

The Financial Impact of Adding or Cutting Athletic Teams on College Financial Sustainability

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Research Question

How does adding or subtracting a sports team from a college affect its financial sustainability?

Background

College athletics are undergoing major changes that impact the financial sustainability of athletic programs. Key factors include:

- The rising costs and opportunities of Name, Image, and Likeness (NIL)
- Rapid growth in participation and media attention for women's sports
- Changes in revenue via conference realignment
- Financial pressures from declining enrollment

Together, these factors make decisions about adding or removing teams more complex and financially significant

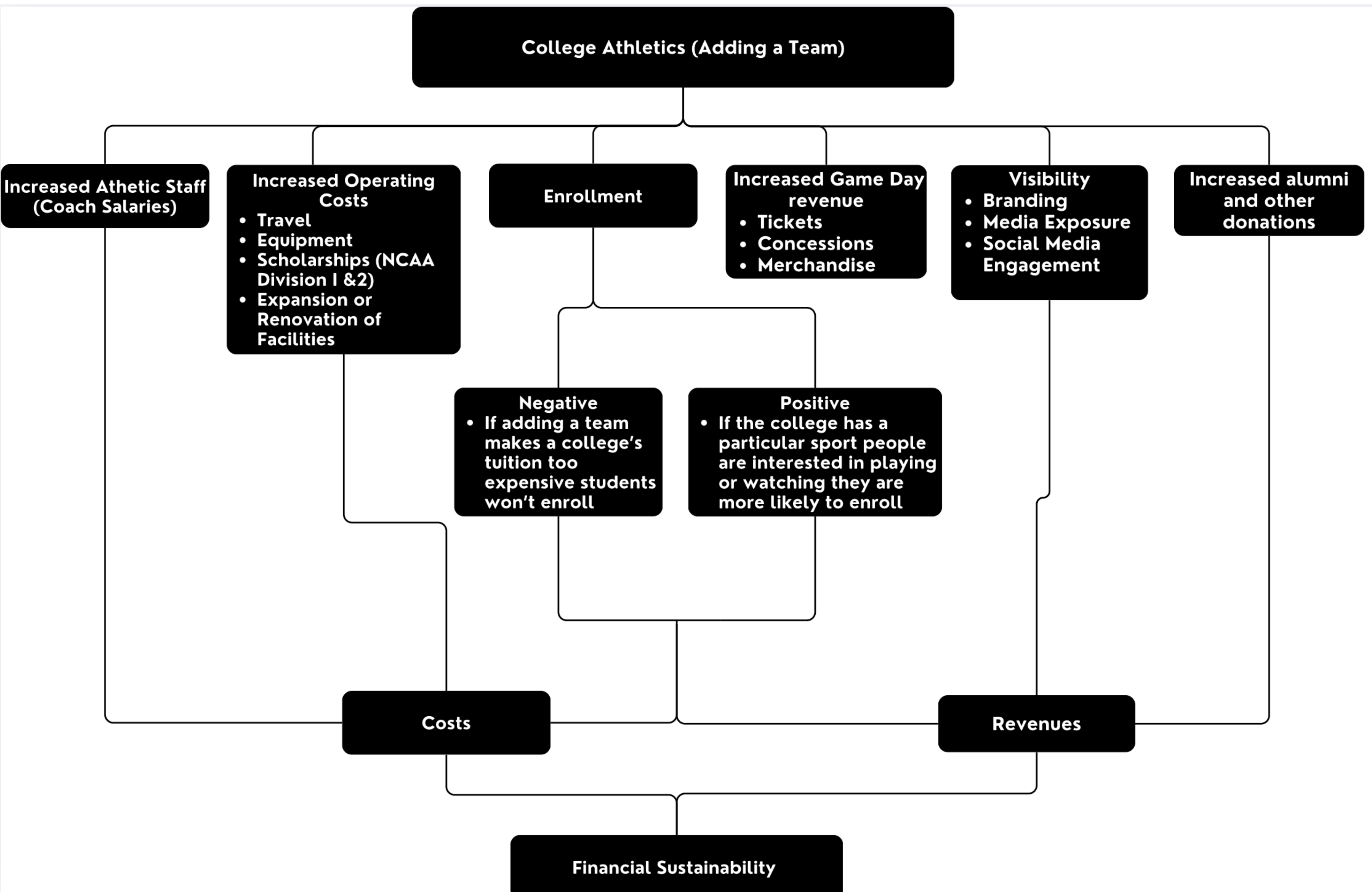
Hypothesis

The addition of a low cost, women's team would improve a school's financial sustainability.

Methods

- Panel data: 944 NCAA schools (2008–2023; ~15,000 observations)
- Data sources: IPEDS (institutional) + EADA (athletics)
- Fixed-effects regression model
- Independent variables: men's teams, women's teams
- Dependent variables (logged): endowment/student, revenue, expenses
- Controls: tuition, enrollment, graduation rate, % grant aid
- Year & institution fixed effects included

Flow of Impacts of Adding a College Team



Theory

Key Economic Theories

- Consumer Theory: Students choose college amenities
- Producer Theory: Colleges maximize financial sustainability

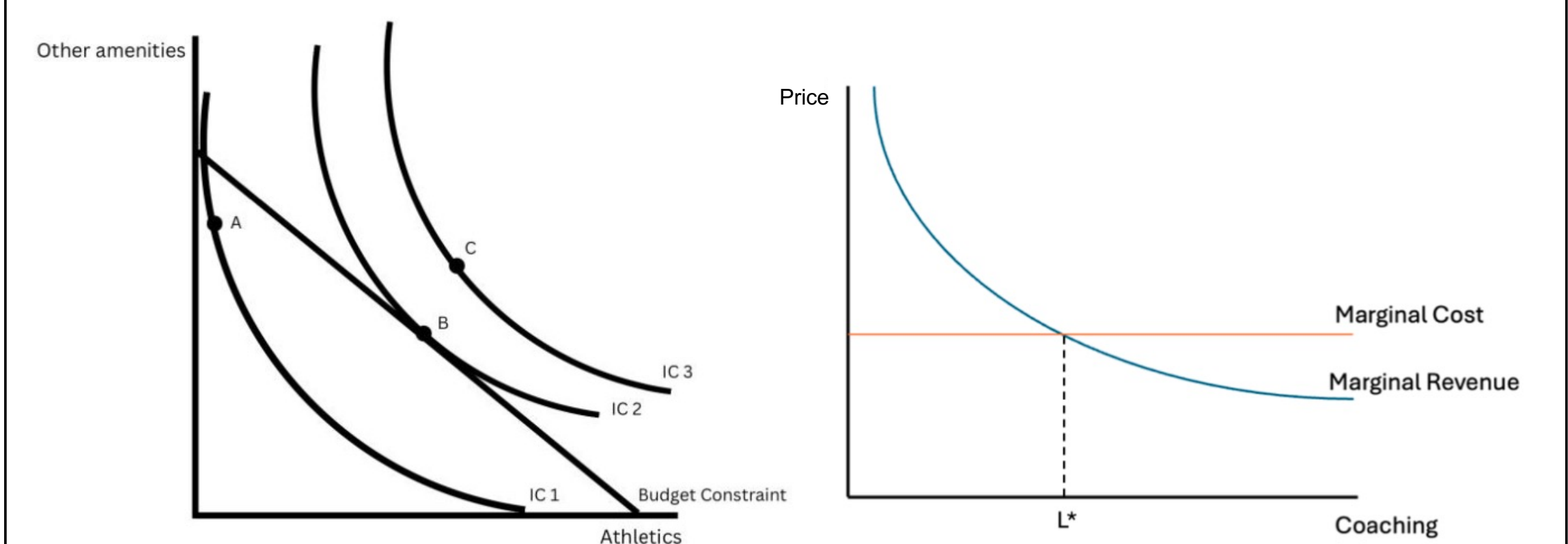
Mechanism

Add Team → ↑ Student Interest → ↑ Enrollment → ↑ Revenue

Add Team → ↑ Costs (coach, travel, facilities)

Key Takeaways

- Teams should be added until marginal benefit equals marginal cost
- Women's teams may provide lower-cost financial gains
- Too many teams lead to diminishing returns and limited financial benefits



Results

Key Findings

- Changes in athletic teams have small, mixed effects on financial sustainability, with differences by gender

Endowment (Fixed Effects)

- Men's teams: ~4.2% decrease in endowment
- Women's teams: ~1.9% increase in endowment (weaker evidence)

Revenue & Expenses (Fixed Effects)

- Men's teams: ~4.1% increase in revenue, ~4.1% increase in expenses
- Women's teams: ~0.9% increase in revenue, ~1.1% increase in expenses
- Costs increase at similar rates as revenue

Overall Interpretation

- Adding teams is roughly cost-neutral for athletic departments
- OLS overstates effects; fixed effects show within-school changes
- Men's teams: higher costs with limited financial gains
- Women's teams: lower cost with potential indirect benefits

Conclusions

- This study finds that the financial impact of adding athletic teams is complex and context-dependent
- Baseline results suggest strong relationships, but fixed-effects models show these are largely driven by differences across schools, not true within-school effects
- Adding women's teams increases endowment per student, while adding men's teams reduces endowment per student
- These findings support the hypothesis that adding lower-cost women's teams can improve financial sustainability, as they provide gains at a relatively lower cost
- However, overall results show that expanding athletics does not automatically improve financial outcomes, since revenue increases are often offset by rising costs
- In today's environment (NIL, conference realignment, enrollment pressures), athletic decisions must balance short-term costs with long-term strategic benefits such as enrollment, visibility, and donor engagement
- Careful planning is essential to ensure athletic expansion contributes positively to institutional financial sustainability

Future Research

- Analyze sport-specific effects (revenue vs. non-revenue sports)
- Compare impacts across NCAA divisions
- Examine effects of NIL policies and growing women's sports markets
- Study conference realignment and media revenue structures
- Use updated data to capture changing financial dynamics over time