



## The Importance of the “Texas Four”: Economic Losses Stemming from Separating Baylor from the Other Texas Big 12 Schools

**The Big 12 has brought increased publicity, prestige, and an overall positive economic impact for Texas’ participating schools, the Waco area, and the Lone Star State as a whole since its formation in 1994.** There are numerous advantages to being part of a premier NCAA Football Bowl Subdivision (FBS) conference, including measurable economic benefits such as higher ticket sales, more visitor spending, and greater media coverage.

College sporting events bring millions of people together each year to watch and root for their selected team. Spending by fans can greatly impact the local economy as well as school revenue. According to the NCAA, in 2008 the Big 12 had an average attendance at football games of 62,956.

Texas is home to four Big 12 teams competing in a number of sports: Baylor University, Texas A&M University, Texas Tech University, and The University of Texas at Austin. These Texas universities have performed well in the Big 12 and generated a sizable fan base. In fact, from 2003-04 to 2008-09, the University of Texas, Baylor, and Texas A&M held the first, second, and third spots, respectively, for the number of Big 12 Championships won followed by Oklahoma and Nebraska.

Besides season games, major games such as bowl games and NCAA championships or pre-championship games, such as basketball’s Sweet Sixteen or Elite Eight, produce notable local economic stimulus and major television exposure for participating schools. **A greater number of Texas teams participating in any conference will give Texas a better chance of hosting large sporting events including conference championship games; such games lead to tens of millions of dollars in economic impact.**

**The benefits of being part of a widely televised and competitive conference are many, including prestige and recruiting advantages.** Moreover, conference television contracts represent major revenue sources for athletic departments of universities in the largest collegiate sports conferences. For example, this past season, the SEC signed two TV contracts (ESPN and CBS) totaling \$3.5 billion over 15 years. The Big Ten has a \$1 billion contract with ESPN and an estimated \$2.8 billion contract from its own Big Ten Network. While football drives conference media coverage and revenue, all athletic departments benefit from media contracts leading to better programs across a university.

In addition to benefits to university athletic programs, **participation in premier NCAA FBS conferences furthers the reputation and academic competitiveness** of participating schools. The Big Ten, Pac-10, and the Big 12 all boast universities represented in the Association of American Universities (AAU), a prestigious achievement signifying a nationally recognized research presence. Conferences also collaborate through voluntary consortiums, such as the Big 12’s Faculty Fellowship Program and the Big Ten’s Committee on Institutional Cooperation (CIC). Thus, athletic

conference ties not only benefit athletic departments. Researchers are able to build broad communities, share knowledge and resources, and positively impact educational and research ambitions of all universities involved.

Numerous benefits for participating universities as well as local and state economies are clearly obtained through participation in large athletic conferences. The Perryman Group (TPG) was recently asked to quantify the economic impact if Baylor University is separated from the other major Texas educational institutions currently in the Big 12.

## ECONOMIC IMPACT OF SEPARATING THE TEXAS FOUR

The Perryman Group estimated **potential net annual losses to both Texas and the Waco area if Baylor separated from other major Texas educational institutions currently in the Big 12. These losses in home game expenditures, major conference games, media contracts, and visitor spending** are net of impacts Baylor would continue to generate through activity in a conference apart from the other three current Big 12 Texas universities. Negative effects would be particularly notable if the balance shifted in the Texas representation relative to other states, as has been suggested in one proposed realignment involving the PAC-10.

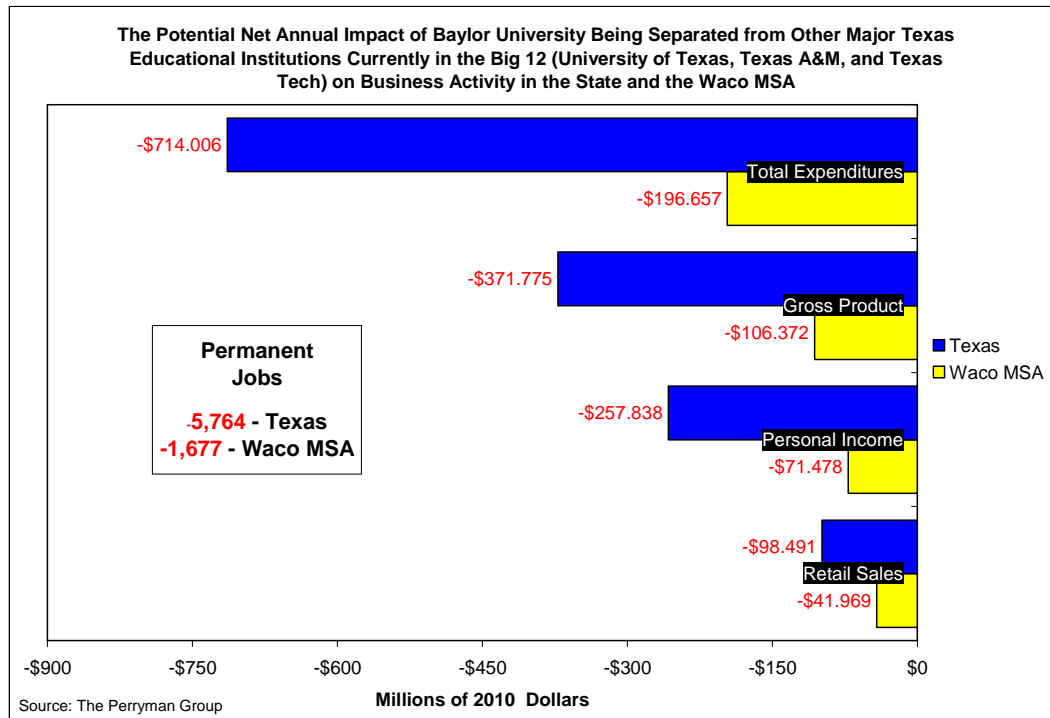
The basic method used in this study is dynamic input-output assessment. The model used herein is a subset of the US Multi-Regional Impact Assessment System which was developed and is maintained by The Perryman Group and used in hundreds of contexts since that time. This model quantifies the multiplier (or spinoff) activity gained or lost as a result of the initial stimulus. In this case, TPG analyzed typical patterns in attendance, conference games, and other related measures in the largest/premier leagues (such as the Big 12) compared to others in order to estimate the likely reduction in economic stimulus if the four are separated.

In particular, it was assumed that Texas would lose (1) one significant conference championship level football game each year, (2) 1.5 major rivalry games (as three games that are now within Texas would be played out of state in alternating years), and (3) one major conference television payment and Bowl Championship Series payment. Comparable effects for other sports were estimated based on their relative importance. These amounts were offset by the likely revenues coming to Baylor as part of a less prestigious conference; thus, only the net effects are reflected in the analysis. Outlays in various categories (university operations, tourism, etc.) were allocated based on the specific element of the direct losses. The losses in the Waco area were estimated as 25% of the net regional rivalry effects (adjusted for relative attendance) and the anticipated net reduction in television revenues.

Impacts are expressed in terms of key measures of business activity. In essence, total expenditures (or total spending) measures every dollar that changes hands in the local area as a result of the stimulus. Gross product (or output) is the amount of new production of goods and services that will come about locally as a result of the activity. Personal income is dollars that end up in the hands of people in the area; the vast majority of this derives from the earnings of employees, but payments such as interest and rents are also included. Job gains are expressed in permanent jobs (for an ongoing impact).

Texas is likely to experience sizable economic losses if Baylor is separated from the other Texas Big 12 teams. The Perryman Group estimated these effects to include \$714.0 million in annual expenditures, nearly \$371.8 million in annual output, and 5,764 jobs.

The potential decrease to Waco is estimated to be \$196.7 million in annual total spending, \$106.4 million in annual output (gross product), and 1,677 jobs.



In addition, the State government would lose more than \$19 million in tax revenue each year associated with this foregone economic activity.

## CONCLUSION

The positive economic effects of college athletics stem from ticket sales and visitor spending as well as hosting important games. Schools in the premier conferences also realize notable benefits such as national media exposure and lucrative media contracts. The presence of four schools in a premier conference is important to Texas' ability to capitalize on the potential economic stimulus of college athletics.

If Baylor is separated from the three other schools currently in the Big 12, the Waco area and the state as a whole stand to lose significant economic activity. As noted, The Perryman Group estimates that losses to Texas would include almost \$371.8 million in output annually and 5,764 jobs. For Waco, some \$106.4 million in output each year and 1,677 jobs could be lost.