

The Impact of Intercollegiate Athletics Financial Inequalities

Heather Lawrence

Ohio University

Inequality within intercollegiate athletics has roots as deep as the enterprise itself. From a macro perspective, financial inequality in intercollegiate athletics stems from free-market forces influencing intercollegiate athletics, specifically the National Collegiate Athletic Association (NCAA), television broadcasting, and the Bowl Championship Series (BCS). Because the NCAA operates on behalf of its member institutions, these inequalities trickle down to all conferences, universities, and athletic programs, to specific sports, and finally to student-athletes. The goal of this paper is to respond to Zimbalist (2013), add to the conversation about financial inequality in intercollegiate athletics, and describe how national inequalities translate into inequalities on campus. An analysis of the structure of intercollegiate athletics that perpetuates these inequalities is presented, Activity-Based Costing (ABC) is introduced, and practical ideas to assist in creating a more financially equitable model of intercollegiate athletics are presented.

Inequality within intercollegiate athletics has roots as deep as the enterprise itself. From a macro perspective, financial inequality in intercollegiate athletics stems from free-market forces influencing intercollegiate athletics, specifically the National Collegiate Athletic Association (NCAA), television broadcasting, and the Bowl Championship Series (BCS). Because the NCAA operates on behalf of its member institutions, these inequalities trickle down to all conferences, universities, and athletic programs, to specific sports, and finally to student-athletes. Conference executives are charged with putting their member institutions in the best possible position for success and the free market reigns, with some conferences substantially more valuable than others. The BCS operates in the best interest of the Power Conferences (SEC, Big Ten, Pac-12, Big 12, and ACC) and certainly considers the new Group of Five (Big East, Mountain West, Conference USA, MAC, and Sun Belt), resulting in a smaller group of conferences and institutions that are directly affected by their operations. But, in reality, all colleges that compete in the NCAA are indirectly affected by the BCS. As in any free market, many factors exist that affect the value of institutions and conferences, such as competitive success, geographic region, tax status, overall brand strength, history, and religious affiliation. Decision-making and priorities along the way are critical components of any discussion on college athletics finance, and this is where NCAA, conferences, BCS,

and campus leaders can make a difference for all 430,000 NCAA student-athletes (NCAA, n.d.-a).

The policies and procedures established by the NCAA in over 400 pages of text exist in part to establish a level playing field, allowing equitable access to competitive success for institutions and student-athletes. In recent years, the NCAA has specifically targeted policies related to academics, recruiting, enforcement, and eligibility in an effort to move toward more competitive equity. However, financial equity continues to be a topic that, to the public, seems taboo at the highest levels of decision-making. The result of over 100 years of financial inequality in intercollegiate athletics is competitive inequality within NCAA divisions and a structure that guarantees inequality will continue into the future.

Inequality is a problem in intercollegiate athletics for two main reasons: (a) competitive balance and (b) financial stability (Zimbalist, 2013). This is certainly accurate on the national scene, but how do those reasons translate to the campus environment? Financial stability is a major problem for most college athletic programs, so it remains constant. The second reason is related to the benefits of participation in college athletics. When there are financial inequalities at the campus level, the benefits of the experience are limited in some way for certain populations. Maybe a sport is eliminated due to financial pressures; maybe student-athletes from revenue sports receive benefits other student-athletes do not; maybe student-athlete support positions are eliminated; maybe some facilities receive more attention than others; or maybe marketing efforts are more focused on some sport programs than others. The reality is that wherever there are limited financial resources, priorities ultimately drive decision-making, and that almost always results in differential treatment and benefits.

Those campus athletic departments that find themselves in the financially weak category are often forced to make difficult decisions about resource allocation that affect sport offerings and the student-athlete experience. As Zimbalist (2013) points out, “strength nourishes strength and weakness feeds weakness” (p. 6). It could even be argued that decisions resulting in a reduced student-athlete experience—such as sport team elimination or the inability to fund needed academic support—are in direct opposition to the NCAA mission, which reads, “Our mission is to be an integral part of higher education and to focus on the development of our student-athletes” (NCAA, n.d.-b, para. 5). In his 2012 State of the Association address, NCAA President Mark Emmert said,

What we live for is the education of our athletes. That education and athletics goes hand in hand, we want all of our student-athletes to be valued in all of our sports. While people don’t watch rowing or volleyball or fencing as much as they watch football or men’s basketball, that doesn’t mean we don’t value them as part of our enterprise. We do (Emmert, 2012, p. 9).

The NCAA mission and Emmert’s statement are difficult to reconcile with the inequitable financial model in place in college athletics. This is not the fault of the NCAA, intercollegiate athletics as a whole, broadcasters, or any one group. If the road to equity lay squarely with one entity, the issue would have been resolved by now. Instead, the culture of American sport and the perceived value of big-time college football and men’s basketball in a free-market economy have resulted in a variety of unintended yet substantial inequalities in intercollegiate athletics.

Purpose

This paper is not an attempt to criticize or bash the NCAA, nor do I attempt to reconcile every possible source or consequence of the current financial model of intercollegiate athletics. The goal is merely to respond to the paper by Dr. Andrew Zimbalist (2013), add to the conversation about financial inequality in intercollegiate athletics, and describe how national inequalities translate into inequalities on campus. In the first section, I reflect upon the NCAA, conference, and BCS structure that result in national inequalities trickling down to campus athletic departments. What follows is an introduction of Activity-Based Costing (ABC) as an accounting method that would allow institutional athletic leaders to better understand and manage expenses. In the final section, I include practical revenue-generation ideas and budget-relieving suggestions for intercollegiate athletic leaders.

Inequality

Broadcasting, NCAA revenue distribution, and the BCS are central to any discussion of financial inequality in intercollegiate athletics, especially in NCAA Division I. Wheeler (2004) found that the basis for continuing inequities appears to be that the perceived rewards associated with intercollegiate athletics are impossible to resist. He goes on to state that the NCAA has created the conditions that lead to problems in football and men's basketball (Wheeler, 2004). The current NCAA revenue distribution model favoring those institutions that realize success in men's basketball illustrates this. Basically, college athletics mirror American capitalism at its finest. The free-market broadcasting agreements, the voting and decision-making power structure of the NCAA, and the closed system of the BCS promote a system in which the most powerful conferences continue to receive the greatest share of the available revenue. Meanwhile, the remaining conferences engage in arguably unsustainable spending practices.

Broadcasting

Intercollegiate athletic leaders and scholars seem to agree that television reigns supreme, and the Power Conferences are king among all the conferences. According to Nielsen Media Research (2012), the SEC averaged almost 4.5 million weekly viewers, and the Big East averaged almost 1.9 million viewers during September 2011. Even this difference between two large conferences demonstrates the disparity in game viewership. This makes it difficult for smaller conferences to compete both on a ratings level and an advertising revenue level, as higher ratings mean a higher advertising rate.

With the increase in the amount of content on mobile devices and the Internet, Zimbalist states, "it is sensible to expect media income will either flatten or decrease" (2013, p. 21). Overall, this point is accurate: as more entertainment options become available for consumption, the audience for each gets smaller. However, live sporting events are still the cream of the crop because they represent a DVR-resistant audience that is held captive by the live telecast and, thus, the commercials. If media income in sport were flattening out or decreasing, we would not be reading about CBS increasing the average price on a 30-second commercial during the

Super Bowl from \$3 million in 2011 to \$3.5 million in 2012 and to \$3.8 million in 2013 (Dicker, 2012; Steinberg, 2012). Using the Super Bowl as an example, CBS has capitalized on the “second screen” environment by adding this to traditional television advertising revenue streams. As of December 2012, only a few digital inventory packages for the Super Bowl remained unsold (Steinberg, 2012). ESPN is also confident in its ability to see return on its \$1.9 billion investments in the NFL, as well as \$700 million in the MLB and \$500 million in the BCS (Ourand, 2012). ESPN CEO John Skipper addressed the multiplatform strategy of television, Internet, broadband, and mobile thus: “We are not in a bubble . . . we are very confident we will be able to grow and absorb these costs” (Ourand, 2012, p. 39). The advent of monetization of social media, and maybe gaming platforms in the near future, clearly make this area of inquiry ripe for expansion in college athletics.

Many conferences are busy negotiating new television agreements based on conference realignment that took place in 2012, and some of the reported television revenue that is available becomes void with a change of conference membership. Because a lot of the movement by schools in the Power Conferences and Group of Five was driven by increased potential for media revenue and the ability to create stand-alone conference television networks, it is expected that broadcasting figures will increase for the Power Conferences and probably the Group of Five. This leaves the remaining 21 Division I conferences continuing to struggle to generate television revenue. There are certainly some limited television agreements with individual institutions and even some conferences outside of the Power Conferences and Group of Five, but some of those are at least partially driven by the desire to gain exposure for the institution and athletic program rather than revenue. The Power Conferences traditionally have seen some of the largest television agreements, ranging from \$200 million to possibly up to \$500 million with the new Pac-12 agreement (Peloquin, 2012). To date, four of the Group of Five conferences also have been able to realize broadcasting revenue to aid their operations, with revenue ranging from \$12 million to \$40 million annually (Peloquin, 2012).

Live sporting events bring large sums of money through advertising to the networks and their affiliates because they frequently result in higher ratings than traditional prime-time network programming. However, even within the context of live sporting events, the more powerful conferences and institutions still generate the bulk of both advertising revenue and ratings. Since 1984 (*Board of Regents vs. NCAA*), the NCAA has been prohibited from artificially restricting football programs from appearing on television. This decision basically eliminated any possibility of continued efforts by the NCAA to more equitably distribute broadcast opportunities. Although this may seem obvious based on which games are available on the major networks and affiliates, it is a critical factor in explaining why the Power Conferences continue to far outpace all the others in broadcast revenue generation.

NCAA Distributions

NCAA President Mark Emmert (2011) eloquently stated five core values for decision-making across all divisions at the NCAA, including:

- Success of our student-athletes
- Student-athletes are not professionals, they are preprofessionals

- Providing as many opportunities for as many student-athletes as possible
- Intercollegiate athletics is part of the fabric of higher education
- Dedication to enhancing and sustaining the model of collegiate athletics

The above decision-making values align well with the NCAA mission and are inclusive of all types of institutions, all student-athletes, and all sports. President Emmert has also been quoted as saying, “this is not the NFL, the NBA, it’s not a business” (Associated Press, 2011, para. 1). These ideals espoused by President Emmert are inspiring and instill great hope for the enterprise of collegiate athletics. Now, two years after these values were publicized, it is worth examining how NCAA revenue distribution aligns with these stated decision-making values (the 2012–13 Revenue Distribution Plan is not available to date).

The NCAA’s revenue in 2010–11 was \$845.9 million; the 2011–12 projection is \$777 million, with \$538.9 million (69%) distributed back to Division I member institutions or to support Division I championships, tournaments, and programs; \$33.9 million (5%) to support Division II; and 24.7 million (3%) to support Division III (NCAA, 2012a, 2012b). Over 80% of NCAA revenue derives from media rights, with the vast majority of that from the men’s basketball tournament rights (NCAA, 2012b). Without the men’s basketball tournament revenue, intercollegiate athletics would look nothing like what we see today because men’s basketball revenue does trickle down to touch almost every NCAA student-athlete at some point during their athletic careers.

Within Division I, it is interesting to examine what the 2010–11 conference distribution would look like using the three new groups of conferences identified by the BCS (Power Conferences, Group of Five, and remaining 21 conferences). Using these groupings and NCAA revenue distribution reports from 2010 to 11, the Power Conferences would have received \$184.6 million (38.6%; mean of \$36.9 million per conference); the Group of Five would have received \$110 million (23.0%; mean of \$22 million per conference); and the remaining 21 conferences would have received \$183.3 million (38.4%; mean of \$8.7 million per conference). This does not take into account realignment, but relies on membership as of 2010–11, likely resulting in more equity as compared with distribution with conference realignment. Considering that these figures do not include any BCS money, these figures demonstrate considerable inequality. These differences may not seem substantial for the top schools. But for an institution that is receiving only \$1 million in distributions, doubling that would result in an almost inconsequential loss of \$1 million for the schools at the top of the financial spectrum and a game-changing increase in revenue for those at the bottom. The argument does not have to rely on a gift of extra revenue distribution, but merely a formula by which conferences and institutions have the ability to generate extra revenue through achieving standards established by NCAA membership or other initiatives valued by the membership.

In 2011–12, \$467 million was returned to the Division I membership based on the basketball fund (40%; \$184.1 million), scholarships (26%; \$122 million), sport sponsorship (13%; \$61.4 million), student-athlete opportunity fund (10%; \$46.5 million), academic enhancement (5%; \$23.4 million), special assistance fund (4%; \$19.7 million); conference grants (2%; \$8.3 million), and supplemental support (<1%; \$1 million). Noticeably, there is great financial incentive to win in men’s basketball, with 40% of the distribution calculation based on competitive success.

In football, the BCS controls 100% of the revenue generated, so it will be fascinating to see if there is more serious discussion by prominent basketball conferences to split their championship from the NCAA in an effort to control more revenue and thus change the nature of the NCAA we know today. With approximately 85% of the NCAA's operating revenue coming from the men's basketball tournament broadcast revenue (NCAA, n.d.-d), shifting that money elsewhere would cripple the current operation. The NCAA almost has to do whatever it can to make the powerful basketball conferences and schools happy to avoid such a split from occurring. In fact, a split from the NCAA of basketball power schools would most likely leave smaller conferences and institutions in a worse financial position than they are in now and little history or experience as a starting point to negotiate and generate their own revenues. As a result, commercial interests prevail and a large portion of revenue distribution is formulated based on men's basketball competitive success. Because neither supporting men's basketball nor winning championships is listed as a core value or in the NCAA mission, this seems to clash with the stated values and is a source of much of the financial inequality by conference.

Revenue distributed to conferences in 2010–11 ranged from a minimum of \$1.7 million to a high of \$18.5 million. Once the money has been distributed, it is up to conferences to allocate that money to member schools. In addition to men's basketball success, the overall size of the athletic program (combining scholarships, number of sports sponsored, and the special assistance fund) accounts for over 89% of the available revenue distributed to NCAA institutions. There is an additional student-athlete opportunity fund (4%, \$19.7 million) that is distributed based on sport sponsorship and scholarships, so the overall percentage might be closer to 92% or 93%. This is actually a greater percentage than is generally accepted by scholars; for instance, Zimbalist (2013) indicated a net of 78.9%.

The NCAA has always claimed an unwavering commitment to academics at the national level as indicated by the emphasis on student-athletes being preprofessional (Emmert, 2011). This philosophy is also reflected in the popular media campaign with the tag line, "There are over 400,000 NCAA student-athletes and just about every one of them will go pro in something other than sports" (NCAA, n.d.-c). However, only 5%, or a flat \$68,000 per school, of NCAA revenue distribution is allocated for academic enhancement. There are also no financial incentives for success in the classroom, but there are now penalties. Whether it is the NCAA mission, a State of the Association address by the president, or a branding campaign, there are inconsistencies between messaging and revenue distribution formulas.

The Bowl Championship Series

The BCS consists of a group of Power Conferences formerly known as the automatic qualifiers (SEC, Big Ten, Pac-12, Big 12, and ACC) and a secondary tier of conferences now recognized as the Group of Five (Big East, Mountain West, Conference USA, MAC, and Sun Belt). In addition, Notre Dame, Army, Navy, and Brigham Young University are all independent Football Bowl Subdivision (FBS) members. In November 2012, the BCS's presidential oversight committee agreed to a new framework beginning in 2014. The most significant changes in the relationships between the two groups of conferences are that:

- Due to conference realignment, the Big East falls out of the power conference group and into the Group of Five; and
- The Group of Five receives one guaranteed spot in a BCS bowl game.

The public details seem to change on a weekly basis, with the following summarizing available information as of December 2012. The new ESPN television deal is worth \$5.64 billion over 12 years or \$470 million annually, although revenue escalates as the contract progresses (Myerberg, 2012; Schroeder, 2012). This is thanks in large part to a structure that includes opportunities for 12 teams to participate and provides for a six-bowl rotation that will include a four-team playoff format (McMurphy, 2012; O'Brien, 2012; Schroeder, 2012). In addition, there will be a national championship game that is established through a bid process (McMurphy, 2012). Revenue from the national championship game is anticipated to exceed \$30 million, bringing the total to over \$500 million annually associated with the new structure (Schroeder, 2012). BCS operating expenses are estimated at \$125 million to \$150 million annually, leaving approximately \$350 million to \$375 million to distribute to FBS members (Schroeder, 2012). In addition, existing Rose, Sugar, and Orange Bowl conference contracts—worth over \$200 million—remain intact (Ourand, 2012; Schroeder, 2012). Finally, the independent FBS schools receive a portion of the revenue as well (Schroeder, 2012).

Approximately 10% (\$300,000 per school) goes prorata to FBS institutions that maintain a minimum Academic Progress Rate (APR; Schroeder, 2012). The inclusion of academic performance in the financial model is a welcome and necessary piece of the puzzle, and one that, at least in part, aligns with the Knight Commission recommendations (2009) that some football revenue be allocated based on academic performance to each FBS conference. However, the incentive to excel academically would be greatly enhanced if percentage allocated based on academic progress rates were greater or awarded on a scale by those rates.¹

Solidifying a place for one school from the Group of Five in a BCS game each year has been portrayed as a win for the little guys (McGuire, 2012). However, while the guarantee of one spot creates a floor for the Group of Five, it is also overwhelmingly likely that it creates a ceiling of one spot. It is almost inconceivable that more than one school from the Group of Five conferences will get a BCS bid in the new format.

Since the BCS went to a five-game format in 2006–07, at least one school from the current Group of Five conferences has competed each year except 2011–12.² However, in three seasons (2006–07, 2009–10, and 2012–13), two schools that are current members of the Group of Five competed in BCS bowls.³ Recent history tells us that it is more likely that the new deal eliminates a Group of Five school that otherwise would have received a BCS bid than that it provides access to a Group of Five school that would have been excluded in the previous model. Given the large amount of money at stake, the Power Conferences were happy to give up one game opportunity out of twelve in the new deal to prevent giving up two opportunities out of eight, as they have three times in the last seven years.

From a revenue distribution perspective, the new BCS structure provides more money to go around, which makes all FBS members at least partially satisfied at this point. While BCS revenue to the Group of Five and independents will increase

dramatically in coming years, it will do so only in relative proportion to overall gains. The share of total proceeds will continue to substantially favor the Power Conferences. MAC representative and President of Northern Illinois University stated that “we think it is fair . . . it does recognize that some conferences contribute more in a revenue way . . . from my point of view for my conference, what it means is more” (Schroeder, 2012, para. 15). Clearly this is a revenue increase that the Group of Five would be unable to generate on its own with the result being “more” as stated by the representative from the MAC. But the story continues to be that the rich get richer and the status quo is codified at least for the duration of the ESPN contract.

Inequalities Trickle Down to Institutions

Because the NCAA and BCS have financial formulas that benefit a small group of conferences, inequality trickles down to the institutions. When the impact of broadcasting, NCAA distributions, and the BCS are combined, it is difficult to see how schools from less-funded conferences will ever be able to access a larger share of the intercollegiate athletics industry revenue. Even if conferences have an equitable distribution plan internally, the amount of money they receive from various revenue streams makes it impossible for the national inequalities not to affect each campus. In Division I, institutional revenue comes largely from three sources: ticket sales, donations, and NCAA/conference distributions (Fulks, 2012). The reality is that the gaps in revenue are probably much larger than stated because the value of the conference brand and institutional brand is also greater for the more powerful conferences and school. Consequently, there are more valuable sponsorships, more development opportunities, and more leverage to generate new revenue when opportunities arise.

The result is a direct impact on campuses, both for the athletic departments and the universities overall. Fulks (2012) points out that allocated funds (i.e., student fees, institutional support, and state appropriations) are strikingly different for FBS as compared with Football Championship Subdivision (FCS) and Division I without football (DI w/o FB). In the FBS, 20% of total athletics revenue is received from the institution, compared with 71% in FCS and 77% in DI w/o FB (Fulks, 2012). Often this financial support can create tension between athletics and other university departments that also are seeking access to institutional funding (Eichelberger & Staley, 2011; Knight Commission, 2009). According to a Knight Commission report (2009), almost half of FBS presidents expressed concerns about how much institutional funding was directed toward athletics. Many also suggested that finances might result in their being forced to cut sports (Knight Commission, 2009). There has also been recent attention placed on student fees students used to support athletics, with students at one institution charged \$756 per year in general fees that go toward athletics (Berkowitz, 2011). In many cases, schools have relied heavily on guaranteed football and basketball games to make up budget shortfalls. Putting football student-athletes in a position of playing against much bigger, stronger, and faster players is not only a financial dilemma, but an ethical one of which coaches and athletic directors are well aware. Balancing the need for revenue merely to sustain operations and the risk of injury is tough. Consideration also should be given to the impact of a loss on the potential for postseason play that might result in new generated revenues. One athletic director at a small

school suggested that he was aware of the risk by stating that he examines how much money they can make, analyzes whether the team can be competitive, and considers the risk of injury and how that might jeopardize the team's long-term competitive goals (Woronoff, 2012).

NCAA President Mark Emmert (Associated Press, 2011) has underscored the importance of funding because colleges are no longer able to subsidize athletics as they once did. He went on to say, "Money's not evil. It's what you do with the money that's evil" (Associated Press, 2011, para. 8). Huma and Staurowsky (2012) provided data indicating that if a fair market existed for NCAA student-athletes, "the average FBS football and basketball player would be worth approximately \$121,048 and \$265,027 (not counting potential endorsements)" (p. 112). From 2005 to 2008, the mean athletic spending per student-athlete at FBS schools increased from \$61,218 to \$84,446 (Knight Commission, 2010). Concurrently, academic spending remained relatively flat, growing from \$11,079 to \$13,349 per student-athlete (Knight Commission, 2010). A divisive campus environment is harmful to academic and athletic endeavors because it takes the focus away from the benefits of both and creates an "us vs. them" environment. There is one piece of good news, as Fulks (2012) reported that while revenues in the FBS are becoming more unequal, the costs are beginning to stabilize. If this trend continues over time, there should be a slow reversing of the trend of gap between annual spending increases and revenue increases.

It is much easier to identify inequalities at the national level because the data are more readily available (although it is still difficult to pinpoint some areas) than within a campus athletic department. Nationally, funding moves from outside organizations to the NCAA, then to the conferences, and finally to the institutions. It may seem simplistic, but those schools that have more money can provide more to their student-athletes. Unfortunately, even at some financially flush institutions, there are inequities by sport that affect the experience of student-athletes. The drive to fund and support football and men's basketball often results in inequitable experiences for other student-athletes throughout their lifecycle at the institution. It begins during the recruiting process, when a high-profile sport program can provide something as simple as a hotel room for a recruit while a sport with less funding has prospects bunk with current student-athletes. It is manifested in team travel arrangements (e.g., charter flights that require less missed class time versus commercial travel), equipment quality and quantity, the ability for tutors to travel with teams, facilities access and quality, and even marketing support. These inequities could grow if multiyear scholarships and stipends for student-athletes are made permissible through new NCAA regulations.

It is impossible to locate publicly available financial information that is accurate and comparable to conference and institutional revenue and expenses based on broadcasting, NCAA distributions, and the new BCS structure. Once the money makes its way to the campus, multiple accounting procedures are used, making it difficult to understand how financial support is divided among specific sport programs.

Intercollegiate Athletics Accounting

There is a lack of fiscal transparency and standardized reporting and accounting practices in intercollegiate athletics (Knight Commission, 2010; Skousen & Condie,

1988; Sperber, 2000; Thelin, 2000; Zimbalist, 2006). Both the Equity in Athletics Disclosure Act (EADA) and the NCAA (for Division I) require submission of expenses, but neither system mandates a specific accounting model. In addition, the NCAA data are publicly reported only in aggregate, which provides little useful information for campus-to-campus comparisons or overall analysis. Recently, a paid subscription service that provides access to a collection of financial documents and contracts—known as WINAD—has become very popular among athletic administrators. This is the first time there has been real transparency in the allocation of campus funds and the value of coaches and vendor contracts.

One result of the lack of standardized accounting practices is that few, if any, athletic departments employ accounting methods that allow them to analyze the true cost of sport sponsorship. This is especially important for those schools in financial positions requiring them to make difficult resource allocation decisions, such as elimination of sport teams, changes in staffing levels, or even the addition of a sport program. Using a standard accounting method would meet university presidents' desire for greater transparency (Knight Commission, 2010) and allow all constituents to better understand costs. Presidents and athletic directors would also be more fully informed and be able to explain and defend tough financial decisions. One option to achieve more transparency and standardization is for institutional athletic departments to adopt Activity-Based Costing.

Activity-Based Costing

Activity-Based Costing (ABC) was developed in response to a need in manufacturing to understand the resources consumed to produce a product (Cooper & Kaplan, 1988). Today, ABC has been applied to many different industries, including airlines (Banker & Johnston, 1993), pharmaceuticals (Jorgensen & Edwards, 1998), government (Brown, Myring, & Gard, 1999), automotive retail (Booth & Balachandran, 1999), universities (Granof, Platt, & Vaysman, 2000), e-retailing (Zeller, 2000), banking (Bamber & Hughes, 2001), financial services (Byerly, Revell, & Davis, 2003), small manufacturing firms (Needy, Nachtmann, Roztocki, Warner, & Bidanda, 2003), health care (Arnaboldi & Lapsley, 2004), telecommunications (Major & Hopper, 2005), and community colleges (Carducci, Kisker, Chang, & Schirmer, 2007). In 2007, Dimitropoulos began to explore how ABC might be applied to sport organizations and then Lawrence, Gabriel, and Tuttle (2010) provided the conceptual framework for an application of ABC in intercollegiate athletics. In 2013, Lawrence and Gabriel tested the model using one large Division I institution. The implication is that ABC can be used to better understand the real cost of sponsoring a sport because it assigns support service costs to specific sports using a simple formula. There are some limitations to ABC: depreciation, capital expenses, auxiliary support units, and expenses managed outside of the athletic department remain very difficult to capture. Still, the use of ABC has the potential to provide more accurate expense information, financial transparency, accounting consistency, and better-informed decision-making in intercollegiate athletics.

Gabriel and Lawrence (2013) used academic advising at a major Division I institution to demonstrate the application of ABC. The institution under investigation reported expenses of \$1,977,286 for academic advising in 2010. Dividing that figure by the number of student athletes (529) yields a cost per unit of activity of

\$3,737.78. When those costs are reassigned to each team, football (123 student-athletes x \$3,737.78) consumes \$459,747 of the expense, while women's golf (9 student-athletes x \$3,737.78) consumes \$33,640. In other support areas, cost drivers such as the number of employees, attendance figures, or number of events can be used to allocate costs to specific sport programs. Using ABC, the true cost of football at this particular Division I school increased by \$12.8 million, men's basketball by \$2.7 million, and women's basketball by \$2 million. The Gabriel and Lawrence (2013) study demonstrated the ability to reassign \$34,231,829 of unallocated expenses to specific sport programs for a total of \$74,361,037 assigned to specific sports. ABC could not account for \$14,550,647 in expenses, including those related to camps, development housed outside of athletics, merchandise, and depreciation. Nevertheless, this study demonstrates that by using ABC, institutions do have the ability to generate expense reports that more accurately represent the real cost of sport sponsorship. Although it is beyond the scope of this paper, there is a cost accounting mechanism to better understand revenues as well, which might help to understand the relationship between sport specific generated revenues and sport specific cost. By employing ABC, a greater understanding of the cost of sport sponsorship could be achieved, more informed decisions about adding or eliminating sport programs can be made, issues of gender equity would be better understood, the NCAA would be able to better understand how its distribution trickles down to support student-athletes, and more accurate academic research on intercollegiate finance could occur.

Closing the Financial Gap

If there were an easy solution to the financial challenges facing most NCAA member institutions, those schools would already be on board and addressing their challenges. But as such is not the case, in this section, I provide some realistic and practical ideas that have either a revenue-generation or budget-relieving impact.

Video Streaming and Digital Innovation

Large media rights agreements with the NCAA, BCS, and Power Conferences severely restrict how all other conferences and all individual institutions access television revenue. The lure of television exposure leads many institutions to play football during the week to access national or regional television airtime, sometimes resulting in revenue for the conference and school. However, weeknight games also limit access for many fans who would normally travel to a weekend game, create logistical issues on campus, conflict with and interrupt classes, and reinforce the emotional divide between academia and athletics.

The digital space provides an alternative for schools that cannot readily access prime television airtime, as well as the potential to generate revenue. For conferences and institutions without major multimedia rights agreements, digital streaming allows them to manage their own inventory, establish a niche, and begin to compete within the existing intercollegiate financial structure. This is especially true for small Division I FCS, Division I without Football, Division II, Division III, and NAIA institutions. Access to affordable video streaming provides the opportunity to reach their fan bases and produce a product that might even have a

wider reach than their larger counterparts' efforts because the broadcast networks control production and reach.

Smartphone ownership jumped from 35% to 50% in 2012 and is expected to continue to climb (Spots n Dots, 2012). Combine that with new information demonstrating that almost as many Americans (236.5 million) watch television on their phones (although for shorter durations) as on traditional television (283.3 million), and the digital space demands attention (Spots n Dots, 2012). When a university exclusively controls an Internet broadcast, it controls the commercial content and the commentary and can tell a more tailored story to its fans (Ryan Ermeling, personal communication, December 20, 2012). This creates opportunity to expertly weave a managed branding message throughout the broadcast. Moving forward, and depending on the outcome of some pending intellectual property lawsuits, schools that pay attention and are ready to respond might have the chance to further capitalize on their likenesses, images, and brand. The broadcasts can be offered free of charge, supported by advertising, or by paid subscription. Skeptics may question whether fans will access streaming games, but it is a "chicken or the egg" scenario. Only time will tell if an increase in the availability of streamed games allows schools to reach a larger audience, expand their brand reach, generate revenue, and connect with alumni.

The ever-changing landscape of digital media allows institutions to operate in a constant state of flux. As new technology arises, they are positioned to be on the cutting edge to produce the newest and best product possible and can take risks more easily and quickly than larger, more entrenched brands. A one-stop fan experience shop can be created that integrates live chats, blogs, Twitter feeds, Facebook posts, Instagram photos, and video sharing from anywhere. Many teams are even beginning to establish fan panels or social media hubs where fans direct the user-generated content and push content out on behalf of the team as well. As technology changes, fans will look for a more all-inclusive experience and to control how they are able to comment on and ingest content. In essence, fans can assist in brand building and creating a more valuable product for future sponsorship and development opportunities. These are all things traditional broadcasts are not yet doing well.

Digital streaming also gives on-the-go fans access via mobile devices and optimization. Accessing games on mobile devices is not a new concept, but with the advent of mobile streaming services, this practice becomes much more widespread. Pavley (2012) has predicted that in the next six to 12 months, live streaming to mobile devices will become the norm rather than the current model of downloading content and viewing it later. Mobile devices provide fans access and an instant voice. This shift will take much of the third-party, unbiased narration out of how we consume media (Pavley, 2012) and a home-game-centered stream will fit right into this new model. Since 2008, cable and satellite providers have lost approximately 3.58 million customers with many opting for online film and TV from services such as Hulu and Netflix (Graziano, 2012). Traditional networks and affiliates will probably have a monopoly on the major sport and entertainment events for the near future, but they also need to rethink the way in which they connect with their audience. Streaming through services like Hulu, Netflix, and Pandora give users instant gratification while maintaining their mobility. Users not only update their social media posts, but also become the story by putting their unique spin on the game through a variety of mobile applications.

The digital space also provides an online community that has no boundaries. Imagine an Ohio University alumnus living in Japan. It would seem that this fan would have a geographical disconnect from celebration of Ohio University's athletic program. But through the online presence that Ohio University has built, far-flung alumni can now watch games, engage other fans in discussion through message boards, provide commentary through social media channels, and relive the games afterward with fellow fans from Athens, Ohio, and around the world. The benefits of this engagement extend beyond athletics and could affect university enrollment and diversity, too. Traditional media can provide a viewing experience, but not the feeling of community that functioning in a digital space provides. The digital space is woefully underdeveloped in college athletics and would be a great area for the NCAA to give schools and conferences a financial incentive to innovate through grants and financial awards.

Even for conferences and schools with the potential for large television rights agreements, retaining streaming rights or entering into separate agreements for traditional broadcasting and multimedia platforms might be the most lucrative way to enter this market. In some respects, the major television agreements hold back conferences and institutions from fully realizing the value of their digital rights. For the majority of conferences and institutions, streaming and the digital space will result in financial gain, expand brand awareness and interest, provide an opportunity to showcase student-athletes, maintain connections with a broad alumni and fan base, and develop a brand image through controlled content.

NCAA Revenue Distribution and Structure

Supporters and critics (e.g., Knight Commission and The Drake Group) have made a variety of suggestions about how to change the NCAA's revenue distribution plan. The NCAA president, Mark Emmert, has even reminded the public that the NCAA "is not the NFL or NBA, it is not a business" (Associated Press, 2011, para. 1) when discussing the perception that money drives decision-making. However, when one carefully examines professional sport, revenue sharing through league collective bargaining agreements (CBAs) seems considerably more equitable than the NCAA model, creating a more level playing field. The smaller markets receive a much larger share, while bigger market teams must *contribute* to a revenue-sharing pool (e.g., new NBA CBA and contributions by New York and Los Angeles teams). The bottom line is that the rationale in college athletics for more equitable revenue distribution is student-athlete welfare, a bedrock principle of the NCAA. Most suggestions incorporate a more equitable formula that rewards schools for more than just winning in men's basketball and putting a lot of teams on the field. A few minor tweaks would allow the big schools to stay big and powerful while also allowing schools lacking such economic wherewithal to remain competitive and progress toward financial sustainability.

First, academics must reflect more value within the distribution model. Even the BCS earmarks approximately 10% of revenue to be awarded based on APR (Schroeder, 2012). Currently, the NCAA distributes \$23 million for academics with no reward structure in place based on academic success. There are multiple measurement tools to reward schools for academic achievement using the APR and graduation success rate that are already commonplace in the bonus structure of coaching contracts. However, this conversation has been going on for almost

10 years, yet no progress has been made. Implementing such measures would not only begin to align NCAA decision-making with the core values put forth by Dr. Emmert, but also bring the distribution plan more in line with the NCAA's mission.

Second, there are a variety of grant opportunities for schools within the NCAA (e.g., Research Grants, Women's Basketball Marketing Grants, Limited-Resources Institutions Grants, CHOICES Grants, etc.), but there are no existing grants or financial incentives tied to innovation that will result in more self-generated revenue in the future. For example, using ideas from this paper, investing in new digital solutions and monetizing the digital presence require up-front capital and human resources. Institutions should be given the ability to compete for substantial grants that then allow them to be more entrepreneurial in their approach their operations. The NCAA is currently receiving quality applications for its existing grants, which are often in the \$10,000 to \$30,000/year range. Think about the type of innovation that might occur with a \$200,000 or \$500,000 award. This is similar to small business start-up grants for entrepreneurs. Applicants can pitch their ideas and a selection committee can reward the best of the best.

Another option to create more equity is to rearrange the divisions, which was discussed at length within Division III a few years ago and may need to be revisited. There are factors outside of Division I that will also play a role such as the exodus from NAIA to Division II in recent years resulting in increased Division II membership and setting the stage for the NCAA to be able to justify rearranging all divisions. In Division I, equity can more readily be achieved among peer institutions by formally dividing Division I into subsets based on conference alignment, revenue distribution, and competitive purposes. A secondary impact of creating subsets in Division I might be a recalibration of expected spending by institutions simply by establishing true peer institution groupings. Operational costs could also decrease if conferences were geared toward regional competition, travel, and rivalries. Much of the onus also falls on conference and campus leaders to understand how to use the NCAA monies they receive. Even if an academic incentive plan is added, innovative ideas are rewarded, or the structure of Division I is recalibrated, these changes will not positively affect all student-athletes without equitable allocation at the institutional level.

Third-Party Outsourcing

No matter one's view of third-party outsourcing of intercollegiate athletics functions, the reality is that it is a fast-growing segment of the industry. Consider that a few years ago, almost all institutions were selling their own sponsorship rights, tickets, and probably would have laughed at hiring a firm to conduct development functions. Today, the conversations and return on investment analyses are commonplace in many functional areas of the athletic department. Whether this trend will lead institutions to consider third-party management of other functions (e.g., compliance, operations, social media, digital inventory, academic support) is yet to be seen.

The advantages of outsourcing are touted as primarily financial in nature, but an outside firm also can bring specific expertise and experience to the institution. For example, existing companies provide strategic and day-to-day support to university fund-raising units. These companies are now seeking to enter the athletic realm. They bring access to massive data sets, a staff that focuses on lead generation and

donor cultivation, and customized support based on previous successes. Compliance could be a specialization area for law firms, social media could be managed by marketing companies, and the professional model of facility management might become more prevalent in intercollegiate athletics. There might also be an intermediary model that brings some athletic functions back into the fold of university operations while remaining outside the athletic department. For example, maybe athletics will return to the model of academic support provided by an institutional department, instead of the athletic department providing the support and then paying that unit to provide extra services.

Although gambling and gaming are taboo topics in intercollegiate athletics, the regulation of sports betting and gaming (e.g., social gaming, Zynga) is beginning to gain traction from a lobbying perspective in the United States. Is this bound to be yet another area of potential revenue for college athletic departments in the future? There is certainly a lot of money to be made in this space—but will the NCAA, conferences, and institutions be willing to be part of the conversation as state and federal legislation is examined?

Each institution must determine the right mix of in-house university support and third-party outsourcing to maximize revenue and align with the department mission and goals. There is not a one-size-fits-all option, but being aware of this growing industry segment is a must for savvy intercollegiate athletics leaders.

Summary/Implications

History often repeats itself. In intercollegiate athletics, the last two years have seemed eerily similar to 2003, when issues of conference membership driven by revenue potential, questions of academic integrity at powerful institutions, and criminal behavior touching an athletic program left many academics and athletic leaders demoralized (Wheeler, 2004). Financial inequality in intercollegiate athletics will probably always exist. The focus moving forward should be on closing the gap and simplifying distribution methods to benefit member institutions more equitably. Providing support to financially weaker schools to help them generate more revenues and beginning to close the gap between the financially strong schools and the financially weak schools would improve the student-athlete experience. As the bedrock principle of the NCAA, the focus from the national level down to campuses needs to stay on the student-athlete experience. The current inequalities force poorer institutions to make decisions that put them at a disadvantage and ensure that they will not be able to compete on the highest levels, which in turn affects their current NCAA distributions.

In its current distribution model, the NCAA rewards schools for athletic performance rather than for academic success and preprofessional training. Perhaps a simpler model would alleviate some of this gap, but something must be done if all institutions are expected to compete for the same championships and to enrich the student-athlete experience to its fullest. There also must be a better understanding of accounting practices among NCAA institutions and true analysis of how and where money is spent so schools understand where their dollars are going.

In the future, it will be incumbent on less-profitable NCAA institutions to explore alternate sources of revenue and on the NCAA to provide those member institutions with the ability to earn a larger share of the revenue generated. These

schools have always been expected to do more with less, but they must be creative and work smarter to create a niche and increase their profitability. A few opportunities already exist in this space. The digital world is allowing smaller schools to produce high-quality broadcasts and create financial opportunities through advertising and subscriptions services. Social media and the digital space will become a more integral part of athletics moving forward and smaller schools that are doing it well already have a leg up on their larger brethren. Strategic third-party outsourcing can provide support functions in a more streamlined manner with less financial risk and greater financial upside than current in house models.

Mostly, the importance should be placed on aligning financial policies and procedures with the overall mission of the NCAA and its member institutions. Enriching the lives of student-athletes, allowing them to compete at a high level, providing the support needed to become productive members of society, and readying them for careers that most likely will not include being professional athletes.

Notes

1. Beginning with 2012–13 championships, teams must earn a minimum 900 four-year APR or a 930 average over the most recent two years to be eligible to participate. For 2014–15 championships, teams must earn a 930 four-year average APR or a 940 average over the most recent two years to participate in championships. In 2015–16 and beyond, teams must earn a four-year APR of 930 to compete in championships (NCAA, n.d.d.).
2. West Virginia competed in the 2011–12 Orange Bowl as a member of the Big East, but is now part of the Big 12.
3. In the 2006–07 season, Louisville played in the Orange Bowl and Boise State played in the Fiesta Bowl. In the 2009–10 season, Cincinnati played in the Sugar Bowl and Boise State played in the Fiesta Bowl. In the 2012–13 season, Louisville will play in the Sugar Bowl and Northern Illinois will play in the Orange Bowl.

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