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Reframing the Collegiate Facilities Arms Race: The Looming Impact of NIL and Conference Realignment

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Athletic facilities form a foundational component of the collegiate sport enterprise. While the people (athletes, coaches, administrators), processes (information/communication technology, human resource management, marketing, accounting), and the place (venues and equipment) all intersect within a 3 P model of facility and event management, the place or sport venue presents the greatest upfront investment and overall longevity of the 3 P model components in the collegiate setting (Marsh & Petersen, 2017). Though the sport venue or place includes the stadium arena or other primary location of competition, the place can also be extended to the various sport facilities in the collegiate sport setting that support the practice, medical, nutritional, and academic needs of the participants. All these facility types have become areas of significant investment and potential differentiation within collegiate sport as strategic components within the escalating spending levels for collegiate sport.

Amidst the backdrop of an ongoing global pandemic, the summer of 2021 brought forth two events teetering the Division I college sport landscape at the precipice of unprecedented change due to two fundamental shifts: the first being the opening of revenue streams to collegiate athletes through use of name, image and likeness (NIL), and the second being the latest round of athletic conference realignment. With the impacts of these changes just beginning to be manifested, it is important to consider how these potentially seismic shifts in the collegiate landscape may influence existing issues of prior scholarly examination as well as potential new areas of research. While the concept of the facilities arms race has been identified and studied prior to these monumental changes, it is important to consider potential influence of these changes and to identify potential shifts from the prior practice of the strategic use of facility construction and renovation within college athletics. This latest series of conference realignments and the emergence of NIL compensation might be the development(s) that alter the levels of facility expenditures and perhaps remove or redirect the facility arms race in college sport. Therefore, the purpose of this paper is to identify areas of potential future research and inquiry associated with the NIL and conference realignment that could be addressed from the facilities perspective.
Defining the Facilities Arms Race

The cost of maintaining a big-time collegiate athletic program continues to increase at an alarming rate. The combined costs of coaches’ compensation, facility and equipment spending, and athlete recruiting expenses have essentially tripled within the last 13 years (McMillen & Kirwin, 2021). A review of composite data from the College Athletics Financial Information (CAFI) revealed that facility and equipment spending for FBS and FCS schools rose 204% from 2005 to 2020 from $713.27M to $2.168B and even adjusting for inflation those increases still net 131% (CAFI, 2021) The competition in facility investments and facility amenities between schools has been connected to what has been termed a facilities arms race. Competition in intercollegiate athletics has long been experienced both on and off the field or court. In fact, the playing fields and courts themselves have become a part of this competition with seemingly ever-increasing competition for the talent of skilled recruits, and this competition in the realm of athletic facilities has been coined as the “facilities arms race” as early as 2000 (Greenberg, 2001). This concept was developed in alignment with the historical cold war era nuclear arms race between the Americans and Soviets where rivalries to develop superiority in first A-bombs, then H-bombs, bombers, missiles, submarines and beyond that led to the point that the sheer numbers of these weapons and their destructive powers far surpassed their strategic or tactical usefulness (Rhodes, 2007). This form of facility spending tends to lack fiscal restraint and instead appears to be fueled by a quest for athletic success backed by students, alumni, and even the general public. With new, multimillion-dollar collegiate facilities becoming the rule rather than the exception, former NCAA President Miles Brand commented that, “Institutions hold mortgages on burgeoning facility expansion that represents on average 20% of intercollegiate athletics spending” (Budig, 2007). Another evidence of growing facility expenditures from 2014 included 48 universities within the Power Five conferences spending a combined $772 million on athletic facilities that represented an 89% increase from 2004 (Hobson & Rich, 2015a).

The “arms race” analogy utilized to describe the widespread spending growth on facility improvements while not universally accepted is a term that is commonly applied. Even so, alternative approaches do exist. Fort (2016), for example, posited an alternative principal/agent approach grounded in economic theory that views spending not as a race to exceed rivals but instead as a product of shared administrative ideology to strategize for competitive advantage. This competitive advantage is most commonly connected to facilities’ roles in the recruitment and retention of athletes. Ultimately, regardless of the analogy or theoretical perspective applied, the investment in athletic facilities remains significant and continues to grow both in the amount invested and the number and types of facilities involved.

While the football and basketball stadiums and arenas may be the first and most publicly visible component of the facility arms race, they certainly are not the only facility components involved. Numerous studies have identified elements of the facilities arms race within various aspects of the collegiate sport enterprise. This has included competition venues for other sports such as baseball (Caro & Elder, 2017), indoor track and field (Mahler et al., 2019), outdoor track and field (Rasor et al., 2013) and tennis (Newman & Petersen, 2012), as well as practice facilities like indoor tennis venues (Johnson et al., 2018) and golf practice venues (Maddison et al., 2014).

There are numerous ancillary areas or amenities that also have entered the realm of the collegiate facilities arms race. The amenities arms race for the general student body in higher education has been noted in aspects such as buildings, building features, services, food, and technology (McClure, 2019). Similar amenities arms race elements can be found in the collegiate athletic environment. This has included at times both entirely new buildings or building features such as the locker rooms (Steinbach, 2003), strength and conditioning facilities (Judge et al., 2014), athlete dining facilities or nutrition centers (Moore et al. 2016; Norwood et al. 2018), athletic training and sports medicine (Gallucci & Petersen, 2017), along
with student-athlete academic support facilities (Alexander 2004; Judge et al., 2018; Petersen et al., 2018; Wolverton, 2008). When considering these forms of athletic amenities, it can easily be seen where these athletic amenity elements intersect with the five amenity aspects of higher education from McClure.

The collegiate facilities arms race is ultimately dependent upon financial resources available to fund these varied capital projects. When college athletic programs generate increased revenues, as has been the case in recent years, expenses must be raised accordingly to generate no profit at the completion of the fiscal year. In this regard, Bowen’s Revenue Theory of Costs (1970, 1980), which explained such behavior throughout higher education without specifically examining intercollegiate athletics, is an appropriate lens through which to examine the revenue generation and spending behavior of college sports programs (McEvoy et al., 2013). The increased athletic revenues are utilized in several areas including facilities as well as personnel salaries for coaches and administrators. The spending in each of these areas has been noted, including a finding by Hoffer and Pincin (2015) where additional athletic revenue increased spending for coaches 7.5 times more than direct spending for student-athletes. Regarding administrator compensation, Power 5 conference schools noted 69% increase in administrative payrolls from 2004 to 2014 (Hobson & Rich, 2015b).

Because available revenue streams propel the facilities arms race, it will be vitally important to monitor, understand, analyze, and predict the pending impact of NIL spending and conference realignment revenue changes on facility spending within collegiate athletics. To accomplish this, a basic understanding of these two phenomena can guide needed inquiry and investigation.

### Name Image and Likeness (NIL)

NIL legislation allows student-athletes to profit off their personal brand through a variety of channels. The NIL issue stems from broader issues in collegiate sport related to amateurism and athlete compensation. From its founding in 1906, the NCAA has embraced the concept of amateurism where the athlete participates in sport solely for the physical, mental, and social benefits as an avocation within financial inducements (Siriota, 2021). Scholarships or grants-in-aid combined with cost of attendance stipends were the only forms of compensation allowed to retain eligibility within NCAA sport. However, there have been numerous challenges to the NCAA regarding athlete compensation and a growing number of changes related to athlete compensation.

One primary challenge to the NCAA regarding NIL began in 2008 when Ed O’Bannon, former UCLA All-American basketball player, was informed by a friend’s son that O’Bannon was featured in a college basketball video game from EA Sports (Sirota, 2021). O’Bannon filed a class-action case in federal court related to this unauthorized and uncompensated use of his name, image and likeness and claiming the NCAA (O’Bannon v. NCAA, 2015). While O’Bannon and the class he represented won the initial case and later appeal, the award of up to $5000 held in a trust payable to athletes upon graduation or eligibility expiration did not fundamentally change the NCAA’s scholarship and compensation structure (Sirota).

Another factor related to athlete compensation occurring within this similar time span was the increase made in cost of attendance stipends for athletes at the largest schools. The 2015 vote by NCAA’s autonomy group (P5 schools plus Notre Dame) to allow member schools to pay “full cost of attendance” within their scholarships provided athletes modest living stipends further opened the athlete compensation issue, with one study finding that these increased cost-of-attendance allowances were positively associated with football recruiting quality indicating that the differences in stipends influenced student-athletes’ college choice (Bradbury & Pitts, 2017). While the O’Bannon case and the full cost of attendance stipend increases may have represented some positive steps, several states began the pursuit of legislation to further the collegiate athlete compensation effort.

In 2019, California passed Senate Bill 206 known as the “Fair Pay to Play Act” allowing col-
lege athletes to earn compensation for their NIL and obtain professional representation to originally become effective in 2023 (Tenjido, 2021). This California legislation spurred several other states to pass similar NIL laws with 26 states, and 12 of those states (Alabama, Colorado, Florida, Georgia, Illinois, Kentucky, Mississippi, New Mexico, Ohio, Oregon, South Carolina, and Texas) set July 1, 2021, as the effective date (Dosh, 2021). The NCAA took little action in response to this pending legislation and was perhaps seeking support through the outcome of a pending US Supreme Court Case, *Alston v. NCAA*.

On June 21, 2021, the Supreme Court released a unanimous decision striking down NCAA limits on student-athlete academic benefits (*i.e.*, reimbursements and pay for academic-related expenses) on antitrust grounds (Edelman, 2021a). As the NCAA was waiting for support from the court or perhaps to receive an antitrust exemption from the *Alston* case, this court decision set into motion numerous actions related to NIL for the NCAA. Although the *Alston* decision says nothing whatsoever about NIL or third-party licensing rights, it does clearly communicate that NCAA actions to ban schools from granting athletes these rights will likely violate antitrust law (Edelman, 2021b). On June 30, 2021, the NCAA Board of Directors approved new interim NIL legislation that took effect on July 1st allowing athletes in every NCAA division to be compensated for the use of their NIL, and this legislation suspended all prior regulations related to NIL (Brutlag Hosick, 2021). These actions included allowing athletes to use professional service providers for their NIL activities but required athletes to report their activities as the schools must determine the consistency of these NIL activities with state law. The NCAA continues to work with the US Congress in seeking federal legislation that could serve to unify the various state NIL laws.

Since the opening of this new NIL era, many high-profile college athletes have announced a series of agreements with local, regional, and national brands. However, the impact of collegiate NIL deals on the revenue totals incoming to the individual schools and collective collegiate setting remains to be determined. While the total sum of revenues is unlikely to significantly change in the short term, the distribution of those revenues is highly likely to realign with NIL efforts. The typical donors and sponsors/advertisers in collegiate sport may realign their spending to connect directly with the athletes rather than their schools. In addition, providing athletic department support for NIL professionals/consultants to support SAs efforts in obtaining NIL or regulating revenues may become the new reality. As university athletic departments start to plan for the future, NIL efforts may be supported from both a facility and human capital perspective. There could be a new component to the facility arms race on the horizon with new offices and personnel being needed within each school to work with NIL efforts. It currently remains in question whether NIL opportunities within a program or school eventually might replace facilities as a primary enticement for recruiting talent.

**Name Image and Likeness (NIL)**

Collegiate athletic conferences are historically rooted as far back as the 1870s. These affiliations of schools serve to structure seasonal competition in multiple sports, furnish contestants for postseason football games, and provided automatic qualifiers to the NCAA’s postseason basketball tournament. Until the 1990s, their composition was reflective of two underlying elements: ease of travel and a sense of shared regional cultural identity (Abbott, 1990). However, the 1984 ruling by the US Supreme Court in *NCAA v. Board of Regents* shifted control of football media rights from the NCAA to the conferences. This transformed college football and all of college sport thus catalyzing conference realignment with major conferences seeking new, large media markets to garner bigger and better media deals (Baker & Brison, 2015).

Within the 1990s and into the early 2000s, conference affiliations were significantly altered from their historic regional alliances with major conferences often cannibalizing other major, and even mid-major, conferences for new members and expanded media markets. Rather than travel or region-
al identity driving conference alignments, television markets and exit clauses are now identified as the more influential drivers of realignment with overall survival viewed as the paramount objective with schools willing to forego a degree of potential near-term success in exchange for more assured long-term survival (Taylor et al., 2018). The transition to the current status of five major conferences or Power 5 (P5) conferences along with the additional five Group of 5 conferences along with several independent schools has been quite far from orderly. These realignments have included some conferences that completely dissolved (Southwest Conference) others to drop football (Big East Conference, Big West Conference, and Western Athletic Conference) as well as two conferences and two members from realignment-affected leagues actually suing departing members (Baker & Brison, 2015). The creation of super-conferences with 14 or even soon to be 16 team expanded geographic reach and span of these super conferences has certainly increased travel distances and times (Farley et al., 2017).

In the summer of 2021, the University of Texas and the University of Oklahoma sought out and accepted invitations to join the Southeastern Conference (SEC). This largely unanticipated event created the latest realignment shift across Division I ranks with a cascade of resulting changes the impacted five FBS conferences (American Athletic Conference, Big 12 Conference, Conference USA, South East Conference, and the Sun Belt Conference) along with four FCS conferences (Atlantic Sun Conference, Colonial Athletic Association, Southland Conference, and the Western Athletic Conference) (Kelley, 2021).

From a facilities perspective, institutions with greater financial resources would have greater ability to invest in facility upgrades. However, the conference realignment process tends to create potential winners and losers regarding annual conference payouts to member schools. Prior research has demonstrated significant revenue increases associated with schools moving up within a conference realignment, with moves to top conferences garnering nearly $12.15 million in additional funds and moves to any FCS level conference generating additional $6.43 million annually over the realignment span of 2006-2011 (Hoffer & Pincin, 2015). Interestingly, any discrepancies in the number and quality of facilities for those rising schools may become liabilities that need to be addressed through new construction or renovation to align with their new conference counterparts. The institutions that are tasked with hosting conference championship events in some sports may have an opportunity and/or requirement of upgrading for “host” facilities. Overall, the rising program revenues will most likely increase with the “new conference” revenue streams, but rising expenses also likely follow.

At the same time, some schools will not have the benefit of realigning to a rising conference. Those schools impacted by realignment by remaining in a diminishing conference will likely face reduced revenues in media rights. For the programs that did not get the opportunity to move up, alumni, donors, and friends of the school that have made a significant investment in the institution may not get the return on investment desired on their financial investment, and this could impact future levels of support.

**Call for Research**

Based upon the information and perspectives presented, a number of intriguing areas of inquiry and research arise that are directly related to collegiate sport facility spending and the impact of both NIL and conference realignment.

First, there is a need to monitor and track facility spending across all aspects of college sport. This should be done on an institutional level overall as well as categorizing the spending where appropriate by sport, by gender, and by category of competitive venues as well as the various ancillary or support spaces. Unfortunately, this type of facility spending is not easily tracked via standard annual reporting within the Equity in Athletics Disclosure Act (EADA) database with the federal government as facilities fall within the “not allocated by gender” sport expenses category, and their only facility-specific subcategory.
typically conglomerates athletic facility debt service, leases, and rentals. While the College Athletics Financial Information (CAFI) Database maintained by the Knight Commission does provide a category that includes facilities, their category of “facilities and equipment” does not separate out these two component costs. Additionally, this CAFI database category aligns more with EADA operating (game day) expenses category. As facility capital spending projects for new or renovated venues don’t typically fall within the annual budgeting and reporting processes they would not typically be included within these databases. However, most institutions internally and externally promote their facility spending for new and renovated/upgraded sport facilities as a point of pride with public relations communications and press releases. When actual facility spending can be accurately documented, then it can provide vital data for analysis related to the impact of this spending on other factors such as athlete recruitment or team performance (winning or revenue generation). Broad and comprehensive data on collegiate facility spending is needed rather than relying upon anecdotal data from major projects attracting general media reporting. This data should be gathered and shared via a comprehensive database to support research efforts regarding collegiate sport.

Second, the impact of facility spending and facility quality upon the athlete experience remains important not just within the recruiting process to attract talent to a program, but also in providing for the needs of the athletes through the various facility investments made. This topic has been initially explored within the FBS football stadium setting (Marsh, 2019), but there remains a fruitful area of exploration within other sport competition facilities as well as related support facilities and ancillary areas. As the NCAA and its member schools expand their efforts in improving the athlete experience, obtaining data on athlete perceptions of these facilities should indeed be explored, and proper and valid instruments and measures should be developed to assess athlete satisfaction or impact from these facility investments.

Another area of research should involve the examination of conference realignment of affiliation upon sport facility spending. These areas of research should include an analysis of revenue changes associated with realignment and the resulting changes in facility spending. This area could be explored on the level of a single school case-studies as well as expanding to studies of single conferences or to whole categorical levels (FBS, FCS, DI, DII, DIII). Exploration of facility spending trends could also be explored within schools that moved up within realignment as well as those who remained behind in altered conferences. There could also be interesting comparisons made between facility spending levels by schools within conferences that remained stable compared to those conferences experiencing realignment. It would be of interest to explore and document the levels of revenue changes associated with conference affiliation and to correlate those changes with facility investments. Also worth examining is whether schools involved in moving up in realignment efforts experience any deficiency in their facilities compared to their new peers, and whether these deficiencies are addressed with new building efforts.

Another fertile area for exploration would involve the potential interaction of NIL spending with facility project fundraising within the various school settings. There may be potential for some wealthy alumni to seek to impact their desired school or athletic program through NIL deals directly with athletes rather than providing donations toward a capital campaign for facility investment. The most recent data from the FBS level in 2020, the final year prior to the NIL changes, showed that 29% of athletic revenues came from donors ($1.84B at 20%) and from corporate sponsorship, advertising, and licensing ($779M at 9%) (CAFI, 2021). While sport facility funding remains highly dependent upon alumni donor funding, the possible changes within giving patterns should be explored as NIL spending begins to be fully activated in the coming years. As NIL spending levels increase, it will be important to explore whether there will be any corresponding changes with facility spending or facility fundraising. It will also be important to determine if and/or how much the funds that have gone directly to the schools in the past will possibly be diverted by these donors or sponsors directly toward the athletes.
In conclusion, athletic facilities remain a foundational element of the collegiate sport enterprise. Their development has been influenced in the past by economic and market forces as well as by legislative and legal action. As the conference affiliation and media rights landscape along with the NIL and athlete compensation legislation continue to evolve, the impact on facility design, construction, and utilization should continue to be monitored to determine their effects upon the ongoing facilities arms race and upon the schools’ abilities to meet the needs of the athletes with their facility investments.

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