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

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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

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<th>Sports-related stories</th>
<th>Non-sports stories</th>
<th>Stories per University</th>
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<tbody>
<tr>
<td>58 Universities w/ big-time sports</td>
<td>523</td>
<td>78</td>
<td>10.4</td>
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<tr>
<td>16 universities w/out big-time sports</td>
<td>65</td>
<td>105</td>
<td>10.6</td>
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- 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)

• 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.
- 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
• 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 usage 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.
• 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?