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What Does Intercollegiate Athletics Do To (or For) Colleges and Universities?

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Commercial Intercollegiate Sports is uniquely American.

Why the sports-scholarship partnership?

- Economies of scope—use a similar input
- Demand from students who want to play
- Raise money for academic enterprise??
 - 78 % of Americans believe college sports make money (2006 survey)
 - 2009-10: only 22 of 120 Football Bowl Subdivision universities ran a surplus
 - 2009-10: only 14 football programs made money
 - Adding in capital costs and university overhead would worsen financial outlook of commercialized athletics
 - 2010 report: Over \$800 million of student fees subsidize athletics programs annually (subsidies constitute 18% of athletic department revenues).



- **But, more importantly, indirect effects**
 - **On contributions to the university**
 - **On applications and academic credentials of the student body**
 - **On campus social capital**
 - **On racial integration**
 - **On belief in meritocracy**



Why don't college sports make money like professional sports?

- Lack of internal controls to avoid competitive spending on coaches, facilities, travel, administration
- Peculiar fund accounting practices exacerbate problem
 - With excess capacity, actual cost of player is less than the fully booked tuition, room & board
 - But athletes incur extra costs of tutoring
 - No depreciation costs of expensive facilities or allocation for university overhead
- Rank order competition: can't increase winning
 - Prisoner's dilemma
 - Incremental costs may exceed benefits



Indirect Effects

- **Form of advertising and public relations**
 - Convey image of a successful institution as sports success is (correctly or not) interpreted as a signal of excellence in general
- **Attract attention: 2007 NY Times data**

	Sports-related stories	Non-sports stories	Stories per University
58 Universities w/ big-time sports	523	78	10.4
16 universities w/out big-time sports	65	105	10.6

- Among 58 universities with big-time sports, football coach gets 7x as many internet searches as president
- **Various types of indirect effects**
 - On government support
 - On donations
 - On applications and quality of student body
 - On students (both athletes and non-athletes)

Indirect Effects on Government Support

- Legislators may be more concerned with perception of university by the average voter—who is not a college graduate
 - Univ. of Connecticut increased support by \$1 billion after 1999, when men's BB won national championship
 - Humphreys study (2006): N = 570. Public universities with Division 1 football get 8 % more from state. Success does not seem to matter.
- Sales tax revenue may attract attention
 - Coates and Depken: (2008) Found sales tax revenue fell on game days of Texas cities hosting football games. Interpretation: crowding out
- Crime
 - Crime is higher on game days [Rees and Schnepel (2009)]



Indirect effects on donations

Various types of studies

- **Division 1 programs vs. smaller programs**
- **Donations by former athletes, by all alumni, by people with no association with university**
- **Donations restricted to athletics vs. unrestricted**
- **Donations over time to a single university as athletic fortunes wax and wane**
- **Cross-section comparisons**
- **Panel data (more recent studies)**
- **Effect on fraction of potential givers who donate vs. correlations of sports participation and success with value of donations received**

22% of athletics revenues are contributions, which are tax-deductible (and thus subsidized by federal and state government)



Participation in Division 1

- **Sandy and Sloane (2004): 124 universities changed level from 1991-99. 109 up; 15 down. Choice of level of play is not a zero-sum game.**
- **Harrison, Mitchell, and Peterson (1995) find no effect of an institution's participation in Division 1 on alumni donations.**

Individual Donors

- **Former athletes donate more than other students—several studies**
- **Former Middlebury athletes donate 20 % more**
- **Shulman and Bowen (2001), however, report lower unrestricted donations by former athletes than non-athletes. They have 111,000 observations from 30 institutions.**
- **Conclusion: ambiguous**



Effect of athletic success on donations

- Four early studies generally found higher contributions associated with athletic success.
- Studies in 1990s of Clemson and Mississippi State found unrestricted donations related to football success.
- Goff: no effect of Georgia Tech's national championship in football; positive effect of Northwestern going to Rose Bowl. President of Northwestern, however, said it was accounting.
- Baade and Sundberg (1996): use 142 universities and 167 liberal arts colleges in panel for first time. Council for Aid to Education data. Bowl appearances raise private and public university donations. BB tournament participation helps publics. Football wins in season helps liberal arts colleges.
- Rhoads and Gerking found that the Baade and Sundberg effect was through more giving by alums rather than others.

Effect of Athletic Success on Donations *continued*

- Shulman and Bowen: use 75% of 4 classes from 30 elite institutions; find no evidence that winning in high profile sports increases donations. Contributions from former athletes rise with success, but former athletes donate less. Largest donors desire a de-emphasis on sports.
- Turner, Meserve and Bowen, using sample of 15,000 alums of 15 colleges find a negative effect of football winning on fraction of alums who donate.
- Litan, Orszag, and Orszag (2003) had NCAA data. Found no effect of football winning on any kind of donations.
- Humphrey & Mondello (2007); IPEDS data. Find restricted giving rises with athletic success, but unrestricted does not.
- Maybe small number of huge gifts matters more: Ralph Engelstadt \$100M to UND; Boone Pickens \$160M to OkSU.
- But, what does it cost to become more successful?



The Opportunity Cost of Increased Donations

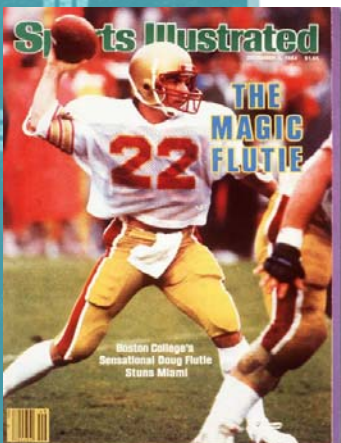
- **Suppose athletic success *does* breed donations.**
- **What is the opportunity cost of additional donations directed to institutions that win bowl games or national championships?**
- **Would the funds have gone to other colleges? Other charities? Savings, or donor consumption?**
- **Are donors fully informed? Is there a “winner’s myopia,” attributing too much of success to skill or effort, and too little to luck?**
- **At the least, the opportunity cost of donations is not zero, and so their value is less than the gross value.**
- **Could the institution have raised the same donations with less money if it directed the funds to development rather than sports?**

Indirect Effects on Applications and Enrollments

- **Sandy and Sloane found that universities with Division 1 sports attract more applications and enroll students with higher SATs.**
- **McCormick and Tinsley and Osborne found the same**
- **BUT, Shulman and Bowen, with their huge sample from 30 selective colleges and universities, found graduates of universities with D1 sports prefer less emphasis on athletics.**
- **Clotfelter finds no improvement in relative quality ratings of 51 FBS universities vs. 21 non-Division I universities from 1995 to 2010.**

- **Winning may also attract applications (why? Good at one thing, good at all things.)**

- **NCState apps increased 40 % after Valvano won NCAA BB championship in 1983**
- **BC received 4,000 more apps year after Doug Flutie's "Hail Mary" pass beat Miami**
- **Murphy and Trandel (1994) found football conference winning attracts applications. Increasing wins from 6 to 9 raises applications 1.3%**
- **Toma and Cross (1998) found increased applications for 10 of 16 NCAA football champions (but only 1 of 16 BB champs)**
- **McEvoy (2005) and Zimbalist (1999) find the same, but no one finds effects from basketball**



- **Winning may also attract better students (academically)**
 - **Several studies support hypothesis, but best, Bremmer and Kesserling (1993), finds opposite effect.**
 - **Four or five other studies find no effect or tiny effect**
 - **Pope and Pope study (2009)**
 - **330 universities, 1983-2000**
 - **Appearing in March Madness boosts apps by 1 %**
 - **Top 20 finish in football boosts apps by 2.5%**
 - **Students with lower SATs are more sensitive to winning than students with higher SATs**
- **Athletics can be used for other goals —to change the gender mix of students. Stevens introduced women’s sports to attract females**
- **We don’t know how regime change would alter enrollments**

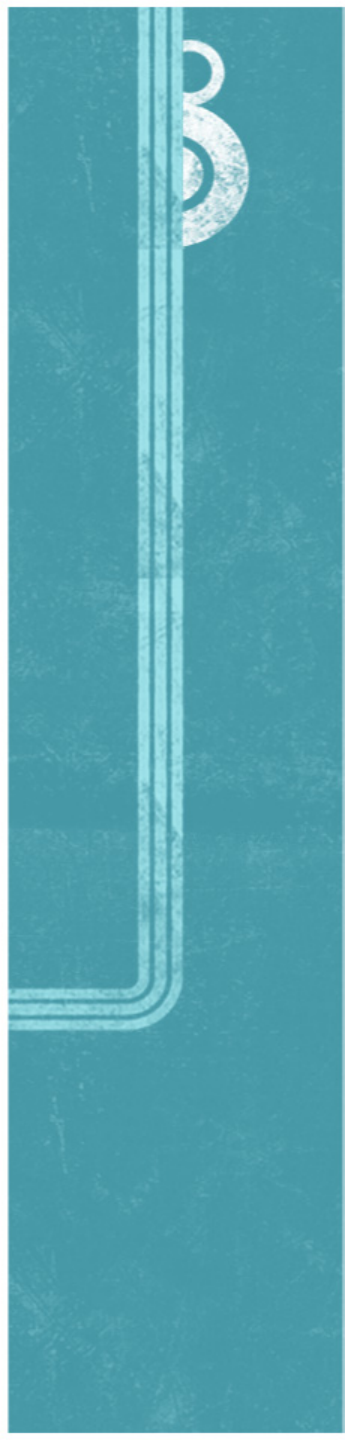


Opportunity Cost of Indirect Effects on Applications and Enrollment

- **What is the cost of funding athletics so as to attract more applications?**
 - **What happens at the institutions that do not win their league or a national championship?**
 - **Unlikely that success of one team increases overall college attendance, even though athletics does improve opportunities for players.**
 - **Rearrange students among institutions. Do students learn more at institutions they are lured to by athletic success?**

Effects of Commercialized Athletic Competition on Students

- **Other possible effects on the university or students**
 - **Negative effect: scandals from rule violations**
 - Grimes and Chressanthis found lower donations to Miss. State after football penalties by NCAA
 - Goff finds a \$31 million decline in donations per year after SMU handed death penalty
 - **Negative effect: challenges to free speech and honesty**
 - **Positive effect: exercise stimulates neural activity**
 - Long and Caudill; former athletes earn about 4% more 10 years post-graduation
 - Shulman and Bowen also find an earnings premium for athletes—because they go into financial services
 - But, earnings are NOT related to number of years that athletes play
 - And, no greater proportion of leaders come from former athletes than non-athletes

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- **Students can participate in exercise without commercialized athletics; Commercialized sports leads to highest level of competition, but also is associated with many injuries**
 - **Link between athletic performance and academic achievement**
 - **Athletes earn lower grades than are predicted based on their credentials**
 - **Shulman and Bowen attribute this to a culture against academic achievement; achievement remains low even if the recruited athletes stop competing. Not true of “walk ons”.**
 - **Percent of students majoring in math or science (n=16,000)**

4 privates w/ big-time sports	17%
4 privates w/out big time sports	28%
 - **Stereotype threat: Dee at Swarthmore finds athletes who get athletic cue before exam do worse than athletics with no athletic cue, non-athletes with athletic cue, and non-athletes with no athletic cue.**

- Athletes do not have lower graduation rates; indeed, their graduation rates are slightly higher than non-athletes.
- JSTOR useage declines during basketball tournament.
- Peer effects (Sacerdote and Zimmerman): athletes could lower the academic achievement of other students because they have lower admissions credentials, and earn even lower grades than those credentials predict.
 - Swarthmore dropped football in 2001 because it required 10 percent of the enrollment of 700 men.
- Athletics may be an end in itself. Records are constantly being broken. Ironically, obesity is rising at the same time!
- Athletics may build a sense of community. Emotions yield social cohesion.
- More time spent watching games live or on TV than spent by faculty and students in traditional tasks of teaching, research, service at a university with big-time sports.



Summary

- **Must be some value of commercial sports to universities**
 - About 120 institutions have persisted for a century
 - Only two dropouts (Chicago and Washington University)
 - Substantial efforts at entry
- **Effect of successful athletic competition on donations shows mixed but probably tiny positive effects**
- **Effect of successful athletic competition on applications is equivocal; no effect on academic credentials of student body.**
- **What receives no attention is the cost of the resources used to achieve athletic success**
 - Could same resources boost donations or applications more effectively if applied directly to those tasks?
 - What is sacrificed when donations go to athletically successful teams? What are the implications of re-arranging students among universities based partly on athletic success?
- **Why do we persist in drawing conclusions about resource allocation based on only one side of the ledger?**