

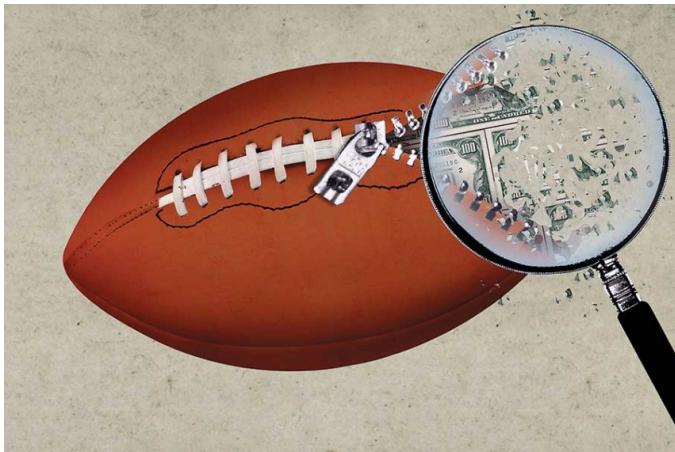
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COMMENTARY

Will College Athletics Survive? Should They?

By Paul N. Friga | JUNE 09, 2020

✓ PREMIUM



Michael Morgenstern for The Chronicle

This article is part of a series on the financial challenges facing colleges amid the coronavirus pandemic and the need for proactive strategies. Please join a [virtual forum](#) on Wednesday, June 10, at 2:00 p.m., Eastern, to hear from experts about how to develop strategic and financial strategies for college athletics. You can also listen on demand. The forum will be hosted by Scott Carlson, senior writer at The Chronicle, and

Paul Friga, an associate professor of entrepreneurship and strategy at the University of North Carolina at Chapel Hill and co-founder of ABC Insights.

As athletic directors and presidents look to the fall, major uncertainty stares back. Will students be on campus? Will the virus be contained? If we have football games, should fans attend? As Covid-19 decimates university resources, many leaders are wondering what changes they should make to athletic programs, or if they should have sports at all.

Whatever changes leaders make to college athletics, a vast enterprise will be affected. Sports provide educational opportunities to hundreds of thousands of students every year, bring large communities together, and require huge expenditures on campuses,

more than \$18 billion in 2018. Significant issues have arisen with growth, including the financial drain on university budgets, academic abuse and recruiting scandals, and questions of exploitation of the athletes themselves.

The primary revenue-driving sports of football and basketball often help pay for all other nonrevenue sports. Many feel that the money made from revenue sports takes advantage of those particular athletes, since their graduation rates are lower than those of the rest of the student body, and they are not entitled to financial benefits associated with likeness and image. As protests mount for racial justice, the treatment of African American college athletes has become an issue.

What is the goal of athletic programs in universities? “Our mission is to educate and inspire through athletics,” explains Lawrence R. (Bubba) Cunningham, athletic director at the University of North Carolina at Chapel Hill. “We provide opportunities for over 800 outstanding student athletes to attend Carolina, develop life-long skills such as teamwork, leadership, and persistence to complement what they get in the classroom. We also inspire alumni, younger generations, and the community to bond together at games and work with the university to deliver on its mission.”

The positive impact of organized sports is well documented, as more than eight out of 10 athletes will graduate from college, and more than 35 percent earn postgraduate degrees. College athletes are more likely to have higher incomes, life satisfaction, and overall engagement.

The decision to participate in collegiate athletics is indeed often viewed as an opportunity for advancement in life. “When I accepted my scholarship to UNC, I viewed it as a commitment,” says Willie Parker, a college football player turned pro. “We experienced a brotherhood, and I found self-identity. I built an inner strength that helped me through college and after. I didn’t play as much as I wanted to, but at the same time learned to be a better teammate.” Parker went on to win two Super Bowls with the Pittsburgh Steelers. The NCAA makes it clear that collegiate athletics should not be viewed as a ticket to professional sports, as most athletes “go pro in something other than sports.”

High-profile sports such as football and basketball can also generate brand awareness for universities, lead to significant donations from loyal alumni, and result in significant revenue from the NCAA, conference distributions, ticket sales, and licensing deals. Local economies also benefit significantly from visitors to campus for major sporting and alumni events. College football championships and the NCAA basketball tournaments have become staples in our insatiable appetite for live sporting activities.

On the other hand, the rise of collegiate athletics has been marred by frequent controversy. In fact, some propose that universities have lost their way and that the current model has become too big and corrupt, essentially generating billions of dollars at the expense of the athlete, who only receives a college scholarship and small living allowance.

“The NCAA and its member schools have instituted a number of reforms in the last decade,” says Cunningham, who was brought in to transform Chapel Hill’s athletic program after an academic scandal. “Those reforms have improved academic oversight, while offering greater financial assistance for students, including providing cost of attendance and grant-in-aid protection to more meals and better nutrition. We rely on our values — responsibility, innovation, service and excellence — to guide us in enacting those fundamental changes.”

What do the economics of collegiate athletics look like? The average university sponsors at least 20 different intercollegiate sports, with larger universities often offering more. As viewership and competition have increased, so too have athletic departments’ budgets, much of which comes from university subsidies.

Of the \$18 billion in spending among NCAA institutional members in 2018, total revenue generated was only \$10 billion, resulting in \$8 billion in university expenditures. As shown below, revenue and spending by type of institution varies a lot, with Division I universities accounting for 97 percent of all revenues and 83 percent of all spending.

Jon Steinbrecher, commissioner of the Mid-American Conference, sees the pressure increasing for all colleges. “There is no doubt that costs for athletic programs have risen over time as the high wire continues to rise,” he says. “While this affects all colleges, less affluent colleges working hard to compete have bigger challenges given significantly fewer resources, and it is getting even more difficult with Covid-19 impacts.”

The current national topic of racial tension is also part of the college-athletics landscape. Athletes for the revenue sports of football and basketball are disproportionately black men, compared with the student body and other sports teams. Yes, a small number of them make it to the pros, but the majority do not and have to endure many hours of workouts and travel, in addition to trying to complete their academic courses. That contributes to lower graduation rates and a challenging collegiate experience.

Many are looking for universities to take a stronger stance on social injustice in today’s America. And some coaches, players, and athletic-department staff are joining protests and announcing antiracism policies and positions. “We have a responsibility to stand up for injustice and do everything we can to support all people as one family,” says Allen Greene, athletic director at Auburn University, who recently joined protest marches in Alabama.

Jason Wright, a former football player at Northwestern University and in the NFL, and now a partner at McKinsey & Co, highlights how collegiate athletics can play a positive role in society: “Sports teams unite people across racial, economic, and political lines,” he says. “Athletes and fans have a unique platform to shape public narrative when we seem so divided.”

But just as universities have had to completely adjust to the rapidly changing environment because of CovidD-19, so too will athletic departments. Enter scenario planning and issues well beyond money. It may be time for leaders to re-examine the direction, role, and structure of athletics on every campus.

In the wake of the virus, universities are pursuing a wide range of options including complete elimination of athletics, cutting certain sports, and changing travel plans. Dropping athletics is a major decision that can free up resources and increase the focus

NCAA Division Demographics

Categories	Division I	Division II	Division III
Colleges in division	350	310	438
Percent of all divisions	32%	28%	40%
Median undergraduate enrollment	8,960	2,428	1,740
Students who are athletes	1 in 23	1 in 10	1 in 6
Total revenue*	\$15.2 billion	\$2.1 billion	\$.9 billion
Total expenses	\$15 billion	\$2.2 billion	\$.9 billion

*Total revenue includes external revenue and university subsidies

Source: NCAA • [Get the data](#) • Created with [Datawrapper](#)

The bottom line is that for most institutions, even the powerhouse athletic departments, athletics is an investment, or "cost center," in accounting terms. A decade ago, the Knight Commission on Intercollegiate Athletics recommended that universities keep spending under control, improve financial reporting, increase governance, and emphasize and reward academic performance, not just athletics.

As of 2015, we hadn't made much progress, as approximately 50 percent of all spending on athletics is actually subsidized by the university, generally much higher at Division II and III universities. Only 3 percent of the Division I programs generated more revenue than expenses. The basic rule of thumb apparently is to raise as much money as possible and invest every bit of it and a little more. Critics have questioned the necessity of administrative salaries, lavish practice facilities, and locker rooms that are very, very expensive.

The charts below give you a sense of the financial picture for a large Division I athletic program, UNC Chapel Hill. These data are available for all NCAA institutions through the Knight Commission.

UNC-Chapel Hill Sports: Where the Money Comes From

In million of dollars, 2018

NCAA/conference distributions, media rights, postseason football			\$29.95
Ticket sales			\$26.34
Donor contributions		\$20.75	
Corporate sponsorship, ads, licensing		\$12.33	
Student fees	\$7.53		
Other	\$5.14		
Institutional/government support	\$1.81		
Competition guarantees	\$0.71		

[Get the data](#) • Created with [Datawrapper](#)

Where the Money Goes

In million of dollars, 2018

Coaches' compensation			\$18.98
Facilities and equipment			\$18.42
Support and admin compensation with severance			\$16.88
Athletic student aid			\$16.61
Other		\$14.86	
Game expenses and travel		\$10.84	
Medical	\$2.79		
Recruiting	\$1.88		
Competition guarantees	\$1.17		

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Note that in this particular year, 2018, revenues actually exceeded expenses due to strong NCAA and conference distributions, ticket sales, and a significant fund-raising effort. Additionally, coaching compensation exceeded student financial aid, a trend that is common for Big 5 conferences, as the market for top coaching talent continues to grow. Administrative costs are quite significant and growing, according to research by ABC Insights, the consortium of universities that I co-founded and that work together to improve efficiency and effectiveness.

include tennis, golf, and cross-country. Careful planning around travel and scheduling can also be a source of savings, especially at larger universities with many sports teams and significant distances covered.

One of the most expensive and challenging athletic programs to offer is football, and many smaller institutions have determined that the costs outweigh the potential benefits, which only come to the few who find success on the field. We may see more universities cut the cord on football, following Florida Tech's decision to disband its football program and save \$3.1 million on its \$10.7 million athletics budget. For larger, well-known programs, even losing the fall football season would cost them tens of millions of dollars.

Other strategic initiatives relate to trimming administrative investment. Laying off employees creates significant savings but can harm future sports programs and lead to decreased morale. Furloughs protect employee positions, offer more flexibility for rehiring, and take advantage of current additional government support, but they delay harder decisions on staff and require continued investment in benefits. Decreasing pay is likely to be much more common, as it saves money and signals solidarity. The chart below summarizes these options and provides several examples and the related potential financial impact.

on academics, but it could negatively affect recruiting, especially for smaller institutions that use athletics to draw students to their campuses.

Strategies for Altering Athletics Programs

Strategy	Pros	Cons	Example	Impact
Temporary suspension of all programs	Allows university to redistribute financial resources; allows it to re-evaluate budget for athletics and be more efficient; prevents spread of Covid-19 by canceling events	Will lose recruiting edge; students will not be satisfied, athletes may transfer; possible loss in enrollment; loss of revenue from athletics	Broward College is considering cutting all sports programs	\$1.6 million (estimated)
Cut certain sports	Reallocate those funds to academics; savings cover existing deficits from athletic programs; displaces losses from respective sports teams; athletes will continue to have scholarships and direct aid from their institutions	Athletes and students will not be satisfied that specific sports are cancelled, some may transfer; decrease of morale of other student-athletes; hits to recruiting, especially for smaller schools	U. of Akron eliminated men's cross country, men's golf and women's tennis for the fall	\$4.4 million
Change travel plans	Reduced expenses from less traveling; safer for athletes and staff; students and student-athletes are happy athletics are continuing	Athletes are not satisfied with the lack of away games, lack of playing time; travel reduction could lead to the elimination of sports teams and specific programs; programs might not be able to play a full season	Ohio State U. is restricting travel	\$9 million

Dropping particular sports programs seems to be a common strategy, especially for Division II universities. My analysis of the 108 program cuts publicly announced show that 57 percent are occurring at Division II, with the remaining portions almost evenly split between Divisions I and III. The most commonly targeted sports for elimination include men's tennis, golf, soccer, and cross-country. Women's sports commonly cut

Strategies for Altering Athletics Staffing

Strategy	Pros	Cons	Example	Impact
Lay off employees	Will have significant impact on future athletic budget; cuts will help create significant savings for universities; cost-effective	Sports programs suffer in the future and will have to make significant program changes; facility projects will be put on hold; universities might encounter legal problems; employees that are retained will have a more significant burden and lower morale	Furman U. cut staff along with other cost-cutting measures	\$5 million
Furlough employees	Money saved can help provide millions of dollars of refunds for students as had been done by some universities (Boise State); helps the university achieve significant savings and leverages government assistance; serves as a temporary financially viable option for saving money in the budget	Must maintain benefit costs; delays decisions on real personnel cuts	U. of Louisville furloughed 45 athletic department staffers and others take a 4% pay cut	\$1.5 million
Decrease pay	Displaces losses and revenue from previously canceled sports events; helps relieve the budget crunch athletic programs are in, which is why many head coaches are voluntarily taking pay cuts	Long-term employees will be dissatisfied; difficult to determine where the pay cuts should occur	U. of Minnesota-Twin Cities makes 15% pay cut to its 25 highest earners	\$2.8 million

Another major strategic decision is when to bring athletes back to campus. This process will be quite challenging because of the need to protect students, coaches, and employees in an environment with frequent close interactions.

“Our No. 1 focus is to do this safely for all those involved,” says Cunningham as he walked through the university’s plan for opening sports. “We will follow all federal, state, and local guidelines and align our staff and efforts accordingly. UNC has some of the leading scientists and public-health officials in the world studying the coronavirus and its impact, thus we will follow the advice of those experts who are here on our campus.” His one-page summary of the strategy identifies key principles, stakeholders, and actions.

Even the best-laid plans will require flexibility, Steinbrecher says. “The tricky thing is that different programs, in different states, may have different strategies. We may need to make decisions around dropped programs or unequal numbers of games. The bottom line is that we will have to work together, trust each other, and manage this in the best interest of the students and schools.”

One thing that we can expect is the presence of Covid-19 on campus. The first students to return to campus, as of early June, are athletes. Reports are already coming in that players and coaches tested positive for the virus at the Universities of Alabama and of Mississippi, and at Arkansas State, Iowa State, and Oklahoma State Universities. That number is likely to increase, and presidents will be faced with the tough choice of whether to shut down a team or program, as President Mitch Daniels of Purdue University mentioned in a recent call with the U.S. Congress.

Not to mention the open question of whether fans will be in the stands. “Very few of us can envision having people in the stands,” said Ana Mari Cauce, president of the University of Washington, in a recent *Chronicle* virtual forum. Even if they are allowed in, it will be a very different experience with social distancing, something that scientists fear will be nearly impossible in stadiums. A recent study of epidemiologists suggests that only 3 percent of them would attend a major sporting event this summer, and only 32 percent over the next three to 12 months.

Athletics, like so much else in higher education right now, is going to be challenging next year. Campus leaders will have hard choices to make as they cut their budgets and potential sports programs. My recommendation, as always, is to do this with compassion, especially for your athletes, and clearly state your priorities and decision criteria. Focus on the uniqueness of your institution and avoid trying to look like all other

universities. Athletics can be valuable to all campus cultures, but it could take the form of club and intramurals rather than major intercollegiate competition. Decide which sports best fit your culture and make them excellent.

Like all things, college athletics need to be managed well, with data, and connected to strategy. Higher education should take its unique positioning in society to speak with a collective voice against exploitation and social injustice. This is going to take much work and require collaboration. We can do this.

Clarification (6/10/20, 11:50 a.m.): The NCAA Division Demographics chart has been updated to clarify that total revenue includes external revenue and university subsidies.

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