

5-15-2006 University Athletic Revenues & Expenses

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2 JOSH CENTOR: Welcome to "Mondays With
3 Myles". There are a number of schools that have revenues
4 that exceed their expenses.

5 Dr. Brand, how common is this?

6 DR. MYLES BRAND: It's not very common. My
7 guess is that it's a dozen or less schools that actually
8 exceed revenues -- or revenues exceed expenses in
9 Division I-A, and no other institution, other than
10 Division I-A schools, do that.

11 JOSH CENTOR: Do the departments that do
12 turn a profit, few as they are, do they have a
13 responsibility to help subsidize other academic
14 departments on campus, just as athletics departments are
15 subsidized by the university itself?

16 DR. MYLES BRAND: Yes. With some caution.
17 And the same cautions you would give to the school of
18 business, for example. I think the athletic department
19 needs to create a reserve, because not every year will be
20 an up year. There'll be a down year, and otherwise you
21 might have to go back to the university. So you've got
22 to create a reserve. Usually in universities that's done
23 by an endowment.

24 And secondly, to the extent that they do
25 have some ability, even past the need for reserves, yes,

1 they ought to put it in the general university funds for
2 use by the general university.

3 And sometimes since it's one year at a
4 time. It isn't, most institutions, normally a year after
5 year event. They'll put it in the library or some other
6 very important, I think, scholarship funds for general
7 undergraduate student body or some such. I think that's
8 a wise thing to do and institutions do do that, in fact.

9 JOSH CENTOR: Students pay fees for a lot
10 of things. Maybe it's to a larger campus, they'll pay
11 fees for the use of the bus that takes them from place to
12 place.

13 DR. MYLES BRAND: Yeah.

14 JOSH CENTOR: They also have been paying
15 fees for athletics. What are your thoughts on this?

16 DR. MYLES BRAND: Well, here's the truth of
17 the matter. In Division I-A, it's the only division in
18 which there's a really opportunity, I think, to meet
19 expenses. On average, schools don't meet expenses.

20 In I-A, the average expenditure rates are
21 about \$29.5 million a year. Some schools more, a few
22 less. In Division I-A however, their revenue streams,
23 through media rights, sale of tickets, and so on, is
24 about \$27 million. So there's a deficit on average for
25 every Division I-A team.

1 Where are they going to make up that
2 deficit? One place that some schools make up that
3 deficit is to ask the students directly to contribute
4 through an athletics fee. And usually, but not always,
5 the students will get some return on that -- better seats
6 or free tickets to certain games, and maybe even free
7 tickets to football games. It depends upon the size of
8 that student fee.

9 I think it's okay to charge fees to
10 students. Better if you charge fees and you give some
11 benefit for it -- some direct benefit for it. But we're
12 going to see, actually, more and more schools moving
13 towards fees. Students don't always like this, but
14 moving more towards fees to make up, on average, this
15 deficit.

16 JOSH CENTOR: Should athletics directors be
17 working harder to earn a profit so that their departments
18 are more self-reliant?

19 If we only have a dozen that are
20 self-reliant, then they're asking for funds from other
21 places.

22 DR. MYLES BRAND: I think the athletic
23 director, just like being at a school of business, must
24 do everything he or she can in order to generate revenue
25 to balance the budgets. But -- and this is a very

1 important but, this is the heart of the matter -- but it
2 must be done in conformity of the values and mission of
3 the institution.

4 You can't just go out, for example, and
5 exploit student athletes' images in order to make money.
6 You can't turn the event into something that's garish,
7 like a NASCAR event just selling advertising
8 (indiscernible). I mean, I think you really have to
9 figure out what works within that environment and it
10 abides by the values and mission of the institution.

11 It's a challenge. It's not easy to do, but
12 I think that's an absolute necessity.

13 JOSH CENTOR: But is it necessary for
14 Division I-A schools to be spending as many millions as
15 they are? Coming from a Division III background, I loved
16 my athletic experience, and I think the Brandeis budget
17 was about half a million dollars a year. And we had
18 about 20 programs.

19 DR. MYLES BRAND: It really is a very
20 different kind of experience, I think. The net
21 expenditure rates at some of the I-A schools, even the
22 ones that are not breaking even, are probably less than
23 the net expenditure rate that you did at Brandeis,
24 because what these I-A schools do is they generate
25 revenue, which offsets some of the expenditures.

1 So it's not so much how much you're
2 spending. It's about what kind of program you want, and
3 how -- and what league you're competing in. You want to
4 be competitive, whether it's D-III or D-I, you want to be
5 competitive. What does it take to be competitive?

6 And secondly, what's the net cost? So if
7 you get a great deal of revenue, and you come close to
8 breaking even and don't break even, you might be in a
9 better position than Brandeis and the proportion of its
10 budget it's putting into athletics.

11 JOSH CENTOR: And then discussing the large
12 budgets of Division I-A institutions, it's just a very
13 minute, 3 to 5 percent of the large institutional budget;
14 isn't it?

15 DR. MYLES BRAND: That's exactly right. I
16 know that many people think that in Division I-A the
17 expenditure rate is -- I'm talking about expenditures
18 now, and not net -- but the expenditures are a big part
19 of what the university does.

20 In fact, some of these universities, in
21 fact, many of them in I-A, are multibillion dollar a year
22 operations. And if they're only spending on average a
23 little less than \$30 million on athletics and getting
24 most of that back through revenue, I think that is
25 actually a very small part of the budget.

1 JOSH CENTOR: Well, a lot of interesting
2 issues here. I'm sure you have some last words on the
3 topic.

4 DR. MYLES BRAND: Yeah. You know, I wrote
5 about the problem that particularly Division I
6 institutions are facing on the blog. And I said, Here's
7 the problem. And okay, what's the solution?

8 And in the next week or two I'm going to
9 write another blog, Josh, and try and point people
10 towards what that solution might be.

11 JOSH CENTOR: Okay. Well, we look forward
12 to reading that.

13 Thank you for starting your week with
14 Dr. Brand and I on "Mondays With Myles". Make sure to
15 check out the DoubleAZone blog where Dr. Brand will be
16 posting his second part of that series at
17 www.doubleazone.com. We'll see you next week.

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