



Balancing Funding: How Can Colleges & Universities Budget Athletics & Academics with Limited Resources

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Abstract

The impact of financial statements on the budgeting and decision-making process is critical to any organization's success. Forecasts are vital to the planning process of the budget. It provides reliable financial information related to an organization's long-term and short-term goals. What influences College Administrators' decision-making in budgeting athletics and academic programs. How can Colleges & Universities budget athletic programs without cutting educational resources? Colleges and universities have to balance the limited financial resources funding athletic and academic programs on an annual basis. Determining the level of investment that is made into intercollegiate athletics and the return that it will bring is a challenge that universities face every year. Utilizing the academic resources that athletic programs have available to them is tool that can certainly assist in balancing the scale between athletics and academics.

Keywords: Historically Black Colleges and Universities (HBCUs), National Collegiate Athletic Association (NCAA), Southwestern Athletic Conference (SWAC), Division I-Football-Subdivision (FBS), Division I-AA –Football Championship Division (FCS), Academic Progress Rating (APR)

1 Introduction

Intercollegiate athletics in higher education have evolved and changed tremendously over the past fifty years. Collegiate athletic departments operate as auxiliary units of a university similar to campus housing, food service, and the bookstore. These additional departments are expected to be self-sufficient financially. These departments can generate revenue from internal and external sources, unlike academic departments. Because of their ability to generate revenues, they must be fiscally responsible, which means they must meet the financial obligations. Athletic departments manage their daily financial transactions, including ticket sales, marketing communication, travel, purchasing equipment supplies, and apparel. The faculty is responsible for teaching and increasing students' knowledge-based and academic skill levels. Athletic departments are responsible for developing student athletes' athletic skills to succeed in competition and stay within their approved budget. Collegiate athletics can provide a cost-benefit to colleges and universities in branding and increased enrollment. Athletic departments are perceived as an essential element of the American collegiate experience to the point that universities as a necessary expense to attract and enroll new students (McDermid, 2021). Two key questions that will be addressed in

this literature review are as follows:

Research Question 1: What influences College Administrators decision making in budgeting athletic and academic programs

Research Question 2: How can colleges and Universities budget athletic programs without cutting academic resources.

2 What Influences College Administrators Decision Making

College administrators must decide how to fund academic and athletic programs during the budget process are influenced by the cost benefits of athletics, increasing enrollment, and maintaining accredited educational programs. There is very few student-athletes that will have a career in professional sports after college, and they must use their college education when they enter the real world of work. Their academic achievement is essential to their human capital (Insler & Karam, 2019). The success of athletic programs can positively impact the university; increasing pride among alumni, donations, and enrollment is a driving force that influences college administrators (Walker, 2015). Walker (2015) noted that in a study conducted on Division I football and basketball schools, private institutions that had successfully athletic pro-

grams saw their donations increase by 28 % over two years compared to other schools that did not have successful programs during that same period.

3 Academic Annual Budgeting

Several colleges and universities have begun to use revenue-centered models, including responsibility center budgeting which transfers budgetary authority from central administration to the academic department level (Deering & Lang, 2017). In addition to the educational resources that athletic departments have available, they should also use the campus's comprehensive academic resources to assist with tutoring for student-athletes because it will increase the opportunities to improve the graduation rate and their academic progress rating (Stokowski et al., 2017).

Responsibility Center Budgeting allows academic deans to act as chief executives, which increases their authority over budgetary affairs (Harris, 2020). With this shift in governance, academic deans can work directly with athletic administrators allocate athletic educational resources to faculty to assist with tutoring and other academic enhancement development programs. For example, the recent legislation in multiple states of the NIL will allow student-athletes to maintain their eligibility and be compensated for their name, image, and likeness. Securing a licensing deal for all athletes to receive some monetary NIL benefit and allow broad-based sponsorship deals for student-athletes (Sorbe et al., 2021). Athletic departments should partner with academic business schools to develop a program on financial planning and the tax implication of student-athletes receiving income from their NIL deals.

4 The Impact of Intercollegiate Athletics on Academics

The influence of athletic participation on students includes educational experience to have the major they select, school quality, faculty qualifications, and school brand (Insler & Karam, 2019). When the benefits of athletics exceed the cost, the educational mission is enhanced; however, frequently, especially at limited-resource institutions, the cost exceeds the benefits, and athletic spending transfer's funds to athletics from academic programs (Conger et al., 2018). Over the past ten years universities are increasing their spending on athletics faster than on instruction. Faculty have seen their salary growth rate fall behind athletic coaches (Conger et al., 2018). The growth rate for faculty salaries from 2008 to 2014 have been at a much lower rate than that of college coach's in Division I programs (Curtis & Thornton, 2014). Colleges and universities face pressure each year to maintain enrollment during economic downturns and reductions in state funding (Smith, 2019). According to Smith (2019), schools that compete at the FBS level expect their enrollment to increase due to the high level of television exposure that schools receive, especially for students who want to attend schools that offer football.

5 Impact of Facilities Upgrades and Cost to a University

Universities are investing significant funds into a state of the art athletic facilities, including expansions, upgrades, and renovations to their stadiums to increase revenues (Maxcy & Larson, 2015). The investment can be beneficial in the long term if the net value exceeds any financial loss. New stadium construction benefits for athletics programs include stimulating the economic activity, sports success, increased revenues and institutional prominence and a increase in student applications, improved retention rates, and alumni giving can be generated due to the increased exposure (Maxcy & Larson, 2015). The on-campus stadium is related to other values to include an enhanced sense of campus community because of the schools' ability to host major events such as football games, graduation ceremonies, and concerts (Maxcy & Larson, 2015). The main economic incentive for universities' investments in intercollegiate athletics is to increase and expand the universities brand (Getz & Siegfried, 2012). According to Anderson (2012), winning in football can improve the student application pool, increase donations and enhance the university's academic profile. Anderson (2012) noted that the more successful that football and basketball teams were had a direct impact on donations to the school. If schools invest in their football program and begin to win, alumni and student applicants will eventually change. New stadiums are not always economically beneficial. For example, a negative economic impact on downtown business around on game nights decreases because some locals stay away from the area to avoid traffic and crowds (Maxcy & Larson, 2015).

6 Budgeting Athletic Programs without Cutting Academic Resources

Colleges and Universities use collegiate athletic programs to increase enrollment and generate needed funds for their respective schools. Collegiate athletic programs are the entry point to the university and expand the schools brand as well as increase in the recruitment of new students (Bass et al., 2015). Due to the increase in college tuition and fees, the importance of intercollegiate athletics has been debated in the public sector (Desrochers, 2013). According to Bass et al. (2013), students and administrators have developed a low tolerance of athletic departments and would like to see equal funding for academic programs. Spending has continued to rise at FCS Division I-AA schools, and institutions have shown and have increased their reliance on institutional support and student fees that support their athletic budgets (Desrochers, 2013).

7 Limited Resource and Academic Service

Historically Black College and University (HBCU), as well as universities that compete at the Football Championship Subdivision (FCS), are considered limited-resource institutions, and the NCAA has developed educational programs that assist historically black colleges and other limited resources schools enhance student athletes academically (NCAA, 2016). Being able to recruit talented athletes and offer them a full scholarship is considered an investment by universities to increase enrollment and generate revenues; however, HBCUs cannot generate revenues from television network deals and secure major sponsorships like Division I FBS schools (Checks & Francique, 2015). Despite being

considered a limited financial resources HBCUs still provide students with high education and compete in intercollegiate athletics (Cheeks & Francique, 2015). To maintain eligibility for students' athletes, the NCAA enacted the Academic Progress Rate (APR). To avoid penalties and loss of grant revenue, athletic academic advisors must ensure that student-athletes are eligible for competition. Some coaches even have bonuses in their contracts based on their team's APR score (Stokowski et al., 2017). The staffing and facilities associated with the athletic, academic support services help student-athletes manage academic requirements by attending supervised study halls, receiving tutoring, academic advising, and monitoring (Judge et al., 2018). There are three levels of penalties for teams that academically perform below the APR threshold score of 930. Some penalties reduce practice times, ban groups from the competition and loss of financial aid, coaching restrictions, and possible NCAA membership (NCAA,2015d). In 2015-16, schools failing to meet the APR threshold were deemed ineligible for post-season competition (Hosick, 2015). According to Hosick (2015), several institutions were limited resources schools and HBCUs. Hosick (2015) noted that \$7.4 million has budgeted for limited-resource schools improve and enhance academic programs in order improve graduation rates for student-athletes (NCAA, 2016). The educational support budget for Division I schools to assist with academic programs and services was \$49.2 million in 2016 (NCAA, 2016). Colleges and universities must determine if investing in intercollegiate athletics is equal or greater than the investment in academic programs, which is part of the institution's mission and goals and serves all students (McDermand, 2021).

Fig. 1. HBCUs are heavily dependent on student fees and institutional support funds to supplement their budget. For example, of the ten SWAC schools, nine had over half of their budgets supported by student assessed fees and institutional transfers in 2020, see the table a:

School	Total Institutional Support	Total Student Fees	Total Athletic Revenue	% of Institutional Support & Student Fees to Total Athletic Revenues
Grambling State University	5,240,000.00	1,120,000.00	9,626,633.00	66%
Alcorn State	2,140,000.00	1,260,000.00	5,790,000.00	59%
Alabama A& M	12,610,000.00	190,000.00	14,160,000.00	90%
Alabama State	9,760,000.00	0.00	12,390,000.00	79%
Jackson State	1,500,000.00	2,440,000.00	8,300,000.00	47%
Mississippi Valley State	1,460,000.00	720,000.00	3,910,000.00	56%
Prairie View A & M	12,260,000.00	3,210,000.00	18,740,000.00	83%
Southern University	7,650,000.00	3,030,000.00	14,560,000.00	73%
Texas Southern University	7,990,000.00	2,220,000.00	12,810,000.00	80%
University of Arkansas Pine Bluff	4,560,000.00	1,540,000.00	8,750,000.00	70%

Source: Knight Commission, CAFI Database

Because of this revenue dependency, athletic departments partner with the university and student body. As a result, they must be fiscally responsible for the funds used to support athletic programs.

8 Planning and Decision Making

College administrators must understand the planning process to enhance their knowledge and decision-making capabilities.

Higher education leaders must balance the pressure of working with limited resources and have a deep knowledge base of planning and resource management (Clark, 2018). Clark (2018) noted that a part-time doctoral program was developed to prepare higher education professionals for leadership positions, emphasizing planning and decision-making strategies. College administrators need to understand how different concepts such as zero-based budgeting, activity budgeting, and performance-based funding can impact their ability to manage and enhance their budget unit. According to Clark (2018), the main elements of teaching and learning include planning, decision-making, resource management, students, mission, and vision.

Responsibility center budgeting is a process that allows an organizational structure to group the university's academic departments based on purpose and funding source, typically college deans are given the freedom to manage their departments based on the financial resources available to them (Vonasek, 2011). According to Vonasek (2011), each unit manager of a center is responsible for achieving operational and fiscal performance goals, including an incentive to retain excess savings and receive compensation for their performance. In planning and decision-making, a university should consider its institution's academic and athletic reputation because it can increase its intercollegiate athletics programs (Won & Chelladurai, 2016).

9 Financial Impact

Only a select number of Division I-FBS institutions do not operate in a deficit, while and have difficulty with athletic and financial success (Won & Chelladurai, 2016). As noted in football operating results table 3.30(B) of the NCAA Revenues and Expenses 2004-15 (2016), it indicates that 30 percent of Division I-A-FBS institutions had financial deficits of less than \$10 million. In table 4.33 football operating results Division I-AA-FCS, all institutions had a financial debt between \$900 thousand and \$8 million. Alumni giving from donations are a significant part of universities' economic challenge annually (Walker, 2015). In 2012, contributions to colleges and universities in the United States were approximately \$31 billion, and in 2013, 43% of donations were from individuals, 30% and 17% were from foundations and corporations respectfully (Walker, 2015).

The Knight Commission found that FCS athletic departments spent \$38,349 per athlete and FBS athletic programs spent \$103,691.83 per student-athlete (Judge et al., 2018). In addition, very few colleges athletic departments are profitable; for example, only 23 out of 230 Division I programs were only beneficial after the institutional resources were not a part of the equation (Berkowitz et al., 2017).

Grambling State University is considered a limited resources school part of the SWAC and competes at the Division I-AA FCS level. In 2020 the university had a total student enrollment of 4511 students and 363 student-athletes; the school spent 56% more on athletic spending per student-athlete than the overall student population (Knight Commission, 2020).

Table 1. The table below is a comparison of the amount spent per student-athlete as compared to the overall students at each school in the SWAC in 2020

School	Academic Spending per Student	Athletic Spending per Student-Athlete	% of Athletic Spending to Academic Spending	Number of Student-Athletes
Grambling State University	11,737	26,418	0.56	363
Alcorn State	24,599	25,869	.05	276
Alabama A&M	23,407	44,871	.48	312
Alabama State	36,713	35,294	-.04	340
Jackson State	34,062	28,490	-.20	351
Mississippi Valley State	23,875	13,576	-.76	288
Prairie View A & M	23,943	54,489	.56	343
Southern University	17,177	45,222	.62	337
Texas Southern University	37,587	35,000	-.07	366
University of Arkansas Pine Bluff	25,896	34,758	.25	248

Conclusion

For college students, intercollegiate athletics is a significant part of their college experience, and athletics can positively impact student athletes' academic performance. College administrators must understand the value of athletics to their university because it can be the front door for recruiting new students increasing its brand and graduation rates. Athletic departments must understand their responsibilities to be good partners with the university by being fiscally responsible and self-sufficient. Collegiate athletics cannot exist without accredited universities with vital academic programs. College administrators and athletic departments must work together to balance the funding between both academic and athletic programs. Using NCAA educational enhancement grant funds is a financial resource that can provide financial balance. Those grant funds could offer a financial incentive to faculty to provide tutoring and academic enrichment to student-athletes in various academic courses. The intense demand for college athletics, along with the limited financial resources for colleges and universities, can focus them on eliminating athletic programs or reduced faculty and academic programs. Universities have to balance funding between academic and athletic programs. Gathering input from stakeholders such as faculty, students, alumni, and boosters can be valuable to assist in this area.

Although balancing funding between the two programs can be complex and unfair at times, it is necessary for the continued success of colleges and universities. This balancing act is needed so that intercollegiate athletic programs do not put a financial burden on universities to the point that academic programs. HBCUs and other limited-resource institutions must begin to create a better balance between academics and intercollegiate athletics. The NCAA reports that less than two percent of all student-athletes will be playing professional sports (NCAA, 2014). This is why colleges and universities should create solid academic programs to ensure the long-term success of every student that is enrolled at their institution. Future research on the influence of athletic spending compared to overall spending on students and the impact of student athletic fees and how those funds are allocated with the athletic budget. Based on the level of resources that schools at the FBS and FCS level spend on student-athletes in scholarships, travel, academic resources, athletic performance can have a more significant impact than those financial resources spent on academics. Because of this investment in college sports, athletic departments have a responsibility and obligation to be transparent in their spending and day-to-day operations.

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