept that varsity sports are **revenue consuming**. Having acknowledged that fact, presidents, provosts, deans, and board members can start to ask how and why investment in athletic programs is appropriate to the vision of total university operations and mission

Such self-study and redefinition can be useful for reforming the governance and budgeting of college sports. A college or university ought place its intercollegiate athletic program appropriately within the campus structure. For example, large universities that readily define intercollegiate athletics as a central activity in the life of the institution might consider saying so forthrightly as part of the mission statement; this could lead to creation of a vice presidency for athletics Variations might be to place intercollegiate athletics under an appropriate existing vice presidency Colleges that define varsity sports as an educational activity, for example, ought have the athletic director report to the vice president for academic affairs. If a campus values intercollegiate athletics as a source of institutional publicity, perhaps the athletic department could be housed under the office of the vice president for university relations or development. Finally, a college that views sports as an integral part of extracurricular student life would have the athletic director report to the vice president for student affairs. Self-study and structural realignment have multiple benefits: first, they counter the tendency to have intercollegiate athletic programs be semiautonomous and relatively uncontrolled; second, they bring college sports into the regular budgeting process and consideration of priorities This structural realignment and change in reporting system would bring intercollegiate athletics into line with other campus units. It would also make better use of the expertise of vice presidents, thus sparing the involvement of the university president except in the most significant policy issues regarding college sports It is by first analyzing the budget that we can promote the proper balance of academics and athletics within the American campus

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It is by first analyzing the budget that we can promote the proper balance of academics and athletics within the American campus.

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RECOMMENDED READINGS

Atwell, Robert H , Bruce Grimes, and Donna Lopiano The Money Game: Financing Collegiate Athletics. Washington, D C American Council on Education, 1980

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EVALUATION OF CAPITAL IDEAS

The Forum for College Financing has published Capital Ideas since June 1, 1986 Funding for the publication has been provided by the Department of Education's Office of Educational Research and Improvement (OERI) Part of our agreement with OERI is to evaluate this publication We ask your assistance by filling out this questionnaire

1 The selection of issues has been

1	2	3	4	5
Useful to my institution				Not useful

2 The coverage of issues has been

1	2	3	4	5
Too detailed		About right		Not detailed enough

3 The Forum mails Capital Ideas to presidents, chief financial officers, chairs of the trustee finance committee, a set of higher education policy makers, and others who have requested to be on the mailing list How appropriate is this audience?

	No opinion	Very appropriate				Not appropriate
Presidents	0	1	2	3	4	5
Chief financial officers	0	1	2	3	4	5
Chair of trustee finance committee	0	1	2	3	4	5
Policy makers	0	1	2	3	4	5

4 Issue evaluation Are there any past issues which stand out in your mind as being particularly useful or insightful or as not so useful or insightful

	No opinion	Very useful				Not useful
"New Tuition Savings Plans"	0	1	2	3	4	5
"Equipment Financing Ideas"	0	1	2	3	4	5
"Tax Reform and Higher Education"	0	1	2	3	4	5
"New Approaches to Debt Financing"	0	1	2	3	4	5
"Mortgage-Backed Student Loans"	0	1	2	3	4	5
"College Savings and Prepayment Plans"	0	1	2	3	4	5
"The Economy and Higher Education"	0	1	2	3	4	5
"Rethinking Higher Education Capital Finance"	0	1	2	3	4	5
"Campus Facilities A Diminishing Endowment"	0	1	2	3	4	5
"Options for Technology Transfer"	0	1	2	3	4	5
"The Economic Outlook and What it Means for Colleges and Universities"	0	1	2	3	4	5
"Fiscal Fitness? The Peculiar Economics of Intercollegiate Athletics"	0	1	2	3	4	5

5 Suggestions for other issues to be covered and/or other comments

6 Your position is
_ President/CEO
_ Other academic officer
_ Chief Financial Officer
_ Other Financial Officer
_ Trustee
_ Public Official
_ Other (indicate) ____________

7 Institutional characteristics
_ Public College
_ Private College
_ State Agency
_ Commercial Organization
_ Two-Year
_ Four-Year
_ Federal Agency
_ Other (indicate)

Enrollment
_ Over 10,000
_ 5,000-10,000
_ 1,000-5,000
_ under 1,000

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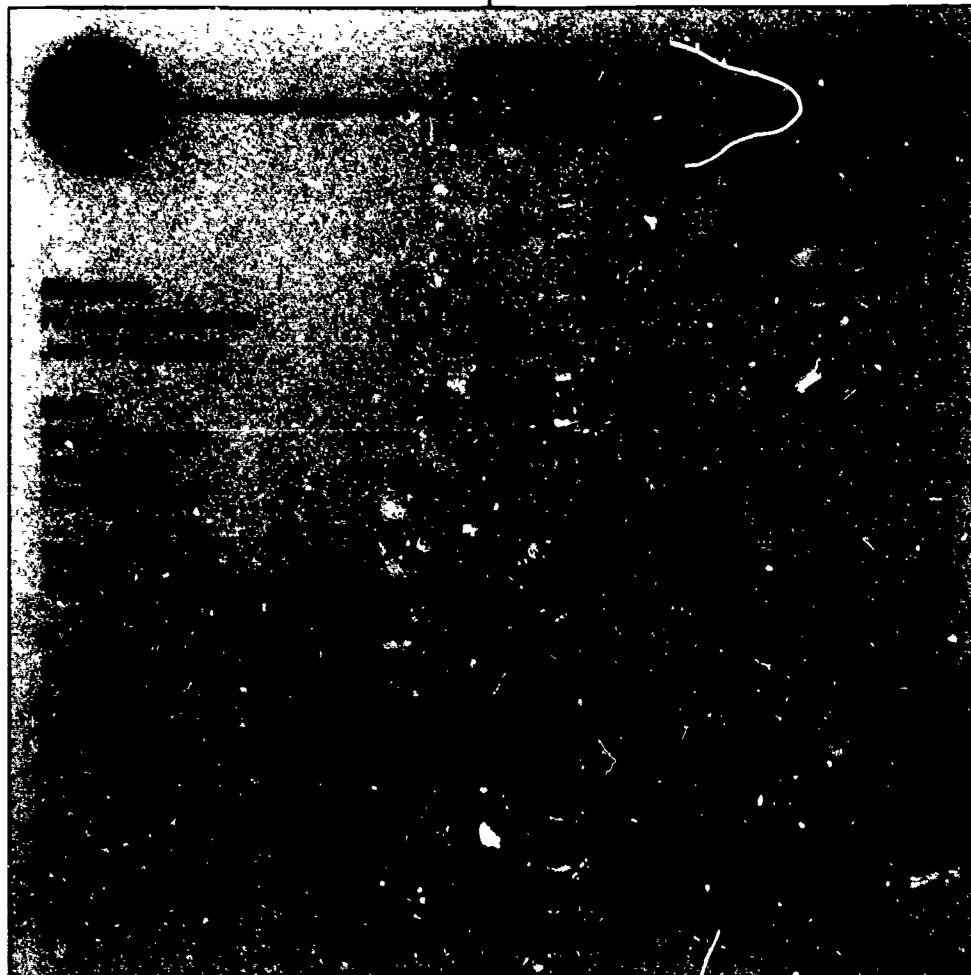

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