Where Does ROI Reign Supreme in NCAA Division I? Examining the Relationship Between Athletic Expenses and Directors' Cup Points

Landon T. Huffman, The University of Tennessee, Knoxville
Tim Mirabito, The University of Tennessee, Knoxville

Management/leadership **Saturday, June 1, 2013** **20-minute oral presentation (including questions)**

Abstract 2013-313 **4:30 PM** **(Room 416)**

Research indicates successful intercollegiate athletic departments positively enhance their respective university (Canale, Dunlap, Britt, & Donahue, 1996; Davis & Van Dusen, 1975; Fisher, 2009; Frans, 2002; Shulman & Bowen, 2002; Slaughter & Leslie, 1997). However, athletic departments commonly face criticism in the public domain due to the perception that these departments do not fulfill the mission of higher education (Sharp & Sheilley, 2008). One point of tension is resource allocation to and within athletic departments. Despite budget cuts and hiring freezes at universities across the United States, NCAA Division I athletic departments often have multi-million dollar operating budgets. Further, their expenses continue to rise in response to offer similar athletic resources (coaching salaries, facilities) comparable to their peer institutions in which they compete (King, Sexton, & Rhatigan, 2010; Tsitsos & Nixon, 2012). However, research also demonstrates economic disparity exists among Division I schools despite the NCAA's goal to create an equal playing field. Amidst the growing gap of economic inequalities among NCAA Division I institutions (Knight Commission on Intercollegiate Athletics, 2010), it is critical to analyze return on investment (ROI) of Division I athletic departments to encourage fiscal efficiency, responsibility, and accountability among peer institutions.

The purpose of this study was to examine fiscal efficiency in college athletics by investigating the ROI of NCAA Division I athletic departments. In this study, ROI was determined as a function of athletic department success (modified Directors' Cup points) and athletic department expenditures (modified from expense reports mandated by the Equity in Athletics Disclosure Act). It is vital for athletic administrators to determine how to allocate their finite resources given there has been an increase in athletics spending and revenue has not increased at the same rate (Bolman & Deal, 2008). Furthermore, spending by intercollegiate athletic departments has been scrutinized due to their tax-exempt status, multi-million dollar marketing deals with corporate entities (Thomas, 2006), receiving large subsidies from public institutions who in turn are supported by federal and state funds (Alexander, 2010), and alumni being solicited for donations from multiple university departments (King et al., 2010). These criticisms are amplified given the broader context that athletic teams and entire sports are being eliminated, athletic departments are accruing greater debt service, and head coaching and assistant coaching salaries continue to rise (Knight Commission on Intercollegiate Athletics, 2010; Zimbalist, 2010). Consequently, intercollegiate athletic administrators must evaluate their respective fiscal efficiency, and make changes where appropriate, in order substantiate the decisions that are made relative to the core values of their university, athletic department, and NCAA.

This study investigated the differences between the ROI of Football Bowl Subdivision (FBS), Football Championship Subdivision (FCS), and Division I No Football intercollegiate athletic departments. The researchers chose to quantify athletic success according to the scoring standards set forth by the National Association of Collegiate Directors of Athletics' (NACDA) Directors' Cup. These units were modified to more accurately capture overall athletic success. For example, the Directors' Cup sums points based on the top 20 post-season finishes by teams at a single institution on an annual basis. However, these units were adapted by simply tabulating the total Directors' Cup points for all team finishes (not only the top 20 finishes). Researchers had access to seven years of Directors' Cup scores, so the calculated ROI is an aggregated total determined over a seven-year period. As for the independent variable, data measuring overall athletic department expenditures was collected from EADA reports; however, financial aid expenses were excluded from cumulative expenses to better compare ROI by removing cost of tuition from the equation. Additionally, the number of unduplicated participants was inserted into the equation. Therefore, the final independent variable used was expense per student-athlete per year, and the final dependent variable was Directors' Cup points per student-athlete per year.

Initial linear regression analysis indicated a positive relationship existed when examining each Division I subdivision independently. Expenses per student-athlete predicted the most variance of Directors' Cup points per student-athlete in Division I FBS, and predicted the least variance of Directors' cup points per student-athlete in Division I No Football. This is evidence that in the FBS, in general, the greater the expense per student-athlete the greater the likelihood of earning more Directors' Cup points per student-athlete. Additionally, each subdivision appears to exhibit an increase in variance as expense per student-athlete increases, which suggests less explanation and diminishing returns regarding athletic success as Division I institutions invest more money per student-athlete. Further analysis, which will be discussed in the presentation, will examine differences between specific rates of ROI for individual athletic departments, which will illustrate the NCAA Division I schools and subdivisions which operate most efficiently according to the defined variables.

Given the recent emphasis on athletic department's budgets and resource allocation, it is essential for athletic administrators examine their athletic department's ROI and adjust their allocations accordingly. Making information financial decisions based on empirical data is critical for the sustainability of athletic departments. Results from this study will also encourage administrators to reflect on their fiscal efficiency as it pertains to whether they are meeting their institution's goals, mission, and vision.