

## Myles Brand on His Game Plan

By John Walda

### Let's talk about the progress we've made in the NCAA-NACUBO partnership.

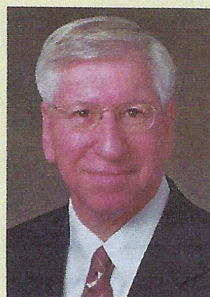
Some of what we're doing together—developing standard definitions and financial reporting guidelines, creating dashboard indicators, and determining best practices in fiscal management and in training fiscal officers and athletic departments—is already having an impact. A first step in terms of financial reporting has been to reorganize and re-categorize data collections. Previously, we had incomplete data, due in large part to the autonomous way in which universities classify their funds, varying state requirements, and federal government categories. The NCAA has benefited from NACUBO's sound advice about standardized athletics financial reporting processes and categories.

Now, this is an evolving process. We are getting closer to comparing apples to apples. We next need to take the data produced and provide them in a way that is helpful to universities and their boards. That's an important step because, at least in my past experience as a university president, I had a great deal of difficulty accurately understanding the marketplace so that I could evaluate the recommendations that would come to me from my athletic department and then pass that information along to the board. The steps we are taking in this partnership help assist boards and their presidents make better decisions.

### And this is where the indicators come into play?

Yes. We need to provide not only a snapshot of where institutions are right now, but also show trends and allow institutions to compare their own institution, in the aggregate, to others in their conference or division or to any other group of institutions the board or president wishes. As you know, we've started a pilot program, with the participation of NACUBO members, to distribute this information to a group of perhaps 15 presidents and chancellors. This pilot will help us refine our recommendations as we move forward. After the pilot is completed, all Division I members will receive their institutional data to review.

Myles Brand has a mission: to team up with key players including NACUBO to score a higher level of financial accountability within college sports. The key is reintegration, says Brand, president of the National Collegiate Athletic Association. "Without reintegration of athletics into the university budget and administrative processes, we have little hope of getting intercollegiate athletics on a sound financial footing on all campuses."



The NCAA-NACUBO partnership formed last fall to help the NCAA implement recommendations for ensuring fiscal responsibility is gaining speed and traction. (See "Letter From the President" and a related "Business Briefs" article in the January 2007 issue.) While the work is far from over, in this interview with NACUBO CEO John Walda, Brand highlights key achievements and the full-court press ahead.

**These indicators will in effect become a decision-making tool to oversee the athletic department. Do you see this as being used broadly within the university?**

I think it will take time for universities to understand, within the context of their own cultures, the best uses for the indicators. They may start with discussions among the board, CFO, and president. My sense is that all other bodies that are engaged in athletic and financial decision making will, over time, begin to use these indicators.

Something this new accounting system and the indicators allow is to see to what extent universities are subsidizing their athletic departments. Our research has shown that, over the past decade, only six Division I institutions have been in the black in each year according to standard accounting practices. Many institutions may leave out consideration of student fees and other kinds of support such as facility support and bonded

indebtedness from their facilities. I'm not going to argue that we shouldn't subsidize athletics, but we should do so with our eyes open. And, we should understand that the subsidy for athletics will have to come from a different part of the budget for public institutions than the general fund and the institution must justify the importance of these expenditures to the academic component of the university.

### Is there an opportunity for institutions to become more transparent to the public in this area?

I hope that this will lead toward transparency in the aggregate for the media and for the general public. Transparency must be in the aggregate. That's important, because we're trying to help institutions understand where they are in the grand scheme. We're not trying to set two institutions in a competitive financial environment. For private institutions in particular, we don't want to strain internal restrictions about what should become public. We think we can provide the financial information in a useful form without disclosing anything that would make institutions uncomfortable. ➤



First and foremost, the information has to be organized and presented in a way that is comprehensible. NACUBO can help us accomplish this.

**What do you envision as the main thrust of the cooperative relationship between the NCAA and NACUBO as we go forward?**

For the foreseeable future, there will be questions of refinement to the indicators. That's one area. There may also be a temptation to use the information generated in ways that are not helpful in dealing with the growing financial expenditure rates in collegiate athletics, so we must continue to partner in helping institutions use the information effectively.

For instance, you can imagine that some boards and presidents will look at the comparison data and say, "We're in the lower third in our conference. If we want to compete with ABC University, we've got to do X, Y and Z." That may well lead to additional expenditures rather than controlling expenditures.

**This unintended result—the ability for decision makers to use the data to make comparisons that lead them to try to catch up to their peers—is it a big concern?**

There's always the potential for abuse with financial data. And that's where education comes in. We've done a series of financial studies by key economists from the Brookings Institute that show there is little correlation between winning and expenditures or between expenditures and revenue generation. That may be difficult for some to believe—including board members who don't always have all the facts at hand—because it may seem logical that if you spend more you will win more. I think an educational process will be necessary to make sure that the data are understood and not abused.

Likewise, as long as athletic departments are operating apart from the university and their decision making is autonomous, there exists the temptation to increase expenditures. By bringing the athletic department into an integrated area of financial management with the rest of the university, I think we're in a better position to align athletics increases with those of the institution. Yet, given the reality for misuse of the data, we have to couple all that we do—not only for technical reasons, but also for values-oriented reasons—with developing a sound educational program for financial officers, presidents, and boards. Incidentally, the NCAA also needs to partner with other higher education and athletics associations such as the Association of Governing Boards (AGB) to make sure that the information is correctly interpreted and available for various constituencies. In fact, we have already begun to work with AGB along those lines.

**What new skill sets will athletic directors need to help**

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**them operate the athletic enterprise as an integral part of the overall university?**

Because of the strong focus on revenue generation—particularly through media contracts—athletic directors up to now have needed strong business, marketing, and fundraising skills, and often experience with media contract development.

We must get beyond looking at the revenue side, in part because the media contracts, ticket sales, and other revenue-generating opportunities are moderating. From a financial standpoint, athletic department success going forward will depend on how well expenditures are managed. This doesn't mean cutting athletic departments or stopping their rate of growth. It does mean spending smartly, spending commensurate with the rest of the university, and eliminating inefficiencies by taking advantage of other activities in the general university.

All this changes the kind of person a university should look for, and it certainly should change the kind of educational professional development opportunities we give to athletic directors. Athletic directors don't have to be accountants, but we do need them to become better integrated into the mission, values, and context of the university. NACUBO's members, who obviously understand the business affairs of the university, can play an active role to help bring their athletic directors into this broader context. In fact, CFOs must take the lead in ensuring the accuracy of financial reporting and our long-term goal of reducing the clutter by standardizing the numbers for all athletics reports at the campus, NCAA, and federal levels.

**Do you see a point in time—perhaps a specific milestone—when you and I can relax on these issues?**

I'm afraid that time may be well beyond our days. The main reason is that we're dealing with naturally competitive units—universities and particularly their athletic departments. They will continue to look for any edge to gain a competitive advantage. That's the nature of the beast. So, we're not going to solve the problems we need to in the short term. The partnership of NACUBO and the NCAA and any other groups such as AGB will be longstanding and, I hope, will continue to gain strength.

Having said that, I think we can still go and enjoy a college football or basketball game or a volleyball match. We have great reason to appreciate college sports. One of the strengths of the American higher education system is that it is so good at combining athletic competition and learning. As far as the financial accountability aspect is concerned, we'll always have to keep our eye on the ball.

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