

The Money
Intercollegiate Sports Revenue and Expenses,
BEFORE the 2020-2021 YEAR

The evolution of college sports finance has been relatively steady and predictable within a context of continued expansion and growth of the enterprise. What we will explore here is the set of circumstance for college sports finance at the end of the 2019-20 academic year and before the impact of the dramatic economic consequences of the virus brought college athletics under considerable stress.

We cannot yet predict whether this will be simply a pause in the endless growth and development of college sports or whether combined with a wide range of other issues associated with the great success of college sports as an entertainment, we will find ourselves in as process of reorganization and reorientation of these games and their operations.

To understand the changes that we will encounter in the future, however, we need to have a clear sense of the state of the enterprise at the present time.

The Athletic Balance: Earned Revenue vs. Expenses

As an extracurricular activity, the fundamental financial structure of college sports revolves around two calculations: First is the earned revenue, the money that the activities of sports generates, Second is the total of all sports-related expenses.

The Athletic Balance is the result of subtracting expenses from earnings, and in most cases recognizing a deficit that the university must pay from its regular sources of non-sports funding.

The diagram illustrates the financial flow for college sports. On the left, two vertical bars represent revenue sources: 'Tickets, TV, Radio, Gifts, Sponsorships' and 'Merchandise sales, etc.'. A large light blue arrow points from these sources to a green box labeled 'Earned Revenue' with a '\$' symbol. Below this, another large light blue arrow points from the text 'Institutional Support makes up the difference Comes from general operating budget including Student fees' to a white box labeled 'Deficit'. To the right, a red box labeled 'All Expenses' with a '\$' symbol is positioned above the 'Deficit' box, indicating that expenses exceed revenue.

Tickets, TV, Radio, Gifts, Sponsorships
Merchandise sales, etc.

Earned Revenue

\$

All Expenses

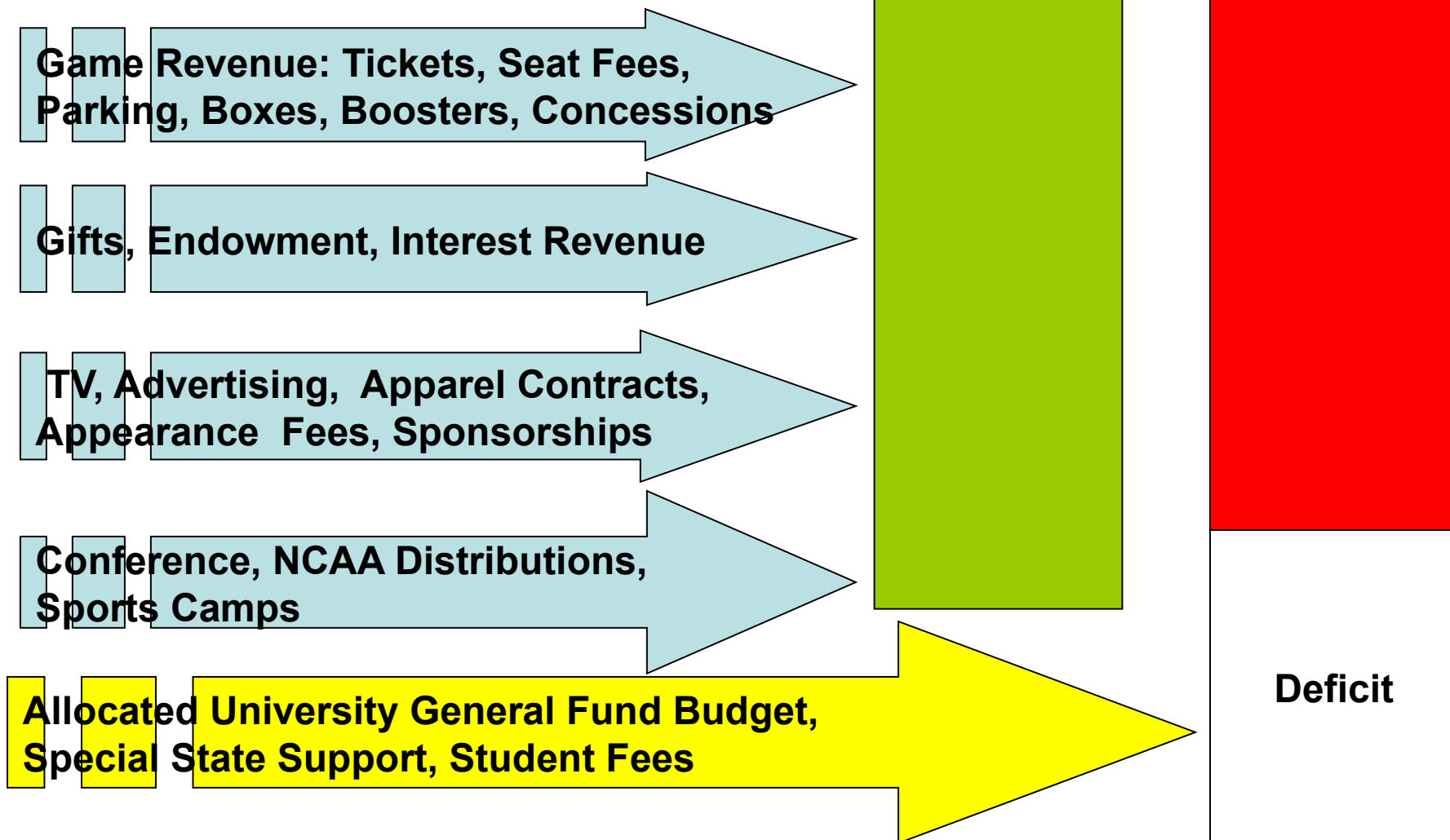
\$

Institutional Support makes up the difference
Comes from general operating budget including
Student fees

Deficit

This block diagram makes clear the multiple sources of revenue that a high powered top BCS Division I program can count on. Even so, as this diagram shows, the revenue generated by sports programs does not pay all the expenses, and the university has to subsidize sports from its general operating budget

The Athletic Balance: Generated Revenue vs. Expenses



Median (and Range) 2018 Revenues and Expenses for Division I Institutions by Subdivision

	FBS	FCS	Division I Subdivision
Generated Revenues	\$59,780,000 (\$6.9 to \$219.4 million)	\$4,936,000 (\$1.6 to \$46.2 million)	\$3,323,000 (\$630,000 to \$24.2 million)
Total Revenues	\$79,308,000 (\$15.5 to \$219.4 million)	\$19,179,000 (\$3.5 to \$80.0 million)	\$17,470,000 (\$3.6 to \$49.4 million)
Total Expenses	\$74,959,000 (\$15.9 to \$206.6 million)	\$18,820,000 (\$4.2 to \$61.4 million)	\$17,460,000 (\$4.2 to \$49.4 million)
Net Generated Revenue	\$16,289,000 (\$53.3 to \$46.7 million)	\$13,900,000 (\$46.4 to \$2.0 million)	(\$13,302,000) (\$39.6 to \$3.0 million)

This table shows the tremendous spread in revenue and expenses among the Division I subdivisions. Note the FBS includes the 130 largest and most competitive institutions. What appears as Division I Subdivision is Division I without football

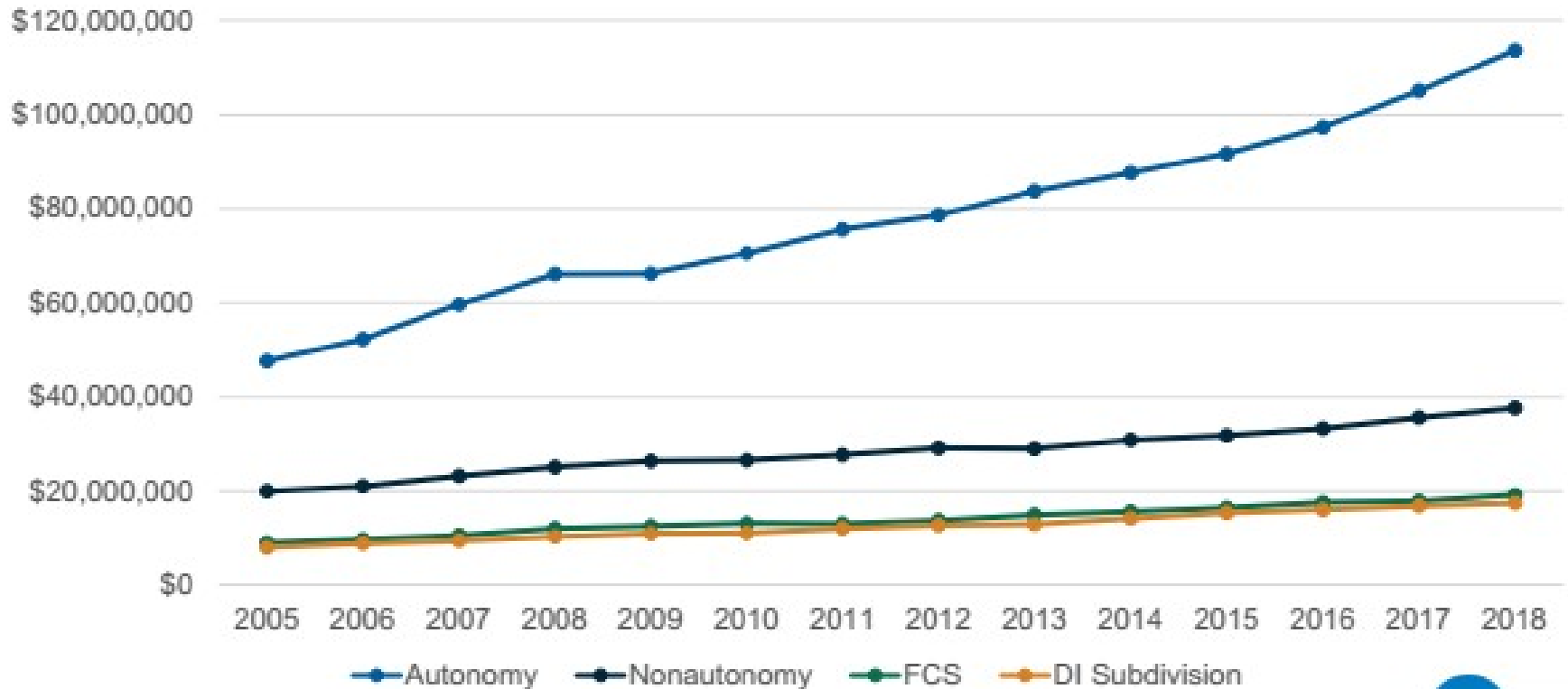
Net Generated Revenue is the profit or **loss**. The middle program in the top division (FBS) lost **\$16M** dollars. The worst loss was for **\$53M** and the largest profit was \$46M. The difference between the top and bottom program was about \$100M. It is hard to imagine that programs with a difference of \$100M could be considered equally competitive.

Median (and Range) 2018 Revenues and Expenses for Division I Institutions by Subdivision

	Autonomy	Nonautonomy
Generated Revenues	\$106,337,000 (\$54.2 to \$219.4 million)	\$13,909,000 (\$6.9 to \$69.7 million)
Total Revenues	\$113,637,000 (\$65.1 to \$219.4 million)	\$37,594,000 (\$15.5 to \$84.4 million)
Total Expenses	\$115,241,000 (\$71.4 to \$206.6 million)	\$37,526,000 (\$15.9 to \$84.4 million)
Net Generated Revenue	\$2,608,000 (\$44.6 to \$46.7 million)	\$22,160,000 (\$53.2 to \$2.0 million)

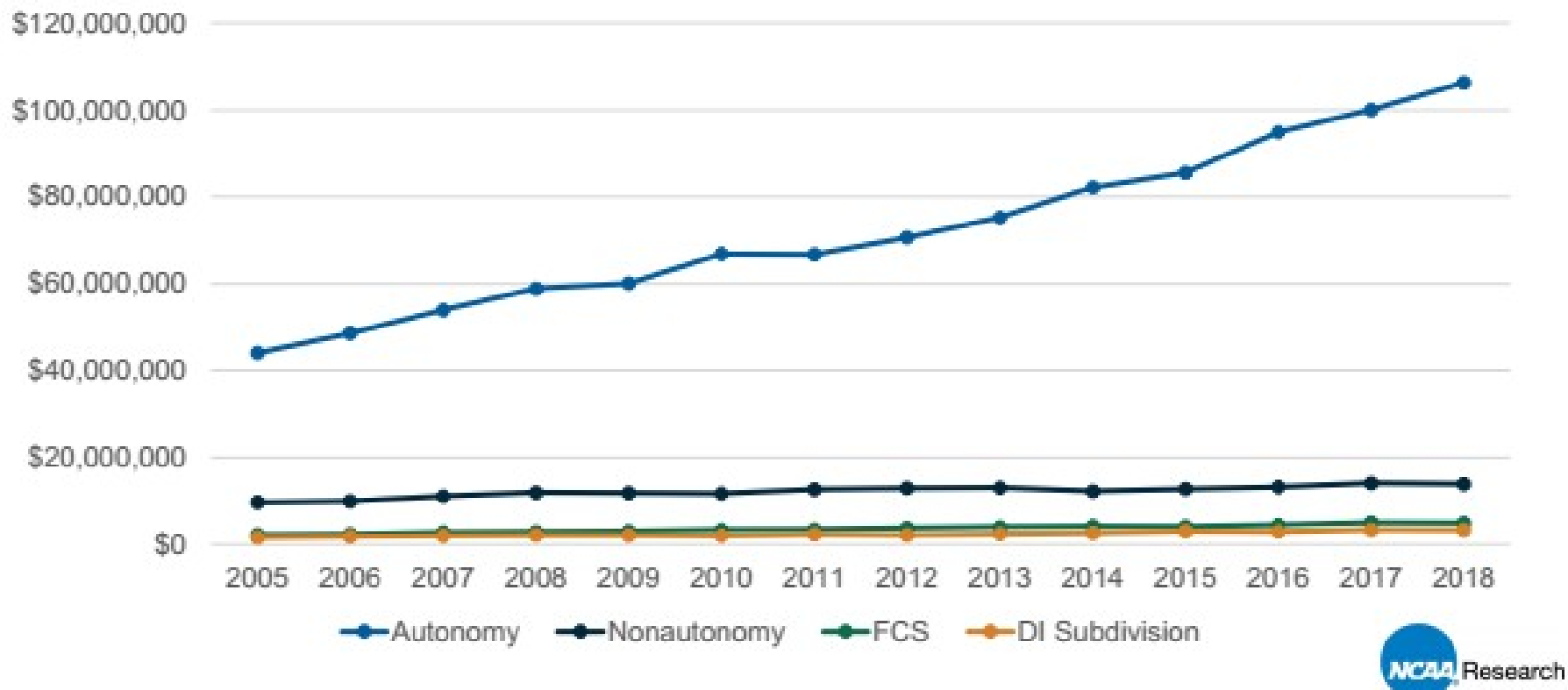
This table shows the dramatic difference between the Autonomy conference institutions (those who received special authority from the NCAA to provide more benefits to their student-athletes) and the rest of Division I football institutions. The Autonomy institutions had a median income of \$106M while the rest of the football schools had a median income of \$14M. And, it is no surprise to see that the autonomy schools spend a median of \$115M while the rest of Division I football spent \$38M. The Autonomy Group is clearly in a different league. Equally significant, the median loss for an Autonomy institution was **\$2M** while the median loss for the rest of the division I football schools was almost ten times as much at **\$22M**.

Division I Median Total Revenues by Subdivision and Year (2005-2018)



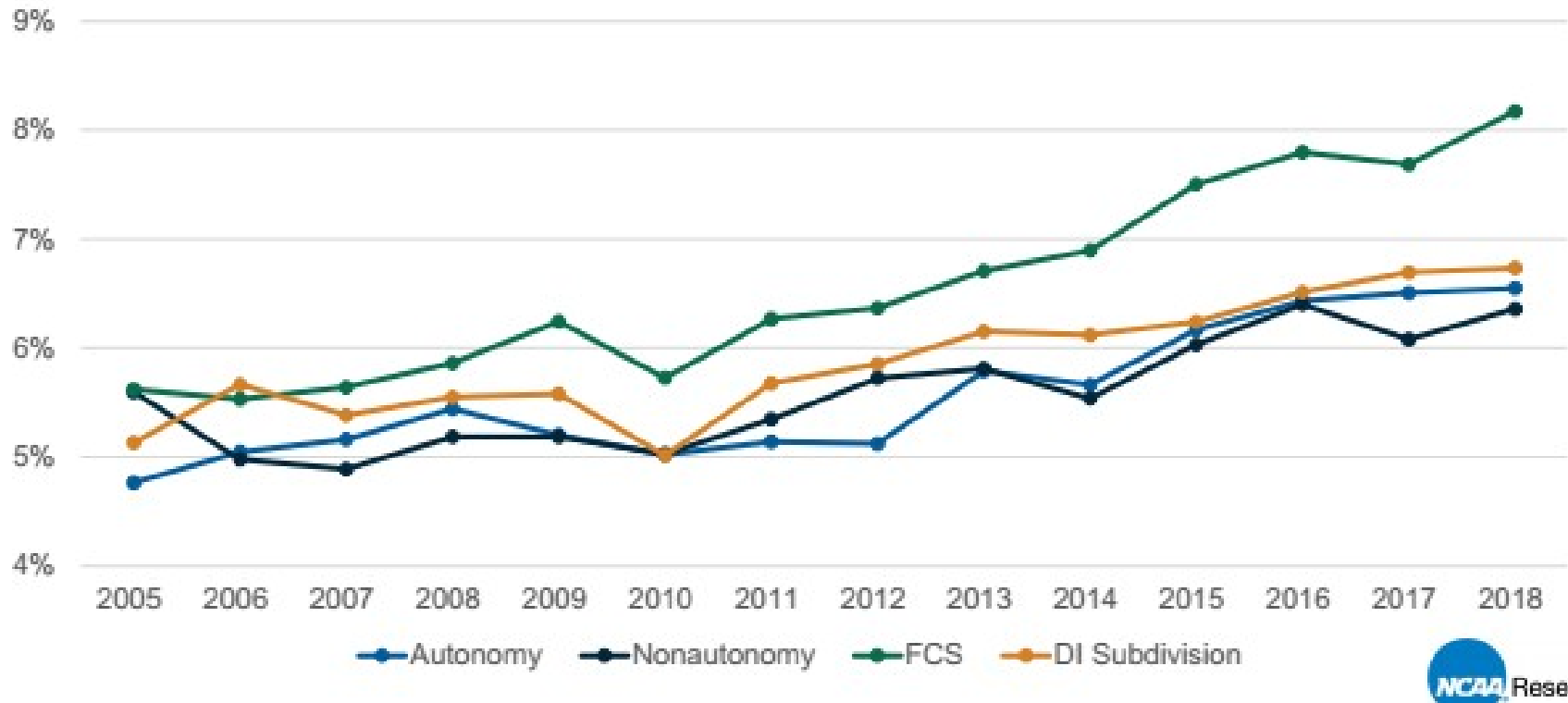
The clear message from this chart is that the revenue in big time high profile sports programs, driven by football, has been on a steep rise since 2005. The major programs have grown their revenue much faster than small programs and non-football programs in Division I.

Division I Median Generated Revenues by Subdivision and Year (2005-2018)



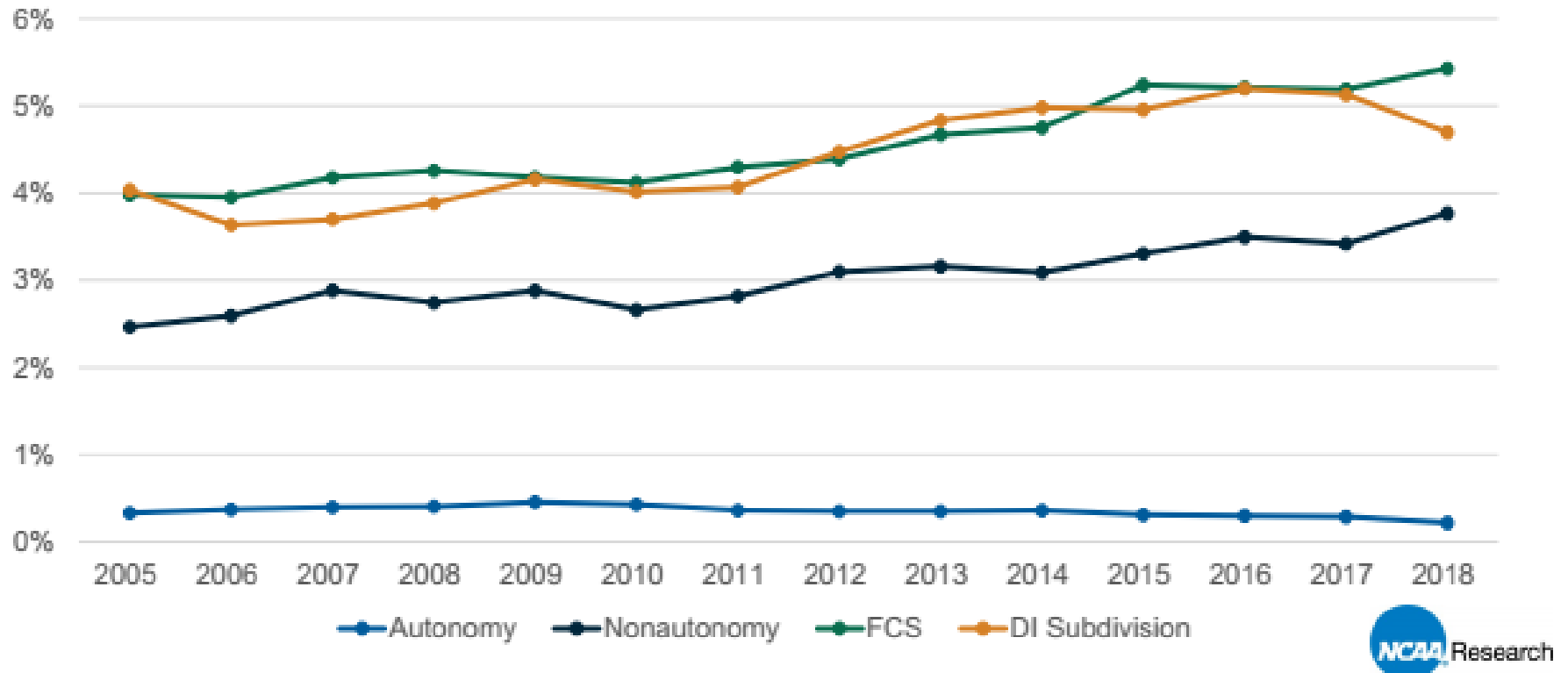
The principal message of this graph is that the big time programs have consistently grown the amount of money they earn from sports activities, a growth that fuels the overall growth of their revenue. At the same time, the other Division I programs have barely increased the amount of money they have been able to earn from their athletic programs.

Division I Median Ratio of Athletics Expenses to Institutional Expenses by Subdivision and Year (2005–2018)



This graph shows the relationship of sports expenses to overall institutional expenses and is an indicator of the significance of sports expenditures within the scope of the university's activities. As is clear, the big time programs have grown faster than their host universities, as sports grew from under 6% to over 8%. A similar but smaller growth in the rest of Division I showed the median sports program growing faster than its host institution.

Division I Median Ratio of Allocated Revenues to Institutional Expenses by Subdivision and Year (2005–2018)



This graph offers a somewhat different take on the money flow. Here we see that the median Autonomy institution has a very small percentage of university revenue allocated to support sports while the medians of institutions in the other subdivisions not only use a higher proportion of university money to subsidize their sports programs, but the percent they need is increasing.

Median 2018 Revenues and Expenses for FBS Institutions by Expense Quartile

	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Overall FBS
Generated Revenues	\$142,290,240	\$86,503,240	\$26,697,676	\$11,455,677	\$59,780,196
Total Revenues	\$144,483,952	\$98,128,804	\$48,095,492	\$32,510,604	\$79,308,424
Total Expenses	\$136,521,664	\$94,402,068	\$49,162,816	\$32,428,518	\$74,958,968
Net Generated Revenue	\$3,169,204	(\$10,575,176)	(\$22,873,388)	(\$20,883,226)	(\$16,289,159)

Although the NCAA doesn't give data by institution, the quartile distribution here shows the numbers for groups of 32 institutions from the best financial performers to the worst. Note that only among the top 32 institutions is the median result of earned revenue against expenses positive. Also note the spread between the total expenses in the first quartile and the last quartile of over \$62M, Although the institutions in the FBS are supposed to represent equivalent competitive enterprises, the range of expenditures would indicate otherwise.

2018 Top Four Revenue Categories for FBS Institutions by Expense Quartile

	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Overall FBS
Category 1 (% of Total)	Alumni Contributions (24%)	Broadcast Rights (23%)	Direct Institution Support (23%)	Direct Institution Support (31%)	Alumni Contributions (19%)
Category 2 (% of Total)	Ticket Sales (23%)	Alumni Contributions (19%)	Alumni Contributions (13%)	Student Fees (26%)	Broadcast Rights (17%)
Category 3 (% of Total)	Broadcast Rights (21%)	Ticket Sales (15%)	Student Fees (12%)	Alumni Contributions (10%)	Ticket Sales (17%)
Category 4 (% of Total)	Royalties and Sponsorships (10%)	NCAA/Conf. Distributions (13%)	Ticket Sales (10%)	NCAA/Conf. Distributions (9%)	NCAA/Conf. Distributions (10%)

This chart shows the differences in the sources of money to support athletics among institutional groups. The median of the top 30 institutions have three major sources: Alumni, Tickets, and TV/Radio where the median of the bottom group relies on institutional subsidies and student fees for about 57% of their revenue. In the top quartile, these categories do not even appear.

2018 Top Four Expense Categories for FBS Institutions by Expense Quartile

	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Overall FBS
Category 1 (% of Total)	Salaries and Benefits (35%)	Salaries and Benefits (36%)	Salaries and Benefits (36%)	Salaries and Benefits (32%)	Salaries and Benefits (34%)
Category 2 (% of Total)	Facilities and Maintenance (20%)	Facilities and Maintenance (16%)	Grants-in-Aid (17%)	Grants-in-Aid (23%)	Facilities and Maintenance (17%)
Category 3 (% of Total)	Grants-in-Aid (11%)	Grants-in-Aid (15%)	Facilities and Maintenance (12%)	Facilities and Maintenance (11%)	Grants-in-Aid (14%)
Category 4 (% of Total)	Other Exp (7%)	Team Travel (6%)	Team Travel (7%)	Team Travel (8%)	Team Travel (6%)

However, if we look at the way college sports programs spend their money, we can see that the pattern in each quartile are similar with salaries and benefits being the top costs. Facilities and scholarships are the next two most important items for all groups with team travel being the final category of significance for all but the top spending programs. While the scale of expenditures is much higher in the top quartile, as we saw above, the money buys much the same things in all programs, although in the top programs those things cost more money.

Who Earns the Money?

The following slide is a bit difficult to read, but it is a powerful demonstration of the overwhelming importance of football in generating the money that supports the other sports within a median FBS athletic program.

In the median athletic program, the football operation generates a profit of \$3.3M. Even the median for basketball, the only other sport to generate a significant profit, only earns \$79K profit to apply to support the deficits in the other sports within the athletic program.

All the rest of the men's sports and all of the women's sports run deficits and must be subsidized by the earnings, primarily of football.

This table illustrates the critical and central importance of football within the intercollegiate sports economy, and explains the universities' intense interest in the management and operation of this revenue generating activity.

While this table has data for 2016, and the NCAA has not published an equivalent table for 2018, the distribution of earnings by sport is almost certainly very similar today.

Also note the subsequent slide that highlights the profit generated by football.

TOTAL GENERATED REVENUES AND EXPENSES BY SPORT DIVISION I – FBS

FISCAL YEAR 2016 – MEDIAN VALUES

Sport	— Men's Programs —				— Women's Programs —			
	# of Institutions Sponsoring	Generated Revenues	Expenses	Net Revenue	# of Institutions Sponsoring	Generated Revenues	Expenses	Net Revenue
Baseball	114	447,000	1,819,000	(1,029,000)	N/A	N/A	N/A	N/A
→ Basketball	129	5,902,000	6,147,000	79,000	129	331,000	3,165,000	(2,321,000)
Bowling	0	0	0	0	6	50,000	50,000	(220,000)
Crew	0	0	0	0	42	118,000	1,659,000	(1,196,000)
Equestrian	0	0	0	0	11	165,000	1,829,000	(1,155,000)
Fencing	8	29,000	243,000	(199,000)	10	48,000	483,000	(213,000)
Field Hockey	N/A	N/A	N/A	N/A	28	78,000	1,193,000	(798,000)
→ Football	129	19,923,000	17,307,000	3,312,000	N/A	N/A	N/A	N/A
Golf	120	109,000	599,000	(340,000)	113	79,000	597,000	(377,000)
Gymnastics	13	127,000	862,000	(712,000)	46	151,000	1,275,000	(945,000)
Ice Hockey	16	1,580,000	2,837,000	(1,028,000)	7	259,000	2,068,000	(1,650,000)
Lacrosse	14	774,000	1,672,000	(756,000)	32	122,000	1,297,000	(760,000)
Rifle	11	0	41,000	(41,000)	15	32,000	51,000	(51,000)
Rugby	0	0	0	0	1	6,000	281,000	(169,000)
Sand Volleyball	0	0	0	0	23	17,000	323,000	(134,000)
Skiing	4	41,000	587,000	(331,000)	4	39,000	579,000	(351,000)
Soccer	59	128,000	1,052,000	(625,000)	126	103,000	1,257,000	(793,000)
Softball	N/A	N/A	N/A	N/A	108	118,000	1,230,000	(795,000)
Swimming	59	91,000	1,062,000	(642,000)	90	76,000	1,159,000	(724,000)
Tennis	94	60,000	681,000	(420,000)	125	49,000	739,000	(462,000)
Track & Field/								
Cross Country	112	86,000	1,233,000	(697,000)	128	76,000	1,400,000	(856,000)
Water Polo	7	225,000	710,000	(337,000)	11	50,000	869,000	(572,000)
Wrestling	42	167,000	1,115,000	(580,000)	0	0	0	0
Other	13	431,000	713,000	(328,000)	10	23,000	379,000	(122,000)

Note: Revenues are reported excluding all allocated revenues. Expenses are reported excluding third-party support. Medians shown represent only those institutions reporting some amount for revenues or expenses.

of Institutions Sponsoring represents the N that reported financial data for each of the sports listed. These N's do not reflect the overall sponsorship numbers.

	Sport	# Teams	Earned \$	Expenses	Profit/(Loss)
All FBS	Baseball	114	447,000	1,819,000	(1,029,000)
	Basketball	129	5,902,000	6,147,000	79,000
	Bowling	0	0	0	0
	Crew	0	0	0	0
	Equestrian	0	0	0	0
	Fencing	8	29,000	243,000	(199,000)
	Field Hockey	N/A	N/A	N/A	N/A
	Football	129	19,923,000	17,307,000	3,312,000

Autonomy Programs

Baseball	61	842,000	2,565,000	(1,457,000)
Basketball	65	10,760,000	8,529,000	2,841,000
Bowling	0	0	0	0
Crew	0	0	0	0
Equestrian	0	0	0	0
Fencing	7	27,000	256,000	(236,000)
Field Hockey	N/A	N/A	N/A	N/A
Football	65	45,217,000	26,736,000	19,025,000

Note the dramatic difference in profit from a median team in all 114 FBS programs compared to the median profit in the 65 Autonomy programs. The middle football team in all of the FBS made \$3.3M profit. The median team in the Autonomy group made \$20M profit.

Coaches Salaries and Benefits by Sport in Men's Basketball and Football

BB increased 2.5 times and Football 3.1 times in the median of all FBS.

BB increased 2.9 times and Football 3.0 times in median of Autonomy subdivision.

Growth in coach salaries between 2004 and 2016 not much different at median between all of FBS and Autonomy subdivision.

	Median, All FBS Institutions		Total Coaches	
	2004	2014	2015	2016
Baseball	207,000	443,000	474,000	520,000
Basketball	855,000	2,029,000	2,074,000	2,164,000
Fencing	38,000	112,000	101,000	105,000
Football	1.757.000	4.559.000	4.734.000	5.393.000

	Median, Autonomy Institutions		Total Coaches	
	2004	2014	2015	2016
Baseball	302,000	746,000	735,000	762,000
Basketball	1,172,000	2,933,000	3,029,000	3,418,000
Fencing	31,000	122,000	101,000	100,000
Football	2,536,000	6,665,000	7,491,000	7,625,000

2014-15 marked the date of the first College Football Championship

- With four teams, these games finally replaced the sequence of Bowl Games that previously had produced a champion determined by a complex system of voting and computer rankings. The Bowl Games continued, but do not serve to identify a champion in football.
- This championship proved remarkably profitable, primarily from television revenue, with the money shared among the conferences and other participants in Division I, FBS, football.
- The following slide, although somewhat difficult to read, has the key details of the payout system. It is quite complex as each conference has somewhat different distribution systems, and the arrangements required various special considerations to capture an agreement amongst all FBS football conferences and independents.

College Football Playoffs Payouts for 2019: Forbes

ACC: \$66 million base payout

\$6 million for Clemson's semifinal berth in the Fiesta Bowl

\$27.5 million for Virginia's berth in the Orange Bowl

Big 12: \$66 million base payout

\$6 million for Oklahoma's semifinal berth in the Peach Bowl

\$40 million for Baylor's berth in the Sugar Bowl

Note: The Big 12 awards its participating team in the semifinals a \$2 million participation subsidy.

Big Ten: \$66 million base payout

\$6 million for Ohio State's semifinal berth in the Fiesta Bowl

\$4 million for Penn State's berth in the Cotton Bowl

\$40 million for Wisconsin's berth in the Rose Bowl

Pac-12: \$66 million base payout

\$40 million for Oregon's berth in the Rose Bowl

SEC: \$66 million base payout

\$6 million for LSU's semifinal berth in the Peach Bowl

\$40 million for Georgia's berth in the Sugar Bowl

\$27.5 million for Florida's berth in the Orange Bowl

Note: The SEC allows the school participating in the semifinals to keep \$2.05 million, with an additional \$2.15 million if the team makes it to the championship game. Georgia and Florida will also each receive the \$2.05 million participation bonus for the Sugar and Orange Bowls.

The American: \$4 million for Memphis' berth in the Cotton Bowl

Group of 5: \$90 million collective pool

The "Group of 5" (the American Athletic Conference, Conference USA, Mid-American Conference, Mountain West Conference and Sun Belt Conference) divide their collective pool pursuant to an agreement and formula devised by those conferences.

Notre Dame: \$3.19 million this year from the College Football Playoff

Independents: \$1.56 million in a collective pool shared by Army, BYU and UMass

FCS conferences: \$2.43 million as a collective pool for schools that provide the full NCAA-allowable complement of scholarships which includes the Big Sky, Big South, Colonial, Mid-Eastern, Missouri Valley, Ohio Valley, Southern, Southland, and SWAC.

The Challenge of University Subsidies for College Sports Programs

The last three slides in this class illustrate in simple block form the challenge of deficit sports financing. Always remember that for just about all of the over 1,000 colleges and universities that play intercollegiate athletics under the NCAA franchise system, college sports is a money losing proposition.

If we take in the Good News example below, a more or less medium level BCS university that has a total budget close to \$2B and a sports program costing around \$85M we can see how this works out in practice.

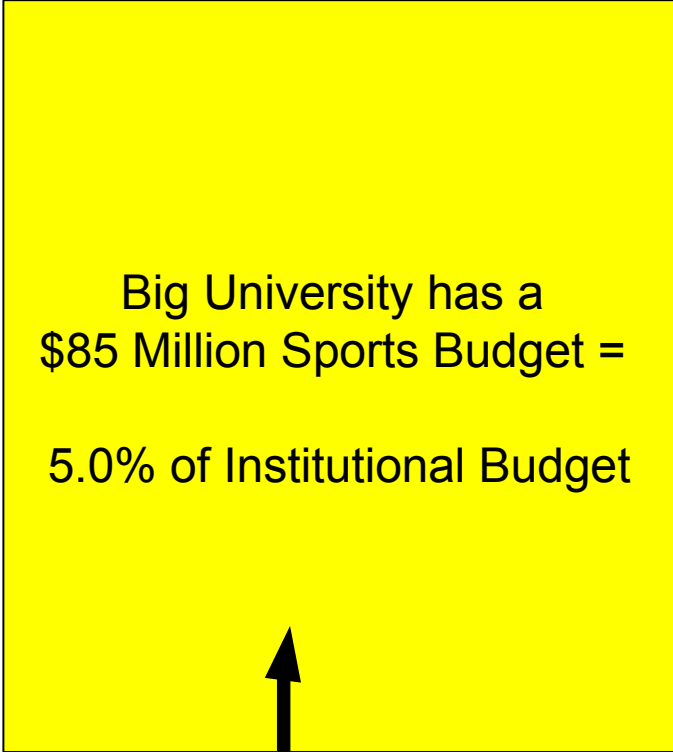
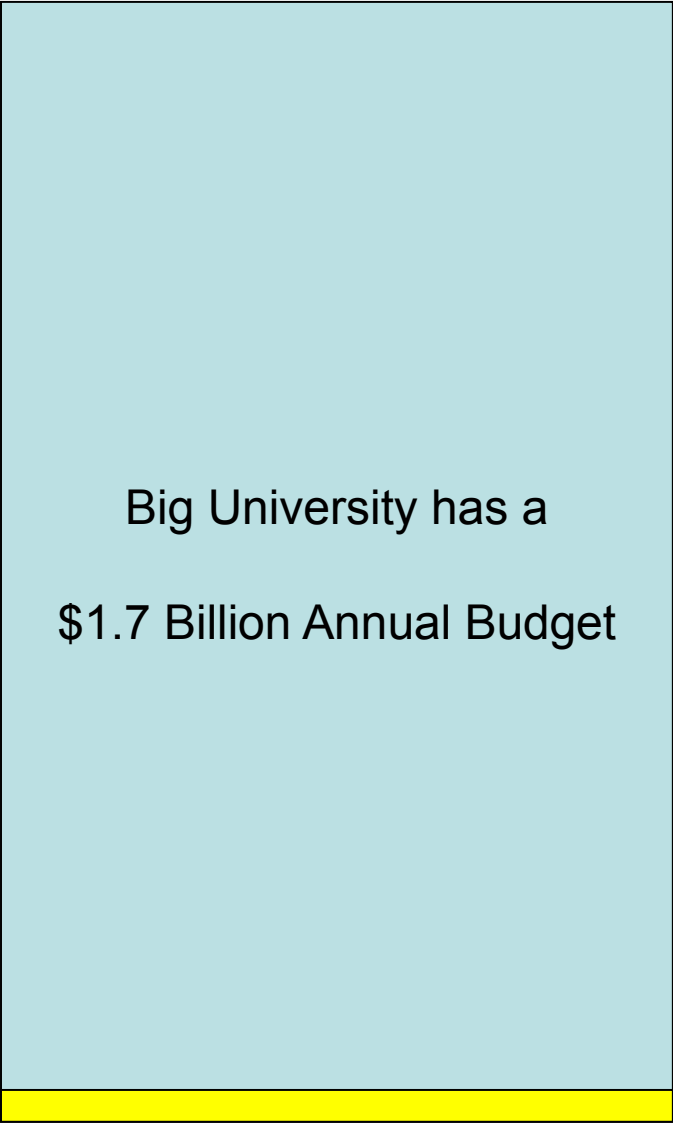
This program is only a small fraction of the university's total budget, around 5%. So it seems as if intercollegiate athletics is a minor element in the university's activities. Moreover, this is a rare profit making athletic program that gives back \$2M to the university every year.

However, in the more common Bad News example that follows, we have a sports program cost of \$45M in a university with a \$900M budget. This sports program is also only 5.0% of university budget, but it loses \$23M a year that the university has to subsidize from its regular budget.

As the illustration shows, this \$23M, although not a huge part of the university's budget, nonetheless represents significant lost academic opportunities.

It is this trade-off that generates much of the concern about the cost of college sports.

Where Does the Sports Budget Fit Into the Institutional Budget?



The Good News for Big University

Big University does not have
to spend any extra money
from its

\$1.7 Billion Annual Budget
on Sports

AND

The Sports Program
Generates a Small

\$2M Payment to

Big University's
Academic Budget

85 Million Sports Budget =
5.0% of Institutional Budget

Produces a Payment
to the university
from its profits of =
\$2

\$2 Million ADDITION to University Budget



The Bad News Example in BCS from Medium University

Medium University has a budget
of \$900M

\$23Million Deficit Subsidy

Deficit of \$23M comes
from General Fund

Deficit payment to Sports is
only about
2.4% of budget

**BUT THE
Lost Opportunity Cost =**

35 faculty members **not hired**

Or

600+ full need-based
scholarships
at a public university **not awarded**

Sports Program Costs **\$45M**

5.0% of university budget

Sports Revenue is **\$22 M**

**Sports has a deficit of
\$23M**