

The Effects of the Economic Model of College Sport on Athlete Educational Experience

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The purpose of this paper¹ is to offer an overview of how the current economic model prevalent in intercollegiate sport affects the athlete experience. The author outlines the multiple problems facing intercollegiate athletic departments as they seek to finance their activities and concludes by suggesting that financial stability requires recognizing the overall financial problems of higher education which form the context for athletic financing.

My thesis for understanding how the economic model of college sport affects athletes' experiences—the assigned topic of this paper—is very simple. On every campus, we must begin by considering the institution's overall finances, all of which have been squeezed by the recession and which will continue to be squeezed in the future. And then, we must find a new model that acknowledges the new overall institutional reality.

We must do this because virtually every institution across the country, no matter how prudently it operates its intercollegiate athletic program, uses some level of institutional and/or student-fee support to balance the athletic budget. Furthermore, faculty, administrators, and students across the country are increasingly skeptical about continuing this support as institutional budgets, and students' finances², have become severely strained. In other words: the current economic model of college sport assumes commitment of substantial institutional resources, those resources are badly constrained, and the model thus is in danger of becoming obsolete.

And while reducing institutional resources for athletics would diminish both the number of opportunities for athletes and their individual experiences, the losses would go far beyond that. Examples include fewer dollars for first-generation-college athletes and others who need financial aid, whether need-based or grants-in-aid; underfunding of athletics funds at two-year institutions; and continuing to postpone the achievement of truly equitable opportunity for women athletes and for nonfootball male athletes³.

Of course, the internal financial difficulties of college athletics, independent of institutions' overall finances, are well-documented⁴, and our responsibility for

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athletics budgeting is clear: put programs in the black, then keep them in the black. That does not mean there should be no institutional or student-fee contributions. On the contrary, institutional investment is entirely proper if we believe that athletics is an educational and developmental activity for athletes, or one that makes important campus-community contributions. But the broader institutional context in which athletic finances now plays out on most campuses requires that we minimize the amount of institutional support that is needed. And once that level of investment is set, there should not be an end-of-year deficit that requires an unexpected allocation of more institutional money. The athletic director, the president, and the board of trustees all should be accountable in these regards.

In this essay, however, I want to begin to document the larger financial context in which even athletic programs with internal financial integrity are operating. My reason, to repeat, is to emphasize how the current economic model of college sport jeopardizes the underlying basis of institutional support for the student-athlete experience. In the long run, that matters more than the uneven distribution of athletic revenue among different kinds of institutions, or the stagnation of athletic revenues at most schools. Our more fundamental issues are the effects of the “Great Recession” and the erosion of the traditional model of overall institutional financing on the athletic enterprise.

First

The standard model of institutional financing used to include tuition, plus state support and/or alumni and endowment support, plus federal or other research grants. Over the past two or three decades, however, institutions have sought to alter this model, with very mixed levels of success. Desires for autonomy from state control, new academic ambitions, and commitments to institutional entrepreneurship have led many campuses to seek new and often unproven revenue streams, such as online courses, technology transfer, extensive “executive education” programs, and unprecedented capital campaigns. Different schools have different potentials for success in these efforts, and many also face new competition from for-profit institutions.

Not surprisingly, the results have been uneven. While some schools have found stable new financial approaches, others have seen attempts to improve institutional “rankings” lead to fraud in reporting admissions statistics (e.g., Jaschik, 2013), experienced inflated expectations and lapses in integrity in monetizing institutional research (Blumenstyk, 2010; Lewin, 2013), or pursued expensive competition in campus construction and other amenities (Biemiller, 2011; Carlson, 2013).

Second

Onto this newly confused landscape has fallen the avalanche of the recession, which has affected every institution: stifling faculty and staff pay, maxing out the ability to raise tuition, and creating an unprecedented student debt burden. Most campus administrators, in and out of athletics, have a fair idea of what these consequences have been “at home.” But if we are to come together in finding a new model of college athletic financing, we need to understand how uniformly overall institutional

finances have been affected across the country. The following conclusions in that regard (all direct quotes) are excerpted from a report from the Delta Cost Project (2012), looking at changes from 2000 to 2010 and from 2009 to 2010:

- Historic declines in state and local funding per FTE student could not be recouped by increases in net tuition. Public funding per student for higher education reached a decade-long low in 2010. Sharp increases in net tuition revenues were not enough to offset these losses (p. 1).
- Institutional subsidies reached a decade-long low across most types of institutions, as students covered a larger portion of educational costs (p. 2).
- Tuition revenues covered more of educational costs in 2010 than at any point in the last decade.
- Public institutions faced historic declines in state and local appropriations per student in 2010 (p. 7).
- For the first time in higher education, net tuition brought in more revenue than did state and local appropriations at the average public research and master's institutions (p. 3).
- All types of institutions cut average spending on the academic mission in 2010 (p. 4).
- Students across higher education continued to pay a larger share of the full cost of education in 2010, with private institutions showing the largest subsidy shift in a decade (p. 7).
- Average subsidies declined across all types of institutions in 2010, and for the most part revealed the largest average cuts in a decade (p. 7).

The Delta report's overall summary was explicit:

[T]he prevailing view is that the Great Recession has ushered in a new era in higher education finance.... One steady trend in higher education is that college prices continue to go up: average tuition and fee increases for 2011 mirrored those in recent years.... At the same time, public support for higher education appeared to continue its decline.

Direct public support and tuition payments are not the only resources that are under duress, as pessimistic reports from the annual NACUBO (see Kiley, 2012) and AACSCU (see Kylie, 2013c) meetings have made clear. A pair of analyses from Moody's Investor Services began 2013 with veritable catalogs of gloom. An initial Moody's survey of tuition pricing at almost 400 institutions "suggest[ed] deep financial trouble for a large number of institutions", according to *Inside Higher Ed* (Kiley, 2013b), which ended its report as follows:

The Moody's report is just one more piece of evidence of the challenges facing the traditional financial models for all but the most well-known institutions. The past four years have depressed all other sources of college university revenues – state and federal government funding, investment returns and fund-raising, and revenues from health care services. Other studies are predicting continued constraints on endowment returns and fund-raising prospects and

stagnant state funding for institutions and state grant programs. Federal budget debates could affect federal student aid and research funding, and changes in health care regulation are likely to affect revenues from health care services for universities with medical centers.

A week later, the same publication's summary (Kiley, 2013a) of a more general Moody's review of higher education financing made those conclusions seem cheery by comparison:

[Moody's] outlines how every traditional revenue stream for colleges and universities is facing some sort of pressure, a finding Moody's uses as grounds for giving the whole [higher education] sector a negative outlook. The agency has been pessimistic about much of the sector since its annual outlook in 2009 after the economic downturn began, but [this] report contains a downward shift in how analysts view even market leaders, the elite institutions with high demand and brand recognition.

The pressure on all revenue streams is the result of macro-level economic, technological and public opinion shifts, the report states, noting that these changes are largely beyond the control of institutions. Moody's analysts caution that revenue streams will never flow as robustly as they did before 2008. The change will require a fundamental shift in how colleges and universities operate, they say, one that will require more strategic thinking.

The U.S. higher education sector had hit a critical juncture in the evolution of its business model," wrote Eva Bogarty, the report's author. "Most universities will have to lower their cost structures to achieve long-term financial sustainability and to fund future initiatives."

Is anyone thinking about what these overall trends might mean for financing athletics? John Lombardi (2012), former head of the Universities of Florida and Massachusetts and of the LSU system, compared the investment in libraries for the 64 Division I public research members of the Association of Research Universities, with the size of what he called their "sports subsidies":

The size of the libraries reflects an institutional commitment to the academic enterprise, while the sports subsidy for the sports program reflects a commitment to the nonacademic competitiveness of athletics... an institutional investment that the institution could have allocated to academic enterprises but instead uses to pay part of the cost of the intercollegiate athletic program, a nonacademic enterprise... the impact of college sports on the academic enterprise varies widely from those institutions whose sports programs require no subsidy (and therefore have no detrimental impact on the academic enterprise) to those sports programs whose subsidy reaches one and a half times the total library budget, clearly a major impact...

President Lombardi concluded:

... if the revenue of public universities continues to decline, some institutions may find their level of subsidy for athletics at the expense of academics too high for the other benefits sports provides. That could prompt a change

in competitive division within the NCAA, or the elimination of a variety of high-cost sports⁵.

These thoughts were dramatically generalized on the same day that this paper was presented at the 2013 NCAA Colloquium, when the Delta Cost Project released an exhaustive report entitled “Academic Spending Versus Athletic Spending: Who Wins?”. The study analyzed FY 2010 academic and athletic spending in all three NCAA Division I subdivisions, emphasizing recent constraints on academic spending, decreasing per-student academic support and increasing per-athlete sports spending. The report’s conclusions included the following:

The belief that [Division I] college sports are a financial boon to colleges and universities is generally misguided...more often than not, the colleges and universities are subsidizing athletics, not the other way around.... Recent trends suggest that the most significant economic slowdown in recent years has done little to reverse the growth in athletic spending, particularly in those [sub]divisions [that are] heavily dependent on institutional support.... Not only does athletic spending per athlete far exceed academic spending per student, it is also growing about twice as fast...the price of participating in Division I athletics is high. And disparities in academic and athletic spending suggest that participating public colleges and universities [should] re-examine their game plans.

Conclusions

Despite such strong cautions, college athletics is so popular in the United States that schools may believe their athletics programs can survive higher education’s budget crises without seeking new financial approaches. But the clear warning of the Delta Project is that significant change is inevitable: the question is whether athletic programs will initiate new models, or will have new models forced upon them by circumstance.

If, then, we truly believe that athletics has important benefits for the athletes who compete, we owe it to them to have our own game plans: to create athletic funding models that recognize the perilous new world of higher education finances, and that find realistic and principled ways to keep paying for those benefits. We cannot do that passively, waiting for some national solution to present itself: whatever the successes of national academic reforms in the last two decades, we have learned that “national” financial solutions will not be created from the top down. Nor can we afford the risk of drastic change coming from outside athletics, whether from another recession, an antitrust lawsuit over conference membership or football-based television revenues, or a change in the cable television industry that undercuts those revenues.

Instead, we have to make the case that athletics is directly related both to institutional missions and to student-athlete development: a case that shows faculty and alumni, students and parents, and legislators and taxpayers that athletics deserves support because it is educationally and institutionally important—not merely because another school in the conference just bought out its football coach’s contract. These different constituencies all have supported intercollegiate athletics for more than a century (and often have tolerated financial practices that would not

be accepted elsewhere in higher education). But simply counting on their continuing uncritical support is not a good long-run strategy. So we have to show that we are not preoccupied with competitiveness at the expense of the athlete's overall educational and personal experience. Further, we must show that we understand the need to moderate spending on every sport, if we are to retain the ability to sponsor many sports, and to do so in ways that are gender equitable and diverse.

We have to show that we can balance, on the last day of the fiscal year, the budgets with which we began on the first day, without asking for additional institutional support. And we have to acknowledge that repeating phrases like "amateur athletics" or "collegiate model" is not the same thing as confronting the realities of athletic and institutional financing at every level, and making our programs solvent.

We have to stop waiting for "the NCAA" to find the answers, and instead take responsibility for beginning change at the institutional and conference level. "The NCAA" is no more or less, than the institutions that comprise it—and thus no more or less than the presidents, at every level, who control both "the NCAA" and their own institutional and conference approaches to athletics.

Finally, we will have to do all this more empirically than we have heretofore. As I have tried to demonstrate, the urgency of higher education's underlying financial outlook will require us to demonstrate the benefits of athletic expenditures for our athletes, and for our campus communities, more specifically than we are used to doing. As competition for institutional support intensifies on our campuses, we will have to make a better case to retain that support for athletics.

As have many other commentators, I have long argued that the buck in college athletics—or in this case, many millions of bucks—stops with college presidents (Orleans, 1987). But it is also clear that alumni, booster, and political interests often constrain what presidents can do, either individually or collectively. My argument here is that we cannot help presidents respond to these constraints, and find new ways to provide for the athletes who are in our care, unless we understand and respond to the new financial world in which our institutions live.

Notes

1. The opinions expressed here are solely the author's personal views.
2. While this paper focuses on institutional finances rather than students' increasing inability to pay for higher education, the unprecedented level of American student loan debt is of course an essential part of the "experience" of students who are athletes. For example, one of many dramatic statistics on the website OnLineSchools is that U.S. student loan debt exceeds \$1 trillion dollars—or more than the Gross Domestic Product of Australia. See OnLineSchools.Org, "Going to School, Drowning in Debt", <http://www.onlineschools.org/visual-academy/student-loan-debt/>, accessed January 18, 2013.
3. The more rigorous application to college athletics of the handicap discrimination provisions of Section 504 of the 1973 Rehabilitation Act, suggested by the Department of Education's Office for Civil Rights in January 2013, also will require additional resources. See "Dear Colleague Letter from Acting Assistant Secretary for Civil Rights", January 25, 2013, <http://www2.ed.gov/about/offices/list/ocr/letters/colleague-201301-504.html>.
4. See, e.g., Knight Commission on Intercollegiate Athletics (KCIA), *Restoring the Balance: Dollars, Values and the Future of College Sports*, 2010; KCIA website, <http://www.knightcom->

mission.org/, especially “College Sports 101” and links under the “Financial Data” tab; John J. Cheslock and David B. Knight, “Following a Problematic, Yet Predictable, Path: The Unsustainable Nature of the Intercollegiate Athletics System”, presented at the Knight Commission on Intercollegiate Athletics, October 9, 2012, accessible as PDF at KCIA website.

5. A month before President Lombardi’s analysis, Bloomberg.com published tables highlighting the “subsidy” amounts at 54 public institutions in the major BCS conferences, with this headline: “Rutgers Football Fails Profit Test as Students Pay \$1,000 [Each Curtis Eichelberger and Elise Young, May 3, 2012, <http://www.bloomberg.com/news/2012-05-03/rutgers-football-fails-profit-test-as-students-pay-1-000html>].

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