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Colorado State University Bets on a Stadium to Fill Its Coffers

Faced With Declining State Funding, School Believes Football Project Will Score

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By RACHEL BACHMAN



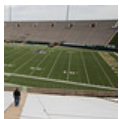
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Benjamin Rasmussen for The Wall Street Journal

The CSU Rams at practice

Colorado State University has seen the future of higher education, and it has goal posts and end zones.

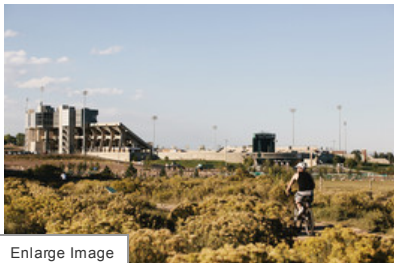
How Should Stadiums Be Improved?



With so many universities rebuilding and redesigning their football stadiums, we want to hear [what you think any college football stadium should include](#). What are your three must-have features? We'll publish a selection of your responses next Saturday on the Daily Fix.

Faced with declining state funding, CSU is raising money to build a \$246 million, 40,000-seat football stadium on its Fort Collins campus. University President Tony Frank says the new facility will help build a winning football team while advancing one of the school's highest priorities: attracting more out-of-state students paying higher tuition.

Skeptics, including some alumni and faculty, see the project as a boondoggle—especially for a team that plays in a relatively low-profile athletic conference and doesn't sell out its current 32,500-seat stadium off campus. The debate has sparked dueling websites, animated letters to the editor and arguments about the role of sports at a university.



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Colorado State University's Hughes Stadium is nestled in the foothills of the Rocky Mountains.

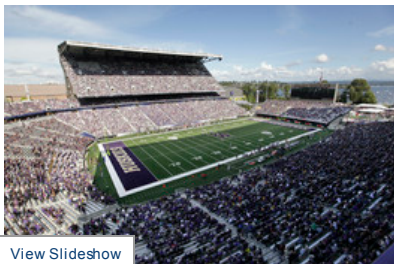
"I am just an ordinary retired citizen who looks at this from a financial standpoint and says, 'This is the stupidest thing I've ever seen,'" said Bob Vangermeersch, a former Fort Collins businessman who is leading the opposition movement against the new stadium. "The numbers just do not pan out."

Colorado has cut its support for public colleges by 73% since 1980, more than any other state, according to Tom Mortenson of the Pell Institute for the Study of Opportunity in Higher Education. If the current trend holds, Dr. Frank has warned that within a decade, CSU—which currently gets 10% of its budget from the state—could become one of the nation's first public universities to lose state funding.

He and other stadium backers believe a new facility would attract better football players, helping the Colorado State Rams win more games and make more

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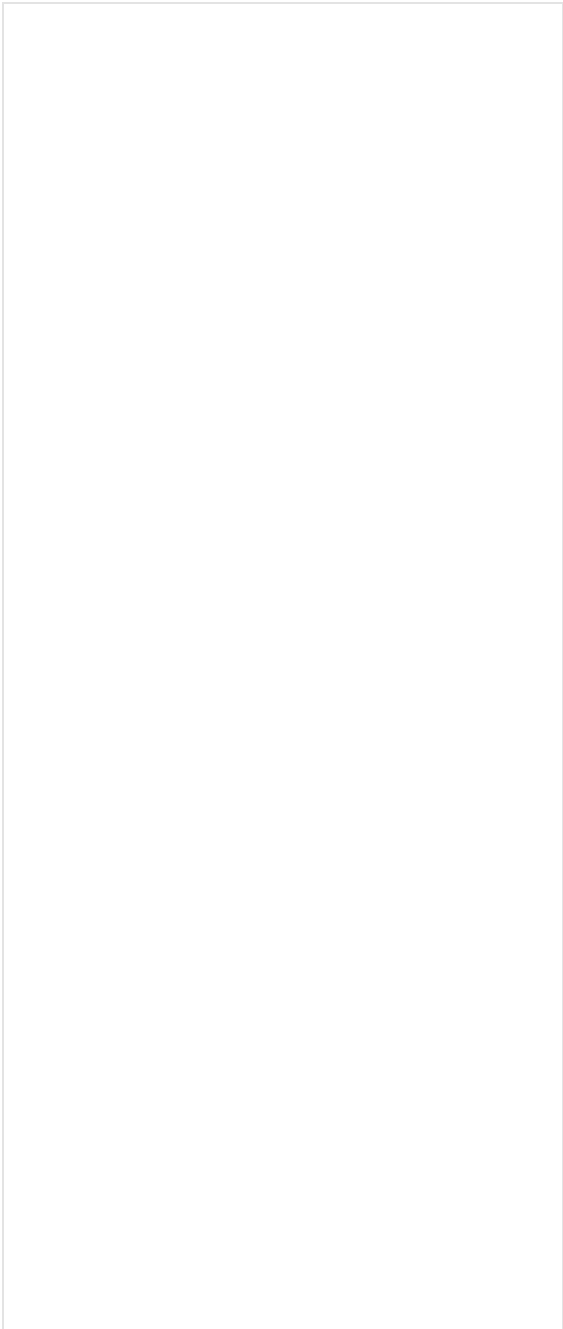
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Elaine Thompson/Associated Press

Shown, Husky Stadium



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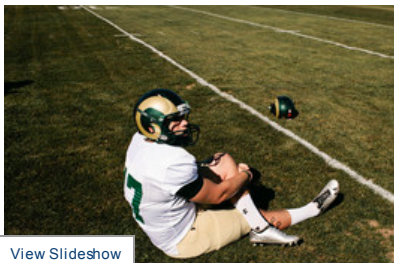


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Building a Stadium to Boost a School



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Benjamin Rasmussen for the Wall Street Journal

See players practice.



Enlarge Image

television appearances, thus raising the university's profile. This exposure, they believe, would spur more applications from nonresident students, who pay \$23,347 in annual tuition, three times what Colorado students pay. Dr. Frank aims to add 5,000 nonresident students, and says an upgraded football program would help.

"I think we're in a have-to situation," said Doug Markley, a car dealer and CSU football booster who is contemplating a seven-figure donation to the stadium project. "Either you're going to be an 'is' or a 'has-been.'"

Opponents say there are no guarantees that a spiffy new football venue will bring in significantly more revenue, and that the additional debt to build it could hamstring CSU for years. To secure the project, the school said it must raise half the stadium's cost, \$125 million, in private donations and pledges by October 2014. It will sell bonds to cover the rest. University officials have declined to say how much has been raised so far.

The stadium issue has "really torn our community apart," said Anita Wright, CSU's former budget director and a stadium opponent. "You almost don't want to bring up the issue. It's like talking religion or politics." Ms. Wright said that shortly after she wrote an opinion piece opposing the project for a local newspaper, she found a bolt in one of her car tires. Other stadium opponents have had signs stolen from their lawns, she said.

Colorado State isn't alone in eyeing the economic benefits of football. A more than decadelong boom at university athletic departments nationwide has produced gleaming weight rooms and stadiums bulging with luxury suites.

CSU officials point to the University of Oregon, which has made massive investments in athletic facilities over the last 15 years, thanks in part to the largess of Nike co-founder and Oregon alumnus Phil Knight. The investments coincided with a period of dominance by the football team, ranked as high as No. 2 in the nation last year. The University of Oregon doubled its number of nonresident students between 2002 and 2012 to nearly 42% of the undergraduate population.

Colorado State and Oregon are largely similar institutions, Dr. Frank, CSU's president, said. "In fact, in places—research funding and things—we do far better," he said. "Yet, I bet if you asked 100 people outside the state of Oregon and the state of Colorado which is the better academic institution, probably 90 to 95% would say the University of Oregon. And what I would argue to you is that that would be based largely on perception and the visibility from athletics."

Colorado State attracted \$318 million in federal and state operating grants and contracts compared with \$90 million at the University of Oregon, according to 2010-11 data from the National Center for Education Statistics.

Oregon President Michael Gottfredson said, "While we're justifiably proud of our recent successes in athletics, the University of Oregon has been well known for our academic strengths for decades."

In the past six years, Colorado State has spent \$690 million on new or updated facilities to make itself more attractive to students. It completed a \$32 million renovation to its recreation center that included an indoor climbing wall and smoothie bar, and it is building dormitories with such amenities as private bathrooms and a fireside lounge. Still, CSU's nonresident students remained flat at 19% of the school's

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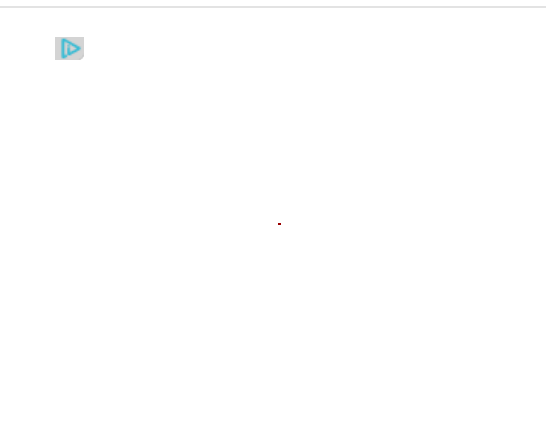
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undergraduate population between 2003 and 2012.

Two years ago, Dr. Frank decided that CSU football should aspire to the same heights as academic programs such as its veterinary medicine program, ranked No. 3 nationally by U.S. News & World Report.

He hired Jack Graham, a former Colorado State quarterback who had worked for years in the catastrophic-events insurance business, as athletic director. Mr. Graham pitched the idea of an on-campus stadium as a way to draw alumni back to campus and help differentiate for out-of-state students Colorado State from the University of Colorado at Boulder. People he meets while traveling often mistakenly call him a Buffalo—CU's mascot—Mr. Graham said, adding that Colorado is better known in part because it won a football national title in 1990.

Dr. Frank, a scientist in pathology and toxicology by training, said part of him remains skeptical that a new stadium can translate directly into an enrollment boom. But he noted that the two highest-traffic days on the university's website last year coincided with Colorado State's appearance in the NCAA men's basketball tournament. He concluded that building a new football stadium made more sense than upgrading the current one, which has \$30 million in deferred-maintenance bills, and the CSU system board of governors backed him a year ago.

No academic research exists to support the notion that a new stadium helps a college football team win, experts say. Nor will it necessarily attract more fans. The universities of Akron and Minnesota both moved from off-campus to new on-campus stadiums in 2009. Both saw initial attendance bumps before attendance dropped below pre-new-stadium levels.

Both teams have worse records since the stadium opened, though Minnesota is 4-0 this season. Akron's athletic department is generating less from annual ticket sales and other direct sources than its \$2.2 million in annual debt service on the \$65 million stadium.

The shortfall forced cost-cutting in a department already subsidized by university and student funds. Representatives from both schools said poor team performance contributed to attendance drops but they believe their current coaches can improve their teams and draw fans back.

Colorado State has a built-in financial handicap: It belongs to the Mountain West Conference. In 2012-2013, Mountain West distributed an average of \$2.3 million in broadcast-rights revenue to each school, while the Southeastern Conference—which has produced the past seven football national champions—distributed \$20.7 million.

Mr. Markley, the CSU football booster, said he believes that eventually the neighboring Big 12 or Pac-12 Conferences—whose schools also command more than \$20 million annually in TV-rights deals—will expand. The stadium will help make Colorado State an attractive addition when they do, he said. A Pac-12 spokesman said the conference has no plans to expand, and Big 12 commissioner Bob Bowlsby said he anticipates "an extended period of conference stability nationwide."

Another issue is the CSU football team. The Rams have been ranked as one of the nation's top 25 teams in just eight of the past 78 seasons and played in 12 postseason bowl games in more than a century of organized football. Mr. Graham, the athletic director, said he believes the Rams can regularly appear in both the top 25 and prestigious bowl games. The team is 1-3 this season after going 4-8 last year. It plays the University of Texas at El Paso in Fort Collins on Saturday.

Colorado State's long road was evident last Saturday when it traveled to Tuscaloosa, Ala., to play two-time defending national champion Alabama, a member of the Southeastern Conference. Alabama routed CSU 31-6 after building up a 17-point halftime lead. The teams both compete in college football's 125-team top division. But while the No. 1-ranked Tide regularly sells out its 101,821-seat stadium and generated

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\$82 million in revenue in 2012, Colorado State's announced attendance sank to an average of 19,250 last season—including 9,304 per game in actual paying customers—and the football program generated \$4.1 million.

Much of the argument for Colorado State's stadium centers on the idea of creating more excitement among alumni and generating more donations. The current stadium is located 3.6 miles away from the university, whereas the new stadium is planned inside the campus's southern edge. Mr. Graham said that although he had attended dozens of football games since his 1975 graduation he hadn't been back to campus until he took the job as athletic director. "We don't come back to listen to a professor give a lecture on economics or on business management—not in the numbers that we come back to see a football game," he said.

Even if sports success fosters more donations, there is no guarantee some will spill over into academic causes. In a 2004 study of the University of Oregon, researchers Jeffrey Stinson and Dennis Howard found that significant increases in private donations to athletics were associated with decreases in giving to academics. A 2007 study by researchers Brad Humphreys and Michael Mondello that examined nationwide data over 20 years concluded that when athletic success spurred increases in private donations, the increases usually lasted only as long as the success, and tended to be concentrated in athletics.

CSU is facing a lot of skepticism about the stadium project on its own campus. "I would say that the majority of the faculty on this campus are clearly against it," said Tim Gallagher, a CSU finance professor who chairs the faculty council and said he personally has no strong opinion on the project. "Some of it comes from a feeling that athletics as a general rule is getting too big and is starting to overshadow the primary academic mission of the university."

Backers are undaunted.

Mr. Graham said the Rams can compete on a \$50 million budget—about half of what athletic departments at many college football powerhouses spend. And he said the new stadium would be a "talent magnet." The school's second-year football coach, Jim McElwain, said the new stadium helped lure him away from Alabama, where he was offensive coordinator. He said the stadium would help him recruit players as well. "Why does a car dealership build a brand-new showroom?" he said. "You bring a client in, you want to show excellence."

Corrections & Amplifications

A previous version of this article incorrectly stated the Alabama football stadium's seating capacity as 84,000. The stadium seats 101,821.

Write to Rachel Bachman at rachel.bachman@wsj.com

A version of this article appeared September 28, 2013, on page A1 in the U.S. edition of The Wall Street Journal, with the headline: A College Bets on a Stadium To Fill Its Coffers.

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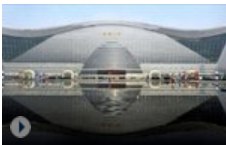
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