

# Has the Arms Race in Intercollegiate Athletics Hit UNI?

by

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Intercollegiate athletics can instill characteristics in student-athletes that society values highly, such as honesty, moral integrity, and fair-play. These desirable traits enable some student-athletes to excel in their chosen non-athletic professions and to contribute much to the betterment of society. This amateur student-athlete model envisions the athlete as a student first, in pursuit of an education, and an athlete second. The model envisions college sports teams as an extension of the academy, aligned with its mission, vision and values. Each student-athlete is a role model and a leader among their peers in their attitudes and behavior both on and off the playing field. Student-athletes are expected to behave in a manner that exemplifies honesty and sportsmanship at all times, so that they represent the honor and dignity of fair play and generally recognized high standards associated with wholesome competitive sports. A student-athlete's actions should be driven by the core values of respect, civility and fairness to all; honesty in all of their dealings with others; and a responsibility for all they say and do.

Intercollegiate athletics can also be very expensive, especially when universities compete with each other for winning coaches and stronger athletes. Although the NCAA strictly limits the amount of compensation a university can pay (scholarships) its student-athletes, universities compete for athletes by offering them nicer facilities, better training, and winning coaches, not too mention other benefits supplied by misguided athletic

supporters. Many respected scholars believe that the intense competition among universities for the best athletes and coaches is eroding the lofty standards imbedded within the student-athlete model. Nearly twenty years ago, the President of the prestigious American Council on Education told delegates to the NCAA.'s 82d annual convention that the arms race in intercollegiate athletics spending is destroying the amateur student-athlete model that most universities desire. Atwell (President of ACE, 1988) challenged the NCAA to put an end to the arms race and restore the cherished amateur student-athlete model. (NCAA Told to Review, *The New York Times*, Jan. 12, 1988). Twenty years after Atwell's remarks, nothing has been done to contain the arms race in intercollegiate athletics spending, except for the occasional NCAA study that finds that there is nothing to worry about. More recently, the Knight Foundation's Commission on Intercollegiate Athletics issued a report calling for campus chief executives to band together and to take charge of college sports. The commission issued a similar call sixteen years ago, noting that athletics poses a greater threat to higher education now than it did in 1991.

Recently, this arms race has been exasperated at state supported universities as tuition increased significantly in response to dwelling state appropriations. The University of Northern Iowa has not been exempt from this trend in rising tuitions. Increasing tuition imposes an automatic cost increase on intercollegiate athletic programs. The effect of an increase in tuition is further complicated by the mix of in- and out-of-state student-athletes and the total number of student-athletes awarded a scholarship. The purpose of this paper is to explore the extent to which UNI has been affected by this arms race by examining the impact of increasing tuitions on total

expenditures on Intercollegiate Athletics at UNI. If increased spending on Intercollegiate Athletics at UNI is no more than the increased cost of scholarships and inflation, then UNI cannot be considered a participant in the arms race of spending on intercollegiate athletics. However, if spending on non-scholarship items is increasing faster than the rate of inflation, then it would appear that UNI is fully engaged in this arms race.

Using data from the UNI Supplement to the Comprehensive Annual Financial Report for the past seven years, the total expenditures on Instruction, Intercollegiate Athletics, Intercollegiate Athletics scholarship costs, and Intercollegiate Athletics subsidies have been collected and organized in the table below. Expenditures on Instruction include all of the spending by the academic units on campus (faculty salaries, etc.). The Intercollegiate Athletics expenditures include all direct operating expenses of Intercollegiate Athletics operations (administration, coaches' salaries, event operations, etc.). The Intercollegiate Athletics expenditure data does not include any indirect expenses that support the operations of Intercollegiate Athletics, such as heating, cooling, building maintenance, etc., which are paid by other units on campus, such as physical plant. The scholarship cost data represents the sum of the scholarship costs of each sport for both men and women. The actual scholarship costs amounts vary widely, from just under \$10,000 for men's golf to \$1.267 million for football in 2006-07. The subsidy paid to Intercollegiate Athletics represents funds taken from the General Education Fund (state appropriations, tuition, fees, interest, etc.) to support their operations. This subsidy is necessary because Intercollegiate Athletics at UNI is nowhere near self-sufficient.

## Instruction and Intercollegiate Athletics Expenditures and Subsidies

Year	Spending on Instruction (in \$1,000)	Total Intercollegiate Athletics Expenditures	Intercollegiate Athletics Scholarship Costs	Intercollegiate Athletics Subsidy from General Education Fund	Intercollegiate Athletics Spending on Non-Scholarship Items
2006-07	\$68,768	\$10,510,607	\$3,183,994	\$5,284,052	\$7,326,613
2005-06	\$67,145	\$9,260,964	\$2,886,188	\$5,156,086	\$6,374,776
2004-05	\$64,418	\$8,794,032	\$2,790,645	\$4,860,848	\$6,003,387
2003-04	\$64,082	\$8,242,949	\$2,430,630	\$4,662,997	\$5,812,319
2002-03	\$62,067	\$7,302,520	\$2,098,816	\$4,149,209	\$5,203,704
2001-02	\$58,352	\$7,241,090	\$1,996,033	\$3,858,672	\$5,245,057
2000-01	\$60,041	\$6,778,782	\$1,765,967	\$3,572,435	\$5,012,815
Total	\$444,873	\$58,130,944	\$17,152,273	\$31,544,299	\$40,978,671
Average Annual Rate of Growth	2.53%	8.51%	10.37%	7.59%	4.54%

Source: Supplement to the Comprehensive Annual Financial Report, University of Northern Iowa, various years.

Intercollegiate Athletics spends a large amount of money, just over \$10.5 million in 2006-07. The total spending by Intercollegiate Athletics is about the same as spending by the entire College of Business Administration. About one-third of this spending is on scholarship costs and the rest is on other items, mostly payroll and event operations. The magnitude of the subsidy given to Intercollegiate Athletics (\$5.284 million in 2006-07) is very large by university standards. This subsidy is larger than the largest department (School of Health, Physical Education, and Leisure Services - \$4.18 million) on campus, in terms of annual spending. In other words, UNI is sacrificing the equivalent of a large academic department in order to maintain its spending on Intercollegiate Athletics. This subsidy is also significantly larger than similar subsidies paid to the support of Intercollegiate Athletics at the University of Iowa and Iowa State University. According

to Iowa Board of Regents reports, UNI subsidizes its Intercollegiate Athletics program with nearly twice as many dollars as does Iowa State University (\$2.97 million), or over three times as many dollars as does the University of Iowa (\$1.57 million). While the University of Iowa and Iowa State University get 2.81 and 8.86 percent, respectively, of their Intercollegiate Athletics budgets from the General Education Fund, at UNI, nearly 54 percent of the Intercollegiate Athletics spending comes from the General Education Fund.

The data reveal that all three basic categories of Intercollegiate Athletics items (total expenditures, scholarships, and subsidy) have grown far more rapidly over the past seven years than spending on Instruction. Spending on Instruction, the core mission of the university has grown at about the same rate as inflation. Intercollegiate Athletics Scholarship costs have grown more rapidly than both non-scholarship and total Intercollegiate Athletics spending. The amount of funds transferred from the General Education Fund to Intercollegiate Athletics (subsidy) has grown nearly three times faster than the increase in spending on Instruction. The last column of the table shows that Intercollegiate Athletics spending on non-scholarship items has also grown faster than increases in spending on Instruction. The data above is what one would expect to find if Intercollegiate Athletics at UNI is engaged in an arms race of spending.

In order to determine the extent to which increases in scholarship costs have driven the increases in Intercollegiate Athletics total spending and subsidy, we must calculate the changes in these amounts from one year to the next. The table below reports the results of these calculations.

### Year-to-Year Changes in Intercollegiate Athletics Expenditures and Scholarship Costs

Year	Increase in Total Expenditures	Increase in Scholarship Costs	Increase in Total Expenditures on Non-Scholarship Items
2006-07	\$1,249,643	\$297,806	\$951,837
2005-06	\$466,932	\$95,543	\$371,389
2004-05	\$551,083	\$360,015	\$191,068
2003-04	\$940,429	\$331,814	\$608,615
2002-03	\$61,430	\$102,783	-\$41,353
2001-02	\$462,308	\$230,066	\$232,242
2000-01	\$806,643	\$161,063	\$645,580
Total	\$4,538,468	\$1,579,090	\$2,959,378

The data demonstrate that scholarship costs have increased by varying amounts, ranging from some \$95,000 to over \$360,000. The data also demonstrate that total expenditures have increased by more than the increase in scholarship costs in all but one year (2002-03). In total, the increases in total expenditures far exceed the increases in scholarship costs. Overall, increasing scholarship costs account for about 35 percent of the increases in the total spending by Intercollegiate Athletics. Thus, the increase in total expenditures on Intercollegiate Athletics cannot be completely explained by the increase in scholarship costs. Again, the data suggests that UNI is engaged in an arms race of spending on Intercollegiate Athletics.

Some avid supporters of intercollegiate athletics argue that success on the playing field yields dividends to the entire university in the form of better students and monetary gifts. Robert Frank, Professor of Management and Economics at Cornell University, recently studied this issue. In a review of some 33 studies, Frank finds weak evidence, at best, to support the popular myth that athletic success produces indirect benefits to the

university, such as increased applications, better students, or greater giving. He concludes his study by stating, "...the empirical literature provides not a shred of evidence to suggest that an across-the-board cutback in spending on athletics would reduce either donations by alumni or applications by prospective students."

### Summary and Conclusion

Intercollegiate Athletics at UNI is not immune to the arms race in intercollegiate athletics spending. Intercollegiate Athletics spending has increased far faster than spending on Instruction at UNI over the past seven years. Intercollegiate Athletics at UNI has grown to be the size of a major, academic college within the university. The costs of scholarships for student-athletes have also increased during the past seven years. But, these increasing scholarship costs do not explain all of the increases in Intercollegiate Athletics spending. Only about 35% of the increases in Intercollegiate Athletics spending is attributable to increases in scholarship costs. The lion's share (about 65 percent) cannot be attributed to increases in scholarship costs. Indeed, Intercollegiate Athletics spending on non-scholarship items has increased 2.5 times faster than the increases in Instruction spending at UNI.

It would appear that during this seven-year, austere period of time, Intercollegiate Athletics fared far better than did the instructional activities at UNI. Intercollegiate Athletics spending increased more than three times faster than did spending on Instruction. Moreover, a significant portion of the increase in Intercollegiate Athletics spending was paid for using General Education Funds. The subsidy paid to Intercollegiate Athletics from the General Education Fund also grew three times faster

than did spending on Instruction. Some of the increase in the subsidy may have been necessary to fund the increased costs of scholarships paid to student-athletes.

The ability of intercollegiate athletics in general, and UNI in particular, to give student-athletes a strong sense of moral integrity has been jeopardized by reckless spending. Student-athletes (and others) rightly recognize the lavish university spending on sports as a clear signal that the university values sports more than academics. If the university's mission is to reflect society's values, then its lavish spending on sports may not be far off-base. But, if the mission of the university is to produce graduates who will go into society to change and improve it, then this lavish spending is not justifiable.

The challenge before UNI is to examine carefully how well its spending on Intercollegiate Athletics reflects its mission. The challenge to Intercollegiate Athletics is to find a way to implement the amateur student-athletic model without the huge subsidy it currently receives. Unfortunately, without directives and guidance from the highest level of the university, it is unlikely that Intercollegiate Athletics at UNI will be able to reduce the size of its subsidy.