

A FINANCIAL ANALYSIS OF REVENUE AND EXPENDITURE TRENDS WITHIN
DIVISION I ATHLETIC DEPARTMENTS

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ABSTRACT

DANIELLE M. GAYNOR: A Financial Analysis of Revenue and Expenditure Trends within
Division I Athletic Departments
(Under the direction of Coyte G. Cooper, Ph.D.)

The Knight Commission cites two critical spending issues in Division I college athletics: the imbalance of rapidly rising expenditures against slow-moving revenues and the widening gap between wealthy conferences and struggling conferences (2009a). The purpose of this study is to compare revenue and expenditure trends in men's revenue sports, men's non-revenue sports, and female sports from 2006-2009, to determine if differences in distributive justice principles exist in budget decisions across the three athletic department levels: Football Bowl Series (FBS), Football Championship Series (FCS), and the Non-Football Subdivision (Division I without Football). FBS institutions were found to almost completely abide by equity principles when making budgetary decisions while the FCS and Non-Football Subdivision made more decisions founded in principles of equality and need. The study is significant to institutions looking to add or drop varsity programs within their sub-classification, gain a financially competitive edge, or reclassify in the Division I structure.

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CHAPTER I

INTRODUCTION

Embedded in United States culture is an affinity towards equality. Fair game theory, which engulfs aspects of equality and mirrors the ideals of the “American Dream,” states that open-entry competitive systems such as trials, political races, and athletic competitions are all fair contests because any skilled entrant has the opportunity to win (Reilly, 2008). Such was the case for the 2010 Division I NCAA Men’s Basketball Championship. All Division I NCAA Men’s Basketball teams had the ability to qualify for the tournament, and take home the championship trophy. Competing in the final game was the Duke University Blue Devils and the Butler University Bulldogs. The reality of fair game theory is that on the road to becoming the winner, different individuals come across certain resources easier than others (Reilly, 2008). In the aforementioned situation, Duke University was presented with greater financial resources. The Blue Devils have a men’s basketball operating budget of \$13.8 million a year, compared to the Bulldogs budget of \$1.7 million a year (Dunlap, 2010). Greater financial resources provide the ability to do more extensive recruiting, greater opportunities to travel and access to state-of-the-art facilities. The Duke Blue Devils are classified by the NCAA as a Division I Football Bowl Series (FBS) institution, the highest feasible level of intercollegiate competition in football as well as men’s basketball. The institution invests \$71 million a year in intercollegiate athletics supporting 616 student-

athletes, ultimately spending \$115,260 per athlete (US Department of Education, 2009). Their opponent, the Butler Bulldogs, is categorized by the NCAA as a Division I Football Championship Series (FCS) institution. FCS schools are the second-tier classification of intercollegiate competition in football, but they can compete for a Division I national championship at the top-tier in all other university sponsored sports. Butler University serves 347 student athletes and chooses to invest \$11.2 million a year in intercollegiate athletics. Their budget is a mere 16% of Duke University's athletics budget, ultimately spending \$32,277 per athlete (USDOE, 2009). The large budget discrepancy shows the natural break of the Division I classifications into a "haves" (FBS) and "have-nots" (FCS/Division I w/o football) class structure, paralleling the availability and attainability of resources in the form of facilities, fan bases, and scholarships (National Collegiate Athletic Association, 2009c). The 2010 NCAA men's basketball final was a financially unforeseeable FBS-FCS match-up that came down to a last second shot resulting in Duke escaping with a 2 point margin of victory. Butler University's presence in the 2010 men's basketball final marked the first time in 19 years that an institution classified at a lower Division I tier advanced to the championship game (Division I Men's Basketball History, 2010). The lack of success of these "have not" programs in top-tier Division I championship competition illustrates the power of finances in intercollegiate athletics.

In their 2009 report entitled "College Sports 101: A Primer in Money, Athletics, and Higher Education in the 21st Century" the Knight Commission cited two critical spending issues in Division I college athletics. The first is the imbalance of rapidly rising expenditures against slow-moving revenues. Coaching salaries, facility upgrades, and varsity sport operations alike continue to grow each year, often in excess of revenue sources. According

to the Center for College Affordability and Productivity report (2006), only 19 FBS institutions generated positive revenue for the year. The remaining 100 programs reported negative revenues, with a median loss of \$8.9 million (Denhart, Vilwock, & Vedder, 2004b). Miles Brand, in his 2006 state of the association speech, referenced the issue with a call to change, stating, “continued growth of athletics departments budgets is fully appropriate, but the rate of growth needs to be moderated in many cases” (Brand, 2006).

Much of the expenditure surge can be attributed to the college sport “arms race” where institutions continually input time and resources (e.g., facility renovations and upgrades) into their revenue sport programs in an effort to gain a competitive advantage (Benford, 2007). From 1995-2005 alone, intercollegiate athletic departments across the country invested \$15.2 billion dollars into their athletic facilities (King, 2005) and the investment pattern does not appear to be slowing down. In 2007, the University of Kentucky opened a \$30 million basketball practice facility (Medcalf, 2007). That same year Texas A&M funded a \$38 million Indoor Football and Track Complex followed by a \$22 million basketball practice facility in 2008 (“A Texas-size,” 2007).

The second critical spending issue cited by the Knight Commission references the budget discrepancies between the “haves” and the “have-nots”. According to the 2009 study, “the wide gap between wealthy conferences and struggling conferences is growing wider, deepening the class structure”. For example, one of the major differentiating revenue factors for Division I institutions is accessibility to lucrative television contracts. Football Bowl Subdivision Conferences, whose football product has consumer demand in large television markets, are able to negotiate multi-million dollar television contracts, allocating millions to each member institution annually. Conferences such as the ACC and SEC in the FBS can

enjoy television deals from ESPN paying out \$155 million and \$205 million a year respectively (Sawchik, 2010).

Conferences in the FCS subdivision or conferences not supporting football programs do not have access to revenues from bowl games or lavish conference contracts to fund their athletic departments. In order to off-set some of the financial imbalance, most Division I athletic departments, especially those on the less financially fortunate tier of the fiscal spectrum, rely heavily on subsidies from their University in the forms of direct institutional support and/or student fees (Fulks, 2009). From 2004-2006 alone, allocated revenues from Division I universities increased by 57.1% (Denhart et al., 2009). At Ohio University, a Mid-American Conference institution located on the lower end of the FBS financial spectrum, 75.02% of their total budget (equating to just over \$14.5 million dollars) is allocated to the athletic department from the university, causing increased tension between the academic and athletic departments (“Seething over sports,” 2010). According to the College Affordability and Productivity report by Denhart, Vilwock, and Vedder (2009), the average undergraduate student fee allocation going directly to athletics was \$81.13 in 2006. The Knight Commission went on to find that universities not supporting football programs ask students to bear approximately 18% of the total department budget through student fees; the largest student fees (2009c).

Coinciding with increased athletic fees, academic institutional costs continue to rise at rates higher than inflation (Glater, 2007). In a down economy, students and staff who feel injustice from the university athletic allocation system are becoming more boisterous than ever, demanding stabilization and in some instances student fee cuts (Asimov, 2010). The Knight Commission warns, “The success of major conferences and their institutions in the

media marketplace may render second-tier conferences and their institutions invisible, destroying the investment such universities have made in ‘big-time’ [Division I] athletics” (2009c, p. 25). With the exception of football, the current Division I system provides an opportunity for all member institutions to compete for a national title in each respective sport. It is hard to conceptualize this idea under the current financial circumstances.

The pair of issues, increasing individual member debt within all Division I institutions accompanied by an increase in the gap between the “haves” and the “have-nots” may no longer be sustainable for all Division I member institutions moving forward. Miles Brand called for a solution to the issue in his 2006 State of the Association speech, claiming:

The key take away point is that we need to follow the best financial practices on both the revenue and expenditure sides. The immediate goal is to identify best practices and articulate them in a way that will assist [NCAA] members in managing the enterprise (Brand, 2006).

Statement of Purpose

The purpose of this study is to compare revenue and expenditure trends in men’s revenue sports, men’s non-revenue sports, and female sports from 2006-2009, to determine if differences in distributive justice principles exist in budget decisions across the three Division I athletic department levels: Football Bowl Series (FBS), Football Championship Series (FCS), and the Non-Football Subdivision (Division I without Football).

Research Questions

- 1) Are there differences in the [1A, 1B, 1C, 1D] when focusing on NCAA Division I football classification (FBS, FCS, and Division I without football) of athletic institutions?

[1A] Number of Varsity Sports Sponsored

[1B] Total Number of Student Athletes

[1C] Total Revenues

[1D] Expense per Athlete

- 2) Are there differences in [2A, 2B, 2C, 2D, 2E] within men's revenue sports, men's non-revenue sports, and women's sports when focusing on NCAA Division I football classification (FBS, FCS, and Division I without football) of athletic institutions?

[2A] Total Expenditures

[2B] Grant-in-aid

[2C] Coaching Salaries and Benefits

[2D] Team Travel

[2E] Recruiting

- 3) Are there differences in [3A, 3B, 3C, 3D, 3E, 3F, 3G, 3H] within men's revenue sports, men's non-revenue sports, and women's sports when focusing on NCAA Division I football classification (FBS, FCS, and Division I without football) of athletic institutions?

[3A] Total Generated Revenues

[3B] Ticket Sales

[3C] NCAA & Conference Distributions

[3D] Cash Contributions from Alumni and Others

[3E] Broadcast Rights

[3F] Royalties/Advertising/Sponsorship

[3G] Direct Institutional Support

[3H] Student Fees

Definition of Terms

1) *Change*: The difference (2009 figure minus 2006 figure) in spending in each revenue or expense line item. The change will be documented as a dollar figure as well as percentage.

2) *Football Bowl Series (FBS)*: System to determine NCAA Division I football national champion. The FBS represents the top-tier of athletically competitive institutions and is run independently from the NCAA championship. To be eligible for FBS status, a member institution must meet additional NCAA football scheduling, attendance and financial aid requirements. Also referred to as the “have” institutions.

3) *Football Championship Series (FCS)*: NCAA playoff system to determine subdivision football national champion. The FCS represents the bottom-tier of athletically competitive institutions at the Division I level and is run by the NCAA with no additional requirements for football attendance or financial aid. Also referred to as the “have not” institutions.

4) *Non-football Subdivision (Div I w/o Football)*: Schools recognized by the NCAA as Division I member institutions, but do not support Division I football programs. Also referred to as the “have not” institutions.

5) *Men's revenue sports*: Identified as football and basketball, these two sports are expected (have the proven potential) to produce positive net revenues. Athletic departments hold these sports to the expectation of generating enough revenue to support the other athletic programs in the department.

6) *Men's non-revenue sports*: Also referred to as "Olympic Sports" as they do not traditionally generate net revenue but do hold value in continuing to develop the student-athlete for international competition. Men's NCAA Division I non-revenue sports include Baseball, Cross Country/Track, Fencing, Golf, Gymnastics, Ice Hockey, Lacrosse, Rifle, Skiing, Soccer, Swimming, Tennis, Volleyball, Water Polo, and Wrestling.

7) *Women's sports*: Like men's non-revenue sports, these programs are also referred to as "Olympic Sports" as they do not traditionally generate net revenue but do hold value in continuing to develop the student-athlete for international competition. The NCAA mandates that Division I members support at least 7 women's sports. Women's NCAA Division I sports include Basketball, Bowling, Crew, Cross Country/Track, Equestrian, Fencing, Field Hockey, Golf, Gymnastics, Ice Hockey, Lacrosse, Rifle, Skiing, Soccer, Softball, Swimming, Synchronized Swimming, Tennis, Volleyball, and Water Polo.

8) *Number of varsity sports sponsored*: Count of all NCAA recognized varsity intercollegiate athletic teams at a single member institution.

9) *Total number of student athletes (participants)*: Count of all students who, as of the day of a varsity team's first scheduled contest (A) Are listed by the institution on the varsity team's roster; (B) Receive athletically related student aid; or (C) Practice with the varsity team and receive coaching from one or more varsity coaches. A student who satisfies one or more of these criteria is a participant, including a student on a team the institution designates

or defines as junior varsity, freshman, or novice, or a student withheld from competition to preserve eligibility (i.e., a redshirt), or for academic, medical, or other reasons. This includes fifth-year team members who have already received a bachelor's degree (National Collegiate Athletic Association [NCAA], 2009c).

10) *Total expenditures*: The sum of all expenses from grant-in-aid, guarantees and options, salaries and benefits (university and third party paid), severance pay, team travel, recruiting, equipment/uniforms/supplies, fundraising, game expenses, medical, membership dues, sports camps, spirit groups, facilities maintenance and rental, indirect institutional support, and other (NCAA, 2009c).

11) *Grant-in-aid*: The total amount of athletically related student aid awarded, including summer school and tuition discounts and waivers (including aid given to student-athletes who have exhausted their eligibility or who are inactive due to medical reasons). Athletics aid awarded to non-athletes (student-managers, graduate assistants, trainers) (NCAA, 2009c).

12) *Coaching salaries and benefits*: The total gross salaries, bonuses and benefits provided to head and assistant coaches, which includes all gross wages, benefits and bonuses attributable to coaching that would be reportable on university and related entities (e.g., foundations, booster clubs) W-2 and 1099 forms (e.g., car stipend, country club membership, entertainment allowance, clothing allowance, speaking fees, housing allowance, supplemental retirement allowance, compensation from camps, radio income, television income, tuition remission, earned deferred compensation benefits) (NCAA, 2009c).

13) *Team travel*: The total amount in air and ground travel, lodging, meals and incidentals for competition related to preseason, regular season and postseason. Amounts

incurred for food and lodging for housing the team before a home game also should be included. Include value of use of the institution's own vehicles or airplanes as well as in-kind value of donor-provided transportation (NCAA, 2009c).

14) *Recruiting*: The total amount in transportation, lodging and meals for prospective student-athletes and institutional personnel on official and unofficial visits, telephone call charges, postage and such. Include value of use of institution's own vehicles or airplanes as well as in-kind value of loaned or contributed transportation (NCAA, 2009c).

15) *Total revenues*: The sum of all generated and allocated revenues from total ticket sales, NCAA and conference distributions, guarantees and options, cash contributions from alumni and others, third party support, concessions/programs/novelties, broadcast rights, royalties/advertising/sponsorship, sports camps, endowment/investment income, miscellaneous, direct institutional support, indirect institutional support, student fees, and direct government support (NCAA, 2009c).

16) *Generated revenue*: All revenue produced directly by a member institutions' athletic department. Generated revenues include ticket sales, NCAA and conference distributions, cash contributions from alumni and others, broadcast rights, and royalties/advertising/sponsorship.

17) *Allocated revenue*: All revenue produced by a source external to the member institutions' athletic department. This revenue is then redirected to athletics to offset spending in excess of the amount produced by generated revenues. Allocated revenues include direct institutional support and student fees.

18) *Ticket sales*: All generated revenue received from sales of admissions to athletics events. Included in the ticket sales are those admissions to the public, faculty and students,

and money received for shipping and handling of tickets. Not included are ticket sales for conference and national tournaments that are pass-through transactions (NCAA, 2009c).

19) *NCAA and conference distributions*: All generated revenue received from participation in bowl games, tournaments and all NCAA distributions. This category includes amounts received for direct participation or through a sharing arrangement with an athletics conference, including shares of conference television agreements. Also Included is any payments received from the NCAA for hosting a championship (NCAA, 2009c).

20) *Cash contributions from alumni and others*: All generated revenue received directly from individuals, corporations, associations, foundations, clubs or other organizations that are designated, restricted or unrestricted by the donor for the operation of the athletics program. Included are amounts paid in excess of a ticket's value. Contributions shall include cash, marketable securities and in-kind contributions. In-kind contributions may include dealer-provided automobiles (market value of the use of a car), apparel and soft-drink products for use by staff and teams (NCAA, 2009c).

21) *Broadcast rights*: Institutional generated revenue received directly for radio and television broadcasts, Internet and e-commerce rights received through institution-negotiated contracts (NCAA, 2009c).

22) *Royalties/Advertising/Sponsorship*: All generated revenue from corporate sponsorships, licensing, sales of advertisements, trademarks and royalties. Included is the value of in-kind products and services provided as part of the sponsorship (e.g., equipment, apparel, soft drinks, water and isotonic products) (NCAA, 2009c).

23) *Direct institutional support*: All allocated revenue received through institutional resources for the current operations of intercollegiate athletics, as well as all unrestricted

funds allocated to the athletics department by the university (e.g., state funds, tuition, tuition waivers and transfers). Also included is Federal Work Study support for student workers employed by athletics (NCAA, 2009c).

24) *Student fees*: All allocated revenue received through required dues paid to an institution by all students in attendance that are assessed and restricted for support of intercollegiate athletics (NCAA, 2009c).

Assumptions

Consistent with the reviewed literature surrounding Division I athletic department budget reporting systems, the assumptions for this study are:

- All NCAA figures and calculations are accurate.
- All official athletic department websites' sponsored sport counts are accurate.
- Institutions will not be individually identified; members will only be grouped by sub-classification (FBS, FCS, or Div-I w/o football).

Limitations

Based on the NCAA's standardized Division I financial reporting measures, the following limitations are in place:

- Capital Projects cannot be assessed in the study because the NCAA has not yet standardized an accounting method for this expense item.
- Due to NCAA reporting procedures, revenue and expense reporting broken down by (a) men's revenue sports (b) men's non-revenue sports, and (c) women's sports cannot be determined for variables 2B, 2D, 2E, and 3B-3H.

Delimitations

In accordance with the methodology in the study, the delimitations associated with data collection and analysis will be:

- Only NCAA Division I member institutions used
- NCAA reports and official athletic department websites reports will be used to examine financial information
- Four years of financial information (2006, 2007, 2008, 2009) will be assessed

Significance of Study

The NCAA Division I philosophy calls for members to “maintain institutional control over all funds supporting athletics” (National Collegiate Athletic Association [NCAA], 2009b, p. 338). With increasing expenditures in the college sports “arms race” paired with slow-moving revenues, it appears as if this NCAA philosophy is more of an ideal than a true achievable goal. This study will put a quantitative perspective on the “unsustainable spending crisis” in college sport (Knight Commission, 2009a) in an attempt to not only show the spending trends over the past 4 years, but put into perspective the spending gap between Division I sub-classifications. Further, the study is relevant to institutions looking to (1) add or drop particular programs within a sub-classification, (2) to gain a financial competitive edge within their sub-classification, and/or (3) reclassify in the Division I structure.

Institutions looking to compete and reap the rewards that stream from “big time” athletics need to understand the price tag that supplements these types of programs. Depending on the mission of an individual institution, athletic departments must understand how much capital it will take to simply compete with top sport programs, versus how much capital it will take to have a financially competitive advantage. Looking at recent economic

trends, Division I members can better forecast future financial patterns and align their athletic department strategy accordingly.

CHAPTER II

REVIEW OF LITERATURE

“A reoccurring theme in intercollegiate athletics is the tension between universities focusing on sports that can make the most money and universities claiming the main goal is to provide a positive experience for all athletes” (Patrick, Mahony & Petrosko, 2008, p. 165). These divergent interests are reflected in athletic department models and subsequent budgets within NCAA Division I member institutions. The scope of the aforementioned divide between athletic department money-making goals and participation goals can be understood through financial resource allocations.

Organizational Theory

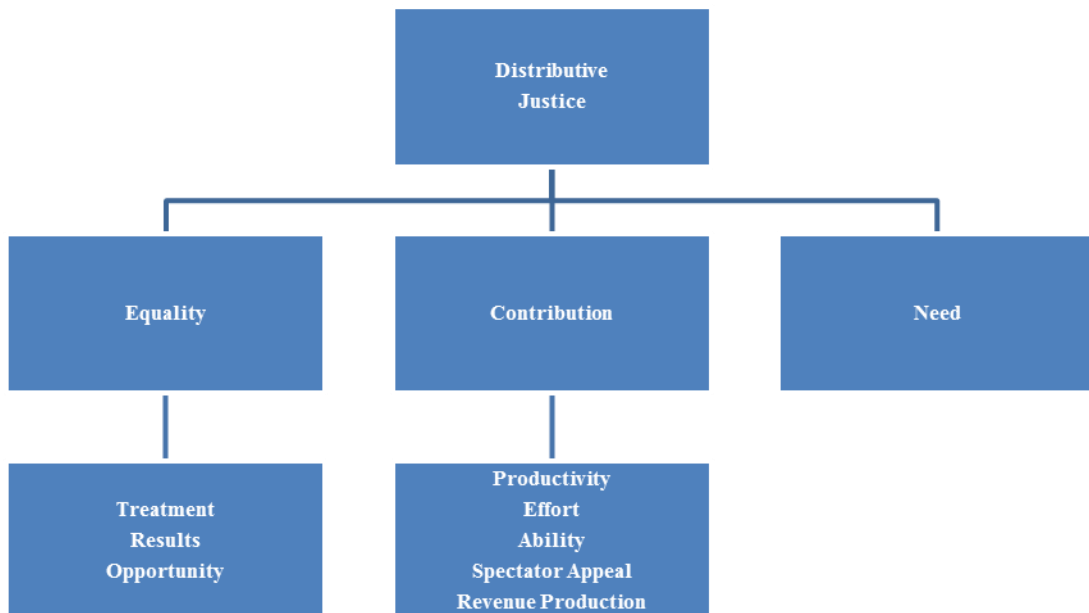
Organizational theory is the study of perceptions of fairness in an organization (Whisenant, 2005). There are two components to which one judges fairness within the organization: procedural justice and distributive justice. In intercollegiate athletics, procedural justice systems have been standardized through the Office of Civil Rights as well as the National Collegiate Athletics Association. Under their regulations, most notably the passage of Title IX, different allocations of resources to men’s and women’s programs still exist (Knight Commission, 2009c). Hums and Chelladurai (1994b), in their study of allocation fairness perceptions of Division I, II, and III intercollegiate coaches and administrators, suggests that the lack of formal inequity complaints under the current procedural justice system indicates that there is (1) a lack of confidence in existing legal

remedies, (2) there are no inequities/current inequities are being removed, and/or (3) persons in intercollegiate athletics accept the differential allocation of resources as just (1994b). To better understand the reasoning as well as decision-making processes of athletic department constituents, distributive justice theory must be explored.

Distributive Justice Theory

Distributive Justice is formally defined as the fairness of the ends achieved (Mahony & Pastore, 1998). The theory is equally applied to both distributions as well as retributions. Shown in Figure 1, “fairness” is the assessment of three independent principles: equality, contribution/equity, and need (Hums & Chelladurai, 1994a).

Figure 1. *The Conceptual Model of Distributive Justice in Intercollegiate Athletics*



Equality. Equality is rooted in the idea that each individual or group in the organization is rewarded in the same fashion (Hums & Chelladurai, 1994b). Organizations that focus on equality are often those that wish to foster enjoyable social relations (Deutsch, 1975), or those where there is a sense of a common fate (Mahony, Hums & Riemer, 2002). Such is the case at Division III Universities. There is a cohesive relationship between the athletic department and university itself where the source of all athletic funding comes directly from the university, who in turn counts on athletics to boost enrollment (Quinn, 2010). Equality can be further divided into three domains: equality of treatment, equality of opportunity, and equality of results (Hums & Chelladurai, 1994b). Equality of treatment ensures that in a given situation, each individual or group endures the same accommodations. For example, when athletic teams are traveling, all programs in the department are transported in the same manner and are housed in equivalent hotels. Equality of opportunity grants each individual or group equal probability of receiving a reward. In an athletic department, an example of equal opportunity would equate to lifting time slots in the weight room. Each team would have an equal chance of receiving the 3pm time block. Finally, equality of results states that individuals or groups may receive different treatments at a particular time, but in the aggregate, these treatments balance out to equal results. For example, the women's basketball team may receive a locker room renovation in 2007 while the field hockey team must wait two years before their field is resurfaced. In the long-run, both programs receive upgrades producing equal results (Hums and Chelladurai, 1994b).

Equity. Equity looks at the proportion of a person or group's contribution to an organization as compared to another person or group's contribution (Hums & Chelladurai, 1994b). Equity is most commonly found in organizations where economic productivity is of

utmost importance (Deutsch, 1975). In equity situations, the individual or group putting forth the most receives the greatest share of resources or has fewer resources taken away (Mahony et al., 2002). Often in organizations, individuals become motivated to respond to perceived inequitable situations by adjusting their inputs to match their perception of an appropriate output or they adjust the outcome to match the level of input (Whisenant, 2005). In an athletic department, if coaches wish to increase their financial allocations, they are often encouraged to take strides to independently fundraise and/or market their program. For example, if the program can increase attendance figures (input) they have greater leverage to seek greater funding (output). As with equality, member contributions funnel down to specific domains. Equity is a function of effort, ability, productivity, spectator appeal, (Hums & Chelladurai, 1994b) and revenue production (Mahony & Pastore 1998).

Equity of effort is an internal function where those individuals or groups who work the hardest are given the greatest allotment of resources (Hums & Chelladurai, 1994b). For example, those teams who do the most community service hours may be rewarded with additional funding. Another internal entity, equity of ability, designates the greatest resources to teams with the most skilled players. In an athletic department this may mean that the team with the most high school All-Americans receives additional benefits. Equity of productivity states that the team that wins the most receives the greatest share of resources. This sub-principle has the greatest potential to be influenced by external forces such as task difficulty (Hums & Chelladurai, 1994b). For example, ones strength of schedule greatly affects their overall record. Last are two principles of equity unique to college sport: spectator appeal and revenue production. Spectator appeal deals with the entertainment value or attraction of a particular sport or even particular sporting match-up such as a historic rivalry (Hums &

Chelladurai, 1994b). Spectator appeal is evident in event ticketing. Many teams do not sell tickets in an effort to attract more spectators. Those sports/games that have elasticity can not only sell tickets, but raise prices to align with the degree of spectator appeal (Eschenfelder, 2007). In Division I intercollegiate athletics, spectator appeal appears to carry much greater weight than productivity. For example, at the University of North Carolina at Chapel Hill, the women's soccer team has won 20 NCAA national championships in the past 28 years (Division I Women's Soccer History, 2010), but does not have a significant fraction of the spectator appeal of the football program that has not won a conference championship since 1980 (Atlantic Coast Conference Football, 2010). Added in a 1998 study by Mahony and Pastore of NCAA Division I financial records, revenue production became the final equity domain. Revenue production is a quantitative measure where the team that produces the most revenue is granted the greatest amount of resources and/or has the least amount of resources taken away.

Need. The last component to the distributive justice model is the "need" principle. Under situations of need, allocations are awarded in accordance with the requirements of groups or individuals (Mahony & Pastore, 1998). In organizations, the need principle is used when personal development and personal welfare is the common goal (Deutsch, 1975), or the survival of groups is the most important criterion (Mahony & Pastore, 1998). An athletic department may employ the need principle in an effort to maintain a particular program.

Distributive Justice Principles in NCAA Institutions

In the context of intercollegiate athletics, there are a variety of resources and stakeholders that play a vital role in the allocation process. Recognized in the NCAA manual under the Division I philosophy statement, an athletic department is intended not only to

serve the student-athletes and the university, but additionally the college community and general public (NCAA, 2009c). Streams of annual revenue from elements such as ticket sales, merchandise and sponsorships are dependent on this public community, who are also targeted when private capital projects are solicited. With a dependence on revenue from external sources, athletic administrators must weigh the opinions and wants from all athletic department constituents when making distribution decisions. The following studies look to uncover how distributive justice is understood and applied in college athletic departments.

Views of NCAA Coaches and Administrators. One of the first studies to look at distributive justice in the unique setting of intercollegiate athletics was conducted in 1994 by Hums and Chelladurai. The authors used a distribution as well as retribution scenario survey to assess perceptions of justness in allocation decisions based on the principles of: (1) contribution/effort, (2) contribution/ability, (3) contribution/productivity, (4) contribution/spectator appeal (5) equality of treatment, (6) equality of opportunity, (7) equality of results, and (8) need. Demographically, subjects were grouped by (1) athletic department position (coach and/or administrator), (2) gender (Male or Female) as well as (3) NCAA Division membership (I, II, or III).

The aggregate results yielded only three principles as just: equality of treatment, need, and equality of results, respectively. All other principles, especially those with a contribution component, were viewed as unjust. There was only minimal variation when the sample population was divided into a demographic category. In terms of gender discrepancies, females tended to rate equality principles higher than males. In contrast, males tended to rate contribution principles as “more just” than females. In addition, across Divisions, as expected, Division I members rated the principles of contribution/productivity and

contribution/spectator appeal significantly higher than the Division II and –III members. Finally, the coach versus administrator position separation did not yield any significant results.

Although the contribution principles were not cited as fair, the authors called for greater investigation of these elements due to their likelihood of use in intercollegiate athletic departments. The authors believed that respondents may have answered in a socially acceptable manner and/or answered understanding that they do not have actual control in the decision-making process. For subsequent studies, Hums and Chelladurai called for an emphasis on the revenue production aspect of equity as well as a break-down of the need principle into more defined classifications (1994b).

Participation Opportunities, Revenues, and Expenses at NCAA Institutions.

Following the survey findings, Mahony and Pastore (1998) conducted an analysis of NCAA Revenue and Expense Reports from 1973-1993 to determine if resources were truly distributed in a manner that aligned with what coaches and administrators cited as the just principles. The authors were also interested to see the magnitude of the effects of Title IX in the resource distribution process across the 20 year period. The variables measured were: (1) revenue, (2) number of sports offered, (3) number of participants and (4) expenses (Mahony & Pastore, 1998).

Across the four categories, the authors found a significant push towards greater equities for female programs over the 20 year span. Both the number of sports teams as well as participation opportunities rose for women. Although seemingly righteous, the legal research revealed that the enhancement had far more to do with the legislation than a desire for fairness among administrators (Mahony & Pastore, 1998).

Revenue patterns showed that female programs brought in the least amount of revenue, at levels below men's non-revenue sports. The reports also showed losses in 66% of the DI-A "revenue producing" sports of football and men's basketball. On the expenditure side, although the women's sports budget rose significantly, the budget for the men's programs inflated at an even greater rate. The increases in football alone were higher than the increases for all women's sports combined. Poor cost containment and salary inflation were cited as reasons for the rapid upward spending patterns among schools (Mahony & Pastore, 1998).

By looking at the distribution patterns in the NCAA Revenue and Expense Reports, the just distribution principles cited in the study by Hums and Chelladurai (1994b) appear to be completely ignored in practice. Instead, athletic departments find additional ways to spend money on sports teams that are maintained with the greatest revenue potential rather than using the money to save/properly fund sports in jeopardy, showing a heavy emphasis on the "equity" principle. When additional finances were given to women's programs, they were often taken from the men's non-revenue sports, which were in need of the funds for survival. The drastic discrepancy in the allocation allotment between men's and women's programs as a whole shows that equality of both treatment as well as results can never finally be achieved. Although the "need" and "equality" principles were highlighted in the earlier study, in the aggregate, they were not used in practice (Mahony & Pastore, 1998). Singling out Division I-A, Mahony and Pastore (1998) uncovered a three-step process towards resource distribution athletic departments. First, men's revenue sports receive the largest portion of resources and are given the financial support they seek (regardless of whether they make money or not). Second, women's sports are given just enough to comply with the law. Lastly, men's non-

revenue sports receive whatever else is leftover after steps 1 and 2 have been accomplished (Mahony & Pastore, 1998).

Perceptions of Athletic Directors and Athletic Board Chairs. In an attempt to rationalize the conflicting results seen in the two previous studies regarding what coaches and administrators believe are just resource distribution strategies verses what distributions strategies are practiced in an athletic department, Mahony, Hums, and Riemer followed up in 2002 with another distributive justice situational survey. The eight principles from Hums and Chelladurai's (1994b) first survey remained consistent, with the addition of one more equity principle titled "revenue production." This survey was given to the highest level decision-makers in Division I and Division III athletic departments, athletic directors and athletic board chairs, as they are perceived to make the final resource distribution and/or retribution decisions. The 2002 survey differed from Hums and Chelladurai's (1994b) original instrument, as it asked respondents (1) what distribution method they believed was fair, then (2) the likelihood that the named distribution method would be used in the athletic department (Mahony, Hums & Riemer, 2002).

Looking first at only the fairness element of each principle, need was the only strategy found to be rated as just. In fact, need was consistently rated as the fairest among all groups for distribution as well as retribution in terms of the following: (1) need for survival of women's teams, (2) need for survival of men's non-revenue teams, and (3) need to succeed. For all groups, equity of results was rated unfair in the distribution scenarios, but neutral in the retribution scenarios. Finally, the Division I athletic director population alone rated spectator appeal and revenue production as neutral when looking at retribution scenarios, but not distribution scenarios. All other equality and equity principles were rated

as unfair when dealing with both distributions as well as retributions (Mahony, Hums & Riemer, 2002).

When applying the need principle to the test of “likelihood of use” in the athletic department, need ranked the highest in regards to “need for survival of women’s teams”, and “need to succeed”, but much lower with “need for survival for men’s non-revenue teams”. Singling out distribution strategies, across all groups, equity of treatment, equity of results, revenue production, and spectator appeal were rated in terms of likelihood of use, respectively. Moving to retribution scenarios, Division I athletic directors stated that revenue production and spectator appeal would be the most common strategy used in the department (Mahony, Hums & Riemer, 2002).

The authors suggest two major reasons for the high ratings of the need principle both in terms of fairness as well as likelihood of use. First, athletic directors may believe different teams need different types or levels of resources in order to survive and/or be successful. For example, the swimming coach may need an office to conduct his/her work while the football coach may need an elaborate meeting space to show recruits. Secondly, administrators may feel legal pressure to move resources into women’s sports at the expense of only men’s non-revenue sports, since they place spectator appeal and revenue production capacities at neutral to important on their fairness/likelihood of use scales (Mahony, Hums & Riemer, 2002).

Examining Equity, Revenue Production, and Need. In order to address the subjective definition issues with the need principle from the previous study, Patrick, Mahony and Petrosko conducted another follow-up distributive justice project in 2008. An edited scenario survey was issued to Division I, II, and III athletic directors as well as senior women’s administrators to only include the most preferred sub-principles from equality and

equity. The principles tested were; (1) equality of treatment and (2) revenue production, along with the newly defined sub-principles of need: (3) need due to a lack of resources for the sports team, (4) need due to the high operating cost of the sports team, and (5) need due to the level of resources needed to be competitive (Patrick, Mahony, & Petrosko, 2008).

Focusing in on the need principles, the results of the survey showed that in both distribution and retribution scenarios, need because of lack of resources was rated the highest. Contrary to the beliefs of Mahony et al. in their 2002 study, administrators are using the traditional, more objective definition of need when deciding what is fair in the allocation process. The second highest rated principle was needed to be competitively successful. In the scenarios where a successful team brought in greater revenue or in budget reduction scenarios, administrators wished to preserve the needs for success over such elements as revenue production and need due to high operating costs. The only scenarios where respondents rated need because of high operating costs to be fair were those in which money was distributed. By ranking need because of high operating costs low in budget cut situations, respondents implied that high-budget sports were constantly on radar to cut whenever necessary, but also add if more revenue was generated for the athletic department. Across the board revenue production was rated as less fair than most other principles, especially in scenarios where additional resources were available (Patrick, Mahony, & Petrosko, 2008).

Breaking down the groups by gender, there were minimal differences in opinion as to which principles were fair for each scenario. Two points of differentiation were that females rated equality of treatment fairer than males and that males found revenue production fairer than females. The authors did note that the lack of differences between males and females

shows that gender has little to do with the decision-making process when it comes to resource allocations and should not be taken as a predictor variable (Patrick, Mahony, & Petrosko, 2008).

Conclusion

The context of intercollegiate athletics challenges traditional views of distributive justice due to the numerous stakeholders vested in the organization (Hums & Chelladurai 1994b). Student-athletes, coaches, university presidents, administrators, donors, the community, and the media may all feel differently as to how resources should be allocated in an organization based on their personal interests. Although actual distributions and retributions in an athletic department may not be based on what is fair, in order to predict and/or influence future allocation decisions, it is important to understand first why distributions are made in a certain manner and how decision-makers justify these distributions (Patrick et al., 2008). This study aims to uncover the scale of financial distributions across and between NCAA Division I subdivisions over a four year time period.

CHAPTER III

METHODOLOGY

The purpose of this study is to compare revenue and expenditure trends in men's revenue sports, men's non-revenue sports, and female sports from 2006-2009, to determine if differences in distributive justice principles exist in budget decisions across the three athletic department levels: Football Bowl Series (FBS), Football Championship Series (FCS), and the Non-Football Subdivision (Division I without Football). This chapter will discuss the subjects, instruments for analysis, procedures for data collection and data analysis in the study.

Subjects

The subjects in the study are the National Collegiate Athletic Association Division I member institutions ($N = 331$). In 2006, NCAA Division I membership was comprised of 330 schools. Of these 330 members, 119 were in the Football Bowl Subdivision (FBS), 118 were in the Football Championship Subdivision (FCS) and 93 Division I members did not support a varsity football program (Fulks, 2008). In 2009, NCAA Division I membership changed by one institution. A Division I member was added at the Football Championship Subdivision, bringing the total NCAA Division I membership to 331 institutions, and 119 FCS members (NCAA, 2009a). Thus, Division I is comprised of 36% FBS member institutions, 36% FCS member institutions, and 28% member institutions not supporting Division I varsity football programs.

Instruments

Data was collected by extracting and manipulating financial figures from two official sources. The source for data collection in the study are the NCAA Revenues and Expenses of Division I Intercollegiate Athletics Programs Reports from (1) 2004-2006 and (2) 2004-2009. The reports, compiled by Professor Daniel L. Fulks of Transylvania University in conjunction with the National Collegiate Athletic Association, are a composition of college athletic department finances from the three Division I subdivisions (FBS, FCS, Non-Football Subdivision).

NCAA Revenues and Expenses of Division I Intercollegiate Athletics Programs Reports. The NCAA collects and reports athletic department budgetary information for three purposes. The primary objective of the public report is to “isolate the financial impact of athletics on the respective educational institution” (Fulks, 2008, p. 7). A secondary objective for the report includes providing a basis for analysis of the revenue and expense trends of athletics programs within the three Division I subdivisions. The present study builds off of the secondary objective by highlighting critical financial discrepancies within Division I athletics for discussion. A final objective of the report is to present relevant data on gender issues in college sport (Fulks, 2008).

Data is reported using median monetary values. Medians are stated instead of means because medians eliminate extreme value affects from outliers. Large revenue streams coming from line items such as alumni and booster contributions prompted the change (Fulks, 2010). Financial figures are also discussed in percentiles and distributions so readers can look at medians in comparison to the range of financial earnings and/or expenditures within the relative subdivision.

In 2004, the National Collegiate Athletic Association mandated that all member institutions report their revenues and expenses for the year through a standardized accounting method. The agreed upon procedures for reporting revenues and expenses were developed in conjunction with the National Association of College and University Business Owners (NACUBO) and the Association of College and University Auditors (ACUA) (NCAA, 2009b). In addition to the mandated financial line items, member institutions were asked to respond to a Capital Expenditure Survey. The NCAA has not standardized a reporting system for capital expenditures and therefore cannot require reporting nor publish financial figures on these projects. Data collected from the member institutions is reported on the aggregate for the entire subdivision. As noted in the agreed upon procedures, members were assured confidentiality by the NCAA and therefore are not addressed individually in the report (Fulks, 2008). Reliability of the data is enhanced through the standardized reporting system developed by experts at three independent organizations, the requirement of full Division I membership participation, and the confidentiality agreement between the NCAA and individual member institutions.

The NCAA Revenues and Expenses of Division I Intercollegiate Athletics Programs Reports are sectioned by the three subdivisions: FBS, FCS, and Non-Football subdivision respectively. The layout and content within each subdivision is identical, moving from general comprehensive figures, to specific financial line items. There are a total of 34 tables within each section. Of those 34, 17 are segmented by gender, 10 are broken down into specific sport(s), and seven have no specific comparisons. The sections begin by presenting summary information on total revenues and expenses monetary values over time. Total figures are then discussed in percentile tables, identifying the range of each figure. Moving

forward in each section, distribution tables break down revenue and expenditure data into specific line items expressed as a percent. Lastly, end tables are presented by line item with specific monetary values attached. The study will identify key financial figures within these reports to compare over time. The procedures for data selection and manipulation are discussed below.

Procedures

This study highlights revenue and expenditure discrepancies between the three NCAA Division I subdivisions as well as identifies differences in spending across men's revenue sports, men's non-revenue sports, and women's sports over a four year period. The variables of interest selected in the study were derived from conversations with Division I athletic department business office employees as well as a review of literature of articles responding to previous NCAA financial reports. The variables of interest in the study are: total revenue, number of varsity sports sponsored, total number of student athletes, total expenditures, grant-in-aid, coaching salaries and benefits, team travel, recruiting, total generated revenues, ticket sales, NCAA & conference distributions, cash contributions from alumni and others, broadcast rights, royalties/advertising/sponsorship, direct institutional support, student fees and total dollars. All financial figures will be extracted from NCAA Revenues and Expenses of Division I Intercollegiate Athletics Programs Reports. Figures will be entered into Microsoft Excel spreadsheets and charts for manipulation.

Research question one sets the stage for the study by providing a demographic profile of each subdivision. Median figures and ranges will be reported for total generated revenues. Number of varsity sports sponsored as well as total number of student athletes will be

reported using the mean and range. Expense per athlete will be expressed solely as a median figure.

Research question two introduces the gender and revenue sport elements into the study. Total Expenditures as well as coaching salaries and benefits will be reported for men's revenue, men's non-revenue, and women's sports with means, medians and ranges. Grant-in-aid and recruiting expenses will be reported with means, medians and ranges for men's programs as a whole and then women's programs. Team travel will be addressed with means and median figures for men's programs as a whole and women's programs.

Research Question three explores expense data through analysis of five generated revenue variables and two allocated revenue variables. Total Revenue is the only variable that can be comparative on the men's revenue sports, men's non-revenue sports and women's sports level through medians and ranges. All other revenue line items are expressed on a program wide basis. The five generated revenue variables will be reported using medians only for 2006, then medians and ranges for 2009. The generated revenue variables are (1) ticket sales, (2) NCAA & conference distributions, (3) cash contributions from alumni and others, (4) broadcasting rights, and (5) royalties/advertising/sponsorship. The allocated revenue streams of (1) direct institutional support and (2) student fees will also be addressed through the use of program wide medians. Ranges will be extracted for 2009 figures only.

Data Analysis

The NCAA Revenues and Expenses of Division I Intercollegiate Athletics Programs Reports have a 100% response rate. All data presented in total dollars are population parameters, meaning that nothing will be inferred from sample data. To properly manipulate the variables of interest in research question two, a sample of 90 Division I institutions was

taken. A sample of 30 FBS, 30 FCS and 30 Non-Football Subdivision schools were randomly drawn from a hat without replacement. For each school, the official athletic website was used to count the (1) total number of sports sponsored (2) number of men's revenue sports sponsored, (3) number of men's non-revenue sports sponsored and (4) number of women's sports sponsored.

For each of the four variables listed above, a one-way between subjects ANOVA was run, and in case of significance, followed up by the Tukey post hoc test. Each dependent variable, (1) total number of sports sponsored (2) number of men's revenue sports sponsored, (3) number of men's non-revenue sports sponsored and (4) number of women's sports sponsored, had three levels (1) FBS (2) FCS and (3) Non-Football Subdivision.

Data is presented independently for each variable in tables, followed by line graphs or bar charts. Tables are organized first by year, then color coded by subdivision. Where percentile data is available, percentiles are reported in 10 percent increments from the 10th percentile through the 100th percentile. Percentiles are provided in a summary graph reporting the lowest financial figure, 30th percentile, 70th percentile, and highest financial figure.

Graphs are used to illustrate financial information in a snapshot format. The vertical axis on all charts will represent dollars. For bar charts, the horizontal axis will be grouped first by year, then subdivision. When using line charts, each subdivision will have its own line corresponding to the fiscal year.

Value Added by the Study

A large proportion of previous research has focused solely on the Football Bowl Subdivision, especially those schools that are in the top financial echelon of the FBS

(Denhart et al., 1999; Knight Commission on Intercollegiate Athletics, 2010). This study recognized the financial disparities among all members within Division I over time.

This study adds value to previous financial research by using the data to speak to three applicable elements. First, it illustrates the change in the financial gap between the “have” athletic institutions and “have-not” athletic institutions. Second, it discusses whether it financially makes sense for a member institution to reclassify within Division I. Finally, it depicts the differing magnitudes of the financial gap between subdivisions between men’s revenue programs verses men’s non-revenue programs and/or women’s programs.

CHAPTER IV

RESULTS

An Overview of Division I Athletic Institution Finances by Classification

Number of Varsity Sports Sponsored

A criterion for membership in the NCAA Division I structure calls for institutions to sponsor at least 14 varsity sports (NCAA, 2009a). Overall, the data illustrated that there were a total of 19 sports sponsored at the FBS level and 17 at the FCS level. Further, when focusing on the remaining information, the results demonstrated that neither FBS nor FCS institutions have seen any change in the number of sports sponsored during the 2006-2009 time period. The only classification to see growth was the Non-Football Subdivision, which had a median of 16 sports, sponsored in 2006 and increased to 17 sports sponsored in 2009.

To further examine the NCAA sports sponsored, a sample of 90 Division I institutions (30 from each classification) was used to determine if there were statistical differences in the number of men's (revenue and nonrevenue) sports and women's sports sponsored. Four one-way between subjects ANOVA's were run for the four dependent variables: (1) total number of sports sponsored (2) number of men's revenue sports sponsored, (3) number of men's non-revenue sports sponsored and (4) number of women's sports sponsored. The three classifications of Division I institutions served as the three levels (1) FBS (2) FCS and (3) Non-Football Subdivision. Based on the Post Hoc tests, subdivision affiliation had a significant influence on sponsored sport count [$F(2, 90) = 5.42, p < .05$].

Significant differences between the total number of sports sponsored were found in two pairwise comparisons between the following: (1) Football Bowl Subdivision ($M = 17.00$; $SD = 3.55$) and Football Championship Subdivision ($M = 14.73$; $SD = 4.35$) and (2) Football Bowl Subdivision and the Non-Football Subdivision ($M = 14.17$; $SD = 2.39$). Further, a significant difference was identified between the number of women's sports at the FBS level ($M = 9.13$; $SD = 1.737$) when looking at pairwise comparisons to the Non-Football Subdivision ($M = 7.63$; $SD = 1.45$). The average number of sports sponsored at each level can be found in Table 1.

Table 1
Average Number of Varsity Sports Sponsored by Division I Classification

	FBS	FCS	Non-Football
Men's Revenue	2.00	2.00	1.00
Men's Non-Revenue	5.87	4.60	5.53
Women's	9.13#	8.13	7.63#
Total	17.00*/^	14.73*	14.17^

= Significant difference at .05 alpha level

* = Significant difference at .05 alpha level

^ = Significant difference at .05 alpha level

Average Number of Student-Athletes

Consistent with the trends in sports sponsorship at the Division I level, the data showed that FBS institutions had the greatest number of student athletes averaging 603 in 2009. Overall, this represents a two percent increase in the number of student-athletes when considering FBS institutions averaged 588 in 2006. The Football Championship Subdivision

also experienced a two percent increase in average number of athletes from 2006 to 2009 growing from 494 to 503. Finally, the Non-Football Subdivision had the least amount of student-athletes averaging 347 in 2009. Although this classification of institutions sponsors the least number of student athletes, the data also demonstrated that Non-Football Subdivision schools had the great percent increase in the number of student-athletes in the four year period (up six percent [20 student-athletes]).

Total Revenue

Although the median difference of sports sponsored at Division I Colleges and Universities is minimal, the results illustrated that major financial discrepancies exist between institutions in the FBS, FCS, and Non-Football Subdivision. As shown in Table 2, revenue is generated at the FBS level at about four times the rate of FCS and Non-Football Subdivisions. Further, the data supported the notion that increases at the FBS level were greatest and grew the quickest between 2006 and 2009. The largest reported revenue generated by an FBS school in 2009 was \$138.5 million. In contrast, the largest amount of revenue produced by an FCS school was \$42.5 million; three million less than the median FBS institution. At the Non-Football Subdivision, the institution generating the greatest revenue brought in \$30.1 million dollars in 2009.

Table 2
Total Revenue by Division I Classification

	FBS	FCS	Non-Football
2009 Median	45,698,000	12,111,000	10,382,000
2006 Median	35,400,000	9,642,000	8,771,000
Monetary Change	10,298,000	2,469,000	1,611,000
Percent Change	17%	14%	14%
2009 Percent of FBS	NA	20%	16%
2006 Percent of FBS	NA	27%	25%

Median Expense per Athlete

Complementing the large revenue differences between schools at the FBS, FCS and Non-Football Subdivision levels, there are sizable differences between median expenses per athlete figures. In a four year time period, FBS schools (\$15,000) increased spending per athlete by a much higher amount than FCS (\$5,000) and Non-Football Subdivision (\$3,000) institutions (see Table 3). In addition, it is also important to note that schools in the Non-Football Subdivision spend more per athlete than FCS institutions, but are growing at a slower rate. This pattern alters from that of the revenue stream presented in the previous section.

Table 3
Median Expense per Athlete by Division I Classification

	FBS	FCS	Non-Football
2009 Median	76,000	24,000	30,000
2006 Median	61,000	19,000	27,000
Monetary Change	15,000	5,000	3,000
Percent Change	20%	21%	10%
2009 Percent of FBS	NA	32%	40%
2006 Percent of FBS	NA	31%	44%

Expenditure Trends by Classification

Total Expenditures

Demonstrated in Table 4, athletic department expenditures as a whole yielded the most dramatic differences between Division I classifications. In the four year time period between 2006 and 2009, FBS median spending increased by over 10 million dollars, or 22%. Although the FCS and Non-Football Subdivision each saw percent growth at approximately the same rate over the four year period, the monetary difference showed the already substantial gap between subdivisions (demonstrated in 2009/2006 percent of FBS figures) increase by 1% to 2%.

Table 4

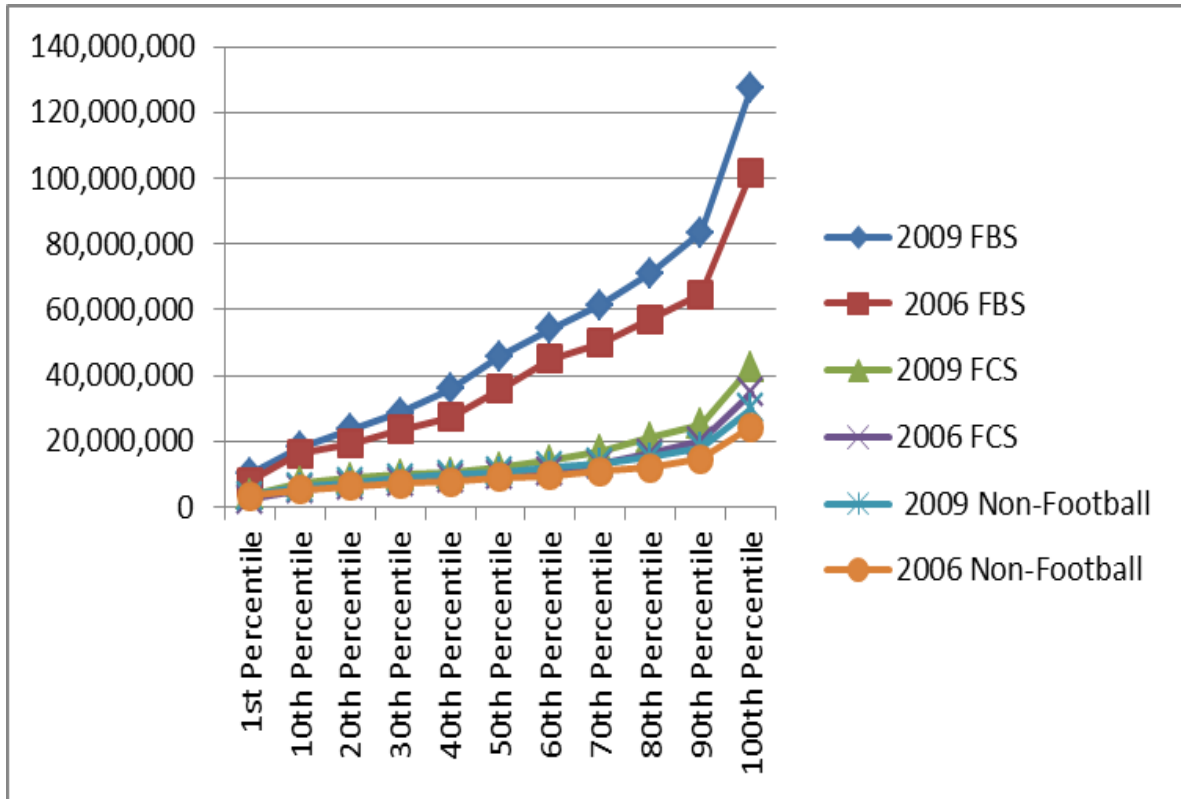
Median Program Wide Expenditures by Division I Classification

	FBS	FCS	Non-Football
2009 Median	45,887,000	12,019,000	10,502,000
2006 Median	35,756,000	9,485,000	8,918,000
Monetary Change	10,131,000	2,534,000	1,584,000
Percent Change	22%	21%	15%
2009 Percent of FBS	NA	26%	23%
2006 Percent of FBS	NA	27%	25%

Figure 2 illustrates the spending gap both between the three Division I classifications as well as within each respective subdivision. When comparing the FBS to the FCS and Non-Football Subdivision, the data seems to support the notion that spending at the FBS level is increasing at a much faster rate. Institutions across the three subdivisions at the 1st through 30th percentiles have a moderate level of differentiation in spending. Further, as illustrated in the figure, larger differences in slope begin to appear at the 40th percentile, and continue to escalate at a faster rate as an institution progresses as a larger spender within their classification. Only minor differences in spending are found when comparing the FCS to the Non-Football Subdivision. The difference of a football program at the FCS level does not translate into a sizable difference in spending until the 80th or 100th percentile. Singling out each subdivision independently, the data demonstrates that the FBS produced the greatest range of financial spending, with members in the first percentile expending approximately \$10 million total as compared to the members of the 100th percentile amassing a total bill of \$127 million (up \$23.3 million from 2006). The range in FCS expenditures grew by \$6.7 million, and schools not supporting Division I football programs experienced growth of \$5.6

million in range over the four year period. The increase in the range of spending within each classification seems to be creating “have” and “have not” institutions within the FBS, FCS and Non-Football Subdivisions.

Figure 2. *Total Expenditures by Subdivision from 2006-2009*



Men’s Revenue Sports. On a smaller scale, expenditure data surrounding men’s revenue sports mirrored the pattern of program-wide spending between Division I classifications. Over the four year period, FBS institutions increased median spending on football and men’s basketball by \$4.3 million. The aggressive monetary change resulted in

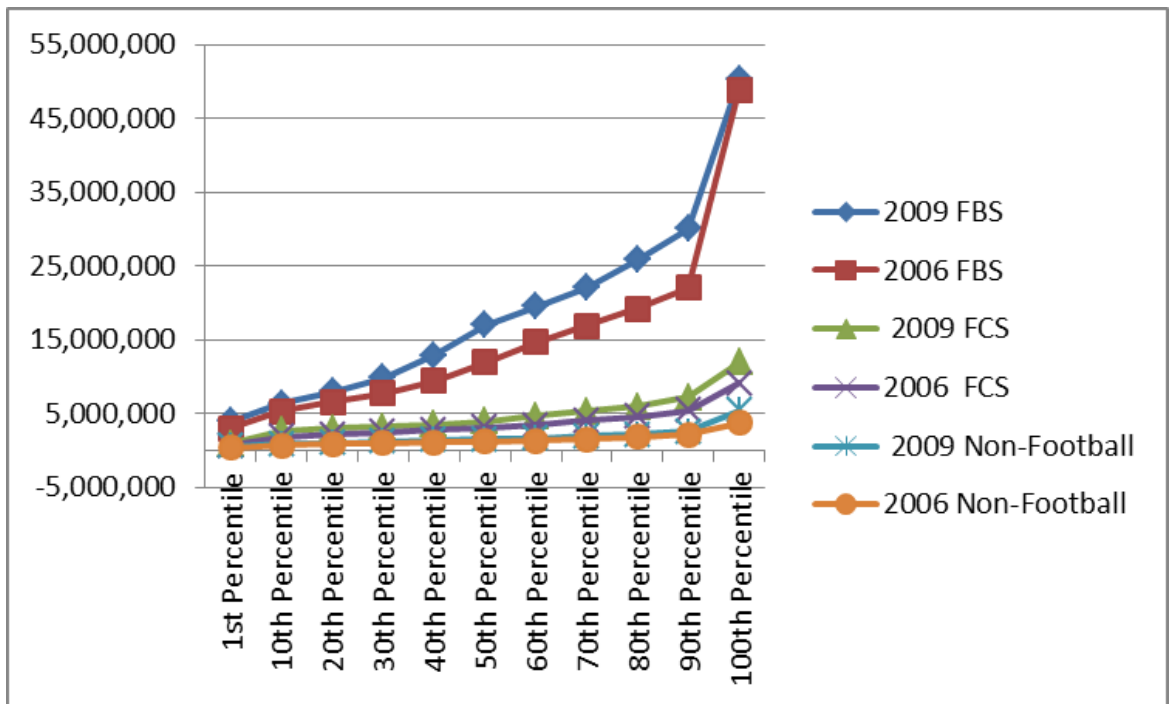
the FBS outputting 4.6 times the FCS and 10.7 times the Non-Football Subdivision in 2009 (Table 5).

Table 5
Median Men's Revenue Sports Expenditures by Division I Classification

	FBS	FCS	Non-Football
2009 Median	15,877,000	3,439,000	1,484,000
2006 Median	11,593,800	2,720,300	1,270,900
Monetary Change	4,283,200	718,700	213,100
Percent Change	27%	21%	14%
2009 Percent of FBS	NA	22%	9%
2006 Percent of FBS	NA	23%	11%

Figure 3 details the men's revenue sport spending gap between the FBS, FCS and Non-Football Subdivision. The slopes of the lines and magnitude of the gap between the "have" (FBS) and "have not" (FCS, Non-Football Subdivision) classifications are almost identical to the overall spending trends found in Figure 1. The level slopes of FCS and Non-Football Subdivision schools indicate that 1st percentile FBS schools spent at a rate equivalent to the 60th percentile of the FCS. With only one revenue sport, the very top percentile Non-Football Subdivision schools spent greater than about 10% of FBS schools supporting both football and men's basketball. Looking within each subdivision independently, the very top-tier FBS schools in 2009 slowed their expenditure rate to almost cease growth over the four year period.

Figure 3. *Men's Revenue Sports Expenditures 2006-2009*



Men's Non-Revenue Sports. Unlike expenditure trends found across Division I athletic departments as a whole and specifically men's revenue sports, spending at the men's non-revenue sport level is much more balanced between the FBS, FCS, and Non-Football Subdivisions. Highlighted in Table 6, institutions not supporting football programs and FCS schools spent at 56% and 36% of the FBS rate in 2009 respectively. The slow growth of FBS men's non-revenue sports against the steady proportionate growth of FCS and Non-Football Subdivision men's non-revenue sports allows a smaller, shrinking gap between classifications.

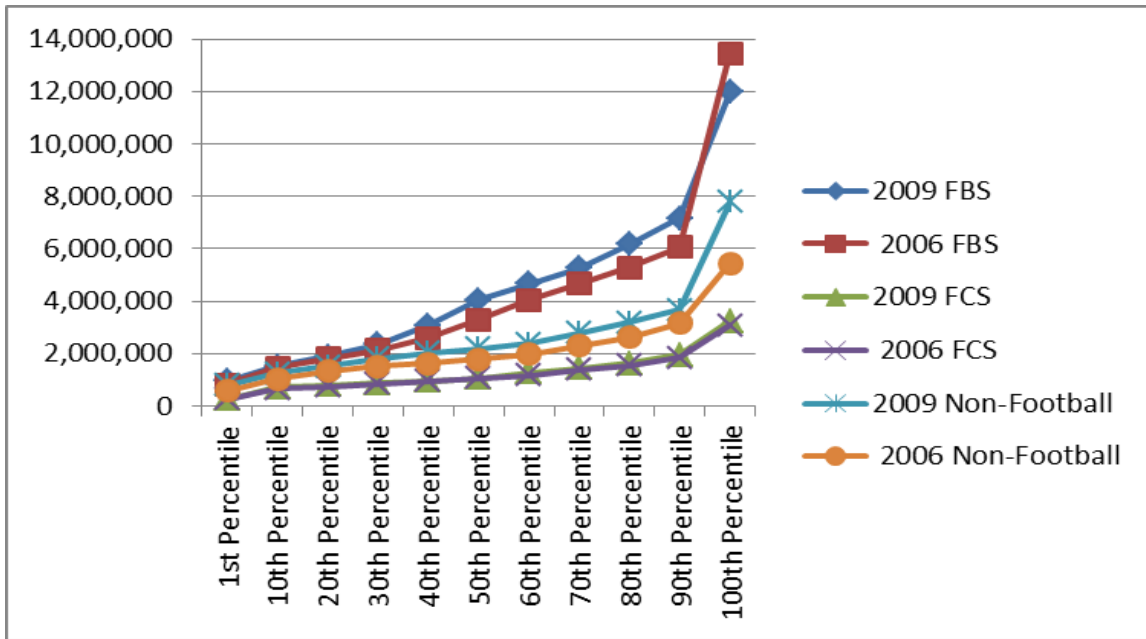
Table 6

Median Men's Non-Revenue Sports Expenditures by Division I Classification

	FBS	FCS	Non-Football
2009 Median	3,855,856	1,380,575	2,143,221
2006 Median	3,202,195	928,654	1,856,006
Monetary Change	653,661	451,921	287,215
Percent Change	17%	33%	13%
2009 Percent of FBS	NA	36%	56%
2006 Percent of FBS	NA	29%	58%

Depicted in Figure 4, the range of FBS spending decreased by 15% over the four year period, as 100th percentile schools cut \$1.6 million from their men's non-revenue sport budgets. The decline in the top-tier FBS programs paired with substantial increases (\$2.1 million) from the Non-Football Subdivision creates a much smaller difference between the "have" and "have not" universities. Institutions in the 1st through 40th percentiles minimally differ. The larger slopes from the FBS schools do not appear until the 50th-90th percentile, but continue to show dramatic jumps in the 90th-100th percentile. Men's non-revenue sport expenditures are the first variable that yields greater spending by the Non-Football Subdivision than the FCS.

Figure 4. *Men's Non-Revenue Sports Expenditures 2006-2009*



Women's Sports. Similar to patterns found in men's non-revenue sports expenditures, women's sports spending showed less discrepancies between Division I classifications than men's revenue sports. Presented in Table 7, institutions not supporting football programs and FCS schools spent 45% and 43% of FBS women's sport allocations in 2009 respectively.

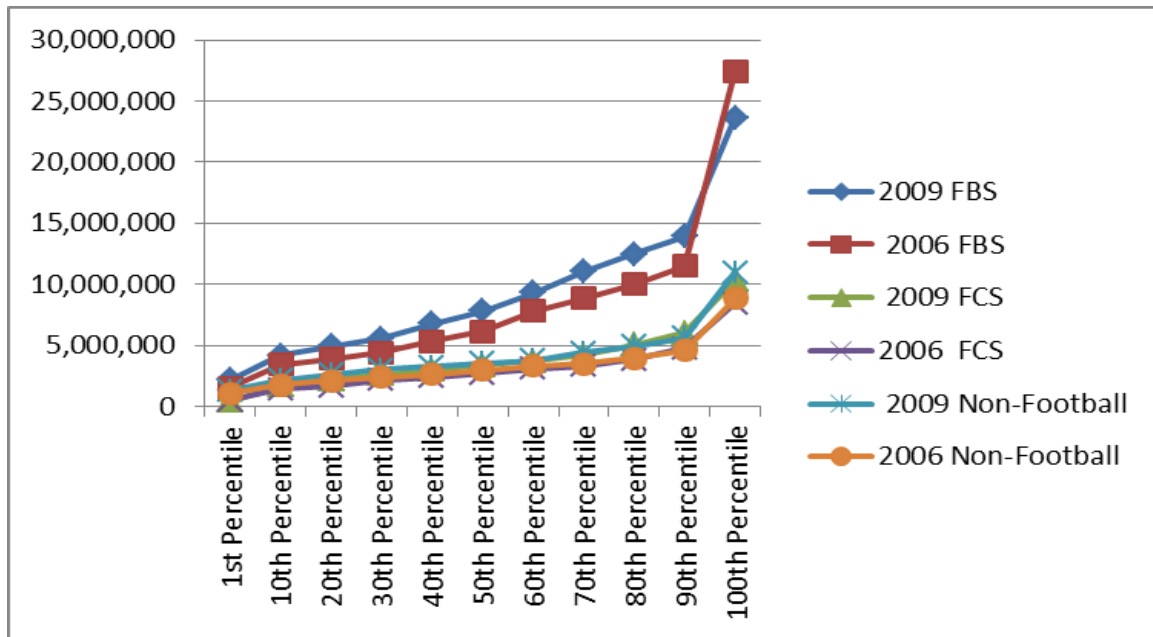
Table 7

Median Women's Sports Expenditures by Division I Classification

	FBS	FCS	Non-Football
2009 Median	7,781,000	3,373,000	3,536,000
2006 Median	6,142,800	2,700,900	2,948,600
Monetary Change	1,638,200	672,100	587,400
Percent Change	21%	20%	17%
2009 Percent of FBS	NA	43%	45%
2006 Percent of FBS	NA	44%	48%

Corresponding with FBS men's non-revenue sport data, FBS women's sports also experienced a dwindling range of expenditures amounting to a 20% drop in spending (\$4.4 million) from 100th percentile institutions. In 2006, the jump between FBS 90th percentile spenders and 100th percentile spenders was extremely high. Over the four year period, FBS 90th percentile spenders continued to increase women's sports spending while 100th percentile spenders cut back resulting in a smaller incline. Simultaneously, FCS schools and Non-Football Subdivision schools increased their range within classification between 1st percentile and 100th percentile spenders by 20% (\$1.94 million) and 19% (\$1.87 million) respectively. Comparing expenditures between subdivisions, more substantial gaps are not seen until one looks at 50th – 100th percentile spenders. In 2006 and again in 2009, FCS percentile data almost entirely overlaps with Non-Football Subdivision data. Both "have not" subdivisions experienced almost identical increased growth in women's sport budgets over the four year period.

Figure 5. *Women's Sports Expenditures 2006-2009*



Grant-in-aid

As a percent of total expenditures, grant-in-aid costs in 2009 comprised 15% of an FBS institution budget (\$7.1 million), 27% of an FCS institution budget (\$3.2 million) and 30% of the athletic department budget for Division I Non-Football schools (\$3.2 million). Scholarship costs have shown steady growth at approximately the same rate (18-20%) for each of the classifications over the four year period (Table 8). NCAA reported data only allows one to compare data across men's programs as a whole and women's programs for grant-in-aid costs in addition to recruiting expenses and team travel expenses.

Table 8
 Median Athletic Department Grant-in-aid Expenditures by Division I Classification

	FBS	FCS	Non-Football
2009 Median	7,058,000	3,199,000	3,150,000
2006 Median	5,798,000	2,558,000	2,516,000
Monetary Change	1,260,000	641,000	634,000
Percent Change	18%	20%	20%
2009 Percent of FBS	NA	45%	45%
2006 Percent of FBS	NA	44%	43%

Men's Sports. As scholarship costs grew at the FBS level to \$3.7 million (12%) and FCS level to \$1.7 million (14%) in 2009, a reduction in scholarship spending was found in the Non-Football Subdivision in the amount of \$160,000 (-12%). As a percent of FBS spending, men's sport scholarship costs at the FCS and Non-Football Subdivisions stayed stagnant at 46% and 35% respectively. Looking independently within each subdivision, the range between FCS institutions grew the quickest over the four year period at \$554,000 (37%), followed by the FBS \$537,000 (26%) and Non-Football Subdivision \$365,000 (27%).

Women's Sports. In contrast to the grant-in-aid reduction within the men's program at the Non-Football Subdivision, the greatest growth in grant-in-aid expenditures can be seen when looking at the women's sport allotment for the Non-Football Subdivision. These institutions budgeted \$1.65 million into women's grant-in-aid in 2009, a 20% increase from 2006. The FBS and FCS did not reflect equal increases, allowing the Non-Football Subdivision to make headway on closing the gap between classifications. The FCS median grant-in-aid cost jumped to \$3.2 million, a 17% percent increase, while the FBS increased by 15% to \$2.68 million in 2009. The gap between subdivisions became smaller over the four year period, but the range within the individual subdivisions is growing. The Non-Football

Subdivision experienced the smallest percent change in range at \$220,000 (15%) followed by the FBS at \$480,000 (27%) and FCS at \$710,000 million (38%).

Coaching Salaries & Benefits

As a percent of total expenditures, coaching salaries and benefits costs in 2009 comprised 18% of an FBS institution budget, 20% of an FCS institution budget and 18% of a Non-Football institution budget. As seen in Table 9, median spending in this category increased drastically across the board within each division, with the FBS leading the surge with a \$1.75 million increase in spending. Between classifications from 2006-2009, the FCS increased their spending as a percent of the FBS budget to 30%. Conversely, the Non-Football Subdivision decreased its spending as a percent of the FBS, moving from 25% to 23%.

Table 9
Median Athletic Department Coaching Salaries & Benefits Expenditures by
Division I Classification

	FBS	FCS	Non-Football
2009	8,048,307	2,379,569	1,875,541
2006	6,301,242	1,787,349	1,567,308
Change	1,747,065	592,220	308,233
Percent Change	22%	25%	16%
2009 Percent of FBS	NA	30%	23%
2006 Percent of FBS	NA	28%	25%

Men’s Revenue Sports. Of the \$1.75 million increase in spending by the FBS on coaching salaries and benefits, \$1.4 million (80%) was allocated to men’s revenue sport coaches. Reflected in table 10, this 27% increase comes at a time when there was a 17% increase (\$190,000) at the FCS level and 14% increase in the Non-Football Subdivision. Both the FCS and Non-football Subdivision saw inflation in the gap between classifications as percent of FBS spending figures dropped from 2006-2009.

Table 10
Men’s Revenue Sport Coaching Salaries & Benefits by Subdivision

	FBS	FCS	Non-Football
2009 Median	5,194,000	1,110,000	547,000
2006 Median	3,790,300	916,900	469,000
Monetary Change	1,403,700	193,100	78,000
Percent Change	27%	17%	14%
2009 Percent of FBS	NA	21%	11%
2006 Percent of FBS	NA	24%	12%

Men’s Non-Revenue Sports. Conflicting with spending patterns seen in men’s revenue sports, the FBS experienced the lowest percent growth in men’s nonrevenue coaching salaries and benefits over the four year period (Table 11). Of the \$1.75 million dollar increase in the four year period, FBS non-revenue sport coaches only accounted for 8%. The FCS not only saw the greatest gains in percent growth from 2006-2009, but also considerably upgraded their spending as a percent of the FBS allotment. The Non-Football Subdivision saw smaller increases that fell in line with FBS spenders, up 13% or \$78,111.

Table 11

Men's Non-Revenue Sport Coaching Salaries & Benefits by Subdivision

	FBS	FCS	Non-Football
2009 Median	1,198,581	478,113	589,636
2006 Median	1,061,663	348,824	511,525
Monetary Change	136,918	129,289	78,111
Percent Change	11%	27%	13%
2009 Percent of FBS	NA	40%	49%
2006 Percent of FBS	NA	33%	48%

Women's Sports. The same trends found with men's non-revenue coaching salaries and benefits between subdivisions were discovered when looking at expenditures in the women's sports category. Once again the FBS produced the smallest percent growth and for the first time showed a smaller monetary change between 2006-2009 than the FCS (Table 12). As a percent of FBS spending, the FCS and Non-Football Subdivision made great strides to close discrepancy gaps between subdivisions over the four year period.

Table 12

Women's Non-Revenue Sport Coaching Salaries & Benefits by Subdivision

	FBS	FCS	Non-Football
2009 Median	1,655,726	791,456	738,905
2006 Median	1,449,279	521,625	586,783
Change	206,447	269,831	152,122
Percent Change	12%	34%	21%
2009 Percent of FBS	NA	48%	45%
2006 Percent of FBS	NA	36%	40%

Team Travel

Team Travel budgets comprised between 7%-9% of all athletic spending across Division I institutions from 2006-2009. Although growth was experienced in each subdivision, the FBS is growing at a faster rate than the FCS and Non-Football Subdivision. Table 13 explains the program wide growth across the three classifications. Expedited growth paired with greater median expenditures in the FBS has created greater disparity between subdivisions over the four year period, widening the spending discrepancy between subdivisions.

Table 13

Median Athletic Department Team Travel Expenses by Subdivision

	FBS	FCS	Non-Football
2009 Median	3,426,000	1,023,000	856,000
2006 Median	2,458,000	782,000	705,000
Change	968,000	241,000	151,000
Percent Change	28%	24%	18%
2009 Percent of FBS	NA	30%	25%
2006 Percent of FBS	NA	32%	29%

Men's Sports. Greater percent changes in team travel spending were found in the FBS and FCS levels for men's sports. Median expenditures in the FBS totaled \$2.26 million in 2009, up 28%. The FCS experienced 24% growth, increasing team travel budgets to \$590,000. The Non-Football Subdivision experienced the least amount of change, up only 16% to \$430,000 in 2009. The magnitude of the difference reflected both in monetary

change and percent change across the three classifications widened the gap between the FBS, FCS and Non-Football Subdivision. Looking to each classification independently, the FCS experienced the greatest percent growth in range between its first quartile and fourth quartile institutions (44% [\$182,000]). The FBS had the second greatest percent growth in range up 28% (\$604,000), followed by the Non-Football Subdivision up 26% (\$94,000).

Women's Sports. The FCS and Non-Football Subdivision expenditures are almost identical when focusing on women's programs. Institutions in these two classifications spent \$400,000 and \$390,000 million in 2009, amounting to 37% and 38% of the overall FBS budget in travel expenses. The expenditure gap between subdivisions remains relatively stagnant for women's team travel over the four year period. Within individual classifications, spending ranges increased, but at slower rates than the men's programs. Similar to grant-in-aid findings, the Non-Football Subdivision experienced the smallest percent change in range at \$21,000 (7%) followed by the FBS at \$190,000 (16%) and FCS at \$80,000 (18%).

Recruiting

Recruiting expenditures comprised 2% of all athletic spending across all three Division I classifications from 2006-2009. As compared to all other expenditure line items, the slowest growth rates were found when comparing recruiting expense medians over the four year period (Table 14). Detailing the FCS and Non-Football Subdivision recruiting expenditures as a percent of the FBS, the gap between subdivisions is slightly reduced in the four year period. Given the small proportion of spending on recruiting as a fraction of total expenditures, any strides made by the FCS and Non-Football Subdivision go virtually unnoticed in the aggregate.

Table 14
 Median Athletic Department Recruiting Expenses by Subdivision

	FBS	FCS	Non-Football
2009 Median	739,000	198,000	172,000
2006 Median	675,000	175,000	139,000
Change	64,000	23,000	33,000
Percent Change	9%	12%	19%
2009 Percent of FBS	NA	27%	23%
2006 Percent of FBS	NA	26%	21%

Men’s Sports. Inconsistent with previous line item comparisons between men’s and women’s sports, slower percent growth was experienced with men’s recruiting expenditures. Devoting only \$6,000 more to recruiting over the four year period, the FCS showed the least amount of percent growth (5%) followed by the FBS (\$43,000 [9%]) and Non-Football Subdivision (\$13,000 [15%]). There was virtually no movement in the gap between classifications. Looking within each Subdivision, the FCS saw the least amount of change within its institutions increasing in range of expenditures by only 8% (\$13,000) while the Non-Football subdivision and FBS saw 17% (\$16,000) and 18% (\$90,000) increases respectively.

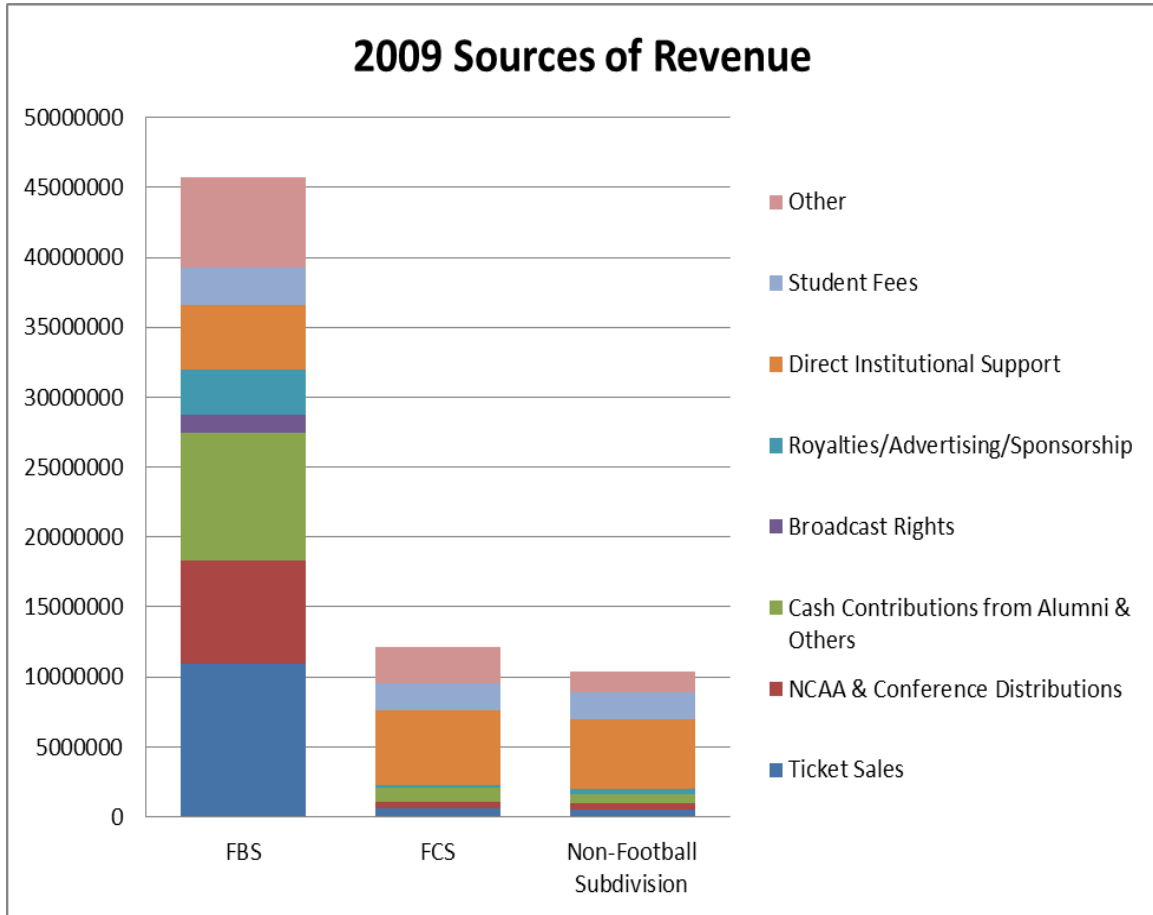
Women’s Sports. Median spending by the FCS and Non-Football Subdivision on women’s sport recruiting was almost identical to that of the men’s programs from 2006-2009. The FCS increased recruiting budgets by \$8,000 and the Non-Football Subdivision by \$13,000. The FBS showed 9% growth in women’s sport budgets as they had with men’s sports, but the increase only translated into 19,000 additional dollars over four years as opposed to 43,000 additional dollars with the men’s programs. The FCS and Non-Football Subdivision closed the expenditure gap very slightly within the four year period. Within

individual classifications, spending ranges showed minor differences. The Non-Football Subdivision experienced the greatest percent change in range at \$17,000 (21%) followed by the FBS at \$33,000 (13%). FCS schools looked more like one another as they decreased their range by \$1000 (1%).

Revenue Trends by Classification

As overall athletic department expenditures increased by \$10 million in the FBS, \$2.5 million in the FCS and \$1.6 million in the Non-Football Subdivision, generated revenues, expected to fund the spending surge, grew on a much smaller scale. As athletic departments seek new revenue streams, they find that they must grow both generated and allocated sources to balance budgets. Figure 6 breaks down 2009 revenues by source between the three subdivisions.

Figure 6. 2009 Sources of Revenue by Classification



Total Generated Revenues

Although generated revenue percent growth outpaced expenditure percent growth over the four year period, median data shows that not one of the three subdivisions generates enough revenue to cover expenses without assistance from their respective institution. The FBS experienced the greatest monetary growth in generated revenue over the four year period (\$5.8 million). The FCS (\$700,000) and Non-Football Subdivision (\$500,000) grew their generated revenue by 23% each from 2006-2009. The generated revenue gap is one of

the most dramatic divides between classifications as the FCS only generates 9% of the FBS, and Non-Football Subdivision brings in only 7% of the FBS. The gap between the “have” and “have not” institutions is very substantial.

Table 15
Median Athletic Department Total Generated Revenues by Subdivision

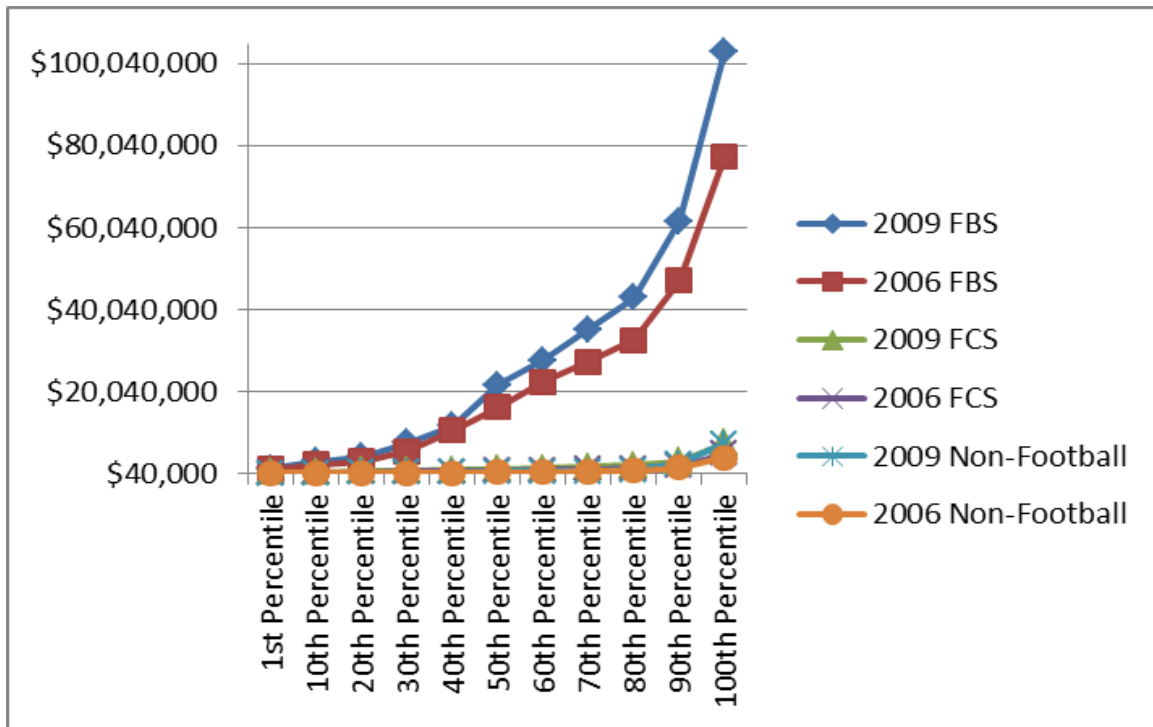
	FBS	FCS	Non-Football
2009 Median	32,264,000	2,886,000	2,099,000
2006 Median	26,432,000	2,214,000	1,619,000
Monetary Change	5,832,000	672,000	480,000
Percent Change	18%	23%	23%
2009 Percent of FBS	NA	9%	7%
2006 Percent of FBS	NA	8%	6%

Men’s Revenue. Men’s revenue sport income yielded the weightiest difference between the three subdivisions. FBS institutions created \$4.5 million more dollars in the four year period, bringing median income from \$14.6 million in 2006 to \$19.1 million in 2009 (24%). Although the FCS experienced a 30% percent surge in that same four year period, this translated to only 6% of FBS revenue streams (up from \$750,000 in 2006 to \$1.1 million in 2009). Lastly, with only one men’s revenue sport, the Non-Football Subdivision was able to increase revenues by 22% in the four year period. Non-Football schools brought in 2% of what the FBS was able to receive, moving from \$340,000 in 2006 to \$430,000 in 2009.

Analyzing population data across percentiles, the data indicates that the gap between classifications held steady over the four year period (Figure 7). Institutions in the 100th percentile in the FCS and Non-Football Subdivision are able to generate the same revenues

as schools around the 30th percentile in the FBS. Distributions show a steady incline from the 1st-80th percentile. At each level, dramatic jumps in revenue can be seen between the 90th and 100th percentiles. The success in revenue generation at top-tier institutions at each level has widened the range within subdivisions. The FBS experienced a 25% (\$25 million) increase in the gap between schools, as compared to a 33% (\$2.4 million) in the FCS and 48% (\$3.5 million) in the Non-Football Subdivision.

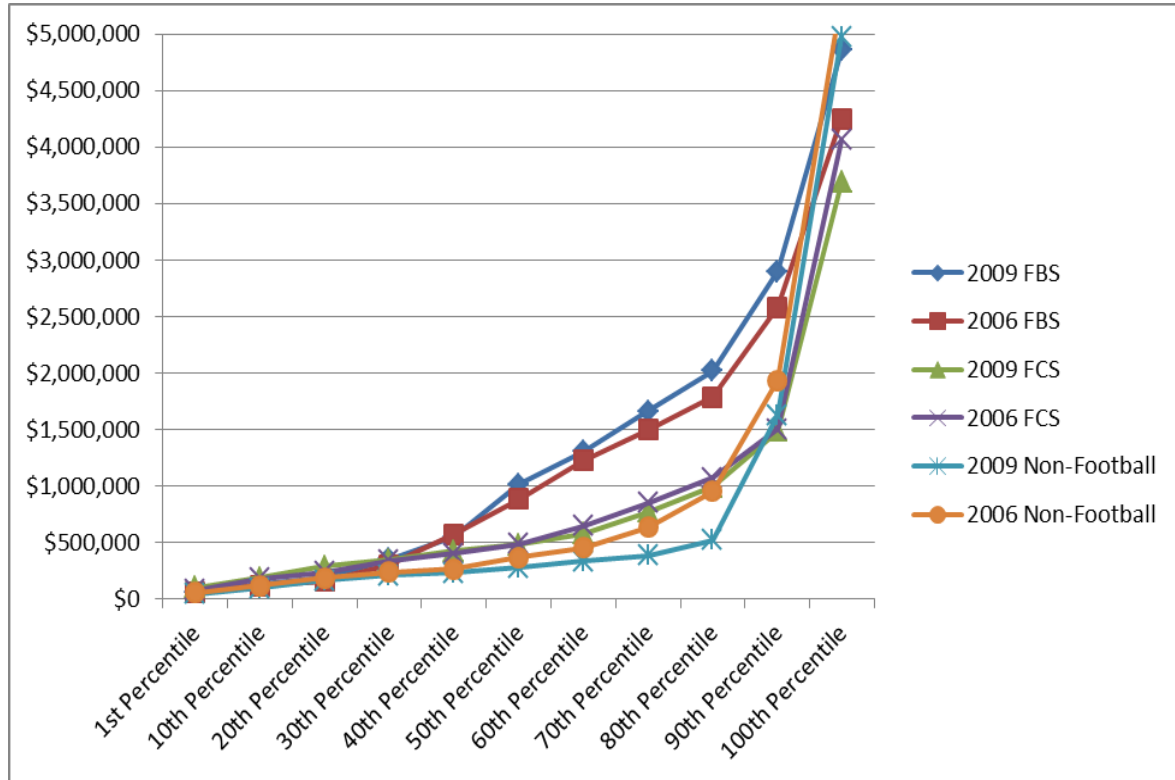
Figure 7. *Men's Revenue Sport Revenues from 2006-2009*



Men's Non-Revenue. Investigating men's non-revenue sport income results in a more level playing field across the three Division I classifications. The FCS experienced the largest percent increase from 2006-2009 growing revenue 28% from \$270,000 to \$380,000. Concurrently, the FBS had only a 10% increase in revenues up from \$810,000 to \$900,000. During a time of gains for the FBS and FCS, the Non-Football Subdivision encountered a 60% decline in revenue from their men's non-revenue sports, down from \$470,000 in 2006 to \$300,000 in 2009.

Figure 8 illustrates several changes over the four year period. Focusing first on the gap between the three subdivisions, as a percentage of the FBS, the FCS closed the gap by 9%, as its revenues equated to 43% of the FBS in 2009. In 2006, the Non-Football Subdivision brought in revenue at 58% of the FBS rate (\$4.7 million). In 2009 that percentage declined to 33%, widening the gap between the "have" institutions in the FBS and "have-not" institutions in the Non-Football Subdivision. One noteworthy change occurred when the range of revenues within the FBS increased by 13% (\$650,000). The FBS was the only subdivision to see a greater spread within its institutions as the FCS range lessened by 11% (\$400,000) and the Non-Football Subdivision range decreased by 7% (\$350,000).

Figure 8. *Men's Non-Revenue Sport Revenues from 2006-2009*

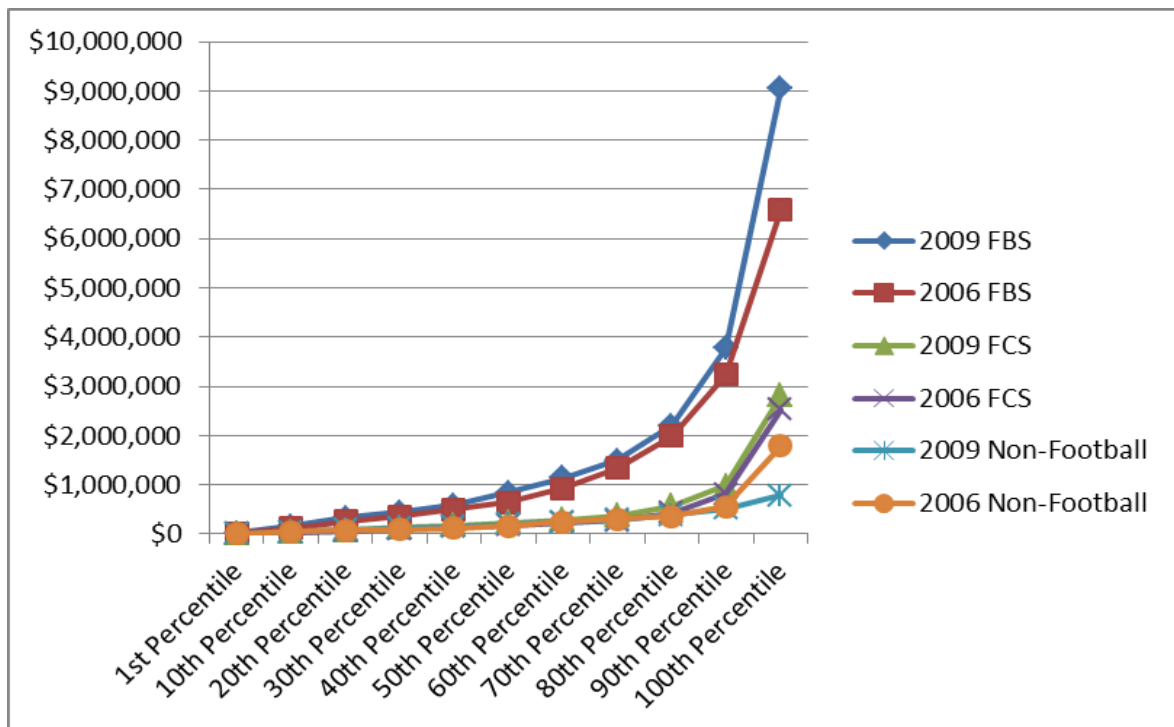


Women's. Across all subdivisions, women's sports bring in the least amount of revenue. Minimal gains in the four year period occurred in the FCS and Non-Football Subdivision. The FCS experienced a 10% increase from 2006 (\$230,000) to 2009 (\$260,000). The Non-Football Subdivision realized a 15% increase in women's sport revenue over the four year period up from \$110,000 to \$130,000. Over the same period the FBS saw their female sports increase revenue by 40%. In 2006, FBS women's sports brought in \$370,000 compared to \$620,000 in 2009.

As shown in Figure 9, the boost in FBS female sport revenue created a larger gap between subdivisions. In 2006, the FCS and Non-Football Subdivision brought in 63% and

23% of the FBS respectively. In 2009 this gap widened as the FCS and Non-Football Subdivision only maintained 42% and 29% of the FBS revenue. Looking independently within each classification, FBS schools had the greatest differentiation followed by the FCS. The FBS saw a 27% increase in the range of revenue up from \$6.6 million to \$9.0 million. The FCS found minimal increases (10%) from \$2.5 million to \$2.8 million. Conversely, with the decrease in female sport income across the board in the Non-Football Subdivision, schools began to look more like one another. A 128% decline occurred from 2006-2009 as the range in revenues for the Non-Football Subdivision went from \$1.8 million to \$800,000.

Figure 9. *Women's Sport Revenues from 2006-2009*



Ticket Sales

In 2009, ticket sales comprised 21% of FBS revenue streams (\$10.9 million) as compared to only 5% of the FCS (\$600,000) as well as 5% in the Non-Football Subdivision (\$500,000). Over the four year period, the FCS and Non-Football Subdivision each gained a percentage point on the FBS, slightly closing the gap between the three classifications. The stabilization is due to slower growth at the FBS level from 2006-2009, which only made an 8% gain relative to 28% and 12% gains at the FCS and Non-Football Subdivision levels. Looking at monetary figures within subdivisions, institutions within the FCS experienced the smallest difference in range, as the first quartile was separated from the fourth quartile by only \$300,000. The greatest revenue range of all FBS line items can be found when looking at ticket sales. First quartile institutions differed from the fourth quartile by \$23 million.

Table 16
Median Athletic Department Ticket Sales Revenues by Subdivision

	FBS	FCS	Non-Football
2009 Median	8,078,000	387,000	202,000
2006 Median	7,442,000	278,000	177,000
Monetary Change	636,000	109,000	25,000
Percent Change	8%	28%	12%
2009 Percent of FBS	NA	5%	3%
2006 Percent of FBS	NA	4%	2%

NCAA & Conference Distributions

NCAA and Conference Distributions are the third largest generated revenue line item in Division I, comprising 16% of FBS monetary streams as opposed to 4% of the FCS and

Non-Football Subdivision monetary streams in 2009. Noteworthy percent growth was realized across all three subdivisions: 22% in the FBS (\$1.4 million) and FCS (\$110,000) as well as 32% in the Non-Football Subdivision (\$110,000). No percent changes occurred between subdivisions, as FCS institutions and Non-Football schools stabilized at 8% and 5% of the FBS allotment respectively. Within subdivisions, once again the FCS experienced the smallest range of payouts (\$400,000) followed by the Non-Football Subdivision (\$500,000) and FBS (\$12 million) ranges.

Table 17
Median Athletic Department NCAA & Conference Distribution Revenues by Subdivision

	FBS	FCS	Non-Football
2009 Median	6,251,000	508,000	341,000
2006 Median	4,863,000	395,000	232,000
Monetary Change	1,388,000	113,000	109,000
Percent Change	22%	22%	32%
2009 Percent of FBS	NA	8%	5%
2006 Percent of FBS	NA	8%	5%

Cash Contributions from Alumni & Others

Cash contributions from alumni and others are the second greatest source of generated revenue for Division I institutions in 2009. Donations culminated to 20% of FBS revenue streams (\$7 million), but only 8% of FCS revenues (\$700,000) and 7% (\$500,000) of Non-Football Subdivision revenues. At a time of prosperity in the FBS and FCS, the Non-Football Subdivision experienced a 5% (\$20,000) decline in third party donations in the four year period. Although the Non-Football Subdivision experienced a setback, the decline in

third party giving only yielded a 1% drop in this revenue line item as compared to the FBS between 2006 and 2009. When focusing on quartile data between subdivisions, donors in the third and fourth quartiles of the FCS (contributing \$1.4 million and above) gave at rates higher than first quartile FBS schools (\$1.3 million). This is the first revenue stream where overlap between the FBS and FCS was realized. This data also illustrated great ranges within each subdivision. FBS quartiles varied by \$19 million in 2009, while the FCS and Non-Football Subdivision varied by \$1.2 million and \$600,000.

Table 18
Median Athletic Department Cash Contributions From Alumni & Others Revenues by Subdivision

	FBS	FCS	Non-Football
2009 Median	6,987,000	746,000	461,000
2006 Median	5,826,000	635,000	483,000
Monetary Change	1,161,000	111,000	-22,000
Percent Change	17%	15%	-5%
2009 Percent of FBS	NA	11%	7%
2006 Percent of FBS	NA	11%	8%

Broadcast Rights

The most dramatic differences between Division I classifications are understood when analyzing broadcast rights revenues from 2006-2009. Over the four year period, median data reflected \$0 generated for FCS and Non-Football institutions. Concurrently,

FBS median broadcast dollars surged growing from \$200,000 in 2006 to \$6.3 million in 2009 (97%). Broadcast rights made up 3% of all FBS revenues.

Royalties/Advertising/Sponsorship

Similar to the data surrounding broadcast rights, FBS institutions experienced rapid growth from Royalties, Advertising and Sponsorships from 2006-2009. Comprising 7% of the total FBS revenue, these institutions brought in \$6.3 million (up 79%) in these related revenue streams in 2009. In comparison, FCS and Non-Football Subdivision institutions brought in \$300,000 (up 43%) and \$200,000 (up 8%) respectively. The intense disparities in 2009 widened the gap between subdivisions considerably. In just four years the FCS and Non-Football Subdivision went from bringing in 11% and 13% of the FBS revenues generated from royalties, advertising and sponsorship to 4% and 3% respectively. Within subdivisions independently, ranges between first and fourth quartile schools were much smaller than with other revenue variables. A \$5 million range occurred at the FBS level as compared to \$380,000 million within the FCS and \$320,000 at the Non-Football Subdivision.

Table 19
Median Athletic Department Royalties/Advertising/Sponsorship Revenues by Subdivision

	FBS	FCS	Non-Football
2009 Median	6,251,000	262,000	186,000
2006 Median	1,334,000	150,000	172,000
Monetary Change	4,917,000	112,000	14,000
Percent Change	79%	43%	8%
2009 Percent of FBS	NA	4%	3%
2006 Percent of FBS	NA	11%	13%

Direct Institutional Support

Direct institutional support, one of two allocated revenue sources, shows opposite patterns from generated revenue sources between classifications. Direct institutional support apportions 10% of total FBS revenues as opposed to 44% of the FCS revenue and 48% of the Non-Football Subdivision revenue. As shown in Table 20, although the gap between subdivisions is closing, the magnitude of this allocated source relative to its generated counterparts is concerning. Within each subdivision there is great discrepancy between the first and fourth quarter institutions. At the FBS level schools range by \$4.5 million. Schools in the FCS have a range of \$8.9 million and institutions in the Non-Football Subdivision ranges by \$7.6 million. The fourth quarter institutions in the FCS and Non-Football Subdivision required a median of \$12.5 million and \$10.2 million respectfully to balance their budgets.

Table 20
Median Athletic Department Direct Institutional Support Revenues by Subdivision

	FBS	FCS	Non-Football
2009 Median	3,272,000	5,259,000	5,372,000
2006 Median	2,118,000	4,277,000	4,602,000
Monetary Change	1,154,000	982,000	770,000
Percent Change	35%	19%	14%
2009 Percent of FBS	NA	161%	164%
2006 Percent of FBS	NA	202%	217%

Student Fees

As another source of allocated revenue, student fees comprised 6% of an FBS budget, 16% of an FCS budget, and 19% of a Non-Football Subdivision budget. Outlined in Table 21, from 2006-2009, median student fees decreased in the FCS by 14% while increasing by 50% in the Non-Football Subdivision and 12% in the FBS. The gap between subdivisions decreased slightly in the four year period, as the two classifications closed in on the FBS by 1%. Within each classification, ranges were comparable. Schools in the first and fourth quarter differed by \$3.7 million in the FBS, \$1.4 million in the FCS, and \$1.6 million in the Non-Football Subdivision.

Table 21
Median Athletic Department Student Fee Revenues by Subdivision

	FBS	FCS	Non-Football
2009 Median	1,617,000	767,000	1,016,000
2006 Median	1,418,000	872,000	511,000
Monetary Change	199,000	-105,000	505,000
Percent Change	12%	-14%	50%
2009 Percent of FBS	NA	47%	63%
2006 Percent of FBS	NA	61%	36%

CHAPTER V

DISCUSSION

The NCAA Division I philosophy statement calls for institutions to maintain control over all funds supporting athletics (NCAA, 2009b). This statement challenges member institutions to generate enough revenue to balance rapidly rising expenditures in the college sport “arms-race.” In just a four year period, Division I athletics experienced million dollar increases in both revenues and expenditures. Consistent with findings from the Knight Commission (2009a), a clear class structure is established when looking both at the three levels of Division I (FBS, FCS, Non-Football Subdivision) and three classifications of sports within those institutions (Men’s Revenue, Men’s Non-Revenue, Women’s).

Program Overview

Comparing sports sponsorship across Division I classifications, significant findings between the total number of sports sponsored at the FBS level as compared to both the FCS (total number of sports only) and Non-Football Subdivision (total number of sports and women’s sports) was found. Top-tier Division I institutions are not only generating the most money, but most often maintaining the greatest number of opportunities for students to participate in intercollegiate athletics. From 2006-2009 within each classification, both the number of sports sponsored and the total number of student-athletes experienced minimal changes. The stability in number of teams sponsored and total number of student-athletes in

the aggregate could be a factor of three different scenarios. First, Division I universities are maintaining the status quo. Second, schools could be eliminating men's non-revenue sports teams and replacing them with women's programs. Finally, schools may be eliminating men's or women's programs, but replacing them with new programs of the same gender. Decisions not to increase number of sports and/or number of playing opportunities are likely due to the excess cost of funding an additional non-revenue program. All monetary gains were realized through maximizing current revenue sources and/or creating new revenue streams and reallocating funds into the same total number of sports and student-athletes.

The revenue increases over the four year period found in all three subdivisions gives administrators freedom to undergo distributions rather than retributions. Based on previous findings by Hums and Chelladurai (1994) coaches and administrators claimed that the fairest way to distribute additional funding is to do so based on equality of treatment, need, and equality of results (p. 213). Additionally, Patrick, Mahony, and Petrosko (2008) found that when additional resources were available to athletic directors and senior women's administrators they cited revenue production is the least "just" way to determine where funds should be dealt. Actual allocation of additional funding explored in research question two exposed that those principles determined as fair by administrators were not used in practice.

Expenditures

As demonstrated in the results section, the FBS spends approximately four times the amount of both the FCS and the Non-Football Subdivision. Much of this divide can be attributed to men's revenue sport spending, as it is seen as one of the few revenue sources that have yet to be maximized. Currently 54% of Division I football programs report external revenue covering total operating expenses, including coaching salaries (Knight Commission,

2009a). There is a strong belief that more athletic departments can realize net revenues from football programs and increased spending is a perceived means to increased revenue generation. However, the Knight Commission disagreed with this profit maximization mentality when stating that “the growing emphasis on winning games and increasing television market share feeds the spending escalation because of the unfound yet persistent belief that devoting more dollars to sports programs leads to greater athletic success and thus greater shared revenues” (2010, p. 3). Further, trends found over ten years ago related to poor cost containment and inflated coaching salaries (Mahony & Pastore, 1998) continue to effect budgets in 2009, as the top contributor to the spending surge was found to be coaching salaries at the men’s revenue sport level. In just a four year period, median coaching salaries in the FBS jumped \$1.4 million (27%) as the market for coaches in basketball and football is aggressive and often influenced by impulsive, non-tangible benefits (Knight Commission, 2009a). A recent trend growing in popularity during this time frame is the exercising of contract buy-outs. Following sub-par performances by men’s revenue sport coaches, universities are firing coaches that often have multiple years left on their contract. Subsequently, the institution must pay the former coach for those remaining years at the same time they are asked to pay the current head coach. In addition, the coaching market also experiences interference from the professional realm, as top coaches can easily hop from one market to the other. Peter Likins, former president at the University of Arizona and member of the NCAA panel on fiscal responsibility feels that emotion plays too big of a role in the hiring process. “The coaching market isn't always so logical, even presidents and trustees can fall prey to the impulse to overpay for the promised glitter of a winning season” (Upton & Wieberg, 2006).

Behind the spending surge for men's revenue sports, women's sports were found to be the next largest consumers in athletic departments, followed by men's non-revenue sports. The FCS and Non-Football Subdivision showed steady spending growth for their women's and men's non-revenue programs. The commitment to continual increased spending for resources in women's and men's nonrevenue sports supports the notion that FCS and Non-Football Subdivision institutions follow distributive justice principles of "need," and "equality."

While FBS programs continued to feed money into women's sports and men's non-revenue sport programs, they did so at slower rates, allowing the gap between classifications to tighten. Over the four year period, the top 10% of FBS programs made a concerted effort to make cuts from both their women's sports and men's non-revenue sport budgets. These findings confirm that FBS institutions almost entirely operate by the distributive justice principles of "spectator appeal" and "revenue generation." FBS expenditure decisions are consistent with previous findings from Mahony and Pastore's three step process toward resource distribution in athletic departments (1998). First, men's revenue sports receive the largest portion of resources and are given all support they seek regardless if they make money. Second, women's sports are given just enough to abide by the law. Finally, men's non-revenue sports are given the leftover once steps one and two are completed.

Revenues

In 2006, only 19 Division I programs showed a profit from athletics. This number dropped to 14 in 2009. In an effort to maintain control over finances, institutions continually seek new avenues to generate revenue while maximizing existing sources. Between subdivisions, ticket sales as well as cash contributions from alumni and others proved to be

the greatest points of distinction. These two income streams often are connected to maximize revenues. Those who donate to athletics are offered incentives in the ticketing process. Institutions that have a high demand for tickets have the elasticity to increase donations for tickets as well as charge a higher gate price. Additional revenues from the subsequent products consumed at the games such as concessions and merchandise create income as well. The demand for Division I football and men's basketball extend outside the university campus, onto national television screens. As illustrated in the research, median broadcast rights revenue for FBS institutions was \$6.3 million in 2009, growing 97% in the four year period that was examined. In contrast, the median revenue in this category for FCS and Non-Football Subdivision institutions was \$0. With the recent bumps on renegotiated television contracts such as those for the Southeastern Conference and Atlantic Coast Conference, the trend only appears to be escalating (Sawchik, 2010). The success of these revenue streams at top-tier FBS institutions further support the belief that "big time" revenue sports will create net revenues for the department. Before heavily investing in these entities, it is vital that institutions with lower tier FBS programs as well as those in the FCS and Non-Football Subdivision produce market research and a cost-benefit analysis that confirms their capacity to finance multimillion dollar expenditures.

Although FBS schools were best suited to support their multi-million dollar budgets and have seen great revenue strides over the four year period, surprisingly they required a median of \$4.9 million in allocated revenue to balance their budgets in 2009, up from \$3.5 million in 2006. Contrary to the belief that "big time" athletics will bring complete financial stability, these institutions have failed to adjust their spending to free themselves from allocated university sources asking for a median of \$1.6 million in student fees and \$3.3

million in direct institutional support. Schools in the FCS and Non-Football Subdivision show the greatest revenue gaps when comparing the income streams of direct institutional support and student fees, reaching a median allocated revenue budget of about \$6 million annually. Although student fees are often a publicized point of contention between the university and athletics in the FCS and Non-Football Subdivision (approx. \$1 million annually), direct institutional support is the largest allocated source by a landslide, costing approximately \$5 million annually. This revenue stream may not be broadcasted as heavily because it is easy to allocate under the table as university officials can negotiate an amount to athletics without need to involve the student population or general public in the decision making process. In an unstable economy, these allocated sources may become breaking points if they continue to be required at multimillion dollar figures.

Distributive Justice Principles

Looking at total revenue and expenditure figures in the FBS, men's revenue sports were found to bring in \$4.8 million in net revenue in 2009. Men's non-revenue sports ran a deficit of \$3 million and women's sports a deficit of \$7.2 million. The distributive justice principles of "revenue generation" and "spectator appeal" are justified as practical means of budgeting when looking at the potential of FBS revenue sport income streams. Although they are not viewed as the most "just" variables by which to fund an athletic department (Mahony et.al, 2002), net revenue generated by football and men's basketball plays an integral part in maintenance of men's non-revenue and women's sports, as well as alleviates some of the financial burden from the university and general student-body. What is "unjust" is solely focusing on the principles of spectator appeal and revenue generation when assessing finances in an intercollegiate athletic department (Hums & Chelladurai, 1994a).

Intercollegiate athletics plays a vital role in the development of the student-athlete and is bound by principles set forth by the NCAA (NCAA 2009b). Universities are non-profit organizations, held to increased standards of the law such as Title IX compliance and therefore should not be treated solely as for-profit business entities (Denhart et al., 2009). Citing back to findings from a study by Hums and Chelladurai, administrators are found to often answer in a socially acceptable manner when asked about the “likelihood of use” of distributive justice principles in financial decisions (1994).

When looking at the FCS and Non-Football Subdivision, other variables such as need and equality of treatment come into play as no classification of sports team was found to generate net revenue. Often men’s revenue sports encountered larger net expenses than their Olympic counterparts. In the FCS, men’s revenue sports were found to run a deficit of \$2.3 million in 2009 while men’s nonrevenue sports ran a deficit of \$1 million and women’s sports ran a deficit of \$400,000. Similarly, in the Non-Football Division, men’s basketball was found to run a deficit of \$1.1 million while men’s non-revenue sports ran a deficit of \$1.8 million and women’s sports a deficit of \$500,000. Men’s revenue sports were not found to be capable of providing the means necessary to fund the rest of the athletic department and therefore should not be viewed as the sole standard for budget allocations.

Practical Implications

Operating under these principles, Division I FBS institutions most dramatically show the push-pull relationship that exists when attempting to act as a business entity under University and NCAA constraints.

A profit maximizing corporation would eliminate all sports besides football and men’s basketball as they do not generate profits. However, universities are not profit

maximizing entities and NCAA stipulations require an institution to support a minimum of 14 sports in order to maintain Division I status...with additional Title IX regulations to sponsor women's athletic programs (Denhart et al., 2009).

Under these parameters, Division I members must understand the dynamics accompanying decisions to add or drop programs, to reclassify their institution in the Division I structure, or to gain a financially competitive advantage within their classification.

An example of reclassification within the Division I structure is seen through universities deciding to move from the Non-Football Subdivision to the FCS by adding varsity football programs. From 2009-2013, six Division I football programs will be added to schools formerly in the Non-Football Subdivision. Each of these Universities (Old Dominion, UNC- Charlotte, UTSA, Lamar, Georgia State, and South Alabama) will be moving into the FCS. The decision to add this expensive sport is more likely the result of the positive perception of fielding a varsity football program and visions of the rewards of "big time" athletics than a financially sound decision. The data supports this notion as FCS institutions were found to lose \$1.2 million on average when fielding a football team at this level. Cheryl Levick, athletic director at Georgia State took revenues out of the picture when making the following statement about adding football:

The reason for adding football really goes back to what the students wanted on campus. It was a vote that they approved for an additional fee to ensure that there was football and a marching band and I really do believe that the students and the Georgia State community wanted to have a full college experience, which included a football program" (Infante, 2010).

Once schools are in the FCS, pressures to compete in the top-tier of varsity football are felt by administrators. Cheryl Levick went on to add that immediately after Georgia State's inaugural season, she began fielding questions from eager constituents about the possibility of moving into the FBS level (Johnson, 2011), a decision that would cost millions of more dollars in a program not yet realizing potential net revenue.

Consistent with results from this study, Frieder and Fulks (2007) in their analysis of the reallocation process of schools into Division I found that "increased revenues from reclassification are more than offset by increased expenses, such that, on average, net losses after reclassification increase" (p. 12). Further, the authors go on to conclude that neither financial nor nonfinancial measureable benefits from reclassification are observed.

Institutions are now forced to decide if the intangible benefits to reclassification are worth the financial burdens.

As some schools alter their number of varsity programs as a strategy to increase revenues, others choose to adjust their current allocations to gain a financially competitive advantage in targeted programs. Results showed that top-tier FBS programs are decreasing expenditures in Olympic sports while their FCS and Non-Football Subdivision counterparts continue to grow men's non-revenue and women's sports programs. The FCS and Non-Football Subdivisions may feel there is greater revenue potential in their Olympic sports and/or these programs are more likely to gain national notoriety for the institution as their men's revenue programs cannot compete with larger Division I counterparts. Concurrently, FBS schools seeing greater returns on their men's revenue sport investments may be deciding that increased investments in Olympic sports only deters from their financial goals. In 2003, Jim Delany, publically bashed the Directors Cup Competition held by the National

Association of Collegiate Directors of Athletics (NACDA) for rewarding the best all-around athletic department as he cited the competition for driving up costs of Olympic sports. “It is our belief that the Sears Cup Competition tends to exacerbate demands for greater resources by coaches, make cost control more difficult and finally fails to adequately recognize the accomplishments of the most broad-based programs” (Drape, 2010).

Given spending patterns over the past four years and the subsequent increased financial gap between the “have” vs. “have not” institutions, fair game theory appears to not apply to Division I college athletics. By taking a hard look at financial data, administrators can take some of the emotion out of the decision making process and support distribution arguments with hard facts. It is important for institutions to set realistic goals for their athletic programs given their market position and work within their financial boundaries to not exhaust university resources.

Future Research

It is recommended that data continues to be recorded and observed over a period of time of 10 years or more so that revenue and expenditure trends can be quantified and used to predict future spending. This would allow for calculated slopes that would allow for a greater number of data points for analysis. In addition, research should determine which specific varsity teams create the greatest spending discrepancies. The examination of line items such as team travel, recruiting, and ticket sales on an individual team basis would be helpful for fully understanding financial decisions in athletic departments. Given greater detail on each program, distributive justice principles can be assessed when focusing on both classification (FBS, FCS, and Non-Football) and sport (Revenue versus Olympic) at the Division I level.

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