

Could Spinning Off Your College Sports Program As A Separate Entity Be An Answer To The Changing American College Sports Landscape

Monday, July 15, 2024

The world of college sports is changing at a rapid pace with colleges and universities, as well as the NCAA trying to get a hold of what is happening. The latest court ruling adds to more financial pressure on colleges and universities to stay in arms race for college sports relevance. Recently, the NCAA has given colleges and university sports programs the green light to potential to form sponsorship branding opportunities on uniforms and stadium locations. However, there is any area that colleges and universities may consider in the new world of college sports. Specifically, colleges and universities may want to consider spinning off their college sports program as a separate entity.

Why It Matters?

The college sports world in America has exploded with lucrative media deals, NIL, court rulings, etc. These events have opened more opportunities, money, and problems for colleges and universities looking to stay competitive in the new world of college sports. However, this growth and what many see as the wild west is putting financial strains on colleges and universities. These financial strains have many predicting potential cuts to some sports programs, staffing, or rethinking priorities about their sports program. These strains and challenges have led many to think outside of the box in meeting the new demands of college sports in America. Anything is on the table with the possibility of spinning off their sports program as an independent entity.

A Closer Look?

Here is an example of how this could work for a college or university spinning off their sports program as an independent entity.

The college or university would create the sports program as a limited liability company (LLC) responsible for all the daily operations of each sports program. The LLC would be operated as a for-profit entity responsible for all the expenses, administrative, and revenue-generating aspects. A president or general manager would run the daily operations of the LLC. In many cases, the athletic director would be the individual who could operate the LLC. As an LLC, there would be agreements between the college or university on the various aspect such as funding, profit-sharing, and any other logistics or matters.

Another example of the sports program operating as a LLC would involve the above-mentioned example, but with more layers of operations. Specially, within the parent LLC, each sport would be created as either a division, a doing business as (DBA) entity, or LLCs. For context, the University Sports LLC operates as a parent LLC with individual sports programs like football, track and field, basketball, and volleyball as sub-LLCs. This arrangement would allow the main LLC to operate as a centralized

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operations with agreements among the various sub-LLCs for services and products. Each of the sub-LLCs would have presidents or general managers along with staffing to operate with the agreed upon independence.

These are a few of the examples of how colleges or universities could structure their sports programs as separate entities to deal with today's college sports environment.

Not unfamiliar territory for colleges and universities

There will be individuals who would question the idea of colleges and universities operate their sports programs as separate entities. However, many colleges and universities have used this model in other ventures. It is common for colleges and universities to spin off departments or projects as separate entities to generate revenue and autonomy to engage in projects without the usual bureaucracy. Some of these independent ventures include, but limited to areas related to research and development projects, real estate holdings, scientific, and joint ventures with governments. In some cases, there are colleges and universities that operate independent for-profit ventures tied to students seeking degrees in certain fields of study to provide work experience upon graduation.

Concerns Raised

As there are opportunities for these colleges and universities, there are many concerns about the approach to operating college sports programs as separate entities. Some of these concerns include the following:

- Structure of the sports program as a separate operating entity.
- Alumni concerns about the approach.
- Sports entity being too independent.
- Lack of oversight and transparency.
- Conflicts with the NCAA.
- Conflicts with conferences/leagues.
- Student-Athletes' well-being, compensation, employee status, etc.
- Money (e.g. distribution, rights, etc.).

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These concerns are not all inclusive, but should allow for honest discussion about college sports and how to make it sustainable for the college or university, student-athletes, fans, and others with a vested interest.

Takeaway

College sports is rapidly changing with more money on the table than before. However, with more money comes more responsibilities and more problems for the college or university handle. Many colleges and universities are trying to navigate the new college sports landscape without breaking the bank. With everything on the table, colleges and universities may look at the benefits and costs of possibly separating their sports programs as an independent entity. After all, we are entering a new landscape and anything and everything is fair game for consideration in the college sports arms race.