

# HIGHER EDUCATION COVID-19 RESPONSE: ATHLETICS PROGRAM ASSESSMENT AND FINANCIAL (RE)ALIGNMENT

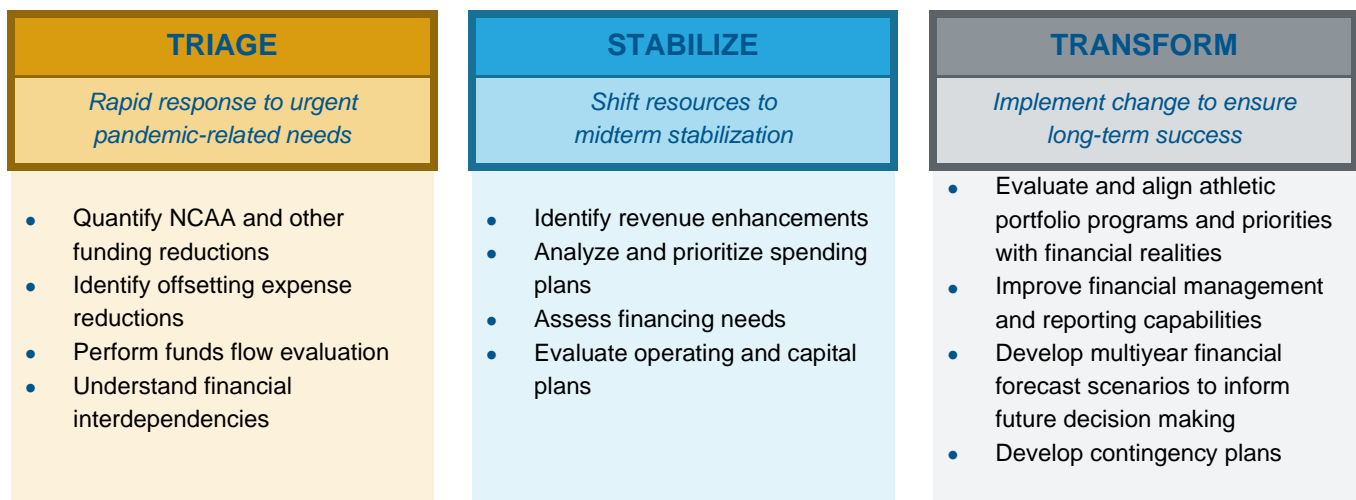
The immediate demands of the novel coronavirus pandemic have resulted in prompt and thoughtful actions by institutional leaders to ensure the safety of students, faculty and staff. More specifically, given the suspension of NCAA basketball and other spring athletic events, athletic departments across the country face their own unique challenges.

Even as leaders rapidly assess short-term responses to forgone revenues, current efforts will soon migrate toward stabilizing programs for the coming year, with increased emphasis on developing a comprehensive understanding of the key financial realities that will emerge from a deep internal assessment. These will form the basis for revisions of sports portfolios and a new focus on financial stability and overall risk reduction. The enduring outcomes for universities and colleges will evolve as leaders assess how the broader environment is changing and develop a vision for long-term sustainability.

Due largely to the cancellation of the NCAA basketball tournament, projected financial distributions to Division I members at the end of the 2019-20 academic year are now \$225 million rather than the expected \$600 million. Divisions II and III will also see significant reductions. Moreover, these payments will arrive in June, two months later than usual. Loss of auxiliary enterprise revenues from attending playoff games will be significant as well. Further, institutions without the benefit of money-making football programs will bear a disproportionate burden. Other sports rely on revenues generated from basketball and football, including many women’s sports, and all could be put in fiscal jeopardy; Title IX rebalancing may also come into play.

In a [recent white paper](#), Huron outlined a three-phase framework for higher education’s evolution through this pandemic and impending recession. In this framework, the sector enters first into a triage phase, then transitions to a period of stabilization while it begins to explore opportunities for fundamental transformation.

Collegiate athletics can benefit from this model, and there are implications leaders should consider as they navigate each phase.



## Triage: Assess the Impact of Known Changes

In the near term, as higher education continues to grapple with the immediate response measures to the COVID-19 pandemic, leaders should quickly quantify the impacts of lost athletics revenue, including NCAA distributions, reduced local gate receipts, declines in bookstore sales of athletics memorabilia, potential declines in pledge payments to the athletic program and more.

Financial interdependencies (funds flows) among athletics programs can also provide additional avenues for adjustment as leaders identify subsidies and calculate revenues, direct expenses, and attendant indirect costs (facilities and administrative support from the department and campus) for each program to project an operating statement for each.

Once a complete fiscal picture is achieved, leaders must then identify options for urgent expense reductions. Consider nonessential travel, renovations and capital projects that can be paused or cancelled.

## Stabilize: Evaluate the “Known Unknowns”

As the higher education sector progresses further into its response to the COVID-19 pandemic, leaders will shift their attention from urgent triage measures to focus more intentionally on assessing potential revenue rebounds in the near-, medium- and long-term.

Forward-thinking leaders will consider potential revenue enhancements (e.g., booster participation, season-ticket pricing, game guarantees) as well as dependencies on financial assets (e.g., endowments, pledges and other receivables). In their efforts to create a balanced budget for the upcoming fiscal year, institutions should create comprehensive, dynamic financial planning and reporting formats, with the ability to refresh as frequently as needed. This will, by default, include the assessment of risks inherent in the liability side of the balance sheet (e.g., dependence on variable debt, near-term refinancing needs, etc.) as well as other revenue volatilities, such as endowment distributions and pledge payments.

Simultaneously, longer-term expense reductions should be considered, including amendments to capital budgets, the discontinuation of lower-priority programs, and the evaluation of medical and insurance coverage.

## Transform: Create an Improved and Sustainable Paradigm

Strategic leaders will finally parlay all of the above work into a transformational and sustainable approach to athletics program management with clearly structured financial relationships within the sports portfolio as well as with the parent college or university. Scenario analyses will also be integrated into budget planning, helping to create a catalog of probable risks with pre-framed responses (including how to deal with potential liquidity issues).

Building the financial planning model so that it comports with the standard financial reporting structure inhering within the university's current enterprise resource planning (ERP) system (finance, human resources, enrollment) will enable rapid financial reporting in real time during a fiscal period, thus enabling rapid responses. Further development of the internal planning system should involve the Equity in Athletics Disclosure Act (EADA) metrics and NCAA reporting system.

By empowering data-driven decision making, athletics leaders can make future-focused program adjustments that will benefit athletes, students, the community and the institution for years to come.

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