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For Pac-10's Smallest Programs, Rich TV Deal Offers a Glimpse of Self-Sufficiency

By Libby Sander

When the Pac-10 announced its eye-popping $3-billion media-rights deal last month—with the likelihood of even more money flowing from the future creation of a conference TV network—it didn't take long for officials at the league's smallest programs to start thinking about how the infusion of cash will help.

With the conference's smallest budget, at $38-million, Washington State University officials have visions of sprucing up tired facilities, expanding recruiting budgets, and strengthening the department's overall finances. The Cougars, which rely on direct institutional support and student fees for nearly one-fifth of their revenue, should be able to gradually scale back on the annual $5-million subsidy they receive from the university, says Elson S. Floyd, the president. The added TV money comes at a good time, as the campus has sustained a 50-percent hit to its state appropriation over the past four years.

"It makes life much easier than it would be otherwise," Mr. Floyd said in a recent interview. "The new media-rights contract really does enable us to maintain our academic priorities without having to worry as much about athletics, because they will have a flow of funds that will keep them self-sustaining."

The Pac-10's new agreements with Fox and ESPN, which kick in during the 2013 fiscal year and last for 12 years, will eventually distribute an average of about $21-million a year to each of the league's 12 institutions. Conference officials expect that sum to grow once they establish a TV network, in 2012.

When the league expands this summer, adding the Universities of Colorado and Utah, Washington State will have company at the low end of the budget scale. Utah's $32-million operating budget is even smaller, and the Utes rely on roughly the same proportion of direct institutional support, deriving 14 percent of their revenue from university funds. Colorado's budget is around $49-million; it, too, receives several million dollars annually from the university.

Oregon State, the second-smallest of the Pac-10's current members, with a $53-million budget, welcomes the stability the new TV money promises.

"This infusion is going to help everybody," says Bob De Carolis, the Beavers' athletic director. "For the next 12 years you won't have to guess and hope that you'll sell out your stadium, or hope that you'll get on TV. At least you'll have a number that will grow over time, that will be guaranteed, and that will be there."

Sharing the Wealth

Media money in college sports has grown exponentially in recent years as the major conferences garner ever-larger sums with each new contract. The Southeastern Conference brokered an agreement in 2008 with ESPN and CBS worth $3-billion over 15 years. The Big Ten Conference, whose TV network started in 2007 but took a couple years to gain financial momentum, is now reportedly paying sums in excess of $20-million annually to each of its members.

Other recent deals will pump additional millions into athletic programs in the Atlantic Coast Conference (12 years with ABC/ESPN, worth $1.86-billion) and the Big 12 Conference (13 years with Fox Sports Media Group, for $1.17-billion). The University of Texas, in the meantime, announced this year that it would work with ESPN to create its own Longhorn Network, commanding $300-million over 20 years for the arrangement.

And now there's the Pac-10 deal, the magnitude of which surprised nearly everyone. The initial buzz was that the league could pocket $150-million to $170-million a year—not the $250-million it brought in.

Now that the shock has worn off, Oregon State's Mr. De Carolis is compiling his to-do list for when the TV money starts rolling in. In addition to allowing for facilities upgrades and a beefed-up operational budget, which has been flat for the past several years, the new deal will enable the athletics program to pay off several million dollars it owes the university, he says. Athletics currently receives direct financial support from the university for its operating budget, and the OSU Foundation lent $6-million to $7-million for a recent $80-million renovation of the Beavers' football stadium.

Every June, Mr. DeCarolis says, the program provides an annual report to Oregon State's Faculty Senate. Finances are always on the agenda. But this month's report will be different, he hopes. "This time around, we'll be able to—at least big-picture—talk about what our priorities will be going forward as far as paying our obligations off, reducing or eliminating the general-fund support, and maybe getting some help back to the university," he says.

But will the additional revenue set Oregon State on a path toward self-sufficiency? Mr. De Carolis says he isn't so sure—not so much whether it can be done, but whether it should.

"It depends on how you define 'self-sufficiency,'" he says. "While that sounds great, my preference is to have at least some support coming from the university, so you can say you're a true partnership and the tail isn't wagging the dog. I've seen other institutions where they are totally independent, and there's no relationship or partnership. I think that can be a little dangerous."

For the next few years, at least, Oregon State athletics will continue to receive institutional support as it settles its debt obligations, says the university's president, Edward J. Ray. But an eventual reduction is certain to happen, he says. And when it does, his hope is that academic programs will benefit from the media-rights money.

"Even if you make pretty conservative assumptions, certainly over the life of this contract you can see a path where athletics becomes pretty much self-sufficient and even, perhaps, gets to the point where money goes back to the university," says Mr. Ray, who also chairs the executive committee of the National Collegiate Athletic Association.

It's not an outlandish wish. Last year the athletic department at Mississippi State University, which has the smallest budget in the SEC—at $36-million, a mere fraction of Alabama's—made good use of its payout from the ESPN deal. Officials at Mississippi State earmarked $750,000 for grants to faculty members, who had gone four years without merit pay raises. More than 400 faculty received grants of $2,500 each.

Once the new Pac-10 deal kicks in, officials at both Washington State and Oregon State expect to net $9-million to $11-million beyond what they get under the conference's old deal. In Mr. Ray's view, that leaves ample opportunity to start thinking about how Oregon State can cash in. He's already directed Mr. De Carolis to meet with the provost to single out academic areas that need help.

"This is university money," he says. "This is not athletics money."

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OK, since it's "university money," how about "supporting" the student athletes on whose backs it was earned, e.g. with at minimum, the full cost of their education at your Universitie(s)?

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