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The New Era of College Athletics

Securing a sustainable financial future through revenue generation and expense management

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The college athletics ecosystem has changed drastically in recent years with NIL (Name, Image, and Likeness) legislation, legal and governance challenges, conference realignment, and major investments in modernization and technology. This series explores areas that are top of mind for university leaders as they navigate the continued disruption in collegiate athletics.

The Financial Evolution of College Athletics

The landscape of college athletics is currently undergoing its most significant transformation to date. Traditional revenue streams—including media rights, conference membership distribution, ticket sales, sponsorship and advertising, merchandising, and donations—are no longer sufficient to meet the financial demands of modern athletics programs. The ongoing realignment of athletic conferences, where schools are shifting alliances to maximize competitive opportunities, brand visibility, and financial gains, further complicates matters. The enhanced national exposure that stems from expanded conference memberships and footprint not only impacts media rights deals and ticket sales but also expands brand visibility, merchandising opportunities, and could inspire increased donor and fan engagement. However, this realignment can also bring challenges, such as increased travel demands for student-athletes and staff, disruption of traditional rivalries, and logistical complexities that can strain athletic department budgets and operational efficiency.

In this constantly evolving environment, athletic departments may have to take on more risk in financial decisions than they ever have before. This will require fostering strong relationships with university leadership—including the Chancellor/President, Chief Financial Officer, Board of Trustees/Regents, and relevant Foundations/Endowments—to understand the tolerance for risk and timeline for change. Building trust with institutional leadership and engaging them in key decisions is critical for athletic departments to help secure the necessary staff, financial backing, and access to external capital that promotes sustainable success.

This paper explores the path to identifying innovative, underutilized revenue streams and sustainable expense management solutions that can provide a financial foundation for athletic departments in the new era of college athletics.

Building a Resilient Financial Model in the New Era of College Athletics

As a result of the *House v. NCAA* class-action lawsuit, universities may be expected to pay up to $20.5 million[1] (an amount that is projected to increase annually) directly to student-athletes under the terms of the proposed settlement. Athletic departments will need to start planning for a range of possible scenarios for distributing some portion of the money generated by athletics to their student-athletes, a significant line item in their budgets that may draw from existing operational and personnel costs. Squeezing funds out of current revenue streams that are already fully utilized will not be enough. Athletic departments will likely need to implement innovative revenue generation strategies that provide additional income streams to maintain financial sustainability. Faced with absorbing the additional costs of student-athletes being compensated as employees of the university, athletic departments can look to raise funds by taking a page out of the playbook of professional teams: for example, the Green Bay Packers have a community-centered fan ownership model and have sold over five million shares to more than 500,000 stockholders, who do not receive any dividends from their investment[2]. Universities could consider utilizing a similar model to increase revenue and a sense of ownership from their fanbase. This community fan ownership model can serve as inspiration for an in-house NIL collective embedded into the traditional university athletics fundraising model that specifically targets first-time donors and meets the next generation of athletics supporters on their terms.

Diversified revenue streams help to build a more resilient financial foundation, ensuring that athletic departments can sustain economic uncertainties and invest in areas that enhance their program's competitiveness, such as recruiting, training facilities, health and safety resources, and coaching and support staff personnel. Investment planning may involve difficult decisions that prioritize some initiatives over others, which could result in pushback from university stakeholders. However, with appropriate resource planning and stakeholder engagement, it will be possible to invite cross-campus and external partners to support novel ways to fill gaps in support. A forward-thinking approach to revenue generation is essential to maintaining a competitive edge.

Rising operational costs, relaxed scholarship limitations, facilities upgrades and maintenance, staff salaries, perpetual conference realignment and balancing sustainability goals with the travel footprint of expanded teams and recruiting all necessitate effective expense management to ensure that resources are allocated efficiently. As part of the pending *House v. NCAA* settlement, the NCAA and conferences agreed to eliminate team scholarship limits and establish team roster limits[3]. This change is likely to increase pressure to stay competitive, leading to significant increases to athletics scholarship and team operations expenses, especially in the NCAA Division I. Similar to identifying unique revenue models, expense management should also be explored. While slowing existing capital investments is a possible solution, one-time costs of investing in energy efficient solutions in athletic facilities could be decreased up front through access to government grants and sponsorships with green partners, such as the University of Nevada, Reno's work with Dragonfly Energy[4]. Proper expense management will help athletic departments to balance their budgets without compromising the quality of their programs, maintaining financial stability, and avoiding deficits. This is crucial for the long-term viability of athletic programs, enabling them to continue providing high-quality experiences for student-athletes, staff, and fans alike.

Financial Sustainability

In this new era, athletic departments should focus on evaluating current state finances, establishing a path forward for optimizing resources and expenditures, and conducting comprehensive policy and governance reviews. This will help to set athletic departments up for long-term success with the ability to participate at the highest desired level in revenue sharing.

Athletic departments should take a proactive three-step approach to identify and capture innovative revenue streams:

Step 1: Assess the current state of the department. Build a baseline understanding of current strategic, operational, and financial health, benchmarked against leading practices to inform the athletic department's financial and operating goals. The comprehensive assessment should provide a clear understanding of the current landscape and identify areas for improvement and growth.

Step 2: Plan for the future. Forecast and scenario plan for known and potential expenditures and revenue over the next five years. This should include detailed financial categories specific to athletics, such as team health (strength and conditioning, athletic training, physician services, etc.), academic services (tutoring and advising, etc.), team travel (transportation, lodging, meals, etc.), and recruiting costs (scouting, recruiting trips, hosting recruits, etc.). By considering these specific financial categories, athletic departments can create more accurate and actionable financial plans that address the unique needs and challenges of collegiate athletics.

Step 3: Chart a path forward. Develop a strategic plan that prioritizes increasing revenue and reduces costs through the identification of sustainable opportunities for growth, centering the experience of current and future student-athletes, faculty, staff, and fans. Priority activities may include the following:

Revenue Growth Exploration

- **Cultivating strong relationships with university leadership** to help secure the institutional support necessary to enhance revenue streams and maintain financial health in a competitive market.
- **Defining a unique NIL collective strategy** to gather support from a wide variety of supporters. The days of deep-pocketed boosters are not going away but may not be sufficient anymore; creativity in the NIL landscape can increase prospective donors and open a door to additional members of the fanbase to support programs. Universities should evaluate their current NIL strategy to align their future approach with schools-specific needs. The approach should fall into one of four options:
  1. Bringing collectives in-house and rolling into existing fundraising efforts;
  2. Repurposing them as marketing agencies on behalf of athletes who engage with them individually;
  3. Closing them entirely, or
  4. Carrying on as currently constructed
- **Exploring potential naming rights and partnerships** with brands that are looking to capitalize on the enormous interest in collegiate athletics. Universities around the country are exploring innovative naming rights and partnerships deals with stakeholders that align with the values of their institution. For example, Florida International University capitalized on their Miami location to launch a partnership with the entertainer Pitbull, rolling out a multi-faceted marketing strategy including stadium naming rights and "Miami Vice" football jerseys[5].

- **Setting clear objectives** to help identify departmental growth priorities and current challenges to develop a list of revenue generation opportunities and goals through a strategic planning process that aligns with overall university goals.
- **Developing a detailed roadmap** to prioritize and implement specific high-impact revenue generation opportunities and outlining the steps needed to achieve these objectives, including timelines, responsibilities, and key metrics and milestones.

Expense Management Exploration

- **Updating the current budget model** to help ensure sustainable expense management, prioritizing future usage as a comprehensive tool that enables zero-based budgeting, forecasting, scenario analysis, multi-year financial planning, capital planning, and related reporting capabilities.
- **Understanding the appetite for change** by surveying university leadership's opinions on where athletic department resources could be reduced if necessary.
- **Eliminating redundancies** and searching for economies of scale opportunities within existing contracts.
- **Identifying opportunities to implement shared services**, combine technology systems to reduce inefficiencies, automate processes within daily operations. This can extend beyond the college or university system: partnering with existing organizations in the industry can help share leading practices to promote sustainability on campus and deliver long-term cost reductions.
- **Orienting expenses to student-athletes**, including scholarships, with experiences that generate a return on investment, and reducing future expenses that are misaligned with this approach. The preliminary *House v. NCAA* settlement removed scholarship limits, providing an opportunity to rethink strategy and reprioritize the student-athlete experience.
- **Establishing or refining governance structures** to promote defined roles and responsibilities, including an oversight committee free of perceived bias by sport, department, or program.
- **Implementing additional budget request and approval procedures**, including resource development, to maintain oversight of spending and efficiency optimization efforts.
- **Launching a diagnostic platform** to enable real-time spending visibility tracked to priorities for the year.
- **Introducing accountability measures** by holding coaches and staff to specific budget amounts and tying their performance expectations to these financial targets. The shift toward professionalization in college sports will challenge athletic departments to move away from historical financial practices, ensuring that all expenditures are aligned with the department's strategic goals.

Pathways to Financial Resilience

The incoming financial pressures on athletic departments can be viewed either as a crisis or as an opportunity. Adapting to the new environment of college sports will not be a single-solution, overnight fix, but rather a process of making continuous, calculated decisions. By taking these steps, university leaders will be better able to maintain financial health and a competitive edge in the evolving landscape of college athletics. Now is the time to take bold and future-focused action to chart a course for sustainable success.

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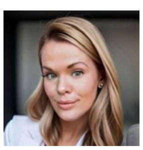

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Endnotes

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2 https://www.packers.com/community/shareholders
3 https://www.ncaa.org/news/2024/7/26/media-center-settlement-documents-filed-in-college-athletics-class-action-lawsuits.aspx
4 https://nevadawolfpack.com/news/2023/5/2/general-nevada-athletics-welcomes-dragonfly-energy-as-the-official-go-green-sponsor.aspx
5 https://news.fiu.edu/2024/fiu-athletics-pitbull-announce-unprecedented-partnership-and-naming-of-football-stadium

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