March 2017

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Recommended Citation
DOI: https://doi.org/10.58188/1941-8043.1676
Available at: https://thekeep.eiu.edu/jcba/vol0/iss12/22

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The Economics and Effects of College Sports on Campus

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March 27, 2017

National Center for the Study of Collective Bargaining in Higher Education and the Professions
THE ROLE OF FOUR-YEAR COLLEGES AND UNIVERSITIES IN THE ECONOMY

- Inter-collegiate college sports are typically played at 4-year colleges and universities.
- In the fall of 2014 there were 13.5 million students enrolled in 4-year institutions; and
- In 2014-15 they conferred 1.9 million Bachelor’s degrees.
- Their revenues were in excess of $525 billion in 2013-14; and
- They employed over 3.2 million people (full-time and part-time).
THE POLICY ISSUE: HIGHER EDUCATION IS IN A PRECARIOUS FINANCIAL POSITION

- Colleges and universities increasingly substitute contingent faculty for tenured faculty to cut costs.
- Moody’s Investor Service regularly issues negative outlooks for the business of higher education.
- Most states have been cutting appropriations to public institutions, adjusted for inflation and measured on a per student basis.
- Student debt taken out by those who graduated with a bachelor’s degree in 2016 averaged $37,172 – up from 18,550 in 2004.
Despite the Financial Challenges Athletics Spending Increases -- Unabated.

Why?

- Are increases in athletics spending self-supporting?
- Are athletics spending increases solely driven by the sports entertainment business – confined to a few sports in Division I?
- Are increases in athletics spending driven by efforts to comply with Title IX mandates prohibiting sex discrimination in higher education?
- Are increases in athletics spending a result of the addition of more sports – or an increase in spending on existing sports?
- How have coaching salaries changed compared to faculty salaries?
THE ROLE OF THE NATIONAL COLLEGIATE ATHLETIC ASSOCIATION - NCAA

- The NCAA is one of several organizations that govern college sports – but it dominates the playing field.
- Over 1100 member institutions.
- Three Divisions
  - **Division I** => FBS, FCS, DI without football; 350+ schools; with more sports; more scholarships; and more spending.
  - **Division II** => with and without football; 325+ schools; with less sports, less scholarships, and less spending.
  - **Division III** => with and without football; 450+ schools; with more sports, no scholarships, and less spending.
THE INVESTIGATION AND THE DATA SET

- 898 four-year colleges that belong to the NCAA.
- Inflation-adjusted data on athletics spending, head coach salaries, and athletics participation from FY 2005 and FY 2013.
- Data from 3 years post-trough of the 2001 recession and 3 years post trough of the 2007-09 recession.
- Schools that remained in the same athletics division during the sample period.
- Sources:
  - Equity in Athletics Disclosure Act data
  - Integrated Postsecondary Education Data System
ANALYSIS OF THE 7 NCAA SUB-DIVISIONS

Number of Schools = 898

- FBS: 114
- FCS: 109
- DI - FB: 80
- DII + FB: 133
- DII - FB: 106
- DIII + FB: 215
- DIII-FB: 141
PUBLIC SCHOOLS DOMINATE DIVISION I

% of Public Schools in the Data Set = 45%
DIVISION I SCHOOLS TEND TO HAVE LARGER ENROLLMENTS

Median Number of Undergraduates: FY 2013

- FBS: 17,504
- FCS: 6,252
- DI - FB: 6,151
- DII + FB: 3,236
- DII - FB: 2,422
- DIII + FB: 1,972
Enrollment grew in all sub-divisions

%Δ in Undergraduate Enrollment: FY 2005-13

- FBS: 16%
- FCS: 5%
- DI - FB: 11%
- DII + FB: 3%
- DII - FB: 9%
- DIII + FB: 7%
- DIII-FB: 14%
Most undergraduate students are women

Median % of Undergraduates: Women (FY 2013)

- FBS: 51%
- FCS: 55%
- DI - FB: 63%
- DII + FB: 52%
- DII - FB: 59%
- DIII + FB: 53%
- DIII-FB: 58%
Budgeting for Priorities?
Two Types of Athletics Revenues

- **Generated Revenues**
  - Ticket Sales
  - NCAA & Conference Distributions
  - Donations
  - Guarantees
  - Concessions
  - Broadcast Rights
  - Royalties, Advertising
  - Sponsorships
  - Sports Camps
  - Endowment Income

- **Allocated Revenues**
  - Student Activity Fees
  - Direct Institutional Support
  - Indirect Institutional Support
  - Government Support
ATHLETICS IS RARELY SELF-SUPPORTING

HTTP://WWW.NCAA.ORG/ABOUT/RESOURCES/RESEARCH/ARCHIVES-NCAA-REVENUES-AND-EXPENSES-REPORTS-DIVISION

Median Athletics Department Deficits in Net Generated Revenues: FY 2015 (millions $)
% Δ AAUP Faculty Compensation: FY 09-15
Cat. I = 28%; Cat. IIA = 23%; Cat. IIB = 25%

% Δ Men's Team Head Coach Compensation: FY 09-15
% Δ AAUP Faculty Compensation: FY 09-15
Cat. I = 28%; Cat. IIA = 23%; Cat IIB = 25%

% Δ Women's Team Head Coach Compensation: FY 09-15
TOTAL ATHLETICS SPENDING: FY 2013
(TOTAL SPENDING ALL DIVISIONS: $9.8 BILLION)
GROWTH RATES IN ATHLETIC SPENDING EXCEED INSTRUCTIONAL SPENDING ACROSS ALL SPORTS

% Change in Athletic and Instructional Spending in DI: FY 05-13

- FBS
- FCS
- DI - FB

- Instruction/FTE Student
- Women’s Tennis
- Softball
- Women’s Soccer
- Men’s Golf
- Women’s Golf
- Football
- Men’s Lacrosse
- Baseball
- Women’s Lacrosse
- Men’s Basketball
- Women’s Basketball
- Men’s Soccer
GROWTH RATES IN ATHLETIC SPENDING EXCEED INSTRUCTIONAL SPENDING IN DII: FY 05-13
GROWTH RATES IN ATHLETIC SPENDING EXCEED INSTRUCTIONAL SPENDING IN DII: FY 05-13

The diagram shows the growth rates in athletic spending compared to instructional spending in Division II (DII) for the years 2005-2013. The vertical axis represents the growth rate percentage, while the horizontal axis represents different sports categories, including:

- Instruction/FTE Student
- Women’s Tennis
- Baseball
- Men’s Tennis
- Softball
- Women’s Soccer
- Women’s Lacrosse
- Women’s Basketball
- Men’s Golf
- Women’s Golf
- Men’s Basketball
- Men’s Soccer
- Football
- Men’s Lacrosse

The bars indicate the spending growth for each category, with higher bars indicating a greater growth rate. The colors correspond to different sports, allowing for easy comparison across categories.
Higher Rates of Athletics Participation are one Factor Driving Higher Spending

% Change in Median Student Athlete Participation Per School: FY 05 - 13

- Men’s Athletics
- Women’s Athletics
DII and DIII Schools Added Large Numbers of New Sports Teams: FY 05-13

=> Predominantly: Men’s Track (+100), Women’s Track (+129), Women’s Golf (+82), Men’s Lacrosse (79), Women’s Lacrosse (109), and Women’s Soccer (+31)
ATHLETIC PARTICIPATION IS GREATEST IN DIII – WITH FOOTBALL

Total Athletes: FY 2013 = 399,543
DIII Colleges Actively Use Athletics Participation to Manage Enrollment

Median: Athletes as a % of Undergraduates - FY 2013
CONCLUSIONS:

- Athletics is not self-supporting.
- Athletics spending increases dramatically outpace increases in educational spending.
- Athletics spending is increasing rapidly in all NCAA Divisions.
- Athletics spending is increasing rapidly in revenue and non-revenue sports.
- Athletics spending is increasing because:
  - Schools are spending more on existing sports;
  - Schools are adding many more new sports than they are eliminating.
- Coaching Salaries are:
  - Increasing rapidly in revenue and non-revenue sports - and across all NCAA Divisions.
  - Increasing much more rapidly than faculty salaries.
PRIORITIES?