

ISSUE FOUR: DIVISION II AS A POSSIBLE MEMBERSHIP DESTINATION

Identification of Issue

New entrants to the NCAA must select a division prior to beginning the process to join the Association. An existing member must remain comfortable, on an on-going basis, that its designated division is an appropriate “home.” Many factors must be considered in making such a decision, including philosophical, financial, geographic and mission-based considerations. Most small colleges or universities join the NCAA at the Division II or III level and therefore compare and contrast the membership requirements and benefits of Divisions II and III.

In managing Division III’s membership program, it is important to understand how new entrants to the NCAA and continuing members are evaluating the best divisional affiliation for the institution. To what extent do institutions make a choice of affiliation as a matter of shared philosophy, and to what extent do institutions make the choice based on real or perceived financial considerations? It is believed that many institutions do not understand the true costs and benefits of Division II versus Division III membership, and that the assumption that it is less expensive to run a Division III program is not accurate in many cases. While the sponsorship of an athletics program clearly affects enrollment and persistence, the primary basis for membership in Division III should be a commitment to the division’s philosophy, not perceived cost savings or effectiveness.

Background

All three NCAA divisions have established requirements to enter and maintain membership. Effective in 2010, Division III will require six sports per gender for institutions with more than 1,000 full time undergraduate students. Institutions with less than 1,000 students shall be required to sponsor five sports per gender. The Division II standard is a minimum of ten, with at least four sports per gender, regardless of institutional enrollment.

Further, Division II has established minimum financial aid requirements, whereby a member of Division II shall annually provide financial assistance that equals one of the following:

- a. A minimum of 50 percent of the maximum allowable equivalencies in four separate sports, at least two of which must be women’s sports;
- b. A minimum of 20 total full equivalency grants with at least 10 total full equivalency grants in women’s sports; or
- c. A minimum total expenditure of \$250,000 in athletically related financial aid with at least \$125,000 in women’s sports.

The awards that can be counted toward Division II's minimum aid requirements include much more than just athletics based scholarships. Countable aid includes most every form of institutionally awarded aid in which there is any subjective criteria in determining whom will be awarded the money, even if the criteria for the award has no connection to athletics participation. There are a few noncountable aid types, but those are based mainly on non-athletic objective criteria such as established governmental grants and grants based on nationally established high school academic standards.

As part of its own membership strategy, Division II recently undertook a study of the financial and nonfinancial benefits of Division II membership. The NCAA engaged the economic consulting firm of Hardwick-Day to help existing and prospective members in Division II better understand both the real cost of the investments made by Division II institutions and the value they receive in return for their investments. The analysis resulted in the conclusions below.

Impact on Campus Culture:

- Athletic scholarships tend to bolster enrollment near the middle of the academic profile, and most notably, not at the bottom of the profile.
- Athletic scholarships offered to females are especially helpful to institutions' academic profiles.
- Athletic scholarships are beneficial in building male enrollment as a share of new students.
- Athletic scholarships recipients increase ethnic diversity among new students.
- Athletic scholarships increase the geographic diversity of new students.
- Athletic scholarship recipients exhibit more involvement in community service and volunteer activities than non-recipients.

Financial Impact:

- The net cost of operating Division II athletic programs, excluding the cost of athletics scholarships, tends to be lower than for programs of similar size in Division III, primarily due to larger operating revenues generated by Division II programs.
- Athletic scholarship recipients at Division II institutions most frequently include other Division II institutions among their choices, as opposed to NCAA Division I or III or non-NCAA schools. This suggests that not offering athletic scholarships

would place Division II institutions at a competitive disadvantage in recruiting these students.

- A portion of athletic scholarship expenditures at private institutions replaces grant aid commitments to students that would otherwise be based on need or academic performance if these same students had not received athletic scholarships. This indicates that, for these institutions, the cost of athletic scholarships is actually smaller than the amount they've allocated for athletic scholarships in their budgets.
- Athletic scholarship expenditures at public institutions are almost entirely new funds that would not otherwise be offered as other forms of gift aid, suggesting that the budget allocation for athletic scholarships at public institutions is a more accurate measure of their actual cost.
- Institutions that emphasize fewer and larger scholarships would be likely to increase net tuition revenue by reducing the average amounts of athletic scholarships and offering them to more students. Total elimination of athletic scholarships may increase net tuition revenue for some of these institutions, but probably not as much as an approach that reduces award amounts per student, and may well result in a loss of non-tuition revenues associated with athletics.
- Institutions that offer smaller athletic scholarships to more students are more likely to generate optimal net tuition revenue. For these institutions, eliminating athletic scholarships might well reduce net tuition revenue, and non-tuition revenues associated with athletics may also be expected to decline.
- Simulations of alternatives are challenged by the reality that student athletes lost when athletic scholarships are reduced or eliminated would, at least in part, be replaced by less-recruited student-athletes. Our assumption is that these prospective student athletes could also be recruited with no change in the athletic scholarship program if the institution chose to do so.

To assist institutions in reviewing their athletic scholarship programs, Division II constructed a model designed to estimate the results of changes made to the athletic scholarship program. Institutions enter a series of data (related to demographics, athletics, financial aid offerings and other elements) and receive estimated roster sizes that account for enrollment gains resulting from additional scholarships or losses resulting from reductions, resulting changes in net tuition revenue, changes in non-tuition revenue and expenses that might be expected with significant changes in the athletic program. Institutions have the ability to adjust the number of full scholarship equivalents and scholarship recipients for each sport, and the ability to model

scenarios more conservative or more optimistic than projected from the base model. This simulation model is available on the Association's Web site.

Division III Philosophical Principles

It is the responsibility of the Association to clearly articulate for existing and prospective members the values and expectations of each division, as well as related legislative and administrative standards, so that members may assess which division best accommodates the institution's own special objectives and programs.

The Division III philosophy prescribes a series of values that guide and define the division. There is an expectation that members of the division operate athletics departments in confirmation of those values. Further, the conclusion of the philosophy statement indicates that the purpose of the NCAA is to assist its members in developing the basis for consistent, equitable competition while minimizing infringement on the freedom of individual institutions to determine their own special objectives and programs. The philosophy statement articulates principles that represent a commitment to Division III membership and shall serve as a guide for the preparation of legislation by the division and for planning and implementation of programs by institutions and conferences.

Division II philosophic tenets most distinct from Division III include the ability to offer athletically related financial aid and placement of a greater emphasis on national championships competition. While the Division III philosophy statement notes that institutions shall give primary emphasis to regional in-season competition and conference championships, Division II emphasizes regional competition in preparation for the national championships experience. Also, the Division II philosophy includes a focus on the role of the Division II athletics program in local campus communities. Division II programs strive to "balance" the role of the athletics program to serve both the institution (e.g., participants, student body, faculty, staff) and the general public (e.g., community, area, state). This contrasts with the Division III tenet that special emphasis shall be placed on the impact of athletics on the participants rather than on the spectators and that greater emphasis be placed on the internal constituency (e.g., students, alumni, institutional personnel) than on the general public and its entertainment needs.

Identification of Options

The division could pursue its own strategy to make potential and existing members aware of the benefits of Division II membership, or it may work in conjunction with Division II and the broader Association to accomplish this goal. The division must decide how proactive it desires to be in making known the resources available to assess membership fit, or to what extent it wishes to rely on Division II or the broader Association to accomplish this task.

Summary of Survey and Membership Feedback

In response to the membership survey question regarding other structural options for the NCAA to consider, 112 institutions offered a written response. Half of the responses noted the desire for the inclusion of Division II in any restructuring discussions, with 30 institutions citing the creation of a non-scholarship subdivision of Division II as a structural membership option.

In response to the issue of whether institutions seek Division III membership for philosophical or financial reasons, many town hall participants noted that geography may have a greater impact on membership affiliation than philosophy. While geography is related to finances, it is also related to missed class time. Participants also noted that the NCAA brand significantly aids institutions in the recruiting process; institutions may be seeking the NCAA brand first, with the Division II or III mark as a secondary priority.

In its preliminary review of this issue, the Division III Membership Committee was hesitant to endorse the concept that the Division III provisional membership program should specifically tout the benefits of joining another division. Rather, that committee expressed a preference that the Association make available a resource to help provisional members assess which division best meets their needs.

Recommendations for Further Consideration

- Require the use of the Division II financial aid simulation tool or other similar exercise as part of the Division III provisional membership program.
- Enhance the NCAA Web site to permit existing and potential members to more clearly and directly compare and contrast the philosophies and legislative requirements of Divisions II and III, as well as related membership profiles (e.g., average and ranges for enrollment, sport sponsorship, budgets, geographic location, etc.)
- Include educational programming related to membership at the annual rules seminars and/or Convention.
- Conduct periodic joint meetings of the Divisions II and III Membership Committees.