The Physical Educator Vol. 76 • pp. 1357–1386 • 2019
https://doi.org/10.18666/TPE-2019-V76-I5-8909

SPORT FINANCE

Moving Up and Paying Up: A Case Study of Western Kentucky University's Move to the Football Bowl Subdivision

Lawrence W. Judge, James Johnson, Don Hoover, Dan Tracy, Kara Holtzclaw, Andy Walsh, Kayla Dempsey, Taylor Harris

Abstract

A trend among college football programs is to ascend from the Football Championship Subdivision (FCS) to the Football Bowl Subdivision (FBS). While nine football programs have initiated the transition to the FBS since 2012, the football program at Western Kentucky University (WKU) was the only program from 2005 to 2011 to reclassify from the FCS to the FBS, providing a unique opportunity for a case study. Spending and revenue trends continue to fluctuate in athletic programs and in higher education at large. It is important to recognize the repercussions financially and otherwise of football reclassification and consider if elevating to FBS is a fiscally responsible decision for universities. Several financial decisions, including a stadium renovation, facilities expansion, aggressive coaching moves, conference realignment, and upgrading the nonconference schedule,

Lawrence W. Judge is a professor, School of Kinesiology, Ball State University. James Johnson is an associate professor, School of Kinesiology, Ball State University. Don Hoover is a professor, Department of Physical Therapy, Western Michigan University. Dan Tracy is seminarian, St. Francis de Sales Seminary. Kara Holtzclaw is a behavioral health therapist, Community Health Network, Indianapolis, Indiana. Andy Walsh is a graduate assistant, School of Kinesiology, Ball State University. Kayla Dempsey is director of marketing, North Carolina High School Athletic Association. Taylor Harris is an athletic trainer, Indy Health and Fitness. Please send author correspondence to lwjudge@hotmail.com

demonstrated that WKU's football program was an early adopter of the current reclassification trend in college athletics. By studying the case of WKU's football transition to the FBS, we can explain the longitudinal impact of such a commitment and make connections to current trends in college football.

College football in the United States has become incredibly popular, surpassing professional basketball as the nation's third-most popular sport (Harris Interactive, 2014). The ever-increasing popularity of college football has spawned a surge in spending by athletic departments and consumers, which was reflected in data collected by the National Collegiate Athletic Association (NCAA; Fulks, 2013) and the Knight Commission on Intercollegiate Athletics (2014a). This increased spending on athletic programs has resulted in an "arms race" among universities. Athletic departments vie to entice students and student athletes by creating larger and more luxurious stadiums, as well as state-of-the-art training and practice facilities (Knight Commission on Intercollegiate Athletics [KCIA], 2014b, Chapter 4). It is essential for universities to consider the benefits and costs of these pricey modifications. As collegiate athletic department expenses have risen, the nonsubsidized revenue sources (e.g., ticket sales, contributions, rights/licensing fees) have led to shortfalls in cash flow, creating increased reliance on subsidized revenue (e.g., student fees, school funds, government resources, alumni gifts) to balance budgets across the majority of public universities with college football teams (USA Today, 2013). These escalating spending trends are most evident at the Football Bowl Subdivision (FBS) level, with some university athletic budgets exceeding $100 million annually (USA Today, 2015).

In the midst of its popularity and escalating expenses, another trend has emerged within college football: reclassification. In 1978, the first year the FBS level was so designated (then known as Division I-A—the most elite level of intercollegiate athletic competition), there were 138 football teams competing within this classification ("1978 NCAA," n.d.). The number of FBS teams fell to a low of 104 in 1987 ("1987 NCAA," n.d.) but reascended to 128 in 2016 ("2016 NCAA," n.d.). Over a third of the 24 teams debuting or returning to the FBS have moved up to this classification in the last 6 years. Since 2011, nine schools (Appalachian State, Charlotte, Georgia Southern, Georgia State, Massachusetts, Old Dominion, South Alabama, Texas State, UT-San Antonio) reclassified from the Football Championship Subdivision (FCS, formerly known as Division I-AA) to the FBS. Prior to this recent wave of reclassification among schools from 2011 to 2016, Western Kentucky University (WKU) was the only team to reclassify from the FCS to the FBS between 2005 and 2011. As the single school to make this competitive jump during this 6-year period, WKU made changes to its university mission and its athletic department goals, which provided a model for future institutions considering the move from FCS to FBS. Thus, examining the case of WKU provides a unique opportunity for the analysis of the motivations, mechanics, and outcomes of reclassification to FBS football.[1]

Western Kentucky University

WKU, founded in 1906, is one of Kentucky's eight public universities. WKU's main campus in Bowling Green has 17,315 undergraduate students with more than 80 degree programs available for study within six colleges (WKU, 2015). Although WKU offers an extensive variety of academic opportunities, it is viewed as a regional comprehensive university compared to the larger, nationally recognized universities located within Kentucky (i.e., the University of Kentucky and the University of Louisville; Upright, 2009). The available student demographic information confirms this description of WKU, as 78.6% of its students are Kentucky residents and the remaining 21.4% are from 47 other U.S. states (16.0%) and 74 countries (5.4%; WKU, 2015). WKU admits 92.3% of its applicants, a significantly higher percentage than both the University of Kentucky (67.3%) and the University of Louisville (76.3%), which are research-intensive institutions with more selective undergraduate admissions rates. Additionally, WKU's average freshman retention rate (73%) falls below those of the University of Kentucky (81%) and the University of Louisville (78%; U.S. News Civic, 2014). While WKU demonstrates many positive educational markers, the aforementioned admissions and retention metrics suggest the institution's

[1]We presented a 1,000-word paper and 15-min presentation that covered several of the topics presented in this article at the 2014 College Sport Research Institute (CSRI) Conference in Columbia, South Carolina. We competed in the CSRI Graduate Case Study Competition and took first place based on the results of a four-judge panel comprising sport management academicians and professionals.

measures fall short of those exhibited by the flagship institutions within the state.

WKU implemented a new vision statement as part of its 2012–2018 Strategic Plan, seeking to upgrade its university profile to a nationally recognized university. The school labeled itself as "A Leading American University With International Reach" (WKU, 2012a). The WKU Strategic Plan laid out specific intentional goals of fostering academic excellence, promoting a dynamic and diverse university community, improving community life quality, and supporting the core mission with a robust campus infrastructure (WKU, 2012a). WKU is now implementing these goals throughout the institution, including its athletic department.

The university has experienced a great deal of athletic success. Its 19 athletic teams all participate at the Division I level, and it is currently a member of Conference USA. The WKU Hilltoppers have made a combined 41 NCAA Tournament appearances in men's and women's basketball (23 and 18, respectively), and between 2000 and 2014 in all sports, the institution won more Sun Belt Conference championships (92) than any other Sun Belt Conference school (WKU, 2014a). Its football team succeeded for many years at the FCS level, qualifying for the NCAA FCS playoffs six times between 1997 and 2004 and winning the FCS national championship in 2002.

Because of the institution's consistent success in football, the WKU Board of Regents in 2006 approved the decision to reclassify its football team from the FCS to the FBS. While the team struggled initially in the transition to FBS (0–12 in their inaugural FBS season, 9–15 the following two seasons), the program enjoyed improvement each subsequent season. This success helped the school to move from the Sun Belt Conference to Conference USA in July 2014. WKU football has continued its on-field success since joining Conference USA, compiling a 31–10 record (including a 12–2 record in 2015 and 11–3 record in 2016), winning two conference championships and three postseason bowl games and beating a number of teams from the Power Five conferences (i.e., SEC, ACC, Big Ten, PAC-12, and Big 12) during the nonconference portion of their schedule.

Theoretical Framework

In research on college athletics, it is important to assess possible theoretical explanations for FCS-to-FBS reclassification and noteworthy changes in institutional resource allocation and/or spending. With little previous research published on reclassification within college sports, several theories associated with organizational change are germane. Foremost, as the decision to reclassify affects the athletic department and the university at large, the decision at WKU may best viewed through an organizational theory approach. More specifically, an organization may be defined as a unit of people structured or managed with the purpose of meeting a need or pursuing collective goals ("Organization," n.d.). Thus, a university meets this operational definition. WKU was founded in 1906 as one of the many state normal schools across the United States that developed into 4-year state teachers' colleges and eventually into comprehensive state universities. Thus, WKU was founded over 100 years ago to meet the need for primary and secondary school teachers within the Commonwealth during the Progressive historical era. As the society and its needs changed, the collective goals of the institution also changed. Accompanying such changes in needs and collective goals for any institution are competing opinions among the people within the organization on topics including commitment to institutional mission, perceived opportunities for future growth, and allocation of available resources in an equitable fashion. Such competing opinions—and any accompanying tensions—are evident, in turn, in the allocation of available resources to athletics by higher education institutions (Hundley, 2013; Pratt, 2013; Stevens, 2011; Vogt, 2013). In this context, Cunningham and Ashley (2001) reported that "incorporating competing theories is a beneficial method to explain organizational phenomena" (p. 58). This view may be of value when examining the case of WKU's elevation to FBS, a scenario in which competing opinions inevitably exist regarding institutional priorities and the importance of football success in the broader educational context.

Previous research has identified *isomorphism* as a more specific organizational theory to explain organizational transitions, such as the one exhibited by WKU's football program over the past decade (DiMaggio & Powell, 1983). DiMaggio and Powell (1983) described isomorphism as a "constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (p. 149). In this context, empirical data clearly suggest that expenditures are increasing rapidly in collegiate athletics (Fulks, 2013; KCIA, 2014a). Consequently, as interest in and associated expenses of college athletics continue to increase, university leaders may feel pressure to devote more resources into athletics to contend with other competitive institutions (Tsitsos & Nixon, 2012). Otherwise, university leaders hazard a scenario where their respective institution risks falling behind in the realm of college athletics, an important consideration in an ever-changing landscape regarding the college search process.

To gauge the influence of organizational isomorphism in college sports, Cunningham and Ashley (2001) surveyed athletic directors and assistant athletic directors from 68 athletic departments (22 Division I, 24 Division II, and 22 Division III). Using three competing perspectives within isomorphism (i.e., strategic choice, population ecology, and institutional theory), the researchers found that athletic departments weigh influences from internal and external entities as they delegate and compete for resources. In this vein, internal entities include efforts such as supporting and leadership of coaches, staff, and student athletes; minimizing risk management (legal concerns); serving as liaison between the athletic department and the academic community; or completing administrational paperwork. External entities might include energies devoted to conference obligations and compliance, fundraising, and promotions and marketing (Cunningham & Ashley, 2001). These findings by Cunningham and Ashley support previous research that isomorphism exists in college athletics and that multiple perspectives should be considered for application of this theory in analysis of sport administration (Danylchuk & Chelladurai, 1999). Researchers have emphasized that the presence of isomorphism in athletics suggests that athletic directors manage their departments to resemble other departments in their field, which produces the isomorphic effect. Managing college athletics is clearly an endeavor where individuals leading organizations strive to emulate the characteristics of target institutions, either partly or wholly. Along these lines, "the presence of isomorphism suggests that many athletic directors consciously choose to guide their athletic departments in a fashion similar to others in the industry, thus leading to organizational inertia" on a broad scale across the industry (Cunningham & Ashley, 2001,

p. 58). In other words, there exists a culture within college athletics to embrace innovation or novelty when striving to emulate target programs, but only to a point. As educational leaders who facilitate rapid or wholesale changes may reap large rewards, they may also face negative repercussions for initiating institutional changes that are viewed as too radical when weighed against a broader backdrop (Herald Staff, 2016a; Hundley, 2013; Mudd, 2016a; Pratt, 2013; Vogt, 2013).

Similar to isomorphism, but focused more upon the decision-making process, the *escalation of commitment* theory also warrants consideration in a discussion of resource allocation and spending trends in college athletics. Staw (1976, 1981) introduced this theory as a way to help further understanding of how organizational leaders can justify increasing investment related to previous investment decisions despite new knowledge that may alter the expected outcome. Using a model of the commitment process, Staw (1981) labeled four determinants of commitment to a course of action: motivation to justify previous decisions, norms for consistency, probability of future outcomes, and value of future outcomes. Leaders within college athletic departments apply this model when augmenting expense totals through the following thought processes: recalling previous team successes, stressing similar spending by other universities, or alluding to the effect of college spending on the future of student athletes, the athletic department, and the university at large (Nite, Hutchinson, Melton, & Bouchet, 2015). There appears to be little restraint nationally within the current climate of escalation of commitment, as each season is marked by top-tier programs building upscale facilities aimed at attracting and retaining top athletic talent. The most recent example of such escalation of commitment is Clemson University, where in January 2017 final construction was completed of a $50 million, 140,000-square-foot football training facility complete with a slide, indoor golf simulator, laser tag, bowling alley, arcade, and nap rooms (Sports Illustrated, 2016). The completion of this facility came at the same time Clemson won the 2017 FBS national championship, suggesting such spending might be justified.

From a financial perspective, McEvoy, Morse, and Shapiro (2013) also reported increased athletic spending in recent years when they studied college athletic revenue among public FBS schools from

2002 to 2007 and developed a model to explain the variance in revenues. Using Bowen's (1980) revenue theory of cost as a guide, the researchers found conference membership (i.e., FBS vs. non-FBS) was the most important predictor of department revenues, but university enrollment was also a strong predictor of annual budgets. In regard to markets of college sport, county population and per capita income were insignificant predictors of athletic department–generated revenues, demonstrating the presence of elite football programs in markets of all sizes. This research suggests that athletic programs located in relatively small communities such as Clemson, South Carolina, Starkville, Mississippi, and Manhattan, Kansas, can field football programs capable of competing from year to year with conference rivals located in large metropolitan areas, such as Atlanta, Nashville, and Austin, respectively. Time will tell the extent to which this research also applies in the WKU case scenario on a long-term basis, as the Bowling Green metropolitan area is much smaller than many of the cities making up Conference USA (e.g., Old Dominion University in Norfolk, Florida International University in Miami, University of Charlotte in Charlotte, Florida Atlantic University in Boca Raton, University of Texas at San Antonio, Rice University, University of Texas at El Paso).

Using organizational (isomorphism), decisional (escalation of commitment), and financial (revenue theory of cost) theories provides a more holistic lens on which to assess and explain the reclassification process of WKU's football program. Nonetheless, a review of literature suggests that schools undergoing reclassification (i.e., FCS to FBS) have yet to be studied within the sport management literature generally or using these differing theories specifically. Thus, we discuss applications of these theoretical concepts in this case study of WKU's reclassification.

Athletic Spending

Spending on college athletics has been increasing since 2005 (KCIA, 2014a), and even in the midst of an economic recession, intercollegiate athletics managed to maintain financial stability (Stinson, Marquardt, & Chandley, 2012). Reclassifying the football program at WKU prompted a significant increase in the institution's spending on athletics and is consistent with overall spending trends in college athletics.

From WKU's first year as a transitional FBS member (2007) until 2012, athletic expenditures increased annually from $17.2 million to $25.7 million (Appendix A), which represents a 50% increase in yearly expenditures (USA Today, 2013). In comparison, when WKU joined Conference USA in 2014, East Carolina University (ECU; in its final year in the conference) was the highest spending institution in the conference. ECU increased its athletic expenditures from 2005 to 2012 by 54%, from $21.7 million to $33.6 million over this time frame (USA Today, 2013). The spending by these two institutions is representative of the primary expenditure areas of coaching and staff, scholarships, buildings, grounds, recruiting, and team travel (USA Today, 2013). Specific to WKU, this increase in spending on athletic expenditures during the transition to FBS membership is an example of institutional isomorphism: The university leaders made financial decisions so that the athletic budget was more comparable to that of benchmark peer institutions in the FBS. Similarly, these expenditures also support the work completed by McEvoy et al. (2013) that indicated conference affiliation was the strongest predictor of department revenues; WKU clearly increased its expenditures on football to emulate conference brethren when the Hilltopper program moved from the FCS level to FBS membership in the Sunbelt Conference and then to FBS membership in Conference USA.

WKU incurred several financial expenditures to reclassify at the FBS level. It paid a $5,000 fee to the NCAA with its notification of intent to reclassify and offered $3.23 million more annually in grant-in-aids to student athletes, partly by increasing its football scholarship allocation from 63 to 85 (Frieder, 2007; NCAA, 2013). These increased expenditures were required for WKU to meet the minimum standards for all institutions reclassifying from the FCS to the FBS. Schools that recently made the decision to begin football programs classified at the FBS level (e.g., University of North Carolina at Charlotte, Georgia State University, and Mercer University) will endure similar financial expenditures while they transition to full FBS programs (Desrochers, 2013). For example, the University of North Carolina at Charlotte has already seen its expenses rise. Its expenditures for athletics more than doubled from $9.6 million in 2005 to $20.2 million in 2012 (USA Today, 2013). This rise in spending is consistent with the average expenditure increase of $2.6 million/year following reclassification, according to NCAA research (Frieder, 2007). The FBS market dictates higher expenditures are necessary for athletic programs to offer competitive facilities and coaching salaries (Fulks, 2013), which again supports the findings of McEvoy et al. (2013) that conference affiliation greatly influences department expenditures.

One of the higher expenditures for WKU during the transition to FBS competition was the approval of plans for a $37.5 million renovation for its football stadium in 2006 (WKU, 2006, 2014b). Although the seating capacity increased by 26% with these renovations on a stadium originally constructed in the 1960s, attendance at WKU football games only increased by 6% from 2007 to 2012 (NCAA, n.d.). Extensive stadium renovations are not unique to WKU athletics, nor are they limited to schools elevating from FCS to FBS competition. From 1995 to 2005, institutions in the United States spent a combined $15 billion on upgrading sports facilities (Bennett, 2012), which only appears to be increasing. In the Big Ten Conference alone, Indiana, Illinois, Michigan, Nebraska, Iowa, and Wisconsin each spent $50 million to $86 million over the past decade on football stadium renovation projects (Bennett, 2012). These expenditures do not include renovations made to basketball arenas or upgrades made to house or support other non-revenue-generating sports. While their expenses were not as high as the larger schools in the Big Ten or other Power Five conferences, WKU still accumulated significant debt from renovations. Total athletic facilities debt at WKU in 2012 was $58.3 million, 49% above the FBS median (KCIA, 2014a). These data further illustrate the existence of institutional isomorphism (Cunningham & Ashley, 2001), as the leaders at WKU delegated these resources within the athletic program rather than addressing other needs within the institution, such as replacing aging classroom and laboratory spaces for science programs (Holloway, 2013b).

On average, coaching salaries and benefits remain the highest portion of expenditures for FBS programs, making up 35% of total expenses (Fulks, 2016). Coaches typically receive a base salary from the university and bonuses for on-field performance measures (USA Today, 2013). Although increases in coaching salaries have been seen across the FBS, programs moving up to FBS appear to have the largest percentage increases in payroll expenditures. At WKU, annual coaching and staff salaries increased from 2005 to 2012 by 55% (USA Today, 2013). The head football coach salary grew from $259,908 in 2009 to $855,600 in 2013, making it the largest salary increase in the school (USA Today, 2013). The significant increase WKU experienced in coaching salary at this time was largely due to the hiring of head coach Bobby Petrino in 2012, who had most recently been the head coach at the University of Arkansas. The rising cost of coaching salaries is controversial, as many of the top-paid public employees of a state are college football or basketball coaches (Newman, 2014).

The contracts and buyouts associated with hiring a top-tier coach are also on the rise, and WKU has not been immune to this trend. A coach who breaks a contract to accept a job with another institution is typically required to pay the school when he leaves, and the new employer usually agrees to pay the compensation to the previous school (Berkowitz & Upton, 2012). In 2012, head coaching changes in FBS programs accounted for more than $50 million in expenses for contract buyouts (Berkowitz & Upton, 2012). WKU hired Coach Petrino in 2012 to replace Coach Willie Taggart, who left to take over the football program at the University of South Florida (USF), resulting in WKU receiving a buyout totaling $500,000 from USF (Staff Report, 2012). Coach Petrino's buyout at WKU was $1.2 million, which the university received in compensation when he left for Louisville after the 2013 season (Lintner, 2014). Following the 2016 season, WKU received a buyout of $900,000 from Purdue University, when Coach Jeff Brohm left the Hilltoppers to lead the Boilermakers football program, increasing his guaranteed annual salary from $850,000 to $3,300,000 (Baird, 2016). Such transitions in leadership of FBS football programs demonstrate the extreme financial commitment FBS institutions such as WKU make to get a top coach for their program, as well as how transient some coaching tenures can be in contemporary college football. From a theoretical framework, the case of WKU hiring Coach Petrino may be viewed as an example of mimetic isomorphism, as the organization imitated institutions within the Power Five conferences by seeking out and securing the services of a college football coach who had been successful at that level but did not coach a team the previous season. Even with hiring a coach at a high price, universities are not assured a high-ranking football team, demonstrating the risk in expanding these athletic expenditures. Moreover, the risk is elevated because the coach may not stay for long, as evidenced by each of the tenures at WKU of Taggart, Petrino, and Brohm. Still, by taking such a risk, institutional leaders place a substantial investment in a coach in hopes of on-field success for their football programs (Tsitsos & Nixon, 2012).

Empirical evidence suggests that across the board, operating expenses for football programs and student athletes are also increasing. During WKU's reclassification period, annual expenses for football increased by $2.2 million (a 52% jump) and spending per football student athlete was up 96% (KCIA, 2014a; U.S. Department of Education, 2013). The $51,160 that WKU spent per football student athlete in 2012 (Appendix B) is far below the median spending per FBS football student athlete, which reached $115,024 in 2014 (KCIA, 2014a). For WKU to hold its ground in the college athletics *arms race,* spending per student athlete will likely increase to similar numbers of other FBS programs. From a theoretical standpoint, the increased operating expenses at WKU are one example of escalation of commitment where these expenditures may be viewed as investments that increase the probability of future outcomes, the value of future outcomes, or both. Another example of escalation of commitment in the WKU case is an effort to construct a $22 million, 140,000-square-foot indoor football training facility, which was originally announced in August 2016 but tabled in December 2016 (WKU, 2016b; Herald Staff, 2016a). Indoor football training facilities are seemingly obligatory for football programs competing in the Power Five conferences, but these structures are much less common for schools participating in smaller conferences. For example, among the current Conference USA members, only Marshall University has such an indoor training facility. While some perceive indoor practice facilities may provide WKU with a competitive advantage within Conference USA, there are questions surrounding the proposed funding of such a deal (Herald Staff, 2016b; Mudd, 2016a, 2016b). Football programs that spend more have more frequent on-field success and are pressured to spend more to continue that success (Sparvero & Warner, 2003), as well as to emulate characteristics of the highest echelon programs in anticipation of future success. Thus, athletic spending will continue to increase at universities electing to move up to FBS and compete at that level.

Subsidies

To balance ledgers on an annual basis, the majority of Division I institutions must rely on outside sources (e.g., alumni donations, tuition, student fees) to subsidize athletic costs (Desrochers, 2013). As recently as 2015, only 24 of the FBS programs generated enough revenue to cover their augmented expenses (Fulks, 2016). Evidence suggests that subsidization is on the rise across the nation, as subsidies for all of Division I athletics increased $200 million from 2011 to 2012 (Berkowitz, Upton, & Brady, 2013). This trend indicates that institutions are relying heavily on nonathletic entities and the student body to fund athletic departments. In the case of WKU, students paid over $6.5 million in student fees in the 2010–2011 academic year, making WKU the 24th highest-paying FBS student body for athletic fees (Dosh, 2013b). From 2007 to 2012, during its jump to the FBS, WKU expenses covered by student fees and other subsidies jumped by $5.6 million annually (USA Today, 2013). The rising cost of college athletics requires other entities on college campuses to aid in funding the athletic department, often as a not-so-hidden cost of attendance passed on to students and their families.

At WKU, the above-noted subsidization of athletics over the past decade occurred simultaneously to dwindling financial support of higher education by the Kentucky state legislature, as well as aggressive growth in admission of undergraduate students. While erosion of public funding of higher education has been the overall tendency nationally since the 1980s, this trend intensified within Kentucky since the economic recession in 2008. Since that time, erosion of higher education funding from the Kentucky state legislature has decreased 17.4% (Council on Postsecondary Education [CPE], 2015). The decreased funding of higher education has contributed to a substantial shift of the cost burden of higher education to students. More specifically, within Kentucky public higher education, estimated student share of the cost burden of a college degree was 50% during the 2007–2008 academic year (state funding of the burden was 50%) and estimated student share of the cost burden increased to 67% during 2015–2016 (state funding of the burden was 33%; CPE, 2015). A snapshot of such data employing a broader timeline and using figures adjusted for inflation shows that during 2000–2001, the net general fund per student FTE (i.e., full-time equivalent) within the Kentucky public postsecondary system amounted to $9,891 (or 66% of the $14,915 calculated cost of attendance), whereas during 2013–2014, the net general fund per student FTE dropped to $5,802 (or 37% of the $15,723 calculated cost of attendance; CPE, 2015). This report also shows that the number of degree completions at public institutions within Kentucky increased from 25,696 in 2000–2001 to 57,772 in 2013–2014, indicating that despite eroding state support for higher education students were completing substantially more degrees (54% increase). This trend of greater degree completion at higher costs borne by the students graduating from public institutions has contributed to greater student loan debt, with the estimated average student loan debt growing from $17,717 in 2007–2008 to $25,997 in 2012–2013 (32% increase; CPE, 2015). WKU has also seen enrollment growth over the recent past, as total FTE enrollment grew from 14,595 in Fall 2002 to a peak of 17,000 in Fall 2010, and leveling to 16,143 in Fall 2015, with full- and part-time undergraduate students accounting for the largest percentage increases in enrollment gains (WKU, 2008, 2012b, 2016a). In sum, as a public institution, WKU has received dwindling state support over the past two decades. The institution has also increased admissions during this period. These two factors have contributed to a scenario in which the institution has enrolled substantially more undergraduate students at a lesser per-student appropriation from the state legislature, and these factors have played out within a context in which aggressive athletic spending—much of it covered via subsidization in the form of student fees—has also increased at WKU. Thus, a large financial burden associated with a move to FBS was shouldered by students at a time when financial resources were scarce.

Subsidization of athletic expenses through nonathletic revenue streams will likely increase in the coming years because of the recent adoption of a new governing model within the NCAA for the Power Five conferences. The NCAA Division I Board of Directors recently passed legislation for a new governance model that affords these major conferences more latitude in creating their own set of rules and, in the process, likely distances these schools from the others competing in the FBS (Solomon, 2014). The new legislation increases expenditures for the institutions associated with the five major conferences. One component of the newly passed bylaw legislation includes stipends for student athletes above the cost of attendance (Solomon, 2014). The amount of athlete stipends can vary greatly, with Tennessee paying $5,666 and Southern California paying $1,580 (Powers, 2015). FBS schools not members of the five major conferences have the opportunity to also adopt the legislation these Power Five conferences have approved. However, schools such as WKU likely would not have the financial capacity to do so at comparable levels. Yet, given the historical increases in spending, universities are so entrenched in the arms race of college athletics that they may find a way to fund such changes to remain competitive.

The recent rulings in the *Ed O'Bannon v. NCAA* case may also affect athletic expenditures and revenues for universities, given the ways that university branding and sports marketing have coalesced in recent decades. The District Court of Northern California ruled in 2013 that the NCAA's prohibition of football and men's basketball players from receiving a share of revenues from their image and likeness was in violation of federal antitrust laws (Berkowitz, 2014). The District Court ruling increases expenditures for schools, because it allows schools and conferences to deposit money capped at $5,000/year in a trust that will become payable to student athletes when they leave school or their eligibility expires (Berkowitz, 2014). In September 2016, the Ninth Circuit Court of Appeals affirmed, in part, and reversed, in part, the ruling of the District Court on *Ed O'Bannon v. NCAA*. Later that year, the Supreme Court denied an appeal that the court review the case, effectively executing a stay that will likely have profound financial repercussions in college athletics when it is ultimately settled. In the meantime, universities with the financial assets to provide this benefit to student athletes will have a clear advantage in recruiting over institutions with lesser resources, thus forcing schools such as WKU to perhaps further increase subsidies to remain competitive in the effort to recruit and retain talented student athletes. This places WKU, and other recent reclassified FBS institutions, in a precarious position of determining how much more money they will have to spend to remain competitive.

The expenses related to changes within NCAA governance, coupled with the continued rise in coaching salaries and the costs of facility renovations, give credence to the arms race of intercollegiate athletics. Such a description of an arms race in intercollegiate athletics is a clear example of isomorphism, and the institutions that strive to compete in the contemporary Division I athletics environment. The annual growth rate in revenues and expenses within college athletics is at 4.9% (Fulks, 2016). This rate is twice the typical growth rate of the United States economy at large, indicating that college athletics is a substantial financial industry, one growing much faster than the economy. However, the model currently employed is only sustainable for a select portion of FBS schools. WKU is not included in this select portion. Yet the rising expenses that WKU experienced during its reclassification period has resulted from its decision to enter the arms race of college athletics with the rest of Division I FBS institutions. The success of the football team on the field during the past 5 years has likely strengthened the resolve of its university administrators to stay the course and adhere to the escalation of commitment concept (Staw, 1981).

Academic Return on Athletic Investment

Athletic spending is increasing at a much greater rate than academic spending across Division I institutions (KCIA, 2014a). Specifically, at WKU, athletic spending per athlete increased from $26,138 in 2007 to $51,160 in 2012. According to the KCIA (2014a), WKU's athletic spending peaked in 2009, the institution's first year as a full FBS member. Institutions typically strive to spend more on athletics because of the belief that success in athletics will lead to greater prestige and brand recognition for the institution, thus attracting more students (Desrochers, 2013). However, this chain of events has yet to transpire at WKU.

WKU is one of eight public universities within Kentucky that have received declining shares of the state budget, a total share earmarked for higher education that has dropped from 15.8% in 2004 to 12% in 2014. This resulted in a scenario in which the fixed costs of postsecondary education exceeded tuition revenues by an estimated $43.4 million in fiscal year 2014–2015 (CPE, 2014). This financing trend from the state legislature means that universities within Kentucky are increasingly being forced to educate students as the per-student funding appropriation lessens each year. These costs are also passed along to students in the form of tuition increases, which at WKU have increased annually as much as 10% since 2000 (Collins, 2016; Hoang, 2002). Further limiting WKU's capacity to attract more students over the past decade is the its station as a regional comprehensive institution, which relies primarily upon state residents to make up its undergraduate enrollment. However, Kentucky possesses a dwindling number of high school graduates because of demographic changes within the Commonwealth (Bransberger & Michelau, 2016). In short, it may be difficult for a regional comprehensive institution to generate greater brand recognition effectively through athletic success and, in turn, use this as a primary mechanism for attracting more students within the current environment of Kentucky (Herald Staff, 2013; Holloway, 2013a).

Increased athletic costs at a Division I institution arise primarily from increased coaching and scholarship contract costs, demands for more staff, and improved facilities (Kirwan & Turner, 2010). Leaders at Division I institutions often perceive that they are forced to spend money on athletics to attract students, yet improving academic features such as classrooms or teaching staff often remains a lower priority. According to Desrochers (2013), faculty pay often remains flat and academic programs are sometimes cut. At WKU, faculty have received one pay increase in the past decade and some academic programs have been cut to assist in balancing the budget (Collins, 2016). Though some universities have cut athletic teams to limit their athletic subsidies, many academic leaders view spending less on athletic endeavors an unrealistic option when weighing competing demands within the institution. However, increasing athletic spending at Division I institutions may not be as successful at increasing recognition as some believe. For example, after the renovation of WKU's football stadium increased seating capacity by 26%, attendance at football games only increased by 6% from 2007 to 2012 (NCAA, n.d.). The revenue theory of cost suggests that WKU has yet to recoup in the way of gate receipts much of its initial financial commitment for the move to FBS.

Indeed, the athletic spending practices of Division I institutions have been criticized for not being well aligned with the larger, broader mission of higher education (Flowers, 2009). WKU administrators believed that an important component of becoming a "Leading American University With International Reach" and achieving an overall university transformation was to compete at the highest athletic level (Lintner, 2012; Upright, 2009; WKU, 2012a). However, increases in athletic spending have occurred concomitant with a slight decrease in measures of academic quality at WKU (Orszag & Israel, 2009). Retention rates decreased by 2%, and the incoming high school grade point average decreased by .02 points from 2007 to 2012 at WKU, suggesting that athletic success has not stimulated an improvement in measures of academic excellence (National Center for Education Statistics, 2013; WKU, 2008, 2012b). Simply put, increasing academic spending, rather than athletic spending, to ensure that students are receiving a quality education may be more vital to increasing the desired characteristics of students.

Simultaneous with escalating spending on athletics, Division I institutions struggle to control academic spending because of a lack of state support, donations, and increased tuition costs (Desrochers & Kirshstein, 2012). Presidents at these institutions often raise concern with long-term trend of increased costs in athletics. Some presidents believe they may need to discontinue a less recognized sport to keep up with the demands for sports that provide more opportunity for name recognition, such as football or basketball (Kirwan & Turner, 2010). Eliminating athletic teams and reducing subsidies have addressed some of the cost issues within some universities. For example, the University of Maryland, University of California at Berkeley, and Rutgers University recently cut athletic teams and limited athletic subsidies (Desrochers, 2013). At WKU, despite the track and field program having 39 athletes recognized as NCAA All-American since 2011, and despite winning multiple team conference championships, the program had its operating budget cut by 50% in 2016 (Reecer, 2016). This decision to reduce funding for track and field at WKU may be another illustration of the theory of escalation of commitment. Given that, the football program, which possesses much greater—but to this point unrealized—potential for revenue generation, did not receive a reduction to its operating budget proportional to the cuts made to the track and field program. Similarly, Georgia State University, the University of North Carolina at Charlotte, and Mercer University recently made the decision to begin Division I football programs to increase their reputation (Desrochers, 2013), but the current spending trends raise concern for presidents of these Division I institutions, as trends within the FBS as a whole are likely not sustainable (Hesel & Perko, 2010). Despite the negative effects some institutions experience from spending a disproportionate amount on athletics compared to other spending, WKU may be an example of a Division I institution that strives to have successful athletic programs rather than focusing primarily on improving the quality of education offered to its students.

During the time frame of the case study, Division I institutions maintained or increased spending on athletic programs, coaching contracts, facilities, and other expenses in athletics despite an economic downturn in the United States. However, academic spending did not increase at a comparable rate. At WKU, increases in athletic spending have not led to an increase in measures of academic reputation for their university. WKU experienced little change in overall winning percentage, a modest increase in applications compared to its state peers, and a lower quality of applicants. These outcomes at WKU indicate that there is little evidence in the short-term analysis to support the notion that name recognition as an FBS school results in better measures of institution academic quality (KCIA, 2014a). Conversely, increasing spending on academic facilities, teaching faculty, and educational programs could have a significant positive effect in raising the academic profile of Division I institutions, provided such an institution retains and graduates students at a consistent rate.

Arguments for increases in athletic spending are rooted in the aspiration of intangible assets, such as prestige and visibility, which a school must consider according to Wood Selig, the athletic director at WKU from 1999 to 2010 (Miller, 2010). Finances and conference affiliation follow prestige and visibility as strong considerations. While prestige and visibility are difficult to quantify, the WKU football programs overall winning percentage decreased from 69% in its final 8 years as an FCS school to 44% in its first eight seasons as an FBS school, which is a normal trend among universities making the transition from FCS to FBS (Dosh, 2013a). Additionally, the number of applicants to WKU increased by 17% from 2007 to 2012, but in-state competitors such as the University of Louisville and University of Kentucky experienced increases of 24% and 51%, respectively (National Center for Education Statistics, 2013). The little change in overall winning percentage, small increase in applicants, and lower quality of applicants suggest that the additional athletic spending has not produced significantly increased prestige and visibility for WKU, at least in the first decade since moving to the FBS.

Conclusion

Moving up from FCS to FBS comes at a significant cost for institutions. The case study of WKU demonstrates that the risk of moving from the FCS to the FBS can outweigh the apparent rewards. It is not clear in the analysis of WKU's first decade at the FBS level that the decision has led to greater athletic nonsubsidized revenues or greater measures of academic status. Thus, institutions contemplating the move should be made aware of the potential consequences. As WKU demonstrates, such consequences come even in the midst of conference championships and bowl victories, indicating that even with athletic success a move is risky.

Assessing FCS-to-FBS reclassification under a theoretical lens is also important in an investigation of WKU's reclassification. Organizational, decisional, and financial aspects of such a reclassification must be considered for maximum benefits among the many internal stakeholders within a university community. Isomorphism is a theoretical notion that can help to explain organizational change, and this concept is evident in many aspects of the WKU scenario. When universities undergo reclassification, their leaders must understand that as interest and expenses in college athletics increase, there is a pressure, both internal and external, to contribute more money to athletics to compete, as escalation of commitment is a fundamental characteristic of contemporary Division I athletics. However, the constant process of money flowing into an athletic program facilitates growth of the athletic industry, resulting in pressure on other universities to contribute more money to their athletic programs, creating a cycle of increased interest and expenses in college athletics (i.e., arms race). The WKU case study illustrates that, through mechanisms such as increased student fees, subsidization of athletic revenues has played a central role in this elevation to FBS competition. This subsidization has occurred against a backdrop of defunding of higher education from the Kentucky state legislature, suggesting that this funding model of college football is not likely sustainable on a long-term basis. University leaders should be aware of financial cycles before they reclassify from FCS to FBS competition, to predict the effect it will have on the spending and allocation of any revenues. Moving from FCS to FBS status can add more pressure to the entire university, not only athletics, given the higher education funding trends nationally. The financial aspects of FCS-to-FBS reclassification also may be observed through the revenue theory of cost. This research demonstrates that membership in FBS, as opposed to non-FBS, has the greatest effect upon athletic department spending, along with university enrollment. Consequently, university spending can be greatly altered by a reclassification, which can also lead to a change in university enrollment and athletic departmental revenues. Thus, financial aspects from a revenue theory of cost perspective should be strongly considered in an analysis of the risks and rewards of a FBS reclassification, as in the case of the Hilltoppers. It likely will require many decades to fully ascertain the rewards, or potential pitfalls, of WKU entering this arms race upon its athletics program and the university as a whole.

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Appendix A

Western Kentucky Revenues and Expenses 2005–2012 (USA Today, 2013)

YEAR	TICKET SALES	CONTRIBUTIONS	RIGHTS/ LICENSING	STUDENT FEES	SCHOOL FEES	OTHER	TOTAL REVENUES
2012	$1,617,294	$2,049,358	$2,046,658	$6,421,091	$11,274,541	$2,361,320	$25,770,262
2011	$1,587,381	$2,343,003	$1,682,912	$6,521,111	$7,575,504	$2,559,573	$22,269,484
2010	$1,666,379	$2,373,536	$2,039,219	$6,437,652	$9,049,848	$1,676,714	$23,243,348
2009	$1,647,058	$2,160,965	$1,717,268	$6,060,691	$7,583,982	$3,152,353	$22,322,317
2008	$1,655,224	$1,529,939	$1,554,112	$5,798,822	$7,905,203	$1,514,609	$19,957,909
2007	$1,392,274	$1,360,549	$1,384,583	$3,508,864	$8,585,634	$976,806	$17,208,710
2006	$1,520,857	$1,229,444	$1,347,352	$4,407,525	$6,338,409	$1,237,458	$16,081,045
2005	$1,306,886	$1,131,874	$1,266,923	$4,237,895	$5,810,099	$824,057	$14,577,734

YEAR	COACHING/ STAFF	SCHOLARSHIPS	BUILDINGS/ GROUNDS	OTHER	TOTAL EXPENSES
2012	$7,610,625	$5,833,320	$2,946,852	$9,454,819	$25,770,262
2011	$6,960,281	$5,375,005	$2,067,494	$7,921,927	$22,269,484
2010	$6,669,868	$5,388,893	$2,234,020	$8,990,973	$23,243,348
2009	$6,310,293	$5,210,774	$2,271,975	$8,569,389	$22,322,317
2008	$5,871,315	$4,550,204	$2,327,476	$7,253,899	$19,957,909
2007	$4,906,548	$3,888,313	$1,994,856	$6,451,788	$17,208,710
2006	$4,470,687	$3,290,434	$2,114,507	$6,238,085	$16,081,045
2005	$3,939,763	$2,914,828	$2,008,219	$5,739,509	$14,577,734

Appendix B

Football & Academic Spending Data 2007–2012 (Knight Commission on Intercollegiate Athletics, 2014a)

FOOTBALL SPENDING PER FOOTBALL PLAYER

Total football operating expenses, including the cost of scholarships per football player (scholarship and non- scholarship).

2007	2008	2009	2010	2011	2012
WESTERN KENTUCKY UNIVERSITY+96% from 2007–2012					
$26,138	$34,479	$56,237	$47,671	$49,070	$51,160
SUN BELT CONFERENCE MEDIAN+65% from 2007–2012					
$30,961	$32,237	$41,519	$35,757	$43,126	$51,160
FBS MEDIAN+48% from 2007–2012					
$77,819	$80,413	$93,905	$106,053	$102,128	$115,024

Note. Amounts reflect current dollars. Inflationary adjustments can be made in custom reporting.

ACADEMIC SPENDING PER FTE STUDENT

The full cost of education per full-time equivalent (FTE) student. It includes only the direct and indirect costs related to educating students; spending related to other university activities or services is excluded.

2007	2008	2009	2010	2011	2012
WESTERN KENTUCKY UNIVERSITY+36% from 2007–2012					
$9,089	$9,877	$9,774	$10,665	$11,695	$12,405
SUN BELT CONFERENCE MEDIAN+23% from 2007–2012					
$8,431	$9,691	$9,342	$10,012	$10,956	$10,332
FBS MEDIAN+18% from 2007–2012					
$12,195	$13,349	$13,471	$13,628	$13,563	$14,353

Note. Amounts reflect current dollars. Inflationary adjustments can be made in custom reporting.