

SPRINGER BRIEFS IN ECONOMICS

Frank P. Jozsa Jr.

College Sports Inc.
How Commercialism
Influences
Intercollegiate
Athletics



Springer

*To former coaches Bill Welch, Duane Klueh
And the late Howard Sharpe and Paul Wolf*



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ISSN 2191-5504 ISSN 2191-5512 (electronic)
ISBN 978-1-4614-4968-3 ISBN 978-1-4614-4969-0 (eBook)
DOI 10.1007/978-1-4614-4969-0
Springer New York Heidelberg Dordrecht London

Library of Congress Control Number: 2012943623

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Printed on acid-free paper

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Foreword

A former athlete and professor of business administration and economics, Frank P. Jozsa Jr. is the author of ten books on professional team sports. In *College Sports Inc.*, he covers all aspects of how commercialization influences intercollegiate athletics. Frank discusses, for example, why modern directors of athletic departments in major colleges and universities are likely to be businesspersons, lawyers, or executives who do not have a background in amateur sports nor were coaches with an academic degree in physical education.

According to Jozsa, many alumni, boosters, and corporations have a bigger and increasingly important voice in the operation of intercollegiate athletics due to the amount of money they donate to schools especially in Division I of the National Collegiate Athletic Association. Meanwhile, those institutions in Divisions II and III struggle to break into the sponsorship arena and depend more on local businesses for support. Nevertheless, there is tremendous pressure among all of them to improve their facilities, schedules, and amenities.

In addition, Frank provides evidence that departments of athletics with big-time sports programs have dedicated personnel including experienced and successful development and marketing officers who exclusively raise money from outside sources. In contrast to that situation, small and midsized schools rely heavily on their coaches to raise money to meet and/or supplement the sport budget. Yet, this is a difficult task for these coaches since they do not have the staff, time, or training to raise money while responsibly managing all areas of their program.

Other contents in *College Sports Inc.* truly impress us. Indeed, it informs readers about student athlete concepts and philosophies, ethics and rewards that emerge from coaching and participating on teams, arms war and competition among athletic conferences and between schools with major sports programs, and the effects of Title IX legislation. Furthermore, *College Sports Inc.* examines the culture and financial worth of sports programs to alumni, donors, communities, and universities, and depicts the primary differences between revenue and non-revenue sports, broadcast and business of the College World Series, March Madness and football bowls, and dilemmas of administrators to approve and implement budgets for multiple sports.

After spending decades as college and/or university coaches and directors of athletics, we have seen the evolution, growth, and success of schools' sports programs and why they function more like organizations in the private sector. For sure, *College Sports Inc.* reveals the historical backgrounds, problems, and trends of that transformation. Thus, we highly recommend that anyone interested in or associated with intercollegiate athletics to read it.

Mary Ann Sunbury

Steve Newton

Don 'Bacan' Smith

Acknowledgments

While researching topics and then organizing and writing a manuscript of *College Sports Inc.*, I received expert advice and other types of assistance from several people. Some of them had provided me with data, statistics, and general information as they did with the publication of one or more of my previous books on the sports industry. In no specific order, I acknowledge everyone's contribution to *College Sports Inc.* as follows.

Pfeiffer University Library Director and Assistant Professor of Library Science Lara Little willingly researched publications on several online databases and mailed me numerous references including academic studies, articles, book reviews, professional reports, and abstracts of student dissertations and theses. In addition, she contacted college libraries and forwarded me books from them as interlibrary loans. Besides being cooperative, dedicated and smart, Lara is a friend and someone who never questioned assignments from me. Indeed, she processed every request of mine for assistance within one or two days. For sure, Lara is an outstanding librarian and library director.

Pfeiffer University Athletics Director and former basketball and volleyball coach Mary Ann Sunbury mailed me three National Collegiate Athletic Association (NCAA) reports. Moreover, she promptly and thoroughly answered questions I had about her goals, responsibilities, tasks, and the school's sports programs. For coauthoring the Foreword of *College Sports Inc.*, I thank Mary Ann and wish her good luck as the leader of Pfeiffer's department of athletics.

Several employees of the NCAA in Indianapolis, Indiana helped me to understand the authority, mission, and role of their organization and explained the meaning and significance of various data in the NCAA's annual reports and studies. For their assistance and time, I wish to thank assistant directors of research Frank Carr and Erin Irick; assistant director of academic and membership affairs Michelle Vaughn; statistics contractor Sam Hovland; media services' assistant director of championships and alliances J. D. Hamilton; librarian/associate director of research Ellen Summers; librarian/assistant director of research Lisa Douglass; and administrative assistant of research/library Betty Reagan.

Besides those officials, research consultant and Transylvania College's faculty representative to athletics and the school's accounting program director Daniel L. Fulks informed me on how to read and interpret the data contained in NCAA reports and studies, especially the categories and amounts of investments, revenues, and expenses of colleges and universities that sponsor teams in Divisions I, II, and III. In fact, Professor Fulks is the person that assembles and prepares these documents for the NCAA to publish. Thanks Dan.

There were various people, who in different ways, contributed to the manuscript and then publication of *College Sports Inc.* They include Richard E. Lapchick, who is director of the Institute for Diversity and Ethics in Sports and chair of the DeVos Sport Business Management Program at the University of Central Florida; Charles T. Clotfelter, a Duke University professor of public policies studies, economics and law, and the author of *Big-Time Sports in American Universities*; and Rodney Fort, a professor of sport management and associate dean for graduate programs and faculty affairs at the University of Michigan.

Others who kindly assisted me in some way were Jon Pessah, an editor, writer, and sports journalist; Tex Noel, the executive director of the Intercollegiate Football Researchers Association; Mike Lynch, the founder of Seamheads and baseball website www.seamheads.com; Joe Williams, the cofounder and managing editor of Leatherheads of the Gridiron and the football website www.leatherheadsofthegridiron.com; Kristi Dosh, Esq., a sports business reporter for the Entertainment Sports Programming Network; and reference librarians Page Hendrix and Debra Franklin of the York County Public Library in York, South Carolina.

A relative of mine and some friends were also important in my effort to create and author *College Sports Inc.* Cousin Raymond "Sonny" Feiler, who owns Feiler Group Real Estate in Destin, Florida, sent me a major league baseball signed by former St. Louis Cardinals player and current Hall of Famer Stan "The Man" Musial and *Basketball For Girls*, a book published in 1940 by A.S. Barnes & Company of New York City. He purchased these items for me in St. Louis while looking for books and readings about the business, finance, and economics of college sports. Cousin Ray, I appreciate your gifts.

Steve Newton, Don 'Bacan' Smith, and Dr. John Roshel Jr. have been friends of mine since the 1940s. Indeed, we attended Gerstmeyer High school and played sports there from 1955 to 1959 and then later at Indiana State College (now Indiana State University) in Terre Haute, Indiana. Steve and Don, who coauthored the Foreword of *College Sports Inc.*, coached university basketball teams in NCAA Division I and spent a few years as athletic directors at their schools. In 2011 and 2012, Steve mailed me several articles about intercollegiate athletics including his comments of the contents of these publications. For being friends and my former classmates, teammates, and fraternity brothers, I am truly grateful to Steve, Don, and John, and they know it.

Dr. Maureen Fogle, an educator and nursing administrator at a hospital in Charlotte, North Carolina, and I have been together since the late 1990s. During these years, she has agreed with my decision to write books about the business, history, and operation of professional sports leagues and then of commercialism

as an economic reality and powerful trend in intercollegiate athletics. Her encouragement and our relationship, in large part, have provided opportunities to be productive and truly motivated me to continue studying topics in the sports industry and completing scholarly projects. Thus, I was fortunate to meet Maureen when she was a graduate student at Pfeiffer University and thank her for the freedom and support to pursue my goals and keep myself busy during retirement.

Frank P. Jozsa Jr.

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Chapter 1

Introduction

For several decades in America, athletic programs in colleges and universities received financial support and resources primarily from their respective schools and such sources as alumni and the National Collegiate Athletic Association (NCAA). More recently, however, college coaches assigned to athletic departments and the presidents and marketing or public relations officials of schools organize, initiate, and participate in fund-raising campaigns. Thus, they obtain a portion of revenue for their sports programs from local, regional and national businesses, and from other private donors, groups, and organizations. Because of this inflow of assets and financial capital, intercollegiate athletic budgets and types of sports expanded and in turn, these programs while controversial became increasingly important, popular, and reputable as revenue and cost centers within American schools of higher education.

Purpose and Objectives

College Sports Inc. reveals how the practices, principles, and spirit of commerce influence athletics in American colleges and universities. The book identifies differences in the numbers, types and if available, costs of major college and university sports programs, and their sources of revenue. In addition, it examines how and when these costs and revenues occur, and whether they affect the success or failure of schools' athletic programs.

More specifically, *College Sports Inc.* discusses the financial support and subsidies to college and university athletic programs from business firms such as media, retail, and technology companies, from organizations such as cultural and social enterprises, and from alumni and any special donors and groups who may be entrepreneurs and corporate foundations. Based on that information, the book analyzes how these businesses, civic organizations, special donors, and groups impact the quality and role of schools' athletic directors, coaches, student-athletes, events, and facilities as their arenas, ballparks, and stadiums. Readers learn that

although the effects of raising and allocating funds varies from good to bad, and substantial to insignificant, the trend in commercialism will continue to change and increasingly contribute to the operation, popularity, and future of college sports.

This book has six distinct and unique objectives. Listed in no specific order, they are:

- Provides reference data and other information from academic reports, books, industry studies, and articles from journals, magazines, and newspapers.
- Includes commentary from college officials, sports analysts, and the media.
- Mentions a number of current developments, problems, and reforms associated with sports programs of schools in higher education.
- Emphasizes how some schools reallocated their resources to compete athletically and to expand, market, and operate their major and minor sports.
- Denotes how schools aggressively pursued and then accepted revenue, in part, from such sources as small and midsized businesses to national corporations.
- Provides clues for officials in colleges and universities on how to increase their revenue base and to inform their athletic directors, coaches, and student athletes about potential issues with commercialism.

Colleges and universities have opportunities for their teams to compete in the amateur sports industry but also they must deal with economic, financial, and management realities. Their officials struggle, for example, when making decisions to allocate resources and raise money from commercial sources for their sports programs, and when they hire and compensate ethical and successful coaches, recruit academically eligible and talented student athletes and educate them enough to earn an undergraduate degree in a marketable major, implement and enforce regulations of the NCAA and the school's sports conference, and develop athletic budgets and maintain accountability of funds. *College Sports Inc.* addresses these issues, in part, by referencing and including research from the literature and recently published articles, books, Internet sources, reports, and studies.

Book Reviews

Since the 1970s, professors and such scholars as historians, sports economists, and other researchers have studied and authored a variety of articles, books, and reports about different aspects of the college sports industry. Since some of them were important references for *College Sports Inc.*, the following books on college and university sports programs and intercollegiate athletics include concepts, practices, principles, and theories in business administration, economics, education, finance, history, law, management, philosophy, public policy, and social science.

Written by Duke University professor of public policy studies, economics, and law Charles T. Clotfelter, and published by Cambridge University Press in 2011, *Big-Time Sports in American Universities* discusses the role of commercial sports

and their contribution, function, and significance as core activities within these schools. More specifically and with respect to his research, Clotfelter discovered that during the past 80 years, editions of the *New York Times* reported the activities of major sports programs in detail and more frequently than any other topics involving 58 universities in the United States (U.S.). Such results, in turn, revealed the popularity and public's interest in these programs and in part, justified why head coaches, especially in football and basketball received more compensation than schools' presidents earn and any professors.¹

In addition to these matters, Clotfelter was surprised and thus he writes about different controversies and problems. These include the NCAA and its opposition to paying student-athletes for their performances, university leaders who ignore or underestimate the contributions in revenue generated by their athletic departments when they prepare their institution's budgets and plans, and violations committed by alumni and boosters who donate money, and by head and assistant coaches who recruit superstar athletes. In short, Clotfelter's book exposes conflicts and relationships between athletic and educational departments, but also reveals the positive consequences and enjoyment of funding and supporting big-time sports programs of American universities.

In his book *Varsity Green*, which Stanford University Press published in 2009, author Mark Yost takes a behind-the-scenes look at the culture and corruption in college athletics. That is, he examines the conspicuous and high-revenue business of college sports and writes to inform readers why television revenues, merchandising rights, bowl game payoffs, sneaker contracts, and endorsement deals have financially rewarded the NCAA and head coaches rather than presidents of schools and others such as athletes who successfully played in games on teams. Yost explains why, and describes how, millions of dollars from such annual sporting events as football bowl games and college basketball championships, in part, corrupts college officials and seeps into communities, local politics, and even youth athletic organizations.²

According to Yost, there never was a *golden era* of college sports when gentlemen scholars learned the values of ethics, sportsmanship and teamwork, and how to participate yet graciously accept defeat. Regarding this and other topics in his book, he accuses the NCAA of being morally bankrupt and exploiting some athletes by treating poor, inner-city, teenage, players as chattel that feeds a protection racket lining the pockets of rich and powerful organizations and people in the sports industry, while earning enormous amounts of money and more power and esteem for elite schools and their officials. Although the experiences, opinions, and views of current and former college athletes and their families are not included in chapters of the book or interviewed by Yost, and although he seems unsure whether to simply be a reporter or wide-eyed innocent observer, *Varsity Green* is an informed analysis and intelligent critique of America's infatuation with money, celebrity, and sports.

Edited by Richard E. Lapchick, who serves as Chair of the DeVos Sports Business Management Program in the University of Central Florida's College of Business Administration, the *New Game Plan For College Sport* consists of 18

essays which, from a variety of perspectives, identify and critically exam issues that occurred during the 1980s to early 2000s in intercollegiate sports. These readings include, for example, higher education's failure to emulate the professional sports model, ethical dilemmas, and discrimination in the gender and race of college players, coaching opportunities, legal activities, and gambling, role of sports agents, influence of the media, and the academic peril faced by too many student athletes and their abuse of performance-enhancing drugs. Furthermore, an objective of Professor Lapchick's book is to establish forums for conflicting opinions as a way to improve our college sports enterprise with advice and suggestions from college presidents and athletic directors, sports conference commissioners, college faculty, and student-athletes.³

A few essays in Professor Lapchick's book provide information for topics contained in *College Sports Inc.* These essays involved school officials and coaches, student athletes in intercollegiate athletics programs, and the NCAA. Because it outlines a new plan for decision and policy makers in sports, the book's final chapter titled "Recommendations" should be required reading for anyone involved or interested in intercollegiate sports, especially undergraduate students, sports professionals, and professionals in training.

In *Economics of College Sports*, university professors John L. Fizel and Rodney Fort edited 14 studies that depict how college athletic departments and the NCAA oversee the big business sports programs of schools that exist in Division I and to a lesser extent, in Divisions II and III. After Fizel and Fort's overview of college sports economics in the Introduction of Part I, there are three or four articles each in other Parts of the book about the structure of, financial returns to, and labor issues, and competitive balance in, college sports.

In their empirical and theoretical research, the book's contributors investigate and propose answers to complex and intriguing questions about business, economics, and social aspects of college sports programs. First, where do, or should, schools' lucrative athletic ventures fit in the mission of higher education? Second, to what extent does college sports enhance or limit schools' mission of creating an environment for learning and extending the frontier of knowledge? Third, does the NCAA promote amateurism and competitive balance in a way that truly supports universities? Fourth, does the NCAA even follow its purported objectives? According to one reviewer, *Economics of College Sports* is easy to understand, yet gives readers the impression that big-time college athletics is beyond academic control. If true, then society should not be optimistic that the behavior of those who control athletics is congruent with our institutions of higher education.⁴

During 2008, World Scientific Inc. published *The Economics of Intercollegiate Sports*. Written by Randy R. Grant, John Leadley and Zenon Zygmunt, this title is a primary or secondary textbook for college and university students. Indeed, the book is organized and specially designed to teach undergraduate and graduate students how to apply economics concepts and theories to analyze the college sports industry. For example, it covers such topics as (a) the NCAA's unique cartel structure and how it affects the labor market for college athletes and coaches; (b) conflicts and tensions between academics and athletics; (c) finance problems and

the funding of athletic departments; (d) role of the media and commercialization of college athletics; (e) gender, race, and legal issues; and (f) the desirability and plausibility of reforming intercollegiate sports.

After a critique by another economist and then published in a journal, the reviewer wrote that *The Economics of Intercollegiate Sports* has too much extraneous discussion. Therefore, in her opinion, it is insufficient as a textbook for college and university students because it lacks professional economic analysis and fails to define the goals of the NCAA or any school's athletic departments. Rather, the book is more of an op-ed piece against the way that the NCAA and colleges currently implement their policies, regulations, and rules about sports.⁵

In contrast to topics in *College Sports Inc.*, which focuses on the positive and negative influences of commercialism and on business organizations and their immediate and long run contribution and impact on intercollegiate athletics, the contents in chapters of *The Economics of Intercollegiate Sports* are different but worthwhile to understand. That is, especially by anyone interested in learning about tradeoffs and relationships among and between departments within universities, athletes, and coaches, and the behavior of cartels and microeconomics of labor markets.

Published in 2000 by the University of Michigan Press, *Intercollegiate Athletics and the American University* contains experiences, opinions, and views of University President Emeritus James J. Dunderstadt. Essentially, he believes that increased commercialization of intercollegiate athletics endangers the mission of US schools in higher education and their primary mission, which is academics. Dunderstadt places much blame on the NCAA for all that is wrong with college sports including the showbiz atmosphere created and broadcasted by the media, victimization of student athletes, celebrity status of powerful sports coaches, and inconsistencies in the values and images of academic enterprises that sponsor sports programs.⁶

The real victims, according to Dunderstadt, are any basketball and football players who despite their poor academic performances in high school receive college scholarships but rarely play and eventually withdraw from school because of very low grade point averages, injuries, or economic reasons. Because of NCAA requirements and punitive sanctions, these athletes are, in effect, employees of schools' athletic departments and therefore work as competitors, yet receive only enough money to cover their tuition, room and board, and minimal expenses. He believes, moreover, that some college sports seasons are too long and scheduled games too frequent, that first-year students should not be permitted to play at the varsity level, and that the celebrity status of coaches should be broken by deferring or limiting dollars they collect from any contracts negotiated and signed with outside business interests.

During 2010, the University of Illinois Press published *Pay for Play*, a book authored by Penn State University professor emeritus Ronald A. Smith. This book primarily traced the failed attempts to reform college athletics from 1855 to the early twenty-first century while analyzing different roles of sports conferences, faculty, students, university presidents, the NCAA, state and federal legislatures,

and the Supreme Court. In his analysis, Smith examines critically important and sensitive questions about college athletic reforms that involve compensation, eligibility, recruiting, rules enforcement, and sponsorship. By balancing principles of amateurism with a need for schools to obtain income from their sporting events, *Pay for Play* is a title for groups of athletic reformers, college administrators, historians, NCAA officials, and sports journalists.

In reviewing Smith's book, University of California professor emeritus Murray Sperber declared that *Pay for Play* depressed him and likely any reader who hoped for systemic reforms in college sports. In other words, such powerful and prominent people as college and university administrators, wealthy alumni, and trustees have not only failed but, in fact, they opposed and subverted proposals to enact and implement necessary reforms. This occurred, in part, because these groups fear their school's athletes and teams will become inferior to rivals in sports. Furthermore, they are risk averse when contemplating fundamental transformations of sports programs, or they simply avoid controversies, problems, and scandals, and thus act like cheerleaders who support their school's sports teams during games of seasons.⁷

Brian Porto, an attorney who teaches students as an associate professor at Vermont Law School, wrote *A New Season* to demonstrate how American colleges could retain their threatened varsity programs and even expand opportunities for women students in sports by replacing the current commercial model with one that emphasizes student participation. Published in 2003 by Praeger, Porto's book reveals why reformist tinkering has done little to solve the deep-seated problems plaguing college sports. Instead of experimenting with new reforms, he believes that schools can achieve academic integrity, fiscal sanity, gender equity, and personal responsibility by adopting a student-oriented model of participation based on Title IX.

Descriptive chapter titles reflect the themes that Porto emphasizes in his book. These titles include, for example, a brief history of sports in "Seasons of Past," financial consequences in "Seasons of Debt," academic consequences in "Seasons of Shame," and why, when, and how to implement a particular operating model in "The New Season Begins." In comparison to what *A New Season* proposes, my research suggests that because of actions taken by alumni, boosters and sponsors, and despite revenue received by the NCAA and its conferences, and income earned by college athletic directors, coaches, and presidents, the dominant trend in school's future athletic programs will be to depend more and not less on commercialism.⁸

Consisting of 33 well-researched articles and numerous tables within three volumes as published by Praeger in 2008, *The Business of Sports* focuses on the contemporary economic issues of spectator sports in America but also elsewhere in the world. In the first volume, Editors Dennis R. Howard and Brad R. Humphreys document the magnitude, scope, and size of the sports industry in the United States and abroad, and they examine the world's most visible sporting events and their impact on nations. In the second and third volumes, respectively, they and others write about the sports industry from an economic perspective. Then, to bridge the