

NCAA Athletic Department Economic Impact Analysis

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An economic impact analysis is a methodology that examines the effect of an event on the economy in a specific area (Pleeter, 1980). This event that is being analyzed can be anything from a new tax, a new building, or a new business moving into a community. In sports management studies, economic impact is typically viewed as the net economic change in a community that results from spending money on a sports facility, franchise expansion or relocation, sporting event, or any other sports-related expenditure (Turco & Kelsey, 1992). Thus, a sports-related economic impact analysis is designed to measure the economic benefits of sports-related events to a community (Crompton, 1995).

In this paper, I will analyze the impact of transitioning a National Collegiate Athletic Association (NCAA) Division II athletic department to NCAA Division I. An overall analysis of the athletic department and the varsity sports it sponsors, conference alignment, and facilities will be provided. A general financial analysis of revenues and expenses that result from this transition will also be reviewed. Finally, I will provide a general recommendation about this transition and briefly review universities that have made this transition.

NCAA Division I Requirements

According to the NCAA (2021), universities with the Division I classification must sponsor at least 14 varsity sports. Of these 14 sports, each university can choose to sponsor six men's teams and eight women's teams, or they can sponsor seven teams each. Any university looking to transition from NCAA Division II to NCAA Division I may petition to do so only if

they have been an active Division II member for at least five years, the university is in compliance with all Division I minimum sport sponsorships and financial aid requirements, and the university has an offer of membership from an active Division I conference (NCAA, 2021). In order to apply for NCAA Division I membership, a university works in conjunction with its sponsoring conference to petition the NCAA Strategic Vision and Planning Committee. Upon receiving approval from the Strategic Vision and Planning Committee, the university would undergo four years of reclassification before becoming fully eligible for all NCAA Division I championships, contests, and tournaments (NCAA, 2021). In addition to all scholarship, financial aid, and NCAA eligibility academic requirements, universities much make various commitments to the NCAA Division I Collegiate Model (NCAA, 2021). These commitments include:

- The commitment to value-based legislation,
- The commitment to amateurism
- The commitment to fair competition
- The commitment to integrity and sportsmanship
- The commitment to institutional control and compliance
- The commitment to student-athlete well-being
- The commitment to sound academic standards
- The commitment to responsible recruiting standards
- The commitment to diversity and inclusion

Despite the many benefits to transitions to NCAA Division I, the reason few universities consider this move is because the application fee alone is expected to be between \$1.5-1.7

million (Collegiate Consulting, 2018). Additionally, invitations to join Division I conferences are relatively scarce and are often brought on by major conference realignment.

Administrative Staffing

According to a feasibility study conducted by Collegiate Consulting in 2018, the average Division I athletic department consists of about 40 employees, the majority of which are full-time. However, in the same study, Collegiate Consulting (2018) pointed out that the average Division II athletic department is usually around 16 full-time employees. Division I sports require more teams, larger rosters, and increased personnel to manage the teams and student-athletes. When considering a move from Division II to Division I, a university needs to typically plan for increased staffing for administrative duties including compliance, academic support, business operations, facilities management, external operations, sports information, equipment management, multi-media coordination, ticket operations, and strength and conditioning programming.

Coaching staffs are another area that requires a significant economic commitment in a transition from Division II to Division I. Coaching staffs grow as scholarship numbers rise. Likewise, many universities that transition to Division I will have to add entirely new teams, which start with new coaching staffs. To sufficiently meet the needs of its student-athletes, universities can immediately expand its coaching staffs or gradually expand them as they complete their five-year transitional period.

Conference Alignment

Joining a collegiate athletic conference is important for any university athletic department. First, as stated above, an invitation from a Division I athletic conference is required for any university hoping to transition. Additionally, collegiate athletic conferences serve

multiple functions, such as offering universities fair and equitable competitive environments, joint branding initiatives, and various financial incentives (Perline et al., 2012). Universities that transition to Division I should expect to receive between \$300,000-\$600,000 from the NCAA in the form of conference allocations once it becomes a full Division I conference member (Collegiate Consulting, 2018). Other benefits from joining a Division I conference can include direct profit increases. Enrollment increases, additional team branding opportunities, and long-term security (Emma, 2017).

Facilities

Expanding the athletic facilities of a Division II university to Division I standards requires a substantial financial commitment. Athletic facilities include all arenas, stadiums, fields, tracks, and courts that host varsity sports teams. These facilities will be subject to minimum NCAA Division seating standards (NCAA, 2021). Other athletic facilities include practice fields and facilities, athletic training facilities, health and wellness facilities, exercise and performance centers, academic labs, locker rooms, and dining halls. While these other facilities may not have NCAA-mandated standards, they do need to hold up against the standards established by other conference affiliates and regional universities. One positive note about expanding and renovating athletic facilities is that these added expenses are often offset by increased revenue from NCAA Division I revenue sources (Collegiate Consulting, 2018).

Economic Impact Analysis

Transitioning from NCAA Division II to NCAA Division I requires a significant financial commitment from a university. The source of this money is typically raised through private donations, university contributions, and public subsidies. The typical argument for why collegiate athletic departments receive substantial help from local, state, and federal sources is

that an increased athletic presence in the NCAA will drive various economic benefits to the university and surrounding communities (Howard & Crompton, 2014). The economic impact of a transition to NCAA Division I would be the net economic change in the income of a university's community residents that result from spending attributed to the university's athletic department by visitors from outside the community. While the transition would certainly require a significant financial commitment, the university and its surrounding community should expect increased revenue generated through parking, ticketing and admission fees, tourism, lodging, restaurant sales, grocery and retail sales, transportation, and automobile service and rental centers. Since NCAA sports are active throughout the majority of the year, communities can rely on a steady stream of revenue from outside members from the beginning of football season through the end of baseball season.

In the past five years, institutions such as Dixie State University, the University of North Alabama, and the University of California-San Diego have all completed feasibility studies and economic impact analyses as they have begun to transition to NCAA Division I. These institutions have seen enrollment numbers rise and endowment increases (Collegiate Consulting, 2018). The economic impact analyses conducted by these institutions showed positive net economic projections as their respective institutions began to enjoy the many benefits of sponsoring Division I athletics. If I were the athletic director of a Division II university, I would certainly explore the transitions to Division I pending the results of an economic impact analysis.

References

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