Bloomberg

NCAA Play in March Proving Madness Without College Profit

By Curtis Eichelberger - Mar 21, 2013

The University of Kentucky's eighth men's basketball championship last April drew 42.9 million broadcast viewers for an annual event that raised $705 million in television rights fees for college sports' national organization.

There was no financial bonanza for the school. Nor was there for other recent winners of the National Collegiate Athletic Association tournament, which began this week. While supporters of big-time college athletics say championships increase sports revenue, stimulate university fundraising and encourage student applications, data compiled by Bloomberg News show that not all of that is true, and there's no lasting effect.

"Everything about it is big: the money, the publicity, the media, the glamor of the event -- it creates a certain perception," says Scott Minto, director of the master's degree program in sports business administration at San Diego State University. In reality, tournament winners directly benefit little more than any other school in the NCAA. "It's not exactly the payday that fans think it is," Minto says.

The round of 64 begins today after eight teams competed for four spots in the field over the past two days. The championship game is April 8 in Atlanta.

For the last four publicly funded universities before Kentucky to win the NCAA tournament, basketball revenue slowed or fell in the following year, according to financial reports obtained by Bloomberg through Freedom of Information Act requests.

Kentucky Revenue

At the University of Kentucky in Lexington, basketball revenue rose 16 percent during the championship season, mostly because of ticket sales for playing more home games than the year before. Pay raises for coaches consumed two-thirds of the gain. Meanwhile, donations for athletics rose half as much as the year before, while total university fundraising fell after jumping the previous year.

"There is no direct, consistent evidence that it has a significant effect, but we sell it that way and the public largely buys it, so we justify spending," says Dave Ridpath, associate professor of sports management at Ohio University in Athens. Ridpath is the president-elect of the Drake Group, a network of college professors who advocate academic integrity in sports, and is the author of the 2012 book, "Tainted Glory:

Marshall University, the NCAA, and One Man's Fight for Justice."

"We continue to chase our tails thinking there is a pot of gold at the end of the rainbow," Ridpath says. "It is largely a myth, and any monies gained usually go back into the arms race and not to the university."

Money Maker

The NCAA is collecting $10.8 billion over 14 years from Time Warner Inc. (TWX)'s Turner Broadcasting System. and CBS Corp (CBS). for TV rights to the 68-team Division I men's basketball tournament. Fees for television and marketing rights accounted for 81 percent of the Indianapolis-based organization's $871.6 million of revenue for the fiscal year ended last August, according to the NCAA website.

The group reported distributing $503 million of last year's revenue to schools in the top division. The NCAA sponsors 89 national championships in men's and women's sports in three divisions.

Of the more than $700 million that the men's basketball tournament raises from TV fees, the NCAA set aside $184.1 million last year to benefit participating programs. Conferences split that money based on how many of their teams make the postseason event and how far the teams advance.

The funds are doled out on a six-year rolling basis, and the leagues usually divide their shares evenly among member schools after expenses for teams in the tournament. This diminishes the cost for any single school of an early exit, or the benefit of winning.

"There is no winner's check," Minto says.

Revenue Gain

At the same time, the victors do post an increase in basketball revenue during their championship seasons, based on financial reports obtained under open-records laws. The gains ranged from 2 percent for the University of Connecticut in 2011 to 32 percent for the University of Florida in 2007, as it won the title for a second straight year. The data didn't include 2010 winner Duke University, a private institution that doesn't have to disclose finances.

In succeeding seasons, it's hard for schools to increase revenue further. Basketball income mostly stagnated in seasons following championships for Connecticut and Florida, as well as for the University of Kansas, the 2008 winner, and the University of North Carolina, which won in 2009, according to the school's financial reports.

The year after North Carolina beat Michigan State University for the 2009 title, revenue from basketball rose 3 percent, then in 2011 dropped 5 percent. according to the school's financial report.

Inventory Shortage

"The problem is that you have to have additional inventory to sell in order to substantially increase your revenue," said Martina Ballen, the chief financial officer for the North Carolina Tar Heels, in Chapel Hill. "We do pretty well most years, and the seats are sold."

During Kentucky's championship run last year, athletic department revenue growth slowed to 4 percent, after a 6 percent gain the previous year, when the basketball team went to the Final Four.

Kentucky's $21.6 million in basketball income last year was one of the highest in the NCAA; North Carolina's team brought in $24.9 million. Led by national player-of-the-year Anthony Davis, Kentucky won 38 games while losing two, and had six players selected in the National Basketball Association draft. This year's team won 21 and lost 12, didn't qualify for the NCAA tournament and was eliminated in the first round of the National Invitational Tournament.

No Link

For all of the school's basketball success, Kentucky administrators say they can't link it to increases in fundraising or student applications. The university has a $2.7 billion annual budget and 29,000 students. It is spending more than $1 billion on new dormitories, a hospital renovation and buildings for pharmacy and business schools.

Asked whether there is a direct correlation between the basketball title and contributions, Mike Richey, the university's vice president for development, says, "Not really. We are proud of our athletic program, and they have a lot of impact," he says. "But we are doing a lot of great things in other parts of the campus. We are a diverse university."

Contributions to the university declined 5 percent last year to $73.8 million, after climbing 15 percent in fiscal 2011. Donations to Kentucky athletics increased 2 percent to $20.7 million, after gaining 4 percent the previous year, according to the school's financial reports.

Freshmen Applications

Freshman applications for this academic year rose 24 percent to 18,802, after gaining 10 percent or more each of the three previous years. University administrators say the growth can't be tied to the team's success. The school has been stepping up high school recruitment for several years, according to Don Witt, associate provost for enrollment management.

"Whether we had won the championship or not, we were already seeing applications coming in at a record pace," Witt says. "When the day is done, students are coming here for an education, and they make their decisions accordingly."

Athletic and non-athletic donations to North Carolina dropped during the 2009 championship season. The school had wrapped up an 8 1/2-year, $2.38 billion capital campaign in December 2007, including

$245.7 million for sports. In fiscal 2008, the athletics booster club raised $35 million, then contributions fell by a third during the championship year.

Boosters Club

Over the past decade, as the team won the NCAA tournament in 2005 and 2009, the Rams Club boosters group increased membership by 5,500, to about 16,000, according to club President John Montgomery.

“Heightened visibility can affect membership,” Montgomery said. “You have to remember that fundraising is a long-term project. It’s a means to future championships.”

Connecticut’s surprise victory in the 2011 tournament made barely a financial ripple for the men’s basketball program. Revenue rose 2 percent, following an 8 percent decline the year before. That’s partly because the season started poorly after an early exit from postseason play in 2010, according to Mike Enright, a university spokesman.

“We had a pedestrian year for us,” Enright said. “We didn’t arrive on the national landscape until November, way after season tickets were sold. And at the end of the day, that’s where you are making your money.”

Kemba Walker

By the end of the season, though, the team coalesced around junior guard Kemba Walker, won the Big East tournament and made its way to the school’s third national championship. Basketball ticket sales dropped 22 percent for the year, to $3.6 million.

School administrators say no one plays the postseason to make money.

“There is no huge windfall,” said DeWayne Peevy, Kentucky’s executive associate athletic director for external operations. “You do it for pride. You do it to celebrate achievement. You do it for the memories.”

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