




The Game of Life

The Culture of Sports and Mission of Colleges

and Universities

James Shulman

The Andrew W. Mellon Foundation

they all kneel in the bottom of the canoe and
feet. Their paddles are of an uniform shape
this is an imitation }  These padd
made very thin and the middle of the blade is
curved out suddenly and made thin on the sides
forms a kind of rib. The blade occupies about
the length of the paddle which is usually
feet. I have observed four forms of canoes
among the nations below the grand cha
river they are as follow.  This is
in size about 15 feet long and calculated for
persons, and one most common among the
and which he a canoe
the, among the marshy islands.
in 13, the stern; these are from
to thirty four feet and from two to 3 feet in
width about 2 feet in the hole. This canoe is com
in nations below the grand rapids. It is
cut from a log and is built on a sharp edge (the
I should in preparation than they really are
 This is the most common
canoe in use among the Indian
-hit to go on inclusive to the Ocean and
in 25 feet long, and will carry from
in competent to carry them
without resting. A...

Americans take their sports seriously, and while the rest of the world also shows passion for their favorite teams, no other country links sports to colleges and universities as in the United States. One aspect of determining whether this enterprise supports the missions of higher education institutions requires understanding the monetary investments and the direct financial return on those investments. James Shulman, financial and administrative officer at The Andrew W. Mellon Foundation, examines the revenues and expenditures of intercollegiate athletics at different competitive levels.

The Study

The Andrew W. Mellon Foundation has created a database, known as *College and Beyond*, in collaboration with 28 selective liberal arts colleges and universities. The database contains detailed information on the admissions, college experiences, and post-college outcomes for approximately 90,000 undergraduates from 34 selective colleges and universities in cohorts entering in 1951, 1976, and 1989. This extraordinarily rich data set has supported a variety of research efforts, including the book on college sports from which this paper is extracted. The study aims to provide and interpret empirical data in an area that so often relies only on anecdotal evidence and strong emotions. In addition to examining revenues and expenditures, the book will make use of the database to consider other possible “returns” on institutional investments in intercollegiate athletic programs.

The Costs of Competing

There are tremendous differences in total expenditures on athletics across categories: in 1997-98, the Division I-A “plus” universities averaged \$38 million annually for intercollegiate athletics, while the Division I-A “regulars” averaged \$21 million, the Ivies half that amount, at \$10 million, and, in dramatic contrast, expenses at the Division III colleges and universities ranged from \$1.2 to \$1.7 million.

Three key factors drive expenditures, including 1) the level of competition (generally, the NCAA division in

The Mellon study includes 22 College and Beyond institutions that can be grouped into five categories:

- **Division I-A “plus”:** The four Division I-A universities in the database that have the most ambitious athletics programs and spend the most money on them (Michigan, Penn State, Notre Dame, and Stanford)
- **Division I-A “regular”:** The four other Division I-A universities in the database that also have big-time programs but that have somewhat fewer athletes participating and spend somewhat less money (Duke, Northwestern, Vanderbilt, and Tulane)
- **Division I-AA Ivy:** The four Ivy League schools in the database (Columbia, Penn, Princeton, and Yale)
- **Division III Liberal Arts Colleges:** The seven coeducational liberal arts colleges in the database (Denison, Kenyon, Hamilton, Oberlin, Swarthmore, Wesleyan, and Williams)
- **Division III Universities:** The three universities in the database that have chosen to operate Division III programs (Washington University, Emory, and Tufts)

which an institution chooses to compete); 2) the level of competitive aspirations—how successful an institution wishes to be at whatever level it chooses; and 3) the breadth of the intercollegiate athletics program.

Competing at the top level and striving for national success is expensive, particularly in football and men’s basketball, where the facilities arms race, numbers and salaries of coaches, and recruiting battles put tremendous pressure on costs. The University of Michigan’s Department of Athletics—widely viewed as one of the two or three financially most successful programs in the country—ran an operating deficit of \$2.8 million in the 1998-99 fiscal year. Even NCAA data (which ignore costs such as physical plant) report that in 1997 less than half of the Division I-A programs (43 percent) reported “profits,” and the average “deficit” at the other programs was \$2.8 million.

Overall, at the schools in our study, average expenditures on football in 1997-98 were \$9.7 million at the I-A plus schools and

\$6.1 million at the I-A regular schools. The Ivies spent much less — an average of about \$850,000, while the Division III schools spent an average of just \$130,000. Expenditures in the same year for men’s basketball averaged \$1.7 to \$1.8 million at the Division I-A schools, about \$350,000 at the Ivies, and roughly \$50,000 in the Division III liberal arts colleges.

The relative weight of football and men’s basketball in the athletic budget varies markedly across categories. At the Division I-A institutions, football alone accounted



for 45 percent of all sport-specific expenses; adding in men's basketball brought the total of expenditures assigned directly to these two sports to well over 50 percent. At the other end of the spectrum, the Division III schools devote less than one-fifth of their sport-specific expenditures to football and men's basketball. And while the Ivies generally spend more on athletics than the Division III colleges, it is noteworthy that in terms of dollars spent, they place the same relative emphasis on football and men's basketball as the Division III institutions.

Expenditures on all sports other than football and men's basketball ranged from averages of \$10 million at the I-A plus schools and \$5.7 million at the I-A regular schools, to \$3.5 million at the Ivies and just over \$800,000 at the Division III liberal arts colleges. Hence, at the Ivies and at the colleges, a great part of the expenditures are directed toward sports that do not even seek revenues; the return on these investments can only be sought by examining other impacts such sports have on the students who play them, and on campus life. Differences in the breadth of programs sponsored explain the total cost differences between the I-A categories: both spend an average of \$400,000 per team, but those in the plus category sponsor an average of 23 sports in addition to football and men's basketball, while those in the regular category sponsor an average of 14 additional sports.

The financial impact of the level of competition chosen is also significant. So, while the

Ivies field large numbers of teams—an average of 28 in addition to football and men's basketball—they spend an average of \$125,000 on each team, about 60 percent of what the I-A schools spend. The Division III liberal arts colleges spend \$43,000 on each additional team. Thus, the I-A schools and the Ivies spend ten times and three times, respectively, as much per team as the Division III colleges.

Revenue Paybacks and the Bottom Line

The enormous appeal and high visibility of big-time sports lead many to believe that successful football and men's basketball programs more than pay for themselves. The facts reveal a different picture, although data about the costs and revenues of athletics programs can be extremely abstruse, making valid conclusions difficult at best. Nevertheless, we know that at institutions such as liberal arts colleges or those in the Ivy League, where a large number of non-revenue generating sports combine with limited revenues from football and basketball, it is impossible to make any net profit, or to break even.

The revenue side of the equation can be particularly problematic, as institutional transfers frequently are lumped together with revenues obtained from outside sources. Despite NCAA efforts to clarify its reporting standards, and much richer data made available through forms required by the recent federal Equity in Athletics Disclosure Act, we have learned to be wary when reviewing financial data about claims that all sources of rev-

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enues are understood to be what they actually are. Thus, for example, in 1998 when Duke’s federal reporting form showed that athletics revenues exceeded expenses by \$2 million, institutional support for athletic scholarships was over \$4 million. To cite a Division III example, Denison University generates almost no earned income from athletics, and yet shows total revenues of \$1.5 million in 1998—almost all of which reflects institutional subventions. In the end, at the most successful of the Division I-A “plus” schools in the study, breaking even can be, on average, attainable. At the Division I-A “regular” level, the average net deficit is approximately \$7.5 million, which is very similar to the \$8 million net cost at the Ivies.

Another commonly held perception is that a major financial benefit of intercollegiate athletics is that it stimulates alumni giving, especially if high-profile teams compile winning records. According to a number of studies, no evidence suggests that variations in the won-lost records of either the Division I-A or the Ivy League schools have any effect on alumni giving.

Conclusion

Competing successfully at high levels is costly; moreover, the culture of big-time sports readily spills over to affect the costs of other teams fielded by institutions. This contagion effect is very real. And even though in rare cases schools at the top can cover their costs, it is extremely difficult, especially in the big-time revenue sports, to either maintain a competitive position that will generate large amounts of revenue year after year, or to move upward from one level of competition or success to the next. Yet no end to the race is in sight, and, once raised, aspirations are hard to reverse. Only by looking at the other ways these programs affect institutions can we determine the degree to which they support or detract from their institutional missions. Direct financial benefit, it seems, doesn’t stand up as a justification for sponsoring intercollegiate athletics programs.

James Shulman is the financial and administrative officer at The Andrew W. Mellon Foundation, and directs the *College and Beyond* research project. In addition to collaborating on *The Shape of the River: Long-Term Consequences of Considering Race in College and University Admissions* (1998), he has written *The Pale Cast of Thought: Hesitation and Decision in the Renaissance Epic* (1998).