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Opinion

College athletic budgets are bulging but their profits are slim to none

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Hardly a week goes by that I do not receive a call or two from a reporter who assumes that intercollegiate athletic departments are moneymakers for their schools.

When I tell them that in any given year fewer than 10 athletic departments out of more than 1,000 NCAA colleges generate a true surplus, they are incredulous.

They ask, If these programs are not profitable, why do they pay the coaches so much and why do the universities support them so handsomely?

Let's start with the evidence. The NCAA hired Dan Fulks of Transylvania University, as it does every two years, to do a financial summary of the performance of its member schools for the 2004-05 academic year.

For some reason known only to the NCAA, it appears that the report will not be published this year. However, the NCAA's research director, Todd Petr, made a presentation to the Knight Foundation Commission on Intercollegiate Athletics last month that was based on the 2004-05 financial data.

Petr's report stated that of the 117 colleges in Division I-A, the average total revenue per athletic department was \$35.59 million and the average total cost was \$34.57 million.

That is, it appears as though the average I-A athletic department ran a \$1.02 million surplus. Not bad.

Missing links

What's missing? Lots.

First, the total revenue figure includes student fees allocated to athletics. This sum amounted to an average of \$2.46 million an institution in 2004-05, up from \$1.425 million in 2000-01.

Second, the figure also includes what is called "direct institutional support," such as outright budgetary grants or services provided to the department. These amounted to \$2.985 million in 2004-05, up from \$2.525 million in 2000-01.

Third, the revenue figure also includes direct government support to athletics, but Petr's report gives no data on this category. Overall, the sum of athletic department revenue from these subsidies came to an average of \$7.69 million a school.

If we subtract this allocation from the total revenue average, we find that the average I-A athletic department generated \$27.9 million in revenue in 2004-05. This means that without the institutional and government subsidies, the average department ran a deficit of \$6.67 million.

Put differently, 95 of the 117 I-A schools lost money on their intercollegiate athletic programs when subsidies are excluded.

In fact, the real situation was still worse, for two reasons.

The first is that the NCAA methodology includes all alumni and booster athletic contributions as net gains to the school. The problem here is that there is ample evidence that contributions to athletics often substitute for contributions to the school's academic programs.

That is, the net contribution to the university is smaller than the gross contribution to the athletics department.

One striking illustration of this tendency occurred at the University of Connecticut. When the UConn basketball teams rose to prominence in the early 1990s, donations to the athletic department increased from \$900,000 in 1989 to \$4.29 million in 1993. Over the same period there was a decrease from \$7.5 million to \$4.5 million to the university's general fund, leaving a net gain of less than \$400,000.

The second reason the real situation is worse than it appears is yet more significant: The NCAA's figures do not yet deduct capital expenditures in their reckoning of costs. New or renovated buildings require debt

service payments and/or depreciation charges.

Some schools have spent hundreds of millions of dollars on facilities in recent years. Others have spent tens of millions. To exclude an accounting of these costs grossly distorts the bottom line.

Thus, upon questioning last November from U.S. Rep. William Thomas, the chairman of the House Ways and Means Committee, NCAA President Myles Brand was forced to concede that "if depreciation were included, we estimate it would be fewer than 10 institutions of more than 1,000 member colleges and universities" that run a true surplus in their athletic departments.

Why, then, do schools fund athletics so richly without any timetable for withdrawal?

Americans are infatuated with sports, and college athletics have been intricately woven into the cultural fabric of our country.

Pressing matters

A college president, who averages about six years in office, has many pressing matters on his or her plate: raising funds for the endowment, answering to trustees, improving the faculty, identifying curricular and admissions initiatives, maintaining and improving the school's physical plant, keeping the students happy and out of trouble, preserving pleasant relations with the surrounding town, among many others.

Over the years, a few college presidents have put themselves out on a limb and tried to reform college athletics. They risk offending local boosters, trustees, alumni and even students. Reform efforts have accomplished next to nothing and the upstart presidents are likely to be shown the door.

The safer and more prudent course is for the presidents to abdicate the governance of athletics to the school's athletic director. It is the AD along with the ADs from other conference schools who hire the conference commissioner and the coaches. Together these individuals govern their sports, their conference and the NCAA.

Sometimes reform efforts take baby steps and NCAA governance is sanitized. The association, after all, now for the first time is led by a former philosophy professor rather than a former athletic director.

But the commercialization juggernaut marches onward and the myth about financial gain continues to spin wildly out of control.

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