



*The University of North Carolina at Chapel Hill*

## MEETING OF THE GENERAL FACULTY AND THE FACULTY COUNCIL

**Friday, September 5<sup>th</sup>, 2003, 3:00 p.m.**

*(Please note that Orientation for New Members of the Faculty Council begins at 2:30.)*

\*\*\*\* *The Auditorium in Murphey Hall (Room 116)*\*\*\*\*

Chancellor James Moeser and Professor Judith Wegner, Chair of the Faculty, will preside.

### AGENDA

- 2:30 I. Orientation and Reception for New Members (All welcome)
- 3:00 II. Faculty Council Convenes (Professor Joseph Ferrell, Professor Judith Wegner)
1. Opening Remarks and Presentation of Heltleman Awards (Chancellor James Moeser)
  2. Welcome (Provost Robert Shelton)
  3. Remarks from Student Leaders
    - Student Body President Matt Tepper
    - Graduate and Professional Student Federation President Dan Herman
- 3:30 III. Discussion by Faculty Council
1. Preliminary remarks (Professor Wegner)
  2. Observations and questions from Council members:  
*What are the key issues facing our colleagues in the coming year?*
  3. Further comments and responses (Chancellor Moeser and Provost Shelton)
  4. Information on Honor System reform and Honor and Integrity Initiative (Professor Wegner)
  5. Report of Interim Actions of the Executive Committee (Professor Ferrell)
- 4:00 IV. Faculty Forum: Panel and Discussion on Athletics: What's ahead?
- Professor Lissa Broome, Chair, Faculty Athletics Committee
  - Chancellor James Moeser
  - Professor Jack Evans, faculty representative to NCAA and ACC
  - Athletics Director Dick Baddour

5:00 V. Adjourn

Joseph S. Ferrell  
Secretary of the Faculty

Documents pertaining to meetings of the Faculty Council can be found at [www.unc.edu/faculty/faccoun](http://www.unc.edu/faculty/faccoun)

Background reading on athletics at UNC Chapel Hill  
(policies, information, academic support, admissions policies and more):

<http://farheelblue.ocsn.com/general/052800aaaa.html>

<http://farheelblue.ocsn.com/general/042103aab.html>

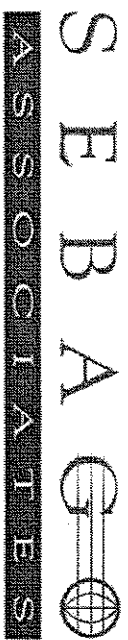
<http://www.northcarolina.edu/content.php/bog/minutes/2003/AppendixX5.htm>

Background reading on the UNC Chapel Hill Faculty Athletics Committee:

<http://www.unc.edu/faculty/facoun/direct/D2003ATH.htm>

**THE EMPIRICAL EFFECTS OF COLLEGIATE  
ATHLETICS: AN INTERIM REPORT**

**ROBERT E. LITAN  
JONATHAN M. ORSZAG  
PETER R. ORSZAG**



**COMMISSIONED BY THE NATIONAL COLLEGIATE ATHLETIC ASSOCIATION  
AUGUST 2003**

## ABOUT THIS INTERIM REPORT

This study was commissioned by the National Collegiate Athletic Association (NCAA) as an independent analysis of the empirical effects of college athletics.

The views and opinions expressed in this study are solely those of the authors and do not necessarily reflect the views and opinions of the NCAA or the institutions with which the authors are associated.

The authors of the study are:

Robert Litan is Vice President for Research and Policy at the Kauffman Foundation in Kansas City, Missouri, and Senior Fellow in Economic Studies at the Brookings Institution. He formerly served as the Deputy Assistant Attorney General, Antitrust Division, U.S. Department of Justice (1993-95).

Jonathan Orszag is Managing Director of Sebago Associates, Inc., an economic policy consulting firm. Mr. Orszag previously served as the Assistant to the Secretary of Commerce and Director of the Office of Policy and Strategic Planning.

Peter Orszag is the Joseph A. Pechman Senior Fellow in Economic Studies at the Brookings Institution and a Senior Director at Sebago Associates. Dr. Orszag previously served as Special Assistant to the President for Economic Policy at the White House.

The authors thank three independent economists who reviewed the preliminary analysis and conclusions in November 2002.

The authors also thank Katherine Beirne, Katherine Carman, Brian Feinstein, David Gunter, Aaron Sparrow, Diane Whitmore, and Pai-Ling Yin for excellent research assistance and programming on this project; William Bowen, Robert Cumby, William Gale, Michael Kremer, Andrew Zimbalist, and the NCAA staff for helpful conversations and suggestions; and Daniel Fulks for his assistance with the survey and with the NCAA/EADA data.

## EXECUTIVE SUMMARY

Observers of college athletics hold dramatically different views regarding the empirical effects of athletics on institutions of higher education. One view, reflected in the so-called Flutie effect, suggests that athletic programs generate a variety of direct and indirect benefits for the school sponsoring them. Another view, reflected in two reports from the Knight Commission, suggests that college athletics is suffering from “a financial arms race” and college athletics “threaten to overwhelm the universities in whose name they were established.” Unfortunately, the debate between these two schools of thought is often based more on assertions and anecdotes than on empirical evidence.

The purpose of this paper is to examine empirically the effects of college athletics, with a particular focus on the financial effects. In particular, the paper draws on evidence contained in previous academic studies; statistical analysis of a new, comprehensive database compiled from school-specific information collected as part of the Equity in Athletics Disclosure Act (EADA) merged with data from other sources (such as the Integrated Post-Secondary Education Data System managed by the Department of Education); and a detailed survey of chief financial officers from 17 Division I schools. These various sources of data have important limitations, especially in areas such as the treatment of capital expenditures, but they nonetheless represent a comprehensive empirical effort to shed light on key issues related to college athletics.

The paper specifically examines ten hypotheses about college athletics, focusing primarily on Division I-A schools. Using our data and the existing academic literature, we examine each of the hypotheses. Our analysis confirms five of the hypotheses; the other five are not proven and require further empirical analysis:

**Hypothesis #1: Operating athletic expenditures are a relatively small share of overall academic spending.**

- According to Department of Education data, reported athletic spending represented roughly three percent of total higher education spending for Division I-A schools in 1997 (the most recent comprehensive Department of Education data publicly available).
- In 2001, NCAA/EADA data suggest that operating athletic spending represented roughly 3.5 percent of total higher education spending for Division I-A schools.
- The share of operating athletic spending in a university’s total budget is higher for smaller schools than for larger schools because of the fixed costs associated with an athletic department.
- The share of operating athletic spending in overall higher education spending has increased only slightly over time. In recent years, there is indirect evidence of a modest acceleration in athletic spending relative to total spending, but comprehensive data are not yet available to confirm such a trend.

- We conclude that operating athletic expenditures in the aggregate are a relatively small share of total higher education spending for Division I-A schools.

**Hypothesis #2: The football and basketball markets exhibited increased levels of inequality in the 1990s.**

- A common measure of inequality is the Gini coefficient, which would equal one if one school accounted for all spending and zero if spending were the same across schools. Increases in the Gini coefficient represent increased levels of inequality and vice versa.
- Between 1993 and 2001, the Gini coefficient for Division I-A football spending rose from 0.26 to 0.29. To put that increase in perspective, it is approximately equal to the increase in income inequality in the United States during the 1980s. The Gini coefficient for Division I-A basketball spending rose even more sharply, from 0.26 to 0.31.
- Inequality also increased among top-spending schools. The Gini coefficient for football spending among schools in the top 25 percent of the spending distribution, for example, rose from 0.08 in 1993 to 0.11 in 2001.
- We conclude that the football and basketball markets exhibited increased levels of inequality between 1993 and 2001.

**Hypothesis #3: The football and basketball markets exhibit mobility in expenditure, revenue, and winning percentages.**

- More than two-fifths of the schools that were in the top quintile of Division I-A football spending in 1993 were no longer in the top quintile by 2001. Nearly 60 percent of the schools in the middle quintile in 1993 were no longer there in 2001; more than one-third had moved up and more than one-fifth had moved down.
- Net revenue also exhibited some degree of mobility: Among the schools in the middle quintile of football net revenue in 1993, roughly two-thirds were no longer in the middle quintile in 2001.
- A school's winning percentage exhibits only modest levels of persistence. For example, the correlation of winning percentages from one year to the next is only about 50 percent. The correlation dissipates over time: The correlation between winning percentages ten years apart is 20 to 30 percent.
- We conclude that the football and basketball markets exhibit some degree of mobility in expenditure, revenue, and winning percentages.

**Hypothesis #4: Increased operating expenditures on football or basketball, on average, are not associated with any medium-term increase or decrease in operating net revenue.**

- Our statistical analyses suggest that between 1993 and 2001, an increase in operating expenditures of \$1 on football or men's basketball in Division I-A was associated with approximately \$1 in additional operating revenue, on average. The implication is that spending an extra \$1 was not associated with any increase or decrease in *net* revenue, on average, from these sports.

• These results, although based on better data than previous studies, nonetheless have limitations. For example, our database extends only from 1993 to 2001. It is possible that increased spending on athletics has long lags – that is, it produces significant benefits or costs after a long period of time. If this were the case, our database may be too short to capture the “true” effects of increased spending. In addition, the NCAA/EADA data do not adequately record capital expenditures; our analysis therefore focuses on operating spending. It is possible that the effects of operating spending differ from the effects of capital spending.

- We conclude that over the medium term (eight years), increases in operating expenditures on football or men's basketball are not associated with any change, on average, in operating net revenue.

**Hypothesis #5: Increased operating expenditures on football or basketball are not associated with medium-term increases in winning percentages, and higher winning percentages are not associated with medium-term increases in operating revenue or operating net revenue.**

- A variety of econometric exercises suggests no statistical relationship between changes in operating expenditures on football and changes in football winning percentages between 1993 and 2001.
- A variety of econometric exercises also suggests no statistical relationship between changes in winning percentages and changes in football operating revenue or net revenue between 1993 and 2001.
- We conclude that increased operating expenditures on football or basketball are not associated with medium-term increases in winning percentages, and higher winning percentages are not associated with medium-term increases in operating revenue or operating net revenue.

**Hypothesis #6: The relationship between spending and revenue varies significantly by sub-groups of schools (e.g., conferences, schools with high SAT scores, etc.).**

- We examined the relationship between spending and revenue across various subsets of schools. We were not able to detect evidence of systematic differences

when separating the schools by characteristics such as: public vs. private schools; schools with high SAT scores vs. schools with low SAT scores; large student populations vs. small student populations; schools that were ever in the Associated Press (AP) rankings; and schools that were ranked in the top 25 in the AP poll in 1993.

- Some schools benefited from moving up to Division I-A, but the experience varied across schools. For example, two schools experienced significant increases in football net revenue after moving to Division I-A; one school experienced a decline in football net revenue after moving to Division I-A.
- In many cases, the sample sizes for the subsets of schools were quite small; given the paucity of data in some cases, it is difficult to reject the hypothesis outright. Instead, we conclude that the hypothesis that the relationships vary significantly by sub-groups of schools is not proven.

**Hypothesis #7: Increased operating expenditures on big-time sports affect operating expenditures on other sports.**

- Our statistical analysis suggests that each dollar increase in operating expenditures on football among Division I-A schools may be associated with a \$0.21 increase in spending on women's sports excluding basketball and \$0.35 including basketball, but the results are not robust to changes in the econometric specification. Such a potential spillover effect may be expected given Title IX and other pressures to ensure equity between men's and women's sports.
- Previous studies have found that increases in football spending are associated with increased spending on women's sports.
- Given the lack of robustness of the results, we conclude that the hypothesis that increased operating expenditures on big-time sports affect operating expenditures on other sports is not proven.

**Hypothesis #8: Increased operating expenditures on sports affect measurable academic quality in the medium term.**

- Our statistical analysis suggests no relationship -- either positive or negative -- between changes in operating expenditures on football or basketball among Division I-A schools and incoming SAT scores or the percentage of applicants accepted.
- The academic literature is divided on whether athletic programs affect academic quality. While our results suggest no statistical relationship one way or the other, our data are limited to eight years and such a relationship may exist over longer periods of time. In addition, the relationship between athletics and academic



quality may manifest itself in ways other than the effect on SAT scores or other directly measurable indicators.

- We conclude that the hypothesis that changes in operating expenditures on big-time sports affect measurable academic quality in the medium term is not proven.

**Hypothesis #9: Increased operating expenditures on sports affect other measurable indicators, including alumni giving.**

- Econometric analysis using our database shows little or no robust relationship between changes in operating expenditures on football or basketball among Division I-A schools and alumni giving (either to the sports program or the university itself).
- The academic literature is again inconclusive on this issue. As with the previous hypothesis, our results suggest little or no statistical relationship – but our data are limited to eight years and such a relationship may exist over longer periods of time.
- We conclude that the hypothesis that increased operating expenditures on sports affect other measurable indicators, including alumni giving, is not proven.

**Hypothesis #10: The football and basketball markets exhibit an “arms race” in which increased operating expenditures at one school are associated with increases at other schools.**

- Analysts have used the term “arms race” to describe a variety of phenomena. We use the term to refer to a situation in which increased spending at one school are associated with increases at other schools.
- Some of our econometric analyses suggest that increased operating expenditures on football at one school may be associated with increases in operating expenditures at other schools within the same conference, but other specifications suggest no relationship.
- We conclude that the hypothesis that the football and basketball markets exhibit an “arms race” in which increased operating expenditures at one school are associated with increases at other schools is not proven.
- It is important to emphasize that the existence of an “arms race” may be concentrated in capital expenditures, which are not adequately recorded in the NCAA/EADA data, rather than in operating expenditures.

Faculty Council

- A. 28 Sport Programs/770 student-athletes
- B. Academic Achievement
  - 1. 140 on UNC Dean's List
  - 2. 280 on ACC Honor Roll (3.0 average)
  - 3. 4 students received ACC post-graduate awards (only school)
  - 4. 9 NCAA awards
  - 5. Graduation rates - 1996 (76.8%) 1997 (77.7%)
- C. Athletic Achievement
- D. Other Schools' Athletic Budgets
- E. Faculty Involvement
  - 1. Faculty Committee on Athletics
  - 2. Athletic Council
  - 3. Advisory Committee to Academic Support Program
  - 4. Financial Task Force
  - 5. Communications Group
  - 6. Title IX Committee
  - 7. NCAA Certification
  - 8. SACS Self-Study
- F. Support Programs for Student-Athletes
  - 1. Academic Support - Arts and Sciences
  - 2. Medical Support - Student Health Service
  - 3. Carolina Outreach
  - 4. Student Athlete Council
  - 5. Student-Athlete Development
    - Carolina ACT
    - Agent Program
    - Gambling Program
    - Substance Abuse
- G. Compliance Program
  - 1. NCAA Regulations/Compliance Manual
  - 2. Education Programs
  - 3. Compliance Review

## ***Athletics Committee***

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### **Charge and Composition:**

(a) The Faculty Athletics Committee is concerned with informing the faculty and advising the chancellor on any aspect of athletics, including, but not limited to, the academic experience for varsity athletes, athletic opportunities for members of the University community, and the general conduct and operation of the University's athletic program. The committee will report on its activities at least once each academic year to the Faculty Council.

(b) The committee shall consist of ten members to be elected by the faculty for five-year, staggered terms, two new members being elected each year. In addition to the considerations established by 1-8, the Nominating Committee should attempt to assure that units that teach undergraduates are substantially represented on the Faculty Athletics Committee.

(c) The voting delegate to the Atlantic Coast Conference, if not otherwise an elected member of the Faculty Athletics Committee, shall be a voting *ex officio* member of the committee. The total committee may thus number either ten or eleven members.

(d) The committee shall choose its chair from among its membership.

### **Roster:**

| <b>Name</b>                        | <b>School/Department</b>      | <b>Term Expires</b> |
|------------------------------------|-------------------------------|---------------------|
| Lissa L. Broome (Chair)            | School of Law                 | 2005                |
| Nicholas M. Didow                  | Kenan-Flagler Business School | 2004                |
| John P. Evans (ACC representative) | Kenan-Flagler Business School | <i>(ex officio)</i> |
| Kathleen Harris                    | Sociology                     | 2008                |
| H. Garland Hershey, Jr.            | Orthodontics                  | 2006                |
| David G. Klapper                   | Microbiology                  | 2004                |
| Lloyd S. Kramer                    | History                       | 2007                |
| George Lensing                     | English                       | 2008                |
| Stephen T. Leonard                 | Political Science             | 2006                |
| James L. Murphy                    | Economics                     | 2005                |
| William W. Smith                   | Mathematics                   | 2007                |

## **NCAA Activities that Will Affect Us An Overview for Faculty Council – 9/5/03**

### **I. NCAA Certification – Our Next Review**

- 10-year cycle (with 5-year abbreviated review)
  - We have completed one of each; this is a recertification
- Analogous to accreditation (defined standards)
- Areas of evaluation
  - Governance and Commitment to Rules Compliance
  - Academic Integrity
  - Fiscal Integrity
  - Equity, Welfare, and Sportsmanship
- Activities and Schedule
  - Overall direction by the Provost
  - Form committee(s) and begin planning by November 2004
  - Preliminary visit in February 2004
  - Evaluation visit in April 2005

### **II. NCAA - Activities on National Level**

- NCAA academic reform (mandate from NCAA Board of Directors)
  - Initial Eligibility Standards (effective 8/1/03)
  - New Progress-Toward-Degree Requirements (effective 8/1/03)
  - Better tracking of annual performance (work under way)
    - New measurement: Annual Academic Retention Rate
    - New measurement: Graduation Success Rate
  - Rewards and Penalties being developed (work under way)
  - Consequences for poor performance,  
Benefits for good performance
- Alliance: NCAA, Association of Governing Boards, and Coalition on Intercollegiate Athletics (representatives from faculty governance)
  - Formed in April of 2003 to discuss and track athletic reform
  - NCAA academic reform package and approach endorsed
  - Steering Committee formed with representatives from each group



*The University of North Carolina at Chapel Hill*

## **JOURNAL OF PROCEEDINGS OF THE GENERAL FACULTY AND FACULTY COUNCIL**

**September 5, 2003**

The General Faculty of the University of North Carolina at Chapel Hill convened at 2:30 p.m. in the newly renovated auditorium of Murphey Hall.

The Secretary of the Faculty, Professor Joseph S. Ferrell, conducted an orientation session for new members.

The Faculty Council convened at 3:00 p.m. The following 69 members were in attendance: Adimora, Bachenheimer, Bane, Bouldin, Bowen, Cairns, Colindres, Conover, Daye, de Silva, Elter, Elvers, Foley, Gerber, Givre, Goldstein, Gollop, Granger, Hammond, Heenan, Howell, Kjervik, Klebanow, Kramer, Langbauer, Leigh, Leonard, Malizia, Martin, McGraw, Mesibov, Miguel, Miller, Morris-Natschke, Muller, Nicholas, Nonini, Orthner, Owen, Perrin, Pisano, Pittman, Poole, Renner, Retsch-Bogart, Rippe, Rock, Rogers, Rowan, Sawin, Schauer, Simpson, Jay Smith, John Smith, Straughan, Strauss, Tobin, Toews, Tresolini, Tulloch, Vandermeer, Vick, Wallace, Waters, Weinberg, Willis, Wilson, Wolford, Yopp. The following 16 members were granted excused absences: Ammerman, Fishell, Gulledege, Holditch-Davis, Holmgren, Kagarise, Lin, Lohr, Molina, Pardun, Parikh, Porto, Reisner, Shea, Sigurdsson, Yankaskas. The following three members were absent without prior excuse: Anton, Frampton, Miller.

In his remarks, Chancellor Moeser

- Commented on the successful renovation of Murphey Hall; and
- Called attention to a recent announcement by the U.S. Department of Health & Human Services that UNC-Chapel Hill will join the Southeast Regional Center of Excellence for Biodefense and Emerging Infectious Disease, which will be financed by NIH and the Department of Homeland Security. Other participants include Duke University, Emory University, the University of Alabama at Birmingham, the University of Florida, and Vanderbilt University.

Chancellor Moeser announced the recipients of the 2003 Phillip and Ruth Hettleman Prize for Artistic and Scholarly Achievement by Young Faculty. They are: Kathryn J. Burns, Associate Professor of History; Robert J. Duronio, Associate Professor of Biology; Dimitri V. Khveshchenko, Associate Professor of Physics and Astronomy, and Edward C. Norton, Associate Professor of Health Policy and Administration.

In his remarks, Provost Robert Shelton

- Noted that in the current fiscal year the University budget has been cut by \$23.7 million, partially offset by a \$10.6 additional funding due to enrollment increases; the necessary budget reductions were distributed in a differential manner with policy advice from the University Priorities and Budget Advisory Committee;
- Reported that the Academic Plan has been completed and approved by the Board of Trustees and can be found on the Office of the Provost website;
- Announced that the newly created Committee on Appointments, Promotions, and Tenure began its work in July and that in addition to its principal assignment, the committee will be examining the practice of making tenure-track faculty appointments subject to continued availability of funds;
- Noted that the Chair of the Board of Governors has indicated that the Board this year will be

taking up three items of special interest to Carolina: (1) the shortage of teachers and nurses in North Carolina, (2) the 18% cap on out-of-state freshman enrollment, and (3) formula used to allocate State appropriations among the 16 institutions, which is perceived to be disadvantageous to five of the institutions (not including Carolina); and

Announced the appointment of Robert Blouin as Dean of the School of Pharmacy (7/1/03), Steve Jones as Dean of the Kenan-Flagler Business School (8/1/03), and Thomas James as Dean of the School of Education (11/1/03).

The Secretary of the Faculty inducted into office the newly elected Chair of the Faculty, Professor Judith Welch Wegner, by presenting to her the Council's gavel which is fabricated from wood believed to be part of the original structure of Old East.

Professor Wegner introduced Mr. Matthew S. Tepper, Class of 2004, President of the Student Body, who brought greetings to the Council.

Professor Wegner introduced Mr. Daniel C. Herman, President of the Graduate and Professional Students Association, who brought greetings to the Council.

Professor Wegner initiated a discussion to identify the key issues that will face the faculty in the coming year.

Professor Lissa Broome (Law), Chair of the Faculty Athletics Committee, Professor Jack Evans (Business), Faculty Athletic Representative, Chancellor James Moeser, and Director of Athletics Richard Baddour presented a panel discussion on intercollegiate athletics.

Pursuant to Sec. 2-10(d)(2) of the Faculty Code, the Secretary of the Faculty reported that the Executive Committee of the Faculty Council adopted the following resolution on June 23, 2003, subject to confirmation by the Faculty Council at its next regular meeting:

**Resolution 2003-10. On Selection of the Voting Delegate to the Atlantic Coast Conference**

Whereas the by-laws of the Atlantic Coast Conference provide that each member institution's faculty representative is appointed by the institution's president or chancellor pursuant to such processes as may be provided by that institution; now therefore it is

Resolved by The Executive Committee of the Faculty Council, acting on behalf of the Faculty Council pursuant to Sec. 2-10(e)4. of the *Faculty Code of University Government*, that the Committee on University Government is requested to prepare for consideration by the General Faculty an amendment to the *Faculty Code* providing for an effective means of faculty input into the selection of our faculty representative to the Atlantic Coast Conference.

Without objection, the Council confirmed the resolution.

Its business having concluded, the Council adjourned at 5:15 pm.

Joseph S. Ferrell  
Secretary of the Faculty