Exploring the Financial Impacts of NCAA Division I Athletics Conference Realignments

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Introduction

Background

College sports in the United States bring in over 15.8 billion dollars in revenue a year according to the NCAA in 2019. The lions share of those revenue come from football - with each school averaging 31.9 million dollars per school annually. These dollars come mainly from the huge TV streaming rights such as ESPN. The dominance of college football in revenue generation can be shown with a quick comparison. Duke University, one of the top programs in men's basketball (the 2nd most revenue generating sport), brings in approximately 37 million dollars while top football programs such as Alabama or Georgia reel in over 3 times that, at about 110 million dollars.

However, all these revenue dollars doesn't equate to a profitability. In 2019, only around 20% schools in the high grossing Football Bowl Subdivision (FBS) report a net positive operating margin (NCAA, 2019). Main expense items include 35% to administrative and coaches, 18% on athletic facilities, and 19% to student athletes themselves in the form of scholarships. Although the expenditure has also been steadily increasing over the last few years, athletic departments are not too concerned.

Unlike professional sports, athletic departments do not have bottom line-profits and stockholders that pressure them; instead the stakeholders such as alumni, students, and boosters want victories. Aside from just being good publicity for the athletics at the school, it increases the recruiting of top athletes (who generate more revenue and victories), contribute to image and # of applications, and also can positively impact alumni donations. This makes our analysis ever more interesting, as it deviates from the traditional sports business incentive alignments slightly. While this fact might be interesting, it does not deter the aspirations for lucrative sports programs across the United States college campuses. We still have plenty reason to specifically analyze the spending and revenues of college sports.

The landscape of NCAA sports has undergone dynamic transformations in recent years, with a central focus on the financial implications of collegiate athletics. The rise of NIL deals has greatly impacted the entreprenuerial ventures of student athletes since they are now allowed to promote their "Name, Image, and Likeness" in brand sponsorships, advertisements, and other deals. More importantly, the impact of recent conference realignments further amplifies the complexities surrounding sports budgets. Conference shifts not only reshape competitive dynamics but also pose significant financial challenges and opportunities, with schools strategically positioning themselves to maximize revenue potential.

Objectives and Goals

The future of college football is changing with conferences merging and the playoff structure. In 2024, Oklahoma and Texas are leaving the Big 12 to join the SEC and UCLA and USC are leaving the Pac-12 for the Big 10 conference. They were the first to leave their respective conferences, and then other schools like Colorado, Arizona, Utah, Oregon and Washington followed suit – leaving the Pac 12 conference with only

2 schools. According to the an article written by the Washington Post, the domino effects have crumbled a 100 year old college group began with an intent to increase revenue from bigger television deals (Bonesteel, 2023). In our research, we will first quantify how much will this potentially affect projected revenue. We will specifically try to predict how much What patterns currently exist from the Big 10 or SEC in revenue that could allow us to identify key reasons for moving conferences? On the other side of the balance sheet, what can the spending patterns tell us about future projected spending across college football? Is the road to profitability more clear with these new conferences?

This study delves into the intricate relationship between NCAA sports budgets, particularly football spending, analyzing the repercussions of recent conference realignments on the fiscal trajectories of collegiate athletics.

Understanding these dynamics is key for institutions seeking to optimize their financial strategies and adapt to the evolving paradigm of collegiate sports.

Dataset Overview

The data I'll be working with is from the tidytuesday collection of datasets. Specifically, it came from Equity in Athletics Data Analysis, a sub department of the US Department of Education. The years included span from 2015-2019. However I've gone ahead and done the work to conjoin that with data from 2020, 2021, and 2022. Some of the main variables we will use study include: school, year, sport, spending, # of male student athletes, # of female student athletes, revenue men, revenue women, expenditure men, expenditure women. I've also feature engineered out a 'conference' variable.

EDA

Methodology

Clustering Analysis

In order to understand the repercussions of conference realignments, I'll need to specifically employ cluster analysis to group conferences with similar spending trends together.

To understand the relative impact of conference on spending, I'll narrow in on football spending and revenues projected for the changes in conference.

Results

Discussion

Appendix

Works Cited

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