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News & Features

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Eight-year study of sports spending takes myths to task

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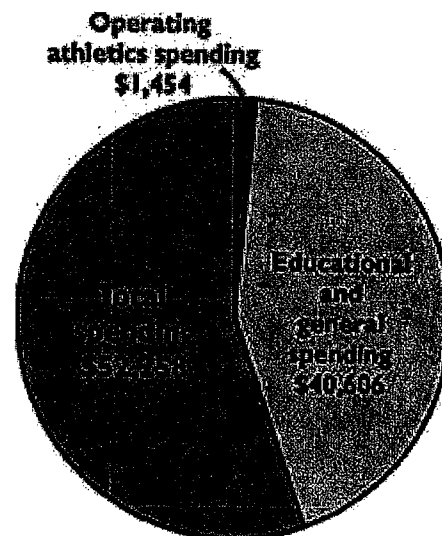
A recently released eight-year study of Division I athletics operating budgets conducted by independent researchers implies that the relationships between spending and athletics success may not be as reciprocal as most people think. In fact, results of the study commissioned by the NCAA run counter to enough hypotheses associated with spending in college sports that the Mellon Foundation has agreed to fund further investigation.

The study is the result of a Division I Board of Directors Task Force decision two years ago to embark on a two-pronged reform effort to enhance student-athlete academic performance and fortify fiscal integrity in intercollegiate athletics. With academic reform firmly under way, the task force commissioned independent researchers to complete an economic baseline study to better understand the financial aspects of intercollegiate athletics.

Heading the data-collection and analysis team for the study were Robert Litan, vice-president for research and policy at the Kauffman Foundation in Kansas City, Missouri; Jonathan Orszag, managing director of Sebago Associates, Inc., an economic-policy consulting firm; and Peter Orszag, a senior director at Sebago and a senior fellow in economic studies at the Brookings Institute. The trio worked independently of the NCAA. Their findings show that, at least as far as operating budgets are concerned, the effects of increased athletics spending may be exaggerated.

The study looked at 10 hypotheses about college athletics, focusing primarily on Division I-A institutions, and relied on data rather than anecdotes to assess the validity of those hypotheses. The research is based in large part on a comprehensive database from school-specific information collected as part of the Equity in Athletics Disclosure Act (EADA) merged with data from other sources. The study also relies on a detailed survey of chief financial officers from 17 Division I institutions.

Findings refute two primary assumptions about college sports: that investing in athletics is the road to riches, and that the athletics "arms race" is eroding higher education. Based on analysis of current data, there is no compelling evidence to support either statement. In fact, the study shows:



A study of athletics operating expenses conducted by independent researchers shows that athletics spending represents only about 3 percent on average Division I university's overall budget.

- Operating expenditures for athletics are a relatively small share of overall academic spending, roughly

