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When Big Bucks Come for Sports

Phil Knight, co-founder of Nike and an über-donor to his alma mater, the University of Oregon, is hailed in some quarters of Eugene as the best thing ever to happen to the university's athletics program. But others at Oregon who have watched with antipathy as the program has tied its fortunes to Knight say the purpose of his latest donation is another example of the university's misplaced priorities.

Knight's \$100 million gift, [announced in August with great fanfare](#) as the largest single philanthropic donation in Oregon's history, sets up an endowment that the university says will help sustain the entire athletics department.

Many assumed the money would go directly toward a new basketball arena in the works that's estimated to cost roughly \$200 million. According to Oregon, the gift will give the university the financial flexibility needed to "jump-start" its effort to replace 81-year-old McArthur Court.

Under a preliminary plan, the university would finance the arena by taking out the \$200 million in 30- or 40-year state revenue bonds and would repay the money with arena revenue and donations. Rather than leaning heavily on private financing, Oregon's taxpayers could assume the financial risk. The plan would need approval from Oregon's State Board of Higher Education and from the Legislature.

Universities commonly use some combination of state bonds and private donations to fund major athletics facilities projects, but taking bonds out for the entire cost is unusual. An Oregon Faculty Senate subcommittee is looking into the feasibility of the bond proposal and how much the university can expect to earn from ticket sales in a new arena.

Gordon Sayre, a professor of English and chair of the senate who is on that subcommittee, said the group needs more information before it releases a report this fall. He's confident there are enough people who would purchase bonds, but is concerned about the possibility of taxpayers being burdened down the road.

"We want to make sure we aren't taking on a debt load that's too risky," Sayre said. "If these are bonds we have to pay back over a 30- or 40-year time frame, we have to be conscious about the ups and downs of the economy and the ups and downs of the teams who play in the arena."

Phil Weiler, an Oregon spokesman, said the university is confident that the new facility would at least generate enough revenue to pay off the debt and could even lead to a surplus that goes back into athletics.

"Because of the Knight gift, the athletics department has the reserves available so that it doesn't have to come back with new funding ideas [if revenues fall short of expectations]," he said. "The money creates a financial

backstop.”

If arena revenues fall short, Oregon could dip into an annual donations fund to help make for the shortfall and use money from the Knight gift to help cover the department’s operating expenses.

Nathan Tublitz, a professor of biology at Oregon and co-director of the Coalition on Intercollegiate Athletics, a national group of faculty senates seeking changes in the conduct of big-time college sports, said he is skeptical about projections for the arena’s revenue. If those estimates fall short of the amount needed to pay off the debt, he said the university would have to open up the building for scores of other entertainment events.

Critics see the arena issue as raising larger questions about who wields power at Oregon and how the university chooses to raise and spend money. Some have complained about the influence Knight has over Oregon, and in particular moves made in the athletics department. The university earlier this year hired as athletics director Pat Kilkenny, an insurance executive, Oregon alumnus and prominent booster with close ties to Knight.

Others have questioned the proposed practice of borrowing money when a hefty sum is already in the bank. If the proposal materializes, Oregon would use state bonds that are issued for buildings that generate revenue. The university already has a \$178 million debt load in those type of bonds, with payments amounting to 3.3 percent of the annual operating budget. State guidelines say Oregon should never have a debt level greater than 7 percent of the annual budget, and an estimate shows that with the arena bonds, the university would near its ceiling for borrowing limitations for the foreseeable future.

That could endanger a dormitory overhaul plan and other future projects for revenue-generating buildings.

“The worries are that the university doesn’t have an explicit plan to prevent the academic side from having to pay back part of the bond debt,” Tublitz said. “The university may also be shut out of borrowing monies in the future for academic-related purposes.”

Tensions are rising at Oregon about the relationship between athletics and academics. While the university’s sports program has seen a windfall, state spending for higher education has lagged.

Tublitz said Oregon’s academic standing has been hurt by financial decisions made by the university. “Priorities have shifted from academics to athletics,” he said. “The real question here is do we want to let donors dictate the direction of the university?”

Knight has given to other parts of the university, including gifts that created endowed chair positions, and paid for building projects in the main library and at the School of Law (He also gave [more than \\$100 million last year to Stanford University’s Graduate School of Business.](#))

Two months after Knight’s gift became official, [Oregon on Tuesday announced](#) what is said to be the single largest academic donation in the university’s history — a \$74.5 million gift from the founder of *Business Wire* that will go toward science teaching and research.

— [Elia Powers](#)

The original story and user comments can be viewed online at <http://insidehighered.com/news/2007/10/17/oregon>.

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