

When contributions are counted as commercial revenue, 73 percent of the revenue of athletic departments for Division I schools comes from commercial sources; when contributions are considered noncommercial, the share is about 54 percent. Within Division I, however, there are dramatic differences. Depending on whether contributions are considered commercial, athletic departments at Division IA schools receive about 60 percent to 80 percent of revenue from commercial sources, compared with 20 percent to 30 percent for schools in Divisions IAA and IAAA.

### Commercial Activity in Other University Programs

The share of revenue from commercial activity in the rest of the university serves as a useful benchmark in determining whether athletic departments generate a disproportionately high share of revenue from commercial activity.

The Department of Education maintains the Integrated Postsecondary Education Data System (IPEDS), which contains data on revenue from most postsecondary institutions. CBO used those data to estimate the commercial share of total revenue for the entire school. IPEDS includes a category for revenue earned from auxiliary enterprises, defined as “revenues generated by or collected from the auxiliary enterprise operations of the institution that exist to furnish a service to students, faculty, or staff, and that charge a fee that is directly related to, although not necessarily equal to, the cost of the service.”<sup>7</sup> Examples of auxiliary enterprises include residence halls, food services, and athletic departments; all revenue from those sources is classified as commercial.

Many university systems also have hospitals, which serve populations and missions that are somewhat different—though overlapping—from those served by the rest of the university. Although most hospital revenue is received in exchange for services, universities’ hospital services are not typically viewed as a commercial enterprise. Whether hospitals should be considered a fundamental part of the universities’ educational mission is unclear; the share of revenue from the universities’ commercial enterprises shown in Table 2 is therefore presented both with and

without hospitals included in the schools’ overall revenue. Hospital revenue is classified as noncommercial when included in the universities’ total revenue.

With associated university hospitals excluded, the universities as a whole derive almost 11 percent of their revenue from commercial activities when contributions to the university are considered a noncommercial source of revenue. That share rises to about 14 percent when contributions are classified as commercial (see Table 2).<sup>8</sup>

A final consideration is the treatment of athletic programs’ revenue within the overall university. For schools in Division IA, that revenue comes primarily from commercial sources, so including it boosts the share of revenue from commercial sources for the university as a whole. Because the IPEDS data do not have a separate category for the revenue of athletic programs, CBO used the *Indianapolis Star* data to estimate each category of revenue net of the effect of athletic programs.<sup>9</sup>

When athletic departments are removed from the calculation of commercial revenue for the university, the commercial share falls (see Table 2). Excluding hospitals, the share of university revenue from commercial sources is about 8 percent when contributions are considered noncommercial. That treatment of contributions may be more appropriate for the rest of the university than for the athletic department, although individuals or organizations making the largest donations to universities also tend to receive something, such as naming rights, in return. When contributions are considered commercial,

7. Susan G. Broyles, *IPEDS Glossary* (Department of Education, National Center for Education Statistics, rev. August 1995), <http://nces.ed.gov/pubs95/95822.pdf>, p. 28.

8. When hospitals are included in the calculation, the commercial share of revenue is 9.5 percent with contributions considered noncommercial and 12.6 percent with contributions considered commercial.

9. In adjusting the universities’ revenue to exclude revenue from athletic departments, CBO assumed that the schools that did not respond to the FOIA request were similar to those that did. CBO made the adjustment using averages from the *Indianapolis Star* data. For example, the calculation for all university revenue excluding athletics was made by subtracting the average revenue of athletic departments in the *Star* data, multiplied by the number of schools (101), from the total university revenue given in IPEDS. CBO used a similar process to calculate university revenue excluding athletics for contributions and auxiliary enterprises, using the *Star* data averages for contributions to athletic departments and commercial revenue from athletic departments, respectively.