

**Athletic Endowment Efforts in Division I Intercollegiate Athletics**

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**Session 27: Finance  
Presentation (25-minute)**

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Intercollegiate athletics has long relied upon multiple revenue streams including institutional support, donor contributions and corporate involvement to help balance, or try to balance, the operating budget. One of the major expenses of most Division I athletic department are scholarships for the student-athletes to cover their tuition, fees and room and board at the institution of higher education (not all schools are held financial accountable for payment of tuition to their respective school). Stanford University's athletic department has been recognized as the pioneer in "endowing" each of the scholarships, per the number of scholarships permitted by the NCAA in Division I (ex. football permits the awarding of 85 scholarships, softball permits 12).

The general philosophy behind building an endowment is to establish a substantial pool of money (the principal) that can be invested to earn interest on an annual basis. The larger the principal investment the greater the interest that could potentially be generated each year. Scholarship expenses would not be paid from the principal but rather from a large portion of the interest generated annually. Some of the interest generated each year returns to the initial principal to further build that. At Stanford University, the Cardinals have nearly \$200 million invested that frequently generates \$10 million annually in interest. With a football program needing 85 scholarships to compete at the Division I-A level, an athletic department might indicate that a donor can endow one scholarship for \$75,000. Another school may set the level at \$150,000. Penn State requests \$300,000 for their contributors. Stanford asks for \$750,000 from its donors. The primary donor of the endowment has the privilege of having that scholarship named after them and is often the recipient of other perks such as an annual dinner, meeting the student-athlete recipient of the scholarship and continuous recognition. The donor may also help to establish the awarding criteria. For example: The XYZ Baseball scholarship may be awarded annually to a male baseball player with a 3.0 GPA who has played for two years and is a business major.

An endowed scholarship does not need all of the funds to come from a single donor as multiple parties may contribute to reaching that established endowment level. A devoted fan of University of Miami head football coach Larry Coker may start the Larry Coker Endowed Scholarship where all Hurricane football supporters may each donate gifts of any amount to that endowment fund. Then only the biggest contributors of the endowed scholarship attend the dinner, meet the student-athlete and so forth. In addition to establishing an endowed scholarship to support athletics, an endowed scholarship may be created to honor someone or to memorialize them too. An example is the John Wooden Men's Basketball Scholarship Endowment. It should be noted that all scholarships are not created equally. By NCAA rules, some sports are permitted to split a scholarship. For example, Division I-A football offers 85 scholarships that can only be given to 85 student-athletes each year (scholarships are only for one year). Men's golf can offer 4.5 scholarship each year, but may split that money among eight or more golfers on the team.

Several glaring problems arise from an early observation of the endowment philosophy that will be addressed in this study:

1. The school that delays in starting an endowment program is already years behind their peers. Stanford University, having endowed nearly every scholarship for every sport offered, is already endowing each of their coaching positions with the idea that the interest generate annually can pay for a portion of the coach's salary. They are also endowing the programs themselves where the financial assistance can assist in supporting that sport's operating budget
2. School A may ask for \$200,000 for a donor to endow a scholarship and School B may only ask for \$75,000. What is the fair market value in endowment levels in Division I intercollegiate athletics?
3. Development offices that operate the endowment programs are the branches of athletics that work most frequently with the donors. Are schools worried about "sticker shock" from donors if they set the endowment level too high? How long do donors have to pay their gift off completely? What are the primary benefits for the donors? And what is the perceived motivation for supporters donating to this effort?
4. So much attention is paid to the revenue sports of football and men's basketball. How do athletic departments create aware for the endowments needed for the other sports, particularly women's athletics?

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5. What happens once every NCAA permitted scholarship is endowed, yet tuition costs continue to rise over time? Does a school return to John Doe's family in 50 years to ask for more funding? Or does the development office approach the Doe family and ask if the scholarship can be called the John Doe/Andy Gillentine Scholarship because new donor Andy Gillentine is prepared to give \$150,000 for a baseball scholarship? The early suggestion is to ask for a higher level to endow a scholarship, but why have athletic departments been reluctant to do so knowing the educational expenses are only increasing with each year?

6. Does the athletic department's development office work with the school's fundraising team to create a larger general endowment that could potentially generate greater interest or does each part of campus work individually from the other? Why is such the case?

Through a pilot study of 72 Division I-A schools in the six major Bowl Championship Series conference, it was observed that Development Officers or fundraisers of the athletic department frequently have a short-term plan, but not a long-term plan for covering the rising costs of scholarships. While invested funds compound in earnings, the set-up of the endowment program may have long-term consequences that impact donor contributions down the road.

Building upon the pilot study, a survey is mailed to all 119 Division I-A institutions development offices to gauge their progress in creating an endowment program. The survey examines fair market value of endowing a scholarship, motivation for initiating the program, progress with respect to how many (by NCAA limits) scholarships are endowed and in what respective sports. The survey also examines donor rewards for their financial support as well as the donor's time frame for complete payment of the endowment. The pilot study revealed that endowments could also fund supporting roles of a team such as managers, trainers, cheerleading and even mascot positions. The survey asks school to disclose all areas that fall under the endowment program and their financial level of support from donors.

Financially, the survey investigates the total amount invested in the endowment program over the last year and what financial return that endowment brought back in revenue to the athletic department. Of that return, what portion is added to the principal and what percentage is spent as an expense on scholarship, tuition or other expenses? The survey also seeks to identify what criteria are used in awarding the endowed scholarship to the student-athlete and who sets those criteria?

Donor motivation is also examined to gauge what are the prime reasons for donors to contribute to the program. Donors are also broken down into groups of alumni, letter winners and no previous academic affiliation to look at what groups are the most involved. Finally, the survey examines any potential conflict a development office in athletics may have with the institution of higher education's development office with respect to approaching similar donors.

Such research will be invaluable to athletic directors and athletic development leaders in discerning the strengths and weaknesses, fair market value and set-up of endowment programs within their own athletic departments. No previous scholarly literature exists and the findings would lead to useful initial data for leaders in the field to apply. Such a program can yield a financial revenue stream that a solid investment can provide financial dividends for years to come.