

October 28, 2007**THE BUSINESS****SkYBOX U.****By [JOE NOCERA](#)**

Not so long ago, a middle-age freelance speech writer named John Pollack came by my office. Pollack, who once wrote speeches for [Bill Clinton](#), had a bone to pick with the [University of Michigan](#), which he has been rooting for since he was 6. One of the country's most storied football schools, Michigan fielded its first football team 120 years ago; was a charter member of the Big Ten when the conference was formed, 111 years ago; won the first Rose Bowl, in 1902; and is the winner of 42 conference and 11 national championships. Michigan's football team generated around \$50 million of the \$87 million the athletic department reaped last year — figures that trail only those of its archrival, [Ohio State](#), in the Big Ten. Much of that money comes from such things as television rights, licensing fees for the school's logo and so on. But a lot of it also comes from selling tickets to games at Michigan Stadium, which can hold as many as 112,000 people, making it the largest sports coliseum in the country. Not for nothing is it called the Big House.

Michigan Stadium was the reason Pollack stopped by. A few years ago, Bill Martin, Michigan's athletic director, proposed renovating the Big House for \$226 million. Given that it's 80 years old, the place could use an update. But included in the renovation plans — which the university's trustees approved earlier this year — are skyboxes and other expensive “premium seats,” something the Big House has never had.

Practically from the moment Martin submitted the plan for skyboxes, Pollack has been obsessed with defeating it.

His objections — shared by many Michigan faculty members and alumni — range from the financial (the skyboxes cost too much and will not be paid off for more than a generation) to the egotistical (by capping future expansion, the Big House may eventually lose its status as the country's biggest stadium).

Mainly, though, Pollack argues that the University of Michigan simply shouldn't be the kind of school that sells skyboxes to high-rollers; it should be better than that. “Michigan doesn't need to keep up with the Joneses,” he said. “We are the Joneses.” He added, “One of the great things about college football, especially Michigan football, is that it is a great public space — a place where autoworkers and millionaires can come together to cheer on their team.”

Martin, however, claims that selling skyboxes and premium seats to well-heeled alums and corporations is the most sensible way to pay off the debt needed to complete the renovation. “The other option,” he says, “would be to add \$15 or \$20 a ticket.”

What's more, all of Michigan's chief competitors in the Big Ten, including Ohio State, [Penn State](#), [Michigan State](#) and Iowa, already have skyboxes. In fact, with the exception of [Notre Dame](#) (the only school in the country with its own multimillion-dollar television deal), pretty much every big-name football school in the

country has them, or is planning them. In Florida, the [University of Miami](#) has agreed to abandon the Orange Bowl for [Dolphin Stadium](#), where it will take

in millions more per year, in no small part because Dolphin Stadium has luxury boxes and the Orange Bowl doesn't. Elsewhere in the state, four large universities have spent millions of dollars to create Division I football programs

in the last dozen years. In each case, the start-up costs were financed in part by donations from wealthy alumni or nearby residents. But still. The schools now have to pay millions a year to keep their programs going, and donors alone won't cover the costs. Two of the schools — the [University of Central Florida](#) and Florida Atlantic University — have also run up multimillion-dollar debts building expensive stadiums. Naturally, the new stadiums will have skyboxes, giant television scoreboards, naming rights and all the other "revenue enhancers" that were long thought to be the hallmarks of professional sports franchises. That's the whole point.

In short, behold the college football arms race, where the rich (like Michigan) continue to get richer and the poor (the University of Central Florida) try to claw their way to a place where they can stand alongside the rich. Given this state of affairs, there is simply no way Michigan is going to be left behind. In Division I football, either you buy into the sports equivalent of mutually assured destruction or you drop out entirely. With the singular exception of the [Ivy League](#), there really is no middle ground. In any arms race it's easy to get lost in the internal logic. Big-time college football is now so divorced from what actually goes on at a university as to be a kind of subsidiary, not even tangentially related to education. There are schools like [Duke](#) and the [University of Chicago](#) that get on quite well, thank you very much, without a serious football program. As Sheldon Steinbach, the former general counsel of American Council on Education, puts it, "The most basic question of all is, who decided to get higher education into the intercollegiate athletic business?" But at this point, major universities are not about to shut down a big-time football program, the way the University of Chicago did in 1939. There's too much at stake. "These are schools that have thousands of students and tens of thousands of alumni," says James Delany, the commissioner of the Big Ten Conference, speaking of its member universities. "At a school like Michigan, whether you like it or not, college football is part of Midwestern culture."

As a result, schools erect the fanciest stadiums, build the most up-to-date weight rooms, fly expensive chartered jets to away games — spend money on all sorts of things — in order to attract the best athletes. "Since the players don't get paid, you can't just go out and hire the Tom Bradys of college sports," Andrew Zimbalist, a sports economist who teaches at [Smith College](#), says. "So instead they throw money at everything else." One of Zimbalist's favorite examples is the salaries of top college coaches. "They get paid pretty much the same as coaches in the N.F.L., about \$2 to \$3 million," he says. "It doesn't make any sense from a normal economic point of view, because the average revenue of a top-30 college football team is about \$30 million, whereas the average N.F.L. team takes in \$200 million." But it happens anyway because when it comes to recruiting, Zimbalist says, schools "want to be able to say that they have a coach with a national reputation, someone who has sent kids off to the N.F.L."

A similar rationale holds for stadiums, according to Zimbalist: "They say, 'Come play for us because you will be in an N.F.L.-quality stadium, with a big new scoreboard with your picture shown whenever you make a good play.'" But, he adds, while every school builds, or renovates, a stadium with the belief that it will

ultimately make money and help defray the cost of the program, this doesn't happen all that often. "They get into these arms races, in the hope that they can have a winning team, which will bring in more revenue, which will help pay their escalating costs," Zimbalist says. "But of the 119 Division I colleges in any particular year, only 30 or 40 football programs probably run a true surplus."

Is Michigan one of the handful of schools where the economics make sense? Actually, it is. The athletic department operates like a not-so-small business, and it is highly unlikely to lose money on the skyboxes. The \$87 million in annual revenue the entire department produces not only covers the costs of all the non-revenue sports like women's volleyball but also generated a surplus of \$17 million last year. The escalation of costs poses very little risk to Michigan. Even if its football team has a string of bad years, it still has an immensely loyal fan base, it will still secure the financial rewards that come with being in the Big Ten and it will still fill Michigan Stadium every time the team plays a home game. Look at Notre Dame: on the field it has lost some of its luster in recent years, but it remains a financial powerhouse, with a packed stadium, a nation full of fans and that TV deal with NBC. According to the Sports Business Journal, its football program alone generates more money than any other program in the country — over \$60 million in 2005-6, the last season for which figures are available. Schools with great football traditions can afford to enter the arms race.

On the other hand, the Florida newcomers in Division I — Florida International and Florida Atlantic, along with South Florida and Central Florida — lack long-term football traditions and generations of fiercely loyal alumni. The only way they can fill their stadiums is to build winning teams — and to continue winning, year after year. They have jumped on a treadmill that they now can't afford to get off. It is doubtful that any of them are breaking even at this point — not even the University of South Florida, which joined the Big East Conference in 2005 and has climbed into the top 5 of the college rankings this fall. Its total football revenue, according to the Sports Business Journal, was \$8.8 million in 2005-6.

But given its ambition, its costs are likely greater. Keith Tribble, the athletic director of the University of Central Florida, which had \$7.8 million in revenue in the 2005-6 season, predicts that the football team will break even in the next year or two. His calculation of what constitutes breaking even, however, does not include servicing the debt of the school's newly opened 45,000-seat "Bright House Networks Stadium," which cost \$54 million to build.

So why do these schools do it? Partly because they're in Florida, perhaps the most football-mad state in the country. Partly because football is believed to be the best single marketing and advertising program any university can have. "Most institutions look at what attracts alumni, what makes them contribute," Tribble says. "Without fail, it all comes back to football. Most of the great institutions in the country are tied to the hip with athletics." The four Florida schools are mostly commuter schools, so having a big-time football program makes them feel as though they have joined the big time — right alongside mighty Michigan.

Maybe the best thing that can be said about pouring money into football is that, as Sheldon Steinbach told me, stadium construction is hardly the worst thing that goes on in college sports. "Skyboxes are not the most cancerous elements in most athletic departments," he says. And what is? His reply: "How about the recruitment of athletes who do not have the ability to benefit from a college education?" Hey, someone has to take the field in all those fancy new stadiums. 'schools 'can't just go out and hire the tom bradys of college sports,' one economist says. 'so instead they throw money at everything else.'

Joe Nocera is a business columnist for The New York Times.

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