

College athletics finance report: Non-Power 5 schools face huge money pressure

Erik Brady, Steve Berkowitz and Christopher Schnaars, USA TODAY 7:49 p.m. EDT May 26, 2015



(Photo: Peter Casey, USA TODAY Sports)

Correction: An earlier version of this story misidentified East Carolina's current conference, the American Athletic Conference.

The rich are different from you and me, F. Scott Fitzgerald once observed, to which Ernest Hemingway famously added: Yes, they have more money.

The so-called Power Five conferences are different from the American Athletic and Mountain West conferences. They have lots more money.

Wood Selig knows all about that. He is athletics director at Old Dominion University, a member of the Power Five. His school, which resumed playing football in 2009 and moved up to the Football Bowl Subdivision in 2013, makes an interesting case of haves and have-nots. Virginia recently passed a state law that will limit the amount of subsidy that schools can take from student fees and university sources to fund athletics departments — in ODU's case, no more than 55%.

That puts Old Dominion in a double-bind: Trying to increase its football profile while trying to decrease its dependence on a primary source of revenue. Others in the AAC, Mountain West and C-USA face different challenges, but similar pressures: They are schools in lesser leagues with the goal of keeping up with Power Five programs, but typically without the means to underwrite their dreams.

DATABASE: A look at every Division I public school's finances (<http://sports.usatoday.com/ncaa/finances/>)

"I think the pressure is going to get intense in the next five years," Kansas State president and NCAA Board of Governors chair Kirk Sells told USA TODAY Sports. "A lot of schools where (administrators) are going to go, 'We don't have as much money from the state, we're jacking it up, and we can't afford anymore to send this amount of money over to Athletics. They're going to have to stand on their own.' "

By the NCAA's benchmark for self-sufficiency, just 24 of 230 public schools in Division I stand on their own, up from 20 a year earlier, according to an analysis of the 2013-14 school year by USA TODAY Sports, based on data gathered in conjunction with Indiana University's National Center for College Sports Business.

By NCAA definition, self-sufficiency means an athletic department's generated operating revenues — not counting money from student fees, state funding or direct government support — are at least equal to its total operating expenses, which is legalese for taking in more money than it spends.

Oregon led the nation with \$196 million total operating revenue and an \$83.5 million difference between its generated revenue and its total operating expense of \$110.4 million. However, the school reported that its revenue included in-kind facility gifts of \$95 million — the value of a football stadium funded primarily by Nike co-founder Phil Knight and his wife.

The other 23 schools meeting this standard are all from the Southeastern, Big Ten, Pac-12 and Big 12 conferences, including Texas, which had the highest total operating expenses at \$154.1 million and reported transferring another \$9.7 million back to the university. Texas' total operating expense is second to Oregon's at \$161 million.

The Atlantic Coast Conference, the other member of the Power Five, did not have any schools meeting the NCAA benchmark, though North Carolina State came close, with a deficit of just more than \$165,000. That means athletics departments at schools in conferences outside the Power Five face deficits — and four of the six largest are from schools in the C-USA, AAC and Mountain West.

Rutgers, which was then in the AAC but has since moved to the Big Ten, had 2013-14's largest deficit at \$36.3 million. The AAC's Cor

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est (\$26.8 million) and Mountain West's Air Force the sixth-highest (\$25.8 million).

ufficient schools gets larger if viewed another way. Though athletics departments get they also send money to their schools through payments for scholarships and facilities

USA TODAY Sports found, all 50 of the public schools that were in a Power Five conference in 2013 were self-sufficient. But only three Bowl Subdivision schools outside the Power Five and two non-FBS schools were self-sufficient.

"You've still got 300 other Division I men's basketball schools where" self-sufficiency doesn't exist, Schulz said. "So, even if we give that definition, I still think that pressure on those 300 schools is going to be intense. ... There are a lot of really outstanding schools (that) rely on dollars coming from general funds to do those athletic programs and to remain competitive with the haves."

But clearly many schools and states find value in financially supporting major college athletics programs. Public officials in at least three states — Wyoming, Utah and North Carolina — are appropriating taxpayers funds or increasing student athletic fees to prop up athletics programs below the Power Five. But none of that works for Old Dominion because Virginia does not allow tuition money or state appropriations to flow on an auxiliary side of universities. And now state schools can no longer easily raise student fees.

An analysis by USA TODAY Sports found Old Dominion's athletics department subsidy from student fees for 2012-13 was 73% and for 2013-14 was 65%. Selig said ODU would need to increase its revenue from outside sources by roughly \$3 million to reach a 55-45 ratio. "The law pushed schools to generate more revenue privately," he said, "but that was already a path that we were taking before the bill was introduced."

STATES' DIFFERING APPROACHES

Kirk Cox, a Republican Virginia state delegate who sponsored the new law, said there was a good deal of "angst" among Virginia public schools when the bill was in the discussion stages. "We wanted to start bending the cost curve," Cox said.

HB 1897 takes effect on July 1, 2016, and schools will have five years to get into compliance. If not, schools can get five more years, "double-secret probation," Selig said. "We're not acting as if the back five-year window exists. I daresay Old Dominion will be in compliance in advance of" the original deadline in 2021.

Here is how the law will work: Schools from Power Five conferences will be able to get no more than 20% of their budgets from student-fee university sources — that means ACC members Virginia and Virginia Tech, which are already below that threshold — while Football Championship Series schools such as James Madison and Norfolk State will be able to get no more than 70% from fees and school sources. Schools such as George Mason and Radford no more than 78%.

Old Dominion is Virginia's only FBS school outside of the Power Five — and the only school to have its student-fee threshold set at 55%.

"ODU was a unique case," Cox said. "Basically, we created another category for them."



Old Dominion warms up before the game against the Middle Tennessee at Foreman Field on Sept. 26, 2014. (Photo: Peter Casey, USA TODAY Sports)

Selig said a separate category was needed because it wouldn't have been fair to group the Monarchs with the Cavaliers and the Hokies. "We are not at all like Virginia and Virginia Tech in conference revenue distribution, in stadium size, ticket revenue, donor revenue. We are a big difference between where we are in revenue streams — and where they are."

So ODU and C-USA number-crunchers looked at the subsidies that their FBS peers were getting in five conferences outside the Power 5: AAC, Mountain West, Sun Belt and Mid-American. Selig said ODU president John Broderick provided the results to staffers for the state assembly, who in turn were conducting independent research of their own.

"It was a collaborative exercise in trying to be fair," said Tony Maggio, a legislative fiscal analyst for the state's House Appropriations Committee. "The numbers each side came up with were close."



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Coach's Corner: Old Dominion's Bobby Wilder

[\(http://www.usatoday.com/story/sports/ncaaf/cusa/2015/05/21/coachs-corner-bobby-wilder-old-dominion-conference-usa-startup-fbs-fcs/27589791/\)](http://www.usatoday.com/story/sports/ncaaf/cusa/2015/05/21/coachs-corner-bobby-wilder-old-dominion-conference-usa-startup-fbs-fcs/27589791/)

Cox has not heard from legislators in other states who may want to pass similar laws, but Selig thinks it is only a matter of time. "I don't see it as an anomaly," Selig said. "My sense is other states are going to take note."

In Utah, Wyoming, and North Carolina, however, more help is on the way for athletics.

In February, the University of North Carolina System Board of Governors approved student athletic fee increases for the 2015-16 school year for the system's 11 Division I schools except UNC-Chapel Hill, N.C. State and N.C. Central. The board also approved further increases for 20 schools, including AAC member East Carolina and C-USA's North Carolina Charlotte.

In March, Wyoming lawmakers approved up to \$4 million in taxpayer money that will be given to the University of Wyoming athletics department. Wyoming, a Mountain West school, is seeking from private donors. This was on top of \$1 million in matching funds the state previously had approved on a \$1-for-every-\$2-raised basis.

About a week after Wyoming's action, Utah's legislature approved an additional \$1.5 million annually for the athletics department at U Mountain West school. The move was led by Lyle Hillyard, a Republican from Logan — where Utah State's campus is located — who of the legislature's Executive Appropriations Committee. He specifically cited the funding for Wyoming as a reason for the appropriatic

"I'm convinced we'll make more than that (amount) in economic development — from people coming to the games," said Hillyard, whc legislature has provided other help for college athletics programs in the state, including letting all of them retain sales tax dollars as lo used to support women's teams.

LOOKING FOR ANSWERS

New NCAA legislation will allow schools to pay the full cost of attendance for scholarship athletes. That will not be a challenge for mar the Power Five conferences, but it will be for schools like Old Dominion.

"We have done the calculations," Selig said. "We have 16 athletic programs and if we pay full cost of attendance to all of our athletes, represent \$800,000 more of cost — \$800,000 that we would have to find from private resources. There is no way we can get it from si we do it need-based that would cost \$250,000. Or we could do some hybrid model in between. We're still trying to formulate our strate

Selig said ODU has looked at as many as 40 options on what that model might be. He said the full cost of attendance is an extra \$2,9 that \$1,100 of that is the estimated cost of three round-trip airfares per school year. Given that at least half of ODU's athletes are from not need airfare, "maybe there's some wiggle room there. ... Philosophically, we are in favor of supporting student-athletes to the high possibility. But there is also reality and we need to make sure that we have ample funding to cover those costs."

So where can ODU find more money? Selig said much of the athletics department's increased revenue in recent years has come from ODU Athletics Foundation, which has increased its donations markedly since the school moved up to major college football in 2009.

"We have challenged all of our revenue-generating areas to increase 10% each year," Selig says. "For example, the foundation is rais unrestricted annual gift support so a 10% increase means we need to generate \$420,000 more next year and we have been able to d three years. You keep doing 10%, 10%, 10% — it's aggressive but you make great strides."

Selig spent 11 years in the University of Virginia athletics department: "I've been at a high-resource school. It's not like they don't have challenges and concerns. But when the revenue from TV and the College Football Playoff and maybe if they have a TV network withir they're generating new revenue in such large increments that it is easier for them to absorb cost of attendance than it will be for many

ODU moved to C-USA from the Colonial Athletic Association in 2013. Selig said ODU was getting "several hundred thousand dollars" revenue distribution each year in the CAA and that in the C-USA that will soon be \$2.2 million or \$2.3 million per year. Still, that pales the roughly \$21 million in conference revenue distribution that SEC members got a year ago.

"The high-resource schools have means available to them that most of us will never enjoy," Selig says. "That's OK. Because at the en football they can still only sign 85 scholarships. In (men's) basketball, they can only sign 13. There are thousands of great athletes thr and internationally that give Division I institutions a huge pipeline for athletic talent that goes beyond those 65 high-resource institutor capture all the talent, despite all the facilities they're going to build and all the coaches they're going to pay."

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