Cost Control: The Challenge for Intercollegiate Athletics

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Literature

For three decades intercollegiate athletics has grown both in numbers of teams and student athletes. During the 2007-08 academic year, 17,682 teams competed, representing a 60 percent increase since 1981-82. In the same time frame, the number of student-athletes rose 78 percent, to 412,768 (Belson, 2009). Although athletics has weathered prior recessions, the current economy is forcing deep cuts. Stanford University is not unusual in its athletic budget reductions: $1.8 million in 2008-09, $3 million in 2009-10, and $4.5 million in 2010-11 (Belson, 2009).

The efforts of colleges and universities to control athletic costs can be arranged along three lines: improvements in accounting information systems; long term strategies for cost control; and short term strategies for cost control. The need for improved cost information was recognized by the National Collegiate Athletic Association (NCAA) in the early 1990s when an association survey showed that "athletic departments report from 24 to 37 percent of their total expenses as Expenses Not Related to Specific Sports" (National Association of College and University Business Officers, 1993). Since the control of such indirect costs often was ignored, the Georgia Tech athletic department implemented its "Responsibility Center Approach" (RCA) to reporting and budgeting. Under the RCA, previously unallocated indirect costs were allocated to specific sports to arrive at a true cost of each sport (Stutspeck, Milani, and Murphy, 1993). Tuttle (2009) advocated the use of activity based costing, a more sophisticated costing model, not only to promote cost control in athletics but to improve uniformity of financial information across institutions.

Among long term strategies for cost control, the elimination of teams often has been used by athletic programs. Although women's teams have been dropped for cost savings, cutting men's teams has served the additional purpose of achieving substantial proportionality, one means of meeting the three prong test of Title IX regulations (34 C.F.R. Section 106.41(c)). Another long term approach to cost control is the establishment of a hierarchy among teams. The University of Virginia stratified and prioritized its athletic program into four tiers. The first tier, comprised of football and men's and women's basketball, is expected to compete for national championships. A second tier, including the lacrosse teams, receives nearly as much institutional support. All women's teams not in the first two tiers constitute tier three, while the fourth tier includes all remaining men's teams (Suggs, 2001). Except for closing the athletic program altogether, the ultimate step in cost reduction that an institution might take is to drop into a lower NCAA division for competition. In particular, this action reduces scholarship commitments. However, in the ambitious world of athletics, this generally is a road not taken.

The current recession has witnessed a number of short term strategies. Proportional, or across the board, cuts in teams' budgets are common, but when such strategy is applied for a sustained period, it can weaken the competitive position of the teams. More creative initiatives are found at all organizational levels, especially with respect to reduction in travel costs. Many institutions have implemented these unilaterally. The University of California, Berkeley, traveled by bus, rather than plane, to a football game in 2009 at the University of California, Los Angeles. Conferences also have made cost cutting moves. The Pacific Ten conference eliminated out of town lodging for the home team on the eve of football games. At the highest level, the NCAA has proposed legislation that would limit travel of teams in Olympic sports during their regular seasons prior to NCAA championship competition.

As with matters other than cost control, most athletic programs take their cues from the elite programs. In testimony before the Knight Commission, Robert Zemsky emphasized that these athletic programs, about 40 in number, have the revenue to support teams well and set the standard for all other programs. Hence, Zemsky concluded that meaningful cost control must start at top of the institutional pyramid (Carey, 2009).
Method

The authors propose a mixed methods study of cost control, consisting of structured interviews of athletic directors (ADs) and athletic department chief financial officers (CFOs), as well as a national survey of athletic administrators in those positions at NCAA Division I institutions. The structured interviews will focus on a convenience sample of institutions within the Southeastern Conference (SEC). In light of Zemsky's remarks, the conference might prove a bellwether for other respondents. However, the authors recognize also the limitations presented by the relative affluence of the SEC and the issue as to whether data from this group are generalizable. The national survey of ADs and CFOs thus provides a broader sample and a valuable contrast with the administrators from the SEC.

The instrument is organized by three research questions, in conformity with the literature described above: (1) Does your accounting information system facilitate the analysis, control and reduction of cost? (2) What long term cost control strategies (e.g., elimination of teams) have you employed? (3) What short term cost control strategies (e.g., reduction in travel) have you employed?

Implications

While revenue generating sports such as football and men's basketball will survive at most Division I institutions, other sports face an uncertain future. Tim Curley, athletics director at Penn State, told the Knight Commission in 2009, “Without changes, the number of sports will be reduced, mostly at the men's Olympic sports level, many of which could return to club status” (Curley, quoted in Carey, 2009). John Colombo, professor of law at the University of Illinois, told the commission that the failure of higher education institutions to show diligence in cost control could lead Congress to reconsider the tax exempt status of intercollegiate athletics (Carey, 2009).