Executive Summary
of
“Division I-A Postseason Football History and Status”

A report prepared by John Sandbrook
for the
The Knight Foundation Commission on Intercollegiate Athletics
May 2004

“When a television company rather than civic organizations owns three bowl games and when almost all of the games are emblazoned with corporate icons rather than municipal icons, it should be clear that the bowl game environment that many fondly remember is history.”
- John Sandbrook

John Sandbrook’s report, “Division I-A Postseason Football History and Status,” prepared at the request of the Knight Foundation Commission on Intercollegiate Athletics, offers a comprehensive examination of Division I-A postseason football, from the historical roots of bowl games as civic events designed to promote tourism to today’s environment where games are viewed primarily as television properties. The report provides supporting data for critical aspects of the bowl system and its participating institutions, including scheduling information compared to the academic calendar, television and sponsorship arrangements, financial results, and the distribution of participation opportunities by each Division I-A conference and institution. The report examines the overwhelming role economic factors continue to play in every facet of the bowl system, including the critical issue of its governance and the negotiation
and administration of its largest revenue factor – television rights – as separate properties rather than as a consolidated package or sets of packages.

**Governance**

Until 2004, Division I-A postseason football has been dominated by a coalition of conferences aligned in the Bowl Championship Series (BCS), including the Atlantic Coast Conference, the Big East, the Big Ten, the Big 12, the Pacific-10, the Southeastern Conference and Notre Dame. Many of these conferences have had long-standing relationships with specific bowls; indeed, the Rose Bowl existed before the NCAA was established in 1906. The data presented throughout the report evidence the central role economic factors play in the decisions conferences make with regard to the bowl system. The most prominent example is the BCS organization that links the more “successful” football conferences with four major revenue-producing bowls and a single television company. The BCS structure, in place since the 1998-99 season, attempts to stage a No. 1 vs. No. 2 match-up in the “BCS National Championship.”

The BCS structure arose from economic concerns, primarily associated with television rights fees and the audience ratings that drive those fees. Television ratings for the four major revenue-producing bowl games (currently the BCS games) have remained essentially flat over the past 15 years. Holding viewership over this time period is seen as a positive accomplishment for the BCS, compared to other major U.S. television properties. Comparatively, the NCAA Division I men’s basketball championship game television audience ratings decreased 50 percent over the same time period.

Despite the apparent success in stabilizing one economic factor (television ratings) for the four most prominent bowl games, the author concludes that the absence of a governing structure to manage the entire bowl system weakens its economic strength, notwithstanding claims by others as to the overall financial well-being in terms of game attendance, etc. A single governing authority could, at a minimum, coordinate all television and sponsorship agreements to maximize revenues and provide stability in corporate sponsorships while lessening commercialization, and more fully address academic concerns related to the scheduling of bowl games.
**NCAA Role in the Bowl System**

Obstacles to establishing a single governing authority over Division I-A postseason football are legal and political. In 1984, the U.S. Supreme Court ruled that the NCAA Football Television Plan for regular season games by Division I-A members was a violation of U.S. antitrust laws. Subsequent legal advice provided to the NCAA suggested that the ruling affected the NCAA’s efforts to regulate postseason football bowl games as well.

These legal opinions did not advise against a postseason structure involving an NCAA-administered championship. There were two separate attempts, in 1988 and 1994, to study such a championship; however both efforts were discontinued by NCAA policy-making bodies due to concerns regarding the possible expansion of commercialization; conflict with the academic calendar; perceived pressure on coaches and athletes resulting from an NCAA Division I-A football championship format; and the lack of convincing evidence that such a championship was in the best interests of the image and welfare of Division I-A football.

Thus, the NCAA’s involvement in football postseason governance has been limited to certifying the postseason bowl contests in accordance with criteria that focus primarily on various financial considerations.

**Television**

In this governance vacuum, one company, Walt Disney Company, which owns the ABC and ESPN television networks, has gained unprecedented power and control over the presentation of postseason games. This television conglomerate holds the broadcast rights to 25 of the 28 bowl games. Further, ESPN is the outright owner of three bowl games. Not-for-profit civic associations (and, in a few cases, for-profit promoters,) own the remaining games.

The economic advantage of one authority negotiating a package of bowl games is evidenced in the television rights fees paid by ABC for the four BCS bowls, particularly the three BCS games negotiated by the BCS as a package. In 2003-04, the cumulative television rights paid for the four-game BCS was $100 million, compared to $19.6 million paid for the television rights for all the other 24 bowl games combined. An examination of the Gross Rating
Points (GRP) for the games shows that ABC paid an average of seven times more per ratings point for each BCS game than the amount paid by ABC and the other television companies for the other individually-negotiated non-BCS games. Advertising rates—and thus the network’s revenue—are based on Gross Rating Points.

Despite the additional revenue streams from the BCS title and presenting sponsorship packages, which did not exist for the television broadcasting company prior to the BCS/ABC agreement, ABC representatives had previously testified to the Knight Commission that ABC Sports is losing money on its television agreement with the BCS. The author analyzes financial data reported to the NCAA and television audience data and concludes that the advertising and sponsorship revenue generated by the 21 other bowl games telecast by ABC/ESPN networks are subsidizing the BCS.\(^1\)

\(^1\) Subsequent to the issuance of this report to the Knight Commission, the ABC television agreement for the annual Rose Bowl was extended for an additional eight years, from 2007 to 2014.
Components of the Bowl System

Economic factors not only drive the governance of postseason football but also influence the major components of the system – the level of commercialization associated with the games; the number of bowl games played; the dates on which the games are scheduled; and the selection of participating teams. The facts presented in the report show that the television network and the bowl associations have exercised considerable control over these components for their own economic benefit, and that controls to address educational or student-athlete welfare concerns are minimal compared to other postseason competitions involving NCAA teams. Those facts are:

- At least 23 of the 28 Division I-A postseason bowl games now carry a corporate name, as does the “BCS national championship trophy.” Commercial names and logos are considerably more prevalent at bowl games and in the broadcasts than at the championship events and broadcasts of any of the major professional leagues, or any other NCAA championship event—including the Final Four.
- The number of bowl games increased from 17 games in 1986-87 to 28 games in 2004-05 (with three additional games being considered for 2005-06). This number guarantees that nearly half of all Division I-A football teams will compete in a postseason game.
- For 2004-05, 25 percent of the “non-BCS” bowl games are scheduled prior to December 25 with the first game scheduled for December 14. The timing of the first postseason game as well as the practices and travel required leading up to each other game prior to December 25 most likely intrude upon the examination periods of the participating teams.\(^2\)
- Bowl associations prioritize financial considerations in their conference affiliations, resulting in situations where institutions/teams that provide better financial returns (i.e., those whose supporters travel in larger numbers to game locations and purchase tickets) may be chosen to participate over teams that have had more competitive success but who lack an equivalent group of enthusiastic supporters. As a result, 74

\(^2\) With the recent decision by the BCS leadership to have its “No. 1 vs. No. 2” game scheduled, for television purposes, on the weekend after the first full week of each January, the duration of the postseason bowl game “season” will now be nearly four weeks.
percent of the 54 guaranteed bowl game slots are reserved for members of the BCS alliance.\textsuperscript{3} These conference bowl affiliations were, through 2004-05, one of the central factors in the recent conference realignments that marked the largest number of changes in NCAA history, affecting 15 percent of the Division I-A membership.\textsuperscript{4} These realignments have a direct impact on all aspects of NCAA governance.

**Revenue Distribution**

The absence of a single governing authority allows virtually all the revenue derived from bowl games to flow directly to specific conferences. A comparison of the football revenue distribution with the NCAA revenue distribution shows the advantageous financial position gained by conferences through their control of the football postseason. Division I-A conferences receive 99 percent of all net income generated by the football postseason. In comparison, the NCAA distributes 58 percent of its income (primarily generated by the Division I basketball championship) to its Division I members.\textsuperscript{5}

The NCAA is responsible for funding the NCAA Football Certification Subcommittee’s activities and staffing, and for conducting programs such as enforcement and drug testing to regulate football programs despite the absence of receiving any revenues directly from football game revenues (e.g., ticket sales, television, sponsors).

By controlling the lucrative ABC/BCS contract and the majority of the guaranteed bowl slots, the BCS members receive financial distributions that are out of proportion with the actual revenue generated by the games in which they participate, according to the television rating and advertising estimates in the report. Indirectly, it is argued that the non-BCS bowl games subsidize the four BCS bowl games through the absence of any television negotiation leverage by the former group.

\textsuperscript{3} Based upon conference affiliations and conference memberships in place for 2004-05.

\textsuperscript{4} During the 2003-04 academic year, conference membership changes involved 17 Division I-A institutions and half of the conferences.

\textsuperscript{5} Based on 2002-03 data.
Financial Health of the Bowl System

The 2003-04 financial data submitted to the NCAA by various bowl associations/owners indicate that 21 bowls recorded net profits ranging from $342,000 to $7.5 million. Six bowls reported a net loss ranging from $12,000 to $369,000 and one bowl reported a break-even outcome. As reviewed earlier, ABC Sports has indicated that it is losing money on the BCS but it is believed ABC/ESPN networks are in a positive financial situation given the additional non-BCS bowl games they televise and, in three instances, own.

Gross revenue, team payouts and bowl revenue retention have tripled for the four major games since the formation of the original BCS alliance. Gross revenue, team payouts, and bowl revenue retention have doubled for the other bowls over the same time period, although much of that increase is due to a 60 percent increase in the number of games.

---

6 Gross Revenue for the four major bowl games was $48.6 million in 1994-95 (the last year before the Bowl Alliance, which preceded the BCS) to $147.7 million in 2003-04. The Gross Revenue for all other games increased from $42.9 million in 1994-95 to $98.1 million in 2003-04, but with a 60 percent increase in games.
The recent agreement by the BCS governing board to alter the revenue distribution and increase access by adding a fifth bowl game to the BCS structure will increase pressure for increased revenue. The “market acceptance” of an altered BCS system, judged by television rights fees, appears to be a significant condition to this agreement, emphasizing again the power television has in defining the system that exists.

The report addresses the proposed changes to the system being discussed in Spring 2004 and designed to remedy some of its current problems. It emphasizes that the lack of a governing authority able to consider and address all the key issues – business, educational, and political – is a material weakness. The report does not offer specific solutions, but focuses on facts and data for stakeholders’ reference when considering what is “arguably the most visible face of higher education to the U.S. public at large.”

A full-length version of the report and supporting documents are available at www.knightcommission.org.