



GEORGIA SOUTHERN UNIVERSITY

Football Reclassification Analysis

Final Report
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Rosser International, Inc.
McGee-Geiger
CSL International

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For this study, the team of Rosser International, McGee-Geiger and CSL International were charged with analyzing the conditions under which a change in the University's current intercollegiate Football classification, FCS (Football Championship Subdivision, previously 1AA) to the FBS (Football Bowl Subdivision, previously 1A) classification might be considered. This study evaluates the existing University operating conditions and the requirements that must be met if University decides to make the classification change.

The Feasibility Study group surveyed 44,420 individuals with 5,983, or 7%, responding. The groups who were surveyed and their response rate included Southern Boosters (25%); Non-donor football ticket buyers (54%); Alumni (5%); Faculty/Staff (30%); Students (15%). Less than a majority in each constituent group surveyed believed the local community would have sufficient resources to financially support a move to the FBS, and it appeared most constituent groups are somewhat concerned with the ability of the football program to effectively compete at the FBS level. While the majority of the Boosters do support a move albeit with reservations, it is interesting to note that approximately one-third of those constituent groups that currently support athletics the most (Southern Boosters and non-donor football ticket buyers) do not support the move.

This report is not intended to provide a recommendation, but to give all necessary data for the University to make a decision about a classification change with confidence. To assess the potential of reclassification, the consulting team studied the impact on Expense Budgets, Facilities Needs, and Revenue Generation.

Expenses

Several peer institutions were willing to share their annual budgets with the consulting team, and a thorough review of NCAA financial reporting data in the NCAA Reclassification publication and the NCAA Report on Revenues and Expenses each presented a basis for constructed hypothetical budgets based upon the Georgia Southern University FY2009 Department of Athletics budget. The current expense budget is over \$9 million. With 22 additional football grants-in-aid allowed under the rules of NCAA FBS, and the companion additional 22 grants-in-aid for female student-athletes to comply with Title IX, along with the need to add another women's team, higher travel costs, the need for more equipment, more support staff in several areas, and the inevitable increases in salaries and other "market driven" items, the probable equivalent cost of the FY2009 Program at Georgia Southern, if it was an established entity in NCAA FBS, would be \$14,200,000. This budget represents about a 40% increase over the current FCS budget at Georgia Southern, but in reality it would be one of the smaller budgets in the Football Bowl Subdivision.

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Even at that level, a \$14 million operating budget in NCAA FBS is comparatively low (the data showing this is included in this report) and this does not yet include annual debt service and operating costs of facilities improvements. The economic environment of NCAA FBS is incredibly demanding, and the choice facing the University is a challenging one, given the experiences of those institutions which have made the reclassification move over the last 10 to 15 years. In addition, the Georgia Southern University Department of Athletics budget is low among its peers in NCAA FCS for most sports other than football. A lot is accomplished with relatively little, due in large part to the dedication and capable management abilities of the staff. The football program is well funded, but with a total budget of \$9,167,746, the overall Athletic Program is below its competition in financial support for most sports, low enough to place Georgia Southern in about the overall 40th percentile according to analysis of NCAA financial data. It appears, however, that the level of budget and management of resources is appropriate for the level of competition offered by the Southern Conference. In addition, because intercollegiate athletics is a University department, the budget is carefully managed and resources are carefully applied for maximum effect.

As Georgia Southern contemplates reclassification, one positive aspect is the recruiting opportunities which exist in Georgia and the surrounding states in the Southeast. The recruiting experts contacted all indicated that Georgia Southern would do well in attracting talented student-athletes because of location, reputation and the simple fact that there is a plentiful supply of capable candidates.

Joining a conference of FBS institutions will be an important consideration. From a financial relationship point of view, the most accessible conference would be the Sun Belt Conference. As an FBS institution, GSU would be well positioned as the only current FCS program in the state of Georgia, nationally respected, and with a historically successful football program to be considered for Sun Belt Conference membership if conference slots become available. Another possibility is to lead the formation of a new conference, with established FCS institutions who desire a new conference relationship among FCS members who, as recent history suggests, will be increasingly looking at reclassification. Choosing the conference will also dictate the level of expense the University will expect in order to meet the competition.

Should Georgia Southern seek to move to the FBS, several comparative factors to FBS institutions are noteworthy. Student Enrollment would rank in the mid-to-low range of possible peer and conference FBS institutions. The Alumni Base would rank among the lowest of the possible peer and conference FBS institutions. The Athletic Budget lags significantly behind FBS schools compared in this report, ranking below all schools except Louisiana-Monroe (Sun Belt Conference).

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Further, the experience of the schools that have reclassified from FCS to FBS is one of growing deficits in their intercollegiate athletics program. The NCAA publication on Reclassification points out that while revenues increase after reclassification from FCS to FBS, the increase in expenses is generally much greater than the increase in revenues. The authors examine financial and non-financial aspects of the results of reclassification, such as finance, enrollment, and student-body diversity, and conclude that none of these aspects are positively affected by reclassification. The question one might ask: Is the price of perceived “prestige” in a subdivision worth the substantial expenditure of effort and resources required to sustain the cost of the intercollegiate athletic climate of FBS?

Facilities

The team analyzed facilities within the University’s current athletic venues. Potential improvements to Paulson Stadium, Hanner Fieldhouse and the Football Practice facilities were all deemed necessary and desirable if a reclassification is elected. Paulson Stadium is an ideal facility for Georgia Southern football and has excellent potential for expansion, both in terms of larger capacity and the creation of revenue producing amenities such as suites, club seats, etc. Given the current moratorium on reclassifications, it is anticipated that the earliest Georgia Southern could participate in a new conference at the FBS level would be the 2014 Football Season. Budgets for expansion opportunities are thus escalated to 2013 as the year that initial implementations would begin. With expansion potential identified in phases, growth from the current capacity of approximately 15,000 seats to a capacity of approximately 24,000 to 25,000 would meet FBS needs and help the University in conference affiliation discussions. For this initial phase expansion, the desirable budget would be \$12.5 million (phases 1a and 1b) in 2013 dollars. This amount can be fundraised, if sources are available, or bonded. Phase 1a represents 5,000 additional seats and \$5,844,306 total cost or \$379,880 in annual debt service while phase 1b represents 4,000 additional seats with \$6,715,368 total cost and \$436,499 in annual debt service. If bonded, this would represent an approximate total annual debt service cost of \$815,000 and increased annual operating costs of approximately \$100,000. Further phases would add to this debt burden when implemented.

A parallel facility needed to be competitive at the FBS level is a Football Practice facility, a new structure which would be located near the current Football Practice Fields. This would relocate the football team from current spaces that would be renovated/modified to accommodate the other program requirements recommended by the report. This new practice facility, approximately 30,000 SF, and the parallel renovations in Hanner would provide locker rooms, equipment, training, offices, academic support and other areas, and would have a total capital cost of \$16,591,458, resulting in \$1,078,458 in annual debt service and annual operating costs of \$225,000. This will allow

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adjustments that need to be made to practice, office, locker room and strength and conditioning facilities that relate directly to football, and where needed, other facilities, especially for women's teams that need to be addressed at the same time for equity purposes. Total debt service and operating costs incurred for the 2013 year would be \$2.25 million annually.

Of additional concern is the need to upgrade, or even replace, the current basketball arena. It will not meet the needs of increasing revenue demands and the increased demand for meeting the competitive levels that come with joining an FBS conference. While the stadium and collateral facilities improvements would be required for the 2014 season, it is felt that Arena improvements, as long as they are planned and "in the works" could follow some 5 years later, with capital funding required in 2018. This has been discussed as either a new arena facility or an extensive renovation/upfit to Hanner Fieldhouse. A capacity of approximately 6,500 (current Hanner is 4,200) with better spectator support and improved event handling capability was determined to be the "target facility". The price tag for a new arena, assuming the University owns the land and parking is considered available within the existing on campus parking inventory, is approximately \$85 million in 2013 dollars, or \$5.5 million in annual debt service. This also leaves the University with the sprawling Hanner Complex which would be too large for the reduced Athletic components and Physical Education uses that would remain. In addition, funding for a new Arena, even as an athletic/physical education/convocation enterprise, could prove problematical. The alternative of a sizable renovation and expansion of Hanner Fieldhouse as a component of the overall complex offers the advantages of lower capital costs (\$55,220,259 million in 2013 dollars or \$3,589,317 million in annual debt service) and keeps the Athletic department and Physical Education department as primary co-tenants while vastly improving the facility's ability to hold convocation and other events. In addition, it would add the desired 2,500 seats to the capacity and VIP facilities for increased event scheduling and revenue generation. Operating costs will also be lower, as operation of both a new 200,000 SF facility and Hanner would be replaced by only operations of Hanner with its increased area.

If all facilities improvements are undertaken (phases 1A and 1B of Paulson Stadium, the Football Practice Facility and the renovation approach to Hanner improvements), a total capital expenditure of \$84,371,391 is estimated, and, if all bonded, would represent an annual facilities cost of \$5,484,154 plus \$812,500 of additional annual maintenance costs. Some facilities, as noted, would be done at different times so the impact of annual bond cost would vary depending on the projects undertaken. Combined with the estimated program Operating budget increase of \$5.1 million, total costs could be as high as \$11,300,000 annually. All costs suggested are in addition to the program operational costs outlined above in the Expenses section.

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Revenue

Throughout the course of this study, the study committee measured over 30 variables as they relate to Georgia Southern University's ability to generate sufficient revenue to complete a move to FBS football. When viewed in their totality, these variables provide a clear picture as to where Georgia Southern ranks in comparison to current conference members, peer institutions and other low-level FBS conferences. What follows is commentary based on the most important of these variables.

Should the move to the FBS be considered, certain comparative factors are noteworthy. Georgia Southern's Donor Base contribution levels would rank favorably with selected peer FBS institutions (as identified in this report) and the Sun Belt Conference, but would lag significantly behind institutions in Conference USA, the ACC and the SEC. Home football attendance compares favorably to Sun Belt Conference Institutions (18,353) but is significantly lower than peer FBS institutions (28,517), Conference USA (27,120), the ACC (53,462) and the SEC (75,594). It is likely that an expansion of the current seating capacity at Paulson Stadium would be needed to accommodate additional demand.

With the strength of the market measured in terms of its ability to attract supporters and generate revenues, the size of the regional population and its spending characteristics are important. Georgia Southern's market population within 50 miles would rank in the low range of possible peer and conference FBS institutions. With the median age of the population within 50 miles at 31.7 years, Georgia Southern ranks as the youngest market in all conferences. The Effective Buying Income (EBI) or disposable, after-tax income, is \$32,272, ranking Georgia Southern and the regional market area at or near the bottom of comparable markets. With 488 companies meeting desirable sales and employment thresholds (thus being sponsorship and donation candidates) within 50 miles, Georgia Southern's potential corporate support ranks at the lower end of markets compared in this report.

The current budget of the Georgia Southern athletic department at the FCS level is approximately \$9 million. Based on survey results, approximately three-quarters of Southern Booster contributors are willing to increase their current donation levels to support a move to FBS. Overall, approximately 72% of survey respondents indicated they would potentially make a one-time donation to support the move to FBS. The average one-time donation equals \$238.75; 74% of respondents would contribute at the "\$249 or below" level.

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As noted, the study team conducted a survey among students, faculty and staff, alumni, Southern Boosters, Inc. donors, and football ticket purchasers. The survey results showed strong interest on the part of virtually all groups of respondents in reclassifying the Football Program to the Football Bowl Subdivision. Most were willing to accept higher ticket prices, although any increase beyond \$5.00 per game would likely have a negative impact on total ticket revenue generated. In addition, a majority of students were amenable to increases in student fees for athletics; based on survey results, it appears the students are willing to consider an increase in student fees to support a move to FBS (73% supported an increase of \$25.00). However, 37% of responding students would not pay for student tickets if they were \$5 per game. Virtually all incremental ticket revenue is expected to come from the football ticket sales. Based on survey results, it appears that ticket prices could be increased \$5 per game to reflect the perceived increase in value of the FBS level of play over the FCS level of play. Further, paid attendance at home football games is expected to increase from approximately 9,500 per game at the FCS level of play to 12,600 per game at the FBS level of play (after the transition period), representing increase in paid attendance of nearly 33%. There was considerably less interest and/or ability on the part of respondents to purchase premium seating opportunities or equity options for club seats, suites, etc. at Paulson Stadium. Based on market research, it is projected that athletically-generated revenue could increase from \$2.8 million at the FCS level to approximately \$5.0 million at the FBS level, representing approximately \$2.3 million in incremental revenues to meet increased costs associated with operating an FBS program.

When the need for debt service on facilities expansions and upgrades are factored into the revenue equation, it is clear from the survey results that the incremental annual costs of the football program considerably outstrips the increases that might be anticipated from the amount of revenue that responders to the survey indicated might be aggregated.

From the perspective of potential revenue associated with Bowl Game participation there is a myth that bowl games are extremely lucrative for the participating schools. This is not true for virtually all bowl games save the top echelon BCS bowl games, and these are generally not available to the Conferences which are most likely considered for a GSU affiliation. The realities of the bowl system need to be factored into the consideration by Georgia Southern of whether it wants to enter into the Football Bowl Subdivision.

What also is clear from the survey results is the pride the Georgia Southern community has in its football program and the strong desire to support it. The problem is clearly not lack of interest. The amount of money required annually to support the elevated program is of significant magnitude that the current base of support would not be able to generate adequate funds to maintain the current gap between athletically generated revenue and allocated revenue from University, student fee, and State of Georgia sources.

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In order to effectively support the move to FBS, an additional \$5.1 million would need to be generated annually to meet the increased program operating costs needed to maintain an FBS program, assuming play in the Sun Belt Conference or a similar new conference comprised of current FBS programs and FCS programs that would also make the transition to FBS. Facility capital improvements would add an additional annual debt service requirement of \$2.25 million for stadium and practice facilities in 2013 as well as a further \$3.2 million when the Arena project is undertaken. This would total \$7.3 million annually initially and \$10.5 million when the Arena project is undertaken, assuming all costs are bonded. Along with this debt service projection, maintenance projections of \$325,000 for the Paulson Stadium improvements and the FB Practice facility and an additional \$500,000 for arena annual maintenance costs when implemented are expected.

Financial Impact

A move to the FBS level would require additional allocated revenues to meet the anticipated operating and facility capital needs. The following table summarizes the anticipated key financial impacts associated with a move to FBS.

Estimated Financial Impacts of Move to FBS
Georgia Southern University
(\$ Millions)

	Existing FCS	Projected FBS	Change
REVENUES:			
Athletics-Generated	\$2.8	\$5.0	\$2.2
Allocated	\$6.4	\$11.5	\$5.1
TOTAL	\$9.2	\$16.5	\$7.3
EXPENSES:			
Operations	\$9.2	\$14.2	\$5.0
Facilities – Debt Service	--	\$2.3	\$2.3
TOTAL	\$9.2	\$16.5	\$7.3

Note: Stated in 2009 dollars.

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This chart suggests that to effectively support the move to FBS, an additional \$5.1 million would need to be generated annually to meet the increased program operating costs; facility capital improvements costs would add an additional \$2.3 million. Additional annual funding would be needed when the arena project is undertaken.

A review of key institutional and market characteristics indicates that Georgia Southern would likely be at a competitive disadvantage relative to most peer FBS institutions and possible conferences. Specifically, the Georgia Southern marketplace would be at a disadvantage in terms of Alumni base, athletic budget, athletic donors, football attendance, market population, age, household EBI and corporate base relative to most FBS markets analyzed herein.

From a potential conference alignment perspective, the conferences that would likely make the most sense given Georgia Southern's institutional and market characteristics would be the Sun Belt Conference or a new conference made up of a combination of current FCS schools that could make the move to FBS as well as other selected FBS schools. Approximately 76% of survey respondents indicated they would support a move to FBS if Georgia Southern were to join Conference USA. Survey respondents were less interested in supporting a move to the Sun Belt Conference (52%) or a new conference (50%). Given the substantial differences in various institutional and market characteristics, it is highly unlikely that Georgia Southern could make an effective transition into FBS conferences such as Conference USA, the Atlantic Coast Conference or the Southeastern Conference in the foreseeable future. In addition, there is likely a cost associated with a change of Conference, but this cost is unknown at this time.

Conclusion

Georgia Southern University could successfully make the transition from NCAA FCS to FBS from a competitive athletic perspective. There is much less confidence in the financial capability to meet the challenge of existing in the high cost and high inflation rate that comes with NCAA FBS. The risk is considerable and the rewards need to be calculated in some concept other than revenue generation. The experience of almost all of those institutions that have reclassified is the dramatic increase in the cost to the institution of intercollegiate athletics. It is not a financial decision to be made based upon a profit motive. It is a decision that more likely should be based upon the prestige of being in the "major leagues" and how that will benefit the institution as it contemplates its future growth and direction.