Public Goods Generated by Intercollegiate Athletics: Student's Willingness to Pay Increased Athletic Fees

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While revenues have been increasing for a small percentage of National Collegiate Athletic Association (NCAA) football bowl subdivision (FBS) programs, the majority (82%), have seen a larger increase in expenses due to an attempt to compete within the intercollegiate athletic arena, in what has been deemed an “arms race” by many (Edwards, 1984; Brown, Rascher, Nagel, & McEvoy, 2010; Tsitos & Nixon, 2012). This arms race has led many universities to spend money to keep up with larger conferences where budgets can exceed $100 million. Since 2004, “median total expenses have increased by over 114.6 percent” (Fulks, 2014, p. 12). Ticket sales and booster contributions have long been the mainstays of revenues for athletic departments (Fulks, 2014), with the continued increases in expenses there is a need to examine all avenues where potential revenues may exist.

One potential revenue source can be found in the student body. Researchers have suggested community can be created by intercollegiate athletics, providing a “rallying point” (Clopton, 2007, p. 103). This community benefit could also be known as a psychic impact (income) which is the emotional impact from having the public good of intercollegiate athletics on a particular university campus. Psychic impact is a form of positive externality, which is a benefit, produced by the intercollegiate athletics programs in this case which cannot be captured by those in the athletic department or university who sell tickets and accept booster donations (Brown et al., 2010). A public good is a good that is non-rivalrous and non-excludable by nature, meaning that more consumption by one individual does not limit the availability of the good to be consumed by another and the consumer cannot be excluded from consuming the good (Taylor & Weerapana, 2010). Intercollegiate athletics exemplify this definition of public goods and since sports are a “socially-consumed commodity” (Sanderson, 1999, p. 189) there needs to be a way to measure the value of such an important commodity.

Public goods are non-market goods. It can be difficult to place a value on their consumption since there is not a market price. According to Lipton, Wellman, Sheifer, and Weier (1995) there are direct and indirect techniques to measure the value of a non-market good. The indirect approach relies on observations of behavior to determine the value of a product or service to a consumer, where the direct approach is to ask a consumer how much they are willing to pay (WTP) to consume the desired product or service. Indirect measurement includes such techniques as the travel cost method, random utility models, and hedonic pricing techniques. The contingent valuation method (CVM) is the direct approach to measuring an individual’s WTP. The CVM is a survey based method which elicits a hypothetical scenario for consumers to place a monetary value on the overall WTP by extrapolating the results from the survey sample to the target population.

While the CVM has been used in numerous studies within the sport management literature (Johnson & Whitehead, 2000; Barros, 2002; Groothuis, Johnson, & Whitehead, 2004; Owen, 2006; Castellanos & Sanchez, 2007; Santo, 2007; Atkinson, Mourato, Szymanski, & Ozdemiroglu, 2008; Fenn & Crooker, 2009; Drayer & Shaprio, 2011; Wicker, Hallmann, Breuer, & Feiler, 2012; Johnson, Whitehead, Mason, & Walker, 2013; Harter, 2015) researchers have not attempted to measure the public goods generated for an intercollegiate athletics department by examining the WTP of college students to pay increased athletic fees to support their institution’s athletics programs. With this study I plan to address this hole in the sport management literature by answering the question, how much are students willing to contribute to maintain or increase funding for an intercollegiate athletics department by answering the following research questions:

1. What are the private consumption benefits derived by students who attend FSU sporting events?
2. What are the public consumption benefits derived by students who attend FSU sporting events?
3. What are the public consumption benefits derived by students who do not attend FSU sporting events?
4. What is the overall economic value FSU students derive from the FSU athletics department?

Data collection for this study was conducted via an online survey at Florida State University over the summer and early fall semesters. There were two collection methods utilized for this study. One being a student subject pool within the College of Education and the second was to make contact with numerous student groups across campus. Emails were sent to group leaders asking for their help to disseminate an email with the link for the online survey. A double bounded CVM approach was implemented, asking an initial WTP question with a follow up question that is dependent upon their initial responses. With this study I have finished the data collection process and have begun the data analysis. The study’s overall response rate was 90.15% with a sample size of N=619. There were 41,773 students enrolled for the fall 2014 semester.

The data analysis will begin with a discrete data analysis of the demographic data which will be collected in the CVM study. When conducting the analysis for a CVM study a researcher may use one of the following statistical tools: probit, logit, or Tobit models. Probit models are used when the distribution of the WTP is normal. Logit models are used when the distribution is in log form, and Tobit models are used when there is a censored regression. Censored regression occurs when one of the distribution tails is censored. In the case of the CVM study, Tobit regression should be the choice due to the WTP values not being under zero, or negative values. The dependent variable in the WTP function is a randomly assigned WTP bid amount, and the independent or explanatory variables will include opinions about college athletics, consumption of FSU athletics, knowledge of the existence of an athletic fee, gender, ethnicity, age, classification at FSU, how tuition is paid for, income, political party, and marital status.

The complete findings will be presented at the conference.